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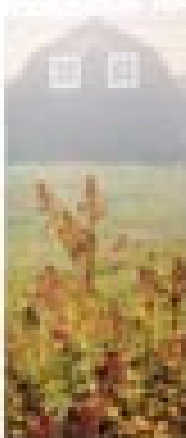
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Quebec News



WTO leaders can only agree to disagree

Andrew Wilford
Business Staff Reporter

WORLD LEADERS in the WTO are unable to agree on a deal to resolve the trade dispute between the U.S. and Canada over the softwood lumber trade. The U.S. Trade Representative (USTR) has said it is "not possible" to reach an agreement with Canada on the issue.



Protesters in Washington, D.C., held a demonstration against the U.S. Trade Representative's decision to impose a 25% tariff on Canadian softwood lumber.

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Everything gets a second
examination at the
OFA that the first does
not.

—Graham Clark

Invest
OUR ENERGY
where it really
counts!

OPA

A short history of subsidies and supply management

Chris Judd
QFA Vice-President

As countries become older, the income of the “haves” and “have-nots” drifts farther apart. Anyone who has visited Europe soon sees this. It became evident in the 1960s that the “have-nots” in North America were approaching a point past which they no longer could afford to pay more for their food. At the same time, the farmers could no longer produce food at prices less than their “cost of production.”

There were two distinct ways to address the problem.

First, the American solution. They gave out food stamps to the poor and over time made various handouts to their farmers.

Second, the Canadian solution (which was less degrading to persons living on low incomes) where the producer sold his product (beef, grain, butter, etc.) at a price even the poor could afford while the federal and provincial governments made up the difference between the cost of production and the selling price with subsidies derived from tax dollars collected at a higher rate from the rich. These subsidies, based on cost of production, soon became known as subsidies provided to our agricultural producers, when in fact they were a food subsidy for the poor. In other words, the Canadian government made a conscious choice to have a cheap food policy.

This system worked very well for several years. But then a wrench emerged in the system. Multi-national processors and grain traders began to manipulate the subsidies to their advantage by buying raw product at a low subsidized price in one country, and then turning around to sell a finished product at a very “competitive price” in a country that subsidized the product at a lower rate. Grain traders also discovered that they could control more grains and make more profit in a subsidized world. (Grain sold on the futures market must be partially paid for the time of purchase.) These companies make money by running grains through their elevators and their shipping channels. By raising and lowering prices in different countries, they can force prices lower in whichever country they wish and then the producers in that country lobby their government to prop up the price with subsidies.

Our supply managed sectors don't fit into their multi-national trade plan because—through old agreements with the federal and provincial governments—they produce for a domestic market at a cost of production that is very efficient. And if these sectors received their cost of production yearly, they would only give their top 50 per cent to 35 per cent a fair price.

Now, some processors have found a loophole in our trade laws and are importing dairy ingredients at a “dumping price” and displacing a bigger and bigger percentage of our manufactured dairy products. Canada's supply managed system will only work if our federal government blocks these imports. If they don't, then they must be prepared to dip into the treasury and make up the difference in the cost of production and our sales.

There are a few farmers who say we should lower our price and buy back our market. To these producers I say that there are states south of us with open doors to new producers. The only processors who share their profit with producers are the co-ops and they, to say the least, are doing very well on their own.

FCC Business Planning Awards set young farmers on the right track

Andrew McClelland
Advocate Staff Reporter

Students and faculty from Macdonald College's Farm Management and Technology program gathered in Macdonald campus' Raymond building on April 20 to attend the presentation of the Farm Credit Canada (FCC) Business Planning Awards, and learn some of the finer points about organizing a successful agribusiness in Canada.

Marc-André Isabelle was presented with first prize for his presentation on *Ferme Isabelle Inc.*, his comprehensive plan for diversifying production and increasing profit on his family farm in Ste-Emmanuelle. Kevin Wilson was awarded second prize for his informative, and often hilarious, presentation on his third-generation family farm in Vankleek Hill, Ontario.

The awards, which take place simultaneously every year in a variety of agricultural colleges across Canada, are open to agricultural students in their graduating year, and were designed to help future farmers plan effectively in all areas of production, from cost-of-production to transport to planning successful farm transfers to the younger generation. First and second-year students from Macdonald College's agricultural programs were in attendance to get a glimpse of what a winning project looks like.

"It's been an honour to take part in this program and see the hard work, dedication and passion these students have put in to the projects," said Peter Enright, director of the Farm Management and Technology Program. "For those of you in first or second year, the bar is set pretty high."

Kevin Wilson began the afternoon's proceedings with an outline of the steps he hopes to take to improve and expand upon the already-successful Wilson family farm. Boasting a diverse livestock selection and some real estate interests, Wilson outlined his hopes to expand into transport with the purchase of a tractor-trailer and explained some of his personal hopes for the future.

"After graduation, I hope to live and work on the family farm and get married...I have a pretty good idea on that," joked Wilson, referring to his girlfriend Kaleena Sherrer who currently works on the farm as an equine manager. "I also hope to have some kids and get some cheap labour out of them."

Marc-André Isabelle's presentation included an impressive plan to improve the efficiency of his family's crop, swine, and dairy operations. Hoping to increase the farm's heifer calving weight and improve on milking cow comfort, Isabelle let audience members in on some of his secrets on field drainage, and spoke of the shared appeal of working on the family farm.

