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## FIRST YEAR PROGRESS REPORT

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# Canada-U.S. Record of Understanding on Agricultural Trade

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December 1999

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On December 4, 1998, the United States and Canada signed a Record of Understanding (ROU) on agricultural trade, committing both sides to specific actions to reduce bilateral trade tensions and to help increase bilateral agricultural trade.

The following pages set out specific achievements since December 1998.

### INCREASED COMMUNICATION

As a part of the ROU, the countries agreed to work more closely to increase the level of information and understanding about bilateral agricultural trade and to address and resolve trade issues of concern before resorting to actions that restrict trade.

Since December 1998, Canadian and U.S. officials have held several bilateral meetings at all levels of representation. These meetings have facilitated communication between the two governments and helped to ensure that issues are addressed at the appropriate levels. In April, Canadian Agriculture and Agri-Food Minister Lyle Vanclief, and U.S. Agriculture Secretary Dan Glickman met in Ottawa to review the status of bilateral trade relations and to lay out plans for resolving outstanding issues. During this visit, Secretary Glickman also met with Provincial Ministers of Agriculture. Additionally, U.S. Trade Representative Charlene Barshefsky met with former International Trade Minister Sergio Marchi and current Minister Pierre Pettigrew during 1999.

Both countries are engaged in an ongoing dialogue with legislators and government officials in states and provinces where agricultural producers have been particularly hard hit by the recent farm crisis. Meetings with industry representatives have been held to increase communication and understanding of the bilateral trading relationship. Both governments continue to encourage industry groups to engage one another in cross-border dialogue to work towards common appreciation of agricultural and trade dynamics.

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Finally, visits by legislators of both governments have helped to improve communications between the different branches of government. In February 1999, members of the Canadian House of Commons Standing Committee on Agriculture and Agri-Food visited Washington, meeting with Administration and Congressional officials including their counterparts in the House of Representatives Committee on Agriculture. A visit to Ottawa and Winnipeg in August 1999 helped Congressional staff gain a more complete understanding of Canadian agricultural policy.

### **FORMATION OF CONSULTATIVE COMMITTEE ON AGRICULTURE**

In April 1999, both countries announced the formation of the bilateral Consultative Committee on Agriculture (CCA). The CCA is led by senior officials from the U.S. Department of Agriculture (USDA), Office of the U.S. Trade Representative (USTR), Agriculture and Agri-Food Canada (AAFC), and Canada's Department of Foreign Affairs and International Trade (DFAIT). The CCA provides a forum to strengthen bilateral agriculture trade relations and to facilitate discussion and cooperation on matters related to agriculture. The CCA held its first meeting in Ottawa in September, and reviewed progress in bilateral trade relations.

Recognizing the importance that provinces and states place on Canada-U.S. bilateral trade, both federal governments encouraged the establishment of the Province/State Advisory Group (PSAG). Officially formed in June 1999, the Advisory Group serves as a forum where producers and exporters, through their provincial and state governments, can raise bilateral agricultural trade issues as well as enhance cooperation and coordination on areas of concern. The Advisory Group has neither the intent nor the responsibility to negotiate on specific bilateral issues, but reports to the CCA. The Advisory Group is co-chaired by Dwain Lingenfelter, Saskatchewan Minister of Agriculture and Food, and Ralph Peck, Montana Commissioner of Agriculture.

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## IMPLEMENTATION OF ROU ACTION PLAN

### # **Increased Access for U.S. Slaughter Swine**

On December 3, 1998, Canada implemented regulations to allow U.S. slaughter swine from states recognized as free of pseudorabies to enter Canada without testing and quarantine restrictions. On October 5, 1999, these regulations were further amended to allow more flexibility in ensuring that reasonable conditions are in place to prevent the introduction of disease while facilitating the trade in slaughter swine from the United States. Canada's new import regulations are expected to increase U.S. producers' access to Canadian hog processing facilities, and Canadian swine processors' access to supplies from the United States.

