



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 8/23/2001

GAIN Report #CA1116

Canada

Agricultural Situation

This Week in Canadian Agriculture, Issue 33

2001

Approved by:

Norval E. Francis, Jr.

U.S. Embassy, Ottawa

Prepared by:

George Myles, Matthew Cahoon

Report Highlights:

What's New, Eh? *DRAFT STANDARD FOR VOLUNTARY LABELING OF BIOTECH FOODSONTARIO SOYBEAN CROP LOSSES**CANADA LAUNCHES WTO CHALLENGE OF U.S. SOFTWOOD LUMBER ACTIONS*** WEST NILE VIRUS CONFIRMED IN CANADA**MALTSTERS SEEK QUALITY BARLEY**NATIONAL DAIRY COUNCIL OF CANADA CLOSES DOORS**KOREA BANS CANADIAN ELK IMPORTS***AND MORE...**

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1], CA

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives. Substantive issues and developments are generally also reported in detail in separate reports from this office.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

DRAFT STANDARD FOR VOLUNTARY LABELING OF BIOTECH FOODS: A proposed new standard for labeling foods that do or do not contain genetically modified (GM) ingredients is being made available for a two-month public review period. The new standard, Voluntary Claims About Foods That Are and Are Not Products of Gene Technology, is being developed by the Canadian General Standards Board (CGSB). It's intended to provide guidelines for companies that want to indicate whether their products contain GM components. Any interested person or organization in Canada or abroad can obtain a copy of, and comment on, the draft standard during a public review period having a duration of at least 60 days, beginning August 17, 2001. In the further processing of the standard, the CGSB will take into account the comments received during the period for commenting. Comments received will be replied to as promptly as possible, if so requested. For more information, see GAIN report CA1114.

QUARTER OF ONTARIO SOYBEAN CROP MAY BE LOST: According to an August 17 news release from the *Ontario Soybean Growers*, Ontario may have already lost 25% of its soybean crop due to the drought says a spokesman. "I am not very optimistic concerning the average Ontario soybean yield for this year," says Kim Cooper. Decent looking soybean fields have only 6-20 pods per plant. Normally, a good soybean field will yield 2-3 pods per node and 12-13 nodes per plant, or over 30 pods per plant. With some good rains now, we may see the development of a few more nodes, but we will probably not see a second flush of flowering. While any growers are comparing this growing year to the drought of 1988 most agree that this year is much drier, says Cooper. Also this year, the drought seems to be more widespread. On top of the dry conditions, we are experiencing the soybean aphid and spider mite damage. What these insects have done to our crop is yet to be fully known, but they have definitely caused a lot of damage. Cooper says that a 39 bu./acre was estimated for the Ontario soybean crop at the beginning of the season. He is now estimating the average Ontario soybean yield, based on conditions right now to be about 30 bu./acre. Cooper says this could change depending on future weather conditions, but he doesn't expect this number to increase much. If anything, it could go lower. Based at 30 bu./acre, this would mean, of the total Ontario soybean crop, 25% of it has been lost so far.

CANADA LAUNCHES WTO CHALLENGE OF U.S. SOFTWOOD LUMBER

ACTIONS: On August 21st, International Trade Minister Pierre Pettigrew announced that Canada has requested accelerated World Trade Organization (WTO) consultations with the United States within the next 10 days. The consultations will deal with the U.S. Department of

Commerce's preliminary countervailing duty and critical circumstances determinations of August 9, 2001, as well as with the expedited review provisions of U.S. countervailing duty law and regulations. "Canada feels strongly that the recent U.S. preliminary countervailing duty and critical circumstances determinations are unfair and fail to meet WTO standards," said Minister Pettigrew. "As such, we have requested urgent and immediate WTO consultations with the U.S. on these key issues. This is one of a number of measures at our disposal to continue defending the interests of Canada's softwood lumber exporters." The request for consultations is the first step in proceedings under the WTO Dispute Settlement mechanism. The DOC issued its preliminary determination of subsidy on August 9, 2001.

MORE CATTLE, MORE HOGS, MORE SHEEP: Statistics Canada livestock inventory estimates for July 1, 2001 show that total cattle in Canada on that day reached 14.6 million head, up 1.5% from 14.4 million a year earlier. Hogs on farms reached 12.3 million head, up only 0.3% from July 1, 2000, but 1.3% above the previous quarter. The sheep and lamb sector expanded for the fourth consecutive year. Sheep inventories rose to over 1.0 million head, up 6.4% from a year ago. For cattle, the data suggest that the Canadian cattle cycle has turned and entered into an expansion phase, but some observers believe that dry conditions, tighter forage supplies, and rising feed prices across western Canada since the survey was conducted, may mitigate the expansion of the Canadian cattle breeding herd this year. Growth in the hog sector is more predominant in the West where mid-year inventories were up 1.6% over the first quarter, while in the East they climbed 1.1%. Canada's hog breeding herd was 3.7% larger on July 1, 2001 than it was a year ago.