"My sister is taking biology at Laval University but recently applied to become an agronome, and my brother is taking an agricultural program in a French school—so everyone in the family eventually ends up in farming."

Representatives from the FCC were on hand to speak with students and present Wilson and Isabelle with their prizes.

"Farm Credit Canada is always happy to encourage young farmers who wish to succeed in their field, and we are sure that both Marc-André and Kevin will have a bright future in agriculture," said Manon Vallières, an agronome with FCC.

Isabelle was awarded a cheque of \$2,500 for his first place presentation. Wilson was awarded \$1,500 for second prize.

When asked what he would spend his prize money on, Isabelle had clearly given the matter some previous consideration: "Right now, I'll be spending that money on my car payments! I've needed my car to get to school!"

WTO leaders can only agree to disagree

Andrew McClelland
Advocate Staff Reporter

Trade officials and international leaders are rapidly coming to the conclusion that a satisfactory agreement on trade regulations and agricultural goods may not be in the cards for 2006, with continued talks at the World Trade Organization (WTO) failing to bring a breakthrough.

A senior WTO official described the missed April 30 deadline—the date when negotiators were supposed to have made an agreement upon cuts to farm aid and import duties—as a setback but not a catastrophe.

"Having missed the April 30 deadline, we have certainly had a disappointment but not a disaster," said Stuart Harbinson, special advisor to WTO head Pascal Lamy.

"This is a postponement, not a cancellation. The Doha Development Agenda is alive and kicking. The ingredients of a major deal are still there. But we are under major time pressure and decisions," Harbinson told reporters on May 10.

The Doha round of WTO talks—which were started in the Persian Gulf city of Doha, Qatar—was devised in 2001 as a means to alleviate world poverty through a boost to the global economy. An agreement on cuts to farm subsidies and limiting import duties on agricultural and industrial goods is seen by many as the major hurdle to making the overall plan effective. At the beginning of talks, officials spoke of providing crucial services to severely poor countries by July 2006, and of a sweeping free-trade agreement by 2007.

But in light of recent difficulties in negotiators reaching any common ground, WTO Director-General Pascal Lamy has told the organization's 149 member countries that they have “weeks rather than months” to draft a resolution that will see rich nations like Canada and the U.S. drastically reducing their farm subsidies and sharply cutting tariffs on goods brought into their borders.

“We have been going too slowly and been too cautious in our negotiating strategies,” said Harbinson. The WTO advisor added “there is ... a growing realisation among the membership that difficult decisions cannot be put off indefinitely.”

The World Bank estimates that if all members can come to an agreement, a \$96-billion (U.S.) surge of trade might jolt the global economy.

“It's very clear indeed that no one is walking away from the negotiations. All the signs are that the major players, including the US, remain very actively engaged and committed to producing a result this year,” said Harbinson.

Many commentators have mentioned that with the approach of elections in various countries, and specifically the U.S., an agreement will be more and more out of reach as elected officials might find their future uncertain—and their attention diverted to campaigning at home.

Canadian officials are less than optimistic. Speaking after a round of negotiations in Geneva, Canadian Agri-food Trade Alliance (CAFTA) Vice President Alanna Koch appeared doubtful of the eventual success of the Doha round.

"It is now becoming more of a possibility that, in fact, the talks will fail," suggested Koch.

“The big political decisions are what is delaying the process. Until ministers from the member countries of the WTO are willing to make some of those tough political decisions... nothing can move forward.”

CAFTA has been urging that ministers from Stephen Harper's government attend ongoing WTO talks, but no results have yet been seen. According to the trade organization, Ambassador Crawford Falconer, chair of WTO agricultural negotiations, and members of the WTO secretariat have all suggested that politicians from leading countries should be present for the meeting of leaders from the Organisation for Economic Co-operation and Development (OECD) in Paris on May 23 and 24.

Recently, CAFTA sent an urgent letter to the Conservative Prime Minister to voice their concern over what they see as an uncooperative approach to the WTO meetings.

“We have been told that last week Canada stood alone in a negotiating session on agricultural ‘sensitive products’ and opposed an emerging consensus that might have resulted in tariff reductions,” said CAFTA President Liam McCreery in a press statement.

The letter also called for a meeting with Harper, in hopes that the Prime Minister would come to an understanding with agricultural leaders concerned over how international agreements affect their farms’ net income.

“We need to know that our government will fulfill its promises for an ambitious WTO agreement for the majority of Canadian farmers, processors and exporters, and for the entire Canadian economy.”

Escorts required for large farm vehicles

In a letter sent on March 29 to Quebec Minister of Transport Michel Després, the president of the UPA, Laurent Pellerin, voiced his concern about the considerable cost to approximately 3,000 farmers who will eventually have to conform to a proposed agricultural transport regulation published in the February 15, 2006 edition of the Quebec Official Gazette.

Essentially, the controversial regulation would oblige farmers to be followed by an escort vehicle equipped with flashing signal arrows when traveling on a public road with farm vehicles wider than five metres. According to the UPA president, this new regulation will generate undue costs to farmers.

Laurent Pellerin contends that Minister Després could greatly reduce the cost to farmers if he would accept to increase the limit to 5.3 metres, above which an escort vehicle would be required. “This change would also allow all farm tractors to travel on public roads without an escort, which we consider absolutely essential,” he states in his letter.

