



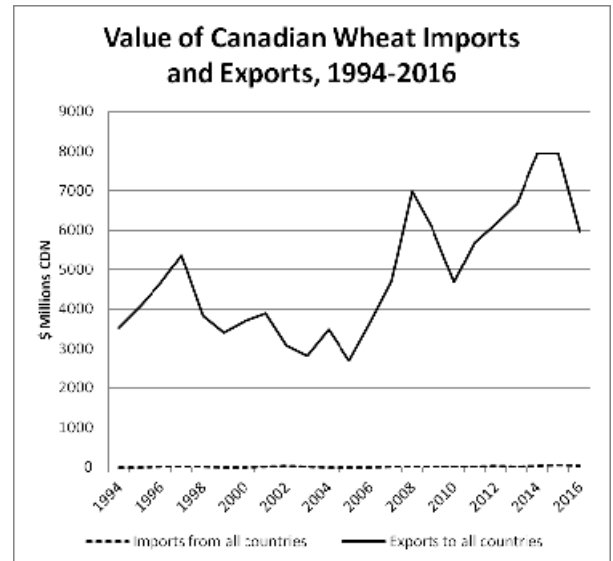
NAFTA renegotiation provides opening for renewed US attack on Canadian wheat grading framework

- by Cathy Holtlander, NFU Director of Research and Policy

Farm press stories about the impending renegotiation of NAFTA have put Supply Management in the spotlight in recent weeks. We've heard much less about the USA's goal to have Canada change its grain grading system in conjunction with these trade deal renegotiations.

Under the Obama administration, the United States Trade Representative (USTR) identified Canada's grain grading system as a trade concern. In March 2017, the USTR's yearly report on Foreign Trade Barriers targeted the *Canada Grains Act* and the *Seeds Act*, saying the USA will continue to press the Canadian government to change these laws, as well as our varietal registration system, to enable US-grown grain to be graded and handled by our system as if it were Canadian grain. On April 25, Montana Senator John Tester moved a resolution calling for changes to Canada's wheat grading practices. The two largest American wheat lobby groups, the National Association of Wheat Growers and US Wheat Associates, have also called on their government to push Canada to treat US wheat the same as Canadian-grown wheat in order to increase US exports into Canada. US Wheat Associates wants US-grown wheat to get full access to Canada's elevators and transportation system by ending our segregation of US-grown wheat. Canada's federal lobby registry indicates that US Wheat Associates' has met with the CGC to ask for amendments to the *Canada Grains Act* respecting the classification of wheat.

Currently, US-grown grain can be sold in Canada to Canadian purchasers based on contract specifications. In our commodity handling system, any grain grown outside of Canada must be identified as "foreign grain" and is assigned the lowest grade. Any export shipments containing US-grown grain must be labelled as mixed Canadian and foreign grain. As a result, grain companies segregate US-grown wheat from Canadian wheat within our grain handling system.




Graph #1 - Source: Trade Data Online (accessed: June 01, 2017)

Canada is one of the world's top exporters of wheat. Even so, we have consistently imported small quantities of wheat, most of it from the USA. The dotted line along the bottom of Graph #1 shows Canada's total wheat imports. They barely register when compared with our exports. Thus, it is not our grain grading system that limits the expansion of US wheat exports to Canada, but the fact that there is very little demand for imported wheat. Canadian farmers produce much more wheat than our population can consume.

The stated desire to expand the volume of US wheat exports into Canada is not a believable reason for demands to gain access to our grading system. However, it would benefit the multinational grain companies that support the US wheat lobby to dismantle our CGC grading system and instead have all wheat sold on specifications instead of by class and grade. The differentiation between Canadian and US wheat would disappear, allowing the grain companies to source wheat anywhere by price alone and make their money on volume of sales instead of price for quality. Eliminating the CGC grading system would simplify grain company transactions, reduce costs and increase profits for these companies at the expense of farmers and consumers.

