Path Dependence and Policy Feedback:
Understanding Reform in the Western Canadian Grains Sector

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If one were to glance at the policy landscape in the Western Canadian cereal grains sector in the post-World War II period, three policy instruments would have stood out: transportation subsidies, orderly marketing, and farm income support. All were noted for their distinctive impact in the Prairie agricultural economy and for the strong symbolic attachment afforded them by farmers. As Skogstad has put it, the Crow Rates and the Canadian Wheat Board were "the grain farmer's Magna Carta" (1987: 41). Together they formed three pillars of the state assistance model in Western Canadian agriculture. However, the final two decades of the previous century marked the beginning of a period of reform in the Canadian agriculture sector, aimed at reorienting it on the market-liberal model. As a result, the Crow Rate was terminated, while the Canadian What Board and farm income support were restructured. Interestingly, in recent years, farm income support payments have reached near record levels, while the CWB continues to market Western wheat and barley in the international marketplace with its monopoly in tact. It is evident that Canadian agricultural policy has not continued down the path towards the market-liberal model[1]. As Skogstad concludes "developments in the international political economy have required reforms to existing policies, but they have not yet displaced the state assistance paradigm" (2008: 241). The questions asked here are: what factors account for the overall resilience of the state assistance model[2], and why has reform been uneven across policy instruments?

Explaining policy stability and policy change has preoccupied policy analysts in recent decades. Many have been struck by the prevalence of policy stability, and the apparent challenges faced by policy-makers attempting to undertake policy change. It has been noted that the processes of policy initiation and policy termination are not exact opposites; in fact, they are very different (Pierson, 1996: 144, 156). Based on his analyses of social policy, Pierson concludes that policy change is difficult to achieve and varies by program (Pierson, 1994; Pierson 1996). Windows for policy change are opened by such events as budgetary crisis, however, even then radical reform is stymied by the fact that governments generally seek to reach a compromise through negotiation Pierson 1996: 157). Analysts have noted a similar pattern of policy resilience in the agriculture sectors of the US and European Union (Moyer and Josling, 2002). What factors are behind the prevalence of policy stability?

In accounting for policy resilience in Canadian agriculture, Skogstad argues that the lack of a viable alternative paradigm has been a major stabilizing factor (2008: 252-259). Although the market-liberal model appeared to be ascendant in the 1980s, the reform process has revealed its rejection. As soon as new income crises beset farmers in the late 1990s and early 2000s, farm income support levels were increased dramatically. Having moved into budgetary surplus, keeping farm income support at low levels was not politically feasible. Skogstad notes that neither the United States nor European Union has demonstrated much willingness to move away from the state assistance model either. The other major stabilizing factor has been the institutional framework and patterns of governance of agricultural policy-making (Skogstad, 2008: 254). The rural caucuses of

[1] The market-liberal model rests on the idea that the agriculture sector should receive no special attention. Protectionist measures have created as many problems as they have resolved.

[2] The state-assistance model is anchored on the idea that agriculture is a unique sector that requires special protection from the state. It plays an important role in achieving national objectives and farmers tend to experience unstable incomes due to the vagaries of nature and imperfect markets.

all parties in Parliament have proven important allies of farmers. The committees with responsibility for agriculture in the House of Commons and Senate have also proven important allies. In Canada agriculture is a shared jurisdiction, which means that the provinces are significant players in agricultural policy. It also means that there are multiple veto points to change. Farm groups that are not successful at one order of government can turn their attention to the other. Agricultural policy networks have been widened to include actors formerly outside of the policy making process, such as ministries responsible for trade and finance, and other actors in the agri-food system such as food processors and retailers. No longer are the ministers of agriculture and peak farm groups among the only actors. Finally, farm groups have successfully brokered compromises within the extensive consultation exercises that governments have employed to undertake policy making in agriculture since the late 1980s.

While the above explanations are undoubtedly compelling, this author wonders whether focusing attention on micro-level factors, such as the characteristics of the policy instruments themselves, can help account for policy stability and policy change in Canadian agriculture. This paper explores the utility of the path dependence and policy feedback concepts for explaining the policy outcomes seen in the Western Canadian cereal grains sector. The argument made here is that both concepts offer valuable insights for understanding the varied outcomes of policy reform.

Path Dependence & Policy Feedback

The concepts of path dependence and policy feedback are derived from Lowi's idea that policy creates new politics (1964). In its broadest sense path dependence is used to define policy systems where initial moves in one direction generate subsequent moves in that same direction (Kay, 2003: 406). Put another way, "the probability of further steps along the same path increases with each move down that path" (Pierson, 2003: 21). Path dependence is a historical process driven by self-reinforcing mechanisms known as *positive feedback*. Positive feedback is defined as "the resources and incentives created by policies themselves to group formation and activity, and to the processes of social learning that follow from the implementation of policies" (Coleman and Grant, 1998: 226). According to Pierson there are four sources of positive feedback: interest group effects, transformation of state capacities, effects on mass publics, and learning effects. Each of these sources will be discussed below.

