likely to reduce its demand for hard wheat Canadian flour. Due to the current lack of Canadian milling capacity for these wheats, this change can be expected to create difficulties for the baking and milling industries as they begin accommodating lower-quality wheats.

It is doubtful that, with an open border, the CWB could enforce its single-seller role for export grains. Grain delivery to the U.S. system by Canadian farmers would place the CWB in the role of a major grain exporter -- indeed, a state trading agency -- but competing with other exporters for grain supplies. CWB pooling activities still would be attractive to many producers, but to ensure CWB supply commitments, some form of contracting with producers may be necessary. Although such a role is one the CWB has played in the past, this change would be perceived, particularly on the Prairies, as a major shift in policy.

In localized markets for soft wheats, coarse grains, and oilseeds, trade flows would increase locally, moving products in a north-south direction instead of east-west as is currently the case. Overall, export opportunities would compensate for increased domestic competition, but these grain trade flows between Canada and the United States are likely to be small.

Finally, there is the issue of subsidized freight rates. As already noted, there will be pressure to remove the subsidy under the Western Grain Transportation Act for U.S.-destined grains and oilseeds. More importantly, with an open border Canada's subsidized freight rates would make marketing grain through Canada an attractive proposition for a number of U.S. grain producers. Although Canada probably would prefer to avoid subsidizing the transportation of U.S. grain and congesting the Prairie-elevator system accordingly, an open border would make it difficult and discriminatory for Canada to deny access to U.S. grain. It would force Canada to pay the freight subsidy directly to the farmers instead of to the railways, and allow the