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Report Highlights:

What's New, EH?*CANADIAN FARMERS ARE JUST COMPLAINERS, SAYS
PM***CWB LIMITS VALUE-ADDED PROCESSING***CWB PAPER: WHEAT
POLICIES CONSISTENT WITH TRADE OBLIGATIONS***ALBERTA
ANNOUNCES DROUGHT ASSISTANCE FOR LIVESTOCK, HONEY
PRODUCERS***GM FOODS: SECOND HOUR OF DEBATE OVER BILL C-287
And More...**

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.

CANADIAN FARMERS ARE JUST COMPLAINERS, SAYS PM: The June 1 *Good Morning Ontario* reported that Western farmers are complainers, according to Prime Minister (PM) Jean Chretien, but no more than the rest of the country. According to the PM, Canadians love to complain about the government in Ottawa, whether they live in Manitoba, Nova Scotia or Quebec. The National Post reported that Chretien said in Winnipeg May 31 that he does not share the views that Western farmers, for example, feel alienated, arguing that Ontario and Prince Edward Island farmers also gripe that Ottawa is not doing enough to help their businesses. Rather than complain, westerners should consider how their standard of living has improved since the Liberals took power in 1993, says Chretien. Chretien defended his refusal to meet with a group of Manitoba farmers to discuss the grain crisis, saying he is too busy to meet with every group that requests time with him.

CWB LIMITS VALUE-ADDED PROCESSING: The June 4 AGRIWEEK reports that the Canadian Wheat Board has been actively defending itself against the criticism following Minister Goodale's remarks calling for increased diversification of prairie crops. The Board's Canadian sales manager claimed that processing of western grains in Canada is higher on a per-capita basis than in the United States. AGRIWEEK responds that comparing Canadian and U.S. flour milling on a per capita basis is irrelevant. A better measure is the percentage of domestic grain production that is processed domestically. Since 1989 the ratio in Canada has increased from 10.7% to 11.9%; in the U.S. it is over 60%. In contrast, for the non-board commodity canola, the domestic crush represents 35% of annual production; and domestic processing of oats has soared since oats was taken out of the CWB monopoly in 1992.

CWB PAPER: WHEAT POLICIES ARE CONSISTENT WITH TRADE OBLIGATIONS: A June 6 GOC paper argues that fixing U.S. trade distorting subsidies is the key to leveling the playing field for farmers. The GOC provided the paper in advance of public hearing being held as part of the Section 301 investigation of certain practices of the CWB. The paper outlines Canada's wheat trade policies and practices and maintains that they are fully consistent with its international obligations. Agricultural Minister Lyle Vanclief noted, "The current investigation simply re-hashes old, unjustified complaints that were dealt with during past investigations. If the U.S. really wants to look closely at trade practices and policies that affect the wheat sector, it should consider the marketing practices of all major players in the international market, as well as the production and trade-distorting subsidies it has provided to its own wheat growers in recent years. This type of subsidization distorts markets and hurts farmers everywhere."

ALBERTA ANNOUNCES DROUGHT ASSISTANCE FOR LIVESTOCK AND HONEY PRODUCERS: Extreme dry conditions and lack of significant precipitation has prompted the provincial government in Alberta to announce drought disaster assistance for livestock producers of C\$4 per acre through the province's Farm Income Assistance Program. Alberta is suffering from a lack of moisture not seen for more than 130 years. Below normal precipitation in late summer, fall and winter did not replenish moisture reserves and lack of spring rainfall and high winds have increased the problem. Livestock producers across most of the province are dealing with poor pasture growth and very low to dry dugout levels. "This is a critical issue across the entire province and many producers are being forced to sell off their herds," said Shirley McClellan, Deputy Premier and Minister of Agriculture for Alberta. In addition, the province's honey producers, also affected by the severe drought conditions, will receive C\$4 per hive. According to local press reports, cattle market analyst Anne Dunford of Canfax, a cattle market analysis group, said yearling cattle that were meant to go on grass are instead going to feedlots because of the pasture shortage. Dunford said there hasn't been a surge of cow-calf pairs going to market, but that could change if rain doesn't arrive soon to rejuvenate pastures and recharge dugouts. According to Dunford, large selloffs of cattle could dampen prices regionally, but prices generally would remain similar to those set in the North American market.

