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Report Highlights:
Vanclief Formally Announces Review Of Import Policy For U.S. Feeder Cattle * Alberta Rejects National Cull Cattle Program; Designs Own * CAFTA Urges Canada To Lead On WTO Agriculture Talks * CWB Files NAFTA Appeal Against USITC & Commerce Trade Decisions * EU Quota Change Opens Door For Canadian Wheat * Alberta Government Survey Shows Support For Voluntary CWB, CWB Responds 'Survey Flawed' * Omnitrax Closes Out The Shipping Season At The Port Of Churchill * Canfor Buying Slocan Forest Products * Canada Bows To Softer Free Trade Plan In Order To Keep Brazil At Table * Canada Welcomes FTAA Progress Made In Miami * Canadian Industry Split Over Latest Softwood Bid * Strike Shuts Down B.C. Coastal Forest Industry * New Skeena Mill In Court - Seeks More Protection * CFIA Releases Management Plan To Control Spread Of Emerald Ash Borer * Canadian Pulse Industry Accuses U.S. Of Abusing Farm Aid * Canadian Peanut Production And Trade * ... 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.

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 FORMALLY ANNOUNCES REVIEW OF IMPORT POLICY FOR U.S. FEEDER CATTLE: Agriculture Minister Lyle Vanclief met in Ottawa this week with representatives from USDA, the National Cattlemen's Beef Association and the Canadian Cattlemen's Association. The Minister announced that the regulatory proposal to allow year-round imports of U.S. feeder cattle would be introduced in the next few weeks and finalized as soon as possible. Imports are now restricted to the period between October and March when vectors to spread disease are absent. Currently, U.S. feeder cattle imported into western Canada during the summer must be tested and treated to prevent the introduction of bluetongue and anaplasmosis, two livestock diseases that are not present in Canada. Neither bluetongue nor anaplasmosis pose any human health risk. The Minister said that new scientific evidence suggests that (Canada) could revise (its) requirements to increase access for imported U.S. feeder cattle. According to Vanclief, the Canadian Food Inspection Agency Inspection Agency, Health Canada, Parks Canada and Environment Canada will examine the issue in consultation with provincial and territorial authorities, stakeholder organizations, international animal disease experts and USDA. "I will be discussing (the issue) with USDA Secretary Ann Veneman, on how to move forward expeditiously," said Vanclief.

MAJOR COOKIE COMPANY SHEDS TRANS FATS: Voortman Cookies Ltd. of Burlington, Ontario, a major cookie manufacturer that delivers throughout the U.S. and Canada to over 450 distributors, servicing over 50,000 retail stores, has announced that its products will be trans-fat free by March 2004. The company president, Harry Voortman predicts his firm's move will be widely followed among major food processors. In modern food processing, cookies and crackers have high levels of trans fats that are created under the partial hydrogenation of unsaturated liquid fats. Trans fats impart desired characteristics to processed foods, such as pliability and extended shelf life. Many food scientists claim there are no safe levels of trans fats and their intake has reportedly been implicated in heart disease, diabetes, and Alzheimer's disease. Under new Canadian nutritional labeling regulations, the labeling of trans fats in packaged foods will not be mandatory until January, 2006. On a per capita basis, Canadians have the world's highest consumption level of trans fats, a development reportedly related to the widespread use of certain vegetable oils by food processing companies. Voortman did not disclose its new recipe, but food industry analysts speculate that the company will use more butter and palm oil.

ALBERTA REJECTS NATIONAL CULL CATTLE PROGRAM; DESIGNS OWN: Alberta Minister of Agriculture, Shirley McClellan, says Alberta has designed its own assistance program for mature cattle and will not participate in the national program announced last week by the federal government (see CA3077). According to McClellan, the Alberta program is market neutral and will not require the slaughter of the animal. Funding for the Alberta Mature Animal Market Transition program is part of the previously announced C$100 million provincial BSE assistance, which was earmarked for both a mature animal program and a steer and heifer program. Alberta's program offers producers the option of a per-head payment or a deficiency payment if they market their animals. Because of the unique nature of their industries, Alberta elk, deer alpaca and llama producers will be offered a feed program specific to their needs.