The principal farm vehicles involved are combines, large 12-wheel tractors, corn planters, vibrating-tooth harrows and grain wagons. For example, six-row corn combines have a width of less than five metres, but eight-row models are over 5.3 meters wide. These latter vehicles would therefore have to be followed by an escort with flashing signal arrows.

According to Laurent Pellerin, flashing signal arrows cost \$1,000 each. After adding the salary of the employee driving the escort vehicle, the total cost to the 3,000 producers affected by the regulation would be in the neighborhood of \$7.8 million.

However, with an exemption given to machinery under 5.3 metres wide, only 800 planters and about 1,000 combines with heads wider than 5.3 metres would be affected and obliged to travel

with an escort. This modification would save farmers over \$5.5 million, compared to the proposed regulation.

Pellerin also suggests that it would be much easier to convince farmers of the necessity of this new regulation, if the change submitted by the UPA was accepted by the *Ministère des Transports*. The proposed regulation also includes restrictions for farm vehicles traveling on public roads at night.

Marc-Alain Soucy
LTCN 27-04-2006

Pellerin challenges government to act on dairy imports

UPA President Laurent Pellerin lent his complete support to dairy producers in their fight against imports of milk protein concentrates as he addressed their annual general assembly held on April 13 in Quebec City.

“This is the issue of the hour,” exclaimed Pellerin to the delegates. “We are calling for political will to resolve this problem. We are not asking for money, but merely to block a loophole that has developed over the years. How come a government that has the opportunity to stabilize farmers’ income by a simple regulatory decision has not given any answers even after several months? They lack only the will to do it. There is not much time left before producers demonstrate their feelings. An effort is required to help farmers, in the aftermath of the three worst years of farm income, to regain their pride.”

Federal government intervention is required to re-establish Canada’s right, obtained during the Uruguay round of WTO negotiations, to limit the importation of milk ingredients. The regulatory solution is one of the possible avenues available to the Canadian government. The federal Minister of Finance has the authority to re-establish by regulation the classification of milk protein concentrates into a tariffable category with quotas.

Canada’s other option would be to pass a law, related to article 28 of the World Trade Organization agreement. This would establish a ceiling on the importation of these concentrates at their present level plus a ten per cent compensation for exporters.

Jean-Charles Gagné
LTCN 27-04-2006

Special category for milk concentrates a “stupid” suggestion

“I find these comments utterly stupid.”

Those were the scathing words spoken by *Fédération des producteurs de lait du Québec* President Marcel Groleau, in reference to the suggestion by Pierre Nadeau, president and general manager of the *Conseil des industriels laitiers du Québec* to have access to low-priced milk to manufacture milk protein isolates in Canada.

“In the absence of import controls, if the federal government wants to subsidize dairy producers in order to give processors access to milk ingredients at world prices, let them do it,” exclaimed Groleau. “But we cannot ask dairy producers in Quebec and Canada to compete, without government assistance, against heavily subsidized milk ingredients coming from Europe or produced in New Zealand, under unique climatic conditions and marketed by a single exporter, Fontana, practically a government-owned enterprise. Dairy producers don’t print money!”

The president of the federation added, “Where does [Nadeau] get the gall to come and tell us that they need milk ingredients at world prices. Dairy processors are living in an ideal world. Supply management assures them a milk supply that limits competition between each other, they don’t have to face competition from imported finished products and the producers buy back the surplus skim milk powder. Their only competition is to negotiate their profit margins with distributors and retailers. In this context, let them try to justify to me that they need to use protein concentrates.”

According to the *Conseil des industriels laitiers du Québec*, Canada produces, year-in and year-out, about 370,000 tons of cheese, with more than half coming from Quebec. Canada in turn grants access to about 20,000 tons of foreign cheese imports, without tariffs, in accordance with international trade rules.

Furthermore, Groleau will not heed the suggestion from Nadeau, inviting dairy producers to go and demonstrate in front of the importers of milk protein concentrates instead of targeting Quebec dairy processors. “That is exactly what we are going to do,” he noted, “because it is the dairy processors that import these products.”

Pamphlets

Dairy producers distributed thousand of pamphlets in front of supermarkets across Quebec, on April 20, in order to convince Quebec consumers to buy dairy products manufactured entirely from domestic milk. The producers wanted to make consumers aware that thousands of tons of milk protein concentrate are imported into Canada, at “dumping” prices, thus replacing Canadian milk in the fabrication of cheese and yogurt. “These imports jeopardize the future of dairy production here and put at risk our supply management,” explained President Groleau. According to him, these imports cause annual losses to Canadian dairy producers of over \$240

million, and could increase to half a billion dollars if the Harper government does not react quickly. Dairy producers are waiting for the government to pass legislation or regulatory measures to limit these imports. The producers also informed the consumers that they did not benefit from these imports, because the dairy products containing these concentrates are not sold cheaper, even if they give, according to the federation, a price advantage of \$15 per hectolitre (\$3 to \$5/kg. of protein) to Canadian processors.

Jean-Charles Gagné
LTCN 27-04-2006

Private wood producers want to keep supply rights

Private woodlot owners will have to be obstinate if they want to hold on to their right to supply wood to mills. Even if the previously discussed “residual” principle is not called into question, the expected restructuring of the industry could bring about enormous pressure.

Since the start of the *Programme d'aide à la mise en valeur des forêts privées* (Program for the development of private woodlots) in 1972, the role of private woodlots has continued to increase. In December 2004, the Coulombe Commission recognized in its report on the management of public forests that private woodlots are an important component in the Quebec forestry system.

