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FREE TRADE AGREEMENT: WHEAT SUPPORT LEVEL HIGHER IN CANADA THAN IN U.S.

Minister of Industry, Science and Technology and Minister for International Trade Michael H. Wilson announced today that Canada and the United States have reached agreement on calculation of support levels for wheat and barley in each country.

Based on these calculations, import licences will continue to be required for U.S. barley and barley products entering Canada. Import licences for wheat and wheat products will no longer be required effective as soon as Canadian Wheat Board Regulations are amended.

Under Article 705 of the Canada-U.S. Free Trade Agreement (FTA), support level calculations are to be done every year until such time as import licence requirements have been eliminated. Canadian import licences for wheat and barley, and their products from the U.S. are to be removed if U.S. government support levels for each grain are equal to or less than Canadian government support levels. These calculations take into account both direct and indirect support.

In 1991, the calculations are as follows:

	Wheat	Barley
Canada	31.12 %	18.89 %
U.S.	26.80 %	26.47 %

"Canada's high-quality standards for wheat will be maintained under the agreement," said Mr. Wilson. "Any imported American wheat will be kept separate from Canadian wheat destined for export under the provisions of the Canada Grain Act."

Since the implementation of the FTA, Canada has had secure access to the U.S. market. Because of our high-quality standards, Canada exports substantial amounts of wheat to the U.S. Canadian wheat exports to the U.S. totalled more than 400,000 tonnes in the first seven months of the 1990-91 crop year, which is the highest amount ever in a single crop year. Because of our secure access, the U.S. is our second-largest export market after Japan of those countries not eligible for the U.S. Export Enhancement Program.

The Canadian Wheat Board (CWB) and the Ontario Wheat Producers Marketing Board will continue to aggressively seek the best markets for Canadian wheat. They will continue to be responsible for marketing wheat in export markets including sales to the U.S.

End-use certificates to be provided by the Canadian Grain Commission (CGC) will be required for any U.S. wheat entering Canada for any further processing. These certificates keep shipments of U.S. wheat out of Canada's grain export system by stipulating that the wheat must be used at the facility to which it is being sent.

American wheat entering Canada for seed use must be accompanied by a seed certificate which is issued by Customs Canada following seed inspection by Agriculture Canada.

U.S. wheat entering Canada to be fed directly to livestock or poultry will not require an end-use certificate. Feed wheat must be denatured so that it does not enter the grain marketing system. The CGC will be monitoring such imports.

These provisions of the Canada Grain Act will be strictly enforced with penalties able to be imposed for non-compliance.

Canada retains the right to introduce or reintroduce quantitative import restrictions on imports of grain or grain products originating in the U.S. if these imports increase significantly as a result of a substantial change in U.S. or Canadian support programs for that grain.

Canada retains its General Agreement on Tariffs and Trade (GATT) rights to take remedial action against unfair import competition. For example, if subsidized imports cause

injury or the threat of injury, countervail action can be taken. Canada can also take anti-dumping action if it considers the U.S. to be dumping grain into Canada.

To ensure that the best interests of Canadian producers are being met, Grains and Oilseeds Minister Charles Mayer has announced that a study will be launched into the grains and oilseeds marketing practices of the U.S. This would include the functioning of the Commodity Credit Corporation, the deficiency payment system and the potential for taking trade-related action against the U.S. for the way Canadian farmers have been affected in third markets.

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UNITED STATES GOVERNMENT SUPPORT FOR WHEAT AND BARLEY
CROP YEARS 1988 AND 1989

