

Strange Bedfellows



WIL YEE

How the U.S. Farm Bill has united our political parties

When the federal Liberals are in power—and except for the Diefenbaker and Mulroney years (and the Clark and Campbell months), that's been the case since 1935—it's a given that Ottawa and Edmonton don't agree. From former premier Peter Lougheed's anti-Trudeau stance in the early eighties during the patriation of the Constitution and the stand-off over the National Energy Program to today's bitter disagreements over the future of health care and the carbon-cutting Kyoto Protocol, political discord between this province and the feds runs deep.

But the provincial Conservatives and the federal Liberals have recently come to agreement on one issue: opposition to the U.S. Farm Bill. The Farm Bill, which calls for aid dollars for American farmers, has seen Premier Ralph Klein cozying with the most unusual political bedfellows: not only federal Liberals, but also the New Democrat governments of Saskatchewan and Manitoba and even the Alberta NDs, led by Raj Pannu. All agree that the bill must be challenged.

THE FARM BILL WAS SIGNED INTO LAW by U.S. President George W. Bush in the spring of 2002. The bill proposes more than \$45-billion (U.S.) in new aid for American grain growers, bringing the potential total over the next six years to \$110-billion (U.S.) The move is an affront to Canada, which has continually pushed the United States and the European Union in World Trade Organization meetings to lower their subsidies and allow food to be traded in a free-market system.

"What the American government has done is taken the emergency spending and embodied it in a piece of legislation," says Dwayne Lee, a market analyst for the Canadian Wheat Board. "Before, aid money came in the form of ad hoc emergency spending, but now it has been more or less institutionalized." The result for people like Ted Menzies, a Claresholm-based grain farmer and director of the Western Canadian Wheat Growers Association, will be an unfair marketplace. "The American government may not be calling it so, but these are subsidies," says Menzies. "No matter how they describe it, it distorts the market. It distorts producers from the real marketplace."

The Farm Bill also breaks a long-standing gentleman's agreement that the farm states stretching from Iowa to Nebraska and Wisconsin to the Dakotas raise corn and soybeans while Canadian farmers specialize in pulse crops. The bill promises extra aid to American farmers who take on pulse crops, threatening what had been a stable marketplace for pea and lentil growers north of the border. The United States is in effect saying it's okay for both countries to step on each other's toes—except the U.S. has bigger shoes. "We're especially disappointed that they've seen fit to include pulse crops this year," said Shirley McClellan, Alberta's agriculture minister, earlier this year in the legislature. "That includes crops such as chickpeas, lentils and beans, which previously have been excluded. Using measures like this is not very productive. They are not useful to farmers in the long term, and they are certainly not the way to encourage competitiveness and a global marketplace."

Menzies says pulse crops are a healthy niche market for Canadian growers, providing protein for many nations where meat is either too expensive or not part of the regular diet. If American farmers decide to take advantage of their government's new pulse-crop assistance, they may soon flood the market, driving prices downward. "I have heard American producers say that if the crops were subsidized, they could grow pulse crops, too," he says. "And that's the problem. If it can't survive on its own, without subsidies, why produce it? To me, that's when subsidies become a crutch."

The Farm Bill will also hurt beef producers, who are still suffering from the U.S. ban on Canadian beef imposed after the mad cow disease scare in May. The bill requires that all beef, pork, veal, lamb, fish and fruit (fresh or frozen) carry labelling stating where it was produced. These regulations are being phased in through a two-year voluntary-compliance period. By 2004, Canadian producers will be saddled with the extra costs of labelling all the foodstuffs that fall under the U.S. guidelines. The stringent new measures will require cattle ranchers to be able to provide traceable histories of their livestock, a stipulation that's meant to prevent Canadian-born cattle raised

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or slaughtered in the United States from escaping the labelling process.

Much of this burden will fall on Alberta, which produces and processes 70 per cent of Canada's export beef. Around 35 per cent of all cattle slaughtered in Alberta are marked for export to the U.S., so the labelling requirements will affect a full third of the province's largest agricultural sector. "There will definitely be effects on our producers," says Arno Doerksen, vice-chairman of the Alberta Cattle Commission and owner of a cow-calf

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feedlot in Gem, a hamlet about 150 kilometres east of Calgary. "We estimate that the cost will be \$75 to \$100 per carcass. And that's what we may have to discount our carcasses so we can be competitive in the American market.... This will be very costly."