WEST NILE VIRUS CONFIRMED IN CANADA: The Globe and Mail reports that the first positive case of the West Nile virus in Canada was confirmed this week by Health Canada. A dead crow found in a neighborhood in Windsor, Ontario two weeks ago reportedly tested positive for the disease. As a result, the Ontario government said that it will step up its monitoring program, and will start to collect mosquitoes as well as dead birds. Previously, the monitoring program only involved finding and testing the bodies of birds such as blue jays and crows, both of which are known carriers of the disease. There have been no confirmed cases in Canada of humans contracting the virus.

HARVEST UNDERWAY IN SASKATCHEWAN: 15% of the 2001 harvest is complete, according to Saskatchewan Agriculture and Food's August 20 crop report. Harvest operations are most advanced in the central grainbelt where 16% of the crop has been combined, and 26% is lying in the swath. Combining progress for this year (as compared to the five-year (1996-2000) average) is as follows: spring wheat: 9% (5%); durum: 7% (6%); oats: 2% (3%); barley: 14% (9%); canola: 5% (6%). Combining of the specialty crops is well underway with 64% of the field peas, 46% of the lentils, and 11% of the mustard harvested. Harvesting of fall-seeded crops is making good progress, with 70% of the winter wheat and 77% of the fall rye harvested. The five-year average for winter wheat is 47% combined at this time, and 64% for fall rye. Based on the spring wheat crop harvested to date (9%), over 85% is expected to grade No. 1 Canada Western (CW). On average, about half of the spring wheat crop grades No. 1 CW. Drought and heat stress continued to be the major sources of crop damage across the province during the past week. Fire hazards are becoming high and farm machinery started fires in fields in several areas. Strong winds lodged crops and scattered swaths mainly in southeastern and west central areas.

There were small pockets of hail damage in central and northern areas, and a touch of frost in the northeast. Insects and disease continue to cause crop damage. Some western areas have pretty much wrapped up harvesting operations and would like to see rain to alleviate the very dry soil conditions.

EU WOOD PACKAGING REQUIREMENTS: According to the Canadian Association of Importers and Exporter's August 15 edition of *Importweek*, On March 12, 2001, the Commission of the European Communities (EU) advised the Government of Canada of its intention to adopt new entry requirements for wood packaging. The measures apply to packaging constructed of coniferous (pine, spruce, Douglas-fir, etc.) wood originating from Canada, Japan, China and the United States and includes packing cases, boxes, crates, drums, pallets, box pallets, load boards and pallet collars. Effective October 1, 2001, all coniferous wood packaging and pallets must be treated in an officially approved manner prior to entering the EU. In order to allow Canadian exporters to continue to ship products supported by coniferous wood-packaging materials, the Canadian Food Inspection Agency (CFIA) has designed a Canadian Wood Packaging Certification Program (CWPCP). The program will certify Canadian wood packaging manufacturers to produce packaging that meets the new EU requirements. In addition, the wood packaging will display a mark confirming it meets these standards. Canadian product exporters must either construct wood packaging from wood species and products that are exempt from EU import requirements or obtain certified wood packaging, crates and pallets from an approved wood packaging producer. Canadian product exporters who construct their own wood packaging from coniferous wood will need to be certified under the CWPCP to ship their products to the EU. Further information on the CWPCP, please visit the following CFIA Web site:
<http://www.inspection.gc.ca/english/plaveg/for/woode.shtml>

PUBLIC COMMENT PERIOD ON NUTRITION LABELING PROPOSAL DRAWING TO CLOSE: On June 16, 2001, Health Canada's nutrition labeling proposals for pre-packaged foods were published in the Canada Gazette, Part I. The nutrition labeling proposals consist of three main parts. (1) A mandatory Nutrition Facts box listing 13 nutrients. (2) Rules governing nutrient content claims, which are claims that highlight a particular nutrient in a food, such as "high fibre." (3) Rules governing health claims, which are claims linking a food to a diet that reduces the risk of a disease. The deadline for comments on the regulatory proposal is September 16, 2001. Once comments are considered, final regulations will be published in the Canada Gazette. Health Canada proposes that required label changes be complete within two years for most food processors and within three years for small processors. The proposal is available at the following website: <http://www.inspection.gc.ca/english/bureau/labeti/nutrition-part1e.shtml>. For related background information, see GAIN reports CA1090 and CA1088. The forthcoming changes will affect U.S. packaged food product sales. While the format of Canadian nutrition labeling will be similar to U.S. standards, it is important for U.S. exporters to note that differences exist between the United States and Canada as to the levels of recommended daily intake of certain nutrients. Currently, nutrition labeling in Canada is voluntary.

