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Report Highlights:

"What's New, Eh?" * Ag Minister Targets U.S. Farm Bill at Sparks Conference *
Canadian Farmers Call for Trade Injury Compensation * CWB Minister Calls U.S.
Investigations "Harassment" * Scramble to Beat Lumber Duties Causes Rail Car Shortage
* B.C. to Launch Forest Marketing Campaign * Maine and New Brunswick Politicians
Meet to Improve Cross Border Trade * Starlink Found in Canadian Corn * Sask.
Agriculture Forecasts Increased Cereal Acreage *

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

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives. Substantive issues and developments are generally also reported in detail in separate reports from this office.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

VANCLIEF TARGETS U.S. FARM BILL AT SPARKS CONFERENCE: On April 10, 2002 in Washington, Agriculture and Agri-Food Minister Lyle Vanclief described the Canadian vision for the future of agriculture and strongly articulated Canada's concerns with proposed American farm legislation in an address at a Sparks Co. agricultural policy conference. Vanclief, who also met with political leaders, said while the U.S. has shown leadership in several key areas at the World Trade Organization (WTO) negotiations, versions of its proposed farm legislation would undermine those accomplishments. He called on the U.S. to stay the course toward lower subsidies it set for itself at the WTO Ministerial in Doha, Qatar last November. *Good Morning Ontario* reported that Vanclief said that the U.S. is losing credibility as a global free trader with a new farm bill that will pump billions of dollars into trade-distorting subsidies. Commenting on the speech Vanclief said "the U.S. is certainly losing its credibility when they aren't walking their talk in Washington. and on the international front. I was very explicit. the farm bill doesn't set the kind of example the world trading community, including developing countries, badly need to see."

CANADIAN FARMERS CALL FOR TRADE INJURY COMPENSATION:

According to a joint statement issued by the Grain Growers of Canada (GGC) and the Canadian Federation of Agriculture (CFA), the Canadian federal government is being called on to introduce a program that compensates Canadian producers for the economic injury caused by foreign government subsidies. According to a study from Agriculture and Agri-Food Canada (AAFC), 25% of the price drop in agricultural commodities can be attributed to EU and U.S. subsidy programs, representing a loss of roughly C\$1.3 billion. GGC and CFA believe it is the responsibility of government to recognize and compensate the growers who have been absorbing this injury. Any trade injury compensation program would "sunset" once the federal government concludes an international trade agreement, ideally through the WTO negotiations that are scheduled to end in 2005, which would discipline agricultural subsidies and "levels the playing field."

CWB MINISTER CALLS U.S. INVESTIGATIONS "HARASSMENT" According to the April 8 edition of the *Agriline Daily*, Ralph Goodale, Minister responsible for the Canadian Wheat Board (CWB) told the Canada Grains Council's annual meeting in Winnipeg that repeated U.S. investigations into Board's trading practices is "trade harassment". The Canadian Government apparently does not intend to respond to request for negotiations on wheat exports to the US.

SCRAMBLE TO BEAT LUMBER DUTIES CAUSES RAIL CAR SHORTAGE:

According to the *Globe and Mail*, a sudden surge in lumber exports to the hot U.S. market is creating rail car shortages in Canada as forest companies scramble to ship wood across the border before U.S. duties kick in next month. Major lumber producers such as Canfor Corp. and Slocan Forest Products Ltd., who face a 29% duty on U.S. shipments starting May 25, reportedly transport virtually all of their timber by rail. Ernie Thony, vice-president of lumber sales at West Fraser Timber Co., said the rail car shortage is frustrating because, as the duty deadline looms, his company is having to hold back about 40% of planned lumber shipments. "Basically, it is the railroad that is forcing the additional cost back onto the lumber producers because they are not supplying the equipment," he said. "If we order 10 cars, we'd like to get 10 cars, instead of two." Officials at Canadian National Railway Co. and British Columbia Railway Co. say they are aware of the problem and are doing all they can to deal with it.

B.C. TO LAUNCH FOREST MARKETING CAMPAIGN: B.C. will spend C\$20 million on forest sector diversification and international marketing, and has created an advisory board to help allocate the funds. \$8 million is allocated to new product development, improving manufacturing processes and facilitating timber access for secondary manufacturers. Market access initiatives will be undertaken, including removing technical barriers to trade and ensuring inclusion of B.C. products in foreign building codes. The \$12 million allocated to international marketing will be used to promote the sustainability of B.C. forest practices, to support existing markets and to pursue new market opportunities in China, South-east Asia, and other countries. For more information, see GAIN report CA2035.

CANADIAN FERTILIZER COSTS LOWER: According to *farms.com*, Canadian fertilizer prices in 2002 are expected to be well below last year's prices as a result of lower natural gas prices and an abundance of supplies due to weak demand in 2001. Quoting an Agriculture and Agri-Food Canada report, the news service says above seasonal winter temperatures in North America have ensured abundant supplies. A higher than expected increase in area seeded to corn in the U.S. and the return by China to the nitrogen import market, largely absent since 1997, may pressure prices slightly. While fertilizer input costs are a significant factor in seeding decisions, fertilizer costs for 2002 will be less of a factor than in 2001. For 2002, seeding intentions may be affected more by soil moisture conditions, particularly in western Canada.

