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TRADE NEGOTIATIONS STUDIES:

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MAY 21, 1986

STUDY NO. 20:

{Sector studies:} Effects on major farm inputs of trade liberalization with the United States {and other studies}.
(Dept. of Agriculture. September 5, 1985.)

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Dept. of External Affairs
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September 5, 1985

~~CONFIDENTIEL~~Effects on Major Farm Inputs of Trade Liberalization
with the United States

As part of the analysis of the competitiveness of the agricultural sector in the context of changing trade arrangements with the United States, profiles of the various agricultural subsectors have been prepared.

EXHIBIT
Sec. 15 (1)

This paper addresses the four major inputs purchased by farmers in non-agricultural markets (fertilizer, crop protection chemicals and pharmaceuticals, machinery, and energy inputs) and farm wages. In addition, the situation for fuel alcohol based on agricultural raw materials is addressed. The four major input sectors are very different from each other in such terms as the Canadian market share in relation to Canadian production, and influence of regulatory and other policies not directly linked to trade policies. Each major farm input is therefore dealt with separately for the purposes of this note. Table I shows some trade and cost data.

Fertilizers

Canada is a large producer of nitrogen fertilizer (ammonia and urea), with production concentrated in Alberta. Most of Western Canada's nitrogen fertilizer production is exported (currently 75 percent), mainly to the United States. Nitrogen fertilizer is imported into Eastern Canada, both from the United States and from other countries. Eastern Canadian nitrogen fertilizer exports to the United States are about equal to imports from the United States.

Table 1. Canadian Imports, Exports and Purchases of Major Farm Inputs (\$ million)

	<u>Imports to Canada</u>		<u>Exports from Canada</u>		<u>Canadian Farm Input Purchases (Estimates)</u>
	Total	from U.S.	Total	to U.S.	
Fertilizers (1984)	213	208	1,675	1,091	1,210
Grain ¹ (1982)	252	206	17	9	611 (1984)
Machinery (1984)	1,775	1,515	682	611	1,820
Petroleum products ² (1982)	773	522	2,489	2,254	1,271 (1982)

1. Quantities for non-agricultural use are included in imports and exports of grain.

2. Petroleum products for non-agricultural use are included in imports and exports. The farm sector accounts for about 4 percent (on an energy basis) of the use of gasoline and diesel fuel in Canada.

Canada imports all the phosphate rock it needs to produce phosphate fertilizers for the Canadian market. The United States is the source of almost all these imports.

Canada is a leading wheat producer in the world. Canada exports about 35 percent of its production, with 60 percent of production going to the United States. Exports are very low.

There is no duty on fertilizer moving between Canada and the United States. Tariff barriers with the rest of the world are insurmountable. Fertilizer manufacturers often regard North America as one market area.

EXEMPT
Sec. 15 (1)

Energy Exports

In terms of crude oil, Canada exports a significant quantity to the United States but also imports from other countries. Canada exports up to one third of its annual natural gas production, mainly to the United States. Under agreements reached in 1985, the Canadian markets for crude oil, refined products (diesel fuel and gasoline), natural gas, and natural gas liquids (such as propane and butane) are being deregulated. Prices of both crude and refined products are expected to behave in the same way in Canada and the United States.

There are no Canadian import duties on firm inputs such as diesel fuel, gasoline, natural gas and propane. The regulated Canadian energy markets have resulted in prices of diesel fuel and gasoline that are close to unregulated prices and the dismantling of these regulations is not likely to lead to future price differences between Canada and the United States.

The United States imposes an export duty on refined products destined to Canada of 0.4 cents (Canadian) per liter of gasoline and 0.03 cents per liter of diesel fuel, which is insignificant.

Firm fuel prices are more likely to differ between Canada and the United States because of different pricing and market behavior of fuel distributors and suppliers and because of different tax, subsidy, and rebate schemes. However, such differences may be larger between individual provinces or regions within Canada than between Canada and the United States. Price differences of this nature also vary rapidly over time as "policy wars" erupt in a region or as government programs change.

A very small barrier to the direct movement of firm fuel between Canada and the United States is the different lead content of leaded gasoline in the two countries. The United States has reduced the lead content faster than Canada, and consequently United States gasoline is not as suitable for some very old model engines as is Canadian gasoline.

Firm Machinery

The firm machinery industry in the world's markets is dominated by about ten large multinational companies with production concentrated in a small number of locations for each company. Structures and

combines are manufactured in Canada only by three companies and the model ranges are very limited. Other farm equipment is not dominated by large manufacturers to the same extent, and there are several manufacturers of, for example, seeding and tillage equipment in Canada. Often these manufacturers develop and produce equipment that is well suited to local conditions and the export market potential is limited to areas with similar farming conditions.

Canada imports over 90 percent of the machinery sold here. Exports are 38 percent of the value of machinery manufactured here. The United States is Canada's largest trading partner and accounts for just under 90 percent of both exports and imports.

Canada, like the United States and other developed countries, in general allows duty free access for farm machinery for farm use. Some minor areas of concern exist, where machinery items and machinery parts encounter import duties going into the United States and/or into Canada. This applies mainly to items that can be used for farming and for other purposes and to parts that can be used in non-farm machinery. Examples of such items include hay stack covers, dozer blades, and parts for spraying equipment.

The trade restrictions on machinery items differ between Canada and the United States. In general, Canada is less restrictive than the United States in its free entry provisions. The restriction can be a duty or it can be an administrative requirement to obtain a certification of the end use of the item in order not to pay the duty. Because of the wide variety of items and parts and their uses, there are often problems of interpretation. This occurs particularly for new products or when tariff regulations are changed.

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Sec. 15(U)

Over-the-Counter Chemicals

The manufacturing of over-the-counter chemicals in the world is dominated by about twenty multinational companies. Such companies often give the world mandate for the production of an active ingredient to just one of their establishments, from which it is exported to other countries, primarily to the United States. Canada has no establishments with such a world mandate. In fact, Canada manufactures virtually no active ingredients and the exports of

either active ingredients or formulated product are very small. Canada imports practically all the active ingredients used here and many of the formulations. About 80 percent of Canadian imports of agricultural chemicals originate in the United States.

There is no duty on agricultural chemicals imported to Canada, except for chemicals imported in packages of less than three pounds. For such imports, the duty is 7.5 percent of the value. The dominant portion of chemicals are imported in larger packages and are therefore duty-free.

Canadian chemicals (active ingredients and formulated products) exported to the United States are subject to an import duty varying from 6.3 percent to 13.5 percent, depending on the type of product.

EXEMPT
Sec. 15(1)

Under the Food Control Act, direct farmer importation of chemicals to Canada is not allowed. In some cases, other provisions of this Act also influence the decision whether an agricultural chemical will be imported to Canada or not. However, in general, the requirements of the Act are quite similar to those of the corresponding legislation in the United States. Because of differences that do exist or because of the small size of the Canadian market, which may not justify the expense of an importer to register a product in Canada, Canadian farmers sometimes find that a chemical is not available here, although it is used in the United States.

The Canadian veterinary pharmaceuticals industry is small. Over 90 percent of such pharmaceuticals (in terms of value) are said to be imported, with almost 90 percent of imports originating in the United States. Most products imported from the United States are subject to a 10 percent duty. Canadian exports to the United States are insignificant.

Fuel ethanol

Although fuel alcohol produced from agricultural commodities (such as grains and waste products) is not a farm input issue, it is worth identifying as a possible future trade issue. The reason is the potential of fuel alcohol production to affect some agricultural markets for raw materials for and by-products from alcohol production.

The regulated phase-down of lead in gasoline will result in a need for other octane enhancers. A blend of ethanol, methanol, and gasoline is one of several options now being considered.

Fuel ethanol markets are quite well developed in the United States, based on ethanol produced from corn. In Canada, fuel ethanol is used only minimally and the market is small. Brazil and several Caribbean countries export fuel ethanol.

Ethanol for fuel purposes is subject to import duty in Canada. However, this duty is currently waived for the small number of importers as there is no Canadian fuel ethanol industry to protect. It is not clear whether such an industry, if it were to be developed in the future, would need or would be entitled to the protection provided by import duties.

Farm Wages

Farm wages, without board, expressed in Canadian dollars, have been slightly higher in the United States than in Canada during the period 1979-1983. On the average, United States wages have been 9 cents per hour or less than \$1.00 per day higher than Canadian wages. Such a small difference is unlikely to induce on any Canadians to seek work across the border. Table 2 shows the relevant data for the 1970 to 1984 period.

Conclusion

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Sec. 15(1)

Table 2. Weekly Farm Values in Canada and the United States

Year	Canada Cdn	U.S. US\$	Exchange Rate Cdn/US\$	U.S. Cdn	Diff. (4) - (3)	Ratio (4)/(3)
	(1)	(2)	(3)	(4)	(5)	(6)
1970	1.59	1.64	1.04	1.71	0.12	1.08
1971	1.68	1.73	1.01	1.75	0.07	1.04
1972	1.81	1.84	0.99	1.82	0.01	1.01
1973	2.05	2.00	1.00	2.00	0.05	0.98
1974	2.43	2.32	0.98	2.37	-0.15	0.97
1975	2.91	2.48	1.02	2.49	-0.42	0.86
1976	3.27	2.65	0.99	2.61	-0.66	0.80
1977	3.58	2.90	1.06	3.08	-0.50	0.86
1978	3.75	3.10	1.14	3.54	-0.23	0.94
1979	3.98	3.41	1.17	3.99	0.01	1.00
1980	4.22	3.57	1.17	4.29	0.06	1.01
1981	4.55	3.89	1.22	4.56	0.15	1.04
1982	4.79	3.93	1.22	4.35	0.06	1.01
1983	4.96	4.13	1.21	4.39	0.11	1.01
1984	5.14		1.20			

Table 3. Summary of Barriers to Trade in Farm Outputs between Canada and the United States

Input	Barriers to Canada	Barriers to U.S.
Fertilizers	Duty free	Duty free
Chemicals	Duty free fee	Duty 6.1 - 12.5 percent
	most imports	
Machinery	Duty free fee	Duty free fee
	most imports	most imports
	Quota arrangements	Quota arrangements
	for some products	for some products
Petroleum products	Duty free	Duty free

EXEMPT
Sec. 21 (1) (A)

Grains and Oilseeds

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1. Scope of the Sector and its Place in the Economy1. Scope

This sector includes the farm production of grains and oilseeds. The major grains are wheat, barley, corn, oats, and rye and the major oilseeds are rapeseed/canola, soybeans and flaxseed. Their principal uses are for food and animal feed. Trade data includes products such as flour, oil and offmeal.

