



Industry Update - October 12, 2001

Prairie Grain Roads Program Begins in Manitoba, by Kevin Hursh

Manitoba's first of 25 projects approved under the new federal-provincial-municipal Prairie Grain Roads Program will see an upgrade completed on 28 kilometres of Provincial Trunk Highway 68 in the Interlake area.

The \$6.7 million road improvement project is being funded equally by federal and provincial governments.

The emphasis of the program is to target and improve Western Canadian corridors of grain transportation that are the most affected by grain moving outside the railways system.

Under the five year Prairie Grain Roads Program (PGRP), \$175 million in federal funding will go toward the upgrading of Western Canadian roads bearing the weight of heavy grain traffic.

Manitoba's \$32.8 million allotment will be split equally between municipal roads and provincial highways. The province and municipalities will each contribute \$16.4 million to match the federal funds for total program spending of \$65.6 million. All projects under the program must be completed by December 31, 2005.

Canada's First "PC" Rye Available Next Year, by Janet Kanters

Canada's first perennial cereal (PC) rye cultivar, AC E-1, is expected to be available to producers in the fall of 2002. This new forage alternative was developed by Agriculture and Agri-Food Canada at the Lethbridge Research Centre. Kenneth C. Long Seeds Ltd. of Spring Coulee, Alberta, will handle commercialization.

The new cultivar is good news for producers looking for an alternative to silage barley, according to Dr. Surya Acharya, a forage breeder at the Centre who led development of the variety. His research shows PC rye may reduce feed costs by 15 to 20 per cent.

In addition, PC rye has several key advantages: the forage matures a few weeks earlier than barley, with almost identical yields and nutritional quality, and is palatable to livestock. The crop is a three to four year perennial that produces at least two crops per season. It is also winter hardy and has rapid spring growth. It can be grown like other cereals and requires no special equipment. PC rye also responds well to irrigation and fertilization, and may help promote soil conservation.

About Farm Subsidies, an Editorial by Kevin Hursh

In more normal times, this might have been another winter with an active farm aid lobby. For several years, there's been an almost steady call for increased government assistance for farmers. At times, the media stunts have garnered significant national attention, even though government purse strings have seldom been loosened in a major way.

With extensive drought in Saskatchewan, Alberta and Ontario and excessive moisture in Manitoba, there are many farmers facing tough times. While this provides new ammunition to argue for addition farm subsidies, this is not an opportune time to be asking the feds for money.

The recent emergency debate on agriculture in the House of Commons garnered little attention. That's not surprising when Canadians, like people everywhere, are transfixed by how the war on terrorism will unfold. Thousands of jobs have been lost at Air Canada, the auto industry and Nortel. The government is worried about the overall economy and sympathy for farmers has been bumped down the list a few

notches.

There are some straight forward, relatively low cost measures which should be taken to help farmers this year. Unfortunately, with so many crying "wolf" for so long, governments tend to be unreceptive.

"We need more support as long as the Americans and Europeans are subsidizing their farmers." This been a common argument within the Canadian farm aid lobby. Now, at long last, there are signs that the American farm aid gravy train may be curtailed. With the events of the past month, U.S. Agriculture Secretary Ann Veneman has been indicating that there's no longer a blank cheque for farm support.

While Veneman is promising that American farmers will always have a safety net, she notes that American farm income will be at an all time high of \$61 billion this year and farmland has risen in value by 21%. According to American newspaper stories, she has acknowledged that price supports encourage overproduction, which keeps prices low while pushing up land rents. Reports indicate that one-quarter of the two million farmers in the U.S. receive 84% of federal cash payments. The largest farmers and landowners do very well, but that doesn't necessarily result in a healthy rural economy.

Brian Chamberlin of New Zealand, provides an interesting prospective on the farm subsidy issue. Chamberlin was a farmer and farm leader when New Zealand discontinued its extensive system of farm supports back in the late 80s. Today, he continues to be an international crusader for freer trade and a reduction in trade distorting subsidies worldwide. Chamberlin's book "Farming and Subsidies: Debunking the Myths" chronicles the farm subsidy reforms of New Zealand and how that has produced a much healthier farm economy.

New Zealand agriculture is largely based on livestock, while Saskatchewan is grain based. Plus, not everyone in New Zealand agrees with Chamberlin's assessments. Still, he has some thought provoking observations.

The supporters of farm subsidies use various arguments. Without subsidies the land will be mistreated, the rural social structure will crumble, nations won't have food security, we won't be able to feed the world and multinationals will take over the farms. Besides, society owes farmers a living. Chamberlin deals with each of these assertions and shoots them down based on the New Zealand experience and his extensive interaction with farmers around the world.

The grain and red meat sectors of Canadian agriculture receive a very low level of government support compared to most other nations and these sectors have pressed for an end to trade distorting subsidies in other nations. However, there are some who would take the grain industry down the subsidy road, believing that's the solution to what ails the industry.

Brian Chamberlin will be speaking at a Saskatchewan Agrivision conference in Saskatoon October 29 and 30, adding a new dimension to the ongoing farm subsidy debate in this country. Further information is available at www.agrivation.sk.ca.

I.D.E.A. Annual General Meeting and Conference

The I.D.E.A. Annual General Meeting and Conference is scheduled to take place February 11 and 12, 2002 at the Sheraton Hotel in Winnipeg, Manitoba, in conjunction with the CAAR convention. Activities begin with a Welcome Reception at 7:00 a.m. on Monday, February 11. The I.D.E.A. business meeting, open to I.D.E.A. members only, will take place on Tuesday, February 12 from 9:00 a.m. to 10:00 a.m. Conference sessions, open to the general public, follow the business meeting, beginning at 10:15 a.m. This year's conference will feature Larry J. Martin, Ph.D., C.E.O., George Morris Centre. Larry Martin, lead instructor, publishes and speaks internationally on all aspects of futures trading, international trade and agricultural competitiveness. He is considered an expert on trade issues surrounding agricultural commodities and has been consulted by many companies and organizations in North America and Europe. He is a former member of the Board of Governors of the Winnipeg Commodity Exchange and assisted the Exchange in revising several of its futures contracts. He also chaired the Canadian Agri-Food Competitiveness Council. For conference details, look online at www.independentdealers.com.