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Canada

Grain and Feed

Corn Imports from US into Western Canada End 2000

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Report Highlights:

Imports of U.S. corn into Canada west of the Manitoba-Ontario border ended abruptly after Nov. 7 when the Canada Customs & Revenue Agency imposed a duty of US\$1.58 a bushel as part of a subsidy and anti-dumping investigation. Feed users in Manitoba, especially hog producers, are unhappy with the duty. It is expected that this will increase demand for domestic feed wheat, but there has been talk of bringing in corn from Ontario. Since the duty does not apply in Ontario, it would be possible to import U.S. corn there and move it to Manitoba, except for transportation costs, which run to about half the amount of the duty.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1], CA

IMPLICATIONS OF THE CORN TARIFF

The November 15 edition of Benson Quinn-GMS Growers (BQGMS) Report Weekly reports regarding the Canadian Customs and Revenue Agency (CCRA) implementation of a US\$1.58/bu tariff on US corn imports into western Canada that there have been many questions from producers regarding the implications of this tariff. According to Statistics Canada, US corn imports into western Canada have averaged approximately 350,000 metric tonnes (mt) over the past four crop years. It is estimated that approximately 75,000 to 100,000 mt has entered into Canada so far this crop year; therefore, we could see an additional 250,000 mt of additional feed demand in western Canada. The majority of this additional demand is expected to be filled with feed wheat.

In Manitoba, corn is used in hog and chicken rations. Due to the larger available supplies of feed wheat in Manitoba and Saskatchewan, compared to last year, the overall effect on the market place is expected to be minor. It seems like the tariff added a bit of fuel to the feed wheat and barley futures that were trending higher prior to the announcement.

The increase in futures, which resulted when the CCRA implemented the tariff on US corn imports, came to a halt as hedge pressure from producer selling provided significant resistance. Commercial ownership of barley stocks has increased, even though basis levels are still considered to be relatively narrow. This is largely due to the lower available supplies in southern Alberta, as the market is working to draw in stocks from other areas of western Canada.

Export movement of feed wheat has been limited, thereby encouraging producers to move lower quality wheat into the domestic market. Canadian exports to South Korea have been limited due to increased competition from European feed wheat and Chinese corn. The Canadian import tariff on US corn has potential to increase feed wheat demand in Manitoba by approximately 250,000 mt. This is expected to cause an increase of inter-provincial movement between Manitoba and Saskatchewan.

DUTY CAUSES CORN IMPORTS INTO W. CANADA TO DROP OFF

In a related article, according to the November 27 edition of Agriweek, imports of U.S. corn into Manitoba (into Canada west of the Manitoba-Ontario border) ended abruptly after Nov. 7 when the CCRA imposed a duty of \$1.58 a bushel (US). The cost of U.S. corn almost doubled. Bids for Manitoba-grown corn rose by \$25 to \$30 a tonne, but local corn is now priced not against American corn but against domestic feed wheat and barley. Barley futures and cash prices have risen about \$7 a tonne this month, enough to set new contract highs in Winnipeg futures.

Feed users in Manitoba, especially hog producers, are unhappy with the duty. Some argued that since pork prices are established in the U.S. market, raising their feed costs reduces their competitiveness. Corn is popular in feeds for laying chickens because it produces a darker-colored yolk and some egg farmers also complained, though their supply-managed industry has been protected by tariff walls and import bans for 25 years.

Concerning the possibility of shipping corn from Ontario westward, Agriweek reports that there is talk of bringing in corn from Ontario. Since the duty does not apply in Ontario, it would be possible to import U.S. corn there and move it to Manitoba, except for transportation costs, which run to about half the amount of the duty.

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