2. Economic Contributions

Cash receipts for the major grains and oilseeds (excluding rye) accounted for one third of all cash receipts in Agriculture in 1984. For the 1976 to 1984 period the percentages ranged from a low of 26.2 percent in 1978 to a high of 37 percent in 1983. Wheat, which is the most important crop, accounted for 20.7 percent of all farm cash receipts in 1984.

Annual cash receipts from the sale of grains and oilseeds are about 36.3 billion (1984), more than double their value in the mid-1970's. Wheat accounted for 51 percent of this total, barley 10 percent, corn eight percent and oilseeds 13 percent. These figures vary from year-to-year depending on crop and market conditions. An indication of recent variability in production and prices is provided by the data of Table 1.

3. Supply and Disposition

Canada produces four classes of wheat. Most important is hard red spring (HRS) which accounts for the majority of production in Western Canada. This wheat is used for the manufacture of bread. The level and quality of protein contained in this wheat is such

wheat is often used in importing countries to blend with local wheats to obtain flour of acceptable quality for bread manufacture. Durum wheat is used for production of noodles and pasta products. Production of hard red winter (HRW) is increasing in the prairies particularly in Alberta and Saskatchewan. Wheat production in Ontario is mainly of the soft white varieties which are used to make pastry flour and breakfast cereals. In Western Canada there is increased production of soft white spring wheat which is used for the same purposes. Most of the western white spring wheat is exported while about 40 percent of Ontario wheat is consumed domestically.

About 75-80 percent of wheat production is exported, six percent is used for domestic food and industrial purposes and the rest is used for feed and seed. The coarse grains (barley, oats, corn) are used primarily for animal feed. About 15 to 40 percent of barley production is exported and lesser amounts of the other feed grains. The oilseeds are used to produce edible oil and meal. About half of the rapeseed/canola crop is exported, mainly as seed, with the remainder as oil and meal. The only significant forages are alfalfa (about six percent of the supply and two percent of the total grain supply) and hays. Although increasing in volume, soybean forage still comprises about 10 percent of soybean supply and six percent of total oilseed supply.

4. International Trade

In 1984, exports of grains and oilseeds and their products totalled \$7.2 billion, 70 percent of total value of agricultural exports. Wheat, barley and rapeseed, which accounted for 45, 6 and 5 percent, respectively, of the total value of agricultural exports were the major export items. Grain and oilseed products, primarily wheat flour and canola oil accounted for eight percent of the total.

The major export markets for wheat are the USSR, China, Japan, the U.K. and Brazil. For barley they are the USSR and Japan. The major market for rapeseed/canola is Japan.

Imports of grains and oilseeds and their products in 1984 were \$228 million, 15 percent of the value of all agricultural imports. In addition to corn and soybeans, soybean oilcake and meal, rice and small amounts of other grains and oilseeds and products are imported.

11. Structural Characteristics

1. Numbers and Sizes of Farms (enterprises)

The number of specialized grain and oilseed producers has decreased from 121 thousand in 1966 to about 89 thousand in 1981. Most grain and oilseed farms are still relatively small. However, the average farm size has increased substantially. Farms with sales of less than \$15,000 (in 1975 constant dollars) accounted for about 77 percent of farms in 1966 and for only 51 percent in 1981. As well, average sales have increased more than 100 percent from \$18 thousand in 1966 to approximately \$38 thousand in 1981.

2. Geographic Distribution

The main region of production for grains and oilseed is the Prairie Provinces although some wheat is grown in all regions. In Ontario and Quebec have increased their share over the last two decades. Ontario is the main corn and soybean-producing area. The area and production of corn has been increasing significantly and corn is now the second most important coarse grain crop in Canada.

3. Production Growth and Productivity

Over the past twenty years grain output levels have increased with an average annual growth rate of 1.5 percent during the 1960's and 3.7 percent during the seventies and early eighties. During the sixties, oilseed production increased to an average annual growth rate of 10 percent and in the seventies oilseed output increased an average 4.9 percent per year. Oilseed production declined in the early 1970's, but it is now approaching the levels that existed in the late 1970's.

Crop yields have substantially increased over the past two decades. Wheat yields in Canada for the early eighties were 15 percent higher than the average yields of the 1960's and 15 percent higher than the 1970's average yield. Barley, and rye have shown similar increases over the past two decades. Canadian soybean yields in the early 1980's were 15 percent higher than the average yield of the states and 5 percent greater than the 1970's average yield. Average production per hectare in other commodities have also increased slightly in this period (corn, flaxseed, potatoes, timothy, etc.)

4. Notes

(a) Land

In Eastern Canada, the area in soybean production has been increasing over the past two decades and still continues to increase as improved short season varieties are developed. During the same time, the area of timothy has decreased more than 70,000 hectares as this land is being converted for more profitable uses. The areas planted in wheat and maize vary each year and have no specific trends associated with them.

Total cropland in Western Canada has increased six million hectares from 1961 to 1982. The area planted in each crop has increased with the largest increases in soybean area occurring in wheat and maize. The only exception is the area planted in oats which has tended to decline during this period. Most of the increase in area planted in the various grains and miscel crops since the mid to late 1970's is due to the sharp reduction in the area in commercial use.

(b) Other Inputs

During the sixties, crop inputs (including those for fruits and vegetables) in Canada increased at an average annual rate of 5.6 percent and in the seventies the increase was 3.3 percent. Regional differences were apparent. In Western Canada crop inputs increased at an average annual rate of 7.9 percent in the sixties and 6.6 percent during the seventies. Slower growth prevailed in Eastern Canada as the average annual growth rates for the sixties and seventies were 4.3 percent and 2.5 percent, respectively.

5. Research and Development

Most research and development in the agricultural sector is performed by the public sector - mainly by federal and provincial governments and universities. Should legislation introducing plant breeders rights be passed, there could be some increase in research activity by the private sector.

6. Marketing System

The Canadian Wheat Board (CWB), a crown corporation, is the sole seller of wheat, oats and barley grown in the Prairie provinces and the Peace River districts of British Columbia for export and industrial use (milling, malting). Sales of each type of grain are pooled by the CWB so that all producers marketing a particular type and grade of grain receive the same price. Producers marketing grain through the CWB are paid an "initial payment" at the time of delivery that is guaranteed by the Federal Government and receive a final payment about six months after the end of the August-July crop year. Rye, flaxseed, canola and most feed grains for domestic use are marketed through the private trade. Approximately 3/4 of the grains and oilseeds marketed in Western Canada are handled by producer owned (cooperative) primary elevators and terminals.

Canadian flour millers pay a price based on the C&D's export asking ("first") price. In addition the premium earned on wheat exported out the West Coast compared to wheat shipped out the East Coast is factored into the domestic price for wheat. Although the price differential between the domestic and initial export price may not be as large for HRS wheat as it is for Ontario soft winter wheat, the dollar value may be much greater because of the substantially larger quantities of HRS sold in the domestic market. Because of its use as a blending wheat and use in various grading and quality control the Canadian Wheat Board is able to provide a premium for Canadian wheat in the export market. However domestic millers have had little opportunity for blending since the bulk of Canada's bread wheat has been hard red spring varieties.

Wheat grown in Ontario is marketed by the Ontario Wheat Producers Marketing Board. Producers are paid an initial payment upon delivery of the wheat and a final payment after all the grain has been sold. The initial price guaranteed to Ontario producers also includes a government guarantee and this guarantee covers only a limited portion of the milling expenses. Domestically, Ontario wheat is priced in contracts with the millers at a fixed price per bushel. Wheat grown in Nova Scotia is marketed through the Nova Scotia Wheat Producers Marketing Board which has powers similar to those of the Ontario Board. Ontario soybeans are marketed primarily on the basis of a formula based on the value of imported U.S. soybeans. Price is negotiated each year by the Ontario Soybean Growers' Marketing Board. Other grains in Ontario and grains in other eastern Canadian provinces are marketed through the private trade.

7. Policy Framework

Major government programs associated with the grains and oilseeds sector in Canada include the Western Grain Stabilization Program which encompasses the Canadian Wheat Board designated area of Manitoba, Saskatchewan, Alberta, and the Peace River region of British Columbia, and the Agricultural Stabilization Act which covers all other areas. These programs differ somewhat but they essentially stabilize grain producers' income by making payments when net grain revenues fall below the average for the previous five years. The Prairie Grain Advance Payments Program and the Advance Payments for Crops Program, provide cash advances to improve producers' cash flow when marketings are restricted by quotas or seasonally low prices. Crop insurance, the cost of which is shared between the federal and provincial government and participating producers offers protection from production risk. Several transportation subsidy programs are very important to the grains and oilseeds sector in Canada. The most important program is the government payments to railways under the Western Grain Transportation Act. Other Federal transportation programs that involve government assistance in transportation costs are Feed Freight Assistance, the "Ac and East" freight subsidy program and the minimum compensatory rates applied to transportation of canola oil and meal east of Thunder Bay.

In the U.S. canola oil was not until recently included on the list of Generally Regarded As Safe (GRAS) products and therefore could not be used for food products. The acquisition of GRAS status opens the possibility of (canola oil) exports to the U.S. but also to the development of canola production in the U.S. Northern Plain States and perhaps in the Southern U.S. through the use of winter varieties.

4. Strengths and Weaknesses

Canadian grains and oilseed exporters are competitive in world markets, exporting 50 percent of Canada's production.

Because of the quality control of Canada's production, grading and marketing system and the superior quality of the grains and oilseeds, in particular bread and durum wheats and rapeseed/canola, Canada is able to obtain a price premium in world markets for commodities.

The large size of farms in Western Canada combined with high labor productivity enables Canadian farmers to adopt the latest technology in crop production and to make extensive use of mechanization.

The short growing season and limited annual precipitation in western Canada restrict the types of crops that can be grown and intensive crop production. These same climatic conditions contribute however to the high quality of Canadian HRS wheat, reducing its relative disadvantages with respect to climate and size of operation.

In western Canada, improved varieties, drainage and management are helping to offset disadvantages with respect to climate and size of operation.

