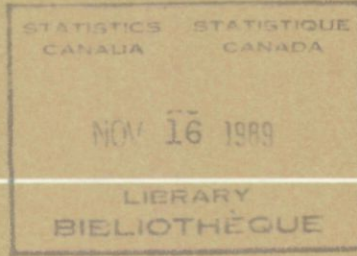




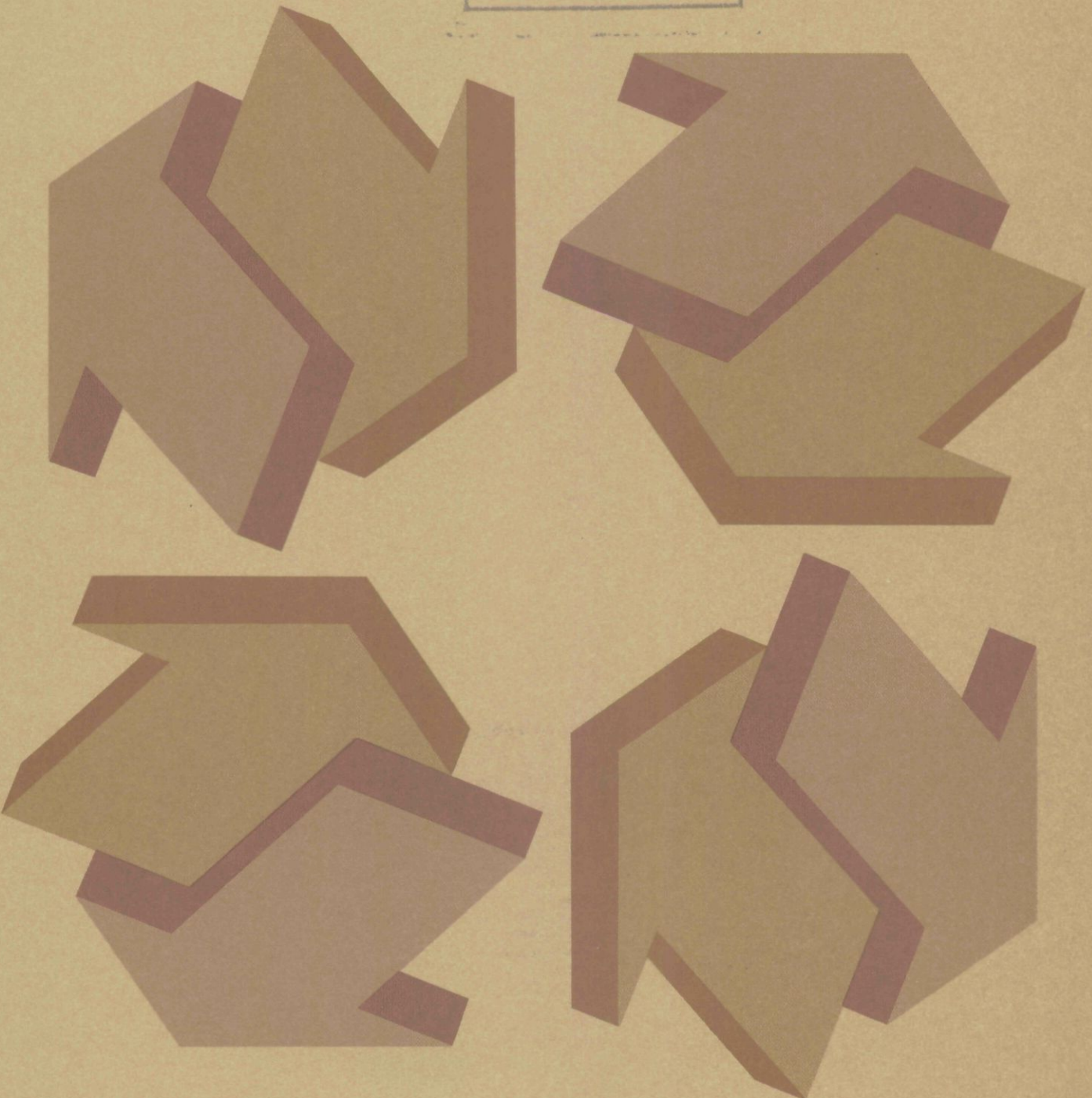
# Preliminary Statement of Canadian International Trade

(H.S. Based)

September 1989



Not for release before 7 a.m. E.S.T.  
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**Statistics Canada**  
International Trade Division

# **Preliminary Statement of Canadian International Trade (H.S. Based)**

**September 1989**

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the Minister of Regional Industrial Expansion

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and Services Canada 1989

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For more detailed information on statistics, concepts and definitions, order the September 1989 issue of "Summary of Canadian International Trade (H.S. Based)" (65-001, \$17.30/\$173), which will be available the first week of December 1989, or contact Gordon Blaney (613-951-9647), Trade Information Unit, or Jean-Pierre Simard (613-951-1711) (for analysis information), or Denis Pilon (613-951-4808) (for price index information), Trade Measures and Analysis Section, International Trade Division.

Available on CANSIM: matrices 3633 to 3642, 3651, 3685 to 3713, 3718, 3719, 3887 to 3913.

## HIGHLIGHTS

- Exports were down 2.8% in September, following a 4.1% increase in August.
- Imports dropped 2.2%, compared to a 6.7% increase for the previous month.
- Canada's trade surplus totalled \$259 million, down from the \$341 million total recorded in August.
- The short-term trend for imports and exports continued to decline in August.
- Exports of industrial goods and machinery and equipment were the main contributors to the September decline in exports.
- The Canada-United States reconciled trade balance, January to September, is \$8.0 billion, down 1.9% compared to the first nine months of 1988.
- Cumulative wheat exports are \$1.7 billion less for January to September compared to last year.



## Monthly Summary

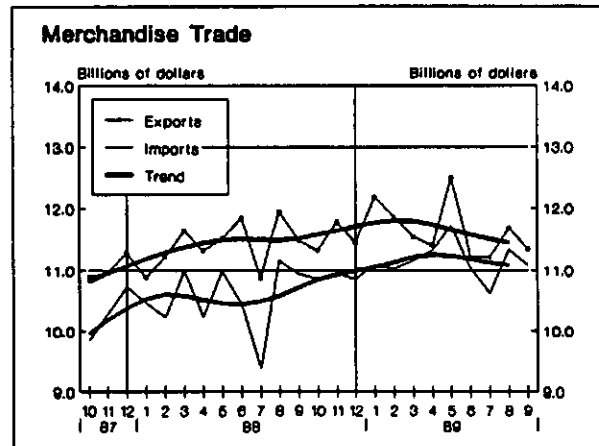
Canada's merchandise exports, on a balance of payments basis and adjusted for seasonal variation, continue to show signs of volatility in 1989. According to preliminary data, exports fell 2.8% in September, following a 4.1% increase in August. In May, exports rose 9.6%, before falling 10.3% in June and remaining almost unchanged in July. The short-term trend, which attenuates these movements, continued on its downward course in August for the sixth consecutive month. These results indicate that exports have been losing ground for several months, in spite of upward revisions to July (+\$126 million) and August (\$207 million).

The downward trend for exports is largely attributable to a number of factors including the 1988 drought, which has had repercussions in 1989 on the agricultural and electricity sectors; the decline in the prices of several metals; the appreciation of the Canadian dollar against the U.S. dollar and the moderating growth of the American economy in 1989.

The September decline brings total Canadian exports to \$11.3 billion. Exports to the United States alone fell 4.3% in September, the sixth decline observed this year. The drop in exports to the United States in September coincides with declines noted in several U.S. economic indicators. Exports to Japan also decreased significantly in September (-10.6%), following a sharp increase in August (+24%).

Imports totalled \$11.1 billion in September, down 2.2% from August. Preliminary data show that imports rose 6.7% in August, while the revised data for July and June show decreases of 3.7% and 5.8%. As in the case of exports, the short-term trend was down in August. However, the drop observed in imports is more recent than the decline noted in exports.

