



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 7/6/2007

GAIN Report Number: CA7034

Canada

Agricultural Situation

This Week in Canadian Agriculture, Issue 20 2007

Approved by:

Lisa Anderson
U.S. Embassy

Prepared by:

George Myles & Darlene Dessureault

Report Highlights:

Wheat-Based Ethanol Project Announced * Fed-Prov Ministers Meet To Discuss Future Ag Programs * Newest Food Recall Raises Concerns On Food Safety * Ontario Court Grants BSE Class Action Suit * CWB Argues For Barley Case To Be Expedited

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1]
[CA]

WHEAT-BASED ETHANOL PROJECT ANNOUNCED: Prime Minister Stephen Harper and Agricultural Minister Chuck Strahl were near Strongfield, Saskatchewan on Thursday, July 5th, to announce plans to build a 95 million liters capacity ethanol facility. The ethanol facility is to be built adjacent to the Gardiner Dam Grain Terminal and will require 9,500,000 bushels of wheat per year. The Prime Minister also took the opportunity to re-announce his government's commitment to biofuels first announced with the March 2007 budget. The March 2007 federal budget tagged 1.5 billion dollars over seven years to be used for operating incentives to producers of renewable alternatives to gasoline, such as ethanol, and renewable alternatives to diesel, such as biodiesel, under specific conditions. The incentive rates will be up to \$0.10/L for renewable alternatives to gasoline, and up to \$0.20/L for renewable alternative for diesel for the first three years, then declining thereafter. Details of how the incentive program will work have not been worked out yet, but are expected soon. These incentives have been created in order for Canada to try acquire a production capacity of at least 2 billion liters of renewable fuels by 2012. This is the volume needed to ensure that Canada be able to meet its renewable fuel content mandate expected to be in place by 2012. Saskatchewan's Premier, Lorne Calvert was not present at the announcement and had not been advised of the event prior. Premier Calvert, who is taking the federal government to court over whether or not the federal budget violates the constitutional right of a province to own its non-renewable natural resources, accused the federal government of re-announcing this type of monies as a way of deflecting away from equalization issues. It should be noted that Calvert's NDP (social democratic) party won its majority in 2003 by a very slim majority. Public opinion polls suggest that his party may lose to the center-right Saskatchewan Party in the next provincial election.

FED-PROV MINISTERS MEET TO DISCUSS FUTURE AG PROGRAMS: The federal-provincial agricultural ministers met June 28-29 in Whistler British Columbia to discuss Canada's new agricultural strategy and the policies/programs. Current programs that were developed under the banner Agricultural Policy Framework or APF expire in 2008. An agreement in principle was reached on several elements of the new strategy, given the name Grow Forward. The current APF strategy is comprised of 5 elements/objectives: business risk management, food safety and quality, science and innovation, environment and renewal. The business risk management programs, and in particular the much-maligned CAIS (Canadian Agricultural Income Stabilization) program are the most contentious of the policies. After the fed-prov meeting, the federal government issued a press release highlighting the business risk management programs intended to replace CAIS. The new suite of programs under the business risk management include:

- (1) AgriInvest, a program where both producers and governments contribute to a producer's savings account that will allow producers to easily predict the government's contribution and have the flexibility to withdraw funds to help address declines in income or to make investments to improve farm profitability. The federal government had announced this 600 million dollar program earlier this spring and it will replace the current net income stabilization account plan.
- (2) AgriStability is the replacement to CAIS and will provide support when a producer experiences a decline in farm income of more than 15 percent. Details remain to be worked out.
- (3) AgriRecovery is a national disaster plan whose details are also still to be worked out. Cost sharing remains a sticking point with most provinces unhappy with the current program funding formula that is 60 percent federal and 40 percent provincial.
- (4) AgriInsurance is a program that expands on existing crop and livestock insurance plans.

While agreements in principle might have been reached, a lot remains to be negotiated and further input from producers is needed. Most producer organizations are still on the fence about the usefulness of these programs stating that there is not enough detail yet to be able to evaluate the policies.

NEWEST FOOD RECALL RAISES CONCERNS ON FOOD SAFETY: With a new product recall resulting from a salmonella-contaminated seasoning made from imported Chinese ingredients this week, the safety of food from China and the ability of the Canadian Food Inspection Agency to safeguard Canadians continues to be a hot news topic. Growing incidents has increased public concern over products from China. Increasing Chinese-product related recalls which range from high lead content in children's toys to defective tires to poisoned pet food, has lead Bruce Cran, president of Consumers' Association of Canada, to call on the federal government to put more safeguards in place and calling current consumer protection a joke. Officials at the Canadian Food Inspection Agency are trying to put these recalls in perspective. Officials argue that products are carefully monitored once they are assessed as being at risk. Samples are taken for chemical residue and micro contamination tests are done on selected samples of vegetables and fruits. Rene Cardinal of the Canadian Food Inspection

Agency stated that last year, a sample of Chinese fruits and vegetables turned up a 4 per cent violation rate from chemical residue testing, compared with the norm of 1 per cent. In other words, China is not too far off the mark. Cardinal does warn however that increased measures could be put in place to restrict entry if producers do not have good measures in place and violations continue.

ONTARIO COURT GRANTS BSE CLASS ACTION SUIT: A BSE class action suit involving 100,000 producers from seven provinces against the federal government and Ridley Inc, a feed manufacturer has been given the go ahead by the Ontario Court of Appeal. This decision follows a decision in a Quebec Superior Court last week that granted class authorization in the BSE class action lawsuit against the same defendants for Quebec farmers who meet the class requirements for the Quebec lawsuit. As far back as April 2005, class action claims were filed cooperatively by lawyers in the courts of Quebec, Ontario, Saskatchewan and Alberta on behalf of cattle farmers. Producers allege that the federal government and Ridley Inc. bear responsibility for the economic devastation resulting from the BSE crisis beginning in 2003 that caused the loss of international beef and cattle markets and resulted in domestic market disruption. Counsel for the producers will argue that the government's negligence stems from an failure to enact, in a timely fashion, regulations that would have prevented ruminant material from being fed to other ruminants, a failure to properly monitor live cattle being imported from the UK in the 1980s, and the inability to keep track of more than 40% of the cattle coming into Canada between 1982 and 1990. In addition, producers accuse the federal government of withholding information and failing to inform the Canadian cattle industry, as well as a failing to safeguard the industry by implementing a more restrictive feed-ban early on.

CWB ARGUES FOR BARLEY CASE TO BE EXPEDITED: The Canadian Wheat Board (CWB) continues its battle not to lose its single desk for barley on August 1st. On June 18th, the CWB filed for a judicial review to determine the legality of the federal government's attempts to remove barley from the CWB single desk. On July 4th, the governments of Manitoba and Saskatchewan filed motions stating that they planed to file for intervener status for both the CWB case and the Friends of the CWB case. Friends of the CWB is a producer organization that is also challenging the federal government's authority to remove the CWB single desk using regulation rather than legislation. On July 5th, the CWB made a nother legal move in its fight with the federal government. The Canadian Wheat Board argued a motion before a judge via teleconference to have the barley case expedited in light of the fact that the August deadline is fast approaching. The CWB also argued to have the CWB case and the Friends of the CWB case heard together or one after another. The CWB justification for this request is to eliminate the danger of inconsistent results, and to also save time and money. The court file number T-1124-07 and developments case development can be followed at the following website: http://cas-ncr-nter03.cas-satj.gc.ca/IndexingQueries/infp_RE_info_e.php?court_no=T-1124-07. Case documents files by the CWB are also available on the CWB website: <http://www.cwb.ca/public/en/hot/legal/barley/>.