Section III: Major Tariff and Non-Tariff Measures Influencing
Canada/USA Trade in Grains and Oilseeds

TARIFF COMPARISON

Canadian Tariff Item	USA Tariff Item	Commodity	Unit	1987 MFN Rate	
				Canada	USA
5000-1		Wheat	bu	12 cts	
	130.70	Wheat & Wheat seed, fit for human consumption	50T&O (bs)		21 cts
5100-1		Wheat flour and semolina	barrel	50 cts	
	131.40	Wheat flour, fit for human consumption	100 lbs		52 cts
5600-1	130.45	Oats	bu	Free	Free
5200-1	138.08	Barley	bu	5.0 cts	5.0 cts
16700-1	132.20	Malt	100 lbs	30 cts	30 cts
5800-1	130.50	Rye	bu	Free	Free
5901-1	130.12	Yellow Dent Corn	bu	5 cts	5 cts
5905-1		Grain Sorghum	bu	5 cts	
	130.4	Grain Sorghum	lb		0.4 cts
5700-1		Macaroni, vermicelli, etc.	100 lb	Free	
		no egg or other ingredient	lb		Free
27525-1	175.50	Soybeans	-	Free	Free
10205-1		Peanuts, not shelled	-	Free	
	145.20	Peanuts, not shelled	lb		4.25 cts
27600-1	161.51	Mustard Seed	-	Free	Free
27605-1		Rapeseed	-	Free	
	173.29	Rapeseed	lb		0.4 cts
27515-1	175.51	Sunflower	-	Free	Free
27712-1	175.15	Corn Oil, crude	-	7.52	4.05
27717-1	175.47	Rapeseed Oil, crude	-	10.02	7.52
		refined		17.45	
27718-1	175.52	Soya Bean Oil, crude	-	7.52	22.22

NON-TARIFF MEASURES

Canada

Imports/Export Permits

By authority of regulations under the Canadian Wheat Board Act, import permits have been required from the Board for the importation of wheat, oats, barley and their products. Authority for imports of feed oats and barley is being transferred to the Department of External Affairs.

Exports of wheat, oats and barley of Western Canadian origin are under the sole jurisdiction of the Canadian Wheat Board. The Board carries out its exporting activities by direct negotiation with foreign importers or through trading companies acting as agents. The Board has authority under the Canadian Wheat Board Act for the granting of permits for the export of wheat, wheat products, oats, barley, breakfast cereals and cereals, pasta products and animal and poultry feeds. Under this authority, permits from the Board are required for exports of these products, regardless of whether the grain is produced in the designated Canadian Wheat Board area.

Other Regulations

To ensure that Canadian produce grain has first call on Canadian storage facilities, any grain imported from Canada which is in error into storage must have a storage permit issued by the Canadian Grain Commission. Under normal storage conditions, this regulation is not responsible for the prohibition of imports of grain. Imports of grain and grain products from Canada are also subject to a number of sanitary and health regulations and are not eligible for marketing temporary foreign sales.

The importation of margarine into Canada is banned. This measure was originally imposed to protect the dairy industry.

Import Quotas

Section 22 of the 1981 Agriculture and Food Act provides for import quotas for wheat, oats and flour which can be implemented by the President where such quotas undermine the effectiveness of U.S. price support programs. Such quotas have not been implemented for a number of years.

EXEMPT
Sec. 21 (i) (4)

EXEMPT
Sec. 21 (1) (2)

EXEMPT
Sec. 21 (1) (a)

EXEMPT
Sec. 21 (1) (a)

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Sec. 21 (1) (a)

EXEMPT
Sec. 21(1)(a)

EXEMPT
Sec. 21 (1) (a)

EXEMPT
Sec. 21 (1) (A)

EXEMPT
Sec. 21 (1) (a)

EXEMPT
Sec 21 (1)(4)

EXEMPT
Sec. 21 (1) (a)

Section I: Scope of the Sub-Sector and Its Place in the Economy

1. Scope

Primary production in the poultry and eggs sub-sector includes the production of hatching eggs, chicks, laying hens and poult (young turkeys) for breeding stock and commercial growers. The greatest value from the subsector, however, derives from commercial production of chicken, shell eggs and turkey, in that order.

2. Economic Contribution

In 1983, the gross value of poultry and egg production was 1.255 billion dollars, about a 90 percent increase compared with 1973. Only recently has the chicken industry overtaken the egg industry in terms of value of primary production. The gap is likely to continue to widen. In 1984, the chicken industry accounted for 47 percent of the value of the poultry and egg primary production; eggs, 40 percent; and turkey, 13 percent.

1. Supply and Disposition

In 1984, domestic production of poultry accounted for 563,483 metric tonnes, or 90 percent of total supply. Imports accounted for about 6.5 percent of total supply and storage stocks, 3.5 percent. In the egg industry, domestic production accounted for 99.5 percent; imports, 0.3 percent; and storage stocks less than one percent. As a proportion of total supplies, exports in these regulated industries are usually less than one percent for poultry, but can approach five percent for eggs when imports for processed re-exports are included.

5. International Trade

Between 1973 and 1984, imports of the regulated commodities have increased proportionately more than domestic production. This has occurred despite the introduction of national supply management with remaining foreign controls. The reason is that supplementary imports are permitted when a domestic production shortage occurs in Canada. Additionally, the 30 years selected for comparison are not entirely representative. Turkey and egg imports still account for a fairly small proportion of total supplies, generally less than 5.5 percent.

Exports in the regulated commodities are critical because of internationally non-competitive prices. There is, however, a lack of breeding stock for chickens, turkey and eggs that is exported worldwide. Recently the turkey industry has found markets in Japan and West Germany for exports essential. Processed egg is well as its unprocessed supplies has been actively exported to Europe and Japan. Sales of small eggs to the U.S., however, are usually at distress prices.

Section III: Structural Characteristics

1. Numbers and Sizes of Farms

Between 1975 and 1981, the number of farms reporting chickens for egg-laying fell from 77,051 to 55,028. Farms raising chickens for meat also fell from 53,002 to 35,027. Turkey farms, however, increased from 12,002 to 14,024. In all three cases there was a substantial increase in the number of largest-size farms.

2. Geographic Differences

Of the \$1.251 billion value of primary production the poultry and egg industries generated in 1983, Ontario and Quebec contributed 60 percent; British Columbia, 11 percent; Manitoba and Saskatchewan, 11 percent; Alberta, 10 percent; Atlantic region, 9 percent. There has been a slight erosion in the shares held by Ontario and Quebec and a slight growth in all other provinces.

3. Growth and Productivity

The value of primary production in the poultry and egg industries between 1973 and 1984 has almost doubled. Clearly the largest growth has been in the chicken industry where value went from \$200 million in 1973 to \$600 million in 1984. Growth in this industry is expected to continue. Although the value of the egg industry has also shown considerable appreciation rising from \$138 million to \$430 million during the same period, per capita egg consumption has fallen consistently throughout the period. Enzyme extraction from egg albumen offers the greatest potential for significant growth in egg processing. The turkey industry has experienced the smallest growth, rising from \$81 million in 1973 to \$140 million in 1984. Per capita turkey consumption has remained flat, though further processing is now beginning to offer possibly significant growth.

In the past 25 years the time required to grow chickens and turkeys to slaughter weight has been halved. The feed conversion (kg of liveweight per kg of feed) has fallen by more than half.

4. Imports

Imports constitute a fairly small proportion of total poultry and egg supplies in Canada, usually amounting to about 5.5 percent or less in poultry and less than one in eggs. Gradually, the introduction of national supply management in these industries has increased the dependence on imports in assuring adequate supplies. The immediate impact of free trade in the poultry and egg industries would be to increase substantially the levels of imports in the very short term due to higher import relative to current levels as the domestic industry expanded.

5. Research and Development

Research funding comes from private industry, universities and government.

6. Marketing, Processing, Distribution System

The three major commodities comprising the Poultry and Egg Subsector, chickens, turkeys and eggs, are all under national supply management. Producers must register the volume of product to be marketed and the level of imports are controlled. Only the primary production levels are under direct controls. Auxiliary industries such as hatching egg production, incubation, poultry and egg processing and further processing are not directly regulated by national agencies. A national agency for the marketing egg segments has been proposed.

7. Policy Framework

National supply management characterizes the poultry and egg industries. The Farm Products Marketing Agencies Act (FPMMA) provides the enabling legislation. The national agencies are committees of provincial commodity boards which operate in respect to the national agency. The national agency determines national production levels but the provincial boards have pricing authority. Generally, the board of the national agency is in the range of levels that would allow producers to receive their cost of production plus a reasonable rate of return.

Provincial boards receive a share of the national quota based on their historical shares of the national production before a national agency was formed. Allocations above the historical "base quota" are distributed according to a variety of criteria. Production quotas are enforced through a liquidated damages assessment regulation.

Imports may be restricted under Article XI of GATT when a national supply management system is in place. The administration of import quotas is under the jurisdiction of the Special Trade Relations Bureau, Department of External Affairs.

The National Farm Products Marketing Council supervises the operations of the national agencies under the authority granted to be the FPMAC.

3. Strengths and Weaknesses Relative to Major Competitors

- The national agencies have been in existence from 5 years (chicken) to 12 years (eggs). During that time controls on import levels have created a protected environment which has permitted the gap in industry efficiency between the U.S. and Canada to widen. As detailed in Sections IV and V, it is believed, however, that in a relatively short time frame the domestic industry could significantly improve its competitive position.

- The immediate impact of free trade in the poultry and egg industries would initially be to increase the levels of imports, causing a significant price depressing influence in Canada. Most of the adjustment would be in price (and quota value) rather than quantity reductions.

- Introduction of free trade would accelerate dramatically the speed at which production is concentrated in fewer production units. The trend toward increased concentration and integrated operations has occurred at a pace in the U.S. which has not been

located in Canada. Certain Prairie and Maritime provinces would likely lose much of their poultry and egg production bases through price competition and processing plant failures. Regionally, production growth would occur in Ontario, Quebec and British Columbia. The interests of food companies, however, would prevent wholesale departure of these industries to the U.S.

There are contacts of strength in all of the regulated industries which would survive and flourish. Some processing and further processing facilities in both the poultry and egg industries are quite competitive with their U.S. counterparts. Familiarization with the Canadian distribution networks, bilingual labelling and the plant certification process are all factors that would gain adjustment time for Canadian producers and processors if free trade was initiated.