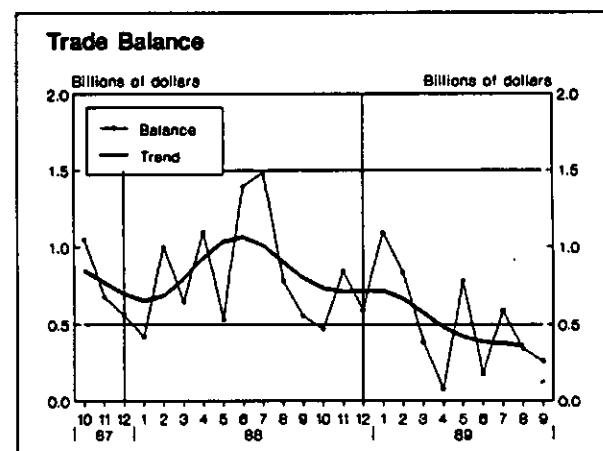
The decrease in imports in September appears to be in line with the most recent statistics on production of passenger automobiles, which sustained a sharp slowdown in September following unusually large increases in August. Overall, the economy con-



tinues to grow at a moderate rate, while the level of business investment appears to be stabilizing. Imports of machinery and equipment, which were particularly strong during the first half of the year, declined in September.

Lower crude petroleum prices were reflected in a decline in the value of crude petroleum imports in September, which fell to their lowest level of the past nine months.

As a result of the more pronounced drop in exports as opposed to imports, the trade surplus slipped to \$259 million in September, \$82 million less than the revised figure for the August surplus.



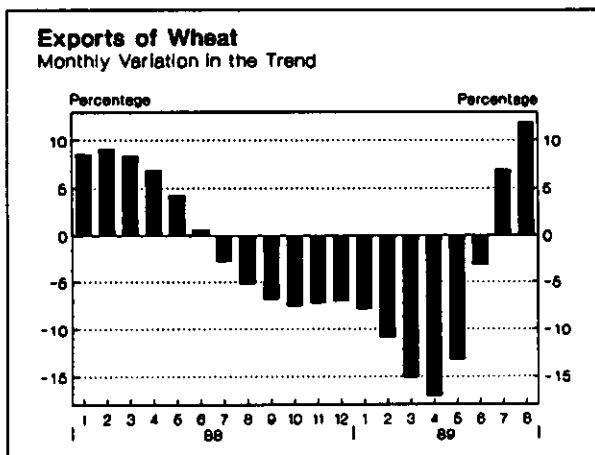
## Short-Term Trend

The short-term trend is a weighted moving average of thirteen terms, and it is therefore possible that the seasonally-adjusted series may not point in the same direction as the short-term trend. In addition, the trend for the last month is not presented and does not form part of the analysis since it frequently undergoes extensive change with the inclusion of data for the following month. (For further details on the methodology used to calculate the short-term trend, please refer to the January 1989 issue of this bulletin.)

## Exports

The short-term trend for exports continued to be down in August for the sixth uninterrupted month.

- Of the merchandise categories which contributed to the overall decrease in the total, the largest declines were recorded for exports of ores (-4.5%), aircraft and other transportation equipment (-3.5%) and metals and alloys (-1.6%).

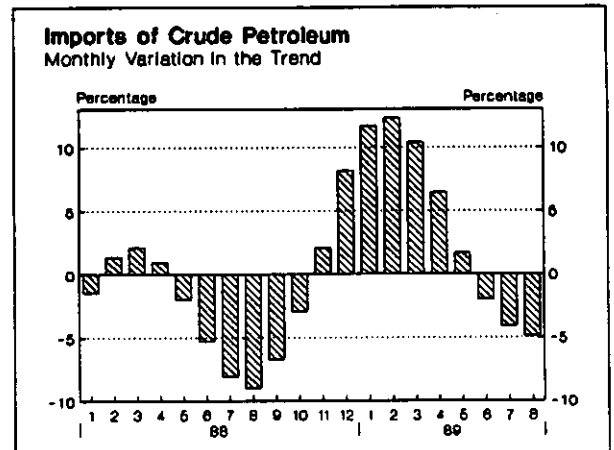


- The trend for exports of machinery and equipment, which had been on an upward climb since August 1988, underwent a reversal in July 1989 (-0.3%) and dropped 0.5% in August. The trend for exports of industrial and agricultural machinery continued to decline for the fourth consecutive month.
- With regard to increases, exports of food products (+2.6%), primarily wheat (+11.9%) posted the largest gains in August compared to July.

## Imports

The short-term trend for imports continued to drop for the fourth uninterrupted month.

- The main contributors to the decline in the overall trend in August were imports of energy products (-3.7%), machinery and equipment (-0.6%) and automotive products (-0.4%).
- The upward trend for crude petroleum imports sustained a reversal in June and has since posted more significant drops (-4.9% in August).
- On the other hand, the largest increase in imports in August was in the precious metals category, which posted a gain of 6.9%.





## Detailed Analysis by Commodities and Trading Partners

### Commodities

The drop in exports in September is explained by the following factors:

A \$451 million decline in non-distributed balance of payments adjustments in September, following a substantial improvement in the coverage of Canadian exports to the United States.

A \$183 million drop in industrial goods exports, following small increases in July and August. Exports of metals and alloys alone fell by \$65 million to \$961 million, approximately \$110 million less than the average for the first eight months of the year. Prices of the principal metals exported by Canada, such as aluminum, copper, nickel, precious metals and zinc, all posted declines ranging from 6% to 35% over the course of the past four or five months.

An \$85 million drop in machinery and equipment exports, following a \$28 million dip in exports of industrial and agricultural machinery. Exports of industrial and agricultural machinery thus fell to their lowest level of the past nine months (\$434 million).

On the other hand, the largest gains were attri-

butable to exports of automotive products (+ \$277 million), primarily trucks, which posted a \$282 million increase over the previous month. Sales of trucks in the United States continued to be strong in September, while automobile sales dropped compared to the high level observed in August.

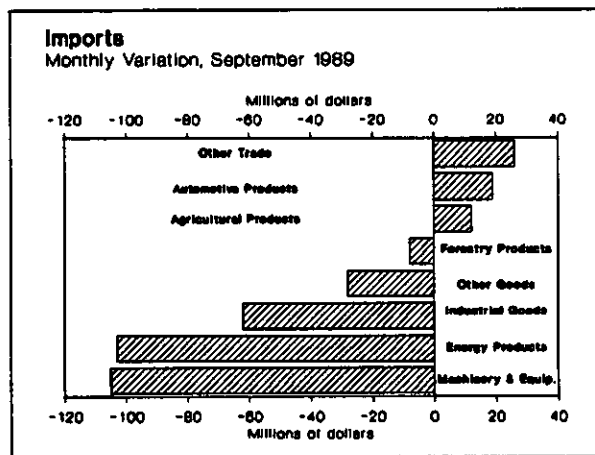
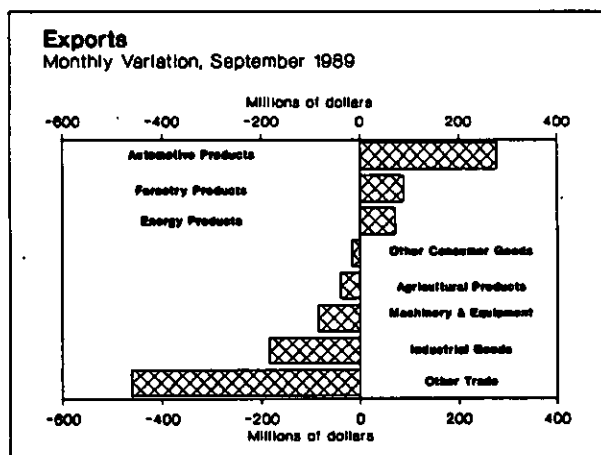
Wheat exports, up \$102 million in August, rose an additional \$61 million in September.

The following factors were the main contributors to the decline in imports:

Imports of machinery and equipment fell by \$105 million to \$3.5 billion. Imports of aircraft and other transportation equipment, down \$71 million to \$360 million (their lowest level since August 1987), were largely responsible for this decline.

Imports of energy products fell by more than \$100 million to total \$434 million, their lowest level since last December. Imports of crude petroleum alone dropped \$73 million to \$243 million. Between May and August, crude petroleum prices as measured by the Laspeyres price index fell by 20%.