CAFTA URGES CANADA TO LEAD ON WTO AGRICULTURE TALKS: The Canadian Agri-Food Trade Alliance (CAFTA) is urging Canadian ministers and negotiators to take a leadership role in the effort to move WTO negotiations on agriculture forward to reach agreement on a negotiating framework by mid-December, according to a November news release. "Canada is respected internationally as a leader in world trade negotiations," said Ted Menzies, CAFTA's president. "Our country should once again take the lead by going to the table with practical and forward looking proposals." During meetings with ministers, Members of Parliament (MPs) and Canada's negotiators in early November, CAFTA's members reinforced the important need to establish new international trade rules as soon as possible. "We are very concerned that the negotiations will not likely meet the December 31, 2004 deadline for completion," said Menzies. He added, "The longer the negotiations stretch out, the longer our trade reliant sectors have to deal with the high costs of protectionism and unfair subsidies."

CWB FILES NAFTA APPEAL AGAINST USITC & COMMERCE TRADE DECISIONS: According to a November 24 news release from the Canadian Wheat Board (CWB), the CWB filed its appeal to a NAFTA panel of the U.S. International Trade Commission (ITC) ruling that found exports of Canadian hard red spring wheat cause injury to U.S. farmers. According to the CWB, after considering the evidence, the NAFTA panel has three options available: sending the injury ruling back to the ITC for review, overthrowing or upholding the decision. The panel is given between 13 and 16 months to make a decision. This appeal is part of the CWB's three-pronged approach to eliminate or reduce the 14.15% tariff now levied on hard red spring wheat imports to the U.S. The CWB has teamed up with the Government of Canada and provincial governments of Alberta and Saskatchewan in a NAFTA appeal of the U.S. Department of Commerce (DOC) finding that sales of Canadian hard red spring wheat into the U.S. were unfairly subsidized during the investigation period. The CWB is also working with the federal government to consider the merits of appealing to the WTO on the injury ruling from the ITC and anti-dumping and countervailing duty rulings from the DOC. "We are pleased that durum trade is resuming with U.S. customers following the ITC ruling that removed the tariffs on Canadian durum imports. However, we strongly believe that western Canadian farmers should also have the right to sell their wheat to the U.S. customers who have publicly testified that they are willing to pay a higher price to access our high-quality Canadian wheat," said Ken Ritter, chair of the CWB's board of directors.

EU QUOTA CHANGE OPENS DOOR FOR CANADIAN WHEAT: The November 25 edition of *Good Morning Ontario*, quoting *Resource News*, reported that a decision by the European Union to expand the tariff rate quota (TRQ) for lower quality Canadian wheat provides additional opportunities for marketing Canadian grain, according to sources. The Canadian 38,000 metric ton (MT) quota for 2003 was filled earlier this fall. Canada, along with the U.S. is now allowed to import under EU sub-quota III that has an import ceiling of 2.371 MT. The import quota carries a duty of 12 euros per ton. "We'll always be looking for opportunities," said the CWB’s Dwayne Lee. However, CWB sources added that the Canadian crop was pretty high in quality this year, which means there is not much lower quality wheat to sell. The majority of Canadian wheat moving to the EU this year meets their high quality expectations, therefore it moves duty free without restrictions.

ALBERTA GOVERNMENT SURVEY SHOWS SUPPORT FOR VOLUNTARY CWB, CWB RESPONDS ‘SURVEY FLAWED’: A survey conducted for the Alberta provincial government showed that the majority of the province’s barley growers (68%) and wheat growers (64%) would like to have a voluntary Canadian Wheat Board. The CWB has responded that the survey was flawed, and that the only solution is for either the current CWB monopoly or a completely open market. The experience in Ontario of gradually moving from a mandatory marketing agency to a completely voluntary one refutes the argument given by the CWB. For additional information, see GAIN report CA3078.