The Coulombe Commission added that private woodlots represent a “priority” source of supply for the wood product industry and constitute the “market reference” to establish the volume of standing timber to be harvested in public forests. According to the residual principle, wood from public land should be allocated to mills only after taking into consideration other sources of supply.

“We have not detected any wish to call this principle in question,” confirmed Jean-Pierre Dansereau, the general manager of the *Fédération des producteurs de bois*. While appearing before the Coulombe Commission, the federation had indicated that “linking” the volumes of wood from public and private holdings disadvantaged private owners.

Jean-Pierre Dansereau believes that the 20 per cent reduction in the public forest harvest should favour private owners. However, the present situation in the industry and its inevitable restructuring has caused some concern. Industry leaders are trying to reduce the cost of wood fibre by all possible means.

The federation sees the recent agreement with the U.S. concerning the hardwood lumber dispute as a very positive sign. Because they ship 65 per cent of their wood to sawmills, the private woodlot producers believe that the new seven-year accord will result in market stability.

In spite of its recommendations, the Coulombe Commission has not succeeded in significantly changing the private woodlot situation. It suggested, for instance, that a tripartite financing plan (government, industry, landowners) be “assured” for the 17 regional agencies to develop private

woodlots. It also asked that the management of intensive silviculture projects be conferred to these agencies. This still remains to be done, perhaps following the adoption of Quebec's Forestry Investment Strategy.

Inhabited Forests

According to the *Ministère des Ressources naturelles et de la Faune*, the contribution of private woodlots to the rural economy in terms of product value was \$853 million in 2001. With a view towards integrated resource management, the Coulombe Commission also noted that private woodlots play a vital role in the conservation of the environment.

Since the 1990s, several community institutions have expressed interest in the management of their woodland territories. However, the notion of "inhabited forests" has never really taken off in Quebec. A minute portion of public forests (less than one per cent) is managed under the "inhabited forest" principle. In comparison, 11 per cent of forests in the world are administered or managed by community institutions. After announcing its intention to establish an inhabited forest plan, Quebec never followed through on its promise during the revision of its *régime forestier* policy in 2000.

In its report, the Coulombe Commission noted that the inhabited forest projects were rare and poorly supported. It cited, among others, the examples of the *Forêt de l'Aigle* corporation, the *Forêt Habitée du Mont Gosford*, the sharecropping woodlot formula of the *Forêt modèle du Bas-Saint-Laurent*, the management of the intra-municipal lots in the *MRC de l'Abitibi-Témiscamingue* and finally the tree farm of the wood producer Léonard Otis in the Bas-Saint-Laurent region.

The Commission therefore recommended that the ministry facilitate the undertaking of inhabited forest projects on public land by giving out long-term resource contracts. These contracts should be signed with community institutions having demonstrated their commitment to such projects, particularly by including private land and intra-municipal lots in their project.

Pierre-Yvon Bégin
LTCN 11-05-2006

Wood producers' federation concerned about financing work

On the eve of the meeting of private woodlot partners, the *Fédération des producteurs de bois du Québec* is still worried about the financing of their silviculture operations. Representatives of the private woodlot owners have heard the message that they will be called upon for a greater contribution from private holdings to counterbalance the harvest reduction from public forests. They believe that it is now time to accompany this message with appropriate financial incentives.

“The main objective of the federation is to maintain the principle of accompaniment of woodlot owners by government and industry in their silviculture operations,” declared general manager, Jean-Pierre Dansereau. He explained that members believe that the \$30 million budget for the *Programme de mise en valeur de la forêt privée* should be increased. Paradoxically, financing has been reduced and further decreases are often mentioned.

“The financing of reforestation,” adds Jean-Pierre Dansereau, “is primarily the responsibility of government. For private woodlot owners, it is not profitable to do this type of work. It is therefore important to have a support program. Private woodlot owners are willing to produce more. However, to be sustainable, increased harvest should be accompanied by equivalent reforestation work. If the only interest is to increase the volume harvested, it could become dangerous for private woodlots.”

Dansereau also claims that budget reductions have been accompanied by greater costs and responsibilities to the regional agencies. They must now do the operational surveillance. With increased energy costs, a reduction in pesticide use and stricter municipal regulations, the net result is that the agencies have fewer resources.

“We have less money to do more work,” exclaimed Jean-Pierre Dansereau. He indicated that the federation agrees with the suggestion that the industry try to optimize the use of resources. A revision of the agencies’ operational procedures is therefore desirable. However, the *Fédération des producteurs de bois* believes that the role of the agencies should not be called into question, but should rather be consolidated. Furthermore, the various stakeholders have made a series of recommendations to confirm the role of the agencies. The partners hope to thereby clarify that the agencies should be a place for discussion, to ensure that programs are regionalized. They also have the responsibility to prepare the Protection and Development Plans (PPMV). “They are not there to take the place of the partners who serve on them,” says the general manager. Consequently, he point out that the creation of forestry commissions, a recommendation of the Coulombe Commission on the management of public forests, “troubles” the federation. It is worrisome to see a new structure be set up and grab already rare financial resources.

“We understand clearly the need for re-alignment,” affirms Jean-Pierre Dansereau. “However, it should not be done to the detriment of our existing financing and our ability to influence the operation of programs. Along with our partners, we hold firm positions on this. In private woodlot forestry, working together is well entrenched and it is by way of the agencies.”