Imports of precious metals posted the largest increase, climbing \$69 million to \$138 million. Motor vehicle parts imports were also up \$69 million to \$1.4 billion, while production in Canada returned to more normal levels following slowdowns in July and August.



### Trading Partners

Exports to the United States, on a seasonally adjusted basis, declined \$372 million in September to total \$8.3 billion, their lowest level since July 1988. This drop in exports to the United States in September coincides with signs of a slowdown in American consumer demand, particularly for passenger automobiles. Exports to the United States represented 73% of Canada's total exports for the month of September.

Exports to Japan, "Other O.E.C.D. countries" and "Other countries" were also down in September. Cumulative exports to Japan for 1989 total \$6.6 billion, an increase of \$483 million compared to the first nine months of 1988.

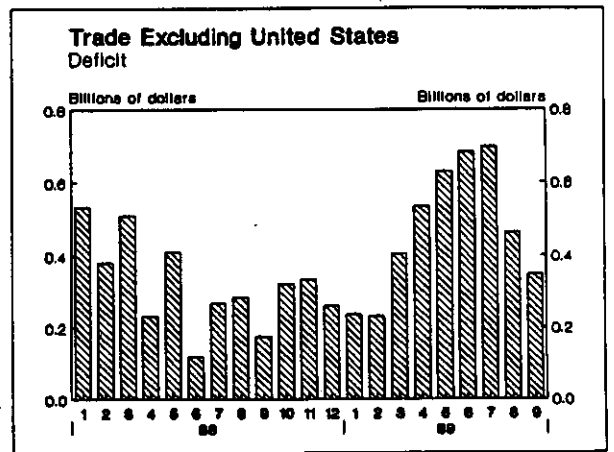
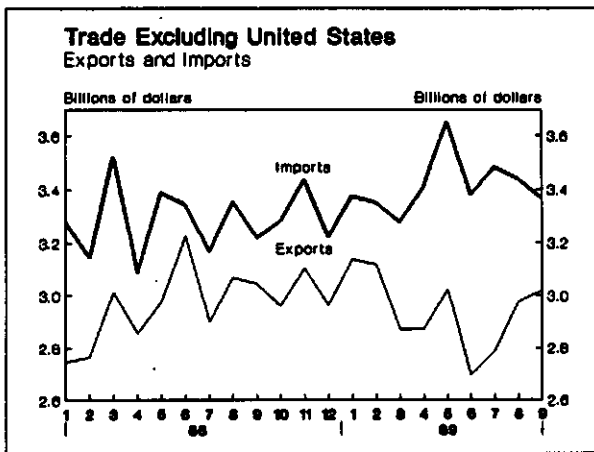
Exports to the E.E.C. grew by \$229 million to total \$1.0 billion.

Imports from the United States fell \$177 million to \$7.7 billion. In August, however, imports rose \$755 million. Imports from the United States represented 70% of Canada's total imports for the month of September.

Imports from the United Kingdom, "Other O.E.C.D. countries" and "Other countries" all posted declines in September compared to August.

Imports from "Other E.E.C. countries" and Japan, on the other hand, recorded increases.

Canada's trade deficit with all of its trading partners, excluding the United States, has increased substantially in 1989. For the first nine months of 1989 the deficit totals \$4.2 billion, up sharply from the deficit of \$2.9 billion registered in the corresponding period in 1988.



## Quarterly Summary

At \$34.2 billion, exports dropped 2.5% in the third quarter, following a decline of 1.3% in the second quarter. The largest declines were registered in the following sectors: industrial goods and material (notably metal ores), machinery and equipment and automotive products, while there were minor gains posted in the energy and forestry products sectors. This is the second consecutive quarter in which automotive products have posted a sharp decline, due primarily to lower exports of trucks (-\$99 million) and parts (-\$150 million). The moderate growth of the American economy in the third quarter appears to be reflected in the dip in Canadian exports to the United States. However, strong growth in household expendi-

tures on automobiles contributed to higher exports of Canadian-manufactured passenger automobiles.

Imports, for their part, totalled \$33.1 billion, a 3.0% drop from the previous quarter. The revised figures show a 2.5% increase for the second quarter. The third quarter decline is attributable, to decreases of more than \$400 million in both automotive products and machinery and equipment. Imports of energy products also ran out of steam, falling more than \$200 million. The drop in imports of machinery and equipment contrasts with the first and second quarter increases of more than \$450 million and \$100 million respectively in 1989. The third quarter decline is primarily due to lower imports of aircraft and other transportation equipment.

## Reconciliation Canada-United States

Reconciled year-to-date merchandise trade statistics are published on a quarterly basis. It should be noted that the starting point for the reconciliation program is raw customs data. A number of adjustments for non-response, transportation charges, and differences in trade and valuation definitions are then applied, using American imports from Canada as benchmarks to amend Canadian exports to the United States.

On a cumulative basis, January to September, the Canada-U.S. reconciled trade balance is \$8.0 billion, down \$1.9 billion or 19.4% compared to the corresponding period in 1988. This drop, however, is smaller than the decrease noted at this time in 1988 of \$3.3 billion compared to 1987 levels. The surplus, in fact, has been declining since 1986. Exports are up 2.8% or \$2.2 billion, totalling \$78.2 billion. Likewise, imports have climbed to \$70.3 billion, an increase of \$4.1 billion from last year.

Data users please note that starting January 1990, as a result of a Memorandum of Understanding signed in June 1987, Canada and the U.S. will be exchanging counterpart import data to better estimate exports. Thus, Canadian exports to the U.S. will be measured using import data from the U.S. By the same token, the U.S. Bureau of the Census will be measuring U.S. exports to Canada using Canadian import data.

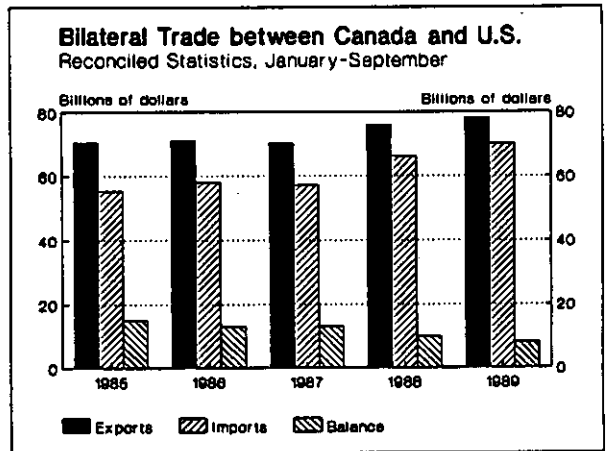


Table 2A  
Reconciled Merchandise Trade between Canada and the United States

	1985	1986	1987	1988	1989
	January to September \$ millions				
<b>Exports:</b>					
Customs Basis Published total *	68,987.1	69,234.8	69,388.0	75,321.5	75,691.9
Reconciliation Adjustments	1,564.1	1,979.2	976.2	764.9	2,548.4
Reconciled Basis	70,551.2	71,214.0	70,364.2	76,086.4	78,240.3
Other B.O.P. Adjustments	-1,170.8	-1,749.0	679.9	-401.3	-422.2
B.O.P. Basis	69,380.4	69,465.0	71,044.1	75,685.1	77,818.1
<b>Imports:</b>					
Customs Basis Published total *	55,800.7	58,295.6	57,362.9	67,002.5	70,985.5
Reconciliation Adjustments	-389.4	-281.2	-170.7	-822.3	-732.1
Reconciled basis	55,411.3	58,014.4	57,192.2	66,180.2	70,253.4
Other B.O.P. Adjustments	-536.2	-640.8	476.1	-179.4	-119.3
B.O.P. Basis	54,875.1	57,373.6	57,668.3	66,000.8	70,134.1
<b>Balance:</b>					
Reconciled Basis	15,139.9	13,199.6	13,172.0	9,906.2	7,986.9
B.O.P. Basis	14,505.3	12,091.4	13,375.8	9,684.3	7,684.0

\* Including trade between Canada and Puerto Rico and the Virgin Islands.  
Note: The data presented in this table are not seasonally adjusted

