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## Canada

## Oilseeds and Products

## Annual

## 2002

Approved by:

**Hugh J. Maginnis**

**U.S. Embassy**

Prepared by:

Matthew A. Cahoon

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### **Report Highlights:**

Based on the April 24, 2002 Statistics Canada (STC) seeding intentions survey, in Western Canada, area seeded to canola is expected to increase for 2002/03 while the area seeded to soybeans is expected to decrease. Total production of oilseeds in Canada for 2002/03 is forecast to increase to 7.9 MMT from about 6.7 MMT in 2001/02, assuming slightly below-normal yields. The supply of oilseeds is forecast to decrease slightly due to low carry-in stocks and a reduced imports. In Canada, oilseed prices, except flaxseed, are expected to decline.

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Includes PSD changes: Yes

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**OILSEED PRODUCTION 2000/01 - SUMMARY****CANOLA (RAPESEED)**

According to the Canadian Grain Commission (CGC), 2001 seeding progress was ahead of normal for the prairie crop, although not as rapid as what was experienced in 2000. Dry conditions in Alberta and a large portion of Saskatchewan during the fall and winter of 2000 resulted in very poor soil moisture levels going into the 2001 planting season.

Exceptions to this were Manitoba and southeastern Saskatchewan where above normal precipitation during the fall of 2000 provided ample soil moisture reserves for spring planting. Overall, dry, warm conditions during late April and May resulted in early seeding of most crops in the western Prairies.

However, planting of smaller seeded crops such as canola was delayed in some areas due to the lack of soil moisture. In the driest areas, plant populations were reduced markedly by the extreme conditions as germination was quite uneven. Planting in the western Prairies was over 50% complete by the middle of May and was wrapped up by the end of the month. The excess soil moisture and persistent precipitation in eastern areas also slowed planting until late May and into June in parts of southeastern Saskatchewan and Manitoba.

Cooler temperatures through most of the month of June kept crop stress to a minimum, despite the very dry conditions. Rains during the month of June were isolated to the eastern Prairies with only scattered rainfall reported in western areas. June precipitation ranged from significantly above normal in the eastern Prairies to well below normal in southern Alberta. Central and northern Alberta, including the Peace River region, received moderate amounts of precipitation during the last half of the month which provided much needed moisture for crops.

The rainfall caused some problems as ungerminated seeds started to grow and many fields had two to three different growth stages for the remainder of the season. Other than the southeast, Saskatchewan remained extremely dry and crop conditions began to deteriorate rapidly by the end of the month.

Above normal temperatures during the first two weeks of July caused severe stress to all crops and yield potentials declined in the western areas of the Prairies. Most locations in Saskatchewan and southern Alberta received less than 50% of normal precipitation for the month. Northern Alberta received frequent moderate amounts of precipitation during the month, which helped improve the condition of the crop in that region. Moderate to heavy rainfall events covered parts of Manitoba and eastern Saskatchewan during July that resulted in increased disease pressure and caused some losses due to flooding.

The harvest began in many regions during the first two weeks in August, although activity was not general until the third week in August. Harvest weather was ideal with most locations in the prairie region receiving minimal amounts of precipitation (less than half of normal) and warmer than normal

temperatures. The harvest was over one-third complete by the end of August and essentially finished by the third week of September. The uneven growth in central and northern Alberta slowed harvest activity in those regions, with harvesting essentially complete by the first week of October.

Western Canadian farmers planted 3.96 million hectares of canola in 2001, which was 20% lower than last year's area. The final 2001 yield estimate of 1300 kg/ha is about five percent below the 10-year mean of 1367 kg/ha and well below the 1500 kg/ha reported in 2000. With less planted area and a drop in yield, total canola production in western Canada was down 29% percent to 5.06 million metric tons (MMT) according to estimates by Statistics Canada (STC) reported in *Field Crop Reporting Series No. 8*, December 5, 2001. The largest proportion of 2001 production, 42%, was grown in Saskatchewan. Alberta and British Columbia accounted for 35% and Manitoba for 23%.

Western Canadian canola tested in the 2001 harvest survey is average in oil content but well above average in protein content. While oil content is equal to the 10-year mean, protein content is 1.7% higher. Compared to 2000, oil content, 42.8%, is 0.5% lower while protein content, 22.3%, is 1.3% higher. Chlorophyll content for No. 1 Canada canola is 17 mg/kg, significantly higher than the 14 mg/kg in 2000. The 2001 survey shows higher oleic acid content, 61.9%, and lower linolenic acid content, 9.4%. Total saturated fatty acids content, 7.2%, is 0.1% higher than in 2000. The erucic acid, 0.1%, and the total seed glucosinolates, 11 micromoles/gram, are both similar to those in 2000.