OMNITRAX CLOSES OUT THE SHIPPING SEASON AT THE PORT OF CHURCHILL: The November 25 edition of *Business Wire* reported that OmniTRAX, Inc., an affiliate of The Broe Companies, Inc., announced that it has closed a successful 2003 shipping season at the Port of Churchill. The Hudson Bay Port Company worked very closely with the CWB to ensure that producers received the benefit of shipping through the Port of Churchill resulting in a much higher output of those grains this year. The Province of Manitoba also committed substantial resources toward assisting the Port in achieving the tonnage it did in a relatively poor crop year. "We were able to reach a greater number of destinations across the world due to our new relationship with Louis Dreyfus," said Mike Ogborn, Managing Director of OmniTRAX. "We made great strides this year and we hope to reach our 1 million tonne target to make this a sustainable business in the long term. The new agreements with the CWB, the province of Manitoba, and Louis Dreyfus are critical components to help us meet that target. "We had a good first year," said Ian Luff, Operations Manager of Louis Dreyfus. "There was great hope at the beginning of the year for an exceptional crop and unfortunately that didn't happen. With only an average crop, the goal that OmniTRAX has established is clearly an achievable goal. The Port of Churchill is truly an international shipping hub and one that offers region farmers a cheaper transportation alternative by nearly $20 per tonne." Overall, products were shipped to more than 15 countries and three continents, including: South America, Central America, Europe, and Africa. New destinations included Cameroon, Mozambique, and Greece. The Port of Churchill was able to handle more than 300,000 tonnes of wheat, 140,000 tonnes of durum, and 93,000 tonnes of feed peas. For the first time, the Port handled both 27,000 tonnes of canola and more than 25,000 tonnes of linola.

CANFOR BUYING SLOCAN FOREST PRODUCTS: According to media sources, B.C. forestry giants Canfor Corp. and Slocan Forest Products Ltd. have agreed to merge in a $455-million share exchange deal that will create the world's second-largest lumber producer behind Weyerhaeuser Co. A previous attempt at a merger fell through in 1995 over provincial concentration of ownership issues and lack of support from the board of Slocan. The deal is being driven by the desire of both companies to create a more competitive enterprise capable of meeting the growing demands of major customers in the U.S. and Japan. Sources close to the deal believe the B.C. government will not stand in the way, even though the combined entity will account for more than 50% of the province's lumber production. The combined company is expected to generate annual sales of $3-billion and be capable of producing 5.2 billion board feet of lumber, 1.2 million tonnes of pulp, 950 million square feet of plywood and oriented strandboard, as well as 150,000 tonnes of kraft paper. By combining operations that include 22 sawmills in Western Canada and Quebec, the companies are hoping to achieve operating efficiencies that are expected to produce annual savings of about $60-million. They also expect to be better equipped to handle duties arising from the long-running Canada-U.S. softwood lumber dispute, as well as speculation that any resolution of the dispute may involve the imposition of export quotas on Canadian lumber shipments south of the border. The boards of both companies have already unanimously approved the merger plan. However, for it to proceed, the merger must be approved by a simple majority of Slocan shareholders, at meetings to be held early next year. The transaction is also subject to the approval of both the B.C. Supreme Court and the B.C. government. It must also be seen to be in compliance with the federal *Competition Act*. A spokeswoman for B.C. Forest Minister Mike de Jong declined to speculate on whether the deal would be allowed to go ahead. "We are reviewing the information and we will be prepared to comment in the near future."

