

GENERAL AGREEMENT ON TARIFFS AND TRADE

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SUBSIDIES

Notifications Pursuant to Article XVI:1

Addendum

CANADA

The following notification relates to subsidies paid during the fiscal or crop year 1973-74, as indicated.

I. GRAIN AND GRAIN PRODUCTS

FEED FREIGHT ASSISTANCE

1. Nature and extent of the subsidy

(a) Background and authority

This programme assists livestock producers in Eastern Canada and British Columbia by subsidizing freight and storage costs on feed grain used by them for livestock feed. It also ensures reasonable stability in the price of feed grain, and fair equalization of feed grain prices in Eastern Canada and British Columbia.

This programme was placed under the jurisdiction of the Canadian Livestock Feed Board in April 1967, although the programme has been in existence since 1941.

The authority is the Livestock Feed Assistance Act, R.S.C. 1970, L-9 and regulations established by order in Council, and the National Feed Grains Policy 1974.

(b) Incidence

The subsidy is paid to wholesalers or retailers from whom farmers purchase grains or mill feeds. Claims must show that the commodities are fed to livestock and that the amount of assistance has been passed on to the purchaser. No payment is made on grains and feeds for export, nor on cereals used for domestic feed consumption.

(c) Amount of subsidy

The estimated freight expenditures on the quantity shipped during the fiscal year 1973-74 were \$21,164,466 compared with \$21,545,101 in 1972-73.

(d) Estimated amount per unit

Freight payments averaged \$7.31 per ton during the 1973-74 fiscal year compared with \$6.96 per ton in 1972-73.

2. Effect of the subsidy

The programme helps to equalize the cost of domestic feeds and feed grains to livestock feeders across Canada.

STORAGE COSTS ON TEMPORARY WHEAT RESERVES

1. Nature and extent of the subsidy

(a) Background and authority

In March 1956, Parliament passed the Temporary Wheat Reserves Act to relieve producers of burdensome storage charges on wheat in commercial storage in Canada. This Act expired on 31 March 1974.

(b) Incidence

The Act provided for the payment of storage and interest costs on Canadian Wheat Board stocks of wheat in commercial storage in excess of 178 million bushels at the commencement of each crop year (1 August). The Act also provided that when Wheat Board stocks in commercial storage were less than 178 million bushels at the beginning of the crop year, no payments would be made for that or subsequent crop years and the terms of the Act would expire. Wheat Board stocks in commercial storage at the beginning of the 1973-74 crop year were less than 178 million bushels. The Temporary Wheat Reserves Act is therefore no longer operative and payments have been discontinued on a permanent basis.

2. Effect of the subsidy

This reserve policy had two major effects on prairie grain production patterns. First, since the subsidy applied only to wheat, it favoured wheat production over other grains. Secondly, by absorbing the producers' costs of surplus wheat storage it insulated them from market forces.

CASH ADVANCES ON FARM STORED GRAINS

1. Nature and extent of the subsidy

(a) Background and authority

The Prairie Grain Advance Payments Act, 1970 allows cash advances to be made in direct relationship to anticipated deliveries of cash grain for the crop year and ensure repayment at the same rate per bushel rate of advance.

(b) Incidence

The rate of advance payment authorized in relation to each grain on a per bushel basis is the same as the rate per bushel to be deducted in repayment of the advance. Thus the advance and repayment provisions are related to delivery opportunities and afford the producers a better chance to repay. The maximum advance during 1973-74 was \$6,000 per individual permit holder but the minimum quota level of each grain announced in each year replaced the specified acreage limitation. The time limit of the advance is variable as repayment must begin as soon as Canadian Wheat Board elevator space becomes available.

Per bushel rates for 1973-74

Wheat	\$1.50
Barley	.90
Oats	.70

(c) Amount of subsidy

Interest costs paid by the Government for the 1973-74 crop year amounted to \$1,385,853. There were no payments for defaulted accounts in 1972-73 or 1973-74. The total payment to date, by the Government is \$2.5 million.

(d) Estimated amount per unit

No statistics have been compiled on the total quantities of grain on which cash advances are obtained each crop year.

2. Effect of the subsidy

Grain producers in Western Canada where the bulk of Canada's grain is produced, do not receive any income until they deliver their grain to the country elevator and the excess of production over marketable quantities must be stored on farms at the producer's expense.

