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Report Highlights:

More Countries Open Borders To Canadian Beef * Japan BSE News Won't Impact U.S. Rulemaking Process Say Cattlemen * Year-Round Cattle Imports Not Yet Possible Says Minister * CWB To Appeal USITC Ruling On Spring Wheat * Canada Launches NAFTA Challenge Of U.S. Wheat Ruling * Grain Growers Of Canada Calls For "Made In Canada" Solution * Statistics Canada Releases September Estimates Of 2003 Principal Field Crop Production * Saskatchewan Agriculture Final Crop Year Report * B.C. Defends New Timber Pricing Legislation * B.C. Government Funds Forestry Research * Lumber Prices Fall Sharply Despite Strike Threat

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.

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.

MORE COUNTRIES OPEN BORDERS TO CANADIAN BEEF: Antigua and Barbuda, Barbados, Jamaica, Philippines, Russia and Trinidad and Tobago have recently partially lifted their bans on Canadian products. The Canadian Food Inspection Agency is reportedly working with authorities in many of these countries on the conditions necessary for the resumption of exports. Agriculture and Agri-Food Minister Lyle Vanclief says that it demonstrates that countries are showing their confidence in the safety and quality of Canadian beef. "While our number one priority continues to be the full re-opening of the U.S. border to live Canadian cattle, we consider every step forward to be a victory for the Canadian agriculture industry." As of October 8 2003, Canada has shipped more than 44 million pounds of boxed beef, veal, processed beef products and bovine livers to the United States. Shipments to Mexico are expected to begin within days. Mr. Vanclief noted work continues on fully re-opening the borders of Canada's other trading partners.

JAPAN BSE NEWS WON'T IMPACT U.S. RULEMAKING PROCESS SAY CATTLEMEN: News of an eighth case of BSE found in Japan, this time in an animal that is reported to be 23 months of age won't impact rulemaking in the U.S. to expand the list of Canadian products eligible for export, including live cattle under 30 months, says the Canadian Cattlemen's Association (CCA). The CCA believes that the abnormal case is probably linked to high levels of infected feed in Japan at an early age. In its BSE update to members, the CCA states that the proposed U.S. rule for exporting live cattle to the U.S. has now gone to the U.S. Office of Management and Budget, which normally has up to 90 days to complete the draft rule, but may complete it sooner. Then, the draft rule will be published in the Federal Register for a comment period of a minimum of 30 days. The CCA anticipates that the soonest Canadian live cattle will begin to move to the U.S. is during the first quarter of 2004.

YEAR-ROUND CATTLE IMPORTS NOT YET POSSIBLE SAYS MINISTER: Canada's Agriculture Minister Lyle Vanclief responded to questions in Parliament this week on live cattle imports saying that until risk assessment studies by the Canadian Food Inspection Agency are complete, the border will remain closed to year-round cattle imports from the United States. Canada's cattle industry has been lobbying strenuously for regulatory change that would permit year-round imports currently prohibited under regulations pertaining to bluetongue and anaplasmosis. In recent years, U.S. feeder cattle have entered Canada during the October to March period (the non-vector period) under Canada's Restricted Feeder Program. The CCA believes that easing the regulation to enable year-round access to U.S. feeder cattle poses minimal risk and addresses concerns related to normal trade and an open border. Trade potential is significant. During the period October 2000 to March 2001, Canadian feedlots imported more than 209,000 head of U.S. feeder cattle with an estimated value exceeding \$150 million.

CWB TO APPEAL USITC RULING ON SPRING WHEAT: The Canadian Wheat Board (CWB) announced on October 3 that it would move swiftly to appeal the U.S. International Trade Commission (ITC) ruling that imports of Canadian spring wheat cause injury to American farmers. Ken Ritter, chair of the CWB's board of directors, said he was very disappointed by the ITC's decision. The CWB will launch its appeal of the decision on spring wheat after the

ITC releases its written decision the week of October 13. According to the CWB, "The evidence presented to the ITC both by the CWB and by our American customers was comprehensive in showing there is absolutely no injury caused by the import of either Canadian spring wheat or durum," Ritter said. "I can only conclude the ITC's determinations on spring wheat were flawed." The CWB hypothesized that the split decision on spring wheat reflects the uncertainty of the ITC on the issue, and expressed confidence that it would be overturned on appeal. The CWB also plans to file an appeal of the Department of Commerce (DOC) final anti-dumping ruling, which placed the tariffs on Canadian wheat imports in the first place. Ritter said he was pleased by the ITC's unanimous decision on durum.

Comments: In a conference call with media, the CWB questioned whether the prices used in the ITC injury determination were based on shipping dates rather than actual sales transaction dates, resulting in an incorrect conclusion.