If so much is at stake for Alberta's farmers, why hasn't the potential impact of the Farm Bill received top billing in the media? Severe drought conditions. "We were talking about this quite a bit in the spring, when President Bush signed the Farm Bill," says John Kolkman, research director for the New Democrat caucus at the Alberta legislature, "but this has really not been talked about for awhile. Right now, because of drought, production is down and prices are up. But it does present a mid- to long-term threat, especially to the farmers on the Canadian prairies." If the new bill launches an era of overproduction in 2003, which is usually the case with subsidies, prices will likely tumble, hurting Canadian farmers who don't have the luxury of billions of dollars of extra aid.

WITH THIS KIND OF DAMAGE in store for Canadian farmers, it's not surprising that governments of all political stripes are unified against the Farm Bill. "The federal government has often been slow in responding to farm issues—in fact, quite slow," says Gordon Turtle, the spokesperson for Ralph Klein's premier's office. "But in the issue of trade, they have been quite active in stating Canada's position.... And while the issue of politics is out there for the political scientists to debate, it is similar to the position held by Alberta, as well as Saskatchewan and Manitoba. Sometimes, things are so obvious that everyone from every political side can see it."

And the potential for the bill to initiate a subsidy war between Canada and its biggest trading partner also has the provinces onside with the federal government, which

has the clout to challenge the U.S. "As for Alberta's position," says Turtle, "we are 100 per cent on board with the federal government. The proposal is for the federal government to challenge the U.S. Farm Bill in the different international trade tribunals—NAFTA, WTO. I think the last thing anyone in Alberta wants is an escalating subsidies war. We want a level playing field."

The farmers are buoyed by the strength and unity of the governments' response. "We have been very pleased with the reaction of the Alberta government, and we have been working closely with them," says Doerksen. "It looks to me that we have a real coalition across Canada. Because the real issue is the protection of trade."

More altruistic motives may also be at work. One reason that the federal government is taking issue with the bill, according to Prime Minister Jean Chrétien, is that farm subsidies undermine worldwide social progress. As a nation's economy develops, some of the first goods it exports are agricultural products. If developing nations cannot make money selling their food in a marketplace distorted by rich governments, they will find it hard to achieve greater economic independence. Chrétien has publicly pleaded with the United States and the European Union to drop subsidies because they retard the economic growth of developing nations.

The Farm Bill does call on the U.S. to use some of its food reserves for aid to the Third World. But while that may seem altruistic, Menzies charges that it only ensures that the cycle of poverty in the Third World will continue. "All of a sudden, [Third World farmers] are exporting into a protected market," he says. "And while they receive food aid, is it not better for those farmers to be able to earn enough so they can continue production and help their economies? Are you, in fact, by providing food aid, ensuring that the current process will continue?"

ACCORDING TO A 2001 STUDY by the Organisation for Economic Co-operation and Development (OECD), Canadian farmers make less than 20 cents from subsidies for every dollar earned, whereas Europeans earn more than a third of their income from subsidies, as will U.S. farmers, once the Farm Bill's effects set in. Canada's Department of Foreign Affairs and International Trade (DFAIT) is planning to launch a protest to correct this discrepancy by arguing that the Farm Bill violates the spirit of both NAFTA and the WTO.

But while this protest is in the works, the WTO has yet to receive any official comment from Canada. Currently, the foreign affairs politicians are looking to create an international coalition of anti-Farm Bill nations so they can go to the WTO in force. So far, Canada has found an unlikely ally in the European Union—a body that offers far more subsidies to its farmers than the United States does—but wants to get even more nations on the bandwagon. The WTO likes to hear cases once and only once, so it's important for DFAIT and its allies to wait and make a strong case with many complainants.

"We want to get as much information as possible," says André Lemay, the departmental spokesperson on trade issues for DFAIT. "We could in fact be waiting to see how many will protest the U.S. Bill, because the case will be far better with more people in there. We have to be very careful. We certainly do not want to go to WTO and fall flat on our face about an issue we know that we should have won."

Because of the yards of red tape that come with trade battles, Canada will likely be unable to make a formal complaint, or look to the WTO to approve countervailing measures, until every component of the Farm Bill comes into play—and that means waiting until 2004, when the meat-labelling guidelines become law. (Canada has been burned before by jumping into a trade battle too early. In Ottawa's protest of American softwood lumber duties, the WTO could not immediately recommend countervailing measures because the U.S. measures had not yet affected the Canadian lumber industry.)

