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## Canada

### Agricultural Situation

## This Week in Canadian Agriculture, Issue 2 2002

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#### **Report Highlights:**

"What's New, Eh?" \* Agriculture Unaffected by Major Cabinet Shuffle \* 2002/03  
Canadian Grain and Feed Outlook \* Ontario Hemp Company to Sue U.S. under NAFTA  
for \$20 Million \* Western Canadian Farmers Launch Appeal Against CWB Decision \*  
Saskatchewan Group Sues for Damages Caused by GM Canola \* Grain Growers of  
Canada Ask for Trade Injury Compensation Program  
...AND MORE!

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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.

**AGRICULTURE UNAFFECTED BY MAJOR CABINET SHUFFLE:** Agriculture was noticeable for its absence in this week's federal cabinet shuffle by Prime Minister Jean Chretien. Despite a major shuffle affecting high profile portfolio's, Lyle Vancilief remains agriculture minister and Ralph Goodale retains his responsibilities for the Canadian Wheat Board although his main portfolio has changed from Natural Resources to Government House Leader. David Anderson remains at the helm of Environment Canada. Robert Thibodeau takes over as minister for Fisheries and Oceans, while Anne McLellan assumes the Health portfolio.

**2002/03 CANADIAN GRAIN AND FEED OUTLOOK:** According to harvested acreage estimates from Agriculture Canada and estimated yields from post, a shift out of non-durum wheat into durum wheat will see durum wheat production for the 2002 crop year increase to 4.7 million metric tonnes (MMT) above the 2000/01 production total of 3.1 MMT, the lowest level since the 1988/89 crop year. Total wheat production is expected to increase by six percent to 22.5 MMT. Although current moisture conditions in Western Canada are extremely low, on the assumption that adequate moisture is received in the spring, yield levels are forecast to be higher than the previous year, but will still be below historical trend levels. Barley production for 2002 is expected to reach 11.3 MMT due increases in both acreage planted and yields. Corn production for 2002 is expected to reach a record 9.5 MMT due to increasing planted acreage and yields in Ontario returning to trend levels. Imports into western Canada are forecast to decrease as other coarse grains sourced from western Canada will be used for feeding purposes; eastern Canadian corn imports are also expected to fall due to increased corn production in Ontario. Oat production for 2002 is expected to increase sharply by nearly 40% over 2001 levels, reaching 3.9 MMT. Exports for the year are forecast to be almost 30% higher than the previous year, reaching a record 1.8 MMT.

**CWB MAKES FIRST DURUM SALE TO ALGERIA:** According to the January 15 edition of *Agriline Daily*, the Canadian Wheat Board has reportedly made a significant durum sale to Algeria, first of the crop year. Algeria is typically the CWB's top customer.

**ONTARIO HEMP COMPANY TO SUE U.S. UNDER NAFTA FOR \$20 MILLION:** The Canadian Press reported that Kenex Ltd., an industrial hemp producer near Chatham, is using the North American Free Trade Agreement to challenge a U.S. crackdown on products made from industrial hemp. Canada has allowed commercial farming of hemp since 1998. But the U.S. Drug Enforcement Agency has ordered any food containing the substance off store shelves by February 6. Industrial hemp is still illegal in the U.S. because the cannabis sativa plant, from

which hemp is derived, is used to produce marijuana. That has caused Kenex to notify the U.S. government on Monday that it's seeking at least \$20 million as compensation for lost business. Kenex argues its products - mainly birdseed and edible oils used in a variety of foods such as tortilla chips, granola bars and ice cream - are free of THC, or tetrahydrocannabinol, the illegal hallucinogen in marijuana.

**WESTERN CANADIAN FARMERS LAUNCH APPEAL AGAINST CWB DECISION:**

The January 16 edition of *AgriLine Daily* reported that about two dozen farmers convicted of selling wheat board grains to the United States without CWB permits in the late 1990s launched an appeal in a Regina, Saskatchewan court. The case will be heard in March 2002.

**MEXICAN WORKERS TO PROCESS PORK AT MAJOR PLANT:** According to *AgriWeek*, Maple Leaf Foods is bringing in about fifty workers from Mexico, including experienced meat cutters, to work in the company's pork processing plant at Brandon, Manitoba. Plans to implement a second shift at the plant have reportedly been thwarted by labor shortages and high absenteeism since the plant opened in 1999. The report says that the Mexican workers will be brought into Canada under special two-year work visas and that the workers can only be employed by Maple Leaf Foods.

**SASKATCHEWAN GROUP SUES FOR DAMAGES CAUSED BY GM CANOLA:** The January 10 edition of *AgriLine Daily* reported that Saskatchewan Organic Directorate, a group of organic growers formed in last fall, has launched a class-action lawsuit against Monsanto and Aventis. The suit seeks compensation for alleged damages caused by GM canola spreading to non-GMO organic fields. The group contends that production of organic canola is threatened by the presence of GM canola, making it impossible for organic growers to prove non-GMO purity. The action may also ask for an injunction to prevent the introduction of GM wheat.