Regulations

The next meeting will also be an opportunity to smooth out many irritants concerning municipal regulations. In 1995, municipalities were given the responsibility of the protection of forest territories. By way of the *Loi sur l’urbanisme*, they can regulate the cutting of trees and even the use of the land, since they have the responsibility for land-use planning. Today, it is believed that 80 per cent of the territory is subject to regulations; the federation maintains that some of these are much too severe.

“They have gone too far,” exclaims Jean-Pierre Dansereau. “Yes, we must control harmful activities, but at the same time, we must support proper methods of production.”

The question of fiscal policy is also a major concern of the *Fédération des producteurs de bois*. The averaging of revenues over several years, as announced in the last provincial budget was welcomed with satisfaction. The federation intends to make new proposals to its partners, particularly to attract the younger generation to forestry production. Concerning municipal fiscal policy, the forestry sector is now facing major increases, as the agricultural sector did several years ago. Forestry producers are on the receiving end of the tax burden. According to Dansereau, certain regions have seen an “explosion” in their tax bills.

All and all, the federation sees the up-coming meeting as an opportunity to bring about some necessary changes to the *régime forestier* agreed upon in 1995. It is not a question of changing everything, but mainly to adapt to an evolving situation and to changing needs.

Pierre-Yvon Bégin
LTCN 2006-05-11

“Zero for Quebec” in federal budget, says Pellerin

In spite of the \$1.5 billion dollar increase in the federal agriculture budget, it was poorly received by the Canadian farming sector. The *Union des producteurs agricoles* (UPA) and the Quebec Minister of Agriculture have both openly shown their dissatisfaction, wondering what will be the share of Quebec farmers.

Paradoxically, Yvon Vallières stated that the federal budget is “good on the whole.” But UPA President Laurent Pellerin stated with disappointment that the announced budget included “zero for Quebec.” He recalled that farmers were demanding 2.25 billion dollars, including the 1.75 billion dollars given last year by the Liberal government, plus the \$500 million promised by the Conservatives during the election campaign. In addition, agricultural representatives hoped to obtain the money quickly, with some flexibility to assist the sectors in difficulty in each province, but particularly for the grain farmers, on the eve of their seeding period.

“The greatest beneficiaries of the federal budget,” declared Laurent Pellerin, “are the beef producers. I saw the figures for Ontario, and on a \$300 million aid program, only \$80 million was for grain producers. That’s peanuts! It confirms our own analysis. We are trying to see what Quebec will receive and it is not much. We’re flabbergasted!” Laurent Pellerin added that it is difficult to obtain specifics on the federal budget concerning the distribution method. Information, he says, is also contradictory, depending on whom you ask. In his role as first vice-president of the Canadian Federation of Agriculture, he also indicated that a letter had been sent to the Minister of Agriculture, Chuck Strahl, asking for a meeting to obtain clarification.

“It’s a total disappointment,” stated Laurent Pellerin. “I have rarely seen English-speaking farmers at the Canadian Federation of Agriculture so aggressive. I also found out that Ontario grain producers will be returning to Ottawa with their tractors on June 28.”

Laurent Pellerin noted another contradiction in the fact that the Conservative government is injecting 1.5 billion dollars into the Canadian Agriculture Income Stabilization (CAIS) program—a program that they had promised to abolish during the election campaign.

Disappointment

The Quebec Minister of Agriculture, Yvon Vallières, shares the opinion of Laurent Pellerin concerning Jim Flaherty’s budget. Minister Vallières said he had a telephone conversation with his federal counterpart, Chuck Strahl, a few minutes after the presentation of the budget on May 2. At a meeting in Alberta, he also asked his deputy-minister, Marc Dion, to obtain clarification on the division of the additional 1.5 billion dollars. Yvon Vallières admits that answers are slow coming and has finally written to his counterpart for a meeting.

“I feel a certain disappointment,” affirms Yvon Vallières. “On first impression, it seems to us to be too little, according to the wording of the budget and it does not meet the expectations of Quebec, unless we have misread it. Let’s hope that our interpretation is not correct. There is urgency to act, particularly for the grain producers. Beef producers are also waiting for some support in their acquisition of a slaughterhouse. Concerning the disaster relief program, limiting the assistance to bad weather does not satisfy me”.

“Concerning the method for evaluating inventories in the CAIS program, we already do that in Quebec,” added the Minister. “It will therefore be of most benefit to the Western provinces, to Alberta in particular. We have people in difficulty here and the budget does not seem to help them.”

In spite of his disappointment, Yvon Vallières believes, along with his colleague Michel Audet, minister of Finance, that the federal budget is “equally beneficial” for Canada and for Quebec. The Minister of Agriculture applauds in particular the actions taken to resolve the fiscal imbalance between Ottawa and the provinces.

Pierre-Yvon Bégin
LTCN 11-05-2006

No harm caused by American corn

In an anxiously awaited decision, the Canadian International Trade Tribunal (CITT) has declared that the importation of American corn does not harm Canadian production.

The judgment came down late on Tuesday, April 18 and affirms that American corn imports “do not cause injury or threaten to cause injury” to Canadian corn production.

“We are astonished. We don’t understand it. We are trying to gain our fair share of the market and they take away our means to do it,” declared Stéphane Bisaillon, 2nd vice-president of the *Fédération des producteurs de cultures commerciales du Québec* (FPCCQ) during a press conference in Montreal on April 20. “We have a right to suspect political pressure,” declared Laurent Pellerin, president of *Union des producteurs agricoles* (UPA), who does not understand either how to reconcile this decision with that of the Canadian Border Service.