**Table 1**  
**Merchandise Trade of Canada**  
 September 1989  
 Balance of Payments Basis

	Exports (1)	Imports (1)	Exports Raw	Imports Raw	Exports S.A.(3)	Imports S.A.(3)	Balance S.A.(3)	Period-to-period change(2)		
								Exports S.A.(3)	Imports S.A.(3)	Balance S.A.(3)
	\$ millions							%	%	\$ millions
1983	90,613	75,520	90,556	73,098	90,556	73,098	17,457	7.3	9.5	-197
1984	112,384	95,460	111,330	91,493	111,330	91,492	19,838	22.9	25.2	2,381
1985	119,474	104,355	119,061	102,669	119,061	102,669	16,392	6.9	12.2	-3,446
1986	120,670	112,511	119,865	110,079	119,865	110,079	9,787	0.7	7.2	-6,606
1987	125,087	116,239	126,120	114,767	126,120	114,767	11,353	5.2	4.3	1,567
1988	138,150	131,664	137,294	127,486	137,294	127,486	9,809	8.9	11.1	-1,545
1987										
First quarter	29,714	27,776	30,273	27,357	30,794	27,673	3,122	1.4	-0.1	449
Second quarter	31,687	29,578	31,832	29,221	30,686	27,810	2,876	-0.4	0.5	-245
Third quarter	29,628	27,814	30,071	27,475	31,487	28,422	3,065	2.6	2.2	189
Fourth quarter	34,057	31,071	33,944	30,714	33,152	30,862	2,290	5.3	8.6	-776
1988										
First quarter	34,172	35,338	33,397	32,530	33,747	31,681	2,066	1.8	2.7	-224
Second quarter	36,399	33,711	36,142	32,957	34,684	31,663	3,022	2.8	-0.1	956
Third quarter	32,221	30,518	32,392	30,026	34,305	31,487	2,817	-1.1	-0.6	-205
Fourth quarter	35,358	32,097	35,363	31,972	34,558	32,655	1,904	0.7	3.7	-914
1989										
First quarter	34,493	33,864	35,198	33,509	35,582	33,273	2,309	3.0	1.9	405
Second quarter	36,082	36,538	36,483	36,024	35,124	34,092	1,032	-1.3	2.5	-1,277
Third quarter	31,886	31,295	32,158	31,277	34,247	33,058	1,189	-2.5	-3.0	157
1988										
January	10,366	12,470	10,220	10,101	10,884	10,465	419	-3.6	-2.5	-141
February	11,282	10,520	10,911	10,289	11,225	10,225	999	3.1	-2.3	581
March	12,524	12,348	12,266	12,140	11,639	10,991	648	3.7	7.5	-352
April	11,475	10,693	11,397	10,447	11,327	10,229	1,097	-2.7	-6.9	450
May	12,067	11,706	12,013	11,447	11,516	10,985	530	1.7	7.4	-567
June	12,857	11,312	12,732	11,063	11,842	10,448	1,394	2.8	-4.9	864
July	9,651	8,900	9,800	8,847	10,866	9,385	1,481	-8.2	-10.2	87
August	10,906	10,752	10,958	10,502	11,945	11,162	783	9.9	18.9	-698
September	11,664	10,866	11,634	10,677	11,494	10,940	553	-3.8	-2.0	-230
October	11,917	11,005	11,751	10,903	11,327	10,858	469	-1.5	-0.7	-85
November	12,351	11,254	12,375	11,215	11,782	10,939	842	4.0	0.7	374
December	11,090	9,838	11,237	9,854	11,449	10,857	593	-2.8	-0.8	-250
1989										
January	11,323	10,622	11,664	10,574	12,183	11,088	1,094	6.4	2.1	502
February	11,180	11,053	11,460	10,899	11,855	11,024	832	-2.7	-0.6	-263
March	11,990	12,190	12,073	12,037	11,544	11,161	383	-2.6	1.2	-449
April	11,621	11,933	11,624	11,775	11,407	11,331	76	-1.2	1.5	-306
May	12,478	12,642	12,974	12,451	12,502	11,722	780	9.6	3.4	704
June	11,983	11,962	11,885	11,798	11,215	11,040	175	-10.3	-5.8	-605
July	9,823	9,516	9,943	9,567	11,217	10,629	589	0.0	-3.7	413
August	10,700	11,002	10,975	10,940	11,680	11,339	341	4.1	6.7	-247
September	11,363	10,776	11,241	10,771	11,350	11,090	259	-2.8	-2.2	-82
Year-to-date										
1988	102,792	99,567	101,931	95,513	102,736	94,831	7,905	10.5	13.0	-1,158
1989	102,461	101,697	103,839	100,811	104,954	100,424	4,530	2.2	5.9	-3,375

(1) Customs Basis

(2) Change over previous period

(3) Seasonally Adjusted.

Note: Due to rounding monthly data may not add up to quarterly data and quarterly data may not add up to annual data.

**Table 2**  
**Merchandise Trade by Principal Trading Areas**  
 September 1989  
 Seasonally Adjusted, Balance of Payments Basis

	Aug.	Sept.	Period-to-period change				Year-to-date Total	Change over previous year	
			Aug.	Sept.	Aug.	Sept.		%	\$ millions
	\$ millions		%	%	\$ millions		\$ millions	%	\$ millions
<b>Exports to:</b>									
United States	8,703.3	8,331.5	3.2	-4.3	273.2	-371.8	78,452.9	3.0	2,311.1
United Kingdom	257.1	374.2	-24.3	45.5	-82.7	117.1	2,744.4	4.9	127.6
E.E.C. 86 excl. U.K.	561.1	673.0	-15.1	19.9	-100.0	111.9	5,901.2	11.6	614.9
Japan	786.4	703.3	24.0	-10.6	152.0	-83.1	6,570.5	7.9	482.9
Other O.E.C.D. 86 *	392.8	288.9	109.5	-26.4	205.3	-103.9	2,373.9	5.3	118.9
Other countries	979.7	978.7	1.6	-0.1	15.5	-1.0	8,910.8	-13.9	-1,437.9
<b>Total</b>	<b>11,680.5</b>	<b>11,349.7</b>	<b>4.1</b>	<b>-2.8</b>	<b>463.3</b>	<b>-330.8</b>	<b>104,953.7</b>	<b>2.2</b>	<b>2,217.5</b>
<b>Imports from:</b>									
United States	7,899.8	7,723.3	10.6	-2.2	755.7	-176.5	69,688.9	6.7	4,363.1
United Kingdom	314.3	254.5	-11.3	-19.0	-40.0	-59.8	3,344.1	-7.1	-254.0
E.E.C. 86 excl. U.K.	755.8	866.7	-13.2	14.7	-114.7	110.9	7,444.6	-6.0	-472.5
Japan	680.1	683.1	5.9	0.4	38.1	3.0	6,178.1	4.7	277.2
Other O.E.C.D. 86 *	379.5	317.3	11.4	-16.4	39.0	-62.2	3,028.0	15.1	396.3
Other countries	1,309.7	1,245.3	2.5	-4.9	32.4	-64.5	10,740.1	13.6	1,282.6
<b>Total</b>	<b>11,339.3</b>	<b>11,090.2</b>	<b>6.7</b>	<b>-2.2</b>	<b>710.6</b>	<b>-249.0</b>	<b>100,423.8</b>	<b>5.9</b>	<b>5,592.7</b>
<b>Balance with:</b>									
United States	803.5	608.2			-482.5	-195.3	8,764.0		-2,051.9
United Kingdom	-57.2	119.7			-42.8	176.8	-599.7		381.6
E.E.C. 86 excl. U.K.	-194.7	-193.7			14.7	1.0	-1,543.5		1,087.3
Japan	106.3	20.2			113.9	-86.1	392.5		205.7
Other O.E.C.D. 86 *	13.4	-28.4			166.3	-41.7	-654.1		-277.4
Other countries	-330.0	-266.6			-16.9	63.4	-1,829.3		-2,720.5
<b>Total</b>	<b>341.2</b>	<b>259.4</b>			<b>-247.3</b>	<b>-81.8</b>	<b>4,529.9</b>		<b>-3,375.2</b>

\* Series with no seasonality.

