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AGRICULTURE AND FOOD POLICY SYSTEM INFORMATION WORKSHOP
ON
UNDERSTANDING CANADA/UNITED STATES GRAINS DISPUTES

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INTRODUCTION AND PURPOSE

Agriculture and food product trade between Canada and the United States is important in absolute terms and is growing. Much of the trade is so well established that it is taken for granted in terms of trading patterns and political acceptability. Implementation of the CUSTA and NAFTA imply that trading relations should be improved and trade increased. However trade relations in a few areas have deteriorated in recent years and trade disputes have occupied a significant share of the political and bureaucratic agenda in Canadian/United States relations. As well, these disputes have added a degree of market uncertainty and cost to selected agricultural markets.

These disputes are sourced, in part, in misconceptions about the nature and impacts of policies, programs and institutions on both sides of the border. There would appear to be great value then in *generating objective information which could be used in promoting greater mutual understanding of the agricultural policy systems in both countries*. The immediate need is to improve the understanding and actions of decision makers in both the United States and Canada. In order to have this effect it is important to influence grassroots opinion, farm and other organizations, the media, professionals advising decision makers and the agricultural bureaucracy. That is a tall order, but it is the goal adopted by the planners of the Workshop on Canada/United States Grain Disputes.

The overall objective of the Workshop was to initiate a process directed at fostering improved mutual understanding by decision makers of policies, programs and institutions in Canada and the United States. The end result is intended to be a more harmonious and less disruptive trading environment for agricultural and food products between the two countries. This in turn should contribute to capturing the maximum gains from more open trade and allow scarce political and bureaucratic time to be spent on other issues. The process will involve compiling, collating, some development of, and distribution of policy relevant information describing and evaluating policy and policy instruments in both

countries. The first Workshop focussed on grains disputes because that issue had a high profile in Canada/United States relations throughout 1994 and early 1995.

The Workshop also provided the opportunity to broaden the scope of participation in planning for subsequent activities. In fact, a second workshop has already been planned and, in addition to this publication, a series of publications have been planned by several extension economists for the northern tier states. These developments will be discussed in more detail in the last section of this publication.

THE WORKSHOP PROGRAM

The organizing committee holds the view that to understand policy differences and trade disputes between Canada and the United States, it is necessary to go back to basics. First, we need to appreciate where policy comes from, and how policy decisions are made. Second we need to understand current policy and program initiatives, including the structure, legal framework and responsibilities of major institutions. For example, a major marketing institution—The Canadian Wheat Board—has drawn much of the allegations from the United States side in the grains disputes. From the Canadian side, there has been finger pointing at the EEP program.

In order to address all of these areas, the Workshop program was built around three themes:

- 1) How Decisions are Made;
- 2) Policy Systems Overview; and
- 3) Understanding the Canada/United States Grains Disputes.

The papers which follow were written to reflect these themes, and are presented in the context of these themes.

In the first paper, Gellner and Hedley, who are economists with many years experience in policy development at the federal level in Canada, indicate the process of legislative and regulatory decision making in the Canadian system. A short paper by Seguin adds a provincial perspective to the main paper. Knutson provides a counterpart description for United States agriculture and food policy formulation focussed on the United States policy mainstay, the Farm Bill. These papers provide a detailed and informative analysis of the different structure of governments in the two countries, and some of the political and institutional forces which influence decision making.

In "Policy Systems Overview" Barichello on the Canadian side, and Sumner on the United States, provide overviews of the policy and program framework for agricultural policy in both countries. Barichello notes the commodity orientation of Canadian policy, the importance of safety nets, and the role of marketing boards. He concludes that Canadian agricultural policy has evolved significantly in two decades but is headed toward a significant period of devolution resulting from the new priorities of fiscal restraint and international competitiveness. Sumner begins his paper with the opposite message. United States policy has changed very little in many decades. It is clear from his

presentation that direct producer support, and support to consumers through "agriculture" programs are much more important than they are north of the border.

The third theme "Understanding the Canada/United States Grains Disputes" brings together two similar papers and two very different approaches to the task. Kirk, and Wilson and Johnson describe the grain marketing systems in the two countries. Kirk takes a historical approach, and appropriately, ends with the Federal Budget of February 28 which will have far reaching impacts on Canada's grains sector, partly because it removed a major perceived irritant—the grain transportation subsidy. Wilson and Johnson provide an analytic approach indicating the evolution of the United States northern states grains sector in the past decade. Their position is clear—the northern states and the Canadian prairies should evolve into a form of common grain producing and marketing region with no artificial trade or domestic policy barriers.

Carter, and Young, Adams and Helmar illustrate the key features and impacts of trade disputes in a very different fashions. Carter's political economy capability is highlighted in a useful treatment of economists and their role in policy debate. He reviews several studies economists have undertaken which measure some of the impacts of trade disputes in grain, and the role of two major factors in Canada—the Canadian Wheat Board and the transportation subsidy. Young, Adams and Helmar on the other hand, provide original research results which are directed at analysing the impacts of removing one of the trade distortions between Canada and the United States. This analysis was conducted by FAPRI and considers the impact of reduced EEP subsidies. The results provide interesting reading.

The following set of papers were produced with the basic purpose of generating informed, objective, policy relevant information. We have attempted to present all the material in readable form—we want to communicate. We hope that these objectives are achieved; we leave it to readers to decide.

THEME: HOW DECISIONS ARE MADE

OBJECTIVE

To provide an overview of the policy process as it exists in the agriculture and food industry in both countries; including the identification of the key responsibility centres, a description of how the key players influence decision makers in the key responsibility centres; and some evaluation of how effectively the system operates.

