

# News Release

# Communiqué

Minister for  
International  
Trade



Ministre du  
Commerce  
extérieur

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## SUPPORT LEVELS AGREED TO UNDER CANADA-U.S.

### FREE TRADE AGREEMENT

International Trade Minister John C. Crosbie announced today that Canada and the United States have reached agreement on calculations of support levels for wheat and barley in each country. Based on these calculations, import licences will continue to be required for U.S. wheat, barley and their products entering Canada.

Import licences will remain in place because calculations indicate that levels of government support for these grains are higher in the U.S. than in Canada.

Under Article 705 of the Canada-U.S. Free Trade Agreement (FTA), support level calculations are to be done every year. Canadian import licences for grains 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 1990, the calculations are as follows:

	Wheat	Barley
Canada	44.83%	29.18%
U.S.	45.80%	52.64%

Please refer to the attached backgrounder and tables for further information.

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## BACKGROUNDER

### SUPPORT LEVELS

- Under Article 705 of the Canada-U.S. Free Trade Agreement (FTA) import licences are to be removed on oats, wheat, barley and their products when U.S. government support levels for each grain are equal to or less than Canadian government support levels.
- Based on calculations exchanged between Canada and the U.S. in 1989, import licences were removed for U.S. oats and oat products. However, import licences continued to be required for U.S. wheat and barley and their products.
- Based on calculations exchanged between Canada and the U.S. in 1990, import permits will continue to be required for U.S. wheat, barley and their products because levels of government support for these grains are higher in the U.S. than in Canada.
- The 1990 calculations are as follows:

	Wheat	Barley
Canada	44.83%	29.18%
U.S.	45.80%	52.64%
- The method of calculating these levels of support is described in Annex 705.4 of the FTA. The formula takes into account direct and indirect support for each of these grains.
- For example, the calculations of Canadian government support levels take into account direct payments to producers through programs such as the Agricultural Stabilization Act and stabilization payments made by provincial governments. Indirect support to producers through funding of the Canadian Grain Commission, the Western Grain Transportation Act and agricultural research expenditures are also among those included in the calculations.
- The calculations of U.S. government support levels take into account direct payments to producers through programs such as the deficiency payments by the Commodity Credit Corporation (CCC), Conservation Reserve Program and CCC storage payments. Indirect support to producers includes for example, the Export Enhancement Program, CCC commodity loans and various government service programs.

FREE TRADE AGREEMENT CALCULATIONS

CANADA GRAINS

	WHEAT		BARLEY	
	1988/89	1987/88	1988/89	1987/88
I. Production (mil t)	16.00	25.99	10.21	13.96
II. Producer price (III/I) (\$/t)	181.23	120.02	106.44	58.33
III. Value of production (mil \$)	2,898.92	3,119.64	1,086.94	814.10
IV. Direct payments (VIA) (mil \$)	248.61	644.98	(38.40)	307.67
V. Adjusted producer value (III+IV) (mil \$)	3,147.54	3,764.62	1,048.54	1,121.77
VI. Support programs				
A. Direct payments (1+2...+*+*) (mil \$)	248.61	644.98	(38.40)	307.67
1. Payments of ASA	0.00	0.00	0.00	7.50
2. Payments of WGSA	0.00	473.93	0.00	100.67
3. Payments of SCG program	0.00	482.64	0.00	256.57
4. Stabilization payments	0.79	8.24	6.52	8.06
5. Income foregone adjustment	(305.63)	(319.82)	(120.02)	(65.13)
*. Drought assistance	466.46	0.00	75.10	0.00
*. 2-Price wheat	87.00	0.00		
B. Other support (6+7...+16+17)	1,108.04	1,107.62	182.63	192.67
6. Expenditures of CGC	1.14	(3.05)	0.21	(0.61)
7. Wheat Board pool deficit	0.00	0.00	0.00	0.00
8. Domestic wheat pricing	48.35	243.22		
9. Domestic price gap (barley)			10.82	29.14
10. Advance payments	9.54	16.58	3.71	3.73
11. Crop insurance	416.31	45.29	36.26	7.32
12. Western Grain Transportation Act	358.96	528.11	78.97	102.31
13. PBLR program	33.89	63.22	5.20	8.17
14. Research expenditures	15.65	15.61	5.70	5.48
15. General support programs - Fed	20.92	7.44	3.77	1.48
16. General Prov. expenditures	126.58	114.55	26.39	23.32
17. Farm credit programs	76.70	76.64	11.60	12.32
VII. Total government support (A+B) (mil \$)	1,356.66	1,752.60	144.23	500.34
VIII. Government support (VII/V) x 100 (%)	43.10	46.55	13.76	44.60
IX. Two year average (%)		44.83		29.18