FISHERIES MINISTER COMMENTS ON US LUMBER DISPUTE/GAS PIPELINE PROJECT: According to an August 21 *Farms.com* article, the United States can't expect Canadian cooperation on a natural gas pipeline from Alaska to the lower 48 states if it continues to restrict trade in Canadian softwood lumber, a senior federal cabinet minister said Monday in

Vancouver. "If the Americans don't want to buy our lumber ... I don't know if we want to let them pump natural gas from Alaska into the U.S., into the southern 48," Federal Fisheries Minister Herb Dhaliwal told the Associated Press, referring to a proposed pipeline which would run either through the Yukon and northern British Columbia or the Northwest Territories and Alberta. That was the strongest statement yet from a federal minister since the U.S. imposed a preliminary 19.3% punitive tariff on all softwood exports from Canada except from the Atlantic provinces.

NO DROUGHT RELIEF SAYS FEDERAL AG MINISTER VANCLIEF: According to the August 21 edition of *Good Morning Ontario's* coverage of a Canadian Press article, despite what some have called Canada's worst national drought on record, Ottawa won't offer any new relief funding for farmers, says federal Agriculture Minister Lyle Vanclief. During a stop in eastern Ontario, he said the drought will likely result in at least C\$300 million more in crop insurance payments this year than last. "If this continues I anticipate the crop insurance programs in Canada will pay out twice what they did last year, so several hundred million dollars more," said Vanclief. The prediction could mean more than C\$1 billion in crop insurance premiums are paid out to growers for 2001, not including a further \$700 million in disaster relief funding available to farmers this year. Hard-hit farmers - some of whom are facing bankruptcy given several prior years of soggy growing conditions - will have to make do with existing relief programs, he said.

ONTARIO GINSENG GROWERS SUPPORT MANDATORY CHECKOFF: According to the August 2001 edition of *Country Guide*, approximately 87% of Ontario ginseng growers, representing 64% of the acreage of those casting votes, agreed to a mandatory checkoff of C\$50/acre to finance the Ontario Ginseng Growers' Association's activities to stimulate, increase and improve the marketing of ginseng in Ontario. Oversupply, economic difficulties in Asia, and quality issues have depressed ginseng prices and made conditions hard for many North American growers.

P.E.I. BLUEBERRY GROWERS ESTABLISH COMMODITY BOARD: The Prince Edward Island Blueberry Growers Association has established a commodity group under the province's Natural Products Marketing Act. The change means the new commodity group can charge a levy on growers to fund research and promotional activities. P.E.I. Agriculture and Forestry Minister Mitch Murphy said "The blueberry industry (in PEI) has been experiencing rapid growth and development over the past several years. As a commodity group, growers can undertake new initiatives to promote their product in the marketplace and undertake research projects to help improve production and quality." John MacDonald, President of the Association, said a levy of 0.3 Canadian cents per pound has been established on all blueberries grown in the province. According to the province, more than 170 PEI growers will harvest about 2,800 acres of blueberries this year. Total area under production and development is about 12,500 acres. In 2000, PEI growers had a record crop of 5.4 million pounds.

UNION ACTION AFFECTING CANADIAN GRAIN COMMISSION EMPLOYEES: According to an August 20 *AgriLine Daily* article, job action by Public Service Alliance of Canada (PSAC) protesting slow contract negotiations with the federal government is affecting Canadian Grain Commission employees, including Vancouver. PSAC is holding one-day work stoppages every Wednesday. Last week about 150 of 225 PSAC employees walked off,

including some weighers. The stoppage apparently did not affect operations. Commission inspectors belong to a bargaining unit.

U.S. CORN ENTICES CATTLE PRODUCERS: Alberta feedlots are desperate for feed grain and hay as drought persists across Southern Alberta and Southwestern Saskatchewan, reports an August 16 *Western Producer* article. The shortage of feed grain means some farmers are holding on to last year's barley hoping for more money. However, feeders are looking elsewhere and have been buying durum or U.S. feed corn since the end of May, often from North and South Dakota as well as Minnesota.