Those following the ongoing issue of American corn dumping will recall that the Canadian Border Service Agency had previously confirmed the existence of subsidies and an undervaluation of the price of American corn exported to Canada of around \$68 per ton. In spite of this, CITT has now stated that there is no injury caused, with the result that the provisional countervailing duties of \$75 per ton will be abolished and all those who have paid the tariff since December 15 will be reimbursed.

This is a bitter defeat for the Canadian Corn Producers (CCP), who had hoped to prove that there was injury caused and therefore be in a position to maintain the provisional countervailing and anti-dumping duties. The FPCCQ also submits that a study by the OECD in 2004 showed subsidies to American farmers of \$454 US per capita, \$327 US to European farmers and \$181 US to Canadian producers.

The CCP could appeal the decision, once the CITT’s statement of reasons is published on May 3.

Various users of corn see the situation differently. “Corn imports will progressively decrease in Canada,” speculates Peter Clark, advisor for the Animal Industry Corn Users Coalition. This decrease will be an indicator, according to Clark, that “dumping” is not prevalent. Clark is also awaiting the publishing of the CITT finding, to better understand what the authorities took into account.

“It only takes one boatload to kill the market,” declared Laurent Pellerin, suggesting that the volume of imports is not necessarily the best indicator of the impact on prices.

The battle is not necessarily over. The CCP could decide to appeal in federal court or before a NAFTA panel. In the meantime, CASCO and Maple Leaf have already launched appeals against the Canadian Border Service decision and are contesting the countervailing duties and anti-dumping calculations. “If the CCP also files an appeal, we will have to protect ourselves,” indicated Peter Clark, who is also considering contesting the Border Service decision.

The federal government has often suggested that farmers have patience and wait for a reduction of subsidies that should result from the negotiations at the World Trade Organization (WTO). “I no longer believe in this. These are fairy tales for school children and boy scouts,” exclaimed Laurent Pellerin, who does not think the government should wait for the WTO before adequately supporting the grain industry as the U.S. supports its grain growers.

Relieved but understanding

But while the ruling is a setback the FPCCQ, grain processors and animal producers are relieved by the announcement. The Animal Industry Corn Users Coalition, which includes the Canadian Pork Council and the Canadian Cattlemen Association, is satisfied with the CITT decision.

These associations do, however, understand the pressures on corn producers, but they contend that the problem is mainly linked to the value of the Canadian dollar. They are therefore calling on the government to find a global solution for the country's agriculture, through bilateral and multilateral trade negotiations.

The *Association des négociants en céréales du Québec* is also supporting the *Fédération des producteurs de cultures commerciales du Québec* and is asking for better support programs for grain producers from both levels of government.

It remains to be seen if the federal Minister of Agriculture, Chuck Strahl, will heed this joint appeal from both producers and processors.

Thierry Larivière
LTCN 27-04-2006

The growth of organic farming in the Outaouais

Jean-Jacques Simard, agronome
Land-use planning and rural development advisor
MAPAQ – Outaouais sector

According to a recent study* by the *Ministère de l'Agriculture, des Pêcheries et de l'Alimentation* (MAPAQ), the organic food sector continues to show growth in Canada, particularly in Saskatchewan, Quebec, Ontario and in British Columbia. In 2003, the area in organic crops represented one per cent of the total cultivated area in the country and their revenues represented 1.2 per cent of the total agricultural income. The annual growth of sales is between 10 and 20 per cent in Canada. The demand for organic food products is increasing at a faster rate than Canadian farmers can supply them, with the result that over 85 per cent of these foods are imported, mainly from the U.S.

Several problems can explain the difference between supply and demand of organic food products, in spite of the apparent vitality of the sector. The authors of the study underline the difficulties of the traditional farms to convert to organic farming: different production methods, strict and expensive certification regulations, the scarcity of organically certified inputs, lower yields, and oftentimes higher production costs during the transition period. There is also the competition with imported organic products that are often sold at lower prices. It is estimated that retail sales of organic food products represent less than two per cent of total food sales.

Organic farming in Quebec

In 2004, the 617 certified organic farmers in Quebec represented about two per cent of the total number of farms registered with MAPAQ. The organic foods produced are quite diversified: frozen foods (11 per cent), vegetables (22 per cent), fruit (14 per cent), dairy products (16 per cent), other miscellaneous groceries (37 per cent) and meat, which represents less than one per cent of sales.

Most often, organic farms sell their products directly to the consumer, in order to obtain better prices and also because it is difficult to satisfy the requirements of the supermarket chains. In fact, the supermarkets require large volumes with uniformity and regularity of supply, while the prices they pay to organic farmers often do not cover the cost of production. In addition, they are in competition with low-priced imported products, notably from the U.S. and the European community, where large-scale production volumes reduce the unit costs. Quebec organic farmers are generally diversified, small-sized and scattered throughout the agricultural zone. A few Quebec certified organic farms export to the U.S. The cost of becoming certified varies from \$500 to \$3,000 per year, depending on the size of the farm and its production.

The situation in the Outaouais region

In 2005, 13 certified organic farms were registered with MAPAQ in the Outaouais region. This represents 1.3 per cent of the total number of farms in the region and two per cent of the total organic farms in Quebec.

