

The U.S. Opens Pandora's Box by Releasing Historical Subsidy Numbers

At the beginning of October, the United States surprised the international trade community with the announcement of its domestic agricultural subsidies for the period 2002-2005. While most WTO Members are aware of the current crop of U.S. subsidy programs and were cognisant of the money being distributed, the lack of firm data meant the U.S. could not be held to task with any precision such as that required during an official investigation or tribunal.

As directed by the Uruguay Round deal on agriculture, all WTO members have the obligation to notify the rest of membership on the domestic subsidy program spending. However, there is no enforcement for the notification requirement and some countries tend to take advantage. Such was the case with the U.S. which last released its agriculture subsidies back in 2001.

Coincidentally, 2001 was the year the Doha Round – the current round of multilateral trade negotiations – was launched. It is felt that, at the time, the U.S. did not feel like disclosing to its negotiating partners information on one of the hottest topics in negotiations after market access. The U.S. has been aggressively targeted since Day One of the Doha Round negotiations by both developed and developing countries to cut its agricultural subsidies under the accusation that its programs distort world markets. It would have seemed a reasonable strategy not to disclose exact spending amounts in order to create some flexibility during negotiations.

Coincidentally again, 2002 was the first implementation year for the then “new U.S. Farm Bill”. The farm bill approved by the U.S. Congress included such new but highly-controversial subsidies as “counter-cyclical payments” and “direct payments”. Controversial from a WTO perspective, because U.S. farmers actually loved those subsidies and specifically requested the extension of those programs in the 2007 version of the U.S. Farm Bill.

It would appear that at the time, and throughout the lifespan of the 2002 Farm Bill, U.S. policy makers did not know in which WTO category to include those programs and simply decided not to notify the WTO. Obviously, they also feared a challenge from other countries which would have reacted to the fact that the U.S. was exceeding its WTO trade-distorting subsidy ceilings. Eventually the U.S. was successfully challenged by Brazil in the



famous “cotton case” while another challenge by Canada, in conjunction with other countries, is still in the early stages.

The “Controversial” U.S. Subsidy Programs

The U.S. would like to consider its “direct payments” program part of the Green Box, a program which does not count towards its WTO ceiling. But there is a small problem: to be considered green, it should be decoupled from production – that is U.S. farmers would have to be able to receive the subsidy no matter what they produce on their land. However, under the Farm Bill, they are prohibited from planting fruits or vegetables. This makes the program “coupled” to production decisions, therefore not Green Box compliant, which makes the program a trade distorting (Amber Box) one.

Green Box: “non trade distorting” subsidies, permitted by the WTO, not limited in terms of value, but they have to fit into specific and well defined criteria

➡ Please see Pandora's Box p. 2



IN THIS ISSUE

- 2 2006 Census of Agriculture
- 3 Chicken Recipe Contest Winners
- 4 Food Safety: What You Need To Know


For a weekly update on the WTO trade negotiations, visit the CFC website
@ www.chicken.ca
and click on the Geneva Watch button

Continued from p. 1, Pandora's Box . . .

The U.S. has the same problem with its "counter-cyclical" program. It cannot be Green Box, because it is linked to the level of prices on the market, therefore it is trade distorting. The current U.S. maximum limit for its trade-distorting programs is not large enough to cover all their officially declared Amber Box programs (loan deficiency payments, price support programs for milk and sugar, etc) and at the same time to cover the other programs which should move from the Green Box to Amber. These complications are factors in the U.S. notification delay.

With the release of the 2002-2005 subsidy numbers, the Americans hoped they would actually convince the world that they are really committed to making actual cuts in their agriculture subsidies, and not just playing sleight of hand tricks. It all remains to be seen in the coming weeks and months as negotiations progress in Geneva.

In addition to the four old types of domestic subsidies from the Uruguay Round (amber, blue, *de minimis* and green), the current trade talks have created two new concepts: "overall trade

distorting support" and the "New Blue Box". These are yet to be defined and/or clarified, but it is already suspected they could become part of the "hide and seek" game in agricultural subsidies. One thing is certain: with its new subsidies notification the U.S. has formally opened the door to challenges at the WTO and we are all impatiently watching to see who is going to step through. 