SECTION III: Major Tariffs and Non-Tariff Measures Influencing Canada-U.S. Trade in Poultry and Eggs

TARIFF COMPARISON

Canada Tariff No. Item	USA Tariff No. Item	Commodity	Rate	MFN Rates	
				Canada	USA
200-1	100-01	Poultry, live-brooded	0	0	0
305-1	100-02	Poultry, live brood.	0	0	0
320-1	100-07	Eggs, fresh	0	0	0
400-1	100-08	Eggs, fresh, frozen	0	0	0
400-1	100-09	Eggs, fresh, frozen	0	0	0
400-1	100-10	Eggs, fresh, frozen	0	0	0
400-1	100-11	Eggs, fresh, frozen	0	0	0
400-1	100-12	Eggs, fresh, frozen	0	0	0
400-1	100-13	Eggs, fresh, frozen	0	0	0
400-1	100-14	Eggs, fresh, frozen	0	0	0
400-1	100-15	Eggs, fresh, frozen	0	0	0
400-1	100-16	Eggs, fresh, frozen	0	0	0
400-1	100-17	Eggs, fresh, frozen	0	0	0
400-1	100-18	Eggs, fresh, frozen	0	0	0
400-1	100-19	Eggs, fresh, frozen	0	0	0
400-1	100-20	Eggs, fresh, frozen	0	0	0
400-1	100-21	Eggs, fresh, frozen	0	0	0
400-1	100-22	Eggs, fresh, frozen	0	0	0
400-1	100-23	Eggs, fresh, frozen	0	0	0
400-1	100-24	Eggs, fresh, frozen	0	0	0
400-1	100-25	Eggs, fresh, frozen	0	0	0
400-1	100-26	Eggs, fresh, frozen	0	0	0
400-1	100-27	Eggs, fresh, frozen	0	0	0
400-1	100-28	Eggs, fresh, frozen	0	0	0
400-1	100-29	Eggs, fresh, frozen	0	0	0
400-1	100-30	Eggs, fresh, frozen	0	0	0
400-1	100-31	Eggs, fresh, frozen	0	0	0
400-1	100-32	Eggs, fresh, frozen	0	0	0
400-1	100-33	Eggs, fresh, frozen	0	0	0
400-1	100-34	Eggs, fresh, frozen	0	0	0
400-1	100-35	Eggs, fresh, frozen	0	0	0
400-1	100-36	Eggs, fresh, frozen	0	0	0
400-1	100-37	Eggs, fresh, frozen	0	0	0
400-1	100-38	Eggs, fresh, frozen	0	0	0
400-1	100-39	Eggs, fresh, frozen	0	0	0
400-1	100-40	Eggs, fresh, frozen	0	0	0
400-1	100-41	Eggs, fresh, frozen	0	0	0
400-1	100-42	Eggs, fresh, frozen	0	0	0
400-1	100-43	Eggs, fresh, frozen	0	0	0
400-1	100-44	Eggs, fresh, frozen	0	0	0
400-1	100-45	Eggs, fresh, frozen	0	0	0
400-1	100-46	Eggs, fresh, frozen	0	0	0
400-1	100-47	Eggs, fresh, frozen	0	0	0
400-1	100-48	Eggs, fresh, frozen	0	0	0
400-1	100-49	Eggs, fresh, frozen	0	0	0
400-1	100-50	Eggs, fresh, frozen	0	0	0
400-1	100-51	Eggs, fresh, frozen	0	0	0
400-1	100-52	Eggs, fresh, frozen	0	0	0
400-1	100-53	Eggs, fresh, frozen	0	0	0
400-1	100-54	Eggs, fresh, frozen	0	0	0
400-1	100-55	Eggs, fresh, frozen	0	0	0
400-1	100-56	Eggs, fresh, frozen	0	0	0
400-1	100-57	Eggs, fresh, frozen	0	0	0
400-1	100-58	Eggs, fresh, frozen	0	0	0
400-1	100-59	Eggs, fresh, frozen	0	0	0
400-1	100-60	Eggs, fresh, frozen	0	0	0
400-1	100-61	Eggs, fresh, frozen	0	0	0
400-1	100-62	Eggs, fresh, frozen	0	0	0
400-1	100-63	Eggs, fresh, frozen	0	0	0
400-1	100-64	Eggs, fresh, frozen	0	0	0
400-1	100-65	Eggs, fresh, frozen	0	0	0
400-1	100-66	Eggs, fresh, frozen	0	0	0
400-1	100-67	Eggs, fresh, frozen	0	0	0
400-1	100-68	Eggs, fresh, frozen	0	0	0
400-1	100-69	Eggs, fresh, frozen	0	0	0
400-1	100-70	Eggs, fresh, frozen	0	0	0
400-1	100-71	Eggs, fresh, frozen	0	0	0
400-1	100-72	Eggs, fresh, frozen	0	0	0
400-1	100-73	Eggs, fresh, frozen	0	0	0
400-1	100-74	Eggs, fresh, frozen	0	0	0
400-1	100-75	Eggs, fresh, frozen	0	0	0
400-1	100-76	Eggs, fresh, frozen	0	0	0
400-1	100-77	Eggs, fresh, frozen	0	0	0
400-1	100-78	Eggs, fresh, frozen	0	0	0
400-1	100-79	Eggs, fresh, frozen	0	0	0
400-1	100-80	Eggs, fresh, frozen	0	0	0
400-1	100-81	Eggs, fresh, frozen	0	0	0
400-1	100-82	Eggs, fresh, frozen	0	0	0
400-1	100-83	Eggs, fresh, frozen	0	0	0
400-1	100-84	Eggs, fresh, frozen	0	0	0
400-1	100-85	Eggs, fresh, frozen	0	0	0
400-1	100-86	Eggs, fresh, frozen	0	0	0
400-1	100-87	Eggs, fresh, frozen	0	0	0
400-1	100-88	Eggs, fresh, frozen	0	0	0
400-1	100-89	Eggs, fresh, frozen	0	0	0
400-1	100-90	Eggs, fresh, frozen	0	0	0
400-1	100-91	Eggs, fresh, frozen	0	0	0
400-1	100-92	Eggs, fresh, frozen	0	0	0
400-1	100-93	Eggs, fresh, frozen	0	0	0
400-1	100-94	Eggs, fresh, frozen	0	0	0
400-1	100-95	Eggs, fresh, frozen	0	0	0
400-1	100-96	Eggs, fresh, frozen	0	0	0
400-1	100-97	Eggs, fresh, frozen	0	0	0
400-1	100-98	Eggs, fresh, frozen	0	0	0
400-1	100-99	Eggs, fresh, frozen	0	0	0
400-1	100-100	Eggs, fresh, frozen	0	0	0

1/ Duty is 0 rate less than 12/10 or more than 102/10

NON TARIFF MEASURES

Canada

Import Quotas

Poultry - A global quota is in force for the importation of chickens and turkeys. For 1984 and 1985 the quota for chicken was 24.3 million kg and 23.6 million kg respectively. The chicken import quota is established each year at 6.3% of the previous year's production. For turkey, the proportion is 2% of the current year's production quota. For 1984 and 1985 the quota for turkey was 1.9 million kg and 1.93 million kg respectively.

Eggs - A global quota is in force for the importation of eggs. For 1984 and 1985, the quota was 1.43 million dozen and 1.04 million dozen respectively. The quota is established annually at .87% percent of the previous year's egg production.

Quotas for egg products in 1984 were 429,372 kg of powder egg and 1,155,766 kg of frozen or liquid egg. In 1985 quotas are 418,474 kg for powder egg and 1,129,219 kg for frozen or liquid egg. Egg powder and frozen or liquid egg quotas represent .51% and .41% percent of the previous year's shell egg production respectively.

U.S.A.

No significant non-tariff measures are in place in relation to trade in poultry and eggs.

[EXEMPT
Sec. 21 (1) (A)]

EXEMPT
Sec. 21 (1) (2)

EXEMPT
Sec. 21.(1)(a)

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Sec 21 (1) (A)

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Sec. 21 (1) (a)

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Sec. 21 (1) (A)

EXEMPT
Sec 21 (1) (2)

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Sec. 21 (1) (a)

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Sec 21 (1) (2)

Section I: Scope of the Sector and its Place in the Economy

1. Scope

This sector includes the production of beef cattle and calves, hogs, sheep and lamb. Part of cattle and calf production comes from the dairy sector. Production and trade in meat is included but the meat processing sector per se is not. The export of breeding stock and semen could also be considered part of this sector.

2. Economic Contribution

Livestock production is a major agricultural enterprise in every province, contributing over 25 percent of total Canadian farm cash receipts (Table 1 and 2). The raising and finishing of cattle and calves is the single most important livestock enterprise in terms of farm cash receipts followed by hog production. Cattle production has diminished in its contribution to farm cash receipts over the past 12 years, however, hog production has maintained a steady nine percent.

3. Supply and Disposition

About eight percent of beef and veal production is exported and about nine percent of consumption is imported. Imports are of high quality beef for the U.S. but mostly lower quality beef from several countries. Pork exports currently are about 20 percent of production and imports about two percent of consumption. Most lamb and mutton is imported.

About two-thirds of pork production goes into processed products whereas about 15-20% of beef production is processed.

Trade in livestock is also important, especially with the United States (see following section).

4. International Trade

Currently, Canada is a net exporter of cattle and dressed beef. This position can vary depending upon local and international supply conditions, as well as exchange rates etc. Canada exports both live cattle for immediate slaughter and for further finishing. Live cattle trade is predominantly with the U.S. Canada imports slaughter cattle from the U.S. and besides the weight and slaughtering regulations there have been some imports of feeder cattle. The dressed beef trade is distinguishable by the qualities of products, high quality cuts largely from the U.S. and manufacturing or lower quality beef from New Zealand, Australia and very recently from the European Economic Community (EEC).

Canada is currently surplus in its production of hogs and pork and, therefore, is in a significant positive net trade position. Live hog exports are primarily to the U.S. and are destined for immediate slaughter. There is a small trade in feeder pigs and sirebred stock. There have been very limited imports of live hogs because of animal health restrictions.

Another major market for Canadian pork is Japan. In 1982 and 1983 Canada increased its share of the Japanese market as pork from Denmark, the traditional supplier, was banned due to an outbreak of foot and mouth disease in that country. However, Denmark, which currently maintains exports of pork, regained more than its traditional market share in 1984 as this ban was lifted.

Canada imports most of its domestic requirements for lambs and mutton primarily from New Zealand, the U.S. and Australia. Live sheep imports are primarily from the U.S. and are

for immediate slaughter. Exports of both live sheep and lambs and dressed meat are very small relative to imports and these are sent primarily to the U.S. and the EEC.