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(NAFTA renegotiation, from page 1)

The Canadian Grain Commission's authority to manage and enforce the grain grading system provides an effective and necessary counter-balance that protects farmers' interests in the face of the overwhelming market power that grain companies wield. US-based ADM, Bunge, Cargill and Louis-Dreyfus control over 70% of the global grain trade, while the Swiss company, Glencore Xtrata that owns Viterra, and the Chinese giant, Cofco, are major players in the remaining 30% of the market. In the coming months, we are will likely need to call upon our government to safeguard both our grain grading system and supply management as the NAFTA renegotiation process unfolds. 

What do NFU members want to see in Canada's first National Food Policy?

On May 29, federal Agriculture Minister Lawrence MacAulay launched an online survey as the first step in a consultation process towards developing a Food Policy for Canada. The Prime Minister's mandate letter supported this initiative by calling on the Agriculture Minister to make it a top priority to "develop a food policy that promotes healthy living and safe food by putting more healthy, high-quality food, produced by Canadian ranchers and farmers, on the tables of families across the country."

The online survey closes on July 27. Between now and then, there is an opportunity and an incentive to sit down with your fellow NFU members, other farmers and friends to talk about what we would like to see in the national food policy.

NFU members are highly engaged in food policy issues, particularly as they affect farmers and rural communities, social justice, international solidarity and ecosystem health. The questions in the Minister's survey are a starting point that we can use to expand and deepen the conversation about the implications of food policy within our communities. Talking with one another about what Canada needs in a food policy can be a creative process where new ideas are formed, new connections are made and new ways of thinking can emerge.


The online survey is structured around four themes: increasing access to affordable food; improving health and food safety; conserving our soil, water, and air; and growing more high-quality food. It provides a series of priorities under each theme and asks people rank them in terms of importance and urgency.

Each survey section also has space where a person can fill in their own comments to expand on the choices

offered. The survey then invites participants to rank a series of principles to be used when developing a food policy. What principles do you and your neighbours think should guide Canada's food policy? At the end of the survey there is space to provide some final comments. You can add points you feel are missing from the survey and provide broader comments on the food policy initiative as a whole.

You may have participated in the Peoples Food Policy Project between 2008 and 2011. It organized hundreds of kitchen table meetings that involved thousands of people all across Canada to create a peoples' food policy that reflects the experiences and concerns of people who produce and eat food, and which developed the concept of food sovereignty as understood by Canadians. You can download a PDF of the resulting document, *Resetting the Table*, at <http://bit.ly/2kG7iY1>. Food Secure Canada, of which the NFU is a member, continues to work towards an official food policy for Canada. Other resources about food policy issues are available in back issues of the *Union Farmer Quarterly* and *Newsletter*, and on the NFU website at www.nfu.ca (to find relevant items, type the topic you want into the "search" box in the upper right-hand corner of any page).

During the summer barbeque season you may get a chance to talk with your Members of Parliament and help them become better informed about food policy as well. Please also share your thoughts and ideas with your NFU Board members and the NFU National office staff so we can benefit from your conversations as we prepare a brief on behalf of the organization.

To complete the online survey before July 27, go to www.canada.ca/food-policy. 

Frequently Asked Questions about the Wheat Class System

What is the Canadian Grain Commission?

The CGC is the federal government agency that regulates grain handling in Canada and certifies the quality, safety and quantity of export shipments of Canadian grain. It delivers grain quality assurance programs and oversees quantity assurance at export; carries out scientific research to understand all aspects of grain quality and grain safety and to support the grain grading system; and protects the rights of Canadian grain producers when they deliver their grain to licensed grain handling companies and grain dealers. Its programs and services support a competitive, efficient grain sector and uphold Canada's international reputation for consistent and reliable grain quality.

The CGC's legislated mandate is "to work in the interests of grain producers. Guided by the *Canada Grain Act*, the CGC works to establish and maintain standards of quality for Canadian grain, regulate grain handling in Canada, and to ensure that grain is a dependable commodity for domestic and export markets."

What are wheat classes?

Registered Canadian wheat varieties are assigned to one of the ten Eastern or nine Western milling wheat classes based on functional characteristics relevant for end-users such as millers, bakers and food processors. For example, Canada Eastern Soft Red Winter (CESRW) includes soft red winter wheat varieties grown in Eastern Canada that are low protein and used for cakes, pastry, cereal, crackers, biscuits and filling; Canada Western Amber Durum (CWAD) includes varieties of durum wheat grown in the West that have a high yield of semolina, excellent pasta-making quality and are used for pasta-making and couscous. See <http://bit.ly/2qGxfdM> for the complete list of classes.

