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Report Highlights:

Canada Pleased With NAFTA Threat Of Injury Ruling On Softwood Lumber * Reaction To U.S. Decision To Accept Canadian Boneless Beef * Canadians Consuming Beef In Record Numbers * Benefits To CWB Targeted At WTO Talks * Pasta Millers Defend CWB At ITC Hearing * September Canadian Grain And Feed Update * Saskatchewan Harvest Conditions * Ontario Wheat Growers Opt For Open Market * Consensus Reached On Voluntary Standard For Labeling Of Genetically Engineered Foods * New Brunswick Food Quality Program Takes Inspection Duties From Federal Government

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.

CANADA PLEASED WITH NAFTA THREAT OF INJURY RULING ON SOFTWOOD LUMBER: Canadian International Trade Minister Pierre Pettigrew welcomed a North American Free Trade Agreement (NAFTA) dispute settlement panel decision, that, in the Canadian government's opinion, ruled that the May 22, 2003 U.S. International Trade Commission's (ITC) determination that Canada's softwood lumber exports threatened to injure the U.S. softwood industry was inconsistent with U.S. law. The panel ordered the U.S. to issue a new determination within 100 days. "The NAFTA panel agreed with Canada," said Minister Pettigrew. "The U.S. International Trade Commission failed to provide a reasonable explanation for its finding, and failed to ensure that its determination was based on the facts." Canada has also challenge the ITC determination before the World Trade Organization.

REACTION TO U.S. DECISION TO ACCEPT CANADIAN BONELESS BEEF: According to September 4 coverage by the *Globe and Mail* of a Canadian Press article, Claude Boissonneault of the Canadian Food Inspection Agency (CFIA) said, following a decision by the U.S. to accept Canadian beef slaughtered at plants which process both older and younger cows — clearing the way for boneless cuts to finally roll across the border, "There is some relief because this is essentially a turning point for getting back on track for exporting beef products." "It now means some of our plants ... can start processing both classes of cattle again," said Dennis Laycraft of the Canadian Cattlemen's Association. "That very significantly increases our capacity to handle the beef products from our cull cows." The article reports that Canadian exporters have suffered more than C\$1-billion in losses since the May 20 border closure.

CANADIANS CONSUMING BEEF IN RECORD NUMBERS: The September 8 *Good Morning Ontario* also reported that Canadians have stepped up to the plate in support of the country's cattle industry by consuming record amounts of beef. According to the Beef Information Centre, beef disappearance - the amount of beef produced and no longer available in the supply chain - increased 62% from a year ago, as of July. The Centre is expecting an even bigger increase when August statistics are compiled. Just over 123,000 tonnes of beef were removed from the supply chain in July - something that hasn't happened in close to 30 years.

BENEFITS TO CWB TARGETED AT WTO TALKS: The September 4 *Globe and Mail* reported that Canada is prepared to curb federal loan guarantees for hundreds of millions of dollars in sales to Canadian Wheat Board (CWB) customers if free trade talks taking place in Mexico target export credit programs for reform, senior trade officials say. It would have to replace them with programs on the same terms as commercial guarantees in the private sector if the World Trade Organization classifies them as unfair. But Ottawa said it's resisting strongly attempts by the United States and Europe to severely hobble the activities of the state grain-marketing agency at WTO talks. An export credit program backed by the Canadian government supports between \$200-million and \$500-million in annual CWB sales. "In the WTO chair's framework, he's used language that is close to the kind of language that we have been suggesting to him, which is that we should be focusing on export subsidies that may be provided to STEs 'state trading enterprises' or through STEs," he said. Asked how the

elimination of subsidies in WTO talks could affect Canada, he said "it could have some impact on operations like" the CWB. "If we reach agreements on how export credits will be disciplined in the negotiations, the wheat board — certainly a user of export credit — then they would be subject to those disciplines," he said. The CWB says Canadian negotiators have no business placing new restrictions on how the monopoly grain marketer works in WTO talks. It says the initiative to curb how state-trading enterprises operate was not part of the scope of talks launched in Qatar in 2001. "There is no mandate from the Doha declaration to target state trading enterprise," said CWB spokeswoman Louise Waldman. A second Canadian government official said Canada would have to reform its export credit programs through the CWB so they were on commercial terms. He said there would be a net benefit to Canadian farmers from any agreement that saw these credit program reforms because it would only happen if other countries did the same, including the U.S., and would level the international farm sales market.

PASTA MILLERS DEFEND CWB AT ITC HEARING: According to a Canadian Wheat Board (CWB) news release, U.S. millers and pasta makers buy Canadian wheat for its high quality and consistency and despite its higher price, according to milling executives who testified at the September 4 U.S. International Trade Commission (ITC) hearings on in Washington. "The evidence presented was detailed, explicit and clearly established that the CWB is trading fairly in the U.S. market," said Ken Ritter, chair of the CWB board of directors. "Far from undercutting prices, Canadian wheat and durum is fetching a premium. I am confident that when the ITC makes its decision based on the facts, the duties will be removed and we will once again be able to meet the needs of our American customers."