Cash advances are, in effect, a prepayment of a portion of the initial payments guaranteed by the Government on the basic grades of wheat, oats and barley when delivered by producers. The programme has a twofold effect on the economy of Western Canada. Farmers are able to obtain a portion of the price for their grain when delivery opportunities are restricted instead of having to borrow money at commercial interest rates. Secondly, millions of dollars are put into circulation during periods when the cash flow to the grains sector of the economy would otherwise be seriously restricted due to reduced marketing.

INITIAL PAYMENTS

1. Nature and extent of the subsidy

(a) Background and authority

Under the terms of the Canadian Wheat Board Act, initial payments on the basic grades of wheat, oats and barley are established each crop year by the Government having regard to current and prospective market demand and to any other circumstances which may render a specific level of initial payments advisable. These initial payments are, in effect, Federal Government guaranteed floor prices, since any deficit incurred by the Canadian Wheat Board in its marketing operations is paid by the Government, i.e.: if the sales price obtained by the Board is insufficient to cover its operating costs plus the initial payment already received by producers, the deficit is met by the Government.

(b) Incidence

Very few payments have been necessary to cover deficits during the thirty years of operation. When a deficit occurs, the Government payment is made to the Canadian Wheat Board, but the ultimate benefit goes to the producers in the Wheat Board designated area who have grown the grain in the particular pool.

(c) Amount of the subsidy

Nil payments were necessary for the 1973-74 pool accounts.

(d) Estimated amount per unit

Not applicable.

2. Effect of the subsidy

When operative, this subsidy helps to cushion to some extent the effects of very low prices for grain that may prevail during the period of the pool's operation.

CROP FAILURE ASSISTANCE

1. Nature and extent of the subsidy

(a) Background and authority

This programme was designed to aid farmers in the spring wheat area (the three Prairie provinces and the Peace River District of British Columbia) in years of low crop yields arising from drought, flood and other conditions beyond their control. It was authorized under the Prairie Farm Assistance Act of 1939, as amended, and regulations established by Order in Council.

The Act is being terminated in 1974 and the provisions have been phased out gradually since 1971, when the collection of levies was suspended. During the 1973-74 crop year benefits were limited to growers located in certain areas of Alberta where crop insurance was not available.

In its place, Crop Insurance Act 1970, provides for federal reimbursements to the provinces for a portion of administrative and premium costs incurred on behalf of producers. This programme is intended to encourage production by sharing with farmers the risk of intensive crop loss due to natural hazards.

(b) Incidence

Payments were made to all farmers in areas eligible by reason of low yields or impossibility of seeding, at rates varying from \$2-\$4 per acre of cultivated land, with respect to not more than one half of a farmer's cultivated acreage up to a maximum of 400 acres. A minimum payment of \$200 applied only when the average yield was five bushels or less per farm. A levy of one per cent was deducted from the price a producer received for wheat, oats, barley, rye, rapeseed or flaxseed. Proceeds of this levy were credited to a special fund (Prairie Farm Emergency Fund) out of which the awards were paid. If the amount in the fund was inadequate to defray the cost of the awards, the Federal Government made up the deficit. Farmers who participated in a provincial crop insurance scheme are not subject to this levy and are not eligible for benefits under this assistance programme.

In 1973-74, federal-provincial shared-cost agreements were operative with eight provinces: British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia and Prince Edward Island. By the crop year (or fiscal year) 1974-75 agreements were operative with all ten provinces.

(c) Amount of the subsidy

During the 1972-73 crop year a contribution from the Canadian Government of \$4 million was required since no levy was collected from producers. This programme is being phased out and levy collections were discontinued effective 1 August 1971. In 1973-74, \$524,880 was required. Under the Crop Insurance Act, \$16,654,929 was required in 1973-74.

GRASSLAND INCENTIVE PROGRAMME

1. Nature and extent of the subsidy

(a) Background and authority

This special programme originally designed as an incentive to divert grainland to grass in 1970 in order to control Canada's grain surplus at an acceptable level was continued for a further three years to assist expansion of the livestock industry to meet the increasing demand for beef. This programme was authorized under the Appropriation Act by P.C. 1971-892 on 11 May 1971.

(b) Incidence

The programme involved a payment of \$10 for each acre diverted from grain to grass and forage, in 1973-74. The payment programme is being concluded during 1974.