## SOYBEANS

The following is based on the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) 2001 Field Crop Reports and the Agriculture and Agri-Food Canada Crop Conditions Reports. (<http://www.gov.on.ca/OMAFRA/english/crops/field/reports/index.html>) ([http://www.agr.ca/policy/crop/home\\_e.html](http://www.agr.ca/policy/crop/home_e.html)).

After several mild winters the winter of 2000-2001 experienced heavy snowfall and cold temperatures. Spring arrived early with warm winds that reduced soil moisture levels quickly. The warm, dry spring changed abruptly in early May to cool and wet conditions that continued into early May. As a result, some of the soybean crop was planted in the early part of May, but the rest was delayed until late May and early June.

Depending on the region the number of consecutive days with less than 3 mm rainfall often ranged from 15 to 25+ days. The dry spell ranged from June 25th to August 10th in much of Ontario. The hottest periods ran from July 19th through July 25th and August 4th through 10th. During those periods, daytime temperatures exceeded 30°C and nighttime temperatures were above 17°C. Overall, crop heat units were above the long-term averages and Environment Canada reported that 2001 was the driest summer in 54 years.

These periods of extreme heat and lack of rainfall combined with soybean aphids resulted in flower and pod abortion particularly at the top of the plant. As a result many soybean fields began to prematurely drop leaves and dry down. Pod drop and splitting of pods were common in the 2001 crop. Rainfall the

third week of August arrived too late to help most soybean stands.

Conditions remained relatively dry until mid September, at which point a wet weather system settled in and lasted until the end of October. This produced record levels of rainfall fell in southwestern Ontario. In addition, most areas received the first hard frost by October 8th. Harvest was significantly delayed by the wet weather and 20-30% of the crop was still in the field at the end of October. Ontario soybean yields ranged from 0 to 40 bushels/acre with the average yield reported as 21.1 bushels per acre (1400 kg/ha), the lowest on record since 1960.

In 2001, for Ontario, the 862,000 hectares of harvested soybean yielded an average of 1.40 tons per hectare (38.0 bushels per acre) for a total crop of 1.22 MMT. Ontario soybean production thus accounted for about 77% of total Canadian soybean production of 1.58 MMT compared to 96% in 2000. The shortfall in Canadian soybean production was offset by record imports of soybeans from the United States, contributing to total soybean supplies of almost 3.0 MMT.

Compared to most years there were increased numbers of lower grade soybean samples. Size of beans was small, and many beans destined for Identity Preserved (IP) food markets did not meet quality standards due to weathering, insect and disease damage. These beans should be usable by the soybean crushing industry. According to the CGC 2001 harvest survey for Ontario, Ontario soybeans are near average in oil content but above average in protein content. When compared to 2000, the oil content for 2001 is 20.5%, 0.3% higher. Protein content is higher at 42.6%.

### **OILSEED OUTLOOK FOR 2002/03**

Agriculture and Agri-Food Canada (AAFC), citing the April 24, 2002 Statistics Canada (STC) seeding intentions survey conducted during late March, reported that in Western Canada, the areas seeded to durum wheat, coarse grains and, to a lesser extent, canola are expected to increase while the areas seeded to spring wheat, flaxseed, soybeans, pulse and special crops are expected to decrease, as is the area in summerfallow.

In Eastern Canada, the areas seeded to wheat and corn are expected to rise while soybean area decreases. If rain is not received prior to seeding in Alberta and western Saskatchewan, which are currently very dry, intended area could shift from small-seed crops, such as canola, to large-seed crops, such as wheat, which can be seeded deeper into available moisture, or into summer-fallow. Current dry conditions have raised concerns about yield potential. Timely rains will be required for a near-average crop.

Based on the STC survey, total production of oilseeds in Canada for 2002/03 is forecast to increase to 7.9 MMT from about 6.7 MMT in 2001/02, assuming slightly below-normal yields. The supply of oilseeds is forecast to decrease slightly due to low carry-in stocks and a reduced imports. In Canada, grains and oilseed prices, except flaxseed, are expected to decline.

