

Conclusions

This report has provided an assessment of the impact of the Canada-U.S. Free Trade Agreement on agriculture. The Agreement clearly succeeds in securing a wide range of export opportunities for the agri-food sector. At the same time, it preserves the policy framework for Canadian supply managed industries and the integrity of Canada's agricultural marketing system. Market development opportunities have been identified for grains, oilseeds, livestock, red meats and horticultural products. The benefits of the agricultural market opportunities will accrue to all regions of the country. Some adjustment will be required by the grape and wine industry as the Agreement is implemented. Consultations have been initiated between federal and provincial governments, as well as industry groups, to develop concrete proposals to address the transitional adjustment problems.

Impacts on the grains and oilseeds sector include: the potential for increased exports of canola oil, soybean oil, and high quality wheat and oats; opportunities for increased canola oil exports to the United States through the phasing out of U.S. tariffs on that product (after three years, the decrease in the U.S. tariff on canola will more than offset the removal of WGTA benefits to west coast ports); and increased potential markets for sales of milling and pasta wheats in the United States immediately upon the coming into force of the Agreement.

Important export opportunities are identified for the livestock and red meat sector under the Agreement. Export market development is anticipated, given the competitive nature of the Canadian livestock and red meat sector. However, some adjustment and rationalization may be required in the meat processing industry.

Exports of high quality finished cattle for slaughter, high quality beef and pork are expected to increase in a free trade context. As the Canadian livestock sector operates essentially in a North American market, some increased imports of feeder cattle for feeding in Canadian feedlots will improve capacity utilization. The expanded market opportunities in the United States for the livestock and red meat sector should have a positive impact on the Canadian feed grain market.

The Agreement will have no impact on the milk supply management system. Only a limited number of products not already on the Import Control List will be affected by the gradual elimination of tariffs. Dairy production and processing are becoming more specialized, with economies of scale favouring an increase in herd size and fewer and larger processing plants. This has led to reduced producer numbers (particularly among industrial milk only and cream producers) and to consolidation in the processing industry. These trends are likely to continue, but will not be influenced by the Agreement.