ALBERTA TO SUBSIDIZE FARM WATER PROJECTS: According to the June 4 edition of *Canadagriculture Online*, the Alberta government has allocated C\$20 million to help bona-fide farmers (\$10,000 or more in annual farm production) develop long-term on-farm water supplies. Eligible projects qualify for one-third of their development costs, to a maximum of \$5,000 per farmer. Any permanent farm water project is eligible if it reduces exposure to future droughts. Farm wells, stock watering dams, cisterns, buried pipelines, spring development, remote watering system components, and dugouts should qualify. Short-term measures such as water hauling, and replacement of existing equipment are not covered.

GM FOODS: SECOND HOUR OF DEBATE OVER BILL C-287: A Bill, C-287, that would force mandatory labeling of "genetically modified" foods was debated for the second time in the House of Commons on June 6. C-287 was introduced into the House of Commons in February 2001 and was debated for the first of three scheduled hours of debate on May 7. The debate on June 6 was the second session in Parliament devoted to debating the merits of the Bill before a vote is conducted on whether to proceed to committee with the Bill or kill it. During the second hour of debate the Parliamentary Secretary to the Minister of Agriculture delivered the Liberal party line, expressing the government's opposition to the Bill and its confidence in the process to develop a voluntary standard for labeling food derived from biotechnology. Bill C-287 will not be subject to the third hour of debate until Parliament reconvenes after September 22. Post expects that the voluntary standard will be available by autumn and that it will play a significant role in the future of Bill-C287.

OTHER SUBSTITUTES COULD EASE ANY CANADIAN CANOLA SQUEEZE: The June 1 edition of *Good Morning Ontario* reported that growing concerns about a shrinking canola crop in Canada could boost prices, but trade analysts told Reuters that global customers were likely to find cheaper substitutes in the event of shortfall. "It just means that in as much as canola prices have to climb higher to ration demand, the world has become much more global and you can't operate in a vacuum," a Winnipeg-based floor trader said on Thursday. "There's a

glut of vegetable oil out there and there's a lot of palm oil as well as a massive soybean crop in the U.S. So you've got the potential to crush beans to offset that demand and try to keep canola in line," a senior trade source said. Talk of extra tight supplies of canola, has arisen out of lower plantings estimates and crop weather problems in Canada, which produces 20% of the world's supply of canola seed, and in Australia, the world's second largest canola exporter.

ETHANOL IN CANADA: According to the June 5 edition of *Good Morning Ontario*, since 1980, Canada's ethanol industry has expanded from 1 plant producing 10 million liters of ethanol, to 4 plants capable of producing 238 million liters of various grades of ethanol annually. This equates to about 600,000 tonnes of corn, or about 8% of Canada's annual corn production. Canada's ethanol industry is currently concentrated in Ontario. Commercial Alcohols Inc.'s Chatham plant, which started operations in late 1997, is the largest in Canada and employs 65 people, producing about 150 million liters of ethanol annually. This highly automated and energy efficient plant also produces 125,000 tonnes of dried distillers grains and 100,000 tonnes of compressed, food-grade carbon dioxide annually. The fuel ethanol industry is an important market for North American grains, says Agriculture and Agri-Food Canada. The economics of ethanol production improved significantly during the latter part of 2000 due to a combination of relatively low commodity prices, record high crude oil prices, and advances in production technologies. In both the U.S. and Canada, concerns about environmental issues and the need for sustainable energy sources continue to be primary considerations in the long-term prospects for the ethanol industry.

Did You Know...

Canadian whisky (rye) is the most popular distilled spirit in Canada.

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