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## Canada

### Agricultural Situation

## This Week in Canadian Agriculture, Issue 40 2003

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**Report Highlights:**

Positive Reaction To U.S. Proposed Rule On Live Cattle \* Beef Processing Sector May Have Profited From BSE Crisis, Says Report \* Special BSE Assistance Program For Cull Cows Appears Imminent \* Canadian Sheep Identification Program \* Libya Displaces U.S. As Top Export Market For Canadian Fluid Milk Exports \* Competition Is Key To Effective Grain Transportation, CWB Tells Canadian Government \* U.S. Timber Bid A Start; Offer Needs Work, Trade Minister Warns \* Federal Softwood Initiative Invests In B.C. Forest Communities \* CFIA Revises Sudden Oak Death Directive

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Includes PSD Changes: No  
Includes Trade Matrix: No  
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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.

**POSITIVE REACTION TO U.S. PROPOSED RULE ON LIVE CATTLE:** The Canadian Cattlemen's Association (CCA) reacted very favorably to the proposed USDA rule for re-establishing exports of live cattle under 30 months, bone-in beef and other products to the United States. "We're getting closer to that light at the end of the tunnel," said CCA President Neil Jahnke. Interested parties have 60 days to make submissions in support of it or raise concerns. This is followed by a review of submissions, after which a decision could be made to reopen the border to live cattle from Canada. "At this point, it is difficult to predict when the U.S. border will be reopened to live cattle, but I am optimistic the ban will be lifted soon after the comment period," said Agriculture Minister, Lyle Vanclief. "The U.S. moved quickly to reopen the border to boneless Canadian beef, demonstrating leadership and consideration of sound science." Vanclief noted that Canada is the first country in the world with a case of BSE to get its products back into the United States. He stressed the significance of this action only 100 days after the single case of BSE was discovered in Alberta.

**BEEF PROCESSING SECTOR MAY HAVE PROFITED FROM BSE CRISIS, SAYS REPORT:** According to a *Globe and Mail* story, The House of Commons Agriculture Committee has drafted a yet to be released report that reportedly calls on Canada's Competition Bureau to conduct an investigation into the pricing of beef at the processing and retail levels to determine why supermarket meat prices did not fall after the discovery of mad-cow disease and an international ban on Canadian beef sent cattle prices plunging. Earlier this month, a Quebec government report found that while Canadian beef producers suffered cattle market price declines of up to 70% over the summer, consumers in Alberta, Ontario and Quebec enjoyed only a 15% retail price reduction.

**SPECIAL BSE ASSISTANCE PROGRAM FOR CULL COWS APPEARS IMMINENT:** Prior to the U.S. ban on live cattle imports from Canada related to the discovery of BSE in a single Alberta cow in May 2003, there was a brisk trade in live Canadian slaughter cows exported to specialty processing plants in the United States. None have been exported since, and Canada does not have adequate processing facilities for the backlog of cull cows. In August, the U.S. partially lifted its ban on Canadian beef by allowing entry of Canadian boneless beef from cattle under 30 months of age, but the meat from older animals remains under the ban. Producers in Canada's beef and dairy industries are calling for additional government assistance to aid this sector of the cattle market. This week, there are signs that the federal government is close to announcing an additional BSE assistance program for cull animals. In June, the GOC announced a BSE assistance package that will be cost-shared by the federal government and participating provinces and territories on a 60-40 basis. The cost-shared funding was originally estimated at C\$276 million from the federal government and C\$184 million for provincial and territorial governments. The federal government added an additional C\$36 million to the program in August 2003.

**CANADIAN SHEEP IDENTIFICATION PROGRAM:** Canada's sheep industry is implementing a mandatory identification (traceback) system on January 1, 2004 similar to the Canadian cattle identification program, which was fully implemented in July, 2002. The Canadian

Sheep Identification Program is an industry-led initiative. The program will be administered by the Canadian Cattle Identification Agency that will maintain a database for the sheep industry program. Canada's hog, goat, and cervid sectors are exploring similar programs.

#### LIBYA DISPLACES U.S. AS TOP EXPORT MARKET FOR CANADIAN FLUID MILK EXPORTS:

Based on the six months of available production data for 2003, total fluid milk production for total calendar year is expected to be about 7.88 million metric tonnes (MMT), down slightly from calendar year 2002 production of 7.96 MMT. For 2004, Post forecasts that fluid milk production will decrease 7.77 MMT due to lower cows in milk numbers. As a result of lower forecast fluid milk, production of dairy products is expected to be lower in 2004. In 2002, the U.S. continued to be the largest market for Canadian fluid milk exports, with almost 87% of Canadian exports going to the U.S. For 2003, based on eight months of trade data from Statistics Canada, Libya is expected to displace the U.S. as the top export market for Canadian fluid milk. For more information, see the Dairy and Dairy Products Annual Report (GAIN CA3071).

