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# **Canada**

## **Agricultural Situation**

### **This Week in Canadian Agriculture, Issue 17**

### **2003**

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#### **Report Highlights:**

Canada Disappointed with U.S. Anti-Dumping Duties on Wheat \* CWB Minister Goodale Threatens Counter Trade Challenge \* U.S. Wheat Duties Called 'Thin Edge of the Wedge in NAFTA' \* Canadian and Russian Agriculture Ministers Discuss Issues \* Cod Fishery Closure Remains Controversial \* Winterkill Suspected in Low P.E.I. Oyster Yield \* Statistics Canada Releases Stocks of Grain \* Canada - Grains and Oilseeds Outlook \* Grain Tendering Saved Farmers C\$40.9 Million Says Report \* Agriculture Canada Considers Direct Payment to Farmers \* Moisture Conditions Continue to Improve in Saskatchewan Grainbelt ... 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. Substantive issues and developments are generally also reported in detail in separate reports from this office.

*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 DISAPPOINTED WITH U.S. ANTI-DUMPING DUTIES ON WHEAT:** In a Government of Canada (GOC) May 2 news release, the GOC expressed its disappointment with the U.S. Department of Commerce's (DOC) decision to impose provisional anti-dumping duties of 8.15% on durum and 6.12% on hard red spring wheat from Canada. International Trade Minister Pierre Pettigrew said that the government will continue to defend the Canadian interests and to monitor the conduct of the wheat investigations to ensure that Canada's international trade rights are respected. "We are clearly disappointed that the U.S. government keeps targeting the Canadian Wheat Board," said Minister responsible for the CWB Ralph Goodale. Final countervail and anti-dumping determinations are scheduled for late summer.

**CWB MINISTER GOODALE THREATENS COUNTER TRADE CHALLENGE:** The May 6 edition of the *Calgary Herald* reported that the Canadian government won't hesitate to launch a trade challenge against the United States if it permanently imposes duties against Canadian wheat imports, says Ralph Goodale, minister responsible for the Canadian Wheat Board (CWB). Goodale says there is little formal action the Canadian government can take against a hike in the tariffs because they are temporary. "It remains to be seen if the duties are (permanent). If they are, we're going to pursue every measure available to us under the trade agreements," said Goodale. While Canadian farmers wait for a final ruling, Goodale said the Canadian government will work with its American customers to lobby against the preliminary decision.

**U.S. WHEAT DUTIES CALLED 'THIN EDGE OF THE WEDGE IN NAFTA':** According to the May 5 *National Post*, Canada must aim to defeat U.S. trade duties on wheat, say observers, warning the effort could have broader implications for other key sectors of the economy. "It is really important that they fight this," said Richard Gray, agricultural economist at the University of Saskatchewan. "It's the thin edge of the wedge in NAFTA. Wheat might be one of the few commodities that it doesn't hurt us that much, but if we allow this kind of action, it can move into commodities where it can just kill us." Gray said if the Americans prove their allegations, the wheat board will quickly move to divert grain shipments overseas. Larry Hill, chairman of the Canadian Wheat Board's trade committee, said diverting grain abroad would bring farmers about \$47-million less than the \$400-million they would typically get from U.S. markets. The numbers show that while the grain trade to the U.S. is "sort of nice," they're not vital, Gray said. Hill said the wheat board is well aware of the broader implications of the dispute. Hill believes the U.S. would file complaints against Canadian farmers whether the CWB exists or not.

**CANADIAN AND RUSSIAN AGRICULTURE MINISTERS DISCUSS ISSUES:** Agriculture and Agri-Food Minister Lyle Vanclief and Russian Agriculture Minister Aleksei Gordeyev held a bilateral meeting in Ottawa this week to discuss sustainable agriculture policy, rural development, research cooperation, Russia's desired accession (which Canada supports) to the World Trade Organization and market access issues. Part of the meeting focused on Russia's new trade measures on meat and its impact on Canadian exports as well as ways the two countries can overcome differences to continue to improve bilateral agricultural trade. Russia, with annual agri-food imports of \$US10 billion, is the world's 13th largest food importer and a major global player in agriculture. In 2001, two-way trade in agri-food products between Canada and Russia totaled nearly \$C90 million. Russia was Canada's fifth largest pork market in 2001, the fourth largest market for poultry and ranks 22nd as a market for Canadian seafood.

**COD FISHERY CLOSURE REMAINS CONTROVERSIAL:** Two week ago, the federal government closed three cod fisheries in the Gulf of St. Lawrence and in the northeast of Newfoundland and Labrador (see CA3024). This week, the issue erupted into political controversy after press reports indicated that Newfoundland Premier, Roger Grimes claimed he would stand by (i.e., not prosecute) fishers who defy the federal closure of most of the remaining East Coast cod fishery. Canada's Prime Minister entered the fray by calling the Premier irresponsible and by claiming the measure was consistent with the protection of the (cod) species. In a late development, the Premier said he wanted control of the fisheries returned to the province and called for an amendment to the Newfoundland

Act under which the province joined Canada in 1949.