Section III: Structural Characteristics

1. Numbers and Types of Farms (Enterprises)

In 1981 there were 72,055 farms which held cattle on feed and 113,141 farms which had beef cows. The industry has become relatively concentrated in that less than five percent of these cattle-on-feed farms had over 50 percent of total inventories. Also about 13 percent of the beef cow farms had about 50 percent of total beef cow inventories. In 1981 there were 53,765 farms which had swine. This industry has also become more concentrated with about six percent of the enterprises accounting for over 50 percent of the total inventories.

The beef and hog enterprises on these farms can take several forms, however, ranging from breeding through feeding to specializing in one phase of production. Also, some farms are specialized in livestock production whereas others are not. Increased cattle finishing in large capacity feedlots has been a major trend. Most hogs are raised on large, single enterprise farms.

2. Geographic Differences

Most cattle feeding in Canada takes place in Ontario and Alberta followed by Saskatchewan and Manitoba. Beef cow enterprises are located largely in Western Canada with Alberta and Saskatchewan being the major provincial locations. The Prairie provinces account for about half of cattle and calf cash receipts, Ontario a third and Quebec around seven percent.

Swine production is located primarily in Quebec, Ontario and Alberta. Quebec and Ontario each account for about one third of hog cash receipts and Alberta about a quarter. Quebec has increased from around 20 percent in the late 1960's while Alberta's share has fallen from a level of more than 40 percent.

3. Growth and Productivity

Historically, the number of red head has increased over the past twenty years with an average annual growth rate of 2.1 percent during the 1960's and a slightly lesser growth rate of 1.3 percent during the 1970's.

The Canadian beef herd increased rapidly throughout the 1960's. In 1961 there were 2.3 million beef cows in Canada and in 1975 when there was 4.5 million cows. Growth in the number of the beef herd took place in 1975 when numbers dropped by 14 percent and again in 1978 when the herd size dropped another eight percent. Since then the beef herd has decreased steadily. The number of beef replacement heifers in Canada has increased and decreased with the beef cow herd.

The ewe herd in Canada decreased in the early half of the seventies when the beef herd was increasing but when the beef herd began to fluctuate in 1976 the ewe herd started to increase in size. In the late seventies, the ewe herd made progressive gains with increases of 13 percent in 1977, 22 percent in 1978 and 17 percent in 1979. Since then, the ewe herd has remained at a relatively consistent size.

The sheep flock had decreased consistently from 1961 when the flock numbered 781,000, to 1977 when numbers bottomed at 361,000. Since 1977, renewed interest has taken place in the sheep industry as producers are becoming better organized and in 1982 the sheep flock included 457,000 head.

4. Inputs

Beef production is an efficient method of utilizing Canada's large resources of forage lands to produce high quality food for human consumption. (Twenty billion hectares are currently in production with a further 20 billion hectares available for expansion). Seventy to eighty percent of the beef cow herd is maintained in Western Canada on the extensive rangelands. When the calves are weaned, some remain with their owners but large numbers are marketed to other cattlemen in Canada and the U.S. to grow and finish. Western feedlots depend primarily on barley for feed whereas Ontario feedlots rely on corn silage. Barley is the major feed for hogs although corn also is important in Eastern Canada.

Livestock production also uses significant capital and labor inputs. Financial risks have been increased by the reliance on borrowed funds and the volatility of interest rates, feeding costs and livestock prices.

During the 1960's, inputs into the production of all livestock (including dairy and poultry) increased at an average annual rate of 1.4 percent and during the seventies this average rate increased to 2.5 percent. There is a difference among regions in the growth rates over the past twenty years. In Western Canada, inputs into livestock production have had a consistent annual average growth rate of 2.1 percent from 1961-1982. However, in Eastern Canada during the 1960's, the growth averaged 1.3 percent and during the seventies, eastern livestock inputs had an average annual growth rate of 3.0 percent. Some of this difference would be due to differences in the relative importance of the different livestock produced in each region.

5. Research and Development

These activities are carried out by the federal and provincial governments, universities and the private sector.

6. Marketing, Processing, Distribution System

Slaughter cattle are sold directly to meat packers, through country auctions, on terminal markets and to dealers. Direct sales are increasing in importance as is the use of a carcass grade basis for such sales. Electronic marketing possibilities are of growing interest. Feeder cattle are primarily sold directly to buyers or through auctions.

In some provinces hogs are sold through provincial marketing boards, using an electronic marketing system or price negotiations and with no supply controls. Pricing is based directly on the carcass grading system.

Interprovincial and international trade is subject to federal market intervention.

There are 12 federally inspected beef packing plants in Canada and 10 more packing plants. Alberta is the largest cattle processing province followed by Ontario. Quebec is the largest hog processing province followed by Ontario and Alberta. The numbers of plants have been declining with plants becoming more specialized. The introduction of frozen beef is changing the functions of packing and packaging activities.

7. Policy Framework

Both slaughter and feeder animals are named commodities under the Agricultural Stabilization Act (ASA). Provincial stabilization programs also are in place. The ASA has been amended to allow for federal-provincial-grower joint contribution agreements.

The Feed Freight Assistance Act provides for the subsidization of feed grain transportation costs from Thunder Bay to deficit feed areas.

Research and Record of Performance programs are used to improve productivity.

B. Strengths and Weaknesses

Canadian cattle and hog producers are internationally competitive and have indicated their willingness to compete on fair terms with producers from any nation. They are very sensitive to competition from those countries which have price enhancing schemes as an integral part of their market competitiveness.

The Canadian livestock industry has a large land base and is becoming increasingly self-sufficient in feed grain production which is its largest single input cost item.

Canada also has a geographical advantage as the U.S. is its major market. Much of the hog and cattle production in Canada is located closer to major U.S. markets in border States relative to the major U.S. supply regions of the mid Western States and the Southern plain States. Also many U.S. packers and processors are within close reach of Canadian slaughter houses both in Eastern and Western Canada (specifically Northeastern and Atlantic States and Pacific Northwest) which facilitates the meat trade as well the trade in livestock.

The average Canadian pork and beef carcass is leaner than the average U.S. pork and beef carcass which is a direct result of the Canadian grading system. Leaner carcasses are a more desirable product because it not only means improved feed efficiency but also

Improved processing efficiency by increasing the weight of finished
meat product per unit of processing cost. Despite this the
reducing advantage for Canadian meat packers, they are at some
disadvantage with respect to labour wage rates. In 1965, most meat
packers in the U.S. were successful in reducing the hourly rate paid
to their employees while in Canada the wage settlements have
remained at historical levels or higher. However, some Canadian
packers were successful in negotiating lower rates for the employed
and differing rates across the country. In addition, in the case of
hogs, in Canada there is a very consistent supply which is a direct
result of the virtual 100 percent confinement rearing. This is
important to meat packers in their efforts to maintain consistent
production to minimize their operating costs.

Section III: Major Tariff and Non-Tariff Measures Influencing Canadian's Trade in Livestock & Meat

A. Tariffs

Canadian Tariff Item	USA Tariff Item	Commodity	Unit	MFN Rate	
				Canada	USA
		Cattle:			
501-1	100.40	- less than 200 lb	lb	1 ct	1 ct
501-1	100.45	- 200-499 lb	lb	1 ct	1 ct
501-1	100.53	- 500 lbs and over	lb	1 ct	1 ct
504-1	100.50	Cows for dairy purposes	lb	Free	Free
500-1	100.35	Live hogs	-	Free	Free
502-1	100.31	Sheep	head	\$1.00	Free
701-1	106.10	Beef & Veal, fresh, chilled or frozen	lb	2 cts	2 cts ^{1/2}
703-1	106.10	Lamb & Mutton, fresh chilled or frozen	lb	3.0 cts	0.5 ct
704-1	106.40	Pork, fresh, chilled or frozen	-	Free	Free
707-1	106.30	Edible meat offal	-	Free	Free
810-1	106.35	Canned ham ^{1/}	-	15%	
	107.10	Pork prepared - not boned	lb		1 ct
	107.15	Pork prepared - boned	lb		3 cts
1002-1	107.40	Beef & Veal, cured or pickled ^{1/}	lb	1 ct	1 ct
	(under 30 cts per pound)				
800-1	107.52	Beef, canned ^{1/}	-	15%	3%
	107.51	Beef & Veal (portion controlled cuts)	-		4%
	107.52	USA prime or choice Beef and veal (portion controlled cuts) other	-		10%
1205-1	190.58	Sausage skins & casings cleaned	-	Free	Free
3005-1		Wool	-	Free	
1400-1	106.11	Tallow	lb		10 cts
	177.55		lb		0.43 ct
59900-1	120.14	Hides	-	Free	Free
	120.17				

^{1/} Preferential rates in existence for Australia and New Zealand.

B. Non-Tariff Measures

1. Canada

(1) Meat Import Act - the Meat Import Act regulates, on an ongoing basis, Canada's imports of fresh, chilled and frozen beef and veal. The Act permits the Minister of Agriculture, in consultation with the Secretary of State for External Affairs, to establish annual permissible levels of imports of beef and veal on the basis of a prescribed formula and certain other considerations. The formula is a "counter-cyclical" one. That is it causes permissible import levels to adjust inversely to changes in marketings of cows and heifers in Canada. By virtue of the Tokyo Round of GATT's Canada has a global minimum

access commitment (MAC) for beef and veal imports. The base MAC was established at 139.2 million pounds for calendar year 1980. It is increased cumulatively from that base by the same proportion as increases in the Canadian population. For 1988 the minimum access commitment is 146.5 million pounds.

(1) Health and Sanitary Restrictions - Certain other than slaughter cattle, imported from the United States are generally subject to quarantine and on-farm testing for brucellosis, tuberculosis, distemper and anaplasmosis. This general restriction has recently been relaxed to the extent that feeder cattle and calves from the U.S. can enter during the period October to May (the "non-fly" period) with only a test for brucellosis and tuberculosis.

Importation of live dogs from Canada into the U.S. is effectively prohibited due to the incidence of rabies in that country.

2. United States

(1) Meat Import Law (Beef, Veal and Mutton) - The importation of fresh, chilled and frozen beef, veal, mutton and lamb has been subject to import restriction legislation since 1934. As amended in 1979, the Meat Import Law requires the President of the USA to establish imports of beef of the U.S. Department of Agriculture estimates that imports without restriction will equal or exceed 10 percent of the formula-derived level. This formula provides that import levels decline during periods of rising domestic beef production and vice versa. The United States also made a commitment in the 1980 GATT to permit the importation of an annual minimum volume of beef and veal. This amounts to a "hard" 1.15 billion pounds per year.