Imports for September 1989 by country of origin from the United States (including Puerto Rico and the U.S. Virgin Islands) amounted to \$7,197.4 million. This represents the starting figure from which the Canada/United States reconciliation takes place.



**Table 3**  
**Exports by Commodity Groupings**  
 September 1989  
 Balance of Payments Basis

	Seasonally adjusted					Raw values		
	July	Aug.	Sept.	Year-to-date		Percentage change		
				Value	% change	Sept. '89/Sept. '88/Sept. '87/Sept. '88	Sept. '87	Sept. '86
	\$ millions							
<b>AGRICULTURAL AND FISHING PRODUCTS</b>	865.3	990.8	952.1	8,430.0	-15.8	-14.2	5.2	13.6
Wheat	111.1	213.4	274.8	1,804.6	-50.7	-29.3	47.1	33.3
Other agricultural and fishing products	754.2	777.4	677.3	6,625.5	4.4	-7.2	-7.0	8.9
<b>ENERGY PRODUCTS</b>	1,029.2	1,044.5	1,115.9	9,234.0	1.8	21.2	-7.1	13.1
Crude petroleum *	363.2	366.5	384.7	3,333.9	4.3	30.4	-29.1	42.4
Natural gas	266.2	265.9	330.6	2,322.8	3.9	31.4	16.9	9.0
Other energy products	399.9	412.1	400.6	3,577.2	-1.6	7.1	7.5	-9.1
<b>FORESTRY PRODUCTS</b>	1,728.3	1,762.4	1,850.3	16,037.9	0.9	7.3	-7.5	26.6
Lumber and sawmill products	577.0	558.9	631.3	5,161.3	-1.6	20.2	-30.5	34.3
Woodpulp and other wood products	500.3	569.7	592.0	5,114.7	10.0	8.2	17.9	38.8
Newsprint and other paper and paperboard	651.0	633.8	627.0	5,761.9	-3.9	-3.8	1.2	12.4
<b>INDUSTRIAL GOODS AND MATERIAL</b>	2,476.3	2,495.1	2,312.1	22,658.9	4.1	-9.4	21.8	-3.0
Metal ores	398.9	411.7	391.6	4,032.5	12.7	-16.6	44.6	-15.0
Chemicals, plastics and fertilizers	519.6	541.8	489.2	4,960.1	-4.8	-18.7	23.5	18.4
Metals and alloys	1,107.6	1,025.1	960.6	9,526.8	10.9	-0.7	13.6	-4.3
Other industrial goods and materials	450.2	516.5	470.7	4,139.6	-5.5	-7.6	17.3	-8.4
<b>MACHINERY AND EQUIPMENT</b>	1,834.7	1,957.5	1,872.6	17,195.2	8.1	2.3	9.9	-1.7
Industrial and agricultural machinery	443.7	461.3	433.9	4,046.4	9.9	3.0	1.7	10.3
Aircraft and other transportation equipment	370.8	395.7	373.9	3,754.5	22.4	-1.4	14.4	-24.1
Other machinery and equipment	1,020.2	1,100.5	1,064.8	9,394.3	2.6	3.4	11.7	4.9
<b>AUTOMOTIVE PRODUCTS</b>	2,779.8	2,736.4	3,013.8	26,127.1	-1.9	-1.7	8.8	-2.6
Passenger autos and chassis	1,258.9	1,367.4	1,397.0	11,949.2	-8.1	-2.7	30.6	-25.1
Trucks and other motor vehicles	659.8	460.1	741.7	5,860.9	2.4	6.4	6.1	56.4
Motor vehicle parts	861.0	909.0	875.0	8,317.0	5.4	-5.9	-12.9	7.6
<b>OTHER CONSUMER GOODS</b>	214.4	216.6	198.8	1,991.9	-5.3	-15.5	3.4	4.9
<b>SPECIAL TRANSACTIONS TRADE *</b>	68.0	58.7	66.7	582.9	3.0	5.1	91.9	-2.7
<b>UNALLOCATED ADJUSTMENTS *</b>	221.2	418.4	-32.6	2,695.4	232.3	-114.2	3.5	-27.4
<b>TOTAL</b>	11,217.2	11,680.5	11,349.7	104,953.7	2.2	-3.4	7.0	3.6

\* Series has no seasonality.

Table 4  
**Imports by Commodity Groupings**  
 September 1989  
 Balance of Payments Basis

	Seasonally adjusted					Raw values		
	July	Aug.	Sept.	Year-to-date		Percentage change		
				Value	% change	Sept. '89/Sept. '88/Sept. '87/Sept. '88 Sept. '87 Sept. '86		
	\$ millions							
<b>AGRICULTURAL AND FISHING PRODUCTS</b>	662.8	689.0	700.5	6,163.7	10.0	8.0	7.1	-1.7
Fruits and vegetables	227.8	229.8	218.8	2,051.2	7.6	-3.1	19.4	-2.1
Other agricultural and fishing products	435.0	459.2	481.7	4,112.6	11.2	12.7	2.6	-1.5
<b>ENERGY PRODUCTS</b>	556.5	537.6	434.2	4,676.8	17.6	0.4	-15.5	36.5
Crude petroleum	336.8	316.7	243.4	2,755.7	16.1	2.3	-17.5	49.9
Other energy products	219.6	221.0	190.8	1,921.0	19.7	-2.0	-12.9	22.6
<b>FORESTRY PRODUCTS</b>	116.5	118.8	111.3	1,019.6	3.7	14.7	-12.0	23.1
<b>INDUSTRIAL GOODS AND MATERIALS</b>	2,161.6	2,234.8	2,172.7	19,808.9	9.5	3.4	14.3	13.3
Metals and metal ores	583.7	574.6	650.2	5,611.5	7.7	7.7	6.4	13.3
Chemicals and plastics	708.0	725.7	656.3	6,174.1	12.9	0.5	20.0	11.9
Other industrial goods and materials	869.8	934.5	866.2	8,023.4	8.3	2.4	16.6	14.3
<b>MACHINERY AND EQUIPMENT</b>	3,457.5	3,649.7	3,545.0	32,294.1	7.6	0.6	25.1	7.4
Industrial and agricultural machinery	1,103.7	1,138.4	1,140.3	10,153.7	7.1	2.3	14.1	10.6
Aircraft and other transportation equipment	433.6	431.4	360.3	4,210.4	-5.9	-27.7	51.3	-12.3
Office machines and equipment	491.4	509.9	545.5	4,719.6	9.0	2.3	14.8	25.7
Other machinery and equipment	1,428.8	1,570.0	1,498.9	13,210.4	12.7	8.3	31.1	5.2
<b>AUTOMOTIVE PRODUCTS</b>	2,272.9	2,655.9	2,675.0	23,825.6	-4.2	-6.8	6.6	1.8
Passenger autos and chassis	732.4	1,024.7	932.0	8,828.9	-0.8	-6.8	-5.3	8.2
Trucks and other motor vehicles	216.5	267.8	310.9	2,609.0	-1.7	12.8	-14.1	-1.3
Motor vehicle parts	1,323.9	1,363.5	1,432.1	12,387.6	-6.9	-10.5	23.3	-2.9
<b>OTHER CONSUMER GOODS</b>	1,254.2	1,299.6	1,271.2	11,234.3	11.6	7.0	11.0	1.8
Apparel and footwear	286.9	294.4	312.6	2,575.6	10.5	21.2	-11.6	2.5
Miscellaneous consumer goods	967.2	1,005.2	958.7	8,658.7	11.9	3.6	18.3	1.5
<b>SPECIAL TRANSACTIONS TRADE *</b>	217.7	233.2	257.0	2,110.7	10.0	21.9	19.5	30.6
<b>UNALLOCATED ADJUSTMENTS *</b>	-70.9	-79.4	-76.9	-710.1	4.3	1.0	19.9	0.6
<b>TOTAL</b>	10,628.7	11,339.3	11,090.2	100,423.8	5.9	0.9	12.4	7.4

\* Series has no seasonality.

