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Canada
Agricultural Situation
This Week in Canadian Agriculture, Issue 30

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Approved by:
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PLEBISCITE ON BARLEY MONOPOLY TO BE HELD WITHIN A YEAR: The Minister of Agricultu and Agri-Food and Minister for the Canadian Wheat Board, issued a press release officially announcing the Federal government's intent to hold a plebiscite on the marketing of barley. The removal of the monopoly on barley is slated for six months into phase two of the CWB transformation, with the removal of the wheat to follow 6 months later. The removal of the barley monopoly is much less contentious with the outcome of the vote uncertain since western producers seem e venly split on the issue. The federal government sent out the call for proposals from companies who wish to hold/run the plebiscite for western producers. The winning company will be charged with compiling a voters list, and wording the question – in consultation with government.

Minister Strahl has been heavily criticized in recent weeks for changes made to eligibility requirements to vote in the Canadian Wheat Board Director elections. Critics of the government's plans for a transformed CWB, including Saskatchewan agricultural minister Mark Wartman and Manitoba agriculture minister Rosann Wowchuk, questioned Strahl's decision to reform the voter's list, accusing the Minister of simply wanting to undermine the board. Stahl defended his actions by stating that the list needed to be updated to provide a more equitable election process and reflect an eligible voting body that had sold and delivered grain in the 05/06 and 06/07 crop years

FEDERALLY APPOINTED TASKFORCE ON MARKETING CHOICE RELEASES FINDINGS: On October 30th, the eagerly anticipated task force recommendations on how to move the Canadian Wheat Board (CWB) from single desk to a successful competitor in the open market were released. The task force recommends a two-year, four-stage transition to transform the current CWB to a new, entirely producer owned, and voluntary CWB. The first stage is a preparation phase that involves putting a Bill before Parliament to repeal the Canadian Wheat Board Act and create a new Act providing authority for the creation of a new commercial entity (CWB II) with specific transition measures attached. The second stage is the formation of the new entity, the selling of shares in the CWB II, and the removal of the monopoly on barley. The third stage is marked by the removal of the wheat monopoly. In this third phase, the CWB II would operate with transition measures such as the continuance of limited government financial guarantees on borrowing, and the Agri-Food Credit Facility, a special credit program for non-sovereign credit that is currently available to the CWB. The final phase involves the CWB II operating without government financial support or regulatory powers. The task force report states from the outset that a marketing approach such as the one CWB uses now could not co-exist with an open market approach. The task force makes clear that marketing choice means that wheat and barley farmers will be able to sell wheat and barley to any domestic or foreign buyer, and that choice would include a transformed Canadian Wheat Board. The Honorable Chuck Strahl, Minister of Agriculture and Agri-food is pleased with the work completed by the task force but said that while the report recommends legislation as the first step, he will begin with consultation. The likelihood of successfully passing legislation, through the current minority Parliament that would result in the removal of the CWB monopoly powers is doubtful. Bill C -300, a bill that would have allowed wheat and barley producers to bypass the CWB buy-back program if selling to farmer-owned, value adding processing plants, was defeated 149-111 by a united opposition. The entire taskforce report can be found at: www.agr.gc.ca/cb/ip/pdf/final_251006_e.pdf

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Approved by:
Gary C. Groves, U.S. Embassy

CWB PRESENTS ITS ARGUMENT AT WTO: The chair of the Canadian Wheat Board (CWB), director and one CWB staff member traveled to Geneva this week to continue working to Canadian farmers' right to choose and use the marketing systems that suit them best. The planning to impress on WTO members that it should be up to western Canadian farmers, members, to decide amongst themselves what marketing system they want. The CWB argues single-desk authority is not trade distorting. Under the agreed-upon July framework, the guarantees of CWB payments and borrowings have been targeted for elimination, and the monopoly powers will be further negotiated. According to the CWB, Canadian farmers are giving up a lot and further concessions from Canada are not required. In addition, the CWB it would be unwise for WTO members to shut the door to the possibilities and benefits that desk marketing structure can achieve for farmers, not only in Canada, but elsewhere.

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Canada
Biotechnology
Canada Controversy Over Roundup Ready Wheat

2003

Approved by:
Gary Groves, U.S. Embassy

Report Highlights:
As the Canadian government continues the approval process for Monsanto's Roundup Ready Wheat, concerns about the biotech crop are increasing from some producer groups and the Canadian Wheat Board (CWB). While the Government of Canada is encouraging the industry to work out the market impact concerns among themselves, the Canadian government appears willing to support whatever decision western producers make.

With approval for Monsanto's Roundup Ready Wheat (RRW) application pending in two of the world's largest wheat exporting countries, the discussion over the genetically engineered crop is heating up. With a possible Canadian decision regarding approval expected as early as spring 2004, some producers feel that their livelihood could be at stake should the Canadian government approve RRW.

Some Canadian producer groups are attempting to block the approval of RRW until not only has scientific approval been achieved, but also international market acceptance. The Canadian Wheat Board (CWB), the sole marketer of Western Canadian wheat, is leading the initiative against the approval of Monsanto's biotech wheat. The CWB has requested that Monsanto withdraw its application to Canadian regulatory authorities, and failing that, has appealed to the Canadian government to reject the application.