(1) Health and Sanitary Restrictions - All imports of beef and veal must be accompanied by a veterinary certificate. The requirements of the certificate may vary by country of origin. The importation of live cattle and calves, beef and veal, as well as lamb, mutton and pork from any country where rinderpest or foot and mouth disease exist is prohibited by the Tariff Act of 1930.

Normally, Canadian live animal and meat exports to the U.S. are not affected by the United States' health regulations. A recent exception has been the refusal by certain U.S. states to allow entry of live cattle and swine due to the usage of dicrocoelium in Canada.

EXEMPT

Sec. 21 (1) (4)

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Sec. 21 (1) (a)

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Section I. Scope of the Sector and its Place in the Economy

1. Scope

The dairy industry comprises the production and processing of milk and dairy products. Dairy livestock which are a co-product of dairy enterprises are not covered in this paper nor are the distribution and retailing functions for milk and dairy products. The emphasis is on the primary production of milk for fluid and manufacturing purposes.

2. Economic Contribution

Dairy farm cash receipts totalled \$2.89 billion for the dairy year ended July 31, 1984, including \$1.22 billion receipts from sales of milk for fluid purposes, \$1.16 billion from industrial milk sales and \$0.27 billion in direct federal subsidy. This represents some 15 percent of total farm cash receipts nationally. Dairy production is largest in Quebec and Ontario where it represented 37.5 percent and 13.3 percent respectively of total provincial farm cash receipts in 1984. Dairying also contributes significantly to the agricultural economy in Nova Scotia, New Brunswick, British Columbia and Prince Edward Island, the respective percentages of total farm cash receipts in 1984 being 29.5 percent, 24.1 percent, 23.5 percent and 17.5 percent. There is also significant dairy production in Alberta.

3. Supply and Disposition

The market for fluid milk and related products absorbs (on a volume basis) some 25 million hectolitres (hl) of milk per annum. Any surplus over market requirements is treated as industrial milk. Industrial milk production is currently some 48 million hl per annum. About 43 million hl equivalent are used to manufacture butter, cheese and other dairy products consumed in Canada. The balance is exported in the form of evaporated milk, whole milk powder and cheese.

Imports of dairy products are limited by federal intervention and consist mainly of 20,400 tonnes of cheese (equivalent to about 2.2 million hl of milk) of which some 50 percent originates in the European Economic Community (EEC).

Fluid milk is subject to provincial supply management systems. Industrial milk is produced under a national supply management system which is used to balance production with domestic butterfat consumption net of imports. As current relative support prices for butter and skimmed milk powder, Canadian butterfat consumption is higher relative to its occurrence in milk than Canadian solids-not-fat consumption, as a result a surplus of some 15,000 tonnes per annum of skimmed milk powder is available for export. The main purchasers of this surplus skimmed milk powder are normally USA (for aid purposes—mainly World Food Program) and Mexico.

Since 1979, a multilateral Special Export Program has encouraged production of an extra 2.2 million hl of milk. This has been processed mainly from evaporated milk specifically for export to Algeria, Nigeria and Libya. Effective August 1, 1985 this quota has been reduced to 1,725 million hl of which 1.2 million hl represents surplus.

Section II. Structural Characteristics

1. Number and Types of Dairy Farms

In the period August to December 1981 there were 14,125 dairy farms registered with the Canadian Dairy Commission (CDC). Of these 14,125 were producers of both fluid and industrial milk (and collected all of the fluid milk required plus about 70 percent of the industrial milk produced), 11,361 were industrial milk only producers and 2,764 collected only farm separated cream.

In 1981, 90-percent of the dairy farms had gross sales of more than \$5,000 (1977 dollars) and accounted for about 90 percent of sales of milk and cream.

2. Geographic Differences

The production of fluid milk follows population patterns fairly closely among provinces (except Newfoundland, Yukon and the North-West Territories). Industrial milk production is centered mainly in Quebec and Ontario who account for 48 percent and 31 percent of national industrial milk production quotas respectively.

3. Growth and Productivity

The market for fluid milk has been virtually static in volume terms at 25 million hl since 1979. Because of the increasing popularity of two percent butterfat fluid milk (and, to a lesser extent, skimmed milk) butterfat usage in the fluid sector has declined, giving an increased "skim-off" (i.e., flow of butterfat from the fluid sector into industrial products). Similarly the overall domestic market for industrial milk products has been virtually static with increases in cheese consumption being offset by declines in butter consumption.

Despite the lack of overall growth, there have been considerable productivity improvements with substantial declines in farm numbers (a 40 percent decline since 1966) and in the number of dairy cows. (Between 1981 and 1985 the total number of dairy cows declined from 1.78 to 1.71 billion as yields improved). It is anticipated that the rate of yield per cow improvement will increase as new biotechnological techniques become available in the next few years and that farm structural adjustment will continue.

4. Inputs

Dairy production in Canada is supported mainly by forage grown on the farm (particularly corn silage) and some purchased feed. Labor requirements have been reduced over the years but capital requirements have grown significantly.

5. Processing and Distribution

With improved milk quality and transportation techniques, a substantial rationalization of dairy processing facilities has occurred to capture the economies of scale possible in modern dairy processing plants. The number of processing establishments dropped from 1,344 in 1953 to 488 in 1960 and is continuing to decline. It is estimated that the Canadian dairy processing industry currently employs 28,000 persons.

6. Federal Dairy Policy

Each producing province has its own supply management system for fluid milk.

Present dairy policy for the industrial market has been in place for ten years with relatively little alteration. The dairy policy objectives of 'the opportunity for a fair return' for efficient producers and a 'continuous supply of high quality products' have been achieved by: (a) the use of income supports which, more than about 20,000 tonnes of cheese per annum, have largely excluded imports; (b) federal surplus pricing for producers using surplus and skimmed milk powder offers to processors by the Canadian Dairy Commission (CDC); (c) federal direct subsidy of 15.00 per hl paid to producers in Domestic Requirements and, since 1979, on a specified volume of production for special purposes; (d) federal participation with provincial governments and producer organizations in national supply management for industrial milk and cream and (e) federal financing of inventories held by CDC and federal funding of the administration, and most of the Marketing Operations Costs, of CDC.

Imports of margarine are prohibited and restrictions in some provinces in its output, and are designed to encourage butter consumption.

7. Strengths and Weaknesses

An important strength of the Canadian system has been the avoidance of major imbalances between the production and consumption of milk and dairy products such as have occurred in the EEC and, to some extent, in the U.S.

Weaknesses include the heavy resource requirements for new entrants caused by high values for both fluid and industrial milk quotas (and the consequent income expectations) and the on-going Federal funding requirement of about \$300 million annually associated with producer prices which are now above those in most other Western nations.

Structural rationalization is less advanced in Canada than in the U.S. Many industrial milk only and cream producers are clearly not competitive with larger U.S. or Canadian producers. Larger integrated Canadian producers could probably compete with U.S. dairy farmers at current exchange rates although the prices received by Canadian producers are in fact higher, particularly for fluid milk. The processing industry is probably not competitive with the U.S. dairy processing industry because of larger milk sheds, lower volumes and greater seasonal fluctuations in supplies in Canada amongst other reasons.

SECTION III: Major Tariff and Non-Tariff Measures Influencing Canada/USA Trade in Dairy Products

TARIFF COMPARISON

Canadian Tariff Item	USA Tariff Item	Commodity	Unit	MFN Rate	
				Canada	USA
4305-1	115.65	Powdered Milk	lb	3.5 cts	3.1 cts
1500-1	115.00	Butter	lb	12 cts	
		Butter (up to 50,000 lbs)	lb		5.5 cts
		Butter (over 50,000 lbs)	lb		14 cts
1700-1	117.15	Cheddar Cheese	lb	1 cts	100
1700-1	117.38	Other Cheese	lb	1.5 cts	
					100

NON-TARIFF MEASURES

Canada

Import Controls

Sugar, butterfat, cheese, dry buttermilk, dry curdles and caseinates, dry skimmed milk, dry whole milk, dry whey, evaporated and condensed milk and animal feeds containing more than 50 percent of non-fat milk solids are subject to import control under the terms of the Export and Import Permits Act. Permits for commercial importations of cheese are issued to traders in accordance with quotas which were introduced in 1975 at 22,520 tonnes total (43 million pounds) and reduced in 1979 to the current level of 20,412 tonnes (43 million pounds) annually.

Permits for 20 million pounds of dry buttermilk are issued annually under a trade agreement with New Zealand.

Permits for imports of curdles are issued freely but discretionary permits issuance limits imports of other listed products unless a quantity is restricted.

Import Monopoly

The Canadian Dairy Commission (CDC) is the only resident of import permits for any commercial quantities of sugar.

Prohibited Goods

Substitutes for butter, (e.g. margarine) are classified as prohibited goods and cannot be imported.

U.S.A.

Tariff Quota

The U.S. imposes tariff-quota duties on fluid milk containing between one and 5.5 percent butterfat. The first 1,000,000 gallons entered in any calendar year are charged 2.25 per gallon while the duty on any milk over this quota is 1.255 per gallon. Canada is the only country to have exported fluid milk under this tariff item. This occurred only in 1980 and 1981 and in quantities well below the ceiling.

Import Quotas

Most dairy products are subject to a quota system. The largest number of product quotas are administered by licensing by the USDA. These are: dried buttermilk and whey, dried skimmed milk, dried cream, for all of which the annual quota is set at half the quantity imported in 1948-50, i.e., very low levels (less than 1,000 tonnes for SMP); butter for which the reference period is 1930-34, yielding a quota of 320 metric tonnes subdivided mainly between New Zealand and the EEC; and cheese.

The cheese import quota is the only one with commercial significance. During the Tokyo Round negotiations the U.S. government agreed to an expansion of its cheese import quotas. However, as part of this agreement, the U.S. extended the coverage of the quota system which covers now 85% of all imported cheese. Also, the maximum total quota for any year is 111,000 metric tonnes. Cheese imports tend to supply five percent of U.S. cheese consumption. The quota for each category of cheese is specified, as is, in most cases, the share of each supplying country.

Canada's quota shares of U.S. cheese imports are as follows:

Aged cheddar	833 M.T. per annum
Swiss-type cheese	70 M.T. per annum
Other (variety) cheeses (except cottage cheese and non-cow's milk cheeses)	1241 M.T. per annum

Canada specific quotas for dairy products other than cheese are:

Dry buttermilk/whey	161 tonnes
Dried skim milk	320 tonnes
Evaporated milk in airtight containers	32 tonnes
Sweetened condensed milk	397 tonnes

In addition, Canada has access (as do other countries) to 1 544 tonnes U.S. global import quota for Butteroil.