Amber Box (or AMS – Aggregate Measure of Support): trade distorting subsidies, subject to reduction commitments; once the final bound level was achieved (back in 2000) these represent the maximum amounts allowed by the WTO

Blue Box: trade distorting subsidies, not subject to reduction commitments and unlimited in terms of value as long as certain production-limiting criteria are observed

De minimis: trade distorting subsidies, not subject to reduction commitments, but limited to 5% or less of the value of the total agricultural production (non-product specific) or 5% or less of the value of a particular product (product-specific).

Annual CFC Strategic Planning Session

CFC's Board of Directors and Executive Management Team met last week for their annual Strategic Planning session. This meeting is an opportunity to celebrate successes of the previous year and set priorities for the next.

The session, held on October 3-4 at the Spencer Leadership Centre in London, Ontario, was focused on designing strategies for 2008 that correspond with the priorities stated in CFC's current five-year strategic plan.

Two guest speakers were invited to the session: Dr. Bruce Archibald, Deputy Minister with the Ontario Ministry of Agriculture, Food and Rural Affairs, and Dr. Jeffrey Gandz, Professor at the Richard Ivey School of Business. Both speakers delivered very informative and engaging presentations on key issues affecting the industry today such as international trade and food safety.

Directors reviewed the action plans presented by CFC managers, identifying key priorities for 2008. Topping the list were: WTO agriculture negotiations, the Import to Re-Export Program, allocation setting and market information, TRQ administration and the 13% rule, OFFSAP and animal care.

Once approved by the Board at their next meeting scheduled on November 14-15, 2007, these action plans, as well as an




accompanying PowerPoint presentation, will be made available to provincial boards to share with their respective members.

This rigorous strategic planning process provides us with clear, common goals for the coming year.

Setting a New Direction

2008 marks the last year of CFC's current five-year strategic plan. A Steering Committee comprised of eight members representing various sectors of the industry, from farm to processing to retail, has been formed to develop the next five-year plan, spanning 2009-2013.

The Steering Committee's first meeting was held in Toronto on October 10-11 where Committee members discussed their outlook for the industry in the next five years, as well as key trends which are currently influencing or will impact the industry in the future, and began the process of shaping the next five-year plan.

Building industry consensus is important to ensure that the five-year strategy incorporates the plans, goals and vision of all stakeholders before moving forward. A robust and cooperative plan ensures that we are all on the same page. 



Avian Influenza Outbreak: Saskatchewan 2007

On the morning of September 27, 2007, the Canadian Food Inspection Agency (CFIA) confirmed previous reports that samples taken from a broiler breeder farm near Siltou, Saskatchewan had tested positive for the H7N3 strain of avian influenza (AI).

It was reassuring to learn that this was not the same strain of AI that has caused such consternation around the globe; the strain known as Asian H5N1.

Political Weigh-in

Federal Agriculture Minister Gerry Ritz issued a statement on September 27th to assure the public that the matter was well in hand and officials were working to contain the situation.

He also stated, "The most important thing to note at this time is that the domestic poultry industry is safe and free from H5N1 which has been associated with human illness and that this H7N3 is unlikely to cause human sickness."

"The Agency has a great deal of expertise and experience in handling situations like this and I have every confidence in their ability to take the necessary measures to appropriately resolve this situation as expeditiously as possible."

Disinfection and Depopulation

The affected farm (the index farm) was immediately quarantined and the birds were humanely depopulated in a manner that kills the virus. The depopulation was completed on October 3rd. A 3 km "infected" area and a larger (10 km) Restricted Area were established around the farm to reduce the risk of spread of the disease. Other farms in the area were checked for backyard flocks and were subsequently quarantined if they were within 3 km of the index farm.

Poultry products, poultry, vehicles, equipment and workers became subject to movement controls and there was restricted interaction with quarantined premises in order to limit the risk of spread. The adopted zones and control measures were in keeping with the World Organization for Animal Health (OIE) guidelines for responding to and eradicating a contagious foreign animal disease. In addition, measures were taken to safeguard the health of those working in close contact with affected poultry.

There has been no indication of any spread beyond the index farm at press time. The situation was closely monitored by government and industry partners and seems to have stabilized.

