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## Canada

### Agricultural Situation

### This Week in Canadian Agriculture, Issue 26

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**Report Highlights:**

~~Vanclief Rejects Talk Of Retaliatory Trade Action \* Alberta Premier Klein - Beef Industry Dying \* "Plan B" For Cattle Industry \* Canada Welcomes NAFTA Panel Anti-Dumping Ruling On Softwood Lumber \* Expectations Of A Pool Account Deficit At CWB \* Monsanto Slams Canadian Wheat Board Roundup Ready Wheat Report \* Rain Helps Maintain Saskatchewan Crops \* Dairy Farmers Of Canada Presses For Overturn Of Ontario Court Decision \* CFIA Modifies Directive Pertaining To Commodities Regulated For Blueberry Maggot~~

Includes PSD Changes: No  
Includes Trade Matrix: No  
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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.

*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.

**VANCLIEF REJECTS TALK OF RETALIATORY TRADE ACTION:** A related article from the July 14 *Globe and Mail* reports that Canada's opposition party is calling for the federal agriculture minister to step down, following a failed attempt to persuade Japanese officials to reopen their market to Canadian beef. Despite his frustrations, Vanclief said that the next step for Canadian officials is to continue meeting with their Japanese counterparts and to push the science, which indicates that Canadian beef is safe. Vanclief rejected the idea of retaliatory trade action. A few provincial agriculture ministers have been calling for a halt to U.S. beef imports in retaliation for the ban on Canadian products. "You don't open borders by closing borders," Mr. Vanclief said on Monday. "We'll keep pushing science."

**ALBERTA PREMIER KLEIN - BEEF INDUSTRY DYING:** The July 15 *Globe and Mail* reported that Alberta Premier Ralph Klein said the country's cattle industry will be "down the tubes" by the end of August if the United States and other countries have not lifted their bans on imports of Canadian beef by then. The single case of mad-cow disease, bovine spongiform encephalopathy, discovered in late May has shut down Canadian exports of meat and live cattle to several countries for eight weeks. Industry groups put the cost at \$600-million so far. Klein said he is frustrated that the bans continue despite an extensive investigation and slaughter that found no other cases of BSE. However, the source of the animal's infection has not been determined. Ranchers, breeders and feedlots have only six weeks before the loss of exports causes major and permanent disruptions, Klein said before a speech in Calgary. "The beef industry, relative to exports, will be down the tubes by the end of August." After that, Canada will need to protect what is left of the domestic beef industry, including an eat-beef campaign aimed at Canadian consumers — and perhaps retaliatory trade measures against countries that haven't lifted their prohibitions, Klein said. Ted Haney, president of the Canada Beef Export Federation, said in a worst-case scenario, the cost to the domestic industry could more than triple to \$2-billion by November

**"PLAN B" FOR CATTLE INDUSTRY:** The July 16 *Globe and Mail* reported that Alberta premier Ralph Klein and the Alberta-centered beef industry have begun to talk about the need for a Plan B: policies to have at the ready in case the borders remain closed into the fall to assist the industry. Klein has given only the broadest outline for his version of Plan B, including the need to promote domestic consumption of beef, the possibility of trade sanctions against countries banning Canadian product and the unlikelihood that the province will spend more on compensation to producers. Officials with Alberta's Agriculture Ministry said yesterday that the government will consult with producers about what should be included in Plan B. The beef industry, while stressing that the best solution is to open borders quickly, is beginning to think through a series of steps that would ease it through a painful contraction from an export-oriented business to one about half that size, geared to domestic consumption, as about half of Canada's 92,000 producers would be forced out of business should the export ban remain in place past September. "The reality is, we have to take care of our interests," said Alberta Beef Producers chairman Arno Doerksen. He said that in the event of prolonged bans on Canadian beef, the first step would be for Canada to stop issuing supplemental import permits for overseas beef producers, chiefly from Australia and New Zealand, to sell their product into the Canadian market beyond previously established

limits. The beef imported under supplemental permits is equivalent to about 10% of the amount of lost exports. The Canadian government could further restrict imports by reducing or eliminating shipments from all producers other than the United States. A final step might be to limit U.S. shipments, although Mr. Doerksen acknowledged that NAFTA would impede any such move. However, restricted imports even combined with marketing measures to boost the amount of beef that Canadians eat, would not allow the industry to escape unscathed, he said.

#### CANADA WELCOMES NAFTA PANEL ANTI-DUMPING RULING ON SOFTWOOD LUMBER:

In a July 17 news release from the Canadian Department of Foreign Affairs and International Trade (DFAIT), International Trade Minister Pierre Pettigrew welcomed the NAFTA panel decision, which states that the United States' application of anti-dumping duties on Canadian softwood lumber was inconsistent with U.S. domestic law. The NAFTA panel has ordered the U.S. Department of Commerce to issue a new determination within 60 days. "The panel told the U.S. to correct its flawed determination," said Minister Pettigrew. "Canada will continue to pursue all avenues to defend its softwood lumber industry, including its other WTO and NAFTA challenges." The NAFTA panel decision is available at <http://www.nafta-sec-alena.org>