Why are wheat classes used?

Wheat is a very complex grain with a wide range of potential qualities and uses. Canada's wheat class system provides a way to ensure the varieties grown and sold as a bulk commodity meet minimum standards and perform well for a buyer's intended use. This allows our wheat to be marketed with reliability and consistency according to the ways our customers use wheat. The wheat class system increases the value of our commodity and makes it possible for Canadian wheat to sell at higher prices.

How are varieties assigned to classes?

When a new wheat variety is being proposed, it needs to be registered and allocated to a class. The relevant Western or Eastern Recommending Committee assesses the variety's quality, disease resistance and agronomic performance, as well as its value for use in the intended wheat class by reviewing data from two or three years of field trials held at several different locations within the growing area. If the variety meets the necessary criteria, the Recommending Committee recommends that the CFIA register the variety for sale in Canada, or in a region of Canada if the variety had a high risk of causing harm due to disease or inferior end use characteristics when grown under conditions that prevail outside of the recommended region. If an unregistered variety is sold into Canada's bulk commodity system it must be graded as "sample" which has the lowest price. This discourages farmers from growing unregistered varieties and thereby protects our commodity system from disease and quality problems due to inferior varieties.

What does "merit" mean?

A variety is said to have merit if it is as good as or better than the "check variety" for the crop in terms of required characteristics such as disease resistance, quality and agronomic performance defined in the regulations for its intended class. Merit requirements mean that the wheat class's value to farmers and end-users is maintained or improved as new varieties are introduced.

How is grain graded?

Within each wheat class (with a few exceptions, such as feed) there are grades that further refine parameters related to the characteristics that affect performance or quality for the end-user. The price farmers get for the grain delivered and the price customers pay for it is based on the grain's grade. The CGC publishes an official *Grain Grading Guide* every year to provide grain inspectors with a complete reference on the grading of grains, oilseeds and pulses.

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(Frequently Asked Questions, from page 3)

What about heritage varieties?

It is legal to grow unregistered heritage varieties. They are usually sold into premium specialty markets such as artisanal bakeries. This occurs independently of the CGC system. Some heritage varieties, such as Red Fife, are “land races” and thus not eligible to be registered due to their within-variety genetic variability.


Can Canadian farmers sell grain without using CGC grading?

Yes. Farmers may sell to buyers based on contract specifications instead of CGC class and grade if they wish.

How does the CGC wheat class and grading system help farmers?

The CGC’s *Grain Grading Guide* provides a transparent and independent reference to establish whether a given load meets the grade’s requirements. If a farmer disagrees with the elevator’s grade and dockage when delivering grain, he or she has the right to ask for a

representative sample to be sent to the CGC and assessed by a CGC inspector. Payment will be subject to the inspector’s grade and dockage. This means the farmer has the weight of the CGC behind him or her when facing the grain company. Without our grading system, each farmer would be on their own in disputes as to whether their grain meets specifications set out in their individual contracts. Farmers do not have access to sophisticated laboratory equipment and other tools needed to measure all the indicators needed to prove they’ve met the terms of their contract. Weather and other factors mean harvest may not turn out as expected. If the harvest does not meet the contract’s specifications, the farmer is at the mercy of the grain company to take whatever price they offer.

The wheat class and grading system also prevents quality or disease issues from damaging our international reputation. The consistency of product within Canada’s wheat classes provides the foundation for higher prices on the export market. The better price we get by delivering high quality allows grain farming in Canada to be viable in spite of our distances from port and the need to cover higher transportation costs compared with farmers in other exporting countries. 

NFU Submission to CGC Consultation on proposed Eastern Wheat Class

This spring, the Canadian Grain Commission (CGC) held consultations on a proposed eleventh wheat class for Eastern Canada that would be named Canada Eastern Special Purpose (CESP). Unlike all other Eastern Wheat classes, CESP would have no quality parameters, would be without any merit criteria and simply require the variety developer to provide disease and agronomic data. It would include varieties that do not fit within the definition of any other Canadian Eastern wheat class. The NFU submitted a brief arguing against introducing the CESP class citing it is not necessary and would cause harm to farmers and Canadian agriculture. To read the full submission, see <http://bit.ly/2q4Sh4U>.