THE SPF GROUP – JAPAN PROGRAM LAUNCHES "FROM CANADA 2x4 PROMOTION CAMPAIGN": According to a November release from the Canadian Council of Forest Industries (COFI), the new promotion campaign, designed to provide 2x4 builders with much needed sales and marketing support in targeting new home buyers and educating them on the advantages of building new homes using the 2x4 construction method, aims at increasing 2x4 starts in Japan to 100,000 units annually. The campaign period runs from September 1st 2003 until January 31st 2004. During this, period homeowners who construct a 2x4 home made with Canadian SPF dimension lumber can enter a draw in which three-homeowners will be randomly selected and reimbursed a cash prize of 1 million Japanese yen (approximately 12,000 Canadian dollars). Other activities planned to coincide with the campaign include a news release, updating the recently constructed “2x4 Guide” web site: www.2x4.jp, and a campaign booth placed at five different housing fair locations across Japan. During the campaign period eight-full page color advertisements will be strategically placed in three national housing related magazines that target new homeowners. Campaign leaflets, posters, and flags promoting the “From Canada 2x4 Promotion Campaign” will be distributed directly to potential home buyers at the housing fairs and to new home owners as 2x4 builders promote the campaign to their customers. Overall, 2x4 builders in Japan have been supportive and applications from new 2x4 home owners have already been received.

CANADA BOWS TO SOFTER FREE TRADE PLAN IN ORDER TO KEEP BRAZIL AT TABLE: Fearing a repeat of the collapse of global trade talks in Cancun, Canada dramatically softened its position yesterday to a much watered-down Free Trade Agreement of the Americas (FTAA), reports the November 20 edition of the *National Post*. Pierre Pettigrew, the Minister of International Trade, said Canada is willing to accept a proposal for less-than full free trade through Central and South America after Brazil refused to budge on key issues. "It will not go as far as a country like Canada would go," he said. "It will take it step by step and we're willing to live with that." Pettigrew said the concessions made by Canada, Chile and Mexico – which had been the last hold-outs for a sweeping free trade agreement in the region -- helped to keep the talks alive and convinced Brazil to stay at the negotiating table. The still vague agreement on how to move negotiations ahead towards a January 2005, deadline to liberalize trade in the Americas removes important political obstacles that had threatened to derail the talks. In Canada's case, sources said Pettigrew has bought enough time to ensure the talks survive relatively intact until Paul Martin takes over as prime minister on December 12. Martin has not said what direction he wants to take Canada's trade negotiations nor has he offered any hints of whom will be trade minister.

CANADA WELCOMES FTAA PROGRESS MADE IN MIAMI: According to a November 20 news release from the Canadian Department of Foreign Affairs and International Trade, International Trade Minister Pierre Pettigrew and his 33 hemispheric partners concluded the 8th Free Trade Area of the Americas (FTAA) ministerial meeting in Miami, Florida. "I welcome the progress that was made in Miami," said Pettigrew. "Although we did not achieve all that we had sought, we have succeeded in narrowing differences on the way forward for the final phase of negotiations. We remain committed to creating a comprehensive, high-quality FTAA that promotes economic integration in the Americas and offers new opportunities for Canadian business and investors." At the ministerial meeting, trade ministers re-affirmed their commitment to concluding by January 2005 a comprehensive and balanced agreement that will expand prosperity and foster economic growth throughout the hemisphere. Trade ministers also agreed to release the third version of the negotiating text in the four official languages of the FTAA-English, French, Spanish and Portuguese.