MAINE AND NEW BRUNSWICK POLITICIANS MEET TO IMPROVE CROSS BORDER TRADE: According to a Canadian Broadcasting Corporation report, veteran Maine congressman John Balducci, a candidate for governor in Maine, and a New Brunswick Liberal member of Parliament, Andy Savoy, met last week in the first in a series of meetings aimed at resolving trade problems. They reportedly considered trade sector by sector, from potatoes to softwood lumber. Savoy claimed the meeting was originally planned for Sept. 15 last year but it was canceled because of the terrorist attacks on Sept. 11. "When you get the industry groups together to discuss these issues and they feel they've come to some sort of an agreement, I think then it goes to Ottawa, it goes to Washington, and I think it's going to be probably brought about a lot sooner than it would otherwise have been." said Balducci. Balducci and Savoy signed a formal agreement pledging themselves to work together, developing alliances and industry groups, for freer trade and more economic growth. They also agreed to set up their constituency

offices as cross-border information centers.

MANITOBA AND TEXAS SIGN TRADE CO-OPERATION AGREEMENT:

Manitoba Premier Gary Doer and Texas Secretary of State Gwyn Shea signed a memorandum of understanding on trade, tourism and mutual economic co-operation in San Antonio, last week.. The agreement sets out four specific areas in which the two jurisdictions will work together. They are promoting and facilitating bilateral trade, encouraging co-operation in tourism activities, enhancing the Mid-Continent Trade and Transportation Corridor, and co-ordinating activities in international development/co-operation agreements. "I am excited to represent Texas in further cementing our relationship with Manitoba. This memorandum helps fulfill the promise of NAFTA and stands as a symbol of the friendship between this great state and great province. It represents tremendous opportunities in trade and tourism for the people of Manitoba and the people of Texas," said Shea. Manitoba-Texas trade activity, which approached \$480 million in 2000, has increased by almost 80 per cent over the past five years. This is the second agreement signed between the State of Texas and a province of Canada. A memorandum of understanding was signed on Nov. 28, 2001, between Texas and Saskatchewan. As a follow up to these agreements, Texas Economic Development will lead the state's first ever trade mission to Manitoba and Saskatchewan from Sept. 26 to Oct. 1. The mission will focus on the business sectors of agri-food products, biotechnology, building products, energy and high technologies.

STARLINK FOUND IN CANADIAN CORN: The Canadian Food Inspection Agency (CFIA) and the Canadian Grain Commission (CGC) recently reported that trace amounts of Starlink were found in two shipments of imported U.S. corn. In the first instance, the CFIA determined that all the corn from a shipment found in Alberta had been used in livestock feed. Based on a Health Canada human health risk assessment, the presence of these trace amounts of Starlink protein (Cry9C) in grain that is used for animal feed is unlikely to pose a risk to human health, and as a result no further action was taken. In the second case, trace amounts of Starlink was detected in corn in Quebec, also destined for use as livestock feed. Subsequent information on this shipment revealed the possibility that equipment used to move the corn may have previously come into contact with Starlink. As a result, the CFIA tested additional samples, which all came out negative and the corn was released. Also, a seed company in Ontario recently informed the CFIA that seed it had stored since 2000 was found to contain trace amounts of Starlink. None of this seed was planted in Canada and the company disposed of all the detained seed according to a CFIA approved method and under the supervision of CFIA inspection staff.

GM CORN GROWING IN CANADA: In an OsterDowJones interview, Ken Hough, Director of Research and Market Development with the Ontario Corn Producers' Association (OCPA), reported that the number of producers seeding genetically modified corn in Canada has grown fairly significantly since its introduction around 1996. Hough said that the use of BT corn by producers has grown very rapidly since its introduction. In year one, an estimated 5% of the area in Canada consisted of BT corn. In year two and three that number climbed to 15%, while in year four that number was closer to 23%. But year five, 35% of the area consisted of BT corn and then by year six, which was 2001, 40 to 45% of the area was made up of BT corn. "If I had to hazard a guess, the amount of corn seeded in Canada consisting of BT will be roughly the same as in 2001 or potentially slightly higher," says Hough. According to the OCPA, Roundup Ready corn varieties are segregated from other genetically-modified corn. Hough says this has worked

very well so far, particularly when Ontario has corn available to sell on the export market. "The producer who is growing Roundup Ready corn knows right from the time he buys the seed, that he can only move that product to elevators and users who are set up to handle it. Hough estimates that probably only 5% of the total acreage in Ontario is Roundup Ready corn. In Quebec, the level of Roundup Ready corn area is higher, but there is also a lot lower probability of any of that getting into the European system, Hough says. "Most of the Quebec corn is fed to livestock, where Ontario's corn goes to processors who then sell products into other countries," he adds.