The Economic Concerns

The position of the CWB and the reason for its request to Monsanto to withdraw its application is that such approval will shut Canada out of markets in Europe, Japan and other countries. With the moratorium on biotech crops by the European Union still in effect, Africa's sporadic attitude toward biotech imports and the Japanese policy of zero tolerance levels for genetically modified organisms (GMOs), some producers in Canada are afraid of losing their major international markets. According to research issued by the CWB, more than 80 percent of CWB customers would not purchase biotech wheat or purchase non- biotech wheat product from a country producing biotech wheat. Last year Canada exported $1.9 billion (US) worth of wheat to the world. Almost 40 percent of those exports were to the European Union (EU), North Africa, and Japan.

Some western Canadian producers feel that they should be learning from past experiences. When Canada started producing biotech canola in the mid-1990s, Canada suffered significant losses in its international markets. In 1995, 19 percent or $195 million of Canada's canola exports were to the EU; by 1997, less than one percent or $12 million of Canada canola exports were to the EU.

More Costs to Producers

Besides fearing a loss of markets, some western Canadian wheat producers fear mounting costs associated with new provisions that could come with the approval of RRW. In addition, Canadian producers are apprehensive of the costs associated with certification for biotech or non-biotech production, separate processing and packaging facilities for the product, and possible new labeling requirements.

Although nothing has been agreed upon yet, producer groups feel that regulatory trade approvals, thresholds and marketing agreements need to be in place for major export markets. Due to the fact that most producers are not in a position to absorb extra costs and the potential scenario that there is not significant demand for biotech wheat, the CWB is proposing that the Canadian government require an additional step on biotech wheat before it is approved.

A Change in Policy

Currently the Canadian Food Inspection Agency (CFIA) performs a three-tiered science based test to determine the approval of a new product. Those tiers include analysis for food safety, feed safety, and environmental safety. The fourth tier that is being proposed by the CWB would be to incorporate a market impact assessment to determine if there are adequate receptive markets and consumer approval for the introduction of biotech wheat.

Currently, there is much debate over the fourth tier in Canada. Recently the U.S. and Canada filed a World Trade Organization (WTO) case against the EU due to its continued moratorium on biotech foods. There is sentiment by many Canadian producer groups that if Canada adopts a market assessment test, then the basis for product approval is no longer strictly scientific, and Canada will be employing justification on biotechnology products similar to the current approach that the EU uses, based on multifunctionality, against which Canada has joined the U.S. in bringing a legal challenge to the WTO. There is also much concern by producers and the biotechnology industry alike that if Canada changes its legislation and approves a non-scientific standard, then a detrimental precedent for the introduction of other biotech products could be introduced. If Canada adds a market impact assessment to its process, it would, in essence, give Canadian regulatory agencies a trump card to reject any future products, even if the product had passed the environmental, health and safety standards. Finally, there are those that believe the decision to produce, and benefits from the production of biotech crops should only be determined by the individual producers themselves, not by

the government or a regulatory board.

An Underlying Issue

While there is much debate about a fourth, non-science based test to be added to the approval process, there will not likely be any significant debate by Canadians about the safety of the biotech wheat, if approved. Canada's science-based approval process is very much believed in by the producers and accepted by consumers concerning the safety of products approved. That is not an underlying issue. What could be an underlying issue, one that may be motivating some producers and the CWB, is that if Monsanto receives approval for its RRW wheat, there will be another agricultural product that one company will hold the monopoly for.

Besides Monsanto controlling the market, producers and industries resistant to biotech wheat in Canada seem to be so for another reason. Should Monsanto introduce another Roundup Ready product, western Canadian farmers are concerned about Roundup Ready resistant "volunteers" such as wheat growing up in the subsequent crop in their crop rotation (ie, canola). Producers and industries are afraid of the extra costs associated with controlling Roundup Ready volunteers and the perceived lack of product control they will have in their agronomic decisions.

Monsanto has pledged that it will not commercially release biotech wheat until it meets a number of its own criteria, including market identification and acceptance for the product, the establishment of an effective grain segregation system in Canada, and regulatory trade approvals, thresholds or marketing agreements with major export markets. It has refused the CWB request that it withdrawal its application, and it is still pushing for product approval.

What the Government's Stance Is

Currently the Government of Canada and Agriculture and Agri-Food Canada (AAFC) are of the position that the Canadian industry should lead the debate over the market impact of commercializing biotech wheat. A senior official with AAFC has stated that the government is trying to put together a framework under which industry members could debate the issue. The official stated the government would be willing to enforce whatever solution the industry agrees upon. At this time the CFIA has no legislative authority to implement a market impact assessment, for either biotechnology-derived commodities or non-biotechnology- derived commodities, but it appears that AAFC is willing to implement changes to its current regulatory approval process to support the CWB's position calling for the incorporation of market acceptance.

What Happens Next?

In light of the fact that Monsanto has refused to withdraw its application to the CFIA for feed and environmental approval (and Health Canada for food safety approval) and that the CWB has vowed to stop Monsanto from receiving approval for RRW, whatever avenues the CWB chooses to pursue in the near future requires continued monitoring. Until the Government of Canada decides whether or not it will add market impact assessment to its science-based analysis, and either approves or rejects Monsanto's RRW application, Canadian producers will be forced to wait.

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