

was excess supply relative to the demand for agricultural commodities.

In general, the major industrialized nations export agricultural products, while developing countries are net importers. Exporting countries have, through various policies, encouraged production of agricultural commodities, creating an oversupply of many commodities. Domestic agricultural policies have tried to shield domestic markets from international market forces. High support prices for cereal production in the EEC, under the Common Agriculture Policy (CAP), transformed a deficit position in the 1970s into the present surplus situation. European subsidy programs during the 1980s resulted in large surpluses of butter and milk powder. Surpluses of dairy products resulted in the imposition of milk quotas with heavy penalties for overproduction. Dairy farmers slaughtered their cows and switched to beef production, which had high support prices and no quota restrictions. This resulted in an oversupply of beef. The European Community has exported these surpluses at subsidized prices which drove world prices down and distorted traditional trading relationships.

Other countries have been forced to take action against EEC practices. In 1985, the US introduced the Export Enhancement Program. Up to \$2 billion was available over a three-year period to improve export competitiveness of US grains in selected markets.

Government payments to producers rose as commodity prices fell. In late 1986, the Canadian government announced a payment of \$1 billion to producers of cereal grains and oilseeds. Several countries took measures to restrict agricultural production in order to reduce the burden of public expenditures. The US introduced a levy on the support price of milk and began a diversion payment to encourage producers to reduce their production. The US Food Security Act (1985) included such policy mechanisms as reduced loan rates, reduced acreage programs, paid diversions, and the expanded use of payment-in-kind (PIK) certificates. Recently, the US has proposed a wheat acreage set-aside program to reduce the amount of land under production.

Importing countries have not been able to absorb the oversupply of agricultural commodities. Most importing countries have high levels of foreign debt and the repayment of these debt obligations has reduced their ability to purchase imports. Importing countries themselves rely on export sales of agricultural products and the continuing decline in export prices has adversely affected their foreign exchange earnings.

Growing trade protectionism and uncontrolled international competition have reduced access to markets, and contributed to declining prices.

International developments have created serious problems for Canadian agricultural producers. The growing level of international protectionism has reduced Canada's ability to sell its agricultural products in traditional markets. Several major importing countries have increased their degree of self-sufficiency and reduced their reliance on imports.

The problems of protectionism and unrestricted production have been recognized and major agricultural exporters are beginning to adjust their policies to reflect the new conditions in the international market. Huge government expenditures have caused distortions in trade patterns. As a result, proposals have been put forward supporting free trade and greater reliance on market forces. The 24 member nations of the Organization for Economic Cooperation and Development (OECD) called for an end to the subsidy war between the major exporting nations. The Cairns group of traders, an organization of agricultural exporting countries, quickly affirmed support for the OECD proposals. Major agricultural exporters are attempting to obtain agreement on agricultural subsidies in the General Agreement on Tariffs and Trade (GATT) negotiations. Under such an agreement, participants would stop dumping products at heavily subsidized prices and refrain from establishing new barriers to trade. Limited debt relief has been offered to a few countries. While government support programs are unlikely to be eliminated, greater efforts may be made to ensure that support is given to the groups requiring assistance, without creating distortions in international trade.

9.4.2 Agriculture production trends

International developments have had a significant impact on the Canadian grain sector. However, wheat has continued to be the single-most important commercial crop in Canada and accounted for 51% of Prairie cropland in 1987. Prairie wheat area exceeded 12 million hectares (30 million acres) in all years between 1981 and 1987. Western Canadian farmers have, for the most part, continued to grow the traditional low yielding, high quality wheats for bread and pasta products although, in the early 1980s, some producers switched to higher yielding, medium quality wheat varieties.

Despite depressed prices in the 1980s, Canada has held onto traditional export markets,