(c) Amount of the subsidy

In total payments will amount to some \$40 million of which \$16,807,105 was paid in 1973-74.

(d) Estimated amount per unit

This sum amounts to an average of \$10 per acre, diverted from grain production to grass during the programme.

2. Effect of the subsidy

An estimated 4 million acres of grainland has been diverted to grass to assist in the expansion of the Canadian livestock industry.

Number of acres	1973-74	-	1,723,440
Number of farmers involved	1973-74	-	23,020

TWO-PRICE WHEAT PROGRAMME

1. Nature and extent of the subsidy

(a) Background and authority

By fixing the domestic price of wheat for human consumption, the Two-Price Wheat Programme is intended to protect Canadian consumers against high wheat prices during periods of international shortages and to protect producers from unusually low prices during periods of over-supply in the international market.

Because of regional differences in marketing structures, two individual programmes for Eastern and Western Canada have been developed. Order in Council P.C. 1973-989 of April 1973 provided the authority for Western Canada for payments made for the 1972-73 crop year.

(b) Incidence

In Eastern Canada the payment was made to wheat producers on the basis of their deliveries to the Ontario Wheat Producers Marketing Board during the 1971-72 and 1972-73 crop years.

In Western Canada the payment was made to grain producers registered with the Canadian Wheat Board on the basis of their 1972-73 total grain acreage as shown in their Wheat Board Delivery Permit Book, to a maximum of 640 acres per eligible producer.

(c) Amount of subsidy

In 1973-74 a total of \$78,068,082 was paid for the crop year, \$67,274,942 to producers in Western Canada, and \$10,793,140 to producers in Eastern Canada.

(d) Estimated amount per unit

In 1973-74 \$1.75 per bushel plus interest equals \$1.91 per bushel, in both the East and West.

2. Effect of the subsidy

The Two-Price Wheat Programme has had the effect of increasing returns to producers at a time when grain prices were low, while reducing the total cost to Canadian consumers for bread and other wheat flour products, when wheat prices have been high.

II. DAIRY PRODUCTS

1. Nature and extent of the subsidy

(a) General background and authority

The Canadian Dairy Commission was established by the Canadian Dairy Commission Act in 1966. The Commission's responsibilities include the purchase and disposal of products, the making of direct payments to producers, the investigation of any matter relating to the dairy industry, the promotion of dairy products and other related activities. Since 1970 the Commission has added to its operations the administration of a Federal-Provincial Supply Management Programme, under which each producer has a share of the available market and shares in the export assistance of products available for export. Under the Act, dairy support programmes are funded by the Agricultural Stabilization Board under the Agricultural Stabilization Act, R.S.C. 1970.

(b) Incidence

Federal dairy stabilization policy consists of supporting the market price of the major dairy products (butter, skim milk powder and Cheddar cheese) through an "offer-to-purchase" programme and making direct subsidy payments under a quota system to farmers for milk and cream used for manufacture into dairy products. In order to finance the Commission's losses on skim milk powder exports, a levy is applied against an eligible producer's entire deliveries of milk.

Under the policy, producer returns for milk and cream used in manufacturing dairy products are supported by price supports for butter, cheese, skim milk powder and, at times, other dairy products, and by direct subsidies to producers. The direct subsidy is paid up to the limit of marketing quotas (Market Sharing Quotas). A levy on producer returns is used to defray losses incurred in the export of skim-milk powder surplus to domestic requirements.

(c) Amount of subsidy and per unit estimate

(i) Direct manufacturing milk subsidy payments

Net direct payments by the Commission to dairy producers in the fiscal year 1972-73 on 1972-73 production amounted to (net after deductions) \$100,774,839 and in 1973-74 \$147,102,570.

On 1 April 1973, the rate of direct subsidy payments to producers was increased from \$1.25 per 100 pounds of milk or 35.71 cents per pound of butterfat to \$1.45 per 100 pounds of milk or 41.43 cents per pound of butterfat. This subsidy was payable on shipments up to subsidy eligibility quota (S.E.Q.) on milk and cream used for manufacturing purposes.

For deliveries of manufacturing milk and cream within Market Share Quota, a temporary subsidy of .56 cents per 100 pounds of milk or .16 cents per pound of butterfat was paid to all dairy producers between 1 August 1973 and 31 March 1974.