EXPECTATIONS OF A POOL ACCOUNT DEFICIT AT CANADIAN WHEAT BOARD: The July 14 edition of *Agriweek* reports that there now seems to be no chance that the Canadian Wheat Board (CWB) main hard red spring wheat pool will end the 2002/03 crop year in the black. The CWB will not realize as much in revenues from sales as it will have paid growers in initial and interim payments. The article hypothesizes that this explains why wheat shipments and exports have been so down as of late. The CWB stopped accepting delivery of CWRS wheat below No. 2 last month, allegedly due to "current market conditions." It accepted all the 1 and 2 CWRS wheat offered to its C series delivery contracts, but zero of all other classes, grades and types. The CWB has literally been unable to sell export wheat since at least April at prices that would not worsen the pool return gap. The CWB will now have to juggle its pool account arithmetic, sales proceeds and payments, adjusting prices and grade differentials. It will cross-subsidize some grades out of returns for others to avoid if it can, or at least minimize, the deficit in the total non-durum pool. The CWB can raise initial payments but it can't lower them. No one in the industry knows how big the deficit will be, but payments for No. 1 CWRS made to date are within \$1 a tonne of its latest pool return outlook for 2002/03, a figure that is set by the CWB. There have been three times before that CWB initial payments were set higher than what the market was able to support: 1968/69, 1985/86 and 1991/92.

In a related article from the July 10 *Western Producer*, the CWB's latest pool return outlook (PRO) forecasts a final 2002/03 price of \$258 a tonne for No. 1 CW red spring 14.5% protein wheat. The initial payment is \$256.75 a tonne, a margin of \$1.25 a tonne. If the pool account ends up in a deficit—the Canadian government would be directly subsidizing wheat prices paid to farmers through the CWB. CWB officials acknowledge that a deficit could cause problems on the trade front. But they also are adamant there is no reason to believe that will happen. "The numbers are very close, but we are not in a deficit position right now," said board chair Ken Ritter. "Obviously we are concerned about it, but there are still up to five months left in the pool year and we're not going to speculate where those numbers will end up." While the bulk of the 2002 crop has been marketed, Ritter said some wheat remains to be sold. Analysts also said the board's recent announcement that it would take only No. 1 and No. 2 CW wheat in the C Series contract clearly reflects the board's concern about the possibility of a deficit. "They're only accepting the grain they felt would contribute positively to the pool," said Charlie Pearson of Alberta Agriculture.

**MONSANTO SLAMS CANADIAN WHEAT BOARD ROUNDUP READY WHEAT REPORT:** The July 17 edition of the *Manitoba Cooperator* reports that Monsanto continues to slam a study commissioned by the Canadian Wheat Board purporting to show that the unconfined release of Monsanto's genetically modified Roundup Ready wheat would be environmentally unsafe and pose a natural resource conservation risk. Monsanto spokesman Trish Jordan pointed out the anti-GMO bias of the report's three University of Manitoba-based writers, and suggested that the researchers ignored a large body of scientific evidence in making their claims. Jordan added that references in the report to Roundup Ready canola are misleading due to the lower levels of pollen flow, and that the report fails to mention the economic and environmental benefits of Roundup Ready canola. Rene Van Acker, the lead writer of the report, responded "the report is an environmental risk assessment so it's not the purview of such a report to extol the virtues of a product."

**RAIN HELPS MAINTAIN SASKATCHEWAN CROPS:** A cooler week, with some rainfall, helped to maintain crops, according to Saskatchewan Agriculture, Food and Rural Revitalization's July 14 weekly crop report. Provincially, crop conditions are reported as good to excellent for at least 50% of all crops, with the exception of flax, mustard, and chickpeas. Crop development continues to accelerate with three-quarters of the spring cereals and pulse crops and two-thirds of oilseed crops either normal or ahead of normal development. More than 90% of the fall cereals are either normal or ahead of normal development. There is, however, concern about short crops and heat stress. Topsoil moisture conditions on cropland improved, mainly in central and northern areas of the grainbelt. Provincially, 50% of crop reporters rate cropland topsoil moisture as adequate and 39% rate hay and pasture land topsoil moisture as adequate. The main sources of crop damage during the past week were from insects and lack of moisture. Grasshoppers, in damaging numbers, can be found in areas across much of the province. Hail damage was reported in central and northern areas.

**DAIRY FARMERS OF CANADA PRESSES FOR OVERTURN OF ONTARIO COURT DECISION:** According to a July 16 news release, the president of Dairy Farmers of Canada (DFC), Leo Bertoia, called on the Ontario Minister of Agriculture to overturn a recent Ontario Tribunal decision allowing for dairy producers in the province to not hold quota if production is for export-only purposes. Bertoia said the tribunal ruling means Canada would be contravening an agreement with the United States and New Zealand on Canadian dairy exports. Bertoia said that the few non-quota holders who wish to export milk jeopardizes the "collective rights" of the majority of the producers who function under supply management. "On behalf of Canada's milk producers, I encourage the Ontario government to overturn the decision of the Ontario Appeal Tribunal in the matter of milk exports by non-quota holding producers," continued Bertoia. DFC, provincial dairy organizations and other supporters of the dairy industry and the supply management system have contacted Ontario Agriculture Minister Helen Johns and various provincial government representatives to put an end to the dispute and overturn the tribunal's decision.

**CFIA MODIFIES DIRECTIVE PERTAINING TO COMMODITIES REGULATED FOR BLUEBERRY MAGGOT:** On July 17, the Canadian Food Inspection Agency (CFIA) noted that Appendix 1 of Directive D-02-04 "Phytosanitary Requirements For The Importation From The Continental United States and For Domestic Movement Of Commodities Regulated For Blueberry Maggot " has been revised and is available on the web at: <http://www.inspection.gc.ca/english/plaveg/protect/dir/d-02-04e.shtml>

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