In spite of its name, the varieties that would be assigned to the CESP class are not special. On the contrary, the proposed class would open the door to varieties that do not meet current standards for disease, agronomic performance or end-use quality. If there is an end use that is not being supplied by our existing classes, a new class with merit requirements could be developed to meet that need instead of creating an “anything goes” class.

The negative impact of a CESP class would be experienced primarily by farmers in Ontario. For example, there would be nothing to stop a seed developer from selling a variety that is susceptible to cereal rust disease under this class. Rust is an extremely serious issue, of top level concern to public plant breeders internationally. Fusarium is also a significant disease problem in both wheat and corn in Ontario, but CESP wheats would not require fusarium resistance. A CESP class would not only increase disease issues for farmers growing susceptible varieties, but also for their neighbours, as these varieties would increase disease incidence and intensity. This could result in increased fungicide use and costs, reducing farm profitability.

CESP would allow for varieties with poor milling characteristics. If buyers were to blend CESP varieties with higher value milling wheats, the quality and consistency of Ontario’s wheat supply would be compromised, potentially reducing the competitiveness of local and regional wheats for Ontario flour mills and food processors. Similarly, if CESP class wheat were blended with export shipments it would downgrade Canada’s international reputation for quality and could lead to lower prices and lost customers.

NFU Vice President presents on Climate Change at Senate Committee

On April 11, 2017, Lydia Carpenter, the NFU's 1st Vice President (Policy), appeared as a witness for the Senate Agriculture Committee's study on the Potential Impact of the effects of Climate Change on the Agriculture, Agri-Food and Forestry Sectors. Her full presentation is posted on the Senate website in English (see <http://bit.ly/2qXwsFE>) and French (see <http://bit.ly/2sqZfcb>). Here are some excerpts from that session:

Lydia Carpenter: ... I'm here today as a member of the NFU but also as a farmer. I farm along with my spouse in southwestern Manitoba. We raise predominantly livestock — cattle, sheep and hogs. At 32 years of age, I am at the beginning of my farming career. In the near-future climate scenario, which is from 2021 to 2050, I hope to still be farming in that time. But over that time, we are expecting to see and already have seen increased temperatures in the Canadian Prairies, increased winter and spring precipitation, quick melts and flooding, increased frost-free days and more extreme weather events.

We live the climate every day. While farming is definitely not without risk, we feel that increased rapid change requires increased adaptability. So we feel that Canada needs to implement measures that help farmers adapt to climate change, while meeting emissions reduction targets as well. To reduce emissions and promote adaptation and resilience, we farmers need to work with government to minimize fossil-fuel-intensive inputs; maximize crop plants' ability to work with soil micro-organisms to convert atmospheric carbon into soil carbon; reduce business risks by increasing on-farm biodiversity, which would also reduce climate risk; and promote transportation, storage and processing infrastructure design and support production for local and regional markets as well....

Farming in Canada is pluralistic and so must solutions be to addressing the issue of climate mitigation adaptation. Inherent diversity of farming diversities means that the issue of climate adaptation resilience needs to be addressed within multiple levels of government. As we look to address the issue of adaptability and resilience in agriculture, we can't separate farming and food from the farmer.

While today we are looking at the issue of climate change, we will in the next 10 years see large amounts of land transition from one generation to the next. So, as part of addressing the issue of adaptation to climate, we must also consider who will be managing Canada's

farmland and what measures can be taken now to create incentives for the next generation to take on the vocation of farming in ways that help to reduce emissions.

I agree with [previous witness] Mr. Scarlett on some of the comments he made regarding his concerns about a carbon tax. Farmers and primary producers are price-takers, they cannot necessarily pass on that cost easily and are subject to having those costs passed on to them. Ultimately, low-emissions production methods, which will save farmers money and increase quality of livelihood, along with diversification and good soil management that helps to build soil life and store soil carbon, will create more resilient farms.