Interest group effects refers to the way that public policies often direct benefits to a certain segment of society, which then mobilizes to ensure the policy's maintenance and/or expansion (Pierson, 1993: 599). Predictably, beneficiaries will also vigorously defend said policy should they perceive a threat to its continued existence. Public policies can even provide resources that improve the group's ability to defend certain policies. Such resources could include funding and/or increasing access to decision makers. Public policies can also transform state capacities. The implementation of new policies may help to develop new state administrative competencies. Established state apparatus may be more conducive to certain policy options than others. Alternatively, a lack of expertise or competence in a given area may limit the ability of the state to deal with new policy challenges, and vice versa. Policies can have significant effects on mass publics. Some policies provide resources and incentives that influence the decisions individuals make. Individuals may choose to obtain certain types of training for skill development, make certain investments, purchase certain types of goods, or support certain organizations. All of these examples represent sunk costs, or commitments, that are difficult to reverse. Thus, policies can also encourage individuals to behave in ways that lock-in a particular path of policy development. In describing this lock-in effect Pierson states "policies may create incentives that encourage the emergence of elaborate social and economic networks, greatly increasing the cost of adopting once-possible alternatives and inhibit exit from a current policy path" (1993: 608). Commitments made by individuals in response to policies, in turn generate complex social interdependencies.

This process is viewed as the equivalent to the *increasing returns* concept employed in economics (Arthur, 1994). Increasing returns refers to the way in which actors have strong incentives to select a single alternative and to continue down a specific path once initial steps down it have been taken. The costs of changing course continue to rise. Arthur's typology for this process has four components. First, *large set-up or fixed costs*, refers to a dynamic where there is incentive to make further investments in a technology if the initial costs are high relative to the total cost. Second, *learning effects* is a process where a product is improved and/or its cost is reduced the more prevalent it becomes. Third, *coordination effects* refer to the dependence of an individual on the actions of others for attainment of certain advantages. Finally, *adaptive expectations* is a process where individuals have incentive to invest in technologies they expect will become more popular, because there are real costs to choosing technologies that do not.

The term *learning effects* as employed by political scientists, refers to a dynamic where a political actors' awareness of an issue or problem may be derived from their experience with past initiatives. Policymakers tend to respond to new problems as though they are something already known, greatly narrowing the range of all possible options. Put another way, "overwhelmed with the problems they confront, decision makers lean heavily on preexisting policy frameworks, adjusting only at the margins to accommodate distinctive features of new situations" (Pierson, 1993: 612-13). Given that the political world is very difficult to interpret – the links between actions and outcomes are very ambiguous – existing mental maps are used by actors in order to filter information. These mental maps are typically biased, therefore "confirming information tends to be incorporated, while disconfirming information is filtered out" (Pierson, 2004: 39). Thus, mental maps illicit continuity and incrementalism, and thus path dependency. The mechanism works the same at the group level, where ideas and interests are both learned and sustained in social interaction (Wendt, 1999: 184-89). Wendt elaborates by stating, "social systems can get locked in to certain patterns by the logic of shared knowledge, adding a source of social inertia or glue that would not exist in a system without culture" (Wendt, 1999: 188). Due to such "lock-in" effects, the opportunity to adopt once possible policy alternatives is lost.

Other sources of positive feedback discussed by Pierson in his more recent work include the institutional density of politics and the way that policies and institutions tend to be change resistant. The institutional density of politics refers to the fact the way that institutions and public policies, once established, tend to constrain behaviour. Constitutions impose legally binding constraints on behaviour. Pierson puts it similarly for policies: "policies, grounded in law, backed by the coercive power of the state, signal to actors what has to be done, what cannot be done, and establish many of the rewards and penalties associated with particular activities" (2004: 35). Change resistance in policies and institutions is derived from the fact that they are generally designed to be that way. Policy-makers may deliberately make a policy or institution "sticky" in order to bind their successors, or even themselves. "Sticky" policies and institutions are generally more effective, because stability and predictability are enhanced.

While policy change is difficult to achieve for all of the reasons stated above, it is possible under certain circumstances. Policy change can be spurred by the occurrence of exogenous shocks that disrupt the equilibrium within a policy system. These shocks disrupt the conditions that have helped to sustain the status quo, effectively destabilizing existing policies and/or institutions. These moments of instability are in effect, critical junctures where new policy paths may be adopted. Such shocks can include economic changes or crises, budgetary crises, policies adopted in other countries, the establishment of trade agreements, as well as systemic factors such as shifts in political power and changes in policy network structures (Moyer and Josling, 2002: 8; Hall, 1993: 280; Coleman et al, 1997: 472-473). Often a destabilizing factor(s) will also require the right timing or sequence of events in order for a policy window to be opened and a significant change to occur (Pierson, 2004). Each policy case discussed below ultimately became destabilized due to one or more of the factors discussed above. The characteristics of the policy instrument themselves combined with the presence of the certain systemic factors played a large role in determining the type and extent of reform that was undertaken in each case.