CANADA LAUNCHES NAFTA CHALLENGE OF U.S. WHEAT RULING: The Government of Canada (GOC), on October 3, launched a North American Free Trade Agreement (NAFTA) challenge of an August 29, 2003 countervail ruling by the U.S. Department of Commerce that imports of certain types of Canadian wheat are subsidized. The GOC is also considering various legal options following the October 3 decision by the U.S. International Trade Commission (ITC). "We disagree with both the subsidy finding and the imposition of duties on our shipments of hard red spring wheat to the U.S.," said GOC Trade Minister Pierre Pettigrew. "We are now asking a NAFTA panel to review this decision and to prove that the U.S. Department of Commerce is wrong." The NAFTA panel will decide whether or not the subsidy decision is consistent with U.S. trade law. "Canada follows the established international trade rules and will contest the contrary American decisions along every legal avenue available," said Ralph Goodale, Minister responsible for the Canadian Wheat Board. "The Canadian government will ensure that our trade agreement rights are forcefully represented." "As I have said many times before, Canada does not subsidize wheat shipments entering the U.S.," said Agriculture and Agri-Food Minister Lyle Vanclief. "The Government of Canada is committed to vigorously defending the interests of Canada's wheat producers." "The Government of Canada is taking every appropriate step to demonstrate that programs like the provision of rail hopper cars do not distort our wheat trade with the United States," said Transport Minister David Collenette.

GRAIN GROWERS OF CANADA CALLS FOR "MADE IN CANADA" SOLUTION: According to an October 7 press release from the Grain Growers of Canada (GGC), in reaction to the October 3 USITC ruling that confirmed tariffs of over 14% on Canadian hard red spring wheat exports to the U.S., Ken Bee, GGC President said that, "The Grain Growers of Canada encourages the federal (Canadian) Government to pursue all WTO and NAFTA options to appeal and remove this unfair trade barrier." "However, we know that official appeals will take significant time and will cost farmers substantially," noted Bee. "Our industry is faced with an opportunity to develop a 'made in Canada' solution to move beyond the litany of costly trade disputes." "We remind the government that the Grain Growers of Canada have proposed a solution that would eliminate the basis of the U.S. action and offer marketing choice to farmers," stated Bee, referring to the GGC's marketing choice proposal that has been presented to both the Government of Canada and the Canadian Wheat Board. "We call on the Canadian government, the CWB, and other industry stakeholders to seriously consider the full range of options that will enable free and open trade between Canada and the US. Canada must commit to sitting down with our American trading partners and rapidly resolve this case at the negotiating table," concluded Bee

STATISTICS CANADA RELEASES SEPTEMBER ESTIMATES OF 2003 PRINCIPAL FIELD CROP PRODUCTION: Statistics Canada reported that crop production for 2003 is expected to be well above 2002 for most crops. At the time of the survey, harvesting conditions have been ideal, and grain and oilseed quality high. Favorable growing conditions in Ontario and Quebec

should serve to produce some new records and strong production values for this year's crops. Total wheat production is expected to reach 22.0 million tonnes, an increase of 36% or 5.8 million tonnes from 2002. Reported average yield was 31 bushels per acre, up from 27 in 2002. Harvesting is ahead of normal and quality should be much improved. Spring wheat production should rebound this year, up 42% to 15.2 million tonnes, the result of increases in both yield and harvested acreage. Durum production should rise 4% in 2003 to 4.0 million tonnes. Harvested area in Saskatchewan and Alberta rose, but yield trailed off compared with 2002. Winter wheat production in Ontario will jump to a record 2.1 million tonnes, easily passing the record 1.4 million tonnes set in 1999. A large increase in harvested area and a record yield of 76 bushels per acre combined to produce the increase. Barley production is estimated at 11.2 million tonnes, up 62% from 2002. Although greatly improved, yields will continue to be below average. Statistics Canada reported that canola production rose to 6.3 million tonnes, a 52% from the 2002 crop year. An improvement in yield and decrease in abandonment combined to produce the increase. Record corn production in Quebec combined with higher than average production in Ontario due to improved yields resulted in a slight production increase to 8.8 million tonnes. Soybean production in Canada is set to improve by 15% to 2.5 million tonnes, primarily the result of improved growing conditions in Ontario and Quebec. For the Statistics Canada summary, visit: <http://www.statcan.ca/Daily/English/031003/d031003a.htm>

SASKATCHEWAN AGRICULTURE FINAL CROP YEAR REPORT: With a return to warmer, drier weather, farmers were able to almost finish the 2003 harvest, according to Saskatchewan Agriculture, Food and Rural Revitalization's October 5 weekly crop report. Ninety-nine percent of the 2003 crop is in the bin, compared with 78% at this time last year, and the five-year (1998-2002) average of 88%. Crop reporters estimate that about 250,000 acres remain to be harvested. While the weather was an aid to harvest, it was negative for soil moisture. On cropland, 27% of reporters rate topsoil moisture as adequate, compared to 33% last week. On hay and pasture land, 15% of reporters rate topsoil moisture as adequate, compared to 24% last week. Grasshoppers continue to cause crop damage – both to unharvested crops and to emerging fall-seeded crops. Other sources of crop damage include wind, frost, and migrating birds. The warm, dry weather is putting some fall fieldwork on hold. Farmers are busy with baling, hauling bales, picking rocks, fall tillage, and some fertilizer and chemical application.