PERCY SCHMEISER APPEALS MONSANTO DECISION: The April 8 edition of the *Agriline Daily* reported that Percy Schmeiser, a Saskatchewan farmer who was judged in court in March 2001 to have been using Monsanto's Roundup Ready canola without paying the C\$15/acre technology fee, is appealing. His lawyer claims there are 27 instances in which the judge erred. The appeal case will be held in Saskatoon, Saskatchewan, starting May 15. An anti-GMO group is collecting donations for legal costs.

SASK. AGRICULTURE FORECASTS INCREASED CEREAL ACREAGE:

Saskatchewan farmers will likely increase the area they seed to cereal crops like spring wheat, durum, oats, and barley this year, according to Saskatchewan Agriculture, Food and Rural Revitalization's first weekly crop report for 2002. Flax, mustard, sunflowers, field peas, and canary seed acreage are also expected to increase from last year. The area seeded to spring rye, lentils, and chickpeas is expected to decrease. The total forecast seeded area of 35.6 million acres is eight percent above the 10-year (1992-2001) average of 32.9 million acres and one percent above last year's 35.3 million acres. Summerfallow area is estimated to increase about two percent from 2001 to 7.95 million acres, but is 27% below the 10-year average. Southeast and east central areas were wet, while much of the rest of the province was dry. Seeded area was being projected at 34.6 million acres, higher than the previous year, and above the 10-year average. Moisture is needed to rejuvenate pastures for spring grazing, and there was concern about low water supplies. The 2001/02 Saskatchewan winter brought below normal snowfall to most areas of the grainbelt. The accumulated winter precipitation (November 1, 2001 – March 31, 2002) ranges from near normal in southeastern and southwestern areas of the province to well below normal in remaining areas. Northwestern and west central areas show less than half of normal winter precipitation. Livestock feed supplies are generally reported as adequate across the province but moisture and warm temperatures are needed to rejuvenate pastures for spring grazing.

SASKATCHEWAN BOOSTS ORGANIC FOOD RESEARCH: Earlier this week, Deputy Premier and Agriculture, Food and Rural Revitalization Minister Clay Serby announced the launch of the Saskatchewan Organic Trade and Market Analysis Initiative. Under the program, the Government of Saskatchewan will spend C\$500,000 over the next four years to fund research into developing certification systems and marketing programs to assist the Saskatchewan organic industry. The initiative is designed to help the province's organic producers and processors to meet increased demand for organic food products around the world. The initiative is a joint program with the University of Saskatchewan. Saskatchewan's organic industry is reportedly growing by an average of 20% per year and includes over 700,000 acres in organic production, 1,100 certified organic producers and 35 certified organic processors.

GRAINS INSTITUTE GETS NEW TEST BAKERY LOSES EXEC. DIRECTOR:

According to a news release, the Canadian International Grains Institute (CIGI) officially opened a test bakery designed to provide research, marketing and customer service support to Canada's wheat industry. The test bakery builds on CIGI's unique technical and commercial focus, providing a link between industry research activities and larger-scale pilot testing. The technical evaluations, training programs, investigative studies and customer service provided through the test bakery will assist wheat breeders, growers, processors and marketers. "This bakery will allow us to better serve the Canadian wheat industry by enhancing our teaching and demonstration capacity as well as our testing and product development capabilities. At the same time, international customers will benefit from a more in-depth technical exchange regarding the suitability and use of Canadian wheat and flour in their end products" said CIGI's Executive Director, Dr. Arnold Tremere.

Activities identified for the test bakery include: functional testing of new wheat varieties targeted for the baking industry; evaluation of flour blends, formulations and dough additives on baking performance; and an assessment of processing and equipment variations on baking quality. "In wheat marketing, this type of technical support is a critical element in helping to differentiate Canadian wheat from that of our competitors," said Dr. Tremere. Funding and support for the facility came from the Canadian Wheat Board, Western Economic Diversification Canada, the Manitoba Rural Adaptation Council, which administers Manitoba's share of Agriculture and Agri-Food Canada's CARD fund, and Public Works and Government Services Canada. A portion of the funds provided were used to upgrade selected equipment in CIGI's quality control laboratory, which will play an integral role in the test bakery's activities. Total cost of the project was \$454,000. Dr. Arnold W. Tremere, who joined CIGI in May 1982 as the Institute's first Director of Feed Technology, will retire on May 31, 2002. Dr. Tremere was named Executive Director in October 1989.

Did You Know... that according to Agriculture and Agri-Food Canada, Canada accounts for 85% of world production of maple syrup and the U.S. for the remaining 15%.

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date

CA2035	B.C. Ministry of Forests Funds Education and Market Development	4/11/2002
CA2034	This Week in Canadian Agriculture, 12	4/04/2002
CA2032	Preliminary Determination of Dumping Against U.S. Tomatoes	3/26/2002
CA2031	Canada Launches NAFTA Challenge Following U.S. Final Determination on Softwood Lumber	3/25/2002

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