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SUPPORT LEVELS AGREED TO UNDER CANADA-U.S.

FREE TRADE AGREEMENT

OTTAWA, June 6, 1989 -- Canada and the United States have reached agreement on support levels for wheat, barley and oats in each country, International Trade Minister John Crosbie said today.

Discussions between the countries were held pursuant to implementation of Article 705 of the Canada-U.S. Free Trade Agreement (FTA).

Under the agreement, Canadian import licences for wheat, barley, oats and their products from the U.S. are to be removed if U.S. government support levels for each grain are equal to or less than Canadian government support levels. The formula takes into account direct and indirect support.

Based on calculations exchanged between the two countries Canadian import permits for oats and oat products no longer will be required, effective immediately. Import licences will still be required for U.S. wheat and barley entering Canada because levels of government support for these grains are higher in the U.S. than in Canada. (SEE ATTACHED BACKGROUNDER)

"Under the agreement, Canada will be able to maintain its high standards of quality control for oats," said Mr. Crosbie. "Any shipments of U.S. oats will be managed in the Canadian marketing system through end-use certificates, denaturing and seed certificates."

Effective immediately, U.S. oats entering Canada for processing must be accompanied by end-use certificates issued by the Canadian Grain Commission (CGC). These certificates keep shipments of U.S. oats out of country elevators by stipulating that shipments must be used at the facility to which they are sent.

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American oats entering Canada for feed must be denatured so that these shipments are kept out of Canada's grain marketing system. Oats imported from the U.S. for seed use must be accompanied by a seed certificate. These certificates are issued by Customs Canada after seed has been inspected by Agriculture Canada officials.

Provisions of the Canada Grain Act will govern the handling of U.S. oats within Canada. Under the Act, foreign grain is prohibited from entering the country elevator system unless permission is granted by the CGC. Corn and other grains entering Canada have been handled in this way for many years.

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BACKGROUND

SUPPORT LEVELS

Under Article 705 of the Canada-U.S. Free Trade Agreement (FTA), import permits are to be removed on oats, wheat, barley and their products when U.S. government support levels for each grain are equal to or less than Canadian government support levels.

Based on calculations exchanged between Canada and the U.S. on May 3, 1989, import permits are to be removed for oats effective immediately. However, import permits still will be required for wheat and barley entering Canada from the U.S..

The calculations are as follows:

	Oats	Wheat	Barley
Canada	11.09%	46.28%	50.23%
U.S.	8.74%	61.62%	72.49%

The method of calculating these levels of support is described in Annex 705.4 of the FTA. The formula takes into account direct and indirect support for each of these grains.

For example, the calculations of Canadian government support levels take into account direct payments to producers through programs such as the Agricultural Stabilization Act and stabilization payments made by provincial governments. Indirect support to producers through funding of the Canadian Grain Commission, the Western Grain Transportation Act and agricultural reasearch expenditures are also included in the calculations.

The calculations of U.S. government support levels take into account direct payments to producers through programs such as the deficiency payments by the Commodity Credit Corporation (CCC), Conservation Reserve Program and CCC storage payments. Indirect support to producers includes the Export Enhancement Program, CCC commodity loans and government service programs.

BACKGROUND

QUALITY CONTROL ON IMPORTS OF U.S. OATS

- * Under Article 705 of the Canada-United States Free Trade Agreement (FTA), Canadian import permits for wheat, oats, barley and their products from the U.S. are no longer required when U.S. government support levels for each grain are equal to or less than Canadian government support levels.
- * Canada and the U.S. completed calculations on support level for wheat, oats and barley.
- * Oats support levels in Canada were deemed to be higher and Canadian import permits requirements were abolished on June 1, 1989.
- * U.S. oats entering Canada must be accompanied by end-use certificates, seed certificates, or the oats must be denatured.
- * End-use certificates are issued by the Canadian Grain Commission under the provisions of the Canada Grain Act. These certificates stipulate that a shipment of oats must be used at the processing facility to which it is sent.
- * Seed certificates are issued by Customs Canada and ensure that oats entering Canada for seed use are inspected by Agriculture Canada and are free of disease. The certificates also stipulate that the oats must be used for seed and do not enter the grain marketing system.
- * U.S. oats entering Canada for feed must be denatured so that these shipments do not enter the grain marketing system.