CANADIAN INDUSTRY SPLIT OVER LATEST SOFTWOOD BID: The November 19 *Vancouver Sun* reported that the Canadian federal government's latest attempt to seek a negotiated solution to the softwood lumber war has left the Canadian industry in disarray, with mostly British Columbia based producers in favor of the approach while many in the rest of the country say they have been blindsided by the federal government. "I'm surprised they went ahead without at least checking with industry across Canada," said Alberta Forest Products Association spokesman Trevor Wakelin. "We had a fair amount of dialogue between Doug Waddell (the Canadian softwood lumber trade negotiator) and the industry up until a certain point. I'm not sure what the great rush was to get this out without at least canvassing us on the points." Carl Grenier, spokesman for the Quebec-based Free Trade Lumber Council (FTLC), was more blunt: "This proposal was put to the U.S. before it was given to the Canadian industry or the provinces. That's unconscionable. We should know what our own offer is before the U.S. does." On the other hand, a spokesperson for the B.C. Lumber Trade Council said the Council was aware that a new proposal was being prepared, and knew "generally" what the content would be. It didn't contain any surprises. A spokesman for the Department of Foreign Affairs and International Trade (DFAIT) said that Waddell "consulted extensively with Canadian industry and provinces. The proposal put forward by the Government of Canada was based on the prevailing views of Canadian provinces, territories, and industry." But, the actual proposal was not sent to industry in Canada until it had been delivered to the U.S.

The DFAIT spokesperson said the proposal offers a quota system based on a "duty free" 32% Canadian share of the U.S. market, with a prohibitively steep tax on any volumes above that. It also offers a 75-25 split of the more than $2 billion in combined anti-dumping and countervailing duties collected so far, with a $25-million joint U.S.-Canada marketing fund created. The U.S. money would be paid to the U.S. Treasury -- not to the U.S. Coalition for Fair Lumber Imports – under terms of the Byrd Amendment. According to Grenier and the FTLC, which has members in B.C. as well as in Ontario and Quebec, "There is a segment of Canadian industry, most of it in B.C., which is ready to settle at any cost or price." he said. Grenier believes that Canada needs to be much more hard-nosed in its negotiating stance, particularly when Canada's challenges to the WTO and NAFTA are reasonably successful.

STRIKE SHUTS DOWN B.C. COASTAL FOREST INDUSTRY: According to a November 22 article from *cbc.ca*, at least 8,000 forestry workers in British Columbia will remain off the job in a strike the union predicts will soon be felt at logging operations along Canada’s West Coast. The walkout began November 21 after the provincial labor relations board upheld a controversial contract. Since most mills and other forestry operations don't run at full capacity on weekends, the strike won't hit hard until Monday, according to union leader David Tones. "Operations are going down as we speak," said Tones. "It won't be long before there isn't anybody working on the coast of British Columbia." Earlier in the week, workers learned Forest Industrial Relations (FIR) had unilaterally imposed new working conditions. Workers would no longer be paid overtime for weekends, or compensated for travel time to and from the job site. FIR represents 45 coastal mills and logging operations. The Industrial, Wood and Allied Workers of Canada (IWA) appealed to the B.C. Labour Relations Board, calling the cost-cutting contract illegal. But the board rejected the complaint Friday, meaning the temporary FIR-imposed terms and conditions will remain in place until the union negotiates a new contract. Tones says the union members won't work under the present conditions. "We're on strike and we'll be on strike until we get an agreement because we cannot put our membership at risk," said Tones.

NEW SKEENA MILL IN COURT - SEEKS MORE PROTECTION: The November 20 *Canadian Press* reported that mothballed New Skeena Forest Products Ltd. said yesterday it has applied for court-ordered bankruptcy protection after northern B.C. municipalities last week seized equipment to cover years of unpaid property taxes. The Vancouver-based company, which has a pulp mill in Prince Rupert and sawmills in other communities, made the application under the *Companies' Creditors Arrangement Act*. The B.C. provincial government rescued Skeena from bankruptcy protection in 1997, when it had racked up debts of $500 million. Under provincial NDP government supervision, Skeena continued to lose money and the province cut off credit in September 2001, triggering a second application for protection from creditors. This is the third time since 1997 that Skeena has gone to the court for protection. In a news release, New Skeena said it sought the order to bar the municipalities from further action that could irreparably damage its ability to obtain the financing required to relaunch operations and put more than 1,500 employees, contractors and loggers back to work. Since May 2002, $45 million has been invested in the restructuring of New Skeena, the company said.