The income of organic farms registered with MAPAQ represents one per cent of the total agricultural revenues declared by all the farmers of the region. The majority of organic farms have more than one production. Declared revenues are divided as follows: vegetables (66 per cent), fruit (3 per cent), maple production (16 per cent) and animal production (12 per cent) and other crops (3 per cent). The Papineau MRC has the highest concentration of organic farms in the Outaouais.

Table 1 – Comparison between organic production and conventional production

Production	Outaouais Organic vs. conventional (%)	Quebec Organic vs. conventional (%)
Cultivated area	0.5 (126 ha)	1.3 (24 816 ha)
Forage crops	0.1	1.3
Grains and oilseeds	0	1.3
Pasture	0.1	0.9
Maple production	5.1	10.5
Vegetables	5.6	0.8
Fruit	4.4	0.8
Greenhouse production	0	3.1

The Outaouais region is distinct among other regions of Quebec because of its larger percentage of area in vegetable and fruit production.

Prospects for the future

Contrary to other peripheral regions of Quebec, the Outaouais is in close proximity to a large urban market of more than one million consumers. Projections of population growth in the area are also interesting. In the Ottawa-Gatineau area, household incomes are higher than the Canadian average. In addition, there is a diversity of cultures and various cultural communities. Furthermore, the proportion of young retirees is on the rise. These are all attributes favouring farmers who may wish to switch to organic farming.

** Sami BEN SALHA and Josée ROBITAILLE, « Le marché canadien des produits biologiques à l'heure des choix », Options-Politiques, juillet-août 2005, Ministère de l'Agriculture, des Pêcheries et de l'Alimentation.*

Subscribe now to MAPAQ's early-warning network!

Marc F. Clément, agronome
Field Crop and Environment Advisor
MAPAQ- Outaouais sector

Do you own a computer? Do you have access to the internet? If you do, you can access a rapid, early-warning network to protect against enemies of your crops. This network, called RAP (*réseau d'avertissement phytosanitaire*), is specifically designed for farmers and it is **free!**

During the past year, the Outaouais region was hit by an invasion of armyworms that adversely affected many farms. The early warning network had predicted, several weeks prior to the appearance of damage in the field, that a particularly high population of armyworms was about to attack the crops. The news media was alerted to the danger but in spite of this, the farmers of the region did not necessarily hear the message. What can be done to improve this essential transfer of information?

Permit me to illustrate the point through a parallel situation. When fire breaks out in a home, a smoke detector can set off an alarm and alert the occupants to act rapidly. People are also reminded every year to verify their system and change the batteries, to ensure that the signal will be heard if the worst were to happen.

For farmers and their crops, the same is true. There are several methods available to receive a warning signal, but they do not all travel at the same speed. The fastest method is by e-mail, but to activate it, you must first subscribe. Imagine if you had to wait until your neighbor told you

that your house was on fire. There would probably be more damage than if you had heard the smoke detector yourself.

But the internet is not the only way to connect to the early warning network for crop protection. Subscribers can also receive bulletins by fax or through the mail. However, these two methods are not free. Furthermore, although fax is just as rapid as e-mail, the regular mail in rural areas may be more like a rainbow that appears after a storm—it can be very pretty, but it arrives too late!

If you are farming cereals, soybeans, corn, forage crops or horticultural crops, the early warning network is an essential tool for you. In addition to keeping you up-to-date on crop conditions, it also instructs you on how to control the insects, diseases and weeds that have been detected by observers in the field throughout the season. Farmers often believe that these bulletins are only for corn and soybean growers, but that is not the case.

So don't wait any longer. Get up and subscribe right away. Here are the coordinates:

RAP – MAPAQ
200, chemin Sainte-Foy, 9th Floor
Quebec (Quebec) G1R 4X6

Telephone: (418)380-2100 ext. 3581
Fax: (418)380-2181
Internet: <https://web.mapaq.gouv.qc.ca/rap/>

Make way for reserved designations and added-value claims

The adoption of Bill 137 (*Act respecting reserved designations and added-value claims*) last April 13 by the National Assembly paves the way for the development of regional and niche products. This initiative—that gained great support from Yvon Vallières, Minister of Agriculture, Fisheries and Food, Minister responsible for the Centre-du-Québec region, and MNA for Richmond—will be as beneficial for producers and processors who make distinctive food products or artisanal alcoholic beverages as for consumers who want the authenticity of these items assured.

New features

The *Act respecting reserved designations and added-value claims*, which will replace the current *Act respecting reserved designations*, builds on the criteria for recognizing reserved designations provided for in the latter. The attestations that were included in the former statute have been maintained, such as methods of production, organic for example, and attestation of specificity. However, attestations for the production region, in other words, protected designations of origin and

of geographical indications, will indicate links with a *terroir*. Bear in mind that all these attestations require a specification manual.

Added-value claims

The new statute introduces the idea of *added-value claims* notably in order to control the use of the indications *farm products* and *artisan products* by means of a single statute. Added-value claims will make it possible to emphasize a particular characteristic of a product, generally with regard to a production or preparation method sought by consumers. The standards defining a product designated by an added-value claim will be subsequently established by ministerial regulation. The procedure for recognizing an added-value claim for a product will be similar to that used for reserved designations. A producer or processor who wishes to use an added-value claim to designate a product will be required to have the product certified by an accredited agency. The product will then be subject to the same rules of inspection and control as those that apply to reserved designations.