But the Americans are aware that a Canadian-led anti-Farm Bill coalition is looming, and they have already launched a counteroffensive. Ironically, the U.S. protest is music to Alberta's ears. For the first time, after years of threats, the United States is officially taking Canada to task at the WTO over the Canadian Wheat Board. The American claim is the same as Alberta's gripe with the CWB—that the board is an unfair monopoly that distorts the fair and equitable trade of grain.

The Americans are also sticking by their argument that the Farm Bill is merely entrenching disaster-relief measures, and that if Canada calls the bill's "relief dollars" a euphemism for added subsidies, then the same is true of the hundreds of millions of dollars received by prairie farmers to combat the effects of the 2002 drought. According to the premier's office, that argument is nothing but political hogwash. "We see that there is a very big difference between 'disaster relief' and subsidies," says Turtle. "The money the feds gave to farmers was to assist them out of a disaster situation. Alberta's position is that this is not a subsidy."

Klein's government does not wish to participate in a subsidy war with the United States. "We don't want to be part of a subsidy battle," says Turtle. "We don't want to get in a situation where the federal government is raising subsidies, which causes the U.S. to further raise subsidies. The next thing you know, we have a massive amount of subsidies."

This is where the views of prairie governments diverge. The New Democrats may be unified with the Tories when it comes to battling the U.S. on the international trade front, but the ND premiers in Manitoba and Saskatchewan, as well as the party's Edmonton caucus, are ready to throw up their hands and promote trade-injury payments to farmers harmed by the Farm Bill. The NDs argue that a subsidy battle may be a necessary evil in the years to come. "In the past, Canada has really been seen as a boy scout when it comes to these issues," says John

Kolkman. "When are we going to take action? We'd like to keep a lid on subsidies, but what can we do? We can't allow our farmers to go belly up."

New Democrat Deputy Leader Brian Mason has suggested that Alberta follow the lead of Saskatchewan's New Democrat leaders and push for Ottawa to provide injury payments to farmers, despite fears that doing so could undermine efforts Canada will make to tackle the Farm Bill in WTO and NAFTA tribunals. "These U.S. actions are going to seriously hurt Alberta farmers, yet compared to our neighbouring provinces of Saskatchewan and Manitoba, the Alberta government has been silent and passive," he says. In the legislature, Mason asked Premier Klein, "Does the government support the call by the premiers of Manitoba and Saskatchewan for a federal \$1.3-billion trade injury payment to compensate Canadian farmers, including Alberta farmers, given the damage the U.S. Farm Bill will do to their livelihoods?" Klein defended the Tories' rather unusual stand-by-Ottawa strategy. "One of the worst things that we can do at this particular time is to go into a situation that is ad hoc, that provides no sustainability whatsoever," Klein responded. "But we are fully on-side with the governments of Saskatchewan and Manitoba in terms of challenging what we consider to be an unfair bill under the organizations available to us: NAFTA, the Canada/U.S. free trade agreement, the World Trade Organization." Klein affirmed that Alberta will stand by Ottawa in the subsidies fight, but he couldn't resist a dig at the Canadian Wheat Board. "If the socialist governments of Saskatchewan and Manitoba really want to do something to help farmers, perhaps they would get on the Alberta bandwagon and convince the federal government that the Canadian Wheat Board, that monopolistic agency, should allow dual marketing so that we can add value to our crops and reasonably market them," he added.

A TRADE WAR MAY BE INEVITABLE. The Republicans have consolidated their power in Washington, thanks to a series of large political wins in 2002. If the gubernatorial elections are any indication, the Farm Bill has rousing support from America's farm belt. Despite the so-called war on terrorism, the 2002 elections were battled on a series of state-to-state regional issues, and the Republican-backed Farm Bill earned them significant gains throughout the Midwest.

A battle in the courts of NAFTA and the WTO is coming. If prices return to normal in 2003 and producers begin feeling the effects of U.S. legislation, there is sure to be more political fallout in Alberta. And as the damage mounts, it will be interesting to see whether the loose political alliance among Tories, New Democrats and federal Liberals holds.

Steven Sandor is the former editor-in-chief of *Vue Weekly* and current editor of the Edmonton Oilers' official team magazine.