

words, complex policy harmonization would be required, enforcement would be difficult, and the level of acceptable budgetary outlays by the U.S. government would likely dominate decisions.

A third alternative would be for Canada to follow U.S. policy more completely, by removing quota restrictions and purchasing surplus production, as is the case in the United States and as was the case in Canada during the 1960s. Policies would be harmonized not only by open borders and equalized prices but this option also would require an agreed sharing of the costs of purchasing surplus milk.

As in the poultry industry, an important result of an open border for the dairy industry would be the removal of existing regulatory barriers to interprovincial movement in fluid and industrial milk (or products). Furthermore, quota values for both industrial milk and fluid would fall, the former to zero, and the latter to reflect whatever price margin could still be earned on local markets, given open borders and transfer costs.

The main resource effects of this dairy policy harmonization reflect qualitatively most of the issues already discussed for poultry. The key motivations for change are the fall in prices and the removal of border, interprovincial, and quota constraints. Producer response again depends on the individual's real (nonquota) costs, and four categories of farms can be described, ranging from relatively productive, quota-purchasing, typically larger-than-average farms that at least would be able to compete with border prices, to farms unable to compete due to regional or individual cost disadvantages.

Although prices likely would not fall by as much as in the poultry and egg industries, there might be more farms in the disadvantaged categories (groups three and four discussed earlier). This would be due partly to a large expected interprovincial reallocation of both fluid and industrial milk