B.C. DEFENDS NEW TIMBER PRICING LEGISLATION: The October 9 *Globe and Mail* reported That British Columbia (B.C.) Forest Minister Mike de Jong said that B.C.'s new timber-pricing legislation should not be an impediment to consolidation in the troubled sector. The Minister said the "vast majority" of tenure transfers in the event of a merger between two companies would not trigger a government review. However, he said the province will reserve the right under the legislation to review certain transactions if it looks as if they may impede competition in the key forest industry. Mr. de Jong was responding to a report by an industry analyst that suggested that new legislation aimed at revitalizing B.C.'s ailing forest sector and appeasing the U.S. lumber industry is "an apparent resurfacing of government intervention" that could act as a roadblock to meaningful competition. The report, by RBC Dominion Securities Inc. of Vancouver, assesses B.C.'s plan to adopt a market-based system for pricing timber that will replace a decades-old practice under which the prices companies pay to harvest timber are determined by target rates that are set by the government. Under the new system, the price that the lumber companies pay will be determined by auction. However, that in turn has raised concerns that the true intent of the legislation, which is to create more competition, may be impeded if certain large companies are able to dominate the bidding, particularly in remote areas of the province. "We have not seen the legislation, but we trust that the government will follow through on its commitment that market forces, not regulations, will be the dominant force in transforming the industry," said Sarah Goodman, a spokeswoman for Weyerhaeuser in Vancouver.

B.C. GOVERNMENT FUNDS FORESTRY RESEARCH: C\$4.4 million for universities, the private sector and the Pacific Forestry Centre to conduct applied forestry research projects has been announced by British Columbia Forests Minister Michael de Jong. The Forestry Innovation Investment research program's 2003/04 investment plan for universities, the private sector and the Pacific Forestry Centre includes: (1) \$922,000 for research into impacts and management of forest pests and pathogens; (2) \$844,000 to address other subjects such as maximizing value, variable retention, natural disturbances, reclamation and ecosystems; (3) \$858,000 to improve sustainable forest management, and planning and implications tied to the incoming Forest and Range Practices Act; (4) \$603,000 to examine silvicultural systems and treatments throughout the province; (5) \$513,000 for studies of riparian and watershed values including the effects of logging on temperature, sediment, and organic material; (6) \$412,000 for studies related to growth and yield, and; (7) \$262,000 for research related to species at risk and wildlife such as mountain caribou, mountain goats and the coastal giant salamander. Through Forestry Innovation Investment and the Forest Investment Account, the government is also investing in product development, international marketing and investments in the land base.

LUMBER PRICES FALL SHARPLY DESPITE STRIKE THREAT: According to an October 7 article from the *Globe and Mail*, despite the threat of a strike by 12,000 British Columbia coastal forest workers, lumber prices are down sharply as the threat of fires subsides. The price of spruce-pine-fir two-by-four lumber has dropped to \$308 (U.S.) per thousand board feet from \$363 on Sept. 29, its biggest two-week decline since June, 2001. While contract talks between the coastal industry and the Industrial Wood and Allied Workers (IWA) of Canada union are scheduled to resume, analysts are forecasting that prices will continue to soften in the near future. "The only reason why prices went so high during the summer was because of the long fire season," said Laurie Cater, publisher of Madison's Canadian Lumber Reporter, a Vancouver newsletter. "But now there are no fires and everyone is back to just-in-time buying" Cater said. The IWA issued a 72-hour strike notice on September 22, threatening to walk out unless the employers agreed to resume negotiations. Analysts say a strike in the coastal industry, which could cut off about 2% of Canada's lumber supply to the U.S., remains a possibility because negotiations center on the contentious contracting-out issue. The IWA fears that efforts by Weyerhaeuser and other coastal lumber producers to outsource a greater percentage of tree-felling work to independent contractors poses a threat to union jobs. Talks between the IWA and Forest Industrial Relations Ltd., the bargaining agent for 61 coastal employers, are set to resume in the wake of a tentative agreement reached last week by 5,000 loggers in the southern Interior of B.C. Analysts say they believe that the chances of a strike on the coast are remote. "If these guys think they are in a good position to go on strike, I think they are mistaken," said Steven Chercover, a forestry analyst with D.A. Davidson & Co. in Lake Oswego, Ore. Chercover said cedar production has been dramatically reduced because of the impact of substitute products such as plastic-based decking, and the 27.2-per-cent duty on U.S.-bound lumber.

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