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## Canada

### Agricultural Situation

## This Week in Canadian Agriculture, Issue 13 2003

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#### **Report Highlights:**

Canada Concerned over Missed Deadline in the WTO Ag Negotiations \* Canada Will Defend its Wheat Policies Before WTO\* Transport Canada Giving "Serious Consideration" Regarding Sale of Government Hopper Cars \* Growth in Chinese Beer Production Seen Good for Malting Barley Sales \* CWB Urges Federal Government to Scrutinize GM Wheat \* CIDA Announces Increased Support for Agriculture in Developing Countries \* Business Risk Management Component of Federal Ag Policy Framework Delayed\* Private Label Accounts for Almost One-quarter of Canadian Grocery Sales \* P.E.I. Agriculture Portfolio Loses Pesticide Portfolio

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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. Substantive issues and developments are generally also reported in detail in separate reports from this office.

*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.

**CANADA CONCERNED OVER MISSED DEADLINE IN THE WTO AG NEGOTIATIONS:** On April 1, the Government of Canada (GOC) expressed disappointment that World Trade Organization (WTO) Members missed a key deadline in the ongoing agriculture negotiations, but noted it remains committed to working toward an agreement that would level the international playing field upon which the Canadian agriculture sector competes. Members met in Geneva leading up to the March 31 deadline for the establishment of a framework for the outcome of the agriculture negotiations. Agriculture and Agri-Food Minister Lyle Vancilief and International Trade Minister Pierre Pettigrew say while they are concerned Members could not meet the deadline previously established by WTO ministers, work to narrow differences between members will continue. "Agriculture is the cornerstone of the overall negotiations," said Minister Pettigrew. "If we are to have a successful conclusion to the Doha Development Round, it is extremely important for us to achieve clear commitments to reduce agricultural subsidies and improve market access." Minister Vancilief noted Canada remains committed to aggressively pursuing its objectives in the negotiations. "Canada will continue to press for a fair and equitable outcome for Canadian producers and processors," he said. "We continue to seek the elimination or substantial reduction of trade-distorting subsidies, and real and substantial market access improvements for all agricultural and food products." Minister Vancilief said the Government of Canada will continue to consult closely with provinces and industry stakeholders as negotiations progress.

**CANADA WILL DEFEND ITS WHEAT POLICIES BEFORE WTO:** On March 31, the Government of Canada indicated that it will defend its wheat policies and the practices of the Canadian Wheat Board (CWB), in reaction to the establishment of a World Trade Organization (WTO) panel requested by the United States. Trade Minister Pierre Pettigrew said "We believe our wheat sector policies are fully consistent with our international obligations and we will defend them in this panel process." Ralph Goodale, Minister responsible for the CWB said that "The Government of Canada will aggressively defend Canada's interests before the WTO panel and remains steadfast in the belief that the CWB trades fairly." Agri-Food Minister Lyle Vancilief commented, "I am disappointed that Canada must once again defend its wheat-trading policies in the face of another U.S. challenge." The dispute panel was established by the WTO March 31 in Geneva. The panel's report is not expected until early next year.

**TRANSPORT CANADA GIVING "SERIOUS CONSIDERATION" REGARDING SALE OF GOVERNMENT HOPPER CARS:** According to a senior official with Transport Canada, the sale of the Government of Canada fleet of hopper cars is being given "serious consideration" by

the Canadian federal government Due to the US trade challenge against the CWB, the federal government plans to wait until the complaints are decided before selling the cars. The US Commerce Department is still considering whether the fleet constitutes a subsidy for US countervailing duties. The federal government first announced its intention to sell the 13,000 rail cars in 1996. *Comment: a coalition of prairie Canadian farmers had hoped to be awarded the fleet of hopper cars for the sum of C\$1.*

**GROWTH IN CHINESE BEER PRODUCTION SEEN GOOD FOR MALTING BARLEY SALES:** According to the Canadian Wheat Board's (CWB) long-term grain trade forecast Canada's malting barley exports are projected to increase by 60% to just over two million tons annually by 2011/12. "The growth in malting barley demand is mainly driven by an anticipated increase in beer consumption in China," said CWB's Vice-President of Commodity Analysis and Risk Management, Brian White. "China has a very large young population and personal disposable income is growing. As a result, China's total malting barley imports are projected to climb from an average of 1.9 million tonnes in the base period to 3.4 million tons in 2011." According to an article in the Globe and Mail, beer production in China is expected to surpass total U.S. beer production in the coming years. Currently, most of Canada's malting barley is used domestically. During 2001/02, the U.S. was the leading export market for Canadian malting barley and China was third.