FREE TRADE AGREEMENT CALCULATIONS
CANADA GRAINS

	WHEAT		OATS		BARLEY	
	1986/87	1987/88	1986/87	1987/88	1986/87	1987/88
A. Production (million tonnes)	31.38	26.00	3.30	3.00	14.57	14.00
B. Producer Price (\$/t)	\$116.36	\$120.03	\$75.60	\$105.84	\$64.61	\$58.33
C. Direct Payments (\$m)	\$844.70	\$673.60	\$24.98	\$6.32	\$282.89	\$317.14
D. Adjusted Producer Value (\$m) (AxB)+C	\$4,495.73	\$3,794.38	\$274.46	\$323.83	\$1,224.25	\$1,133.78
DIRECT PAYMENTS (\$m)						
1. Agricultural Stabilization	\$25.00	\$0.00	\$1.01	\$0.06	\$7.26	\$7.60
2. Western Grain Stabilization	\$590.18	\$501.66	\$9.60	\$15.43	\$155.55	\$106.47
3. Special Canadian Grains	\$568.50	\$482.69	\$33.19	\$22.80	\$184.49	\$256.54
4. Provincial Stabilization	\$5.47	\$10.56	\$4.76	\$5.56	\$14.56	\$15.00
5. Income Foregone Adjustment	(\$344.45)	(\$321.32)	(\$23.57)	(\$37.54)	(\$78.97)	(\$68.48)
SUBTOTAL	\$844.70	\$673.60	\$24.98	\$6.32	\$282.89	\$317.14
OTHER SUPPORT (\$m)						
6. Canadian Grain Commission	\$0.12	(\$3.15)	\$0.00	(\$0.06)	\$0.03	(\$0.62)
7. Wheat Board Pool Deficit	-	-	-	-	\$110.50	-
8. Domestic Price Gap	\$276.72	\$248.88	\$0.00	\$0.00	\$6.44	\$30.00
9. Advance Payments	\$14.72	\$16.58	\$0.37	\$0.41	\$3.31	\$3.73
10. Crop Insurance	\$53.99	\$44.80	\$1.30	\$0.96	\$1.87	\$7.31
11. Western Grain Transportation	\$568.46	\$528.11	\$9.89	\$9.09	\$175.81	\$102.31
12. Prairie Branch Line Rehab.	\$65.96	\$62.69	\$0.85	\$0.47	\$20.27	\$8.38
13. Research Expenditures	\$14.73	\$15.61	\$0.53	\$0.53	\$8.25	\$5.36
14. General Support - Federal	\$20.35	\$7.77	\$0.36	\$0.15	\$5.67	\$1.53
15. Provincial Expenditures	\$110.16	\$100.84	\$2.84	\$2.74	\$38.81	\$24.33
16. Farm Credit Programs	\$92.34	\$75.92	\$1.40	\$1.03	\$23.61	\$12.04
SUBTOTAL	\$1,217.55	\$1,098.04	\$17.54	\$15.32	\$394.57	\$194.37
TOTAL GOVERNMENT SUPPORT	\$2,062.25	\$1,771.64	\$42.52	\$21.64	\$677.46	\$511.51

GOVERNMENT SUPPORT FORMULA	45.87%	46.69%	15.49%	6.68%	55.34%	45.12%

TWO YEAR AVERAGE		46.28%		11.09%		50.23%

United States Government Support for Wheat, Barley and Oats, during years 1986 and 1987. 1/

ITEM	Wheat		Barley		Oats	
	1986	1987	1986	1987	1986	1987
1. Level of production (MMT)	56.92	57.36	13.29	11.53	5.61	5.43
2. Producer Price (\$/T)	88.61	95.84	74.77	85.20	83.92	111.62
3. Value production (\$ M)	5,044.35	5,496.83	993.91	982.29	470.63	605.96
4. Direct payments (\$ M)	3,750.78	3,129.09	392.96	385.42	29.24	18.87
5. Adjusted producer Value (\$ M)	8,795.13	8,625.92	1,386.86	1,367.71	499.87	624.83
6. Policy transfers to producers (\$ M)						
A. Direct payments (1+2+3+4+5)	3,750.78	3,129.09	392.42	385.42	29.24	18.87
1. Payments of the CCC (a+b+c)	3,799.07	3,279.06	349.39	334.80	37.90	26.31
a. Deficiency payments	3,456.84	3,279.06	341.60	301.81	30.07	18.80
b. Disaster Payments	126.96	0.00	1.45	0.00	6.28	0.00
c. Diversion payments	215.27	0.00	6.34	32.99	1.55	7.51
2. CCC storage payments	170.33	144.75	29.60	30.58	0.66	0.53
3. Conservation Reserve Program	11.95	102.47	2.99	26.88	1.63	12.58
4. Acreage Reduction Program	355.46	479.54	0.00	14.61	12.28	21.13
5. Certificate premiums and discounts	124.89	82.35	10.98	7.77	1.33	0.59
B. Other support (\$ M)	1,677.37	2,178.27	635.75	582.97	22.74	25.35
6. CCC Loan forfeiture benefits	487.37	105.51	24.30	-3.05	0.08	-0.16
7. Price enhancement	457.80	1,433.00	495.44	481.10	0.00	0.00
8. Advance payments benefits	3.78	9.65	0.48	1.25	0.05	0.14
9. Crop insurance	48.76	1.64	12.00	2.28	0.56	0.25
10. Government service programs(1...11)	93.92	103.56	16.80	17.00	7.52	9.50
1. Federal grain inspection	0.62	0.35	0.12	0.06	0.06	0.04
2. Research and extension	43.03	44.05	8.54	7.86	4.05	4.86
3. Irrigation	3.65	4.18	1.82	2.22	0.18	0.24
4. Inland waterways freight	16.57	17.60	0.36	0.38	0.60	0.63
5. Conservation	22.09	27.34	4.38	4.88	2.08	3.01
6. Rail freight	0.65	0.79	0.14	0.13	0.01	0.01
7. Low interest loans for rail	1.42	1.62	0.30	0.26	0.02	0.02
8. Cooperator export programs	0.89	1.07	0.18	0.19	0.08	0.12
9. Marketing services	0.61	0.64	0.12	0.11	0.06	0.07
10. Plant disease and pest control	4.26	4.59	0.84	0.82	0.40	0.51
11. Targeted export assistance	0.13	1.34	0.00	0.09	0.00	0.00
11. CCC commodity loans	376.48	308.47	45.73	42.60	0.88	0.39
12. State budget outlays	106.00	106.00	21.03	21.03	9.96	9.96
13. Farm credit programs	103.27	110.43	19.97	20.77	3.70	5.27
7. Total government support (A+B)	5,428.15	5,307.37	1,028.71	968.39	51.98	44.22
8. Government support	61.72%	61.53%	74.18%	70.80%	10.40%	7.08%
Average for 1986 and 1987		61.62%		72.49%		8.74%

May 26, 1989

1/ Pursuant to Article 705 and Annex 705.4 of the United States-Canada Free Trade Agreement. Calculations made with unrounded data.