The 2007 CFC Annual Meeting was held on March 20th and began with a presentation by David Fuller, the Chairman of CFC, who focused on several of the chicken industry’s challenges in 2006.

His presentation covered the ongoing work on the CFC Animal Disease Strategy (avian influenza), on-farm food safety, the World Trade Organization (WTO) agriculture negotiations, as well as some of the close partnerships upon which the industry continues to rely. Chairman Fuller expressed his thanks to all who have made a contribution and praised the continued support and cooperation of industry partners.

David Fuller has been the Chairman of CFC since 1999, thereby making his term in office the longest in the 29 years of the organization. Throughout the years, a key priority has been building relationships and working together as a team. This continues to be a focus.

The meeting included a series of reports by each of the 2006 committee chairs and CFC representatives to other organizations.

These included:

- Animal Care Committee – Danny Wiebe
- Finance Committee – David MacKenzie
- Food Safety Committee – Matthew Harvie
- Market Development Committee – Urs Kressibucher
- Canadian Federation of Agriculture – Erna Ference
- Canadian Poultry Research Council report – Ian Blenkharn

First Guest Speaker

A special guest to the CFC Annual Meeting was Gordon Hunter, the new Vice-Chair and Acting-Chair of the National Farm Products Council (NFPC). Mr. Hunter, a long-time member of the Canadian Egg Marketing Agency, has a strong background in the issues facing the supply management commodities.

Mr. Hunter gave an overview of the transitional situation at Council. This includes the retirement of the NFPC Chair, Cynthia Currie, as well as the Vice-Chair, Ron O’Connor. Some senior staff turnover also occurred through the retirements of Terry Hayward and Keith Wilkinson. Some NFPC Councillors’ terms have also ended or will be ending within the next year.

“Our objective at the Council... will be to continue to work in collaboration and cooperation with all of the stakeholders to assure the continuation of our system. I think our mission at the council is to ensure that supply management works in the balanced interests of all stakeholders and to promote the strength of those particular sectors of agriculture.”

Second Guest Speaker

Canada’s Chief Agriculture Negotiator, Steve Verheul, also attended the meeting. He spoke regarding the current state of the WTO agriculture negotiations, where they are going and what kind of impact they could have on the chicken sector in Canada. He indicated that there are some things we, as an industry, need to be concerned about as the negotiations move forward.

He started with the suspension of negotiations last summer and covered their eventual resumption as they were re-launched in February. According to Mr. Verheul, the negotiations have changed to become more bilateral. They have become more informal, are often held behind closed doors, are fairly unstructured and are taking place very quietly. Things will stay that way until there is more progress on major issues.

“There are some concerns particularly from our perspective,” said Mr. Verheul. “If others are starting to develop ideas that don’t go in the direction we’d like them to go in, it can be difficult for us to influence that process.”

The negotiators have been working for six years so far, and “don’t have all that much to show for it.” The Framework for negotiations was approved in July 2004 and included the “sensitive products” category, an important achievement and a major milestone so far. Some more progress was made in Hong Kong (December 2005) when WTO Members agreed to the elimination of export subsidies by the end of 2013.

The latest document, the draft modalities, is from last June (2006) and is roughly 72 pages long with 760 square brackets highlighting areas where agreement was not reached. It “is basically unworkable as a negotiating document so we need to go back to the drawing board in some respects,” added Verheul.

Mr. Verheul went on to describe three roadblocks to progress. In a nutshell, they are U.S. domestic support, EU market access, and access to developing country markets. There have been some “narrowing of the gaps” on a whole host of issues—but not enough to indicate that an overall agreement is at hand.

Canada’s trade position is unique, partly because of supply management. For the most part, Canada receives little support on this. No other country will feel the impact in over-quota tariffs as much as Canada would and neither the U.S. nor the EU have any products that will be impacted by tariff cuts.