WINTERKILL SUSPECTED IN LOW P.E.I. OYSTER YIELD: Since opening day last week, Prince Edward Island oyster fishers have reported high mortality rates in harvested oysters, a development confirmed by provincial aquaculture officials. Mortality rates have reportedly ranged as much as 50-80% in some areas. P.E.I. endured a long, cold winter and industry spokesperson believe it contributed heavily to oyster winterkill. Normally, the winterkill death rate is around 5%. Last year, the federal Department of Fisheries and Oceans (DFO) reported that oysters in two locations on Prince Edward Island tested positive for the MSX (Multinucleate Sphere X) parasite (see CA2134), a serious disease agent of oysters, but the parasite has not been found this year according to officials and, at the present time, is not a prime suspect in the high death rate experienced this year. The value of P.E.I. 'S farmed oyster harvest exceeds \$5 million annually.

STATISTICS CANADA RELEASES STOCKS OF GRAIN: Total stocks of grains and oilseeds in western Canada, including commercial and on-farm inventories, were much lower than previous years, as of March 31, 2003, according to a survey of farmers and commercial grain holders conducted by Statistics Canada and released on May 8. Two consecutive droughts in western Canada reduced production and sharply decreased grain and oilseed inventories. As a result, on-farm stocks of the six major grains reached 11.1 million metric tonnes, down 5.2 million tonnes from 2002. A comparison between 2003 (2002 in parentheses, % change) numbers shows reveals stocks for all wheat 11,586 thousand metric tonnes (TMT) (13,315 TMT, -13%); wheat excluding durum 8,657 TMT (10,242 TMT, -15%); barley 3,274 TMT (6,175 TMT, -47%); corn for grain 4,580 TMT (4,341 TMT, 6%); durum wheat 2,929 TMT (3,073 TMT, -5%); canola 2,104 TMT (2,507 TMT, -16%); oats 996 TMT (1,093 TMT, -9%); soybeans 890 TMT (940 TMT, -5%). For more information, visit the following Statistics Canada website: <http://www.statcan.ca/Daily/English/030508/d030508a.htm>

CANADA - GRAINS AND OILSEEDS OUTLOOK: Using Statistics Canada's latest seeding intentions survey, Agriculture and Agri-Food Canada (AAFC) has revised most of its production estimates for the 2003/04 crop year upward, except for non-durum wheat, according to the latest AAFC *Grains and Oilseeds Outlook*, released April 29. Assuming near-normal yields and abandonment rates, total production of grains and oilseeds in Canada will reach 61 million metric tonnes (MMT) from 42 MMT in 2002/03. Supplies are forecast to increase considerably as higher production more than offsets the low carry-in stocks. Total exports are forecast to increase to 24 MMT from 15 MMT expected for 2002/03. In Canada, grains and oilseed prices are expected to decline due to lower world prices and appreciation of the Canadian dollar.

GRAIN TENDERING SAVED FARMERS C\$40.9 MILLION SAYS REPORT: According to the CWB, the Grain Monitor's second annual report on Canada's grain handling and transportation system was released April 28. The report notes the CWB achieved \$40.9 million in transportation savings for western Canadian farmers during the 2001/02 crop year. These savings came from a variety of sources, including grain company tendering, freight and terminal rebates and financial penalties for non-performance. Financial penalties for non-performance were negotiated as part of the new transportation agreement reached in August 2001. Grain companies are assessed penalties if they fail to deliver the right amount, type and grade of grain at the right time.

INLAND TERMINAL ASSOCIATION OF CANADA SAYS NO TO TENDERING: A May 1 *Western Producer* article reported that the Inland Terminal Association of Canada (ITAC) has formally asked the Canadian Wheat Board to cease tendering when the crop year ends July 31. "We want to move to zero," says ITAC chair Bill Huber. "The main thing tendering does is reduce the opportunity for the producer to deliver to the facility of his choice." A memorandum signed three years ago by the CWB and the Canadian government expires July 31, but the CWB has said in recent months that it felt bound by an informal understanding with grain companies to carry on with 50% tendering. The CWB's concerns center on the impact of tendering on producers and some small grain shippers, and about being tied to a specific percentage for tendering. Another significant player is the Western Grain Elevators Association, which represents the nine major grain handling companies, and it's unclear how the association will deal with the issue. Saskatchewan Wheat Pool and Agricore United have called for 100% tendering, while N. M. Paterson and Sons and Weyburn Inland Terminal want an end to tendering. Critics of tendering say a few big grain companies have abused the system by bidding at unrealistically high levels that small firms can't match, to buy market share. Proponents of tendering say it introduces more efficiencies into the system by moving grain more cheaply and those savings are passed on to farmers through the CWB pool accounts.

