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## Canada

### Agricultural Situation

## This Week in Canadian Agriculture, Issue 1 2007

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**Report Highlights:**

Agriculture Minister Pleased with USDA Proposal to Expand List of Eligible Bovines From Canada \* Canada Requests Corn Consultations at WTO \* Spike In Cull Cattle Imports From Canada Unlikely \* Barley Plebiscite Dates Announced \* Anaplasmosis Consultation Paper Released \* House of Commons Committee Passes Resolution Supporting Strict Limits on Supplementary Imports of Non-NAFTA Beef

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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.

#### **AGRICULTURE MINISTER PLEASSED WITH USDA PROPOSAL TO EXPAND LIST OF ELIGIBLE**

**BOVINES FROM CANADA:** Chuck Strahl, Canada's Minister of Agriculture and Agri-Food and Minister for the Canadian Wheat Board, issued a statement saying that Canada was pleased that cross-border trade in older animals and breeding stock from Canada was a step closer following the publication of what is commonly referred to as Minimal Risk Rule #2, a USDA proposal to expand the list of allowable imports from countries recognized as presenting a minimal risk of introducing bovine spongiform encephalopathy (BSE) into the United States. Currently, Canada is the only minimal-risk country designated by the United States. The rule, as proposed, provides for the resumption of live cattle imports from Canada for any use born on or after, March 1, 1999, the date determined by APHIS of effective enforcement of the ruminant-to-ruminant feed ban in Canada. Under a January 2005 rule, Canadian cattle under 30 months are allowed entry into the U.S. for slaughter or feedlot purposes. That rule defined the eligibility of beef from Canada, but APHIS published a notice of a delay of applicability of certain provisions of that rule that resulted in only meat and meat products from animals under 30 months of age being eligible for importation. If the recently proposed rule is made final, APHIS will lift the delay and also allow the importation of beef and certain beef products from Canadian bovines over 30 months of age.

**CANADA REQUESTS CORN CONSULTATIONS AT WTO:** The Canadian government has requested consultations with the United States at the World Trade Organizations on corn subsidies provided to US corn growers, as well as the use of export credits and its total spending on agriculture support programs. This is the first time that Canada has challenged the US farm subsidies at the WTO. In a press release on the Agriculture Canada website, Minister of Agriculture Chuck Strahl explains the decision. He states "Canada is concerned that these U.S. subsidies continue to cause economic harm to our corn farmers. That's why we took the action we did, in order to provide the best possible support for our producers by pushing for a level playing field so that they can compete." Gretchen Hamel, spokesperson for the Office of the U.S. Trade Representative stated that U.S. farm support is not harming Canadian corn producers and complies with WTO rules, pointing to the Canada's International Trade Tribunal who found no injury to Canadian corn producers from subsidized US corn. This move by the Conservative government is being welcomed by most in the Canadian grain industry. Some trade analysts view this as a bold move designed to check protectionist efforts to get subsidies as high as possible in the next farm bill. Others see this as bowing down to pressure from Canadian corn growers and not part of a larger plan to influence the U.S. farm bill that is in process of being written.

**SPIKE IN CULL CATTLE IMPORTS FROM CANADA UNLIKELY:** While the USDA proposal (Minimal Risk Rule 2) to expand the list of eligible bovine imports includes cattle for any use from Canada born after March 1, 1999, it's unlikely that the provision would result in a spike of older live cattle being exported to the United States. In addition to increased slaughter capacity in Canada for cull cattle, the issue of age verification will likely mitigate the number of older Canadian cattle that would be eligible for export. Canada implemented mandatory cattle identification on July 1, 2002 to facilitate traceability, but age verification is currently a voluntary program administered by the Canadian Cattle Identification Agency. As a result, the majority of older cattle in Canada are not age verified. According to Brad Wildeman, Vice-President of the Canadian Cattlemen's Association, only about 20-25% of the older cow herd would be eligible for export. While the purebred industries, dairy and beef, mostly know the birth dates of their animals, the average cow-calf producer doesn't know and can't prove their animal's birth dates.

**BARLEY PLEBISCITE DATES ANNOUNCED:** Canadian Minister of Agriculture Chuck Strahl has finally announced the dates for the much anticipated barley plebiscite on whether or not Western barley producers wish to continue marketing their barley through the CWB single desk. Minister Strahl has stated that he will not be bound by the results. The voting period will commence with the mailing of

ballots on January 31<sup>st</sup>, 2007 and the last day for return ballots to be postmarked will be March 6, 2007. Results of the plebiscite will be announced in mid-March. The international consulting firm KPMG LLP won the bid to run the plebiscite. Provincial production insurance information (years 2002-2006) provided by the governments of British Columbia, Alberta, Manitoba, and Saskatchewan, and a list of producers reporting barley to the Canadian Agricultural Income Stabilization (CAIS) program provided by the federal government will be given to KPMG so that they may develop an eligible voters list. Neither the eligibility criteria, nor the question on the ballot sheet has been made public. Results from the Manitoba grain marketing plebiscite have not been announced yet but are expected the week of January 15<sup>th</sup>.

