GENERAL AGREEMENT ON
TARIFFS AND TRADE

Committee II - Expansion of Trade

TRADE IN AGRICULTURAL PRODUCTS

CANADA

Synopsis of Non-Tariff Measures for the Protection of
Agriculture or in Support of Incomes of
Agricultural Producers furnished by the
Government of Canada

NATIONAL AGRICULTURAL POLICIES

Ao General Objectives

In Canada the actual planning and programming of farm production is carried
out by the producers themselves though both the federal and provincial governments
provide information and services for production and marketing. The consumption
of foodstuffs in Canada is also free from regulatory control apart from require­
ments for marketing standards, trade and health. Assistance to agricultural
producers, when deemed necessary, has been rendered with a view to maintaining
the maximum freedom of choice on the part of farm operators as to how they will
utilize their land. Producers are encouraged and assisted in developing
sufficient production of quality products for existing and foreseeable domestic
and foreign markets.

Measures aimed at assisting the agricultural industry fall into two broad
categories, those to increase the efficiency of farming and those to promote
income stability. Under the Agricultural Stabilization Act, 1958, the Government
expressed its intention to stabilize agricultural prices in order to assist
agriculture to realize fair returns for its labour and investment, and to maintain
a fair relationship between prices received by farmers and the costs of the goods
and services that they buy, thus to provide farmers with a fair share of the
national income.

The Government is not committed to perpetuating the pattern of production
that exists at any point of time. On the contrary, agricultural policy is based
on a clear recognition of the need for adapting production and marketing patterns
to the changing need for adapting production and marketing patterns to the changing needs of domestic and foreign consumers, while at the same time protecting producers from the hardships that would be caused by prolonged periods of very low prices.

**B. Special Measures**

The Agricultural Stabilization Act of 1958, which supersedes the Agricultural Prices Support Act of 1944, provides for mandatory price support of nine key commodities, at a level of not less than 80 per cent of the average market price of the preceding ten years. The Act also gives the Government authority to stabilize prices of other agricultural products. Under the Act, prices may be stabilized by the purchase of an agricultural commodity at the support price, by a deficiency payment when market prices are less than the support price, or by such other method as may be authorized by the Government. The Agricultural Stabilization Board is established as a government agency to implement the provisions of the Act. Price Stabilization measures are currently in effect for some twenty agricultural products. The products on which price supports are mandatory at the 80 per cent level are cattle, hogs and sheep; butter, cheese and eggs; and wheat, oats and barley except in Western Canada where the Canadian Wheat Board controls the marketing of these crops. There were active purchase operations in 1958 for pig meat, lamb, butter, cheddar cheese, dried skimmed milk, shell eggs and canned tomatoes. A number of the products are under a deficiency payments plan but payments have been made in the past year on only a few fruits and vegetables.

There are also over thirty Producers Marketing Boards established under Provincial regulations at the request of the producers, which, once in force, are obligatory on all growers in the particular area of production of a province. The compulsory marketing schemes administered by the Boards are generally of two types: in the first case the Board appoints a central selling agency, through which all growers must dispose of their produce; in the second, the Board is essentially a body for negotiating prices between producers on the one hand and distributors and/or processors on the other. Under the Agricultural Products Marketing Act 1949, the Federal Government is authorized to grant to any provincial board power to regulate sales of that board's commodities outside as well as inside the province concerned. But, so far, this power has been used to a very limited extent.

In addition to the marketing boards referred to above, each province except Newfoundland has a Milk Control Board regulating the marketing of whole milk to consumers. The Boards do not purchase the milk themselves but are primarily concerned with controlling the prices paid to the producers and, in some cases, to the consumers. The Boards exercise discretionary powers in establishing maximum, minimum or fixed prices at which milk may be sold.
To assist in orderly marketing, any marketing group including voluntary co-operatives, producers marketing boards or private traders, operating a scheme for pooling returns to growers marketing through the group may apply to the Federal Government under the Agricultural Products Co-operative Marketing Act for a guarantee of an initial payment made to producers on delivery. The maximum advance to which the Government guarantee applies is one covering 80 per cent of the average realized price for the product concerned during the previous three years.

The Canadian Wheat Board is the sole marketing agency for all wheat, oats and barley grown in Western Canada. Each year the Government announces initial prices, determined in the light of prevailing and anticipated supply and demand conditions on the world market, at which the Board will purchase grain. Further payments to farmers depend upon the price realized by the Board on sales of grain to domestic and foreign buyers. (See Section IV.)