Countries that historically have spent a lot of money supporting their producers have begun to restructure and reform their price support systems to ones with decoupled payments, so called “green payments”. The EU, Japan, Norway, Switzerland, the U.S. and “most other...
Continued from p. 1, Annual Meeting . . .
countries, other than the more competitive ones like Australia and New Zealand, are headed in this general reform direction. What this does is it gives them a big advantage in the negotiations, they can take subsidy cuts, trade-distorting subsidy cuts that are quite large without having to change anything.”

“Our analysis shows that the EU could take cuts in subsidies of 90% and not have to change a thing from the current CAP (Common Agricultural Policy – the EU Farm Bill). They could take 70% cuts in tariffs and it won’t affect the product coming in, it will still be kept out.”

In this general context, key players are trying to conclude in the backstage of the WTO an agreement that does not look favourable to supply management. US and EU speak about countries being able to designate only 4% of agricultural tariff lines as sensitive, while Canada needs about 8% to cover all supply managed products. There are more and more rumours saying that tariffs for sensitive products will be cut by a minimum of 30%, while in Canada we already see some over-quota imports coming in above the current levels of tariffs.

Finally, there is a strong push for opening markets for sensitive products regardless of how much market access countries already provide. Some proposals would translate in market access of at least 3-5%, on top of what each country already offers.

Mr. Verheul reiterated the government’s instructions to him “no tariff cuts, no tariff quota expansion” and before answering a few questions from the audience concluded with “it’s not a pretty picture that I’ve given you but that’s essentially where things are at.”

The CFC Board of Directors and Committees for 2007

The Board for 2007
Chair: David Fuller (Nova Scotia)
Yvon Cyr (New Brunswick)
Martin Dufresne (Quebec)
Erna Ference (Alberta)
Keith Fuller (British Columbia)
Luc Gagnon (CPEPC – Canadian Poultry and Egg Processors Council)
Matthew Harvie (Nova Scotia)
Dave Mackey (Newfoundland & Labrador)
Urs Kressibucher (Ontario)
David MacKenzie (Prince Edward Island)
Ross MacLeod (FPPAC – Further Poultry Processors Association of Canada)
Diane Pastoor (Saskatchewan)
Brian Payne (CRAFA – Canadian Restaurant and Foodservice Association)
Tony Tavares (CPEPC)
Danny Wiebe (Manitoba)

Executive Committee
Chair: David Fuller (Nova Scotia)
1st Vice-Chair: Martin Dufresne (Quebec)
2nd Vice-Chair: Urs Kressibucher (Ontario)
Member-at-large: Keith Fuller (British Columbia)

Finance Committee
Chair: David MacKenzie (P.E.I.)
Erna Ference (Alberta)
Brian Payne (CRAFA)

Market Development Committee
Chair: Urs Kressibucher (Ontario)
Yvon Cyr (New Brunswick)
Martin Dufresne (Quebec)
Keith Fuller (British Columbia)
Ross MacLeod (FPPAC)
Brian Payne (CRAFA)
Tony Tavares (CPEPC)

Food Safety Committee
Chair: Matthew Harvie (Nova Scotia)
Yves Campeau (Quebec alternate)
Luc Gagnon (CPEPC)
Dave Janzen (B.C. alternate)
Tom Posthuma (Ontario alternate)

Animal Care Committee
Chair: Danny Wiebe (Manitoba)
Yves Campeau (Quebec alternate)
Marc Cormier (New Brunswick alternate)

Canadian Poultry Research Council Representative
Jacob Middelkamp (Alberta alternate)

Canadian Federation of Agriculture Delegates
David Fuller (CFC Chairman, Nova Scotia)
Erna Ference (Alberta)

National Farm Animal Care Council Representative
Danny Wiebe (Manitoba)
The Chicken or the Egg Dilemma: The 2007 U.S. Farm Bill and WTO Negotiations

The rigmarole that the United States goes through every time farm bills are set is a perfect example of the classic chicken or the egg riddle. Which comes first, the Farm Bill or the World Trade Organization (WTO) negotiations? Are the Americans going to wait for the conclusion of WTO negotiations to establish a framework for the domestic support pillar that is going to tell them how much they are allowed to spend on farm subsidies and then draft an agricultural policy? Or are they going to go ahead with their farm policy and define the spending limit, then turn to the WTO and negotiate these levels with the rest of the membership? Therein lies the question.