### # **Expanded Access for U.S. Feeder Cattle**

The Northwest Cattle Project facilitates imports of feeder cattle into Canada by expanding animal health approvals for cattle from states that meet certain animal health criteria. As of December 1999, Alaska, Hawaii, Idaho, North Dakota, Montana, and Washington were approved for participation in the program. In the 1998-99 season, 51,009 head of U.S. feeder cattle were imported under the project, compared to 1,000 head the previous year. In the first eight weeks of the 1999-2000 season (which began on October 1), U.S. feeder cattle exports to Canada totaled 92,972 head. The Northwest Cattle Project benefits U.S. feeder cattle producers by providing access to a broader market. Canadian feedlot operators benefit from an additional source of feeder cattle.

### # **Revising Canada's Animal Health Regionalization Regulations**

The Canadian Food Inspection Agency (CFIA) has initiated regulatory changes governing the import of animals and their products with a focus on internationally approved principles of zoning and regionalization. CFIA has initiated country wide consultations with stakeholders, and plans to publish the proposed regulation by the end of 1999, with the aim of issuing the final regulation by the first quarter of 2001. Canada's proposed regionalization policy would recognize the tuberculosis and bluetongue status of various states. The passage of these regulations is expected to benefit U.S. exporters and Canadian importers by minimizing regulatory requirements as warranted by animal health considerations.

### # **Improving Transparency in U.S. Cattle Vaccination Requirements for Brucellosis and Tuberculosis**

To clarify certain vaccination requirements and provide greater transparency, USDA's Animal and Plant Health Inspection Service (APHIS) is reviewing certain vaccination requirements with the aim of providing greater transparency in state and federal testing and certification requirements. APHIS has provided to the CFIA a list of state-level brucellosis

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and tuberculosis requirements for cattle imported from Canada and has notified state veterinarians as to the U.S. federal government's recognition of Canada's animal health status. Work will continue to address inconsistencies between U.S. state and federal requirements.

#### **# Simplifying U.S. Equine Semen Requirements**

USDA's APHIS initiated the process to change current regulations requiring an import permit and health certificate for imports of equine semen from Canada. APHIS is endeavoring to implement a final regulation eliminating permit and certification requirements in January 2000, which should provide U.S. horse breeders with easier access to Canadian genetics.

#### **# Eliminating Inspection Requirements for Canadian Horses**

Current U.S. requirements provide that all Canadian horses being presented for permanent entry be inspected. APHIS has initiated the regulatory process to eliminate these inspection requirements (<http://aceis.agr.ca/cb/trade/canus/record.html>). The revisions are expected to enter into effect in August 2000.

#### **# Improving Information about Cattle Production**

The U.S. and Canada have cooperated in the exchange of data on cattle trade, cattle inventory and slaughter, and cattle on feed, for the purpose of improving information flow and assisting cattle producers to make informed management decisions. In February 1999, USDA's National Agricultural Statistics Service, in cooperation with Statistics Canada, published the first side-by-side comparison of U.S.-Canadian cattle inventories (<http://www.usda.gov/nass/>). In 1999, CANFAX, a private Canadian organization, started collecting cattle-on-feed data and has been making it publicly available since October. This information is available on AAFC's web site (<http://www.agr.ca/misb/aisd/redmeat/markets.html>).

#### **# Facilitating the Movement of U.S. Grain**

On January 1, 1999, based on improved information from the United States on its plant health status, Canada amended its phytosanitary requirements to facilitate the shipment of U.S. grains through Canada to final destinations in the United States. Known as the In-Transit Program for Grains, the program provides improved transportation alternatives to U.S. grain shippers and has generated business opportunities for Canadian railway operators. As of the end of October 1999, certificates of origin had been issued for the movement of more than 550,000 tonnes of wheat, barley and oats through Canada. As of December 1999, Minnesota, North Dakota, and Montana were eligible for participation in the program, and CFIA has agreed to consider expansion of the program to other states as further information is provided to demonstrate their freedom from plant diseases and pests of concern.

