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This Week in Canadian Agriculture, Issue 1

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Report Highlights:

* Agriculture Minister in a Tight Race * Former Agriculture Minister Attempts a Come Back * Ag Platforms of the Three Major Parties * Canadian Farmers Support a Conservative Government * Economics Tops List of Priorities For Farmers * Canfor Buys Into the U.S. Lumber Industry * Value of Agricultural Production Rose in 2004

Includes PSD Changes: No
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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.

AGRICULTURE MINISTER IN A TIGHT RACE: Canadian Agriculture Minister Andy Mitchell is in a tight race in his riding of Parry Sound-Muskoka in Ontario. Conservative candidate Tony Clement, a former Provincial Health Minister in the Mike Harris government, is challenging Minister Mitchell. Recent polls indicate that the race is very tight and the outcome is too hard to predict. In 2004, Minister Mitchell won the riding by 3301 votes, but with polls predicting a Conservative Party win on Monday, January 23rd, this could sway enough voters in the riding to elect a Conservative Member of Parliament. Parry Sound-Muskoka was a Conservative riding for 36 years prior to the 1993 federal election, but has been a Liberal riding since Mr. Mitchell was elected in 1993.

FORMER AGRICULTURE MINISTER ATTEMPTS A COME BACK: Bob Speller, the former Minister of Agriculture under former Prime Minister Jean Chretien, is attempting to unseat Diane Finley, a Conservative Member of Parliament and the Conservative Party Agriculture Critic, in the riding of Haldimand-Norfolk in Ontario. In the 2004 election, Mr. Speller lost the riding to Ms. Finley by 1645 votes. Polls are predicting that Ms. Finley has increased her support and is expected to defeat Mr. Speller by a larger margin on Monday.

AG PLATFORMS OF THE THREE MAJOR PARTIES: As the Canadian election closes in on its January 23 election date, the three major parties have announced their party platforms in regards to agriculture.

The Conservative Party of Canada

- Replace the Canadian Agricultural Income Stabilization (CAIS) program with a new income scheme.
- Introduce a separate disaster relief program.
- Add \$500 million (CDN) a year annually to farm support programs.
- Continue with the \$755 million (CDN) in emergency assistance to grain and oilseed producers previously announced by the Government of Canada.
- Give western grain farmers the freedom to make their own marketing and transportation decisions. Western grain farmers should be able to participate voluntarily in the Canadian Wheat Board.
- Ensure that agricultural industries that operate under supply management remain viable.
- Defend Canada's agricultural sectors when negotiating international trade agreements.
- Seek better market access in foreign markets.
- Implement a Green Cover Crop Program to protect prairie farmers.
- Require 5 percent average renewable content in Canadian gasoline and diesel fuel by 2010.

The Liberal Party of Canada

- Increase by 50%, the lifetime capital gains tax exemption for farmers, from \$500,000 to \$750,000.
- Make modifications to the CAIS program.
- Re-introduce amendments to the Agriculture Marketing Programs Act.
- Establish a National Renewable Fuels Standard that will call for minimum of 5% mix of renewable fuels in gasoline and diesel by the end of 2010.
- Provide \$100 million (CDN) over five years to extend broadband access to rural and remote communities.
- Support supply management.
- Develop domestic "offset credits" for farmers who adopt low-till or zero-till practices to reduce greenhouse gas emission using the government's new Climate Fund.

- Make all directors' positions in the Canadian Wheat Board subject to election, thereby giving farmers complete control.
- Ensure the one-time payment of \$755 million, announced by the Government in November 2005, would not be treated as income for the purpose of CAIS calculations.

The New Democratic Party

- Fight to end export subsidies and dumping.
- Overhaul the CAIS program by abandoning "one size fits all" approach and work with producers to develop a program tailored for farm sectors.
- Protect supply management boards in international trade negotiations.
- Promise to work with farmers to ensure the right to save and reuse seed.
- Protect the CWB monopoly.