**Table 5**  
**Merchandise Trade of Canada**  
 Constant Dollars and Laspeyres Price Indexes  
 September 1989  
 Seasonally Adjusted, Balance of Payments Basis

	Constant dollars (1981) (1)				Laspeyres price index (2)			
			Period-to-period change(3)		1981 = 100.0		Period-to-period change (3)	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
	\$ millions		%				%	
1984	106,931	85,581	18.6	19.7	105.0	109.6	4.2	5.7
1985	113,822	94,442	6.4	10.4	106.0	113.4	1.0	3.4
1986	117,822	101,513	3.5	7.5	104.0	112.8	-1.9	-0.5
1987	126,399	110,707	7.3	9.1	105.1	112.2	1.1	-0.5
1988	139,052	126,877	10.0	14.6	107.8	110.5	2.6	-1.6
1987								
First quarter	30,939	26,432	2.5	2.0	102.9	111.6	-1.0	-1.0
Second quarter	30,810	26,745	-0.4	1.2	104.8	112.2	1.9	0.6
Third quarter	31,558	27,533	2.4	2.9	105.7	112.6	0.8	0.3
Fourth quarter	33,093	29,997	4.9	8.9	106.7	113.2	1.0	0.6
1988								
First quarter	34,379	31,100	3.9	3.7	106.2	111.3	-0.5	-1.7
Second quarter	35,363	31,514	2.9	1.3	106.4	110.1	0.1	-1.0
Third quarter	34,670	31,530	-2.0	0.1	108.6	110.1	2.1	0.0
Fourth quarter	34,640	32,734	-0.1	3.8	109.8	110.4	1.2	0.3
1989								
First quarter	34,880	33,544	0.7	2.5	111.9	110.5	1.8	0.1
Second quarter	34,627	34,317	-0.7	2.3	112.1	111.8	0.2	1.1
Third quarter	34,501	33,950	-0.4	-1.1	110.0	110.8	-1.9	-0.9
1988								
January	11,076	9,962	0.2	-5.0	106.7	112.0	-0.8	-1.1
February	11,448	10,105	3.4	1.4	106.5	110.6	-0.2	-1.3
March	11,855	11,032	3.6	9.2	105.7	109.8	-0.8	-0.8
April	11,544	10,175	-2.6	-7.8	106.0	109.8	0.3	0.1
May	11,762	10,862	1.9	6.7	106.3	109.8	0.2	0.0
June	12,057	10,477	2.5	-3.5	106.9	109.5	0.6	-0.3
July	11,185	9,530	-7.2	-9.0	107.5	109.1	0.6	-0.4
August	11,870	11,050	6.1	15.9	108.9	109.9	1.3	0.8
September	11,615	10,950	-2.1	-0.9	109.2	110.3	0.3	0.4
October	11,393	10,824	-1.9	-1.1	108.9	109.7	-0.3	-0.6
November	11,844	10,971	4.0	1.4	110.4	110.9	1.4	1.1
December	11,403	10,938	-3.7	-0.3	110.1	109.7	-0.3	-1.0
1989								
January	11,923	11,128	4.6	1.7	112.0	110.4	1.6	0.7
February	11,521	11,117	-3.4	-0.1	111.6	110.5	-0.3	0.1
March	11,435	11,298	-0.8	1.6	112.3	110.8	0.6	0.2
April	11,240	11,467	-1.7	1.5	112.2	111.6	-0.1	0.8
May	12,293	11,792	9.4	2.8	112.4	111.9	0.1	0.2
June	11,094	11,059	-9.8	-6.2	111.8	111.9	-0.6	0.0
July	11,181	10,851	0.8	-1.9	110.7	111.2	-0.9	-0.6
August	11,711	11,646	4.7	7.3	109.7	110.4	-0.9	-0.7
September	11,608	11,452	-0.9	-1.7	109.6	111.1	-0.1	0.6
Year-to-date								
1988	104,412	94,143	11.9	16.6				
1989	104,008	101,811	-0.4	8.1				

(1) The Paasche current weighted price index used to calculate constant dollars can be derived by dividing current values by the constant dollars above.

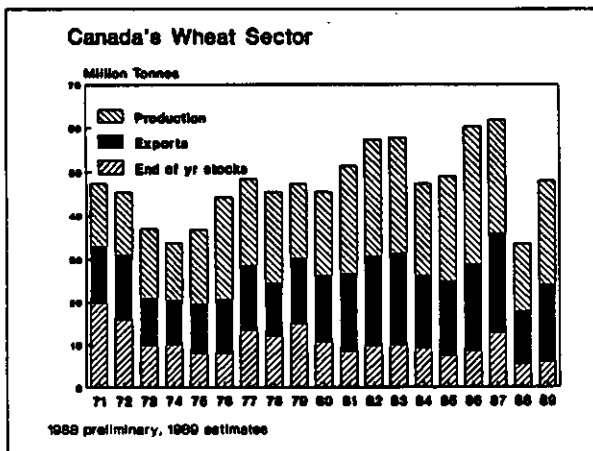
(2) The Laspeyres price index uses fixed weights based on 1981 trade and therefore reflects changes in price only.

(3) Change over previous period.

Note: Due to rounding, monthly data may not add up to quarterly data and quarterly data may not add up to annual data.

## Canada's Trade in Grain (L. Berry)

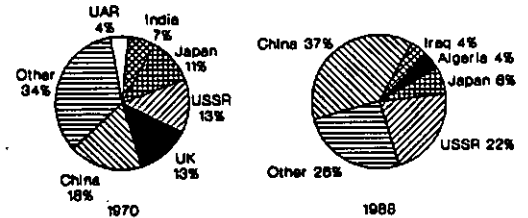
Exports of wheat which accounted for \$4.4 billion or 3.2% of total exports in 1988 compared to \$0.7 billion or 4.2% of total domestic exports in 1970, are down sharply in 1989.<sup>1</sup> The primary reason behind this decline is the severe drought experienced last summer in the Prairie provinces. The dry autumn of 1987 contributed to the intensity of the drought in 1988 making it comparable to those experienced in the 1930's, 1961 and 1984.<sup>2</sup>



The severity of the drought is reflected in Canada's depleted grain stocks. Total wheat stocks, for example, totalled 5.1 million tonnes on July 31, down 30% from July 31, 1988 and less than half the level at July 31, 1987. This is the lowest carry-over level since 1950.<sup>3</sup> Accordingly, cumulative year-to-date exports of wheat January to September, totalled \$1.7 billion, almost half the level recorded for the same period in 1988. Due to limited supply, the Canadian export price of wheat has risen dramatically. The Laspeyres price index rose 30% on average over the first half of 1989 compared to 1988, however it has registered three consecutive declines since June.

The pattern of Canada's grain market also altered somewhat in 1989. The main buyers of Canadian wheat this year, as of July, have been the U.S.S.R. (29.6%), Japan (16.1%), China (10.4%) and Iraq (9.7%). However, exports to the U.S.S.R. could decline in the future given that government's new policy, announced August 10, to pay farmers in foreign

### Buyers of Canadian Wheat



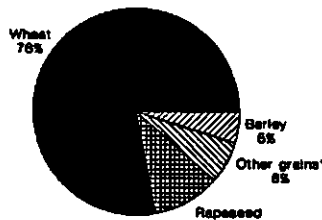
currency for wheat and other crops grown in excess of average production levels.<sup>4</sup> In 1988, China (37.5%), the U.S.S.R. (21.9%) and Japan (6.4%) were the principal purchasers of Canadian wheat. The trade picture was slightly different in 1970. China (17.7%) was our most important customer followed by the U.K. (13.4%), the U.S.S.R. (12.6%), Japan (11.3%) and India (6.5%).

Stocks of barley in Canada totalled 2.8 million tonnes on July 31, down 26% from July 31, 1988. Barley exports, on the other hand, are up over 90% for the first nine months of 1989 compared to last year, totalling \$417.3 million. Likewise, the Laspeyres Price Index for barley has increased 75%, over 1988 levels, for the first eight months of the year. Unlike all other major grains, stocks of rapeseed (or canola) are up 65% over last year's levels as of July 31. In addition, exports of rapeseed have increased 11% in the first nine months of 1989 compared to 1988 levels, reaching a cumulative level of \$478.2 million, an increase of \$48.2 million. Corn imports are up as well from the total recorded for the first two quarters of 1988.

