



I.D.E.A. Industry Update - August 29, 2003

Canada's Visible Pea Stocks Total 92,200 MT

Visible supplies of field peas in Canada's licensed elevator system totalled 92,200 metric tons (MT) during the latest week under review by the Canadian Grain Commission for the 2003-04 marketing year.

Data compiled by the Canadian Grain Commission revealed visible stocks are up 55,200 from 37,000 MT by this time of the season during the last marketing year. There were no exports reported during the week at Canada's licensed terminal elevators. Export shipments so far this season total 0 MT peas down 2,200 from 2,200 MT last year. Grower deliveries reached 29,000 MT during the week under review. Farmer deliveries so far this season total 57,500 MT peas up 40,100 from 17,400 MT last year. The CGC reported domestic disappearance as 6,400 MT during the week under review. The season to date total is 8,300 MT peas up 6,500 from 1,800 MT last year.

Pea and Lentil Harvest Nearly Done

This year's pea and lentil harvests in Saskatchewan are rushing toward completion and could enter their final stages by the end of the week as hot and dry weather quickly ripens crops and allows growers unrestricted access to their fields. In its latest crop progress report, Saskatchewan Agriculture, Food and Rural Revitalization said growers have combined 38% of all crops planted this year, up from 13% last week and above the five-year (1998-2002) average of 18%.

The pea and lentil harvest is the most advanced, with the week starting with 87% of the peas and 78% of the lentils in the bin. This is similar to the degree of progress achieved in 2001, when the pea and lentil harvests were virtually complete by the end of the first week of September.

Insects and heat continue to be the main source of crop damage across the province. Strong winds were also reported to be blowing swaths and causing lodging in standing crops, making harvest difficult in some areas.

CWB Upset U.S. Import Duty Hike

The Canadian Wheat Board is upset with the U.S. government's determination to impose higher duties on Canadian wheat and durum, thereby forcing importers in the United States to pay higher prices than importers in other countries for Canadian grown wheat. The latest ruling by the U.S. Department of Commerce (DOC) extends the leftist agricultural policies of the current Republican administration by imposing tariffs of 5.29% on spring wheat and durum were imposed under the countervailing duty case and 8.87% for spring wheat and 8.26% for durum under the anti-dumping investigation.

On the one hand, the U.S. administration appears to understand it is possible for world markets to fall below the cost of production. It offsets that by offering agricultural producers in that country hefty income support programs. However, it leaves competing producers in other countries in an awkward situation. If their governments were to similarly subsidize farm incomes, the United States would seek

502 - 45th Street West, Second Floor
Saskatoon, Saskatchewan
CANADA S7L 6H2

Tel: (306) 933-4904
Fax: (306) 244-4497
office@independentdealers.com

redress under the WTO. However, if their exporters sell when world prices fall below the cost of production, the U.S. government views that as dumping and seeks countervailing duties as protection for its farmers.

Commenting on the decision, CWB chairman and director Ken Ritter said, "The DOC determination again shows the highly political nature of the whole trade action against Canadian farmers. Our spring wheat and durum exports are not unfairly subsidized or dumped into the U.S. market. The truth is, we produce a high quality product and our American customers are willing to pay more for our wheat and durum."

The International Trade Commission (ITC) is investigating whether or not injury has been caused to U.S. wheat and durum farmers by the importation of Canadian spring wheat and durum. The tariffs imposed by the DOC will be retroactively removed if no injury can be shown.

"It is devastating to western Canadian farmers to see this trade action continue. If the U.S. International Trade Commission bases its ruling on the facts - not on politics, the tariffs will be overturned," Ritter added.

The tariffs are a consequence of the last in a series of relentless challenges against Canada by the North Dakota Wheat Commission and U.S. Durum Growers. They allege that the CWB "dumps" wheat and durum into the U.S. by selling at below "normal" market prices and that the Canadian government unfairly subsidizes Canadian wheat and durum. Both allegations are unfounded.

Today's Department of Commerce (DOC) final determination concerns the countervailing duty and anti-dumping cases. The U.S. International Trade Commission (ITC) is also investigating whether injury has been caused to the U.S. wheat industry by Canadian wheat/durum imports, with a finding expected this autumn. Tariffs will be retroactively removed if no injury can be shown.

The countervailing duty case initially focussed on seven areas that were alleged to constitute subsidies: federal government guarantees of CWB borrowings; export credits and initial payments; the free supply of government hopper cars to the railways; the imposition of a revenue cap on the major railways' western grain traffic; and its support for short line and branch line railways. The DOC has dismissed all but the allegations concerning government hopper cars and guarantees of CWB borrowings.

Canadian wheat and durum sell in the U.S. market at higher prices than the equivalent American product. This fact has been proven by hard evidence provided through two investigations by the ITC. American millers say they buy Canadian wheat for quality and consistent supply.

Dumping is defined as selling into the U.S. at prices below "normal" values -- in this case, Canadian market prices. For spring wheat, investigators also decided to factor in western Canadian farmers' cost of production (COP) to determine whether some sales were being made below COP. Their COP estimate was based on per-bushel costs of just 27 farmers during a single year (2001-02). In grain farming, low global prices may mean that some sales are made at prices that are unavoidably below farmers' cost of production. Wheat prices are set by global markets and can fluctuate unpredictably in a given year due to factors like weather, exchange rates, and supply and demand. Farmers' costs are sunk long before prices for the crop can be known with any certainty -- meaning that, in some years, not all costs will be recovered even though sellers are always trying to maximize returns. That does not translate into "dumping."

According to Canadian Grain Commission (CGC) preliminary figures, 211,000 metric tons (MT) of wheat and 200,000 MT of durum were exported to the U.S. in 2002-03. Both export numbers include all Canadian exports, not just those from Western Canada. The figures reflect the drought-reduced harvest of last year. CGC statistics for 2001-02 show that 1.4 million MT of wheat and 368,000 MT of durum were exported to the United States.