**Canola (Rapeseed)**

Canola production in 2002/03 is expected to increase 4% to 5.3 MMT due to yields recovering to near-normal levels and slightly increased harvested acreage. In spite of increased production, area seeded will still be 20% below the five year average. Supplies will be down from the previous year due to low beginning stocks. As a result, canola crush is expected to be down slightly from 2001/02 levels. Exports and ending stocks are also expected to decrease.

**Soybeans**

Soybean production in 2002/03 is expected to increase almost 65% despite expected reductions in harvested areas as yields return to normal levels, assuming a return to normal growing conditions in Ontario. Supplies are only expected to increase slightly, as production is countered by lower beginning stocks and import levels dropping back to normal levels. Domestic crush is expected to be unchanged from 2001/02 levels. Exports are expected return to trend levels, recovering from the 2001/02 lows. Ending stocks are expected to decrease

## STATISTICAL TABLES

Table 1: Canola (Rapeseed) PS&amp;D

PSD Table						
Country	Canada					
Commodity	Oilseed, Rapeseed			(1000 HA)(1000 MT)		
	Revised	2000	Prelimin.	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		08/2000		08/2001		08/2002
Area Planted	4850	4895	4000	3957	0	3994
Area Harvested	4816	4816	3850	3886	0	3900
Beginning Stocks	2156	2157	1054	1054	360	529
Production	7119	7126	5000	5100	0	5300
MY Imports	160	224	225	275	0	200
MY Imp. from U.S.	140	219	200	270	0	190
MY Imp. from the EC	1	1	0	0	0	1
TOTAL SUPPLY	9435	9507	6279	6429	360	6029
MY Exports	4775	4838	2550	3000	0	2800
MY Exp. to the EC	0	0	0	5	0	0
Crush Dom. Consumption	2994	3013	2890	2500	0	2400
Food Use Dom. Consump.	0	0	0	0	0	0
Feed,Seed,Waste Dm.Cn.	612	602	479	400	0	400
TOTAL Dom. Consumption	3606	3615	3369	2900	0	2800
Ending Stocks	1054	1054	360	529	0	429
TOTAL DISTRIBUTION	9435	9507	6279	6429	0	6029
Calendar Year Imports	168	167	200	237	0	190
Calendar Yr Imp. U.S.	164	164	180	231	0	180
Calendar Year Exports	4800	3873	2600	4019	0	3300
Calndr Yr Exp. to U.S.	249	249	200	243	0	200

**Table 2: Canola (Rapeseed) Meal PS&D**

PSD Table						
Country	Canada					
Commodity	Meal, Rapeseed				(1000 MT)(PER CENT)	
	Revised	2000	Prelimin.	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		08/2000		08/2001		08/2002
Crush	0	0	0	0	0	0
Extr. Rate, 999.9999	0.571142	0.57086	0.573702	0.57	0	0.570833
Beginning Stocks	30	25	23	25	26	25
Production	1710	1720	1658	1425	0	1370
MY Imports	2	3	5	3	0	3
MY Imp. from U.S.	2	1	5	1	0	1
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	1742	1748	1686	1453	26	1398
MY Exports	1150	1135	1150	890	0	800
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum	569	588	510	538	0	573
TOTAL Dom. Consumption	569	588	510	538	0	573
Ending Stocks	23	25	26	25	0	25
TOTAL DISTRIBUTION	1742	1748	1686	1453	0	1398
Calendar Year Imports	1	1	5	5	0	0
Calendar Yr Imp. U.S.	1	1	5	5	0	0
Calendar Year Exports	1150	1197	1220	1200	0	0
Calndr Yr Exp. to U.S.	1150	1177	1180	1100	0	0

**Table 3: Canola (Rapeseed) Oil PS&D**

PSD Table						
Country	Canada					
Commodity	Oil, Rapeseed				(1000 MT)(PER CENT)	
	Revised	2000	Prelimin.	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		08/2000		08/2001		08/2002
Crush	0	0	0	0	0	0
Extr. Rate, 999.9999	??	??	??	??	??	??
Beginning Stocks	48	48	20	48	20	48
Production	1260	1265	1213	1050	0	1010
MY Imports	60	56	60	50	0	90
MY Imp. from U.S.	60	56	60	50	0	90
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	1368	1369	1293	1148	20	1148
MY Exports	800	802	750	600	0	600
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	548	519	523	500	0	500
Feed Waste Dom. Consum	0	0	0	0	0	0
TOTAL Dom. Consumption	548	519	523	500	0	500
Ending Stocks	20	48	20	48	0	48
TOTAL DISTRIBUTION	1368	1369	1293	1148	0	1148
Calendar Year Imports	91	91	60	100	0	100
Calendar Yr Imp. U.S.	84	84	60	90	0	100
Calendar Year Exports	800	649	750	600	0	600
Calndr Yr Exp. to U.S.	531	531	500	500	0	500