Conseil des appellations réservées et des termes valorisants

There is another important feature of this law—the founding of the *Conseil des appellations réservées et termes valorisants du Québec* (CARTV), based on the current *Conseil des appellations agroalimentaires du Québec* (CAAQ). The council will be entrusted with validating specification manuals and holding public consultations prior to attributing a reserved designation or added-value claim. In addition to accrediting certifying agencies, the CARTV will have greater powers of inspection and control with regard to reserved designations and added-value claims.

Budget earmarked for development of regional and niche products

In the spring of 2005, the government of Quebec announced a total budget allowance of \$3 million over three years. This envelope will be earmarked for institution of the CARTV and for assistance to businesses seeking to obtain a reserved designation or the right to use an added-value claim. This funding will provide support for carrying out regional food processing projects and for creating awareness of the scope of the statute.

An amount of \$6 million over three years has been granted for establishing a program for supporting the artisanal alcoholic beverage sector.

Another fund of over \$2 million over three years will be allocated for the attribution of designations in the organic sector and for *Aliments du Québec* activities. In all, Quebec will invest nearly \$11.5 million over three years in the creation of jobs related to the production of regional products and products with reserved designations.

Last September and February, the *Commission de l'agriculture, des pêcheries et de l'alimentation* held four days of consultations, which were followed by a detailed study of the bill. Once again, these steps enabled the bill to be improved and community expectations to be met.

Reminder! 2006-2007 property taxes

In section 2 of the 2006 and 2007 property tax reimbursement form you just received, you must clearly indicate the years for which you are requesting a refund.

The vast majority of agricultural producers are applying for reimbursement for both years, namely, 2006 and 2007. Consequently, unless you are sure you will cease your agricultural activities in 2007, we suggest that you claim for 2006 *and* 2007. To do so, you must check off the appropriate box, even if you do not yet have your documents. Note that no other form will be sent to you for 2007.

If you have any questions about section 2, or if you have not yet received your reimbursement application form, contact the customer services of the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation's Direction à l'information de gestion et aux taxes at 418 380-2140.

Agricultural leaders appeal to the Prime Minister

A demonstration in front of the official residence of the Prime Minister and a letter from the Canadian Federation of Agriculture (CFA) brought the farm income crisis debate to the doorstep of Stephen Harper. The letter to the Prime Minister, signed by 21 agricultural leaders from across the country, reaffirmed the message conveyed at the April 5 demonstration on Parliament Hill—that the viability of Canadian agriculture has been desperately compromised. The country's food supply is in jeopardy because of the three worst years of net farm income in history and the impossibility to attract or keep its young farmers in agriculture. The letter underlines the fact that the majority of industrialized nations adequately support their agriculture industry. "Prime Minister, it is disgraceful that a wealthy, progressive and socially just society like Canada shows disregard for its farmers and its food production supply," write Bob Friesen, Laurent Pellerin, Ron Bonnett, Jacques Laforge and the other signatories, representing all the agri-food sectors.

They also drew attention to the words of Stephen Harper in the House of Commons concerning the importance of the family farm and the sovereignty of the nation's food supply. The group called for immediate and adequate funding of additional programs. The CFA has estimated an annual shortfall of over two billion dollars for Canadian farmers.

While the CFA was delivering its open letter, frustrated Ontario farmers were demonstrating in front of the official residence of the Prime Minister at 24 Sussex Drive in Ottawa. Dozens of tractors filed down the street, at about 8:00 a.m., slowing up traffic. Farm producer John Vanderspank of Grass Roots Farmers, called again for a meeting with Stephen Harper, who continues to refuse the request. About 50 tractors were already in Ottawa before the April 24 demonstration and had previously blocked access to oil terminals the day before. Mr. Vanderspank called for a comprehensive risk-management program.

Minister of Agriculture Chuck Strahl had already responded to the Ontario demonstrators who blocked food distribution centres the previous week. He assured them that he and the Prime Minister had met with a group of farm leaders in Ottawa. "I am completely aware of the difficult problems that farm communities are facing across Canada, including those of the Ontario demonstrators. The government is actively looking at options to deal with this complex situation for the whole industry and we want to find the best ways to help farmers during this difficult period," he declared in a press release. He reiterated that his government has promised a federal injection of funds into agriculture and asked that farmers have a bit of patience.

The same day, Minister Strahl travelled to Washington for discussions with his American counterpart, Mike Johanns. The talks dealt in particular with the recent case of BSE in British Columbia. Strahl and Johanns also discussed Canada's commitment to the elimination of export subsidies and a substantial reduction in domestic support, which causes market distortion, referring to negotiations at the World Trade Organization (WTO). They also dealt with realistic improvements concerning access to markets.

However, the Harper minority government will eventually have to make a decision, as Canadian farmers are demanding increased subsidies while our major trading partner is asking that they be reduced.

The bogged down trade talks at the WTO seem to have worn down the patience of farmers, who must continue to compete against American and European subsidies, which have not dropped significantly on the whole.

It should be noted that the Bloc Québécois and the New Democratic Party have both expressed support for the farmers' demands. The Bloc is waiting to see the next budget before making any eventual amendments. "What is the minister, Chuck Strahl, waiting for before sounding the alarm and proposing realistic solutions?" asked André Bellavance, spokesperson for the Bloc.

Thierry Larivière
LTCN 27-04-2006