#### **# Improved Access to Western Canadian Grain Elevators**

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The Canadian Grain Commission (CGC), working with industry and government, established the Wheat Access Facilitation Program to permit licensed primary elevators in western Canada to handle U.S. wheat while preserving the integrity of the Canadian quality control system. The program was developed to provide additional access to the Canadian market for U.S. producers, and allows Canadian elevator operators to import U.S. wheat directly from U.S. producers. As of December 1999, twenty-nine elevators operated by five different grain companies were authorized to participate in the program which began January 1, 1999.

#### # **Revising Phytosanitary Requirements for the Importation of U.S. Wheat**

- As of April 1, 1999, Canada recognized the following fourteen states free of Karnal bunt, thereby eliminating the need to test each shipment of wheat for this pathogen.

Connecticut	Minnesota	New York	Rhode Island
Maine	Montana	North Dakota	Vermont
Massachusetts	New Hampshire	Pennsylvania	Wisconsin
Michigan	New Jersey		

- CFIA will review the results of USDA's 1999 National Karnal Bunt Monitoring Plan, with a view to recognizing additional states as free of Karnal bunt. CFIA expects to release its decision on the status of additional states within four months of receiving the survey results.
- CFIA will consider amending existing requirements for cereal screenings in light of its recognition that 14 states are Karnal bunt free and its consideration of the results of APHIS' 1999 National Karnal Bunt Monitoring Plan. CFIA expects to issue its amended requirements by April 1, 2000.

#### # **Improving Communications on Grain Trade**

Beginning in January 1999, United States and Canadian officials have held quarterly grain consultations for the purpose of exchanging information on grain market developments and global and bilateral exports. In 1999, grain consultations were held in January, May, August, and October. The next consultation is scheduled for January 2000. Information regarding current grain projections is available on the Internet at <http://www.agr.ca/cb/trade/canus/consulte.html> (AAFC) and <http://www.usda.gov/itp/us-canada.html> (USDA).

#### # **Streamlining Requirements and Facilitating Seed Trade**

In February 1999, CFIA, USDA, and U.S. and Canadian seed organizations met to explore options to Canada's seed lab accreditation requirements. Discussions are underway in both governments to review the five options which have been identified.

#### # **Eliminating Oat Export Subsidies**

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Canada and the United States share the objective of eliminating export subsidies in the next round of World Trade Organization (WTO) negotiations. In the meantime, the two countries are continuing to explore options to induce the EU to discontinue export subsidies on sales of oats to the U.S. and Canada.

#### **# Harmonizing Veterinary Drug Registrations and Residue Limits**

The U.S. Food and Drug Administration and Health Canada's Bureau of Veterinary Drugs have completed a side-by-side comparison of veterinary drug registrations and are working bilaterally toward harmonization of maximum residue limits (MRLs) for veterinary drugs in foods. The two agencies have concluded that there are no significant health risks resulting from the minor differences in requirements on either side of the border. To further their work, the agencies have entered into preliminary discussions regarding the further harmonization of MRLs for other veterinary drugs and the joint review of veterinary drug submissions. The agencies also continue to work with Mexico to increase cooperation on veterinary drug issues within North America and globally.

#### **# Collaborating on Reviews of Pest Control Products**

- Since December 1998, the U.S. Environmental Protection Agency (EPA) and Canada's Pest Management Regulatory Agency (PMRA) have completed joint registration of a number of products, including cyprodinil/fungicide for apples, diflufenzopyr/herbicide for corn, pheromone/pine shoot moth, and fenhexamid/fungicide for grapes, strawberries, and ornamentals. Joint review activity was extended to include organophosphate alternatives in May 1999. (See <http://www.hc-sc.ca/pmra-arla>.)
- On May 6, 1999, the North American Pesticide Meeting was held in Washington, D.C. The meeting brought together over 100 stakeholders from U.S. and Canadian governments, pesticide companies, commodity groups, and state and provincial governments to discuss harmonization of the pesticide registration process. A second meeting is planned for early spring 2000 in Canada.
- The American Seed Trade Association, the Canadian Seed Trade Association, AAFC, USDA, PMRA, EPA, provincial and state representatives and industry representatives met in Washington, in June 1999 to discuss harmonization of seed treatments.
- PMRA, AAFC, the Canadian Canola Council, pesticide registrants and seed trade industry representatives met in June and October to review progress on lindane replacement products. Registrants and the Canadian Canola growers have agreed to the voluntary removal of lindane seed treatments for canola from the market by December 31, 1999, and to no more use as of July 1, 2001.
- The North American Free Trade Agreement Technical Working Group on Pesticides (NAFTA TWG) 1999 annual meeting was held in San Antonio on May 24-26. The