The next step is complete cleaning and disinfection of the index farm that will be inspected by the CFIA before the barns can be restocked. A CFIA team has inspected all the barns on the property and have assessed the needs and written a report for the producer. It will be his responsibility to work with a contractor to draw up a plan to meet the requirements set out in the report.

Once cleaning and disinfection is completed, the 21-day clock will start. If no new findings of AI occur, then the outbreak is declared over and the quarantines and movement controls are lifted.

Media and Consumer Inquiries

Chicken Farmers of Canada fielded dozens of media calls on Thursday, September 27th, and about a dozen more the following day. Throughout, CFC was in constant contact with government,

industry, and Chicken Farmers of Saskatchewan officials. All in all, the media reporting was balanced. Some of the reporters had covered the B.C. outbreak and were familiar with the subject and the science involved.

Significant effort was put into making sure the media were kept up-to-date with the situation and thus able to report clearly and concisely on the outbreak and the subsequent steps the government and industry were taking to eradicate the disease. Preliminary survey results found that consumers demonstrated a higher awareness of the situation and indicated that consumption patterns would not be affected by news of the isolated outbreak. Overall, Canadians felt that the Canadian poultry industry and the Government were doing all they could to contain the outbreak and prevent future outbreaks.

Trade Action

Predictably, some countries chose to take trade action against Canada and/or Saskatchewan. The following table indicates countries which have taken action and the products affected:

Country	Poultry Product Banned	Scope of ban *
Bangladesh	Live birds and poultry products	Canada
Chile	Hatching eggs and day-old chicks	Saskatchewan
China	All birds and poultry products	Canada
Croatia	Live birds	Saskatchewan
European Union	Shipments from within 10 km of index farm	10 km Restricted Zone
French Polynesia	All meat products	Saskatchewan
Guatemala	Avian products and sub products ("officially certified" processed products are permitted)	Saskatchewan
Hong Kong	Poultry, poultry meat and game bird products from Saskatchewan and live poultry and birds from Canada (except pasteurized eggs)	Saskatchewan and Canada
Jamaica	Poultry	Saskatchewan
Japan	All live birds, including pets and poultry products	Canada
Mexico	Live birds, including pets. Poultry products and by-products including meat, table eggs and fertile eggs (except heat-treated products)	Canada
Morocco	Live birds	Canada
Peru	180-day ban on imports of live birds, poultry and sub-products	Canada
Philippines	Domestic and wild birds and their products, including day-old chicks, eggs and semen	Saskatchewan
Russia	Poultry meat	Saskatchewan
Singapore	Birds and poultry products (except heat-treated processed products)	Canada
South Africa	Live poultry, birds, meat and other products (except heat-treated products)	Canada
South Korea	Live poultry including pet birds and wild birds, day-old chicks, hatching eggs, table eggs, ostrich chicks and eggs, poultry meat (except cooked poultry and heat-treated poultry or feather meal)	Canada
Taiwan	Poultry and poultry products	Saskatchewan
Thailand	All live poultry and live birds (and their carcasses)	Saskatchewan
Tunisia	Poultry products	Canada
Turkey	All live and processed poultry	Saskatchewan
U.S.A.	Live birds including chickens, turkeys and others along with unprocessed avian products	Saskatchewan

*As of October 11th

Please see AI p. 4



NEWS FROM THE HILL

On September 17th, three by-elections were held in the province of Quebec producing some very interesting results. In the riding of Outremont, the Liberals lost the seat to Thomas Mulcair of the NDP, leading some to immediately question the Liberal leadership of Stéphane Dion and the impact he is having in Quebec.

In Saint Hyacinthe—Bagot the Bloc Québécois managed to hang onto the riding with Eve Mary Thai Thi Lac, but lost to Denis Lebel of the Conservative Party in Roberval—Lac Saint-Jean. This loss brought to question the strength of the Bloc in the province and whether or not voters have been satisfied with their performance in Parliament while under the minority Conservative government.

With the results of the by-elections the House of Commons now stands at: Conservatives, 126 seats; Liberals, 96 seats; Bloc, 49 seats; NDP, 30 seats; Independent, 3 and Vacant, 4 with much talk of a fall election.

Parliament reconvened on Tuesday, October 16th for the Speech from the Throne. The speech had interesting elements including a cut in the GST. This was of interest to the opposition along with matters, such as: the Canadian deployment in Afghanistan, the environment and a Conservative omnibus bill on crime. The most relevant to chicken farmers was the government's ongoing commitment to supply management, which comprised part of the paragraph dedicated to agriculture.