SEPTEMBER CANADIAN GRAIN AND FEED UPDATE: Canadian grain production in 2003 is recovering from last year's poor showing, according to the latest Statistics Canada pre-harvest survey of Canadian farmers. In spite of insect damage and hot, dry weather experienced in the west, crop production will easily surpass the drought year of 2002. Production of most crops should be greatly improved, except in Manitoba, where crops could show a slight decline, as farmers there were generally hit less by the drought of 2002. In eastern Canada, good planting and growing conditions will combine to produce some new records and strong production values for crops. For additional information, see GAIN report CA3057.

SASKATCHEWAN HARVEST CONDITIONS: Saskatchewan farmers now have 81% of the 2003 crop in the bin, up from 60% last week, and well ahead of the five-year (1998-2002) average of 46% complete, according to Saskatchewan Agriculture, Food and Rural Revitalization's September 7 crop report. The harvest is most advanced in the southwest, where 91% of the crop is complete. The northwest is close behind with 68% of the harvest complete. The winter wheat and fall rye harvest are almost complete. Harvesting of peas, lentils, and durum is more than 90% finished at the provincial level. Crops with more than 50% left to harvest include sunflowers and flax. Hot and dry weather in most areas this week continued to deteriorate moisture conditions in topsoil. On cropland, 74% of reporters rated topsoil moisture as very short, compared with 64% last week. Strong winds were damaging to crops in many areas of the province, scattering swaths and shelling crops. Grasshoppers continued to cause damage to un-harvested crops. Many farmers are waiting for moisture before seeding fall crops or continuing with most fall fieldwork. Some livestock owners report having to provide supplemental feed to their stock.

ONTARIO WHEAT GROWERS OPT FOR OPEN MARKET: According to the September 8 edition of covering by *Good Morning Ontario*, Ontario's wheat growers are abandoning the wheat board in droves, reports the Western Producer. "The word in the trade is that it's a landslide away from the (Ontario) wheat board," said Jeff Reid, marketing manager for C&M Seeds of

Palmerston, Ontario. It's estimated that 70 to 80% of the record 2.2 million tonne wheat crop grown in the province this year will be sold off-board under what is called the direct marketing option. Some say the stampede to the open market simply means private buyers are offering a better price than the board at the local elevator. "That could be the only reason," said Jim Whitelaw, a grain trader with of FGDI of Blenheim, Ont. "They're certainly not going to sell outside the board if the board has the better price." But others say it's more complicated than that, arguing that the board's ability to compete is limited by structural and logistical factors, says the Producer.

CONSENSUS REACHED ON VOLUNTARY STANDARD FOR LABELING OF GENETICALLY ENGINEERED FOODS: According to a September 8 press release, the Canadian Council of Grocery Distributors (CCGD) and the Chair of the Committee on the Voluntary Labeling of Foods Obtained or Not Obtained Through Genetic Modification, announced to committee members including the Government of Canada that consensus approval has been reached on a voluntary standard for labeling and advertising of foods that are, or are not, products of genetic engineering. Committee members recently voted to approve the draft of the voluntary standard. The next step is an internal review to be conducted by the Canadian General Standards Board (CGSB), an organization within Public Works and Government Services Canada which oversees the process of developing standards for products and services. This will be followed by the referral of the draft standard to the Standards Council of Canada for consideration as a National Standard of Canada. The Committee developing the Standard has been working since November 1999 and consists of 53 voting members and 75 non-voting members. It includes a balance of stakeholder representation that encompasses consumers, producers and general interest groups such as governments and universities. Agriculture and Agri-Food Canada, the Canadian Food Inspection Agency and Health Canada were among the six federal departments that participated in the process for the development of a standard for the voluntary labeling of biotechnology-derived foods. The Committee has followed the established CGSB processes, which have been used to set standards for many other consumer products in Canada.

NEW BRUNSWICK FOOD QUALITY PROGRAM TAKES INSPECTION DUTIES FROM FEDERAL GOVERNMENT: A September 5 article from Truro's *The Daily News* covering a Canadian Press article reported that the New Brunswick potato industry has, according to the story, launched a revolutionary food quality program that will see shipping companies take over inspection duties from the Canadian federal government. The story says that industry representatives gathered September 4 at the Potato Development Centre in Wicklow, New Brunswick, for the signing of the inspection agreement between potato shippers and the Canadian Food Inspection Agency. Seven years in the making, the story says that the program is the first of its kind in Canada and a first for the potato industry in North America. It is designed to have packing sheds and shippers of potatoes conduct their own quality assurance programs.

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