Thank you.

Senator Woo: Ms. Carpenter, thank you for the background paper you submitted. It's very rich and has a number of really interesting ideas and suggestions for our consideration, including the idea of a rebate on a revenue-neutral carbon tax. ... Can you say more about the view of either the NFU or your personal view or farmers in general when it comes to offset projects? ...

Ms. Carpenter: ... In terms of a carbon offset program, which would be a cap and trade, where those credits could potentially be purchased, ... as a young farmer, land prices are incredibly high and purchase is somewhat prohibitive. There is some concern that if you commodify carbon in a carbon offset program, there might be increased demand from wealthy emitters seeking offsets that could purchase that land and inflate prices further, and I think that is problematic. If it is an offset cap-and-trade system, how do you create a more regional program so the land stays within the community or is held for food production?

With the carbon tax regime, I would repeat the concerns of Mr. Scarlett, ... that if farmers have to pay a tax on one end, they may end up paying on both ends

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(NFU VP presents on Climate Change, from page 5...)

because they can't offset the increasing costs on inputs and transportation. Those costs could be passed on to them because they are price-takers and not price-makers. ...

The Chair: Ms. Carpenter, the last question. Would a carbon tax discourage the young generation of farmers or do you think they can deal with it and still have a future in farming?

Ms. Carpenter: I believe that farmers could deal with a carbon tax. The idea of a revenue neutral tax with those funds reinvested into the sector would be preferable. I don't think that a carbon tax where the funds are being reinvested would necessarily keep young people from farming.

I think there are bigger issues to deal with in terms of getting young people on to the land. Some of those issues would be succession, access to capital and access to long-term land tenure.

Coming back to the response I had provided that related to the carbon credit issue, if we create a system that increases land values to the point that young people cannot afford to farm or where we do not create programming for young farmers, then it's an extra thing and would be prohibitive. Otherwise, it's not something that is stopping us from farming.

The Chair: Thank you very much

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NFU's recommendations to the Senate Committee regarding the role of federal, provincial and territorial governments:

- Apply a GHG emissions filter to all government programs (such as Agriculture Policy Framework) and ensure there are no perverse subsidies to emission-intensive agriculture.
- Fund research and programs to support low-emission production methods that build soil carbon.
- Launch dedicated a public extension service to help farmers learn new low-GHG farming practices and support practical training and education in climate-friendly agriculture for new farmers and young people who want to become farmers.
- Provide assistance for appropriate investments to promote on-farm diversification.
- Help Canadian consumers to waste less food and to compost unavoidable food waste in a manner that allows it to be returned to the land for soil improvement.
- Ensure full public funding for plant breeding so that varieties are developed for low-emission farming and that these varieties are available to farmers free of royalty payments.
- Re-establish and expand the PFRA public pasture program on crown land and via the acquisition of additional lands.
- Regulate railways to reduce distance between delivery points and ensure rail is the most affordable method of shipping bulk commodities; support the establishment of additional producer car loading sites.
- Implement flood and drought control measures, reverse excessive ditching that floods downstream land, conserve wetlands to slow water movement and recharge groundwater.
- Use Canada-wide GHG emissions as the Key Performance Indicator (KPIs) to help policy-makers adjust operations to accomplish ambitious GHG-reduction goals in a holistic manner. The goal is to reduce atmospheric carbon to 350 parts per million (ppm) and prevent catastrophic climate instability.