"The agricultural sector will benefit from our Government's promotion of biofuels and the new Growing Forward agricultural framework. Our Government will recognize the views of farmers, as expressed in the recent plebiscite on barley, by enacting marketing choice. Together with our Government's strong support for Canada's supply-managed system, these approaches will deliver stable, predictable and bankable support for farm families."

CFC was pleased to see this inclusion as priority on the government agenda.

Although the speech drew criticism from the NDP and the Bloc, the Liberal criticism was accompanied by a decision to abstain from the vote, thus avoiding an election...for now. In the coming weeks, many votes will occur and Prime Minister Harper has said that many will be made confidence motions, meaning if the government fails to get a majority of the votes, the government will fall. This will test the opposition's resolve to stand their ground on certain issues and determine whether an election will be triggered.

Continued from p. 3, AI . . .

In 2006, Canada exported 110 million kg of chicken. The table below lists the destinations.

EXPORTS by DESTINATION (000 kg)
EXPORTATIONS par DESTINATION (000 kg)

	United States États Unis	South Africa Afrique du Sud	Hong Kong	Philippines	Macedonia Macédoine	El Salvador	South Korea Corée du Sud	Jamaica Jamaïque	Taiwan	Russia Russie	Others Autres	Total	
2000	11,736	4,264	6,815	2,594	25	141	538	1,662	124	2,810	33,610	64,320	2000
2001	17,428	2,958	4,329	2,330	24	739	293	1,470	291	3,870	41,632	75,262	2001
2002	20,790	8,952	3,536	4,390	200	807	567	2,075	2,211	12,042	36,466	92,026	2002
2003	21,985	13,493	5,162	7,598	146	805	715	2,343	699	8,644	17,512	79,103	2003
2004	28,149	4,416	7,370	5,892	1,135	2,006	995	2,260	1,238	4,124	18,159	75,744	2004
2005	31,173	13,948	8,864	11,814	4,852	2,318	537	1,488	3,128	6,562	17,736	102,419	2005
2006	41,831	22,766	9,361	8,880	4,135	3,052	2,779	2,183	1,783	1,776	11,526	110,048	2006

Source: Statistic Canada • Statistique Canada

Avian Influenza Background

AI is a viral infection that can affect birds. Experts believe wild waterfowl are a natural 'reservoir' for avian influenza viruses. Although many wild birds carry influenza viruses without becoming ill (due to a natural resistance) the disease can have severe effects on domestic poultry. The virus can appear in either low pathogenic or highly pathogenic forms. This refers to the impact the virus has on birds, not on the degree of threat to human health.

National and provincial poultry organizations have worked with federal and provincial governments to establish protocols

outlining actions that will take place once a virus is detected on a poultry farm in Canada. Canada's poultry and egg farmers worked with the CFIA, as well as with provincial health and agriculture departments, to take active measures to prevent the spread of the virus to neighbouring farms.

Canada has one of the most stringent food production systems in the world. In the Canadian poultry industry, farmers follow science-based biosecurity protocols focused on prevention, cleaning and disinfecting, as well as limiting access to their flocks.

Round-up

All in all the Saskatchewan outbreak of AI has gone relatively well from a government, media relations, and industry perspective. CFIA and political messages were to the point and served to inform the public that the impact on human health were very remote. Although the day of the CFIA announcement resulted in dozens of media requests for interviews, the CFIA's emphasis on the decisive measures being undertaken and the fact that the virus was not H5N1 mitigated the story from intense scrutiny.

The National Poultry Group (national poultry agencies including the Canadian Poultry and Egg Processors Council) was in constant communications throughout the incident and communicated with a united voice to CFIA and the media. CFC still receives updates in regards to the situation on the ground in Saskatchewan and will ensure the information is passed along. 🐔

CFC Address:

1007-350 Sparks Street
Ottawa, ON K1R 7S8
Tel: 613-241-2800
Fax: 613-241-5999
www.chicken.ca

Editor:

Marty Brett
mbrett@chicken.ca
613-566-5926

Designer/Graphics:

Marie Murphy
mmurphy@chicken.ca
613-566-5910