\* new program

## UNITED STATES SUPPORT FOR WHEAT AND BARLEY DURING YEARS 1987 AND 1988

	WHEAT		BARLEY	
	1987	1988	1987	1988
I. Level of production (MMT)	57.36	49.32	11.35	6.31
II. Producer price (III/I) (\$/T)	95.84	135.52	85.17	122.78
III. Value of production (\$M)	5,497.71	6,684.00	967.01	775.23
IV. Direct payments (VI.A) (\$M)	3,133.94	964.11	389.63	159.45
V. Adjusted producer value (III+IV) (\$M)	8,631.65	7,648.11	1,356.64	934.68
VI. Policy transfers to producers (\$M)				
A. Direct payments (1+2+3+4+5)	3,133.94	964.11	389.63	159.45
1. Payments of the CCC (a+b+c)	3,289.62	1,704.79	336.18	170.60
a. Deficiency payments	3,289.62	1,235.81	302.69	23.00
b. Disaster payments	0.00	468.99	0.00	125.88
c. Diversion payments	0.00	0.00	33.49	21.72
2. CCC storage payments	144.75	98.97	30.58	16.15
3. Conversation Reserve Program	102.47	171.89	26.88	45.36
4. Acreage Reduction Program	485.57	1,006.82	11.82	72.00
5. Certificate premiums and discounts	82.67	(4.72)	7.82	(0.65)
B. Other support (6+7...12+13) (\$M)	2,151.52	1,357.79	568.92	164.19
6. CCC loan forfeiture benefits	105.51	(10.30)	(3.05)	(7.83)
7. Price enhancement	1,432.94	594.86	474.97	51.04
8. Advance payments benefits	9.65	8.37	1.25	0.93
9. Crop insurance	1.77	223.02	2.20	48.32
10. Government service programs (i+ii ... +xi)	102.03	130.72	17.10	16.12
i. Federal grain inspection	0.35	1.21	0.06	0.14
ii. Research and extension	43.70	56.47	7.63	6.52
iii. Irrigation	4.43	7.02	2.37	3.67
iv. Inland waterways freight	16.20	20.51	0.70	0.70
v. Conservation	27.12	31.48	4.74	3.63
vi. Rail freight	0.79	0.61	0.13	0.08
vii. Low interest loans for rail	1.62	2.48	0.26	0.33
viii. Cooperator export programs	1.12	1.30	0.19	0.15
ix. Marketing services	0.64	0.77	0.11	0.09
x. Plant disease and pest control	4.72	5.95	0.82	0.69
xi. Targeted export assistance	1.34	2.90	0.09	0.12
11. CCC commodity loans	309.15	186.70	42.63	23.78
12. State budget outlays	85.78	100.30	14.98	11.57
13. Farm credit programs	104.69	124.12	18.84	20.25
VII. Total government support (A+B) (\$M)	5,285.46	2,321.90	958.55	323.64
VIII. Government support (VII/V)x100 (%)	61.23%	30.36%	70.66%	34.63%
Average for 1987 and 1988		45.80%		52.64%