	WHEAT		BARLEY	
	1988	1989	1988	1989
I. Level of production (MMT)	49.32	55.43	6.31	8.80
II. Producer price (III/I) (\$/T)	135.52	136.08	122.78	110.01
III. Value of production (\$M)	6,684.00	7,542.46	775.23	968.18
IV. Direct payments (VI.A) (\$M)	946.41	1,010.70	175.89	73.66
V. Adjusted producer value (III+IV) (\$M)	7,630.41	8,553.17	951.11	1,041.84
VI. Policy transfers to producers (\$M)				
A. Direct payments (1+2+3-4+5)	946.41	1,010.70	175.89	73.66
1. Payments of the CCC (a+b+c)	1,685.53	1,047.22	187.45	50.18
a. Deficiency payments	1,216.55	572.52	39.84	23.21
b. Disaster payments	468.99	474.70	125.88	26.97
c. Diversion payments	0.00	0.00	21.73	0.00
2. CCC storage payments	98.97	48.11	16.15	2.32
3. Conversation Reserve Program	171.89	214.61	45.36	57.28
4. Acreage Reduction Program	1,005.25	289.83	72.42	35.59
5. Certificate premiums and discounts	(4.73)	(9.41)	(0.65)	(0.53)
B. Other support (6+7...12+13) (\$M)	1,396.38	947.16	168.90	100.19
6. CCC loan forfeiture benefits	(10.30)	(21.66)	(7.93)	(7.53)
7. Price enhancement	623.46	257.53	53.74	45.18
8. Advance payments benefits	8.37	6.62	0.93	0.52
9. Crop insurance	223.11	177.35	48.37	8.45
10. Government service programs (i+ii ... +xi)	133.39	142.21	16.20	18.55
i. Federal grain inspection	1.21	1.72	0.14	0.22
ii. Research and extension	56.45	60.90	6.51	7.83
iii. Irrigation	7.02	8.95	3.67	3.76
iv. Inland waterways freight	22.78	24.14	0.77	0.82
v. Conservation	31.48	33.63	3.63	4.32
vi. Rail freight	0.61	0.32	0.08	0.05
vii. Low interest loans for rail	2.47	1.78	0.33	0.27
viii. Cooperator export programs	1.26	1.26	0.15	0.16
ix. Marketing services	0.77	0.81	0.09	0.10
x. Plant disease and pest control	6.05	7.63	0.70	0.98
xi. Targeted export assistance	3.29	1.07	0.13	0.04
11. CCC commodity loans	186.70	144.20	23.78	4.24
12. State budget outlays	108.50	112.68	12.52	14.48
13. Farm credit programs	123.15	128.24	21.29	16.31
VII. Total government support (A+B) (\$M)	2,342.79	1,957.86	344.79	173.85
VIII. Government support (VII/V)x100 (%)	30.70%	22.89%	36.25%	16.69%
Average for 1988 and 1989		26.80%		26.47%

FREE TRADE AGREEMENT CALCULATIONS

CANADA GRAINS

	WHEAT		BARLEY	
	1988/89	1989/90	1988/89	1989/90
I. Production (mil t)	16.00	24.58	10.21	11.67
II. Producer price (III/I) (\$/t)	181.23	154.04	106.44	104.38
III. Value of production (mil \$)	2,898.92	3,786.09	1,086.94	1,217.73
IV. Direct payments (VI.A) (mil \$)	246.38	(363.49)	(39.54)	(93.91)
V. Adjusted producer value (III+IV) (mil \$)	3,145.31	3,422.60	1,047.40	1,123.83
VI. Support programs				
A. Direct payments (1+2...+***) (mil \$)	246.38	(363.49)	(39.54)	(93.91)
1. Payments of ASA	0.00	0.00	0.00	0.00
2. Payments of WGSA	0.00	0.00	0.00	0.00
3. Payments of SCG program	0.00	0.00	0.00	0.00
4. Stabilization payments	0.01	3.15	5.60	15.17
5. Income foregone adjustment	(307.44)	(366.64)	(120.34)	(109.08)
*. Drought assistance	466.81	0.00	75.20	0.00
*. 2-Price wheat	87.00	0.00		
B. Other support (6+7...+16+17)	1,092.76	1,036.47	189.29	357.81
6. Expenditures of CGC	1.14	7.03	0.21	1.90
7. Wheat Board pool deficit	0.00	0.00	0.00	0.00
8. Domestic wheat pricing	0.68	45.81		
9. Domestic price gap (barley)			10.95	0.00
10. Advance payments	8.02	1.09	3.12	0.42
11. Crop insurance	418.72	254.10	36.34	54.90
12. Western Grain Transportation Act	358.96	497.90	78.97	223.35
13. PBLR program	35.51	7.40	5.06	10.04
14. Research expenditures	15.57	17.69	9.95	10.07
15. General support programs - Fed	20.76	9.79	3.77	2.65
16. General Prov. expenditures	157.11	107.94	29.41	32.64
17. Farm credit programs	76.30	87.73	11.52	21.84
VII. Total government support (A+B) (mil \$)	1,339.14	672.99	149.74	263.91
VIII. Government support (VII/V) x 100 (%)	42.58	19.66	14.30	23.48
IX. Two year average (%)		31.12		18.89

* new program