### Wheat Worldwide

Worldwide, the market for wheat is presently one of higher prices due to low reserves, particularly in Canada, as well as the United States and the E.E.C. World stocks have been deteriorating since 1986-87 and the world stocks-to-use ratio is forecast at its lowest point in thirty years following a 23% decline in

Canada's Grain Exports, 1988



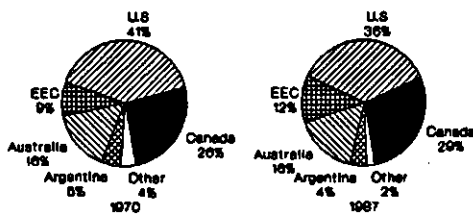
\*Flaxseed, Soybeans, Oats, Corn, Rye

1988/89.<sup>5</sup> Total production of wheat according to the International Wheat Council is projected to increase 6% to 532 million metric tonnes this year.<sup>6</sup> However, consumption of wheat is expected to exceed output, thus causing further depletion of world stocks.

Canada, along with the U.S., the E.E.C., Australia and Argentina, are among the largest exporters of wheat, supplying over 90% of total world exports in 1987 (excluding intra-E.E.C. trade).<sup>7</sup> As a result of last summer's drought, Canada produced 16 million metric tonnes of wheat in 1988/89 (August to July), 40% below the previous year's total.<sup>8</sup>

Due to above average July temperatures in Manitoba and Saskatchewan, grain analysts are projecting an average wheat crop this year. The latest crop estimate by Statistics Canada (released October 4, with 46% of the harvest completed) states that total production of wheat in Canada will be 24 million metric tonnes, up 50% from last year.<sup>9</sup> In addition, barley production is forecast to increase 18% to 12.1 million tonnes. The rapeseed harvest, however, is

World Exporters of Wheat



Source: WTDB, excluding EEC intra-trade

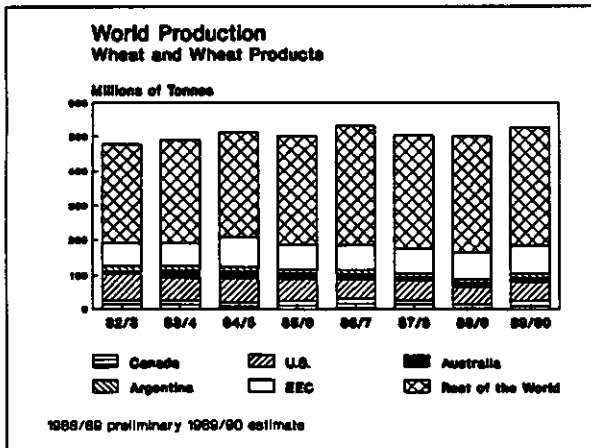
projected to drop 27% to 3.2 million tonnes which could impact on Canadian exports next year.

Stocks of wheat in the United States were at 16.2 metric tonnes, 50% of last year's level, as of June 1.<sup>10</sup> Wheat production fell to 49.3 million metric tonnes in 88/89, a decline of 14% over the previous year.<sup>11</sup> Correspondingly, exports of wheat and wheat products (wheat products includes flour, pasta products and semolina), June to May, fell 10% to 38.8 million tonnes. This year, U.S. exports are forecast to drop 11% to 34.7 million tonnes, over 60% of total production of wheat. Production is estimated to rise to 55.6 million tonnes this year, an increase of 13%. However, wheat production in the U.S. has declined 20% over the last half of this decade, from an average annual level of 70.5 million tonnes for the period 1980-85, compared to an average yearly level of 57.0 million tonnes from 1986-1990. Likewise, wheat stocks have fallen dramatically at an average rate of 28% each year since 1985/86 at which time ending stocks stood at 51.8 million tonnes.

The E.E.C. produced 74.9 million tonnes of wheat and wheat products in 1988/89, a 5% increase over the previous year, the second consecutive increase. As well, exports climbed to 31.1 million tonnes (market year), an increase of 10%, the third uninterrupted increase. For this year, analysts have forecast a 4% increase in wheat production to total 77.5 million tonnes and a corresponding 6% increase in exports. Thus the E.E.C. will export 32.8 million tonnes of wheat, 42% of their yearly production.

Production of wheat and wheat products in the E.E.C., as opposed to the U.S., is up 11% over the second half of this decade, from an average level of 66.2 million tonnes during 1980-85 to an average annual level of 73.5 million tonnes for the period 1986-90. However, as in the case of the U.S., stocks have fallen. The forecast for ending stocks for this year is 12.2 million tonnes, a drop of 5% from last year's level, their lowest level since 1983/84.

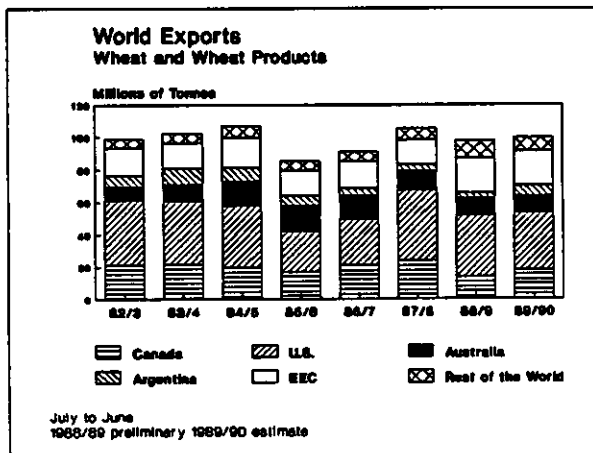
Argentina's production of wheat and wheat products declined 11% to 7.8 million metric tonnes last year. In addition, Argentinean exports (December to November) remained unchanged at 3.7 million tonnes, following a 16% decline the previous year. This amount is projected to increase 70% this year as production is estimated to rise by 41% to total 11.0 million tonnes, the highest level since 1984/85. Unlike the



other major wheat exporters, stocks of wheat in Argentina are forecast to jump 50% to 0.3 million tonnes by the end of this year.

Wheat production in Australia, as in the case of the E.E.C., increased in 1988/89. Australian farmers harvested 14.5 million tonnes, an increase of 17% over the previous year, following a 23% decline in 1987/88. Likewise, exports of wheat and wheat products (October to September) increased 12% and totalled 11.1 million tonnes. As in the case of the U.S. and the E.E.C., stocks of wheat and wheat products have been deteriorating. Since 1985/86 stocks have fallen at an average rate of 24% each year. For the 1989/90 season, forecasters are estimating that year-end stocks will remain unchanged at 2.7 million tonnes, with production declining by 1% to 14.3 million tonnes and exports dropping 3% to 10.8 million tonnes.

In a report published in 1988, T. Vollrath of the U.S. Department of Agriculture studied four indicators of competitiveness in the agricultural sector for various countries. Two of these indicators, market



share (MS) and relative export advantage (RXA), have been reproduced for the years 1970 and 1987 using data obtained from the World Trade Database (see note 7) and are presented in Tables 1 and 2. MS indicates the share of the world market a country has in a particular commodity. For both 1970 and 1987, the U.S. had the largest share of the world wheat export market, followed by Canada, Australia, the E.E.C. and Argentina.

**Table 1: Market Share**

Exporter	U.S.\$ Billions			
	1970	%	1987	%
U.S.A.	1.1	40.7	3.3	36.7
Canada	0.7	25.9	2.6	28.9
Australia	0.4	14.8	1.5	16.7
E.E.C.*	0.2	7.4	1.1	12.2
Argentina	0.1	3.7	0.4	4.5
Subtotal	2.5	92.6	8.9	98.9
Other countries	0.2	7.4	0.1	1.1
World Total*	2.7		9.0	

\* Excluding E.E.C. intra-trade

RXA provides further insight into the competitiveness of a country in its export markets. Index values greater than zero denote "relative competitive advantage" whereas index values less than zero denote "relative competitive disadvantage".<sup>12</sup> As in Vollrath's study, Australia and Canada posted higher rankings than the U.S. for the years 1970 and 1987. Vollrath points to the E.E.C. as one example where, although the RXA is negative thus signifying relative competitive disadvantage, the E.E.C.'s export market shares are increasing as a result of heavy agricultural subsidization.

