



Foreign Agricultural Service

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## Canada

### Agricultural Situation

## Ottawa Expected to Make Ag Funding Announcement

## Soon

## 2002

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#### **Report Highlights:**

Canadian officials and trade sources indicate that the Canadian government is close to unveiling a multi-billion dollar farm aid package that some in the industry expect to be worth close to C\$5.2 billion. The funding is expected to ease Canadian farmers' financial hardships in the face of what is being characterized as a "global subsidy war." However, the president of one of Canada's major agricultural lobby groups cautioned that current figures in the media are only rumored estimates and not carved in stone. Full funding details should be available in the next week or two.

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

## **OTTAWA EXPECTED TO ANNOUNCE MULTI-BILLION DOLLAR FARM ASSISTANCE PACKAGE SOON**

Canadian officials and trade sources indicate that the Canadian government is close to unveiling a multi-billion dollar farm aid package that some in the industry expect to be worth close to C\$5.2 billion. The funding is expected to ease Canadian farmers' financial hardships in the face of what is being characterized as a "global subsidy war."

While played up in the press as the government's answer to combat the effects of the recently enacted U.S. Farm Bill, much of the money announced in the farm aid package is expected to go towards funding more long-term, structural changes in Canadian farm policy. Nevertheless, battle lines are being drawn over the amount of funds that will be used as direct payments. The direct payment portion is a response to growing pressure to provide relief to financially strapped farmers in the face of low commodity prices, continued drought, and the perceived pernicious effects of the U.S. farm bill.

The Cabinet of Canadian Prime Minister Jean Chretien is set to approve the farm aid package shortly, with some sources indicating that an announcement could come next week. With the Federal and Provincial agriculture ministers meeting in Halifax on June 27-28, details will most likely be available by then. Senior officials in the PM's office have indicated that the farm aid package is one of the administration's major initiatives this spring, and has been seized upon by Chretien as a way to combat increasing criticism that his government has recently been floundering with few new policy initiatives.

The announcement has apparently met with a lukewarm reception among Canadian farmers and farm organizations. On the one hand, there seems to be general satisfaction that Canada's Agriculture Policy Framework (APF) -- which over the last year has been derided by farm groups as long on promises but short on funding -- will finally be made viable by receiving some of the money it needs. The APF has been touted by Canadian agricultural officials as the best way to keep Canadian farmers globally competitive in agriculture and agri-food trade. The basic tenets of the program include: 1) investment in Canada's ongoing safety net programs; 2) maintaining and enhancing the safety of Canadian food from farm to table; 3) putting systems in place at the farm level to protect and conserve Canadian natural resources; 4) increased emphasis on science and technological development; and 5) tools to help producers make decisions in the face of difficult economic challenges.

Nevertheless, the 5-year structural program is unlikely to satisfy many of the provinces, some of which are calling for immediate direct aid of C\$1.3 billion for losses they say farmers have incurred as a result of U.S. protectionism. Under the current plan the federal government would only make available about \$600 million in immediate payments, and even that amount may be reduced as part of an ongoing fight over the exact size of the overall package. In addition to a conflict over the size of the final aid package, Canadian government officials are worried about the precedent that the initiative would set and are concerned that other commodity groups, for example, the Canadian softwood lumber industry, would use this package as a way to demand their own line of support payments. In fact, according to government sources, one of the reasons

for tying the direct aid to the broader farm support package is to limit demands for one-time payouts from other groups.

Another contentious issue surrounding the package is how the cost will be shared between the provinces and the federal government. Traditionally, farm programs have been split on a 60-40 basis with the federal government picking up the bigger share. However, the provinces are balking at this cost share configuration for the direct payments and are pushing the federal government to pay up to 100% of the total. Led by Saskatchewan Premier Lorne Calvert, the provinces argue that the direct aid is effectively compensation for a trade injury, and as such it is a special case that falls under federal jurisdiction. In addition, according to Premier Calvert, Ottawa has come to the aid of other industrial sectors like the airline industry without seeking provincial participation.

#### **Comments:**

The Canadian Federation of Agriculture (CFA) is calling on the federal government to give farmers the straight facts on what is happening on farm assistance. "Neither we nor the provinces have numbers or a timeline." said CFA president Bob Friesen, implying that the C\$5.2 billion is only a rumored estimated and not carved in stone. Full funding details should be available in the next week or two.

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