II.

SUBSIDIES

(Including all forms of income and price support)

Types of agricultural assistance in Canada in 1957-58 include:

(i) Price support

During the 1957-58 fiscal year, butter, cheddar cheese, dried skimmed milk and eggs were purchased by the Agricultural Stabilization Board. The net costs of these programmes to the Treasury in that year amounted to $2.78, (none), $1.09 and $1.45 million respectively.

Deficiency payments were made by the Board in 1958 on:

New Brunswick and Prince Edward Island potatoes, 1957 crop, delivered to starch factories, $244,000 and $123,000 respectively; 1957-crop apples in British Columbia, $768,000; 1958-crop asparagus in Ontario and British Columbia, $105,000.

(ii) Production and market assistance

Federal and provincial expenditures on agricultural research and development work, school and university courses and the farm advisory services have approximated $30 to $35 million annually in recent years. Other measures included:

(a) Land and water conservation in the Maritime Provinces and Western Canada, about $35 million annually;
(b) Part of the production and transportation costs on agricultural lime to encourage its use on acid soils, and some assistance on the purchase, storage and transport of fertilizers and insecticides;

(c) Federal assistance to livestock producers in Eastern Canada and British Columbia in order to encourage the use of domestic feeds through a reduction of the freight charge on Western grains and millfeeds used for feed purposes, - $17.8 million, or an average of $7.39 per ton, in the fiscal year 1957-58. No payment is made on grains and feeds for export;

(d) Exemption of most agricultural products and most agricultural requisites from the general 10 per cent sales tax;

(e) Under the Temporary Wheat Reserves Act the Federal Government pays storage and interest costs on stocks of wheat held by the Canadian Wheat Board in excess of 178 million bushels at the beginning of a crop year. The 178 million bushel figure is the average of stocks in store on 1 August for the fifteen years before the huge 1951 crop. The money is paid into the Canadian Wheat Board annual wheat pool as part of the receipts for wheat delivered during the crop year. In May 1957, a payment of $28.8 million was made and in May 1958, $35.55 million.

(f) Grants to help in the construction and equipment of public refrigerated warehouses - $572,000 in 1956-57 and $795,000 in 1957-58.

(g) Quality premiums on high grade pigs, $5.4 million or $1.41 per hog in 1957-58; and on cheese, $845,000 in 1957-58.

(iii) Crop failure assistance

The Federal Government pays compensation to farmers in local areas hit by crop failure. The actual rate of payment depends upon the yield achieved and the cultivated area of the farms affected. These payments are financed by the proceeds of a 1 per cent levy on sales of Western wheat, barley, oats and rye and from September 1958 on flaxseed and rapeseed, and the balance is paid by the Federal Treasury.

III.

MIXING REGULATIONS

No such regulations for agricultural products are in force in Canada.
IV.

STATE TRADING OPERATIONS

(including private enterprises enjoying special privileges)

The only case of State trading in Canada is carried out by the "Canadian Wheat Board". This Board, established in 1935, is empowered to market on behalf of producers, wheat, oats and barley grown in the "designated area" of Western Canada. The grain grown in this "designated area" (Manitoba, Saskatchewan, Alberta and parts of British Columbia and Ontario) and controlled by the Board covers practically all these grains marketed commercially by Canada.

Under the relevant regulations the Board has the sole right to export from or import into Canada wheat or wheat products. The Board, however, does not own or operate facilities of any kind for the storage or handling of grain, but directs the movement of it through established traders, acting as agents for the Board.

Each year the Government determines the guaranteed initial prices which the Board will pay to farmers for delivery of grain. Returns from the sale of the grain each year are pooled, and additional payments are made to the farmers if pooled receipts warrant. In so far as the fixing of the Board's sale prices are concerned, it may be noted that these prices are fixed daily depending on the grade of grain and taking into consideration the maintenance of Canadian grain prices on a competitive basis on the world market.

V.

IMPORT RESTRICTIONS

(Restrictions applied to products for which support measures are in force and other restrictions applied for the protection of agriculture.)

Import restrictions are in force for three groups of products, viz., certain grains and grain products, certain dairy products and turkeys.

