

**Proceedings of the First
Canada/U.S. Agricultural and Food
Policy Systems Information Workshop**



**Understanding
Canada/United States
Grain Disputes**



Edited by

R.M.A. LOUIS

Ronald D. Knutson

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Understanding Canada/United States Grain Disputes



**UNIVERSITY
of GUELPH**



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FOREWORD

The past decade has produced some significant developments in trading relations between Canada and the United States. On one side, great progress has been achieved through the signing of the Canada/United States Free Trade Agreement (CUSTA), and the next step which included Mexico (the NAFTA). These agreements established dispute avoidance and settlement mechanisms with the goal of reducing trade tensions between the two countries. Unfortunately, what followed were a series of serious trade disputes, challenges, duties and countervailing duties. As recently as August 1994, border controls on wheat were imposed and a new form of dispute settlement mechanism...the Canada/US Joint Commission on Grains...was employed.

Agricultural economists recognize that freer trade among the United States, Canada and Mexico will require basic structural and domestic policy adjustments in all three countries. In interacting among themselves as well as with producers, agribusiness and policymakers, it has become clear that there is a lack of understanding of each others policies and policy development processes. There are also many voids in the data required to understand and analyze the direction and magnitude of change that is likely to occur. Further, it is anticipated that the rate and magnitude of adjustment required in all three countries will intensify over the next several years.

We believe that objective and policy relevant information, delivered to decision makers at all levels can result in more harmonious trade and policy relations. For the world's largest trading partners, we think this is a useful goal.

In late 1994, a three to five year process was initiated, dependent on sustained funding, to develop a means to communicate policy information. The initial step in the process was the First Agriculture and Food Policy Systems Information Workshop held in Rio Rico, Arizona March 3 and 4, 1995. The Workshop focussed on grains disputes, which is the primary subject matter of this publication. The Workshop was also used to identify means and subject matter for subsequent activities, of the group, to further the basic objective of harmonizing trade and policy relations among the United States, Canada and Mexico.

The organizing committee for this Workshop included Jack Gellner and Bruce Kirk from Agriculture Canada, Ron Knutson from the Agriculture and Food Policy Center, Texas A & M University, Karl Meilke, Department of Agricultural Economics and Business, University of Guelph, and Al Loyns, Department of Agricultural Economics and Farm Management, University of Manitoba. Seed funding for the preparatory work and

workshop was obtained from several sources. The Farm Foundation and USDA supported part of the contribution of several of the United States attendees. Agriculture and Agri-Food Canada provided support for the Canadians and for this publication. The Universities of Guelph and Manitoba, and Texas A & M supported the three principle academics in planning the Workshop and completing this publication.

The responsibility and funding of subsequent activities of the group will vary according to topic, location and nature of communication. For this publication, three individuals from the University of Manitoba and an Agriculture Canada support person deserve special credit. Alex Pursaga provided organizational support before and during the Workshop, and he took the major responsibility for ensuring that papers were delivered. Miriam Cherogony provided valuable editorial support. Bonnie Warkentine did all the final computer work to produce a hard copy for the printer, as well as designed the cover. Donna Moore Walton at Agriculture and Agri-Food Canada helped organize and run the Workshop. Many other individuals and groups provided various forms of support and will be utilized further as we move forward.

The editors hope the policy information process and this, the first publication, will help move Canada and the United States towards a more harmonious trading environment.

R.M.A. Loyns
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Ronald D. Knutson
Texas A & M University

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March 31, 1995

ABOUT THE AUTHORS

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Colin A. Carter is Professor of Marketing in the Department of Agricultural Economics, University of California in Davis. He completed a Ph.D. at the University of California in 1980 and was on staff at the University of Manitoba from 1980 to 1986. Since 1986 he has held an academic and research position at University of California, Davis. Dr. Carter's intensive research output is in the areas of trade and grain marketing but he is a frequent author on matters of public decision making and public interest groups. While on study leave in Australia in 1994 he researched the Australian grains markets and the Australian Wheat Board, and co-authored an ABARE Research Report *The Political Economy of United States Agriculture* (Brooks and Carter, 1994). In 1993, Dr. Carter undertook a special study for Agriculture Canada related to the establishment of a North American Barley Market. The report, *An Economic Analysis of a Single North American Barley Market*, has taken its place in Canadian grain marketing literature as "the Carter Report". His expertise includes strong knowledge of the Canadian and United States grain

markets, and trade theory and trading relations between these two countries as well as their role and position in global agricultural trade. Dr. Carter was a Kellogg Fellow from 1986-89 and has received three research awards from professional associations for published research.

Jack Gellner was raised on a mixed farm in Saskatchewan. He holds a Bachelor's degree (1971) from the University of Saskatchewan and a Master's degree (1976) from the University of Guelph, both in Agricultural Economics. He is the Director of the Industry and Policy Analysis Division, Policy Branch at Agriculture and Agri-Food Canada. Prior to joining Agriculture Canada after his graduate work at Guelph, he worked for three years in the Agriculture Division of Statistics Canada. From 1988 to 1994 he chaired the Committee of Experts on Net Benefit Measurement under the National Tripartite Stabilization Program.

