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Report Highlights:

Canada's New Agricultural Minister * Reins Of Canadian Wheat Board Pass From Goodale * Agriculture Minister Lyle Vanclief To Retire From Politics * Record U.S. Fresh Strawberry Sales * Canadian Kosher Poultry Faces Preliminary Anti-Dumping Investigation * Potato Crop Tops 5 Million Metric Tons * Lumber Agreement With U.S. Falls Short * Canadian Softwood Industry Split On Settlement * CFIA Implements New Wood Packaging Import Requirements * Price Of Canadian Milk 40% Higher In Canada Than In The U.S., Outraged Buyers Learn * Canada Commits Food Aid For Ethiopia * ... 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.

CANADA'S NEW AGRICULTURAL MINISTER: Bob Speller, Liberal Member of Parliament (MP) for Haldimand-Norfolk-Brant, Ontario has been chosen by the new Prime Minister Paul Martin to be Minister of Agriculture and Agri-Food. He was sworn in on December 12, 2003. The 47-year-old Speller, a former businessman and consultant, was first elected to Parliament in 1988. He has served on several standing committees on foreign affairs, trade, and agriculture. The Haldimand, Norfolk and Brant counties of Ontario are important producers of cattle, poultry, cash crops (corn and soybeans, small grains), and fruits and vegetables. Former Agriculture Minister Lyle Vanclief has announced his retirement from politics, but will stay on as a Liberal member until the next federal election.

REINS OF CANADIAN WHEAT BOARD PASS FROM GOODALE: Reg Alcock, the Liberal MP for the Manitoba riding of Winnipeg South, is the new President of Canada's Treasury Board and will also be the Minister responsible for the Canadian Wheat Board (CWB). First elected to the House of Commons in 1993, Reg Alcock was re-elected in 1997 and 2000. Most recently, he served as Chair of the Standing Committee on Government Operations and Estimates, and as a member of the Prime Minister's Caucus Task Force on Urban Issues. Mr. Alcock served as the Parliamentary Secretary to the President of the Privy Council and Minister of Intergovernmental Affairs from July 1998 to August 2000. He was Chair of the Standing Committee on Human Resource Development and the Status of Persons with Disabilities, a member of the Standing Committee on Justice and Human Rights, and Chair of the Manitoba Liberal Caucus and the Northern and Western Caucus. Mr. Alcock also served as Chair for the Prime Minister's Caucus Task Force on Future Opportunities in Farming. The task force's 2002 report may be seen at: http://www.liberal.parl.gc.ca/agriculture/agriculture_report_en.pdf

AGRICULTURE MINISTER LYLE VANCLIEF TO RETIRE FROM POLITICS: According to an article from the December 11 *www.cbc.ca*, the list of Liberal cabinet ministers who are calling it quits grew longer when federal agriculture minister Lyle Vanclief said he was ready to leave politics. Vanclief told a conference call that he won't run in the next federal election. He became agriculture minister in 1997. Since then, he has had to deal with several crises ranging from drought to mad cow disease. He says he made the decision three weeks ago, but kept it under wraps. Paul Martin, who was sworn in as prime minister on December 12, was not expected to include Vanclief in his cabinet. Saskatchewan Agriculture Minister Clay Serby said earlier he hoped Martin would put someone new in the agriculture position. "Well, ideally, I would hope to see a Western Canadian minister, who is actually a farmer," he said. Vanclief owns a farm in Ontario.

RECORD U.S. FRESH STRAWBERRY SALES: For 2003, Canada's bearing area for strawberries slipped to about 4,000 hectares, a decline of almost 15% from a year earlier. Despite early indications that yields were improved over last year, the increases were insufficient to offset the reduction in area. On balance, the post estimate of total Canadian production in 2003 is 22,500 metric tons, down 10% from the 2002 level of 25,068 metric tons. U.S. strawberry exporters captured 98% of the Canadian import market for fresh strawberries last year and U.S. fresh sales to Canada during 2003 are expected to exceed 56,000 metric tons, valued at

more than \$100 million. For more information about Canadian strawberry production and trade watch for the upcoming Post report entitled Strawberry Market Update.

