

In summary, negotiations for an FTA are of particular interest to the horticulture sector. Much of the protection for this sector is in the form of tariff and nontariff barriers, and these could be subject to some reduction. Although small fruits, cole crops, potatoes and other storable vegetables likely would benefit, the rest of the sector would be harmed to an unknown extent. One could anticipate opposition from the industry at large -- particularly from processors -- to a more-open border, although producers of small fruits would support an FTA which reduced their exposure to erratic application of U.S. contingent-protection measures.

Other Agricultural Commodities

In this section, we focus on two agricultural commodities -- tobacco and wine -- of particular relevance to U.S. trade negotiations, and close with some comments on the processing sector.

Although tobacco is largely a regional -- that is, an Ontario -- crop, it accounts for 1.6 percent of Canada's agricultural output and \$100 million of Canadian exports, most of which go to the United States and Western Europe through the large U.S. and British tobacco companies. Tobacco imports into Canada are subject to a moderate tariff -- 15 cents per pound (unstemmed) in 1984 -- but additional protection is provided by supply management in the form of a quota system for Ontario producers. Attempts currently are being made to form a national tobacco marketing board that would permit the introduction of quantitative import controls.

The U.S. tobacco industry is governed by similar policies of border protection and production controls. Although stabilization through government purchase is undertaken, it is producer financed to limit inventory growth. U.S. prices have fallen modestly in nominal terms during the 1980s and