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Special Crops

Section 1: Scope of the Sector and its Place in the Economy

1. Scope

Special crops include pulse crops, (beans, peas, lentils) a number of contracted crops (mustard seed, buckwheat, coriander, canary, etc.), sugar, honey, maple and tobacco.

2. Economic Contributions

In 1983 the farm value of these crops exceeded \$300 million. As returns are directly influenced by world prices, the value of production changes appreciably from year to year. Tobacco products contribute very significantly to Canadian tax revenues on an annual basis. Tobacco is the major crop followed by honey and sugar. The importance of sugar will decline in 1985 as there is no crop in Alberta. Pulse crops, especially white beans, also are a major factor in the total.

3. Supply and Disposition

On average about 25 to 35 percent of Canada's tobacco and honey production is exported. Canadian sugar beet production provides nine percent of sweetener requirements and imported raw cane sugar about 66 percent. Pulses and maple are major export products with over 75 percent of the production being exported in some years. All of these commodities can be stored and Canada currently has a significant inventory except in maple.

4. International Trade

While the United States is a major market for soybeans, sugar and honey there are a number of other countries that buy a large percentage of these and the other commodities. White beans and mustard seed are widely marketed in competition with products from the United States. Western European countries are key markets for soybeans, pulses and honey. Maple is marketed to Japan and Western Europe.

Imports of sugar and soybeans are significant while imports of the other commodities are very limited.

Section II - Structural Characteristics

1. Numbers and Sizes of Farms (Enterprises)

Because of the range of products included in this sector average numbers are not meaningful. Also, most commodities are produced in conjunction with other crops. Soybean producers have in recent years increased their production of other crops as production quotas for soybeans were reduced. Sugar beet production has always been part of a mixed-crop farm operation. There are a significant number of full time honey producers especially in Western Canada. Maple production is combined with mixed livestock farming in Eastern Canada.

Pulse crop production is usually part of a field crop rotation program and has been like this for some time. The size of operations for pulse production has remained fairly stable in recent years.

2. Geographic Distribution

Ontario is the major production area for soybeans and white beans. Quebec and the Maritimes have some soybeans. Pulse crops other than white beans are produced in the west. The Prairie

Provinces are the major honey producers with the largest number of colonies per unit and the highest average yield. Quebec dominates the commercial maple industry as it accounts for over 90 percent of Canada's production. Ontario and the Maritimes have a small amount of maple production. Quebec and Manitoba are the only two provinces producing sugar beets in 1985. Alberta also is a traditional producer but no crop was planted in 1985 because producers and the processor were unable to agree on price.

3. Production Growth and Productivity

Honey has experienced the greatest growth in the past ten years as production has more than doubled. The number of colonies and yield per colony have both increased. Exports have encouraged this growth and prices have moved up until late 1984. Maple production has declined as a result of weather and tree conditions. Several years ago the industry had a surplus situation but in recent years production has been well below requirements. Prices in 1985 have been well above average.

Tobacco producers are facing a severe decrease in demand and thus their production has declined from over 95 billion kilograms to approximately 50 billion kilograms in 1985. Average yields per hectare have gradually improved but with the volume per farm unit declining the capital cost per unit is increasing. Sugar production has also been declining and, as mentioned above, Alberta growers decided not to produce in 1985. Pulse production varies annually and depends upon world prices and yields.

4. Inputs

(a) Land

For tobacco and sugar there is no lack of land as both crops are in a state of decline. There is a serious question of what to grow on the sandy tobacco lands if the tobacco area continues to decline. Pulse land area has been fairly constant and competes with soybeans and corn.

(b) Other Issues

There are no limiting factors at this time although the honey industry is facing a problem of disease and insect free bees for colony replacement.

5. Marketing System

Consideration is currently being given to the formation of a National Tobacco Agency. The volume of tobacco that can be marketed in Ontario, the dominant province, is controlled by a strict quota system. Producers and processors, however have not yet reached agreement on prices for 1985. Sugar beets are all grown under contract with processors and payments are paid once the final refined sugar product is sold. Sugar beet growers have received stabilization payments periodically and a special support program was offered for the 1985 crop.

Honey and Maple have no formal marketing system. Each product has government grades with numerous buyers purchasing directly from producers.

The marketing system for pulse crops varies by crop with white beans having the most formal system. The white bean board purchases and sells the produce both domestically and internationally. Other pulse crops employ a mix of contract and direct sales systems.

6. Policy Framework

All of these crops are eligible for stabilization and most have used the advance payment program. Crop insurance is also available for the field crops but not honey and maple. There is no formal sugar or tobacco policy although a sugar policy is currently under consideration.

7. Strengths and Weaknesses

Honey is currently the strongest growth product but the United States is investigating imports of honey. The domestic and export demand for maple products is strong but measures are needed to reverse the decline in production.

Tobacco and sugar are both in very weak situations. Tobacco is faced with declining domestic demand due to concerns about the effect of smoking on health and the high level of taxation placed on tobacco products. Declining international markets also are a problem. Although the sugar beet industry has been viable with only periodic stabilization support, current world sugar prices are severely depressed. A review of Canadian sugar-sweetener policy is currently underway.

Pulse production is already on a world trade basis where Canada is competitive at certain price levels but not at others. Canada can usually produce a crop each year because of the geographic dispersion of the production area.

Table 11. Total Value of Agricultural Products Produced, 1967

Table 12. Total Value of Agricultural Products Produced, 1967

State	Total Value	Crops	Livestock	Percentage of Total Value	
				Crops	Livestock
Alabama	1,200,000,000	650,000,000	550,000,000	54.2	45.8
Arkansas	1,100,000,000	600,000,000	500,000,000	54.5	45.5
California	2,500,000,000	1,500,000,000	1,000,000,000	60.0	40.0
Florida	1,000,000,000	500,000,000	500,000,000	50.0	50.0
Georgia	1,300,000,000	700,000,000	600,000,000	53.8	46.2
Illinois	1,800,000,000	1,000,000,000	800,000,000	55.6	44.4
Indiana	1,400,000,000	800,000,000	600,000,000	57.1	42.9
Iowa	1,600,000,000	900,000,000	700,000,000	56.2	43.8
Kansas	1,200,000,000	700,000,000	500,000,000	58.3	41.7
Michigan	1,500,000,000	800,000,000	700,000,000	53.3	46.7
Minnesota	1,700,000,000	900,000,000	800,000,000	52.9	47.1
Mississippi	1,100,000,000	600,000,000	500,000,000	54.5	45.5
Missouri	1,400,000,000	800,000,000	600,000,000	57.1	42.9
Nebraska	1,300,000,000	700,000,000	600,000,000	53.8	46.2
North Carolina	1,200,000,000	650,000,000	550,000,000	54.2	45.8
North Dakota	1,100,000,000	600,000,000	500,000,000	54.5	45.5
Ohio	1,500,000,000	800,000,000	700,000,000	53.3	46.7
Oklahoma	1,200,000,000	700,000,000	500,000,000	58.3	41.7
South Carolina	1,000,000,000	500,000,000	500,000,000	50.0	50.0
South Dakota	1,100,000,000	600,000,000	500,000,000	54.5	45.5
Texas	1,800,000,000	1,000,000,000	800,000,000	55.6	44.4
Virginia	1,300,000,000	700,000,000	600,000,000	53.8	46.2
Washington	1,600,000,000	900,000,000	700,000,000	56.2	43.8
West Virginia	1,000,000,000	500,000,000	500,000,000	50.0	50.0
Wisconsin	1,400,000,000	800,000,000	600,000,000	57.1	42.9
Wyoming	1,100,000,000	600,000,000	500,000,000	54.5	45.5

Source: U.S. Department of Agriculture, Agricultural Statistics, 1968.

Table 13. Total Value of Agricultural Products Produced, 1967

Table 14. Total Value of Agricultural Products Produced, 1967

Source: U.S. Department of Agriculture, Agricultural Statistics, 1968.

Table 15. Total Value of Agricultural Products Produced, 1967

The total value of agricultural products produced in the United States in 1967 was \$18.5 billion, an increase of 1.5 percent over the total value of \$18.2 billion in 1966. The increase was due to a 1.5 percent increase in the value of crops produced and a 1.5 percent increase in the value of livestock products produced. The value of crops produced in 1967 was \$10.5 billion, an increase of 1.5 percent over the value of \$10.3 billion in 1966. The value of livestock products produced in 1967 was \$8.0 billion, an increase of 1.5 percent over the value of \$7.9 billion in 1966. The increase in the value of crops produced was due to a 1.5 percent increase in the value of field crops and a 1.5 percent increase in the value of horticultural crops. The increase in the value of livestock products produced was due to a 1.5 percent increase in the value of livestock and a 1.5 percent increase in the value of poultry.

Table 16. Total Value of Agricultural Products Produced, 1967

Source: U.S. Department of Agriculture, Agricultural Statistics, 1968.

Table 17. Total Value of Agricultural Products Produced, 1967

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SECTION I: Scope of the Sector and Its Place in the Economy

1. Scope

Horticulture is defined as the production of fruits, vegetables, floriculture and greenhouse products. Trade data includes fresh, canned, frozen and dehydrated products.

2. Value of Production and Cash Receipts

In 1983, the gross value of horticultural production was estimated to be \$1.48 billion, up 30% from 1979 levels. It accounts for 3% of total farm cash receipts.

3. Supply and Disposition

a) Production:-

Vegetables

Production of vegetables in Canada averaged 4.4 million tonnes during the 1973-82 period with an average value of about \$603 million. Fruit production for the same period averaged 699 thousand tonnes with an average value of \$243 billion.

Based on that period, potatoes are the most important vegetable accounting for 41% of the total value of vegetable production followed by mushrooms with 11% and processing tomatoes with 7%. Storage crops (carrots 5%, cabbage 3%, onions 3%, and cruciferages 2%) combined, accounted for 14%. Greenhouse vegetables (tomatoes 1%, and cucumbers 2%), sweet corn and processing peas accounted for 5.5%, 5% and 1%, respectively. Each remaining vegetable represents 2% or less of the total value of vegetable production.

Potato production is important to all provinces with P.E.I. (24.1%) and N.S. (21.5%) accounting for 46.5% of total potato production while Quebec accounts for 14.4%, Ontario 15.1%, Manitoba 11.1%, Alberta 5.5% and B.C. 4.1%. Canadian potato production in 1982 set a record high of 2,781 thousand tonnes. After decreasing in 1983 to 2,556 thousand tonnes, in 1984 production approached the record with a crop of 2,729 thousand tonnes.

