

overwhelming competitive disadvantage posed to the Canadian milling industry by the U.S. Export Enhancement Program and export subsidy programs of the European Economic Community which remains in place today.

The elimination of the At and East in the April, 1989 budget came as an unwelcome surprise to the CNMA and its member mills during a period of intensive investment being undertaken by the industry to adjust as rapidly as possible Canada/U.S. Trade Agreement (CUSTA). The CNMA took strong exception to the federal government's unilateral move to eliminate the only Canadian government program of any significance in offsetting U.S. and EEC subsidy advantages, while the CUSTA has done nothing to eliminate U.S. export subsidies. The CNMA further questions this unilateral action when results of the current round of the MTN were almost two years away from being revealed.

Effect on Industry Performance

One of the principal determining factors in a single plant or company economic performance in the flour milling industry is the degree to which total plant production capacity is actually utilized. Increased capacity utilization reduces the portion of fixed operating costs per unit of output (tonne of flour). In Canada, a 1986 Industry Science and Technology Canada (then DRIE) interfirm comparison study revealed that capacity utilization of