Grains - The import of the following products is regulated under Section 32 of the Canadian Wheat Board Act and Regulations thereunder, and requires an import permit issued by the Wheat Board:

- Wheat, wheat flour and wheat starch;
- Oats, ground oats, crimped oats, crushed oats, rolled oats and oatmeal
- Barley, ground barley, crimped barley, barley meal and barley flour
Dairy Products - The following products are controlled under the Export and Import Permits Act. The import of these products, which are included in the Import Control List, requires an import permit issued by the Department of Trade and Commerce. This control applies, however, to commercial imports only, imports in small quantities or for personal use, being generally exempted from this requirement by virtue of certain "General Import Permits".

Butter
Cheddar cheese,
Dry skimmed milk,
Butterfat (excluding concentrated milk products, cheese and any combination in which the presence of the other substances renders it unsuitable for use as a butterfat ingredient).

Turkeys - The import of turkeys has been subject to restriction since July 1957, and quotas were sometimes provided for limited importation. (For the period 27 October to 31 December 1958, imports were limited to 300,000 lbs. of lightweight broiler turkeys.)

VI.

MEASURES WHICH TEND TO REDUCE OR REMOVE THE NEED FOR NON-TARIFF MEASURES OF PROTECTION OR SUPPORT

The Canadian price support programme instituted under the Agricultural Stabilization Act of 1958 provides for considerable flexibility rather than being tied to a rigid formula of the parity type. The mandatory level of support on the nine key commodities is directly related to market prices in the preceding ten years and the actual support level on these and other commodities may be adjusted by the Government on the basis of anticipated markets. Though the aim is to stabilize producer returns against violent fluctuations, the opportunity is also present to arrest any tendency for supplies to depart seriously from demand. In this connection the Minister of Agriculture said last November: "If serious surpluses do develop which are impossible to sell, or in some cases even to give away, it will become impossible for us to maintain the present level of prices under the Stabilization Act, let alone to increase them". At that time the Minister requested the co-operation of provincial governments and farm organizations in seeking to avoid unmanageable surpluses. A growing surplus of dry skimmed milk in 1958 led the Agricultural Stabilization Board to place quota limitations on its purchases of the product from manufacturing plants. The support price was reduced, effective 1 May 1958.

Non-tariff import controls have not been extensively applied. They are kept continually under review and are subject to removal when the
reasons for the imposition of the controls are no longer applicable. An example of this is the removal of restrictions on fowl imports in March 1958 after being in effect about eight months.

Several of the measures described earlier in the paper were designed to reduce the long run need for government protection or support for agricultural producers by encouraging increased productivity, improved quality and orderly marketing. The Agricultural Products Co-operative Marketing Act is not aimed at supporting prices but rather to make it possible for producer groups to extend their marketing over a longer period of time and thus promote more orderly marketing. This programme has resulted in very little cost to the Government. Assistance in building storage facilities also makes it possible for producers to raise their incomes by holding commodities beyond the peak marketing periods. The powers given to producer marketing boards under the Agricultural Products Marketing Act enable producers to improve their incomes by controlling quality, quantity and timing of marketings and by bettering their bargaining position with processors. Compulsory grading standards have been established under federal and provincial legislation for practically all farm products and make it possible for producers to be paid on the basis of quality.

Many of the demands of producers for non-tariff protection and support stem from the great variability and uncertainty of income that is inherent in this country's agricultural industry, particularly in Western Canada. With the aim of reducing the need for continuous price and income support, the Prime Minister, in August 1958, announced that the Government intends to bring into being a long range co-ordinated programme to increase farm productivity, reduce uncertainty and raise the income per farm family. The measures planned to be put into effect include a crop insurance programme, establishment of a feed and forage reserve, improved agricultural credit facilities, and a programme to improve the level of living for farmers on small farms. This latter programme would be carried out by means of better land use, encouraging the formation of economic family farm units, improving technical training, extending unemployment insurance benefits to certain classes of farm workers, and by extending the vocational and technical training agreements for the benefit of those in the farm population who wish to enter new occupations.

From time to time assistance is given in programmes to expand the domestic consumption of food products for which large supplies threaten to result in an unstable market or in price support payments. For instance, for 1958-59 the Federal Government has offered to assist the Poultry Products Institute in promoting increased consumption of eggs and fowl by paying one-half the amount spent, but not more than $25,000. Similar payments to a maximum of $13,500 have been offered to producers boards to promote the consumption of canned and frozen cherries, canned peaches, pears and plums and a further $12,000 for apples.