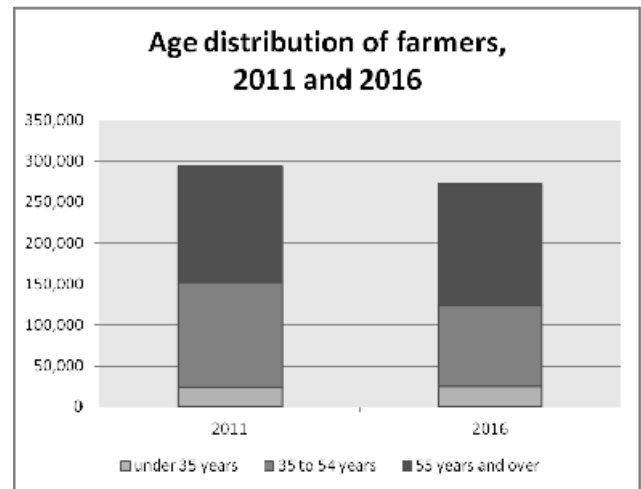
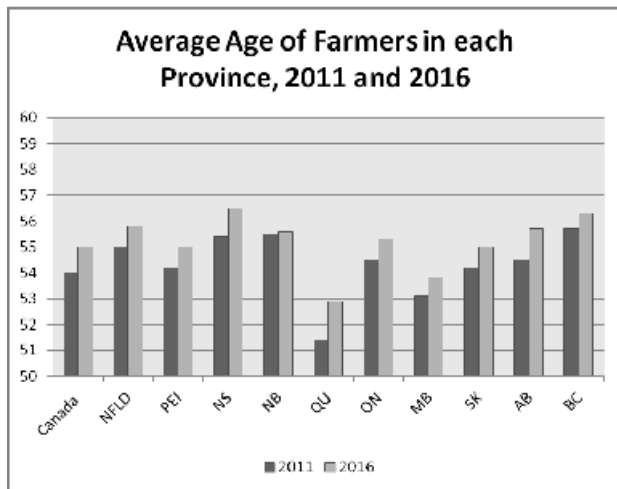
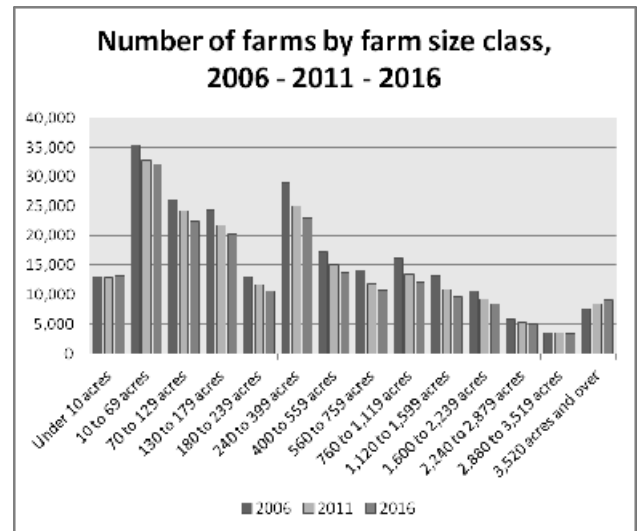
To read the NFU's full submission in English or French, visit <http://www.nfu.ca/policy/potential-impacts-climate-change-agriculture>.

Census of Agriculture 2016

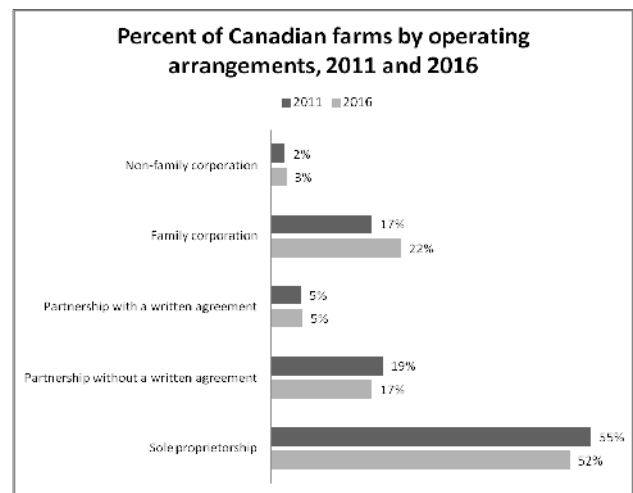
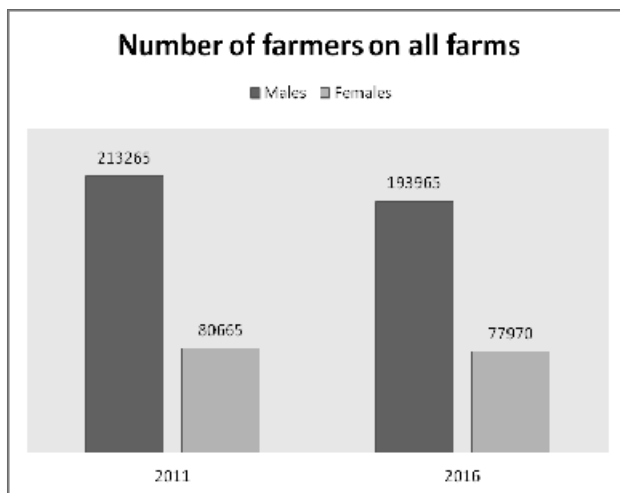
The first data sets from the 2016 Census of Agriculture were released in May 2017. The following graphs use the new data to show some of the trends related to the status of family farming in Canada.