AGRICULTURE CANADA CONSIDERS DIRECT PAYMENT TO FARMERS: Quoting an article from the *UNCLASSIFIED Foreign Agricultural Service/USDA*

*Western Producer*, the May 2 edition of *Good Morning Ontario* reported that the Canadian federal government plans to send its promised second installment of C\$600 million in "transition" funding this year directly to farmers, based on negotiations with provincial farm leaders over how best to design the distribution, federal agriculture minister Lyle Vanclief has indicated to provinces. The *Western Producer* article says timing of the distribution is uncertain but provinces and farm groups expect it before summer. Vanclief has indicated to the provinces he will listen to farmers, although not necessarily to provincial governments. The article states that the cheques will go directly to farmers. Distribution of fund shares between provinces will be based on eligible net sales under NISA, a formula that favors the larger provincial farm economies over the smaller.

**MOISTURE CONDITIONS CONTINUE TO IMPROVE IN SASKATCHEWAN GRAINBELT:** According to the latest weekly crop report from Saskatchewan Agriculture, most of the province has good to very good soil moisture as of May 1st, 2003. Topsoil moisture conditions on crop, hay, and pasture land were generally reported as adequate. Some southern and central areas continue to report surplus topsoil moisture. However, northern precipitation levels have improved only slightly. The northwest region of Saskatchewan still has some pockets where the stubble subsoil moisture remains fair to poor. Farmers have now seeded about three percent of the 2003 crop. The crop most often reported being seeded is peas, but there are also reports of canola, lentils, durum, barley, and spring wheat being seeded. Field conditions are still too wet in some southern and central areas, and too cool in northern areas. Farmers made good headway in clearing away the 2002 crop. Many crop reporters tell of combining and baling of the unharvested crop from 2002. Quality is variable, though yields and grades generally deteriorated over the winter. *Comment: Industry sources indicate that moisture conditions in prairie Canada are generally good, with only isolated areas in north-eastern Alberta, north-western Saskatchewan, and south-central Manitoba still below average moisture levels.*

**TOP CANADIAN COURT TO HEAR GENETIC FOOD PATENT CHALLENGE:** According to a May 8 *Reuters* article, the Supreme Court of Canada agreed to hear an appeal by a Canadian farm crusader against a decision that he had infringed Monsanto Co. patents of genetically modified grain. Monsanto says the Saskatchewan farmer, Percy Schmeiser, had violated its patent for canola modified to tolerate the herbicide Roundup, using it without a license. Schmeiser has cast the case as a crusade for farmers and indigenous growers and people around the world on the issue of the patenting of life-giving organisms.

**SMITHFIELD SUBSIDIARY AVOIDS STRIKE:** News in the Canadian pork industry says a strike has been diverted at Mitchell Gourmet Foods, part of the Smithfield Foods Inc. empire. Workers at the Saskatoon plant reportedly voted to accept a multi-year deal. The plant processes about 3,500 hogs per day, or about half of the hogs of Saskatchewan slaughter hogs. If workers decided to strike, the company had reportedly considered permanently closing the hog processing portion of the plant. Saskatchewan hog producers feared a strike would have been costly to them due to transportation charges if the hogs had to be sold out of province. Meanwhile in Quebec, employees at Olymel's pork processing plant in Magog, Quebec have voted in favor of a strike mandate while negotiations with management on a new contract continue.

**KRISPY KREME OPENS THREE NEW DOUGHNUT STORES IN QUEBEC:** According to a company press release, Krispy Kreme Doughnuts, Inc is opening its first Hot Doughnut Factory retail store in downtown Montreal, Quebec. The company has also chosen two new sites for upcoming Krispy Kreme stores. The second Quebec store will open in Montreal's South Shore Greenfield Park in early summer while the third store will open its doors in August in Laval, north of Montreal. "We have been looking forward to becoming a part of the Montreal community for a long time," said Roly Morris, president and CEO of KremKo Inc, the exclusive Area Developer for Krispy Kreme in Ontario, Quebec, Atlantic Canada, Alberta, Manitoba and Saskatchewan. The downtown Montreal store will offer fourteen Krispy Kreme doughnut varieties besides its signature a Hot Original Glazed doughnut and will be able to produce more than 200 dozen doughnuts per hour. In a related release, Krispy Kreme announced plans to expand its development in Canada, increasing the development territory of KremKo, Inc., the Company's franchisee in Eastern Canada. The new development agreement, which includes the Canadian provinces of Alberta, Manitoba and Saskatchewan, calls for an additional 8 stores in the region over the next 5 years.

**Did You Know** ...that potatoes, sweet corn and green peas account for about 78% of the total vegetable area in Canada. (Source: AAFC)

**Recent Reports from FAS/Ottawa:**

Report Number	Title of Report	Date
CA3025	This Week in Canadian Agriculture, Issue 16	4/25/2003
CA3021	Grain and Feed Annual Report	4/11/2003

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