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Report Name: The Impact of USMCA on Wheat Trade

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Report Highlights:

The United States-Mexico-Canada Agreement (USMCA) came into effect July 1, 2020. Under the agreement, Canada agrees to allow grain grown in the United States to receive an official Canadian grade as long as the grain is of a variety approved in Canada. Canada also agrees to remove requirements for official inspection certificates to indicate that grain grown in the United States is of foreign or mixed origin. Effective August 1, 2020 a standardized Declaration of Eligibility for Delivery of Grain will be required. The country of origin will continue to be cited on the phytosanitary certificate upon request of the importing country.

The Impact of The United States-Mexico-Canada Agreement (USMCA) on the Trade of Wheat

On November 30, 2018 the United States, Canada, and Mexico signed an agreement to replace the North American Free Trade Agreement (NAFTA) with The United States-Mexico-Canada Agreement (USMCA), or CUSMA, as it is known in Canada. The Act to implement USMCA was approved by the Canadian Parliament on March 13, 2020 and the agreement entered into force July 1, 2020. As part of the new agreement, Canada agrees to allow grain grown in the United States, but of a variety that is registered in Canada, to receive an official Canadian grade.

Effective August 1, 2020, which is the first day of the new crop year, a standardized Declaration of Eligibility for Delivery of Grain will be required. While grain farmers have typically completed some sort of declaration asserting their grain is of a variety approved in Canada, this new standardized requirement is mandatory for all grain of approved varieties delivered anywhere in Canada, regardless of whether the grain was grown in the United States or Canada. This declaration form must be completed by each producer at least once every crop year and for each licensed grain company that receives delivery.

Canada also agrees to remove requirements for official inspection certificates to indicate that grain grown in the United States is of foreign or mixed origin. Canadian and U.S. wheat will now be simply labeled “non-foreign wheat.” However, if the Canadian Food Inspection Agency (CFIA) receives a request to issue phytosanitary certificates on U.S. grown wheat for export, the exporter must identify it as U.S. origin on the application if it has been segregated or Canada / U.S. origin if it has been comingled. This will appear on the phytosanitary certificate.

The overall impact in marketing year (MY) 2020/21 is expected to be minimal but the changes may encourage grain producers in Northern Montana and North Dakota to plant more Canadian approved varieties for export to Canada. The impact will be largely driven by higher grain prices in Canada and how convenient it is for U.S. grain producers to drive across the border to deliver grain. The United States-Canada border is currently closed to non-essential travel until August 21, 2020 but, since agricultural trade is considered essential, U.S. producers should be able to deliver grain into Canada.

REQUIREMENTS FOR THE SEGREGATION OF U.S WHEAT

According to the [Canadian Grain Commission](#) (CGC), Canadian and U.S. wheat varieties can be comingled only if comingled by class. Further, mixed origin grain will continue to be eligible for domestic sale and export sale based on U.S. grades and the specifications (protein content, falling number, etc) of the grain.

Prior to USMCA implementation, if graded according to Canadian statutory grades, the comingled grain received the lowest official statutory Canadian Grain Commission (CGC) grade for that class (e.g., Feed Wheat or #5 Amber Durum). Under USMCA, if U.S. origin wheat is of a variety that is registered in Canada it is eligible to receive the applicable Canadian statutory grade for the class of wheat for

which payment is requested. A shipment of US wheat of a registered variety co-mingled with Canadian wheat of a registered variety can receive the highest statutory grade for which it is eligible.

From the CFIA's perspective of requiring grain to meet Canadian phytosanitary import requirements, U.S. origin wheat imported into Canada or transshipped through Canada¹ will not need to be segregated. In both scenarios phytosanitary certificates to accompany imports of wheat, as explained in detail below.

COUNTRY OF ORIGIN INDICATIONS ON CERTIFICATES

There is still a requirement to declare and report the U.S. wheat to the CGC for statistical and market information purposes but the CGC will not reference the U.S. wheat on export documentation.

Prior to USMCA implementation, Canadian wheat received a Certificate Final (officially certified at point of export or sale) from the CGC that would read "Mixed Canadian and Foreign Grain" and list the specifications as requested in a box titled "Remarks/Remarques."

If the CFIA receives a request to issue phytosanitary certificates on U.S. grown wheat, the exporter must identify it as U.S. origin on the application if it has been segregated or Canada / U.S. origin if it has been comingled. This will still appear on the phytosanitary certificate.

The CFIA does not issue a "Certificate of Origin" for exports of Canadian grain and grain products. However, some large wheat buying countries require a phytosanitary certificate. This certificate has an information box titled, "Place of Origin." For example, Korea requires phytosanitary certificates to accompany shipments of Canadian grain. Japan's Ministry of Agriculture, Forestry and Fisheries has not required phytosanitary certificates for import shipments of Canadian grain historically, although there are indications they may in the future.

The CFIA's policy on the issuance of phytosanitary certificates is summarized in [Directive D-99-06](#) (Policy on the Issuance of Phytosanitary Certificates for Export and for Re-export) and with respect to origin it indicates the following:

3.2 Origin of plants, plant products and other regulated articles for phytosanitary certification

The place of origin refers to places where the commodity was grown or produced and where it was possibly exposed to infestation or contamination by regulated pests. In all cases, the name of the country or countries of origin should be stated. Normally a consignment gains its phytosanitary status from the place of origin.

Countries may require that the name or code of the pest free area, pest free place of production or pest free production site be identified. Further details on the pest free area, pest free place of production or pest free production site may be provided in the additional declaration section.

¹ Where "transhipped" conveys change in Canada, for example railcars unloaded into elevator and onto vessel.

3.2.1 Plants, plant products and other regulated articles of Canadian origin

Plants, plant products and other regulated articles are considered to be of Canadian origin if:

- they were grown or produced in Canada;
- they were imported into Canada but were processed to such extent that the original identity is no longer relevant from the phytosanitary point of view; and
- they were imported into Canada, where they were grown for at least one full growing season.

Attachments:

No Attachments.