**GRAIN GROWERS OF CANADA ASK FOR TRADE INJURY COMPENSATION:**

According to a recent Western Producer article, a safety-net program being advanced by the Grain Growers of Canada (GGC) would see the federal government spend millions of dollars a year to compensate them for price-depressing foreign subsidies. A new program is needed, says the group, because existing programs such as the Net Income Stabilization Account and the Canadian Farm Income Program compensate for variations in earnings between years, but do not take into account income not earned because of external distortions. GGC used a government-generated analysis to argue that foreign subsidies cost Canadian farmers hundreds of millions of dollars annually. Based on a study by Agriculture Canada (AAFC), GGC estimates foreign subsidies have cost Canadian grains and oilseeds producers more than C\$1.2 billion in lost revenue during the four years from August 1996 to July 2000. AAFC "reached a conclusion that 25% of the price reduction per tonne for grains and oilseeds between the 1995-96 peak to the 1999-2000 trough is attributed to foreign subsidies," says a GGC discussion paper. The group said the answer is a national program aimed specifically at compensating farmers for these losses. It said the proposed "trade injury compensation program" would have a payments system based on a combination of historical yields, prices and acreage, and would be detached from

production. This formula would make it WTO-compatible and less susceptible to US countervailing duties, says GGC. The subsidy program would have a built-in sunset clause requiring that it disappear when Ottawa succeeds in using WTO trade talks to reduce subsidies in competitor countries.

**NEW CHAIR FOR CANADIAN INTERNATIONAL GRAINS INSTITUTE:** According to a January 10 article from the *Western Producer*, the Canadian International Grains Institute (CIGI) has announced changes to its board of directors. Arthur Macklin was elected chair and Albert Schatzke was elected vice-chair. Elections were necessary following the death of former chair, Canadian Grain Commission assistant chief commissioner Douglas Stow in September. Macklin, previously vice-chair of the CIGI board of directors, has worked as a grain and cattle producer for 40 years at Grande Prairie, Alta. Macklin has represented the Canadian Wheat Board on the CIGI board since 1999. An elected director of the CWB since 1998, Macklin is a past-president of the National Farmers Union. Schatzke was appointed to CIGI board of directors by the Canadian Grain Commission. He has been a commissioner since 1997. From Stony Plain, Alta., he has operated a mixed farm for more than 30 years. He is a past president of the Alberta Canola Growers Association. Other board members include Adrian Measner, secretary and CWB representative, Andrew Marsland, representing Agriculture Canada, and Gordon Miles, representing the grain commission. The Canadian International Grains Institute provides market development support for Canada's grains, oilseeds and pulse crops.

**DROUGHT FORCES LARGE CROP INSURANCE PAYOUT IN SASKATCHEWAN:** A January 10 article from the *Western Producer* reported that the 2001 drought resulted in the fourth highest Saskatchewan crop insurance payout ever. According to Saskatchewan Crop Insurance Corporation, the company will pay C\$325 million on about 46,000 claims. The numbers include post-harvest, spot-loss hail and establishment claims. The payout totals about \$100 million more than customers paid in premiums. The difference will be paid from the corporation's reserves, leaving \$275 million to start 2002.

**WINTER WHEAT FOR DRY AREAS FOCUS OF STUDY:** According to a January 14 *Western Producer* article, a new research project at the University of Saskatchewan's Crop Development Centre (CDC) will focus on drought-tolerant winter wheat varieties. It is hoped the program will produce winter wheat varieties that can withstand the drought-prone conditions of Western Canada's brown and dark brown soil zones and still provide the high yields for which the winter cereal is known. The breeding program will attempt to boost yields by increasing the seed and head size of the new genotypes. Research is being funded in part by the Western Grains Foundation, Ducks Unlimited and SeCan.

**Did You Know...** according to calculations by the Canadian Federation of Agriculture, Food Freedom Day 2002 is Thursday, February 7, representing the day on the calendar when the average Canadian has earned enough to pay the entire year's grocery bill.

**Recent Reports from FAS/Ottawa:**

Report Number	Title of Report	Date
CA2001	Organic Food Industry Report	01/04/2002
CA2002	Convenience and Non-Traditional Grocery Outlets Report	01/05/2002
CA2003	Trade Body Rules U.S. Tomatoes Cause Injury	01/10/2002
CA2004	This Week in Canadian Agriculture, Issue 1	01/10/2002
CA2005	Pet Health and Nutrition	1/11/2002
CA2007	Breaking Down the B.C. Tomato Monopoly	1/17/2002

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