CANADIAN FARMERS SUPPORT A CONSERVATIVE GOVERNMENT: According to the recent Ipsos Reid poll, the majority of farmers in Canada would vote Conservative (64%). This is slightly higher than in the 2004 election, when 60% of farmers indicated an intention to vote Conservative. The ruling Liberal Party sits at a distant second, receiving only 20% of decided farm voters' support. The NDP have garnered 6% of the decided vote, while the Green Party has received only 3% support from farm voters. When compared to the voting intentions of farmers prior to the June 2004 election, there is an indication that farmers have not really changed their minds regarding whom they want to see in power. Overall, the Conservatives are up four points from where farmers voting intentions where prior to the 2004 federal election and the Liberals are down 3 points. Regionally there have been dramatic shifts in farmer support. In Alberta, Saskatchewan and Ontario, support for the Conservatives has increased at the expense of the Liberals. The NDP has also lost support in Saskatchewan and Ontario. In British Columbia and the Atlantic Provinces, the Liberals have gained farmer support, while the Conservatives and NDP have both lost support. In Quebec, the Bloc Quebecois has gained slightly, while support for the Conservatives has fallen and NDP support has increased. Manitoba is the one province where farmer support, as compared to the 2004 election, has remained relatively unchanged for the three major parties.

ECONOMICS TOPS LIST OF PRIORITIES FOR FARMERS: According to the Ipsos Reid poll, farm economics tops the priority list for farmers when they are considering agricultural issues for the election. According to the poll, the primary issues for farmers that need to be addressed are low commodity prices and the price of farm inputs. In addition, trade barriers and policies, government support and income stabilization, were also considered important priorities that need to be addressed by the various parties during and after the election.

CANFOR BUYS INTO THE U.S. LUMBER INDUSTRY : According to *The Globe and Mail*, Canada's lumber giant Canfor Corp., has agreed to buy the U.S. timber producer, New South Companies Inc. for \$205 million (USD). New South Companies is a member of the Coalition For Fair Lumber Imports, the lobby group that speaks for the U.S. lumber industry in the long-running softwood lumber trade dispute. The purchase of New South by Canfor puts the company in the position to cancel New South's membership in the Coalition. Canfor has not indicated whether or not it will make such a move. The deal represents the first foray into the U.S. market for the company. Canfor is following in the footsteps of other Canadian companies like West Fraser Timber Co. Ltd., and International Forest Products Ltd., which have both bought assets in the United States. The expansion into the U.S. provides Canfor with a foothold in the key U.S. market and provides the company with a platform to increase production of timber in the U.S. that would not be affected by either the strong Canadian dollar or duties stemming from the softwood lumber dispute. Other benefits to the deal include the opportunity to acquire two of the most profitable sawmills in the U.S. and a fleet of 50 delivery trucks that come with them.

VALUE OF AGRICULTURAL PRODUCTION ROSE IN 2004: According to Statistics Canada, the value of agricultural production in Canada rose 2.5% to \$47.4 billion in 2004. Sales of agricultural products, program payments, and the value of inventory changes, were the major contributors to the increase. Sales of agricultural products rose to \$38.3 billion in 2004, due to the 6.9% increase in sales of agricultural products to other sectors. Higher revenues for crops and hogs helped pushed sales up. Hog prices strengthened in 2004 as a result of robust exports and strong domestic demand. Production of grains and oilseeds returned to more normal levels following the droughts in 2001 and 2002. This

contributed to higher deliveries from most major crops and higher Canadian Wheat Board payments. Program payments reached a record \$4.9 billion in 2004, with producers receiving \$1.1 billion through BSE-related programs and withdrawals from the government portion of the Net Income Stabilization Account also reaching record levels. The Canadian Agricultural Income Stabilization program also delivered money to producers. The value of inventory change increased by \$1.8 billion. Droughts in 2001 and 2002 drastically reduced farm grain and oilseed inventories by the end of 2002. The return to more normal levels of production 2003 and 2004 helped to increase inventories. In addition, BSE resulted in producers holding onto livestock, thereby increasing inventories.

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