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NAFTA TWG discussed activities and accomplishments of the four TWG subcommittees as well as new initiatives. Input from growers and industry at the open session on May 25 indicated support for the harmonization activities underway and agreed that in order to ensure progress, industry, government and growers must continue to work together. (See <http://www.hc-sc.gc.ca/pmra-arla>.)

- EPA and PMRA compiled matrices on the current status of pesticides for canola, wheat and barley in both countries.
- The United States and Canada jointly sponsored a Pesticide Price Differential study in order to shed light on differences in prices and costs to producers in Western Canada and the Northwest Plains. The report (<http://www.ridgetowne.uoguelph.ca>) was publicly released on October 4, 1999.
- U.S. and Canadian canola growers met on November 5, 1999, to jointly develop a pesticide priority list and to work toward harmonization of pesticides registered for canola on both sides of the border. A cross-commodity meeting was also held on November 6, 1999, to discuss the development of a priority process for all commodities in Canada. EPA, PMRA and AAFC attended the meeting to assist in the process. Similar meetings are planned in both countries for other commodities in early 2000.
- With regard to EPA and PMRA cooperation on Food Quality Protection Act (FQPA), PMRA announced the re-evaluation of organophosphate pesticides in June 1999, and will use results of EPA risk assessments in the Canadian decision-making.

## # Resolving Horticultural Issues

### Produce Testing

In September 1999, Canada and the U.S. agreed to renewed discussions on the subject of FDA's produce testing procedures to resolve export disruptions suffered by Canadian horticultural producers because of the operation of U.S. FDA's "Hold and Test" policy. FDA and CFIA maintain the lead role in these discussions, with participation of trade officials on both sides.

### Bacterial Ring Rot Testing

In September 1999, APHIS and CFIA announced an agreement to allow U.S. potatoes shipped to Canada to be tested for bacterial ring rot in Canada, thereby eliminating duplicate testing. Both sides are committed to continuing to work towards a long-term solution involving recognition of equivalence.

### Potatoes

On September 22, 1999, the Ad-Hoc U.S.-Canada Potato Committee, an existing industry

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committee established to address regulatory differences and restrictions affecting bilateral trade in potatoes, submitted a joint report to the U.S. Secretary of Agriculture and the Canadian Minister of Agriculture. The two federal governments are now examining the report and its recommendations some of which call for certain regulatory changes in both countries.

### Nursery Stock Phytosanitary Requirements

Canada has asked for changes to APHIS' nursery stock quarantine to allow the export of certain plants currently subject to import restrictions in the United States. Both APHIS and CFIA continue to meet on this issue with a view toward identifying and prioritizing species where regulatory differences exist and identifying time lines for implementation of harmonization measures.

### **# Collaborating in the Area of Biotechnology**

Canada and the U.S. enjoy continued cooperation in the area of agricultural biotechnology. Canadian and U.S. officials meet regularly to discuss issues relating to biosafety, and where feasible, the harmonization of the regulatory review process concerning products of biotechnology. In May 1999, APHIS and Health Canada gave joint presentations on the U.S. and Canadian Regulatory Framework for Biotechnology to groups in Belgium, the Netherlands, and Denmark. In addition, Canada and the United States are working together to address market access issues related to biotechnology in the WTO.

### **# Labeling Agricultural and Food Products**

In the ROU, both countries agreed that country of origin labeling requirements will be consistent with their NAFTA and WTO obligations.

### **# Amending U.S. Import Requirements for Canadian Sugar-Containing Products**

On December 1, 1999, USTR published an interim rule that requires U.S. imports of sugar-containing products from Canada be accompanied by a Canadian export permit as a condition for entry under a tariff rate quota reserved for Canada. The new requirement is expected to be applicable on January 31, 2000. Q