GENERAL DISCUSSION

Comments in the open discussion session indicated that the main impact of NAFTA has been on trade flows, both north-south and south-north. It was also noted that NAFTA has had a large impact on the Canadian food and beverage processing sector as now Canada has begun to establish world class and scale production plants. Foreign investment in the sector is looked upon as being positive. Agri-food companies are now treating the market as being continental.

The point was made that we talk about liberalization under NAFTA yet, at the end of the day, PSE's in some countries have gone up, and are equal today to the levels of the late 1980s and early 1990s. This has created serious imbalance in producer returns within and between countries. For example, a Canadian prairie wheat farmer has a PSE of around 10 percent, but has to compete with PSE levels over 40 percent on U.S. wheat production. Dairy producers in Canada and the United States enjoy PSE's over fifty percent, close to the levels of a decade ago. Resource allocation and farm adjustment made under these mixed and conflicting market signals are unlikely to produce efficient and sustainable production. It appears that U.S. payments have been 'recoupled' which means that important parts of the 1996 Freedom to Farm Bill have been abandoned. The 2001-02 debate on the Farm Bill is expected to focus on recoupled payments in the U.S. It might be expected that WTO negotiations will also raise this issue.

It was noted that in this policy evolution portion of the workshop, there had been almost no mention of the Canadian Wheat Board. The question was posed: will it be relevant in the future? There appears to be growing interest in reform of the CWB, but it seems this won't happen quickly. The CWB has already gone through some changes, e.g., it has some new rules in place to be able to make changes and, farmers now sit on its board of directors. Comments indicated that more changes are likely to take place within the industry to promote changes in the system without destroying the CWB. Election of Board directors (November, 2000) could change the composition of the Board, or may reinforce the status quo. The current income conditions for prairie farmers detract from reform initiatives. The repetitive threats from the United States in the form of trade remedy law applications also detract from reform.

Beef/veal PSE's are about 6% in Canada. The US ITC has different numbers. Economists can't agree on the effects and impacts of subsidies. What do economists contribute to ITC investigations? Mexico often has these debates with the OECD concerning PSE calculations. What methodology used to calculate PSE's, and are the results dependable measures of aggregate public support? What is non-countervailable? As far as Mexico is concerned, these questions remain unanswered.

The question was posed of why the United States does not move towards a NISA-type (whole farm revenue, individual account, producer/government contribution) program. There are currently advocates of a whole farm risk management type program in the United States. The probability of getting all stakeholders to agree on such a program is not great although certain groups, such as livestock, would likely benefit. Also, fruit and vegetable growers indicate they would be interested. The down side is that the strongest lobby would be the crop insurance "people" who are organized on a commodity basis. The crop insurance people feel that a whole-farm NISA-type program would remove the need for crop insurance programs. It was pointed out that this is not the case in Canada where private hail insurance and public crop insurance programs are significant components of agricultural safety nets.

Total world trade in grains has not increased, but grain trade statistics do not reflect increased cattle/beef trade. It was suggested that a useful contribution of economists would be to compile some type of index measuring the feed equivalent in meat exports. Part of the increase in cattle/beef trade is attributable to demand side phenomenon and innovation in transportation to reduce costs. This kind of innovation has not yet taken place in the grain sector.

There is a need to focus on the consumer. Organics, environmental concerns, GMOs, neutraceuticals, and other consumer/public issues are becoming more important in the food market. An important issue for the agri-food industry is whether North America will face the same level of intensity on contentious issues as the EU. Will consumers become more of a driving force on policy formation? The agri-food industry cannot neglect these concerns and issues. It was concluded that these factors indicate the need to harmonize policies and programs, as well as to improve communication with the public. Consumers are increasingly technologically literate and responsive to innovative nutrition. Consumers will pay more if the value is recognized, but they don't always recognize the value-added. AAFC research into this issue indicates consumers want the ability to choose between GM and non-GM foods. Therefore, segregation and labeling are emerging issues that will affect policy makers.