**ANAPLASMOSIS CONSULTATION PAPER RELEASED:** The Canadian Food Inspection Agency released its consultation paper on relaxing Canada's current animal health import policies with regard to anaplasmosis and the importation of cattle and other ruminants from the United States. Anaplasmosis is a vector-borne disease (i.e. spread by biting insects) that can affect ruminant animals. The CFIA will accept written comments until January 24, 2007. The full text of the paper is available at [www.inspection.gc.ca](http://www.inspection.gc.ca). Current Canadian anaplasmosis import policy calls for mandatory testing except for U.S. feeder cattle imported under the program for *Restricted Feeder Cattle from the United States (Year Round Importation)*. Under this program, feeders are exempted from testing for any of the diseases of concern from any US state. The CFIA recognizes that bilateral relations are considered to be a critical issue by the Canadian beef cattle industry in Canada, particularly as USDA moves forward with its rule making process (Minimal Risk Rule #2) in relation to BSE and the restoration of market access for a number of commodities. These commodities include both dairy and beef breeding cattle older than thirty months and meat or other products derived from these animals not covered by the "Minimal Risk Rule" announced in January 2005. Canada's beef industry, which doesn't consider anaplasmosis to be a significant disease threat, would prefer to relax Canadian import restrictions to allay opposition from within the US cattle industry on USDA's proposed BSE rule. In July 2006, Canada has announced its decision to revise its bluetongue import policy, based on an updated scientific risk analysis, and to eliminate current bluetongue-related control measures for cattle, sheep and other ruminants imported from the United States. Regulatory procedures to remove bluetongue from Canada's Reportable Diseases Regulations, and instead include it on the list of Immediately Notifiable Diseases under the Health of Animals Regulations, are expected soon.

**CANADA TO OFFICIALLY TRACK ORGANIC TRADE:** Canada will be the first country to track trade data on organic products as part of a four-year pilot project announced in December 2006 by Chuck Strahl, Minister of Agriculture and Agri-Food and Minister for the Canadian Wheat Board. Beginning with the release of official trade data for January 2007, which will become available in mid-March 2007, Statistics Canada will capture import trade data for 41 agricultural tariff classifications, mostly certain fresh fruits and vegetables. The Canadian Border Services Agency has already coded the import categories in the 2007 version of the Customs Tariff and it is expected that additional products will be integrated over the subsequent years of the pilot project. The aim is to develop a full list of codes to track both import and export trade in all significant organic agricultural products, and to help Canada's organic industry determine market potential. Given that Canada is heavily dependent on imports of organic food from the United States, the tracking of Canadian imports of organics is expected to provide, for the first time, an accurate measure of the importance of U.S. organic food exports in the Canadian market.

**HOUSE OF COMMONS COMMITTEE PASSES RESOLUTION SUPPORTING STRICT LIMITS ON SUPPLEMENTARY IMPORTS OF NON-NAFTA BEEF:** The House of Commons Standing Committee on Agriculture recently tabled a recommendation that Canada permanently constrain the use of supplementary imports for beef and veal from non-NAFTA countries. Canada restricted supplementary imports of non-NAFTA beef following Canada's initial BSE incident of May 2003 when the disruption to exports resulted in surplus supplies of Canadian beef. Under NAFTA, Canada has no quantitative controls on imports of U.S. or Mexican beef (or from Chile under the Canada/Chile FTA), but it does operate a tariff rate quota for beef imports from what are commonly referred to as non-NAFTA sources (mostly Australia, New Zealand, Uruguay, Argentina, etc.). Canada's TRQ for non-NAFTA beef is 76,409 metric tons annually. Normally, over-quota imports would be assessed a 26.5% duty, but in the years prior to the BSE outbreak, Canada, at the discretion of the trade minister, had been granting duty-free "supplementary imports" that resulted in large supplies of additional imported "manufacturing or processing-type beef (i.e., ground meat and low-priced cuts) from non-NAFTA sources. This relatively unconstrained use of supplemental imports from low-cost countries forced Canadian cattle

producers to seek higher prices by sending their older cattle to be processed in the United States. As a result, fewer and fewer Canadian slaughter plants were including older, cull cattle in their slaughter mix. When BSE hit, Canada lost access to live bovine markets in the United States but no longer had the slaughter capacity to process all the cattle that needed to go to market when the U.S. border closed. Since that time, Canada's packing industry has increased its production of beef from older animals and Canadian cattlemen do not want to see a return to high volumes of supplementary beef imports. The Canadian Cattlemen's Association commended the bipartisan support of members of the House Agriculture Committee in adopting the resolution that recommends that that supplementary imports only be authorized by the government in exceptional circumstances and should not exceed 1,500 metric tons in any year.

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