(ii) Skim milk powder - export subsidy

Export assistance paid on dry skim milk powder exported to all major destinations except the United States during the fiscal year 1972-73 amounted to \$9,515,566 and in 1973-74 \$661,802.

(iii) Casein and caseinates - production subsidy

In the fiscal years 1972-73 and 1973-74, the Commission paid a direct production subsidy to dairy plants which manufactured dried casein and caseinates from the skim milk portion of milk delivered by producers.

The amount paid on the 1972-73 production was \$661,433 and in 1973-74 \$661,802.

(iv) Cheddar cheese

In the fiscal year 1972-73 a subsidy of \$94,763 was paid on cheese exported to countries other than the United States. No export was required during the 1973-74 year.

(v) Butter - export subsidy

There was no export assistance for butter exported during the 1972-73 and 1973-74 years.

(vi) Evaporated and condensed milk - export subsidy

There was no export assistance for evaporated and condensed milk during the 1972-73 and 1973-74 years.

2. Effect of the subsidies

A fundamental objective of the aggregate Canadian dairy support programme is to provide milk producers with the opportunity of obtaining a fair return for their labour and investment and to provide consumers of dairy products with a continuous and adequate supply of dairy products of high quality. Although direct subsidies payments have increased producer returns, the programmes of the CDC have been broadly oriented to discourage the surpluses which high support levels tend to generate. The entire system of subsidies, quotas and levies has been designed to provide lower prices at successively higher levels of production, thereby discouraging over-production.

GRAIN PRODUCTION
('000 bushels)

Commodities	Years Aug.-31 July	Beginning stocks	Production	Imports	Domestic disappearance	Exports	Ending stocks
Wheat	1971-72	734,154	529,552	-	176,185	503,764	583,757
	1972-73	583,757	533,288	-	175,048	576,596	365,401
	1973-74	365,401	604,738	-	170,994,044	419,745	379,450
Oats	1971-72	125,373	363,479	-	360,141	10,454	118,257
	1972-73	118,257	300,208	-	331,861	6,925	79,679
	1973-74	79,679	326,880	-	330,015,691	838,309	75,705
Barley	1971-72	144,269	601,628	-	339,496	230,558	175,843
	1972-73	175,843	518,316	-	335,887	165,248	193,024
	1973-74	193,024	469,570	-	332,168,212	127,416,788	203,009
Corn	1971-72	2,160	115,977	11,691	122,185	1,311	6,332
	1972-73	6,332	99,538	34,159	132,015	912	7,102
	1973-74	7,102	110,712	49,800	158,776,800	300,000	8,538

Source: Supply and Disposition Stats of Major Grains of Canada, Statistics Canada 1971-1974.

MILK PRODUCTS¹

('000 lb)

Commodities	Year	Beginning stocks	Production	Imports	Domestic Disappearance	Exports	Ending stocks
Butter	1971	39,950	286,630	7,859	338,152	4,473	57,804
	1972	51,343	290,598	4,516	326,512	22	41,180
	1973	29,676	252,231	62,294	301,810	6	53,484
	1974	50,913	232,112	53,766	298,696	9	53,062
Cheddar cheese	1971	60,814	190,767	-	88,814	29,352	62,271
	1972	63,510	192,106	-	91,836	18,384	74,588
	1973	72,073	188,911	-	108,935	5,847	68,418
	1974	68,456	210,652	-	117,952	3,133	72,802
Skim milk powder	1971	85,878	301,077	-	108,920	240,396	47,225
	1972	37,639	343,239	-	103,373	114,506	163,585
	1973	162,999	309,690	-	114,584	267,633	84,984
	1974	90,472	301,524	-	126,114	129,173	130,430
Evaporated milk	1971	29,083	264,387	-	255,339	3,754	38,233
	1972	34,557	241,961	-	244,546	2,429	32,309
	1973	29,543	232,581	-	231,768	307	30,625
	1974	30,049	220,762	-	217,364	66	34,604
Condensed milk	1971	1,176	16,039	-	16,046	-	1,196
	1972	1,169	16,657	-	17,093	-	663
	1973	733	20,328	-	20,186	-	1,185
	1974	875	18,909	-	18,923	-	1,271

¹Statistics Canada 1971-1974