There were just over 11,000 fewer farms in Canada in 2016 than in 2011. The loss of farms was most pronounced for farms in the 240 – 399 acre size class. The number of very small farms increased, as did the largest size category.

The average age of farmers has gone up in every province. Quebec had the most pronounced increase, but still has the lowest average age. The number of young farmers increased by 730 since 2011 and the number of older farmers went up by 6330, but there was a dramatic loss of 29,055 farmers in the mid-range of 35 to 54 year-olds.



While those who identified themselves as farmers are still predominantly male, the proportion of female farmers increased since 2011. There was an increase in the percentage of incorporated family farms but the most common arrangement remains sole proprietorship.



What does NAFTA actually say about Supply Management?

The World Trade Organization rules allow all 164 member countries – including Canada – to restrict or prohibit imports of a product if they do so to enforce government restrictions on the domestic production of the same product or one for which it can easily be substituted. NAFTA restricts Canada's use of this rule¹, limiting the authority to restrict such imports to 59 specific supply managed dairy, poultry and egg goods which are listed in Appendix 703.2.B.7 of NAFTA. As a result, Canada's participation in NAFTA has restricted our federal government's autonomy to expand supply management to cover additional goods if it wished to do so.

Here is the text of the World Trade Organization rule that allows countries to restrict or prohibit imports of a product if they do so to enforce government restrictions on the domestic production of the same product or one for which it can easily be substituted:

Article XI:2(c)(i) of the GATT

1. *No prohibitions or restrictions other than duties, taxes or other charges, whether made effective through quotas, import or export licences or other measures, shall be instituted or maintained by any contracting party on the importation of any product of the territory of any other contracting party or on the exportation or sale for export of any product destined for the territory of any other contracting party.*
2. *The provisions of paragraph 1 of this Article shall not extend to the following:*
 - (c) *Import restrictions on any agricultural or fisheries product, imported in any form, * necessary to the enforcement of governmental measures which operate:*
 - (i) *to restrict the quantities of the like domestic product permitted to be marketed or produced, or, if there is no substantial domestic production of the like product, of a domestic product for which the imported product can be directly substituted*

And here is the portion of the NAFTA text that limits the application of the above WTO rule:

NAFTA Chapter Seven: Agriculture and Sanitary and Phytosanitary Measures, Section A – Agriculture

6. *Subject to this Section and for purposes of this Section, Canada and Mexico incorporate their respective rights and obligations with respect to agricultural goods under the GATT and agreements negotiated under the GATT, including their rights and obligations under Article XI of the GATT.*
7. *Notwithstanding paragraph 6 and Article 309:*
 - *a) the rights and obligations of the Parties under **Article XI:2(c)(i) of the GATT** and those rights as incorporated by Article 309 shall apply with respect to trade in agricultural goods only to the dairy, poultry and egg goods set out in **Appendix 703.2.B.7**; and*
 - *adopt or maintain a prohibition or restriction or a customs duty on the importation of such good consistent with its rights and obligations under the GATT.*

Appendix 703.2.B.7

Dairy, Poultry and Egg Goods

Note: (For purposes of reference only, descriptions are provided next to the corresponding tariff provision).

Schedule of Canada - *For Canada, a dairy, poultry or egg good is a good provided for in one of the following Canadian tariff items: (see <http://bit.ly/2shlv5y> for the list of specific dairy, poultry and egg products)*

¹ Article XI:2(c)(i) of the General Agreement on Tariffs and Trade (GATT)