railways to charge compensatory rates. This form of payment could invite U.S. charges that the subsidy constituted an unfair advantage (although this charge more likely would emerge in multilateral than bilateral negotiations). There might be consequent pressures for removal or reduction of the subsidy, to be weighed against Canadian claims for reduced U.S. protection — from deficiency payments and export subsidies, for example.

Feed Freight Assistance may be under U.S. pressure for removal. If this program were removed, feed-grain-deficit regions such as Eastern Canada likely would be supplied more by local feed grains, and displaced Prairie barley would be sold offshore. This, too, would have little effect on Canadian-U.S. trade.

In summary, an open border for grains and oilseeds could lead to some, perhaps minor, reductions in grain prices on the Prairies, but would cause more significant changes by admitting more lower-quality wheats, flour, and grain products into the Canadian system and by removing the export sales monopoly of the Canadian Wheat Board. Even if the CWB were maintained, the quality standard of, and quality premium for, Canadian export wheats might be at risk, price premiums from the domestic wheat market would not be possible (except for transportation cost margins), and freight-rate subsidies on U.S.-bound grains and oilseeds might be removed. The CWB's ability to provide equitable access to the elevator and transport system could be eroded, there may be changes in freight subsidies under the Western Grain Transportation Act and Feed Freight Assistance might be removed. Only small and local increases in cross-border trade in these products could be expected. U.S. policies also could change, in the direction of smaller deficiency payments and smaller or more targeted export subsidies.

For all these prospective changes that an FTA would bring to the grains and oilseeds sector, it would do little directly to open third markets