Western Canadian Grains Policy

The following section employs the policy feedback concept in order to consider whether the characteristics themselves of the three policy instruments examined in this study, played a major role in generating the outcomes particular to them during the period of reform. Table A summarizes the discussion below.

Table A: Policy Instrument Characteristics and Feedback Effects

		Income Support	**CWB**	**Crow Rate**
Policy Instrument Characteristics	**Type**	Expenditure	Institution	Expenditure
	Benefits	Direct, Concentrated	Indirect, Concentrated	Indirect, Concentrated
	Costs	Diffuse	Concentrated	Diffuse
	Governing Jurisdiction	Concurrent: (Federal, Provinces)	1935-1998: Federal 1998-Present: Concurrent (Federal, Producers)	Federal
Policy Feedback Effects	**Position of Producer Groups**	United	Divided	Divided
	Position of Federal Government	Pro	Late-1980: Against 1993-2006: Pro 2006-Present: Against	Against
	Positions of Prairie Provinces	Pro (Competitive)	Divided	Divided
	Reform Process	Open, Wide	1994-98: Open, Wide 2006-08: Narrow, Closed	1975-83- Open, Wide 1995 - Closed, Narrow

Transportation Subsidies

The Crow Rate was the result of an agreement between the federal government and the Canadian Pacific Railway in 1897, designed to address farmer's concerns over inequitably high freight rates. The CPR reduced freight rates 'in perpetuity' on grain and flour, in return for a $3 million subsidy, and provincial land grants to build a railway through the Crow's Nest Pass from Lethbridge, Alberta to Nelson, British Columbia (Skogstad, 2008: 275). Authority over the Crow Rate was exclusive to the federal government, given its Constitutional jurisdiction over inter-provincial transportation and grain marketing, and its statutory commitment to the Crow Rate (Skogstad, 1987: 121). However, the railways also possessed considerable influence, since the proper functioning of the mechanism depended on their willingness to maintain the railway infrastructure. Thus, the future of the Crow Rate depended on continued willingness of *both* the federal government and the railways to continue the agreement, and the on-going dominance of grain production in the rural West.

The federal government suspended the Crow Rate in the 1918-22 period, but reinstated them in 1925 under pressure from the opposition Progressive Party whose representation was based in the West. The suspension of the Crow Rate had contributed to the election of 38 Progressive MPs out of the total 43 seats in Western Canada, effectively reducing them to a governing minority (Skogstad, 1987: 39). Using their balance of power and alliance with the farm union governments of Manitoba and Alberta, the Progressives were able to force the federal government's hand. Therefore, the permanent implementation of the Crow's Nest freight rates was in large part due to formidable political strength of Prairie farmers combined with the vulnerable state of the federal government (Skogstad, 1987: 41). The Crow Rate was fixed at its 1897 level (½ cent per ton miles), through the implementation of the Railway Act. The Crow Rate applied to grain and flour, grain and flaxseed products, and rapeseed and rapeseed products for all railway transport from the prairies to export through the ports at Thunder Bay, Churchill, Vancouver, and Prince Rupert.

The Crow Rate aroused deep division in Western Canada, between grain and cattle producers, provincial governments, and the railway companies and grain producers. The beneficiaries were clearly Western grain producers, who paid much less than market value for the costs of shipping their product to port. Given its relatively large grain industry and distance from port Saskatchewan also greatly benefited. Eventually the railway companies began to see the Crow Rate as a hindrance, due to their claim that they had become economically unviable. Livestock producers also opposed the Crow Rate because they believed they resulted in higher feed costs (Skogstad, 1987: 133). Given the Alberta government's relatively large cattle industry, it too viewed the Crow Rate as a hindrance. Finally, some viewed the prairie region also as a non-beneficiary, since the subsidy did not encourage the railways to maintain the branch lines, and prevented the diversification of prairie agriculture since it encouraged farmers to grow grain.

The initial destabilizing factor occurred when the railways began neglecting their upkeep of the branch lines and called for the suspension of the Crow Rate. The railways argued that a gap had developed between the Crow Rate and the actual cost of shipping grain. This gap, driven by inflation, came to be known as the 'Crow gap' (Skogstad, 1987: 123). Thus, the railways lacked incentive to maintain services specifically designed for shipping grain, and they applied the most pressure to have them eliminated. As a major partner in the agreement, this was significant. The federal Progressive Conservative government, which held a Parliamentary majority and had significant representation from the Prairie region in its caucus, dealt with the issue by forming the MacPherson Royal Commission (1959-61). The commission involved extensive hearings with all stakeholders. After hearing vigorous defense of the Crow Rate from farmers and provincial governments the commission recommended that they be kept in place, but that the railways receive compensation. As a result, the federal government paid the railways a branch-line subsidy as compensation until 1975. In this episode, the beneficiaries of the Crow Rate were able to preserve it thanks to their ally in government and the open decision-making process used by the Royal Commission.

