

of Canadian farmers. Following are some of these events which principally affected the Canadian grains and oilseeds sector.

In 1980, international demand for Canadian grain was strong and prices were relatively high, continuing four years of strong growth which began in 1976-77. By 1981-82, however, growth in demand began to stall as world supply increased relative to demand.

Between 1980 and 1986, a number of major importing countries attempted to increase their degree of self-sufficiency and reduce their reliance on imports. During this period, world cereal production increased 18%, a rate which has grown faster than demand over the same period. Consequently, farm stocks have grown and market prices have fallen. World wheat prices, for example, have decreased by almost 50% and wheat stocks have increased by two-thirds during the past six years.

The debt crisis experienced in developing countries and some eastern European countries in recent years has had a negative effect on world agricultural trade. The large appreciation of the US dollar during the early 1980s and the fact that the debt owed by the debtor countries is generally in US dollars, have put a strain on their external-payments position. These countries were major importers but were forced to severely restrict all imports, including agricultural imports, under austerity programs established in order to correct their deteriorating balance-of-payments position.

Canadian agriculture in the 1980s has also been affected by a growing level of protectionism in some countries. Access to these markets are restricted in order to ensure that prices to producers are maintained at levels above world prices. High support prices have contributed to large world surpluses. In addition to large stocks of grains, great quantities of excess butter and milk powder have accumulated in the European Economic Community (EEC), the US and other major producing countries. Support prices in the EEC, under its Common Agricultural Policy, transformed a cereals deficit position in the mid-1970s into the present surplus position for the EEC. In order to reduce increasing stock levels, exports of agricultural products were offered at reduced prices. The EEC is currently the third-largest exporter of wheat in the world. Other countries were forced to follow this lead and, in 1985, the US introduced its Export Enhancement Program, under which \$2 billion could be spent over three years to improve US export competitiveness by using Commodity Credit Corporation inventories to allow US exporters to lower prices of certain commodities to selected markets.

As world stock rose and commodity prices fell in the early 1980s, government payments to producers increased under various programs to maintain producer incomes. Several countries took measures to reduce agricultural production. In July 1983, the EEC introduced quotas to control dairy production and established a high over-quota levy. The US also introduced levies on the support price of milk and a diversion payment to producers who cut their output. The US Food Security Act of 1985 included such policy mechanisms as reduced loan rates, reduced acreage programs, paid diversions, the expanded use of payment-in-kind (PIK) certificates to reduce high government-controlled stocks and higher deficiency payments.

Recently, there has been growing support through organizations such as the Cairns Group of agricultural exporting countries, for policy changes that would reduce production surpluses and improve producer incomes while, at the same time, lowering the burden on government treasuries.

9.4.2 Agriculture production trends

Agriculture production in Canada has undergone several changes during the past six years. While overall production changed little during the period (there was a 13% increase in the index of farm production between 1980 and 1985), the output of some commodities and commodity groups experienced considerable variability due to weather, prices and consumer preferences.

Crop production rose 24% between 1980 and 1985, led by increases of 59% in oilseeds, 25% in potatoes and other vegetables, and 21% in cereals. The increase was not steady throughout the period. A drought in the Prairie provinces in 1984 decreased cereal production by 18% that year. In 1985, weather conditions reduced both yields and quality of what appeared to be a bumper crop.

Through the first half of the 1980s, Canadian cropland increased 7% due in part to Prairie farmers reducing summerfallow area and seeding more land to cereal and oilseed crops. Prairie summerfallow area declined 1.2 million hectares (3 million acres) between 1981 and 1986, while area seeded to cereal, oilseed and forage crops increased by almost 2.4 million hectares (6 million acres).

Wheat continued to be the single-most important crop in the Prairie region, accounting for 51% of Prairie cropland in 1986. Prairie wheat area exceeded 12.1 million hectares (30 million acres) in all years between 1981 and 1986. In the previous five years (1976-80), wheat area never exceeded 10.9 million hectares (27 million acres). Western Canadian farmers have, for the most part, continued to grow the traditional low yielding, high