In terms of the volume of production, Quebec and Ontario account for 35.3% and 47.4% of the storage crop production respectively. The Atlantic region accounts for 7.3% while Western Canada accounts for 3.7% of production. Cabbage accounts for 27.4% or 123,125 tonnes, carrots 23.4% or 224,757 tonnes, onions 20.3% or 113,330 tonnes and mushrooms 17.3% or 101,301 tonnes of a total production for storage vegetables of 373,433 tonnes.

Fruit

Total average annual fruit production amounted to 599,113 tonnes with a value of \$242.7 million during the 1973-82 period and in 1983 amounted to \$271.5 million. Apples are the most important crop, with an average value of \$100.1 million in 1973-82 (41% of total fruit value). By 1983, apple production was valued at \$36.4 million and the provincial shares were: N.S. 3%, N.B. 1.3%, Quebec 15.3%, Ontario 23.3% and P.E.I. 14%. Tender fruit (strawberries, cherries, peaches, pears, plums-prunes) valued at an annual average of \$41.3 million represented 17.3% of total fruit value in 1973-82. Berries represent 25% or \$70.3 million, and grapes represent 11.3% or \$33 million of average total fruit value in that period. In 1984, grape production was a record high 92.3 thousand tonnes, exceeding the 1973-82 average of 73.3 thousand tonnes by 25%.

Agriculture and Nurseries

Total farm value of greenhouse, floriculture and nursery stock in Canada has increased from an average of \$170 million in the 1973-78 period to \$270 million in 1983. Ontario accounts for over one half of sales while P.E.I. is the next largest with 20% followed by Quebec with 10%. Greenhouse floriculture accounts for \$225 million while the value of nursery stock and services was \$114 million in 1983.

b) Disposition:-

Fruits

Apples: The average annual trade balance was minus 32,486 tonnes for the 1978-82 period with imports of 95,413 tonnes and exports of 62,929 tonnes. In the same period, an annual average of 204,178 tonnes were processed into apple juice, cider, sauce and pie fillings. Fresh use could account for up to 238,562 tonnes while 57,512 tonnes were classified as waste.

Tender Fruit: The average annual net trade balance was minus 75,665 tonnes for the period 1978-82 with imports of 77,139 tonnes while exports were 1,474 tonnes. Processing amounted to 30,030 tonnes with 140 thousand tonnes available for fresh use.

Berries: The average annual net trade balance was plus 574 tonnes as imports totalled 21,562 tonnes while exports were 12,732 tonnes of fresh products plus 9,504 tonnes of fresh frozen blueberries. Processing amounted to about 22 thousand tonnes and about 48 thousand tonnes were consumed fresh during the 1978-82 period.

Grapes: In the same period, the average net trade in grapes was minus 124 thousand tonnes, with imports of 135.7 thousand and exports of 1.4 thousand tonnes. Processing grape supply averaged 66.1 thousand tonnes, with 143.9 thousand tonnes available for fresh use.

Vegetables

Potatoes: The average annual net trade balance is a positive 105,334 tonnes for the 1978-82 period with imports totalling 142,447 tonnes (table 133,383 tonnes, seed 9,564 tonnes) while exports totalled 247,781 tonnes (table 125,562 and seed 122,279 tonnes). In the same period, some 320 thousand tonnes were processed annually while 349 thousand tonnes were used for seed. Some 330 thousand tonnes were waste, on average while 918 thousand tonnes were available for fresh use. Preliminary data for the 1984-85 crop year points to a significantly increased net trade balance of about 171 thousand tonnes with exports of about 126,000 tonnes (62% table 18% seed) and imports of about 155,000 tonnes (54% table. 57

Other Trade Crops: The average annual net trade balance is a negative 42,473 tonnes for the 1973-82 period with imports totalling 122,737 tonnes (cabbage 35,323 tonnes, carrots 46,337 tonnes, onions 30,321 tonnes), while exports totalled 80,264 tonnes (cabbage 1,234 tonnes, carrots 25,301 tonnes, onions 14,319 tonnes, rutabagas 23,350 tonnes). Processing in 1973-82 averaged 37 thousand tonnes (excluding rutabagas) while fresh usage averaged 330 thousand tonnes (excluding rutabagas).

Horticulture and Nurseries

The net trade balance in this sector is a negative 383 million, the largest portion of which is made up of seedlings and stock for growing on.

4. Employment

There were about 22,333 farmers employed in horticulture (fruit growers 14,302, vegetable growers 17,317, ornamentals 7,324) in 1981. In addition there were about 34,000 person years of hired labour (full time and part time standardized to person years). There were also 12,342 people employed in processing factories and wineries.

5. International Trade

The value of horticultural exports in 1984 totalled 1452 million us dollars from 1981 while imports were 12,233 million us dollars from 1981. Horticultural imports accounted for 10% of our total agricultural imports in 1984. Export patterns indicate that 50% of our exports went to the U.S., 15.3% to the EEC, 3.3% to Asia and 24.7% to other countries. Import patterns indicate that the U.S. is our largest market with 52% of the total followed by the EEC with 4.3%, Asia 3.3% and other countries 19.6%.

ANNEX 11: International Market Statistics

1. Numbers, Sizes, Types and Ownership of Farms

The 1981 Census of Agriculture counted 46,000 horticulture-oriented farms. The Canadian Horticultural Council estimates that there are 20,000 farm enterprises specialized in the production of horticultural crops.

Horticultural crops are grown on about 302 thousand hectares of land, representing approximately 1.2 percent of Canada's total improved land area. Most horticultural crops are produced on small family-oriented farms. There are also a number of large, individually-owned corporate farms and other large farms operated by processing firms. Between 1966 and 1981, the number of census farms classified as horticultural dropped 16% but increased from 5% of all farms to 5.7%.

2. Geographic Differences

The geographic distribution of production in 1984 was 7% in the Atlantic region, 54% in Central Canada (Ontario 44%, Quebec 20%) and the West 29% (volume basis). The geographic distribution by commodity is provided in the previous section.

3. Growth and Productivity

During the 1960's, vegetable production increased at an average annual growth rate of 2.0 percent while in the 1970's vegetable output increased by 3.1% per year. Fruit production was rather steady over the past 20 years with an average annual growth rate of 1.7%. Growth in the ornamental and nursery sector has been very good with an average annual increase of over 10% during the past 10 years.

4. Capitalization and Financing

The major source of borrowed funds for both capital and operating expenses is the chartered banks. The Farm Credit Corporation also is an important source.

5. Research and Development

Most R&D is conducted by Federal and Provincial Governments with some private companies in the plant breeding and equipment development area. The Canadian Horticultural Council plays an active role in disseminating research results along with provincial extension personnel and university scientists as well as the various federal research station personnel.

6. Marketing Processing and Distribution System

The marketing and distribution systems differ from commodity in commodity reflecting differences in factors such as perishability, seasonality of production, degree of processing, market locations and needs. Provincial producer marketing boards are important in the marketing of fruits and vegetables. Many negotiate producer prices and production targets while some set selling prices, package the products and operate as marketers.

There are 27 marketing boards across Canada dealing with marketing of fruits (9) and vegetables (18). About 2475 million is marketed annually through marketing boards, 49% of all grower sales in horticulture. There are 9 in the West, 10 in Ontario, 1 in Quebec and 7 in the Atlantic region.

Cooperatives also have an important role in the fruit and vegetable industry with 72 organizations. There are 20 in the West, 3 in Ontario, 25 in Quebec, and 24 in the Atlantic region. They have about 9% of the market based on dollar sales.

7. Seller Programs

The Federal Government assists the horticultural sector with programs such as Advance Payments for Growers Act (APGA) and the Agricultural Products Cooperative Marketing Act (APCMA). Stabilization is provided under the Agricultural Stabilization Act (ASA) and by purchases of surplus commodities by the Agricultural Products Board (APB) for resale when markets strengthen. In order to improve product quality the Fruit and Vegetable Storage Construction Financial Assistance Program (FVSCFAP) assists by cost-sharing storage projects.

8. Strengths and Weaknesses Relative to Major Competitors (U.S.)

Canada's strengths and weaknesses in horticulture vary somewhat by region and commodity. Generally, the growing season is shorter and processing plants have a smaller production run, thus U.S. competitors have cost advantages. Pre-cooling and storage facilities for all perishable crops need upgrading and expansion to insure a higher quality product during the off-season. In addition, the U.S. season is generally both longer and earlier than in Canada. The Canadian season is peaking when there are abundant fresh supplies on the North American continent and this tends to lower prices despite seasonal tariffs. Canadian growers often tend to be in a cost-price squeeze due to oversupply during their short marketing season.

中華民國二十九年五月二十日

第一條

姓名	職別	職等	職別	職等	姓名	職別	職等	職別	職等
張	主任	一等	李	主任	王	主任	一等	趙	主任
...

中華民國二十九年五月二十日

Seasonal duties are in effect in Canada for imports of most fresh fruit and vegetables. These duties are an essential element in ensuring that U.S. produce, at the end of the peak U.S. harvest season, does not exert excessive downward pressure on Canadian prices.

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NON-TARIFF MEASURES:

Canada

In recent years, the U.S. Administration has indicated concerns in relation to Canadian non-tariff measures in three areas:

1. Fast-track surtax system which applies additional duties when increased volumes of U.S. produce are being sold on the Canadian market at depressed prices.
2. Requirement to sell into Canada on a firm price basis those produce types of a kind grown in Canada.
3. Regulations which prevent U.S. growers exporting in bulk when adequate domestic supplies are available.

U.S.A.

Marketing Orders

Marketing orders for fruits and vegetables provide for grade, size, quality and maturity restrictions as part of the means of improving markets and permitting more orderly marketing. Imports are not allowed unless they meet the comparable domestic market requirements. Although the import regulations are not set up as trade barriers, they accomplish the same purpose. The marketing orders try to ensure that poor quality produce does not drive customers away or unreasonably depress prices to growers. However, the marketing orders do not prohibit dumping of the poor quality produce in foreign markets.

Phytosanitary and Pesticide Residues

Phytosanitary and pesticide residue concerns arise periodically and often generate panic among producers and exporters of fresh highly perishable produce usually in the peak of the marketing season. More effective and efficient procedures are required to minimize produce losses particularly in the U.S. but also in Canada.

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