CANADIAN KOSHER POULTRY FACES PRELIMINARY ANTI-DUMPING INVESTIGATION: The United States International Trade Commission recently announced that it will conduct a preliminary phase antidumping investigation (No. 731-TA-1062) under section 733(a) of the Tariff Act of 1930 to determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports of kosher chicken from Canada that are alleged to be sold in the United States at less than fair value. The Commission is scheduled to reach a preliminary determination in antidumping investigations in 45 days, or in this case by January 15, 2004. The Commission's views are due at Commerce within five business days thereafter, or by January 23, 2004. The investigation is being instituted in response to a petition filed on December 1, 2003, by Empire Kosher Poultry, Inc., Mifflintown, PA.

POTATO CROP TOPS 5 MILLION METRIC TONS: Canadian potato production during 2003 is estimated to have reached 5.3 million metric tons, exceeding the 5.0 million metric ton level for the first time. According to data released by Statistics Canada, the western provinces drove the production increase as they continued to expand area to meet processing demands from within the prairie region. Last year's national crop came in at 4.7 MMT. Manitoba led expansion with potato area up 17% over 2002. Yields in the Maritime provinces were at or below last year's levels while provinces from Quebec to British Columbia all experienced better yields than in 2002. Prince Edward Island remains Canada's top potato producing province, with 25% of the national crop in 2003, but steady annual increases in Manitoba have brought that province closer to P.E.I. production levels. Manitoba accounted for 21% of the total 2003 crop. The production of frozen french fries continued to drive Canadian potato production in 2003. For more information, see the Frozen Potato Product Annual, CA3067, 10/23/03.

LUMBER AGREEMENT WITH U.S. FALLS SHORT: The plan still needs a thumbs-up from Canadian producers and the provinces, but a proposed softwood lumber deal could end Canada's long quest for free trade in the \$10-billion export business, reported the December 8 *Globe and Mail*. The article states that a combination of legal fatigue, the soaring Canadian dollar and Ottawa's desire to close the books on the enduring lumber dispute before Paul Martin becomes Prime Minister has set the stage for an end to the exhaustive legal struggle. But the five-year agreement, if accepted, is well short of the "enduring peace" Ottawa has long sought. Similar to the two previous deals made in 1986 and 1996, the Canadian industry would agree to export quotas of softwood lumber to access to the U.S. market. Under the latest proposal, Canadian producers would gain duty-free access to 31.5% of the U.S. market. All shipments above that level would be hit with a levy of \$200 per thousand board feet of lumber designed to ensure the cap isn't breached. There are exit ramps that would allow producers to escape the restrictions by the end of three years. But the exporting provinces will have to satisfy the U.S. Department of Commerce (and the U.S. lumber industry) that they have eliminated all the subsidies. The industry is suffering from legal fatigue and mounting losses. Producers, particularly in British Columbia, can no longer see the way out of this dispute. For many, the prospect of paying the average 27% duty and mounting legal bills is simply too great a financial burden. For others, the burden is as much psychological as financial. There's a sense that a definitive legal victory is too improbable or too far off. In the end, the deciding factor in going for a deal now may well be the loonie. The dramatic fall in the U.S. dollar this year has been a direct hit on the bottom line of every Canadian lumber producer.

CANADIAN SOFTWOOD INDUSTRY SPLIT ON SETTLEMENT: The December 08 *Globe and Mail* reported that lumber companies from across Canada flocked to opposing sides on whether to accept a proposed settlement to end the long-standing softwood lumber trade dispute with the U.S. The division between companies leaves Ottawa, who is speaking with the provinces and lumber industry representatives Monday to gauge their response, faced with a tough choice. Montreal-based Domtar Inc., Canada's second-largest paper maker, weighed in against the proposed truce Monday, saying it provides "no clear path to free trade" and fails to take into account Canada's victories at ongoing legal challenges filed with NAFTA and the WTO. "Moreover, the structure of the proposed deal will severely hurt softwood lumber manufacturers located in Quebec and Ontario because of their basket of products," the company said. The proposed deal would leave Canada with the smallest slice of the U.S. market it has had in more than 20 years, said Domtar's senior vice-president Richard Gameau. "We would be limited to it for at least three years, more likely five, and potentially in perpetuity. We are facing the complete ruin of our industry." Another Montreal-based company, lumber and paper maker Tembec Inc. also opposes the deal. "If there is no real or threatened injury to U.S. producers, as the NAFTA panel stated in September, then accusations of Canadian dumping or government subsidization are completely without basis and deserve to be withdrawn immediately," said Tembec's president Frank Dottori. Brian Payne, president of the Communications, Energy and Paperworkers Union, called on Ottawa to delay ratification until all stakeholders, including workers, have a chance to study all of the details. "From what we have seen so far, the proposed deal is bad for Canada because it could lead to direct American control of Canadian forestry policies and would pit one province against another," he said.