PULSE CANADA SHIFTS FOCUS FROM MARKETS TO POLICY, RESEARCH:

According to an August 16 *Western Producer* article, the chair of Pulse Canada said they have eliminated the president's job and will be creating a chief executive officer position that will be filled before year's end. Germain Dauk said Les Rankin is a casualty of a fundamental shift in philosophy. "We decided to change our mandate – move away from market development into policy and research." The grower group's new role will be to concentrate on policy issues such as pesticide harmonization and reducing tariffs, as well as co-ordinating research efforts and gathering market intelligence. Market development will be less than one-third of the organization's agenda. Some people say the change is the result of friction between various organizations in the pulse industry, especially between Pulse Canada and the Canadian Special Crops Association, which represents the trade. The void left by Rankin's departure will be filled by vice-president Gordon Bacon and program manager Theresa Le until a CEO can be hired.

MALTSTERS SEEK QUALITY BARLEY: According to an August 16 *Western Producer* article, malt barley selectors will have their work cut out for them this year. Hot, dry weather has shriveled kernels and driven up protein levels in crops across much of the traditional malt barley area of west-central Saskatchewan and southern Alberta. Meanwhile, in other parts of the Prairies, hot and humid conditions have created an ideal environment for diseases such as fusarium. Since maltsters want plump, moderate protein, disease-free barley, this year's crop is trouble. "I think everybody is pretty much unanimous that it's going to be a challenge to find protein levels acceptable for our customers," said Jack Foster, director of barley procurement for Prairie Malt Ltd. Most offshore buyers want protein levels no higher than 12 percent, he said, although North American companies will take somewhat higher levels. "This year companies will probably have to reluctantly go over 12.5, perhaps up to 13 percent," he said. Heat stress in June had already set the stage for high protein levels, and the August hot spell shrank the kernel and forced early maturity, driving protein levels even higher. "It's going to be hard to find large volumes of consistent quality."

NATIONAL DAIRY COUNCIL OF CANADA CLOSES DOORS: The National Dairy Council ceased operations on Friday August 10. After losing a big part of its membership, the NDC didn't feel it would truly be representative. At this point it is not clear who will speak for dairy processors on a national level now that the National Dairy Council has folded, but possibilities of the Food and Consumer Products Manufacturers of Canada being used to represent dairy processors is being explored. The NDC had planned to dissolve the organization's legal entity but then decided to transfer the council's legal entity and trademarks to a firm of lawyers in Ottawa for safekeeping. This will allow for the resurrection of the NDC if

in three or four years interested industry members feel they need a national voice. For more information, see GAIN report CA1115.

DAIRY FARMERS OF ONTARIO INCREASES PROMOTION FEE: According to a August 14 article from the *Ontario Farmer*, at a meeting in July, the Dairy Farmers of Ontario (DFO) board decided to increase its promotion fee by C\$0.10 per hectolitre (hl) to C\$1.10/hl. The increase will be added on all domestic milk and the increased dollars will stay in Ontario to be used for fluid milk promotion in the province. The promotion levy hasn't been increased since August, 1997 and inflation in media costs has reduced the effectiveness of DFO's promotion program. In the mid-1990s when the levy was C\$1.34/hl, significant gains were made in the marketplace. DFO has written to other provinces encouraging them "to put the dollars on the table and get on with growing and maintaining (our) market share." Ontario has proven that increased spending on promotion results in increased milk sales, but with limited response from the other provinces. The increased money will go into the provincial general promotion budget. Some money will also go to the School Milk program to match the grant DFO received from the provincial government.

KOREA BANS CANADIAN ELK IMPORTS: According to the *Calgary Sun*, Korea has moved to ban imports of Canadian deer and elk products (antlers and antler velvet) due to the outbreak of Chronic Wasting Disease (CWD) in Saskatchewan elk herds. Late last year, the Canadian Food Inspection Agency (CFIA) ordered the slaughter of 1,700 domesticated elk at six Saskatchewan farms in attempt to stop the spread of CWD (see CA 0206). The disease has not been detected in any other province. Canada's elk population is estimated at 53,000 head and is raised primarily for antler velvet. Canada is the fourth-largest antler velvet producer in the world, behind New Zealand, China and Russia. Most of Canadian antler velvet is exported to Asia where it is sold for medicinal purposes and as an aphrodisiac.

Did You Know...

The most popular breed of chicken for egg production in Canada is the White Leghorn.

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA1112	Grain Industry Reaches Transportation Deal	8/16/2001
CA1113	This Week in Canadian Agriculture, 32	8/16/2001
CA1114	CGSB Releases Draft Standard For the Voluntary Labeling of Foods Derived from Biotechnology	8/17/2001
CA1115	National Dairy Council of Canada Shuts Down	8/21/2001

Contact: FAS/Ottawa e-mail: usagr@istar.ca