**CWB URGES FEDERAL GOVERNMENT TO CLOSE GAP ON GM WHEAT:** On April 3, CWB Chair Ken Ritter called on the federal government to close the regulatory gap on genetically modified (GM) wheat by adding market acceptance as well as a cost-benefit analysis to the government's approval process. Ritter's comments came as he appeared before the House of Commons Standing Committee on Agriculture and Agri-Food in Ottawa. Under the current regulatory system, GM wheat can be approved for unconfined release if it meets food, feed and environmental safety standards, meaning that Roundup Ready wheat could be approved for unconfined release in early 2004. According to the CWB, the introduction of Roundup Ready wheat would have a devastating impact on western Canadian farmers, Ritter pointed out. "Over 80% of the markets we sell into are not open to GM wheat," Ritter said. "Being shut out of premium wheat markets around the world would cost farmers hundreds of millions of dollars per year."

**CIDA ANNOUNCES INCREASED SUPPORT FOR AGRICULTURE IN DEVELOPING COUNTRIES:** On April 2, Susan Whelan, Canadian Minister for International Cooperation, announced a policy to increase Canada's support for agriculture in developing countries. The Canadian International Development Agency (CIDA) is committed to working with the world's rural poor so that they are better able to feed themselves and create sustainable livelihoods in their own communities. To that end, Canada will increase its investment in agricultural programming to reach C\$500 million a year by 2008. The new policy outlines agriculture's close connections to water, health and nutrition, education, and a sustainable environment. It identifies five principles to guide its program on agriculture and rural development: create new opportunities for the poor, empower developing countries and their people, build and share knowledge, strengthen partnerships, and achieve gender equality. "Canada's focus on agriculture in developing countries will directly contribute to meeting the United Nations Millennium Development Goal of

achieving a 50% reduction in the number of people suffering from hunger worldwide," added Whelan.

#### PRIVATE LABEL ACCOUNTS FOR ALMOST ONE-QUARTER OF CANADIAN

**GROCERY SALES:** The George Morris Center, a private agricultural think-tank, has published a report that shows the private label share of total Canadian grocery sales is among the highest in the world at an estimated 23.5%. According to data from ACNielsen, Canada ranks either third or fourth in private label shares. Only Belgium, England and Switzerland have had higher private label shares. Almost every category in the Canadian grocery store now has a private label presence. Other than the fresh department, there are few areas that private label has not exploited. Future prospects? For dominant Canadian supermarket chains, private label could grow to 35% of dry grocer sales with the big upside for private label in the following: Quebec, where private label remains largely underdeveloped; Perishables, (marinated meats, semi-processed produce, unique bakery items, marinated or smoked fish); General merchandise, especially in lower ticket "consumable" areas such as housewares, seasonal and table lines, and drugstore merchandise and; Discount box stores, which are highly levered to private label. *Comment: The popularity of private label in Canada has helped boost U.S. high value food exports to Canada. Many U.S. food manufacturers can provide the variety, volume, quality and price characteristics that Canadian grocery stores seek when sourcing private label products.*

**P.E.I. AGRICULTURE PORTFOLIO LOSES PESTICIDE PORTFOLIO:** Continued public concern over pesticide issues on Prince Edward Island including pesticide use and runoff has prompted the provincial government in P.E.I. to transfer responsibility for the provincial Pesticides Control Act from the Department of Agriculture and Forestry to the Department of Fisheries, Aquaculture and Environment, which is mandated to carry out enforcement activities to protect the environment. In addition, a new Pesticide Control Section has been created, reporting directly to senior management within the department. *Comment: P.E.I. is Canada's leading producer of fresh potatoes with about 110,000 acres of potatoes but increasing public pressure regarding cultural practices and pesticide use points to finite potato production prospects in the medium term for Canada's smallest province.*

#### BUSINESS RISK MANAGEMENT COMPONENT OF FEDERAL AG POLICY

**FRAMEWORK DELAYED:** According to the April 2 edition of *Agriline*, Agriculture and Agri-Food Canada's (AAFC) Agricultural Policy Framework (APF) was supposed to take effect April 1, but parts have apparently been delayed, including controversial changes to the Net Income Stabilization Account (NISA) program. *Comment: Ontario and Quebec are both calling for extensions on the implementation of the APF due to lack of information and general uncertainty over how the new programs will work. Several provinces feel that portions of the new APF policy is flawed and requires re-working. AAFC has been holding consultations with provincial ministries of agriculture and various commodity organizations, but key details on how the new NISA program will work appears to be changing day-to-day.*

**Did You Know ...**that during May to September, strawberry growers in Ontario, Quebec and Nova Scotia ship nearly 90 million, bare-root strawberry transplants to Florida for establishment

in the Sunshine State's berry fields? (Source: AAFC)

**Recent Reports from FAS/Ottawa:**

Report Number	Title of Report	Date
CA3017	This Week in Canadian Agriculture, Issue 12	3/28/2003
CA3015	This Week in Canadian Agriculture, Issue 11	3/21/2003
CA3014	This Week in Canadian Agriculture, Issue 10	3/14/2003

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