The Crow Rate became fundamentally altered when the federal Liberal government decided to undertake reform in the mid-1970s. The subsidies to the railways for the upkeep of the railway system were costly and the railways lacked incentive to move grain quickly or upkeep the railway infrastructure. The Liberals held a Parliamentary majority that included minimal representation from the West. Thus, the Liberals had the power to carry out whatever decision they arrived at, and did not have to deal with pressures from within its own caucus in doing so. The decision-making mechanism chosen by the federal government was an extensive consultation process that included all stakeholders. Several options were proposed, studied, and debated. The vigorous defense mounted by the Crow Rate's beneficiaries made outright termination a remote possibility. In the end, the Liberal government implemented replaced the Crow Rate with the Crow Benefit, an annual subsidy paid to the railways to keep grain-shipping costs down. As a result, Western grain farmers paid only 30-50 percent of the actual cost of shipping their product to port. The result of this first round of reform follows Pierson's expectations of a negotiated compromise, where the policy instrument is reformed but ultimately preserved.

The final destabilization of the Crow Benefit was the result of the convergence of several key systemic factors in the mid-1990s. Firstly, budgetary restraint became a preoccupation of the federal government, when the perception of a fiscal crisis was severely heightened in 1994. By 1995 the Crow Benefit was costing the federal government $560 million per year (Skogstad 2008: 83). Second, the newly signed WTO Agreement on Agriculture bound governments to reduce export subsidies by over 30 percent of their 1986-90 average. Third, there was a total absence of representation from the rural West within the Liberal caucus. Fourth, almost all rural constituencies in the West were represented by the Reform Party, which favoured the elimination of the Crow Rate. Fifth, the decision-making process used, called 'Program Review,' was closed and narrow. Thus, the Crow Benefit's supporters were excluded, making termination much greater possibility. Sixth, high commodity prices realized at that precise time period served to soften whatever opposition there was within the farm community to the possible elimination of the Crow Benefit. The coming together of these factors created a policy window that allowed the federal government to act decisively given its exclusive authority over the Crow Benefit. As a result, the Crow Benefit was terminated and the federal government was able to at least satisfy those in the Prairie farm community who opposed it. The end of the Crow Benefit is shown in Figures B and C in the Appendix. The Crow Benefit is categorized as a market price support (MPS) in the graph.

To summarize, the reinstitution of the Crow Rate in 1925 and the decision to maintain it after the MacPherson Royal Commission demonstrated the degree to which Western farm interests had mobilized in the effective defense of this policy instrument. To be sure, the Crow Rate had symbolic significance to many prairie farmers, who viewed it as a protection against the much bigger and stronger private grain entities such as the railways (Skogstad, 1987: 125). Moreover, the inclusive processes used in both the MacPherson Royal Commission and reform effort of the late 1970s-early 1980s allowed the arguments of the Crow Rate's defenders to be heard. The very need for these reform processes demonstrated the power and influence of the railways over the future of this policy instrument. It was only through the confluence of several systemic factors and a closed/narrow decision-making process, that the termination of the Crow Benefit was possible.

Orderly Marketing

Sole responsibility for the marketing of Western Canadian wheat and barley in the international marketplace and the domestic marketplace for human consumption is vested in the Canadian Wheat Board (CWB), a federal government agency located in Winnipeg. Its marketing monopoly is ensured by Parliamentary legislation, the Canadian Wheat Board Act. Under the Canadian Wheat Board Act, producers of wheat and barley located in the three Prairie provinces (Manitoba, Saskatchewan, and Alberta) and in northeastern British Columbia, are required to sell their product through the CWB. Each farmer is required to deliver grain with in a specified time period and receives an initial payment upon delivery. The farmer then receives a price premium payment at a later date. Authority over the CWB belonged entirely to the federal government until 1998, when institutional reforms extended authority to include farmers themselves. The beneficiaries of the CWB are Western wheat and barley growers. However, the benefit is not direct, leaving it open to some interpretation whether the total payment received from the CWB is higher than could have been attained had the farmer been able to market the product his/herself.