#### COMPETITION IS KEY TO EFFECTIVE GRAIN TRANSPORTATION, CWB TELLS CANADIAN

GOVERNMENT: According to a October 28 speech delivered by the Canadian Wheat Board (CWB) to the Canadian House of Commons Standing Committee on Transportation, Bill C-26, an amendment to the *Canada Transportation Act*, needs to promote more competition between Canada's two national railways if it's going to satisfy farmers' needs. In the presentation, CWB chair Ken Ritter told the Committee, "We do not believe that Bill C-26 in its present form provides for the level of competition that is required in our industry. The transportation service providers who move our grain must be expected to go head-to-head with meaningful competitors who will force them to continuously strive for the lowest cost structure and best service in an open and fair marketplace." Ritter noted that freight represents farmers' single largest marketing cost, amounting to 20% of total expenses for a tonne of grain. "Effective competition would bring about lower freight rates for western Canadian farmers, especially for those who are captive to one rail line and for whom viable transportation alternatives do not exist." The CWB wants Bill C-26 amended to include running rights -- the right of an applicant railway to solicit business on CN and CP track. CN and CP have opposed running rights saying their revenues would be eroded and their ability to attract investment would be limited. About 30 million tonnes of grain move by rail yearly.

U.S. TIMBER BID A START; OFFER NEEDS WORK, TRADE MINISTER WARNS: According to a November 4 story from the *Globe and Mail*, Canadian International Trade Minister Pierre Pettigrew cautiously welcomed a new U.S. timber industry offer to settle the softwood lumber trade dispute, calling it "a start" that could rekindle negotiations. But he quickly added the proposal alone was insufficient to resolve the latest battle between Canada and the United States, which began 2½ years ago when the most recent deal expired.

"It's a start that can bring us back to the negotiation table, but it's only a start. We will have to build on that. As is, it would certainly need to be improved, but we can probably build on that basis." The U.S. Coalition for Fair Lumber Imports' proposal suggests Canadian softwood lumber imports be tariff free only until they reach a 30.5% share of the U.S. lumber market. Above that, Canadian softwood would be hit with a levy of US\$225 per 1,000 board feet. This would be for a fixed term of three years, regardless of whether provincial forestry reforms make production in various parts of Canada more market-oriented. The coalition also proposes that Canada split the billions of dollars of duties already collected by the U.S. evenly with the Americans.

Canadian officials said this country's industry will not accept a 50-50 division of the tariff revenue, estimated at \$2-billion. The next step for Canada will be to reject the proposal or issue a counter-offer. If the offer is accepted, Canada's share of the U.S. market would be reduced from 34%, meaning annual shipments would be cut by 1.8 billion board feet. "That

would mean many, many plants will close, probably permanently [in Quebec] and elsewhere in Canada," said Carl Grenier, executive director of the Montreal-based Free Trade Lumber Council, which accounts for about 40 per cent of Canada's lumber shipments to the U.S. The end result would likely be that many plants would close, probably permanently in Quebec and elsewhere in Canada. The latest offer has received only a lukewarm response from representatives of the B.C. lumber industry, which accounts for 50% of Canada's softwood shipments to the United States. "We are prepared to take a look at it," said a B.C. Lumber Trade Council spokesman.

**FEDERAL SOFTWOOD INITIATIVE INVESTS IN B.C. FOREST COMMUNITIES:** According to a October 16 news release from the Canadian federal government agency Western Economic Diversification, Industry Minister Allan Rock, Natural Resources Minister Herb Dhaliwal, and Stephen Owen, Secretary of State for Western Economic Diversification and Indian Affairs and Northern Development, announced funding under the Softwood Industry Community Economic Adjustment Initiative for C\$4.8 million in eleven new projects that leverage nearly C\$13 million in new investments for B.C. communities impacted by softwood tariffs. "Supporting British Columbia's forestry sector is a top priority for this Government," said Herb Dhaliwal, Minister of Natural Resources Canada. "Our announcement today shows again our commitment to providing economic opportunities for our communities as we continue to work for a long-term solution to the softwood lumber dispute." "British Columbia's rural communities are deeply connected to their forests and the forestry industry. The Government is responding to the impact of U.S. softwood tariffs which has affected us all," said Simon Cumming, Community Futures Development Association of B.C., Managing Director. "This funding is a concrete example of the Government of Canada's commitment to local solutions and priorities of rural B.C. communities." The announcement brings the total number of projects to 19, with a total funding of C\$8.3 million leveraging \$28 million for B.C. communities impacted by the softwood tariffs.

**CFIA REVISES SUDDEN OAK DEATH DIRECTIVE:** The Canadian Food Inspection Agency recently modified Directive D-01-01, "Phytosanitary Requirements to Prevent the Entry of *Phytophthora ramorum* Associated with Sudden Oak Death into Canada." This directive contains the phytosanitary requirements for the importation of propagative and non-propagative host materials of a serious pathogen, *Phytophthora ramorum* (sudden oak death), affecting a broad range of plants. This policy has been revised to adjust the areas regulated for this pest and to revise certification options associated with those regulated areas. The text and sentence structure of the policy has been simplified and is available on the web at: <http://www.inspection.gc.ca/english/plaveg/protect/dir/d-01-01e.shtml> The following areas of the U.S. are on the CFIA's list of regulated areas -- counties in California: Alameda, Contra Costa, Humboldt, Marin, Mendocino, Monterey, Napa, San Mateo, Santa Clara, Santa Cruz, Solano, and Sonoma. Counties in Oregon: Curry. CFIA import requirements from regulated areas can be viewed at: <http://www.inspection.gc.ca/english/plaveg/protect/dir/d-01-01e.shtml#3.3>

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