

ensures increased cost competitiveness in the future and provides spin-off activity, such as upstream research and development. The benefits accruing to Canadian smaller businesses from access to a larger population of specialized niches and where economies of production become realizable are only augmented by freer trade internationally. Overall, the benefits tend to be permanent and are likely to accumulate progressively through time.

C. FEDERAL AND PROVINCIAL AGRICULTURAL POLICIES

The major benefit from the removal of supply management agricultural barriers would be lower prices to consumers and lower input costs for processors and manufacturers of food products. In addition, the rigid quotas and border controls associated with these programs severely limit the ability of processors and manufacturers to rationalize their production on a national basis because of the restrictions placed on the inter-provincial movement of raw agricultural products. The combination of artificially high prices and lack of supply result in small scale and uncompetitive production facilities with little opportunity to undertake product and processing innovations. As a result, the removal of these supply management barriers would provide for greater production and distribution efficiencies for both raw and processed agricultural products in combination with an expanded consumer demand for food products as consumer prices fell. The removal of quota restrictions and border controls would also allow efficient agricultural producers to expand production without the necessity of investing heavily in additional quotas at high capitalized values with the consequent effect of lowering the production costs for raw agricultural products. This combination of benefits could place Canadian agricultural producers, processors and manufacturers in an improved competitive position in both the domestic and foreign markets for these commodities.

The removal of provincial subsidy and support programs could also result in a more efficient and rationalized production system for agricultural products. The competitive nature of many of these programs has resulted in an inefficient regional production pattern with all regions