The Canadian Wheat Board had its origins as a temporary measure in 1919-21. Western farmers successfully pressured for the reinstitution of the CWB in 1935, after the collapse of the wheat pools in the early years of the Great Depression (Skogstad, 1987: 41). The federal Conservative government was rendered more responsive due to the growing strength of Social Credit and the CCF, who were successfully capitalizing on the frustrations of farmers. The CWB attained monopoly status in 1943, in order to meet the federal government's objective of ensuring adequate supplies of grain for European allies during World War II. Its monopoly was extended in the post-War period in order to ensure continued supplies to wartime allies.

The CWB enjoyed widespread support in the Prairie farm community in the post-War period, but its opponents became more aggressive in the late 1980s. The CWB's supporters have viewed it as source of market power in a grain economy dominated by large, powerful grain companies. Thus, its symbolic significance to many Prairie grain farmers. At present the CWB still enjoys strong support in the Prairie farm community, due to the on-going belief that its monopoly provides farmers with a price premium. On the other hand, the segment of farmers that oppose the CWB's monopoly believe that they are capable of marketing their product as good or better themselves (Skogstad, 2008: 115). Other entities opposing the CWB monopoly over the past two decades have included the Alberta government, some private grain companies, some US farm groups, and the United States government. The US government has even launched several unsuccessful trade challenges against the CWB. All of these external entities have opposed the CWB due to their perceived loss of economic benefits as a result of its activities. Interests within the Canadian Prairie farm community also began to express their opposition to the CWB, due to their belief that farmers should be free to obtain higher prices available in the US if they chose.

Three systemic factors destabilized the CWB in the late-1980s to mid-1990s. First, the US government implemented the Export Enhancement Program (EEP) in 1984, in an attempt to recapture international market share in grains lost to the European Community (Skogstad, 2008: 113). The EEP effectively increased grain prices in the US and lowered them on the international markets. Second, the Canada-US Free Trade Agreement was implemented in 1988, which opened the border for movement of grain into the US. Finally, the elimination of the Crow Rate made shipping grain to the US much more profitable than shipping it overseas (Skogstad, 2008: 114). Consequently, there was a four-fold increase in exports of Canadian grain into the US from the late 1980s to early 2000s (Skogstad, 2008: 113-14).

The first attempt to reform the CWB was undertaken by the Progressive Conservative (PC) government in 1989, when it successfully ended the CWB monopoly on sales of oats for export. However, the PC government's attempt to end the CWB monopoly on sales of barley for export in 1993, failed when it was successfully overturned in a court challenge made by the three Prairie wheat pools (Skogstad, 1993: 115-16). The court ruled that such a change, done by order-in-council, could only be made by amending the Canadian Wheat Board Act. When the PC government was defeated in 1993, the opponents of the CWB monopoly effectively lost their ally in government.

The second attempt to reform the CWB was undertaken by the Liberal government in 1995-98. Critics of the CWB had only increased their efforts to affect change in the 1990s. The Liberal government responded by undertaking an extensive consultation process and holding a plebiscite among Prairie grain farmers (Skogstad, 2008: 120-124). Three changes were made through amendments to the Canadian Wheat Board Act in 1998. First, the five-member government appointed commissioners were replaced with a fifteen-member board of directors; five would be appointed by the federal government and ten would be elected by farmers. Second, price pooling and options to grain delivery procedures were added, in order to make the CWB more flexible. Third, any future changes to the CWB's monopoly would be subject to a vote by farmers. Thus, the Liberal government took the onus off of the federal government in any future debate. This negotiated compromise brokered through the open decision-making process is also consistent with Pierson's expectation described above.

The third reform attempt was made by the Conservative government, which announced its intention to undertake its own reform of the CWB soon after taking office in early 2006. In the middle of that year it held a meeting and appointed a task force for planning the implementation of marketing choice in wheat and barley. In both cases the CWB and its supporters were largely excluded. This spurred the CWB's supporters into action, in protest of the tactics employed by the federal government. After a series of controversial moves that appeared aggressive and heavy handed to many in the farm community, including the firing of CWB president Ken Measner, the Conservative government held a plebiscite. The ballot provided Prairie wheat and barley farmers with three options: retention of the monopoly on barley sales; a 'dual market' where the CWB would exist as but one option available to farmers when marketing their barley; and the CWB should have no involvement in marketing barley. The results were 38 percent for option one, 48 percent for option two, and 14 percent for option three. After adding up the results for options two and three, the Conservative government declared that farmers had chosen to remove the CWB's monopoly on barley sales.

Although the Conservatives had strong representation from the rural West in their caucus[3], they did not hold a Parliamentary majority. Therefore, rather than attempting to make statutory changes to the Canadian Wheat Board Act, they attempted to end the CWB's monopoly in barley by regulation. The move was ultimately defeated in a court challenge made by supporters of the CWB and the CWB itself. It was ruled that such a change could only be made through amendment to the Canadian Wheat Board Act by an act of Parliament.

