

**GENERAL AGREEMENT ON
TARIFFS AND TRADE**

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Committee on Subsidies and
Countervailing Measures

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**REPLIES BY CANADA TO QUESTIONS RAISED BY
AUSTRALIA ON THE CANADIAN NOTIFICATION OF SUBSIDIES
UNDER ARTICLE XVI:1 (L/6111/Add.5)**

Question

Canada has increased the level of its agricultural subsidies since the present document was compiled. We would therefore be interested in Canada providing information on the effects of their subsidies on production and exports, given that Canada has no checks on production.

Wheat and Oilseeds

Direct Government assistance to these industries in 1988 is estimated by Agriculture Canada at Can \$3.2 billion. The major elements of the subsidies include:

- Can \$0.75 billion for the Government's payment under the Western Grain Stabilization (WGS) arrangements (the Government contributes 50 per cent of payouts);
- Can \$0.55 billion to write off half of the (WGS) fund deficit;
- an estimated Can \$0.7 billion for transport subsidies;
- Can \$1.1 billion for a Special Grains Programme (SGP) to assist farmers following the fall in world grain prices.

The Government also announced the termination of the two price wheat policy which will result in:

- a one off payment estimated at Can \$227 million to compensate farmers for the reduced pool prices in the 1988/89 crop year.

Could Canada comment in detail on the effects of the above programmes?

Answer

1. The intent of the Western Grain Stabilization Act (WGSA) is to stabilize net farm income, not to support prices. This programme assists farmers with payouts in years when the net cash flow from grains and

oilseeds sales falls below the average of the previous five years. Although the programme can have the effect of maintaining production levels higher than they otherwise might be, this effect is less than that of a straight deficiency payments programme. In the first place, the producer is less certain of what payment he can expect from the programme when he seeds the crop since the calculation of the payout is not done until after the end of the crop year. Secondly, the five-year average net cash flow declines automatically during periods of low prices whereas target prices under a deficiency payment programme are politically difficult to reduce during such periods. Finally, although no production constraints are imposed in order for producers to be eligible for this programme, individual producers can only enroll a maximum of \$60,000 in eligible crop receipts. The result is that any production enhancing effect of this stabilization programme is less than that of alternative schemes involving target prices and deficiency payments where there are no limits or where the limits are not effective.

2. With respect to the queries on the Special Canadian Grains Programme (SCGP), market receipts of Canadian grain and oilseed producers declined catastrophically during 1986-87 and 1987-88 from the levels prevailing in the immediately preceding years due to excessive export subsidy competition for world markets. Even with large WGSA payouts, farm incomes were projected to decline significantly. The Government responded in both years with the Special Canadian Grains Programme in an effort to prevent widespread dislocations in the Canadian farm community. The SCGP was not implemented for 1988-89 as the North American drought resulted in prices increasing sufficiently to make it unnecessary despite continued use of EEP in the US and export restitutions in the EC. Again, this programme may have resulted in somewhat higher production than might have resulted in its absence, although the 1986-87 crop was harvested before the programme was announced so it could not have had any effect in that crop year.

3. The Western Grain Transportation Act (WGTA) subsidy for grain and oilseed freight rates grew out of a commitment to farmers settling the Canadian West during the early years of this century. The WGTA passed in 1983 provides that grain producers gradually incur a larger share of the total cost of transporting their grain to market. This programme could result in somewhat higher production and reduced domestic consumption than might result in its absence.

It should be noted that the levels of support to the Canadian grains sector during this recent period of intense international competition for export markets was significantly less than it was for the same sector in the case of the US and the EC. It should also be noted that based on OECD numbers, Canadian support for the grain sector peaked in terms of the total expenditures during 1986-87. It declined significantly during 1987-88 and is projected to decline further during 1988-89. The Government has expressed its interest in reducing this burden in concert with other countries through the current round of multilateral trade negotiations.

Question

Minerals Commodities

The Canadian Notification mentions a Federal/Provincial Mineral Development Agreement with the Yukon (p.48) but does not mention similar agreements with other provinces which together provide over Can \$200 million between 1984 and 1990.

Could Canada comment on the costs and effects of these agreements?

Answer

The Yukon does not have the status of a province. It is a Canadian territory. That being said, this question raises the important issue of the scope of the notification requirements under Article XVI:1 of the GATT. The Canadian notification deals with federal programmes. The whole issue of the notification requirements under Article XVI:1 has been raised as one to be addressed in the Uruguay Round. It is hoped that the MTN will provide greater direction regarding this issue.

Question

Fisheries

The Fisheries Price Support Scheme by maintaining price support arrangements, presumably through fiscal appropriations, could prevent competitive fishery products from competing freely in the Canadian market. Further information would therefore be appreciated on:

- the extent of the fiscal contribution involved
- the type of fish subject to the scheme
- method of fixing minimum and maximum prices
- tonnages/values of fish purchased/sold during the past five years.

Answer

Regarding the Fisheries Prices Support Board, it should be noted that no price stabilization payments have been made since 1986/87 due to favourable market conditions. The extent of the Board's fiscal contributions to the sector in 1985/86 amounted to only Can \$233,000.

The programme applies to any product of the commercial fisheries in Canada. In the past, this has included (but has not been limited to) products such as herring, lobster, crab, groundfish and seal pelts.

Regarding the method of determining minimum and maximum prices, the Board analyzes each request for assistance and prescribes a price or prices for fish, equal to some proportion (up to 100 per cent) of:

- (a) the price prevailing in the previous operating season, or
- (b) the average price over a base period of three to five years, as deemed appropriate. The base price does not include any previous assistance.

The tonnage and value of fish purchased and sold under the programme during the past five years are:

(Can \$000's)

<u>Year</u>	Purchases		Sales		<u>Net Cost Profit</u>
	<u>Tonnage</u>	<u>Values</u>	<u>Tonnage</u>	<u>Values</u>	
1983-84	943	2,410	943	1,561	849
1984-85	3,061	3,087	3,061	1,901	1,186
1985-86	-	-	-	-	-
1986-87	-	-	-	-	-
1987-88	"	"	"	"	-