U.S. timber giant Weyerhaeuser Co., with extensive operations in Canada, urged both governments Monday to move ahead with the proposed settlement. "Once the agreement is ratified, as a U.S.-based company, Weyerhaeuser will do all in its power to ensure a fair process that allows the provinces to adopt forestry policies that will lead to free trade. We must not let personalities or politics sidetrack what so many have worked so hard and so long to achieve." Although Montreal-based forest products company Abitibi-Consolidated Inc. has voiced its support, most of the approval for the deal has so far come from British Columbia, the province that stands to gain the most if it is ratified. B.C. accounts for about 50% of spruce, pine and fir lumber exports, followed by Quebec and Ontario. B.C.-based Slocan Forest Products Ltd. and Vancouver's International Forest Products Ltd. (Interfor) are urging Ottawa to accept the plan. Canadian trade officials led by Minister Pierre Pettigrew are scheduled to talk with representatives of the industry and provincial governments this week before deciding if Ottawa should sign on to the negotiated settlement.

BC LUMBER TRADE COUNCIL ADDS SUPPORT TO SOFTWOOD LUMBER PROPOSAL: In a December 9 news release, the BC Lumber Trade Council announced its support of the proposal developed by the Canadian and U.S. governments to end the longstanding softwood lumber dispute. "Agreeing to this proposal will not only bring certainty to our industry but will also provide a clear course for companies in each province to realize free and unencumbered access to the U.S. market," said John Allan, president of the BC Lumber Trade Council. The proposal will bring to an end the largest trading dispute between Canada and the U.S., while saving Canadian softwood lumber producers over US\$3 million a day, or about \$100 million a month in duty payments. By completing the policy changes already underway in BC, the province will be able to complete the changed circumstance review process and move towards complete free trade with the U.S. "Canadians and Americans have faced very clear choices in this longstanding dispute, but until now they have never faced up to those choices. We could let history repeat itself and be forever locked in pointless and costly litigation, or we could make the policy changes we both know are necessary to get to true and lasting free trade," said Allan. "Modernizing our forest policies is not only good for

British Columbians but at the same time will win us free access to the U.S. market, something that has eluded Canadian lumber producers for generations," said Allan.

CANFOR CORPORATION WILL NOT SUPPORT CURRENT SOFTWOOD LUMBER PROPOSAL: According to a December 11 press release, Canfor Corporation, Canada's largest lumber producer, announced that it will not support the proposed "out of court settlement" between Canada and the U.S. on softwood lumber and the accompanying federal and provincial quota allocation methodologies. While the company has supported the need for a negotiated resolution to this dispute, the current settlement framework, including the proposed federal and provincial quota allocation methodologies, is disproportionately punishing to Canfor's employees, communities, shareholders and customers", said David Emerson, President and Chief Executive Officer. "Furthermore, the settlement framework provides no recognition for the preliminary Department of Commerce decision that Canfor's CVD rate should be 12.24% as opposed to the industry rate of 18.79%. Canfor has therefore over-paid duties by approximately \$60 million of which only 52% will be returned under this proposal and 48% will go to our US competitors under the Byrd amendment. We also informed Minister Pettigrew that Canfor does not intend to suspend its NAFTA Chapter 11 challenge and claim for damages".

