



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 12/16/2005

GAIN Report Number: CA5086

Canada

Agricultural Situation

This Week in Canadian Agriculture, Issue 42

2005

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Report Highlights:

* Duties Slapped on U.S. Corn Imports * Japanese Market Opens for Canadian Beef * Potato Chip Processor to Close Facility * Wheat Tariffs to be Removed * SM-5 Signs Joint Declaration * Dairy Farmers Get Another Price Increase

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.

DUTIES SLAPPED ON U.S. CORN IMPORTS: On December 15, 2005, the Canada Border Services Agency (CBSA) issued its preliminary determination of dumping and subsidizing in regards to unprocessed grain corn imports from the United States. The CBSA terminated the investigation in regards to processed grain corn imports from the United States. The provisional anti-dumping duty was set at \$0.58 USD per bushel and the provisional countervailing duty was set at \$1.07 USD per bushel, for a total duty of \$1.65 USD per bushel of grain corn imported into Canada from the United States. The duties go into effect right away. The CBSA's determination follows the Canadian International Trade Tribunal's (CITT) preliminary ruling, which found that U.S. corn imports caused injury Canadian corn producers. The CBSA will continue its investigation of the dumping and subsidization of U.S. corn imports, while the CITT will begin its full inquiry into the questions of injury to the Canadian industry. The CBSA is expected to announce its final determination by March 15, 2006 and the CITT will issue its final decision by April 14, 2006. The Canadian Corn Producers were pleased with the ruling, indicating that duties will provide some relief to the dire conditions facing Canada's corn producers.

JAPANESE MARKET OPENS FOR CANADIAN BEEF: Canadian Cattlemen's Association (CCA) President Stan Eby commended the Government of Japan on its decision to re-open its border to Canadian and U.S. beef. Japan was Canada's third largest market for beef prior to the market closing in 2003 following diagnosis of BSE in Canada. In 2002 Canada exported just over C\$53 million worth of beef to Japan accounted for about 2.6% of total Canadian beef exports. Eby said that Japan is an important market for certain products that are difficult to sell in Canada. Once risk assessments and final administrative procedures are complete, the Japanese market will re-open to beef from cattle verified to be less than 21 months of age. To help regain a share of the Japanese market, the Canadian beef industry is ready to promote its traceback program and its age verification program. However, the main obstacle may be convincing Japanese consumers to overcome their apprehension concerning the safety of North American beef.

POTATO CHIP PROCESSOR TO CLOSE FACILITY: Humpty Dumpty Snack Foods Inc., a major potato chip producer in eastern Canada, has announced it will close its Brampton, Ontario processing facility early in 2006. The company said that the action was necessary to optimize its manufacturing operations (i.e. reduce excess capacity) and it will be consolidating production to existing facilities in Quebec and Atlantic Canada. The move is expected to result in a loss of market for about 3,000 acres of Ontario potatoes, more than 8% of the total area planted to potatoes in the province in 2005. Humpty Dumpty Snack Foods Inc. manufactures, markets and distributes potato chips and other salty snack food products under the Humpty Dumpty brand name, and is a recognized snack food brands in eastern Canada and the northeastern United States.

WHEAT TARIFFS TO BE REMOVED: Canadian hard red spring wheat will soon be moving into the U.S. tariff-free. A recent ruling by a NAFTA panel dismissed the North Dakota Wheat Commission's challenge of the U.S. International Trade Commission (ITC) October 2005 findings that Canadian hard red spring wheat exports do not cause injury to U.S. producers and do not drive down American wheat prices. The original tariff was set at 14.2%, but subsequently lowered to 11.2% in June 2005. The NAFTA Secretariat will issue the notice of final panel action within the next few weeks, which will result in the complete removal of the tariff. The Canadian Wheat Board (CWB) was pleased with the findings, stating that the decision reaffirms that there was never any legitimate basis for the tariff. Canadian exports of hard red spring wheat fell from between 40-50 million bushels annually prior to the tariffs to 303,000 bushels in 2004/2005. The removal of the tariffs is expected to result in increased exports of Canadian hard red spring to the United States.

SM-5 SIGNS JOINT DECLARATION: Canada's supply management industries (dairy, poultry, and eggs) have joined with 10 other groups, who represent farmers from developed and developing countries, in signing a joint declaration stating their concerns about the current negotiations at the World Trade Organization (WTO) Ministerial trade talks occurring this week in Hong Kong. The declaration stated that the negotiations should be about farmers and their livelihoods and that since only 10% of agricultural production is actually traded on world markets, the WTO rules should not negatively impact the 90% of agricultural production that is produced and consumed domestically. In addition, the declaration states that countries need the freedom to determine which products shall be treated as sensitive and the rules government these products must be flexible. Mandatory TRQ expansion and tariff reduction would not provide the necessary flexibility to achieve this. The three basic principles laid out in the declaration are:

1. Non-trade concerns must be fully and specifically reflected in all the agricultural modalities.
2. Special and differential treatment and capacity building for developing countries, which addresses the real concerns of resources poor, vulnerable and small scale farmers, must be taken fully into consideration in order to meet their needs for rural development, food and livelihood security.
3. Trade rules must allow for policy measures which promote food sovereignty and stability of food supplies and prices, including supply management and safeguard measures.

Canada's supply management sector has maintained that any reduction in the over-quota tariffs that help control imports of supply managed products (dairy, poultry and eggs) would result in the end of supply management as it currently exists and operates in Canada.

DAIRY FARMERS GET ANOTHER PRICE INCREASE: On December 15, the Canadian Dairy Commission (CDC) announced yet another increase in price for skim milk powder, but no increase in butterfat price. As a result, consumers will be paying more for milk, but the price of butter should remain unchanged. The CDC also reviewed the last year's temporary add-on of 1.66 cents per liter to help producers offset the impact of BSE and failed to remove it. The Dairy Farmers of Canada (DFC) were disappointed with small increase in price, citing that the CDC failed in its commitment to ensure that at least 50% of farmers would be able to cover their costs through the support prices. The Canadian Restaurant and Foodservices Association (CRFA) were disappointed by the CDC's move to increase support prices, stating that consumers and restaurateurs will be forced to endure another 2.6% increase in the price of dairy products next year, on top of the 7.8% increase that took effect earlier this year. The CRFA also indicated that the price increase comes despite studies showing Canadian dairy prices to be two to three times higher than world prices and well above the level required to provide a fair return to dairy producers. The latest price increase of skim milk powder will not help reduce the structural surplus of skim milk powder, as cheaper and alternative imports will continue to be used in place of the more expensive Canadian skim milk powder. The new price increase will take effect on February 1, 2006.

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