
This increased importance of the U.S. market reflects the combined impact of a number of factors including exchange rates, tariff reductions as a result of the last round of multilateral trade negotiations under the GATT, cyclical factors and the relatively favourable economic growth rates. In particular, exports of cattle, hogs and red meat to the United States have increased. Shipments of storable vegetables including potatoes have also shown strong growth. The increased share of exports destined for the United States also reflects reduced non-grain exports to the European Community and some decline in exports, such as pork, to Japan.

The U.S. market is particularly important for Canadian exports of live cattle and swine (89 per cent of total exports), sugar (95 per cent), beef and pork (82 per cent), seeds for sowing (79 per cent) and maple products (77 per cent). The relative importance of the U.S. market for other commodity groups is shown in Table 2.2.

The United States is Canada's main supplier of imported agri-food products, accounting for 55 per cent of imports. In recent years, agricultural imports from the United States have been on a downward trend, but this did not continue in 1986. Canadian purchases of U.S. agricultural products in 1986 rose by \$207 million to \$3.6 billion; most of the increase occurred in fresh vegetables due to lower-than-expected domestic production.

The improving pattern of Canada-U.S. agricultural trade outlined above has periodically been threatened in recent years by U.S. trade actions. The United States has introduced a number of contingency protectionist actions

against Canadian farm products. These have included a countervailing duty on live swine exports, an antidumping duty on British Columbia raspberries, import quotas on sugar and certain sugar-containing products, on-going harassment of potato shipments from the Maritimes and periodic difficulties with exports of other vegetables from Ontario and Quebec. In addition, recent actions by a number of Midwest states adversely affected Canadian exports of livestock, particularly live hogs, due to alleged concerns about the use of the drug chloramphenicol by livestock feeders in Canada. Also, there have been complaints about exports to Pacific states of grain products assisted by freight subsidies. These trade irritants demonstrate the sensitive state of Canada-U.S. trade in farm products and the need to minimize future U.S. actions that adversely affect Canadian exports.

The Agreement will provide an environment for further growth in Canadian agricultural exports under secure and predictable access. It allows agricultural policies and the agricultural marketing system to continue providing a stable environment for investment and growth. The improved economic efficiencies that will accompany the Agreement will enhance the sector's competitiveness both in the North American and global context. Such aggregate macroeconomic benefits should ensure that Canadian producers and the agri-food industry will be in a position to confront the challenges of global agri-food markets as multilateral agricultural trade reform progresses.