As long as the U.S. President has a TPA (trade promotion authority – the “fast track” trade agreement approval process – for more detail on the TPA see the February/March issue of The Chicken Farmer), the U.S. government a.k.a. the Administration is charged with defining the trade policy and concluding trade deals such as U.S. participation in the current round of WTO negotiations. The U.S. Congress has a consultative role and a veto at the very end of the process, once the details of an overall trade deal have been set.

In contrast, U.S. agriculture policy, such as the Farm Bill, is totally in the hands of Congress. The Administration is then assigned the task of administering the policy measures established by Congress. Because of this distribution of responsibilities between Congress and the Administration, there are often conflicts on issues of agriculture policy.

The current U.S. Farm Bill (set in 2002) expires this year and a new Bill will be put in its place. This is also the year when WTO negotiations are supposed to be completed—if the deadlines are actually met. The world is now watching how the U.S. is going to sort out their domestic issues on farm policies. Congress generally does not like to be told what to do by the Administration, especially when it comes to policies that directly affect their constituents. Congress is even less likely to enjoy being “constrained” by some foreign negotiators gathered in a small Swiss town called Geneva.

At the same time, if they vote for a new Farm Bill, the Administration is going to have a tough time selling it to the world. Even worse, if a WTO deal is already in place by the time the Farm Bill is approved, the country may come under heavy attack for not complying with the rules their negotiators have just agreed to.

It will be interesting to see how events unfold, as the first chapter of the saga has already been written. At the end of January, the Administration released the proposals for the 2007 U.S. Farm Bill. They are the result of year-long consultations with farmers all over the country, where 4,000 comments were received. The debates in Congress are just beginning.

The proposals for the new Farm Bill have a more direct impact on the domestic front, rather than being significantly impacted by the WTO negotiations. The suggested changes are relatively minor and cosmetic in nature and seem to respond more to domestic criticisms of the old Bill. They include proposals that try to render farm programs more market-oriented and to fix some administrative problems, such as making the distribution of subsidies more equitable. These changes were needed anyway, and have little to do with pressures from the WTO.

The new Bill also tries to address such issues as new farmers and specialty crop producers. It also has a slight shade of green by providing certain incentives for some environmental programs (biofuels, conservation)—however the latter may be just disguising some subsidies.

In any case, the WTO community-at-large was not impressed with the new U.S. Farm Bill proposals and concerns have poured in from all sides. They are all aware that once the Congress passes the Bill, it is going to be much more difficult to change it afterwards and ensure that it complies with the new trade rules currently under negotiation at WTO.

Perhaps the very prospect of having this Farm Bill approved by Congress may put enough pressure on negotiators in Geneva to rush things through to get the Doha Round finished and force U.S. legislators to take into account the future rules on trade-distorting domestic support. For Canadian observers, this American chicken and egg dilemma is just another dimension that spices up the multilateral trade negotiations.

Key Components of the U.S. Farm Bill

Marketing Assistance Loans
This is one of the three major tools used by the U.S. to provide support to their program crop farmers. Instead of selling immediately at harvest, the loan program allows a producer to store the production and pledge the crop as collateral. Later, when market conditions may be more favourable, a producer can sell the crop and repay the loan. Alternately, the producer may forgo the loan and receive a loan deficiency payment, in which case the loan becomes a subsidy.

Direct Payments
Another essential element in the U.S. subsidy system, direct payments are subsidies paid to all eligible farmers regardless of current market conditions. The payments are not even based on current production choices, but are tied to historical, fixed acreages and yields.

Counter-Cyclical Payments
This is the third main component of farm subsidies in the U.S. These payments are triggered when a crop’s price falls below a certain price. They represent the difference between (1) the target price established for a given commodity less the direct payment for that commodity, and (2) the market price or the loan rate for that commodity, whichever is higher. Counter-cyclical payments, like direct payments, are not based on the current production, but on historical, fixed acreages and yields.