CFIA RELEASES MANAGEMENT PLAN TO CONTROL SPREAD OF EMERALD ASH BORER: According to a November 25 press release, the Canadian Food Inspection Agency (CFIA) announced its management plan to control the spread of the Emerald Ash Borer (EAB), a pest that kills ash trees that is now established in Essex County, Ontario. The CFIA is undertaking the campaign to prevent the further spread of the EAB through the establishment of an "ash-free," or "firebreak" zone in southwestern Ontario and through amendments to the Ministerial Order currently in place for Essex County. The ash-free zone will require the removal and destruction of all ash trees in the zone. There will also be a ban on propagating ash trees within the zone and movement of all ash tree materials. Firewood of all species will be regulated to prevent the further spread of EAB to non-infested areas. The Agency is working closely with its partners to control the further spread of the EAB. Other cooperating government agencies include local municipal officials, the Ontario Ministries of Natural Resources and Agriculture and Food; Natural Resources Canada - Canadian Forest Service, and the U.S. Department of Agriculture (USDA). The Emerald Ash Borer Infested Places Ministerial Order, 2003, restricts the movement from Essex County of any regulated articles, including nursery stock, trees, logs, lumber and wood with bark attached, wood chips or bark chips from ash trees (Fraxinus species) as well as firewood of all tree species. The order extends to vehicles that were used to carry any of these items that have not been treated to prevent the spread of EAB. Under the Ministerial Order, the movement of regulated articles from regulated areas to other areas of Canada and the U.S. will only be permitted with the written permission of the CFIA.

CANADIAN PULSE INDUSTRY ACCUSES U.S. OF ABUSING FARM AID: The November 21 *Western Producer* wrote that Canadian pulse processors claim their counterparts in the U.S. are distorting bean and lentil markets by bending farm aid rules. In a letter sent to Pulse Canada and the Canadian Special Crops Association (CSCA), former CSCA president Scott Cunningham said U.S. firms are using Canadian product in PL-480 food aid programs, which is against the law. Regina, Saskatchewan's Saskcan Pulse Trading Inc. president Murad Al-Katib said this practice has been going on in the bean industry for years and now it's happening with lentils. "We think it's a serious issue and no one is doing anything about it." Asked to provide proof that American processors were using Canadian product in food aid shipments Al-Katib said he couldn't. "There is no proof, I guess. I don't have documents that prove that this is happening, but at the same time it has happened in the bean industry and everyone in the (pulse) industry knows it's happening in lentils now." Paul Thomas, executive director of the North Dakota Dry Pea and Lentil Association, said Canadian processors are off base with their accusations of corruption. U.S. government food aid programs are a huge part of most pulse processors' business and they wouldn't jeopardize that by breaking the rules. "It just doesn't make any economic sense for a company to possibly have a short-term gain while risking the life of their business," he said. "I would be shocked to hear that any processor would be abusing that." Garth Patterson, executive director of Saskatchewan Pulse Growers, said American food aid is a laudable and humanitarian pursuit, but Canadian pulse firms question some of the destinations for the aid shipments. Besides going to severely impoverished countries, the aid is going to places where there is an active food trade.

CANADIAN PEANUT PRODUCTION AND TRADE: While peanuts have been grown in the U.S. for decades, Canada is not a large peanut producing country. Production is limited to several small growers located in the south-western region of the province of Ontario. Peanuts were first grown in Canada in 1982. Canada’s peanut industry is extremely small. Canadian production for 2002/03 is estimated by Post to be 300 metric tonnes. Based on plans for increased acreage for 2003/04, Post forecasts that production in 2003/04 will increase to 330

MT. Canada's very limited domestic production of peanuts means that Canada's supplies of peanuts are almost 100% derived from foreign imports, primarily from the U.S. Canadian exports of peanuts, peanut oil, and peanut meal are almost non-existent. Canada's only significant export of peanut and peanut products is peanut butter, exporting 15,300 MT in the 2002/03 market year. For more information, see GAIN report CA3080.

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