To summarize, division in the Prairie farm community over the CWB's marketing monopoly has certainly destabilized it. Crucial to the CWB's survival has been the fact that it is a strong, long-standing institution with the credibility and resources to defend itself (Skogstad, 2005). Also significant to the CWB's survival is its change-resistance, owing to the requirement that all major change be with both the approval of Parliament and the approval of farmers. Finally, the staunch, determined defense of the CWB consistently launched by its supporters has ensured that their arguments are heard during any attempt at reform, effectively securing the support of key government actors or causing great difficulty for those whose support they cannot win.

Farm Income Support

The first farm income support measures introduced were a series of price support programs for various commodities, including grains, during the Great Depression and World War II. They were originally thought to be temporary and chiefly intended to serve the national objectives of encouraging production for European allies and staving off domestic price inflation (Skogstad, 2008: 47). But, they also provided income protection for farmers, who then successfully pressured the federal government to have them extended into the Post-War period. In effect, once this policy instrument was established farm interests formed around it, effectively locking it in as a centerpiece of agricultural policy in Canada from that point forwards. As in other OECD countries, farm income support was accompanied by various other measures that functioned to protect Canada's agriculture industry, including border restrictions, research funding and subsidized credit (Skogstad, 2008: 49).

Many farm income support programs have come and gone over the years. Price support programs were prominent in Canada until the 1990s. Price support mechanisms provided a floor price for each program commodity. If the price for a particular

[3] The Conservatives held all 28 seats in Alberta, 12 out of 14 seats in Saskatchewan, and 8 out of 14 seats in Manitoba.

commodity fell below the floor price, the government would make a payment to the farmer to make up some percentage of the difference. In 1961, Canada implemented its first Crop Insurance scheme, which was designed to offer yield protection. After the mid-1970s the federal government also began to implement programs designed to address whole farm income, such as the Western Grain Stabilization Program in 1976. These programs were cost-shared between the federal government and producers. Several provinces also began to implement their own farm income support, of various types. By the late-1980s, farm income support had become too costly and the federal government sought to have the provinces assume a larger share of program costs. The federal government also sought to achieve equitable programs across the provinces (Wipf, 2008: 474). Farm income support levels in the three Prairie provinces are shown in Figure A of the Appendix, while Figures B and C show farm income support levels for wheat and barley.

The benefit to the farmer of farm income support measures is direct and simple to interpret. It is easily evident to the farmer that the payment provides him/her with more income than would have been received from the market alone. Given that farm income support has historically applied to the production of most commodities, conflict within the farm community has been minimized to disputes over the following: program design, the perception that some commodities receive more support than others, the perception that some provinces support their farmers more than others, the perception that the federal government should provide more funding for programs. In a word, there has not been any protracted conflict within the farm community over whether farm income support should exist or not. Thus, farm groups have been able form a relatively united front to preserve some form of government assistance. In the words of one former senior federal government official: "it's where the lobby is"[4]. Farm groups in Canada have been successful at lobbying governments for the continued provision of income support. Although the farm population has shrunk considerably over the last century[5], any government contemplating the elimination of farm income support and stabilization would have to endure significant backlash and loss of support in rural areas. Several types of non-farm groups oppose farm subsidies, but the program costs are diffuse - the programs represent a very minimal burden to each taxpayer – making it difficult to drum up wide spread public support for their elimination. Therefore, the potential political cost of eliminating farm income support is high for any government.

Farm income support and stabilization is a concurrent jurisdiction according to Section 95 of the Canadian Constitution. Therefore, both the federal government and the provinces can implement any program they choose. Until the 1970s, the federal government assumed sole responsibility for farm income support and stabilization. During that decade, however, some provinces began to implement their own programs in order to undertake provincial economic development. This process actually initiated inter-provincial competition, as provinces attempted to implement richer programs to capture greater market share in certain commodities (Skogstad, 1987: 53-83). Significant differences in farm income support between the provinces remains an issue to this day.

[4] Confidential interview, former senior federal official, Ottawa Ontario, July 11, 2007.

[5] There were just under 230,000 farms in Canada in 2006. There were around 750,000 in 1941. Census of Agriculture, 2006.

Farm income support became destabilized in the 1980s when it was identified with causing anomalies such as over-production, chronically low commodity prices, and high budgetary costs (Skogstad, 2008: 59-60). However, it did not face any fierce opposition within the farm community, as had the Crow Rates and the CWB. The federal government undertook a first wave of reform in the late 1980s, consulting widely with the farm community. The result was a shift to cost-shared programs that were less commodity specific. These included the Gross Revenue Insurance Program (GRIP) and the Net Income Stabilization Account (NISA).