CFIA IMPLEMENTS NEW WOOD PACKAGING IMPORT REQUIREMENTS: According to the Canadian Food Inspection (CFIA), Canada is implementing a new policy directive D-98-08 version 3 (<http://www.inspection.gc.ca/english/plaveg/protect/dir/d-98-08e.shtml>) for wood packaging materials effective January 2nd, 2004. This policy change was required to harmonize Canada's import regulations with a new International Standard ISPM No. 15 regulating wood packaging used in trade. Some of North America's trading partners will not be ready to implement ISPM No. 15 for export on January 2nd, 2004, nor will all of the NAPPO members have legislation in place regarding enforcement of ISPM No. 15 on January 2nd, 2004. Canada, the U.S. and Mexico will coordinate the phase-in of the International Standard. During part 1 of the phasing-in, CFIA will be issuing notices for wood packaging materials that are not in compliance with ISPM No. 15 starting on this date. Canada may release the non-compliant wood packaging materials accompanying shipment to destination on detention, pending inspection and subsequent release or treatment. Canada will continue to maintain its container inspection program targeting wood packaging. If material is found to contain regulated pests during this phase-in period, the appropriate phytosanitary procedures will still be implemented. A date for the commencement of strict enforcement of ISPM No. 15 has not been decided by Canada at this time. A new target date for strict enforcement will be set after the legislation for all three NAPPO countries is in place. When Canada decides to pursue strict enforcement of the International Standard, wood packaging materials found to be non-compliant will be ordered returned to origin. Costs incurred in returning the wood packaging materials to origin are the responsibility of the person of the person or entity in care and control of the non-compliant wood packaging materials at the time of entry to Canada (including port or berthing facilities receiving untreated dunnage).

PRICE OF CANADIAN MILK 40% HIGHER IN CANADA THAN IN THE U.S., OUTRAGED BUYERS LEARN: In a December 10 news release, the 17,000-member Canadian Restaurant and Foodservices Association (CRFA) is calling for a steep drop in industrial milk prices after learning that Canadian dairy products are profitably shipped to U.S. buyers at far below Canadian prices. The price of industrial milk - used to make cheese, yogurt, ice cream and other dairy products - is tightly controlled by the Canadian Dairy Commission (CDC), which is expected to make a pricing announcement the week of December 15. Canadian buyers currently pay C\$63 per hectolitre (100 litres of milk) while the same milk is profitably exported to buyers in the United States for C\$44 per hectolitre, according to testimony heard this fall by the Standing Committee on Agriculture and Agri-food. Stephanie Jones, CRFA's Vice President of Food Supply, notes "Under the supply management system prices are

meant to reflect the cost of dairy production, which fell by 3.5% between 1994 and 2002. Instead, the CDC has increased prices by 34% since 1994." Dairy producers receive \$2.5 billion annually in consumer subsidies according to Organization for Economic Co-operation and Development (OECD) and report average profit margins of 24.2%, compared to 15% for all farm types, according to Statistics Canada. CRFA met with the CDC in November to make a case for reasonable dairy prices to deliver better value to consumers. "Sky-high dairy prices are forcing industry stakeholders to review their dairy offering, reduce dairy wherever possible by changing formulations, and invest research dollars in replacing dairy products altogether in their menu mix," says Jones. "Canadian dairy prices can and should be lowered to reverse this trend and to encourage consumers to buy more Canadian dairy products." The CRFA is Canada's largest hospitality association with 17,000 members including restaurants, bars, hotels, caterers, institutions, educators and foodservice suppliers. Canada's \$43-billion foodservice industry employs more than a million Canadians.

CANADA COMMITS FOOD AID FOR ETHIOPIA: In a December 9 news release, Susan Whelan, the Minister for International Cooperation (under the Chrétien Cabinet), announced a contribution to the World Food Programme (WFP) of \$14 million for emergency food aid initiatives in Ethiopia. Minister Whelan made the announcement as part of Canada's response to the 2004 Emergency Appeal for Ethiopia. The funds will be provided by the Canadian International Development Agency (CIDA). "Canada is committed to providing urgent humanitarian assistance to help the world's most vulnerable people meet their basic needs," said Whelan. "The \$14-million contribution to the World Food Programme in Ethiopia will help reduce chronic food insecurity, improve agricultural production and enhance the nutritional status of food aid beneficiaries. In addition, the aid will help curb environmental degradation and increase disposable income for millions of households." "With trusted partners like the WFP, and through the collaboration and on-the-ground efforts of developing countries themselves, tremendous results continue to be achieved in alleviating disease and malnutrition in vulnerable populations around the world." Funding for this initiative was provided for in the February 2003 Canadian federal budget and is built into the existing fiscal framework.

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CA3081	This Week in Canadian Agriculture, Issue 44	12/05/2003
CA3080	Peanut Sector Report	11/28/2003
CA3079	This Week in Canadian Agriculture, Issue 43	11/28/2003
CA3078	Alberta Government Survey Shows Support for Voluntary Canadian Wheat Board, CWB Says Survey Flawed	11/21/2003
CA3071	Dairy Annual	10/22/2003

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