Eligible Program Crops
The following are the main crops that can benefit from the three major policy tools mentioned in this article (depending on market conditions, a farmer may receive one, a combination of, or all three types of subsidies described): wheat, corn, cotton, rice, soybeans, oilseeds (canola, flaxseed, rapeseed, sunflower, sesame, etc), sorghum, barley, oats and peanuts.
The New Year started off with Prime Minister Harper announcing changes to his Cabinet on January 4, 2007. The Honourable Chuck Strahl remains Minister of Agriculture and the Honourable David Emerson remains Minister of International Trade. One significant change to the agriculture dossier was the appointment of Christian Paradis, Secretary of State (Agriculture). The Parliamentary Secretary for Agriculture remains David Anderson, but Jacques Gourde was replaced by Ted Menzies as Parliamentary Secretary for International Trade.

Gerry Ritz, former Chair of the House of Commons Standing Committee on Agriculture, who was appointed Secretary of State (Small Business and Tourism), was replaced by James Bezan, MP for Selkirk-Interlake. Mr. Bezan has a significant number of farmers in his riding that operate under supply management.

The House of Commons has slowly gotten back into the swing of things with much discussion as to whether or not Canadians will be going to the polls this spring or fall. One of the first big tests of the year was the federal budget that Finance Minister Jim Flaherty delivered on March 19, 2007.

Some 2007 Budget Highlights for Farmers

- Increase in Lifetime Capital Gains Exemption for farms to $750,000
- $1 billion for a NISA-like program with a cost-of-production (COP) element (NISA is contingent on negotiations with provinces)
- $60 million over 2 years for a commitment to a “Global Commerce Strategy” and seeking international trade opportunities – a focus on bilateral trade agreements as well as the WTO
- Increase capital cost allowance from 4% to 6% for non-residential buildings

Canadian Federation of Agriculture

Minister Strahl addressed the Annual General Meeting of the Canadian Federation of Agriculture in the first week of March. The Minister took the opportunity to reiterate the government’s support for supply management by acknowledging that it brings enormous value to Canada by serving all stakeholders well, including farmers, processors, consumers and government. The Minister was clear that the government would continue to defend the system globally and has illustrated its support through concrete action like the implementation of Article 28 for milk protein concentrates in dairy. The government will also continue to support the supply-management industries as sensitive sectors at the WTO.

The Minister stated that Canada has much to gain from a successful outcome at the WTO; one that benefits both supply management and export markets and that they would continue to work with both sectors to achieve this goal.

Next Generation of Agriculture and Agri-Food Policy

The Next Generation of Agriculture and Agri-Food Policy (also known as Agriculture Policy Framework II) was another area of interest that Minister Strahl raised, highlighting the fact that consistent messages and themes were filtering back to the government from the consultations. The Minister attributed this to the hard work of CFA and its members in achieving common ground and effective communications. Round 2 of the consultations were recently completed.

On Business Risk Management, the Minister reviewed many of the changes that have been made to the programming suite and committed to continuing its work on the development of the new aspects such as the disaster framework, which are intended to address disaster scenarios like BSE and avian influenza.

Joint Annual Reception

The four national poultry agencies held their joint annual reception on March 21st at the Château Laurier during Annual Meeting week. Industry leaders and staff from Chicken Farmers of Canada, Canadian Turkey Marketing Agency, Canadian Egg Marketing Agency and Canadian Broiler Hatching Egg Marketing Agency were present to speak with industry stakeholders, government officials, MPs, and their staff. Of note were the presence of two agriculture critics, Wayne Easter (Liberal) and André Bellavance (BQ) as well as retired Liberal MP, Don Boudria, the former chair of the Liberal Feather Caucus.

Attendance was high and offered farmers a good opportunity to discuss important issues and to meet new faces in the industry. The reception featured an excellent selection of dishes prepared with Canadian chicken, turkey and eggs.