Farm income support became destabilized once again when budget deficits reached crisis level in the early-1990s, the WTO Agreement on Agriculture was signed, and the GRIP proved unaffordable. The federal Liberal government created a closed, narrow decision-making process called 'Program Review,' which allowed it to make significant across the board cuts relatively quickly. The result was dramatically reduced levels of payments and decoupled, direct payment programs based on whole farm income. This reduction in farm income support levels is shown in Appendix Figures A, B, and C. When a farmer's whole farm income fell below some predetermined historical average, he/she received a direct payment. Permanent termination of farm income support would require such action by the federal government and all ten provinces, making such an outcome particularly onerous. This is no doubt another reason why the federal government did not contemplate terminating its farm income support programs in 1995. Indeed, shared jurisdiction gives producer groups multiple veto points at which to direct lobbying efforts in the protection of benefits (Skogstad, 2008: 255). Although farm income support payments had been reduced dramatically in the mid-1990s, they increased thereafter reaching near record levels in the early 2000s. Farm groups were very effective in lobbying for assistance during the income crises of the late 1990s and early 2000s.

In summary, the stability of farm income support is mainly due to the widespread support it has received from Prairie farmers. Consequently, the disputes between farm groups concerning this policy instrument have had mostly to do with program design or the perception of a commodity being treated more favourably than the others. Similarly, disputes between provinces have had mostly to do with concern over some provinces offering richer programs than others, while disputes between the federal government and the provinces have had mostly to do with cost-sharing and ensuring a level-playing field across the provinces. As a result, the termination of farm income support is not a viable option for any government. Moreover, given that it is a shared jurisdiction, termination would be a very difficult task. The reforms that took place were undertaken through extensive consultation mechanisms that allowed for compromise, effectively preserving the policy instrument.

Conclusion

Policy feedback and path dependence offer important insights into the factors that resulted in different reform outcomes with respect to the Crow Rate, the CWB, and farm income support. The characteristics of the policy instruments themselves were significant in determining the type and extent of reform that could take place. The Crow Rate was vulnerable because it generated deep division within the Prairie farm community, between brain producers and livestock producers. It was also vulnerable because it was under the exclusive authority of the federal government and the agreement on which it was anchored was depended on the railways continued support. Finally, being an expenditure instrument it was vulnerable to budgetary crises and being an export subsidy it was vulnerable to new trade rules. The CWB is a very change-resistant institution, especially after 1998. Its vulnerability lies in the fact that it generates so much division within the Prairie farm community (i.e. between grain producers themselves and between provinces). Being a State Trading Institution and powerful marking body, it is vulnerable to new trade rules and trade challenges by the United States. The resiliency of farm income support can be explained by the fact that there are no significant divisions within the farm community over its provision. Thus, farmers form a united front when lobbying for its provision. Farm income support is a shared jurisdiction, which not only allows multiple veto points, but also makes it difficult reform because an agreement must be reached between all provinces and the federal government. Being an expenditure instrument it is vulnerable to budgetary crises and international trade rules.

Appendix

Figure A: Total government payments as a percentage of total cash receipts, 1986-2007, provinces, averages.

Source: Statistics Canada

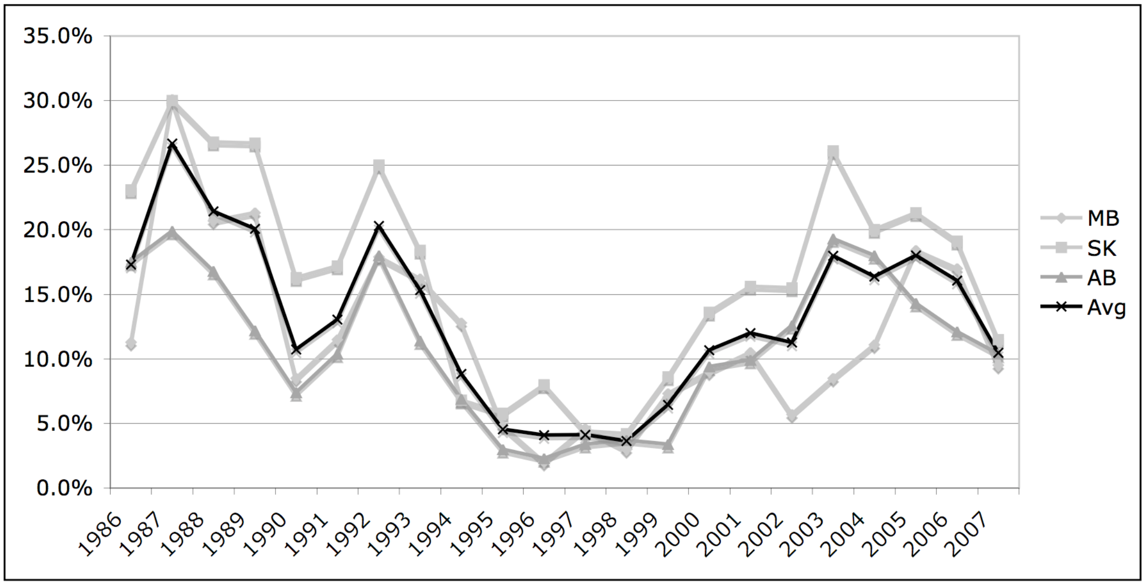


Figure B: Total value PSE for wheat by program type, 1986-2004.

