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Ottawa 'Optimistic' of EU Trade Deal's Success; Target is end of 2011

Canadian and European Union (EU) negotiators opened a new round of talks in Brussels on Monday, July 12, on an ambitious and unique free-trade agreement amid uncertainty about whether both sides - and in particular the Ontario and Quebec governments - are prepared to make politically sensitive concessions. Negotiators say they're encouraged by the first three rounds of talks that began last autumn, though all acknowledge that only the "easy" issues have been settled. The parties gathered in Brussels during the week of July 12-16 in preparation for the fifth and final scheduled gathering this October in Ottawa. The groups are quickly approaching the target deadline of a comprehensive deal by their goal date, the end of 2011. Negotiators haven't tackled some of the more politically delicate issues such as Canada's supply management system in the agriculture sector, copyright law, and especially government procurement. The Comprehensive Economic and Trade Agreement is projected to boost two-way trade and investment between Canada and the EU, Canada's second-largest trading partner, by up to 20 percent, potentially adding C$12 billion a year to Canada's wealth by 2014.

Monsanto Canada Invests C$14 Million to Upgrade Alberta Seed Production Plant

Monsanto Canada says it will invest more than C$14 million to expand and upgrade its existing hybrid canola seed manufacturing plant in Lethbridge, Alberta. The Winnipeg-based division of the United States based seeds company Monsanto says the upgrade includes plans for a new cleaning plant and expanded storage. The company is investing in its canola seeds business at a time when farmers are planting more of the plant, which is used to make cooking oil and livestock meal and as a raw material for biofuel. The company predicts the canola market will grow substantially in the next five to ten years. The expanded plant is expected to handle all of Monsanto's North American hybrid canola seed production when the expansion is completed in August 2011. Last year, the company invested C$15 million to build a new plant breeding center in Winnipeg and expand its crop technology research in Saskatoon.

Supply Management Issues Threaten Chicken Market Stability

In New Brunswick the Chicken Farmers of New Brunswick, the body mandated to manage the system in the province, allowed one entity, Groupe Westco, to gain control over almost 80 percent of the chickens raised in New Brunswick. There are press reports of growing concerns that this opens the door for monopolistic and predatory practices. Other provinces have responded to protect their processors and stability of supply, as evidenced by Quebec and Ontario quickly issuing moratoriums on the export of chickens in response to Westco's competitors anticipated need for a new source of supply. The impact of the issue has supply management experts concerned beyond New Brunswick's borders. According to some industry experts, the stability of all independent processors and the entire supply management system in Central and Eastern Canada is under threat.

Milk Quota Tax Argued as Better Option than Cap

Economists at the University of Guelph argue in a recent study that the current Milk Board policy on quota transfers is thwarting rationalization of the Ontario dairy industry and frustrating many potential quota buyers. They offer several alternatives including reducing milk prices, taxing all quota transfers, and dropping all quota price restraints, including the current C$25,000 cap on quota prices. The economists contend that the Milk Board was wrong in believing that quota prices were rising quickly due to speculation. Instead, the economists maintained that the quota prices rose due to uncertainties surrounding world trade negotiations in Doha, decreasing interest rates and incasing confidence from farmers that the quota value would hold. The economists note that the Milk Board worried for many years about quotas gaining value, but in 1980 the Board finally conceded that "trying to deny that quota was a valuable asset was impossible." This led to the introduction of the monthly auction called the quota exchange. Prices rose from about C$15,000 per kilogram of butterfat per day in the mid-1990s to more than C$30,000 in 2004, and that led to the introduction of the transfer tax in 2006.

May Wholesale Farm Supplies Unexpectedly Declines

Canadian wholesale farm supply sales activity unexpectedly fell for a second month in May as farmers in the country's western prairie provinces stopped buying supplies because of bad weather. Overall sales fell 0.1 percent to C$44.1 billion, with agricultural supplies dropping 30 percent. Poor weather in Western Canada resulted in lower farm demand for fertilizer and seeds, as sales in Saskatchewan, a major wheat producer, fell 12 percent, the most since March 2005.

USDA Bans Tomatoes, Peppers from Canada in Personal Luggage

The United States has banned individuals from bringing whole tomatoes and peppers into the country from Canada, but the ban has no effect on commercial shipments. Effective June 21, 2010, people traveling from Canada to the United States may not carry whole tomatoes or peppers in their baggage. Canada imports tomatoes and peppers from countries known to have infestations of false coddling moths. In October 2009, the Canadian Food Inspection Agency announced that commercial-scale fresh peppers could only be shipped from Canada to the United States if they had documentation stating they were not grown in the Netherlands, which has tested positive for coddling moth. That decision came a week after the USDA banned imports of Dutch greenhouse peppers. Canada does not consider the false coddling moth to be a quarantine pest, unlike the United States.

High Stakes in the Low-Frills Grocery Game

Press reports indicate that two of Canada's largest grocery stores are angling for a bigger share of the discount grocery market. Sobeys Inc. is taking aim at Loblaw Cos. Ltd. with a store format called FreshCo, which will focus on fresh foods, while catering to budget-conscious multicultural customers. Sobeys is launching the new concept in eight of its former Price Chopper stores starting Wednesday. The country's second largest supermarket chain plans to rapidly expand FreshCo, converting more of its 87 Price Choppers to the new format and adding new outlets. If successful, FreshCo will give Sobeys a weapon in the increasingly crowded battle for the culturally diverse grocery shopper. That segment is being hotly contested as retailers attempt to take advantage of a massive change in Canadian demographics. According to Statistics Canada, by 2031, one in three Canadians will belong to a visible minority and one in four will be foreign-born. A makeover of Price Chopper is aimed at raising the profit of Sobeys' parent Empire Co. Ltd. by between about 8 and 16 percent in Ontario over the next three to five years.

Exchange Rate: Noon rate, July 21, 2010 (Bank of Canada): U.S. Dollar = C$1.04.