Douglas D. Hedley was born and raised on a hog, beef and grain farm in Southern Ontario. He holds a Bachelor's degree (1965) from the University of Guelph, a Master's degree (1968) and Ph.D. (1970) from Michigan State University, all in Agricultural Economics. He has worked in Colombia as a Rockefeller Overseas Scholar, and in Nigeria with the International Institute of Tropical Agriculture. As well, he was a Visiting Professor at Gadjad Mada University, Indonesia with the Rockefeller Foundation and returned to Indonesia with Winrock International to advise government on agricultural policy development. Dr. Hedley began his work in Agriculture Canada in 1972-76, returning to Agriculture Canada 1979-85. Following his most recent period in Indonesia, he returned to Agriculture Canada in 1988, as Director General, Policy Coordination and Analysis Directorate, Policy Branch, and now, Director General, Industry Performance and Analysis Directorate. He is the founding Editor-in-Chief of *Agricultural Economics*, the journal of the International Association of Agricultural Economics.

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Ronald D. Knutson is the Director of the Agricultural and Food Policy Center at Texas A & M University and serves as a professor and extension economist in agricultural policy and marketing. The Center's purpose is to provide input to the Agriculture Committees of the Congress on the economic impacts of farm, food, and rural policy proposals. He served as chief economist in the Agricultural Marketing Service of USDA from 1971 to 1973, and in 1973 was named Administrator of the Farmer Cooperative Service. Later that year he accepted the position at Texas A & M University. Dr. Knutson is the author of over 300 publications on agricultural policy and marketing, and a college textbook titled *Agricultural and Food Policy*, 3rd edition. In 1983, he received the Texas A & M Alumni Award for his outstanding performance in public policy education. In 1987, he received a Quality of Communication Award from the American Agricultural Economics Association. In 1995, Dr. Knutson received the Lifetime Service Award from the Southern Agricultural Economics Association. He holds a Ph.D. from the University of Minnesota.

R.M.A. Loyns is Professor of Marketing in the Department of Agricultural Economics and Farm Management, University of Manitoba and one of the organizing committee members for the Policy Information Workshops. His professional interests have spanned consumer economics, marketing boards, agricultural development, and more recently grain marketing. After completing a Ph.D. at the University of California, Berkeley in 1968, he began his academic and research career at the University of Manitoba where he has been employed since then. He has held positions in Ottawa: Research Economist, Prices and Incomes Commission (1970); Research Director, Food Prices Review Board (1973-74) and; Assistant Deputy Minister, Consumer and Corporate Affairs (1974-76). He has held positions on several consultative committees in Consumer and Corporate Affairs and Agriculture Canada, and has international experience in several African countries, China and England. He was a member of the National Tripartite Stabilization Program, Expert Committee, from 1988 to 1994.

Karl Meilke is a professor in the Department of Agricultural Economics and Business, University of Guelph. He joined the University of Guelph in 1973, after completing a Ph.D. in agricultural and applied economics at the University of Minnesota. His research interests include the evaluation of the effects of domestic and international agricultural policies on world commodity markets and he maintains an active interest in trade negotiations. He is a former chairman of the International Agricultural Trade Research Consortium, a group of more than 125 academic and government economists interested in agricultural trade problems. He was a member of the National Tripartite Stabilization Program Expert Committee within Agriculture Canada from 1988 to 1995.

A.J.W. Pursaga is currently a doctoral candidate in the Department of Agricultural Economics and Farm Management at the University of Manitoba. He has worked extensively in policy and program development roles for the Province of Manitoba and the Government of Canada. He has participated in the Canada United States Trade Agreement negotiations at the officials level, developed initiatives in economic growth potential of the service industries, chaired a national committee on coordinated procurement, and worked extensively in trade development in China and India. He assisted in coordinating the workshop and in producing this publication.

Robert Seguin is the Assistant Deputy Minister of the Policy and Farm Finance Division of the Ontario Ministry of Agriculture, Food and Rural Affairs. He has worked for Agriculture Canada in New Brunswick and Ontario. Since 1980 he has worked for the Ontario government. As the Assistant Deputy Minister, he represents the department on all aspects of agriculture and food sector policy. His specific interests include farm finance policy, safety nets, farm taxation, trade policy and federal provincial relations. He has served on several national agriculture policy committees.

Daniel A. Sumner is the Frank H. Buck, Jr., Professor in the Department of Agricultural Economics at the University of California, Davis. His research and writing focuses particularly on the consequences of farm and trade policy on agriculture and the economy. Among his current projects is research on reform of United States agricultural policy for the American Enterprise Institute. Prior to beginning his current position in January 1993, Sumner was the Assistant Secretary for Economics at the United States Department of Agriculture. As Assistant Secretary, he was involved in policy formulation and analysis on the whole range of topics facing agriculture and rural America—from food and farm programs to trade, resources, and rural development. In his role as supervisor of Agriculture's economics and statistics agencies, Sumner was also responsible for data collection, outlook and economic research. From 1978 to 1992 Sumner was a Professor in the Division of Economics and Business at North Carolina State University. He spent much of the period after 1986 on leave for government service in Washington, D.C. He served during 1987-88 as a Senior Economist at the President's Council of Economic Advisers and was Deputy Assistant Secretary at the USDA from 1990-92. Sumner holds a Ph.D. in economics from the University of Chicago.

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Robert E. Young II is the co-director of the Food and Agricultural Economics Research Institute (FAPRI) at the University of Missouri. FAPRI's mission is to evaluate for policy makers the impacts of changes in farm and trade policy on the agriculture sector. Previous to his current position, Dr. Young was the chief economist for the United States Senate Committee on Agriculture. In this capacity, he was responsible for making policy recommendations on all aspects of farm bill issues. Bob received his B.S., M.S., and Ph.D. from the University of Missouri.

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