Source: Organization for Economic Cooperation and Development, Agricultural Statistics Database.

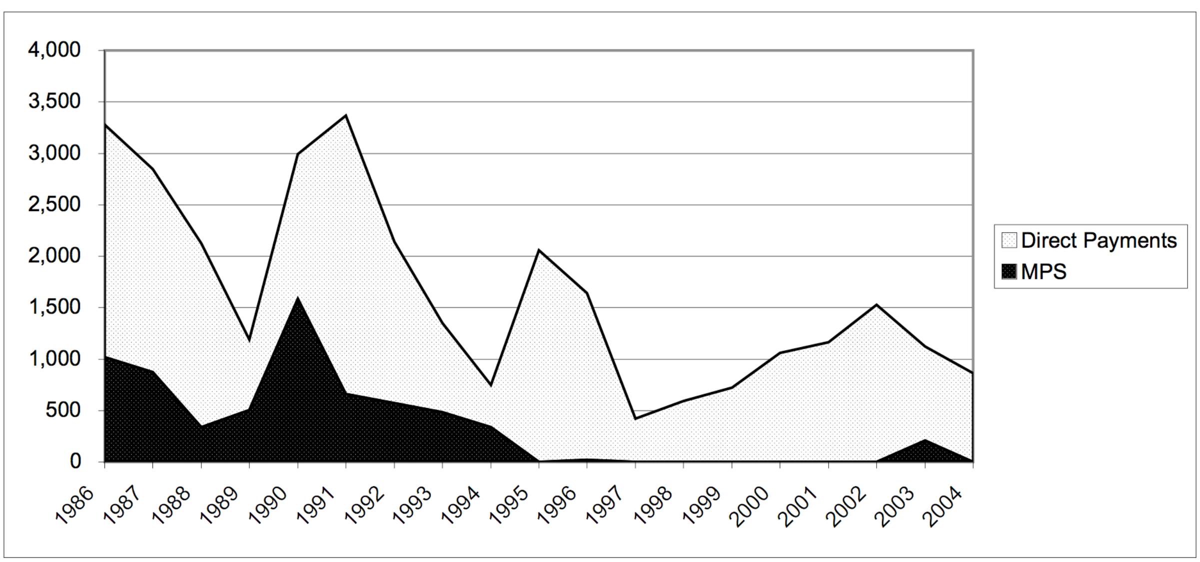
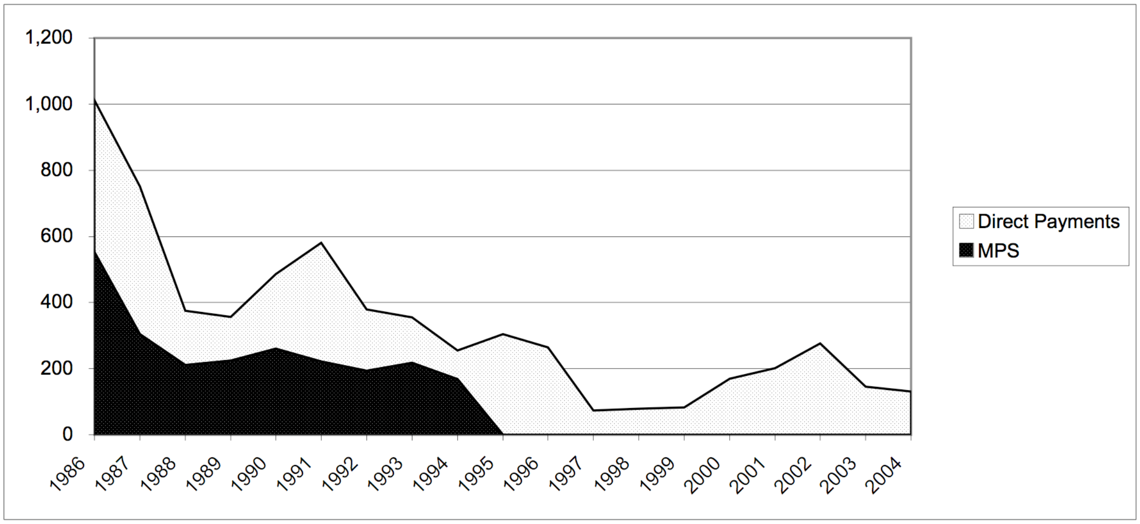


Figure C: Total value PSE for other grains by program type, 1986-2004.
Source: Organization for Economic Cooperation and Development, Agricultural Statistics Database.



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