An important issue and a source of contention in the ongoing Uruguay Round of GATT negotiations, is the degree of protectionism observed in international trade of agricultural products. In 1985, the United States passed the U.S. Food Security Act Program which, among other things, provided for an expanded role of the Export Enhancement Program (EEP). Under this program (which was initially targeted at E.E.C. markets) exporters receive government-owned surpluses by selling eligible commodities to designated countries. Total agricultural subsidies cost the U.S. \$35.7 billion in 1986 and \$29.6 billion in 1987.<sup>13</sup>



Table 2: Relative Export Advantage

1970	Wheat Exports	Total Exports	RXA
		U.S.\$ Billions	
U.S.	1.1	46.6	1.3
Canada	0.7	17.3	1.7
Australia	0.4	4.8	2.5
E.E.C.*	0.2	48.0	-0.8
Argentina	0.1	1.9	2.1
World Wheat Exports*		2.7	
World Trade*		284.3	
1987	Wheat Exports	Total Exports	RXA
		U.S.\$ Billions	
U.S.	3.3	270.6	1.3
Canada	2.6	100.2	2.1
Australia	1.5	27.3	2.7
E.E.C.*	1.1	411.4	-0.6
Argentina	0.4	6.7	2.6
World Wheat Exports*		9.0	
World Trade*	2,012.3		

Source: World Trade Database.

Market Share:  $MS_a^i = X_a^i/X_a^w$ , where subscript a refers to wheat, and superscripts i to a particular country and w to the world, and X refers to exports. RXA:  $RXA_{a,n}^{i,r} = \ln[(X_a^i/X_a^r)(X_a^r/X_a^n)]$ , where r refers to the rest of the world and n refers to a commodity composite aggregate, excluding wheat.

\* Excluding E.E.C. intra-trade.

The result of these changes was price wars which caused lower grain prices worldwide. The E.E.C. responded by increasing price supports under the Common Agricultural Policy (CAP). The 1985 budget for agriculture was \$20.3 billion, which increased to \$43.0 billion in 1988.<sup>14</sup> Canada has increased aid to farmers at an annual cost of \$4 billion in recent years.<sup>15</sup> As a recent Economic Council of Canada report<sup>16</sup> points out, one can argue that these subsidies have been particularly difficult for Canada as it tends to be more dependent on wheat exports than the other major exporters. Canada exported 79% of wheat production on average for the years 1982-88, compared to 55% for the U.S., 23% for the E.E.C., 59% for Argentina and 81% for Australia.

There are difficulties inherent in measuring the degree of support that the agricultural sector obtains as this support can involve a range of policy instruments including: export incentives, various subsidies for fuel and freight, interest concessions, crop insurance, other price supports and marketing and research assistance. One method used estimates the PSE (Producer's Subsidy Equivalent) which is the level of compensation that would recompense farmers for the removal of all other government assistance. Recent studies produced by the U.S. Department of Agriculture<sup>17</sup> and the O.E.C.D. estimated the PSE for a number of countries for various agricultural commodities, the results of which are presented in Table 3.

According to the U.S. study, Canada produced 26 million tonnes of wheat per year on average from 1982 to 1986, for which Canadian farmers were paid \$4.7 billion Canadian from the market and received an additional \$1.4 billion in government support (both federal and provincial). Thus one arrives at a PSE of 30.4% (comparable to the O.E.C.D.'s results), that is, government support amounted to one-third of market earnings. (The PSE was likely higher in 1988 given the impact of the drought.) In the American study, the PSE was highest for the United States where farmers produced on average 67 million tonnes of wheat per year for the period 1982-86, for which they collected \$10.5 billion American from the market and \$3.8 billion from various government programs, thus attaining a PSE of 36.3%. In the O.E.C.D. report, the E.E.C. had the highest PSE of the major wheat exporters at 37.6%. Canada as a member of the Cairns Group has called for a freeze and an eventual elimination of trade distorting measures in agriculture.

## Conclusion

The Prairie drought experienced last summer is having continued effects on Canada's merchandise trade, specifically Canada's wheat exports. As a result of greatly depleted stocks of wheat, cumulative wheat exports are \$1.7 billion less for January to September compared to last year. Trade in wheat should return to more normal levels as this year's crop is harvested (depending on demand from the U.S.S.R and China). The dramatic decline in stocks of wheat observed in Canada, the U.S., Australia and the E.E.C. could impact on future trade in wheat.

**Table 3: Government Transfers to the Wheat Sector**

	Argentina	Australia	Canada	EC-10*	U.S.
Production** (millions of tonnes)	11.6	16.4	26.0	60.0	67.0
PSE Percent***(1)	4.8%	6.8%	30.4%	25.0%	36.5%
Percent***(2)		2.8%	29.2%	37.6%	17.2%

\* Just soft wheat, not durum wheat.

\*\* 1982-1986 average.

\*\*\* 1984/85

Source: (1) United States Department of Agriculture, Estimates of Producer and Consumer Subsidy Equivalents: Government Intervention in Agriculture, 1982-86, 1988. (2) C. Carter, et al., Canada and International Grain Markets: trends, policies and prospects, Economic Council of Canada, 1989, p.48.

### Notes

1. Please note that data pertaining to Canada's merchandise trade in grains are on a raw, Customs basis. In order to transform customs data to data on a Balance of Payments basis, an adjustment for timing is made to grains. Data from Customs documents are replaced with data from the Canadian Grain Commission on sales and shipments (which are late due to shipping and storage delays). In 1988, the BOP adjustments for wheat, barley and rapeseed totalled \$156.8, \$29.5 and -\$40.7 million respectively.

2. Last summer's drought measured on average -.27 in terms of drought intensity (a measure of precipitation shortfall) compared to -.25 and -.28 in 1936 and 1937, -.31 (the most extreme) in 1961 and -.26 in 1984. A. Gergye, Environment Canada, "Climatic Highlights", Climatic Perspectives, Vol. 10, September 1988, p.1.

3. Data concerning Canadian stocks of wheat, barley and rapeseed are obtained from Agriculture Division, Statistics Canada, "Stocks of Canadian Grain at July 31, 1989", Field Crop Reporting Series - No. 5, August 1989, p.1.

4. B. Keller, Globe and Mail, "Moscow to pay farms in dollars for grain", August 11, 1989.

5. Economic Research Service, U.S. Department of Agriculture, Wheat: Situation and Outlook Report, May 1989, p.3.

6. Agriculture Division, Statistics Canada, Cereal and Oilseeds Review, June 1989, p.6.

7. International Trade Division, Statistics Canada, World Trade Database, (United Nations merchandise trade statistics adjusted by Statistics Canada). Please note that E.E.C.'71 includes Belgium, Luxembourg,

France, West Germany, Italy, and the Netherlands. E.E.C.'87 includes E.E.C.'71 and Denmark, Greece, Ireland, Portugal, Spain, and the United Kingdom.

8. Opcit., Cereal and Oilseeds Review, June 1989, p.32.

9. Production data (Canadian) of wheat, barley and rapeseed are obtained from Agriculture Division, Statistics Canada, "September Estimate of Production of Principal Field Crops, Canada, 1989", Field Crop Reporting Series - No. 7, October 1989, p.1.

10. Opcit., Wheat: Situation and Outlook Report, May 1989, p.3.

11. Data concerning production, stocks and exports of wheat and wheat products for the United States, Australia, Argentina and the E.E.C. are drawn from the U.S. Department of Agriculture's publication: World Grain Situation and Outlook, August 1989.

12. T.L. Vollrath, U.S. Department of Agriculture, "Indicators of Competitiveness", World Agriculture: Situation and Outlook Report, March 1989, p. 22.

13. O. Bertin, Globe and Mail, "U.S. plans to fight on in the agricultural subsidies battle", October 3, 1988.

14. Ibid., O. Bertin.

15. Globe and Mail, "Grain subsidy fight hurts Canada most, study says", March 23, 1989.

16. C. Carter, et al., Canada and International Grain Markets: trends, policies and prospects, Economic Council of Canada, 1989.

17. U.S. Department of Agriculture, Estimates of Producer and Consumer Subsidy Equivalents: Government Intervention in Agriculture, 1982-1986, 1988, various pages.