**Table 4: Soybean PS&D**

PSD Table						
Country	Canada					
Commodity	Oilseed, Soybean			(1000 HA)(1000 MT)		
	Revised	2000	Prelimin.	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		09/2000		09/2001		09/2002
Area Planted	1061	1069	1030	1042	0	980
Area Harvested	1059	1061	1010	1031	0	975
Beginning Stocks	193	252	176	180	126	150
Production	2698	2703	1600	1580	0	2600
MY Imports	400	431	1000	1200	0	400
MY Imp. from U.S.	390	427	890	1100	0	390
MY Imp. from the EC	0	0	0	0	0	0
<b>TOTAL SUPPLY</b>	<b>3291</b>	<b>3386</b>	<b>2776</b>	<b>2960</b>	<b>126</b>	<b>3150</b>
MY Exports	900	747	700	500	0	700
MY Exp. to the EC	130	155	100	100	0	125
Crush Dom. Consumption	1697	1697	1500	1700	0	1700
Food Use Dom. Consump.	0	0	0	0	0	0
Feed,Seed,Waste Dm.Cn.	518	762	450	610	0	630
<b>TOTAL Dom. Consumption</b>	<b>2215</b>	<b>2459</b>	<b>1950</b>	<b>2310</b>	<b>0</b>	<b>2330</b>
Ending Stocks	176	180	126	150	0	120
<b>TOTAL DISTRIBUTION</b>	<b>3291</b>	<b>3386</b>	<b>2776</b>	<b>2960</b>	<b>0</b>	<b>3150</b>
Calendar Year Imports	392	392	1000	738	0	400
Calendar Yr Imp. U.S.	388	388	680	734	0	390
Calendar Year Exports	764	779	850	560	0	600
Calndr Yr Exp. to U.S.	119	119	100	90	0	100

**Table 5: Soybean Meal PS&D**

PSD Table						
Country	Canada					
Commodity	Meal, Soybean				(1000 MT)(PER CENT)	
	Revised	2000	Prelimin.	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		09/2000		09/2001		09/2002
Crush	0	0	0	0	0	0
Extr. Rate, 999.9999	0.771951	0.770183	0.773333	0.770588	0	0.770588
Beginning Stocks	24	24	30	30	10	30
Production	1310	1307	1160	1310	0	1310
MY Imports	850	915	1100	1100	0	1100
MY Imp. from U.S.	850	914	1100	1100	0	1100
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	2184	2246	2290	2440	10	2440
MY Exports	30	55	25	130	0	130
MY Exp. to the EC	5	15	5	40	0	40
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum	2124	2161	2255	2280	0	2280
TOTAL Dom. Consumption	2124	2161	2255	2280	0	2280
Ending Stocks	30	30	10	30	0	30
TOTAL DISTRIBUTION	2184	2246	2290	2440	0	2440
Calendar Year Imports	850	818	1100	1004	0	1000
Calendar Yr Imp. U.S.	850	818	1100	1004	0	1000
Calendar Year Exports	30	51	25	104	0	100
Calndr Yr Exp. to U.S.	25	32	20	42	0	40

**Table 6: Soybean Oil PS&D**

PSD Table						
Country	Canada					
Commodity	Oil, Soybean				(1000 MT)(PER CENT)	
	Revised	2000	Prelimin.	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		09/2000		09/2001		09/2002
Crush	0	0	0	0	0	0
Extr. Rate, 999.9999	??	??	??	??	??	??
Beginning Stocks	7	7	10	7	9	16
Production	288	289	254	289	0	289
MY Imports	30	78	70	80	0	50
MY Imp. from U.S.	30	78	50	80	0	50
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	325	374	334	376	9	355
MY Exports	30	34	25	20	0	30
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	285	333	300	340	0	315
Feed Waste Dom. Consum	0	0	0	0	0	0
TOTAL Dom. Consumption	285	333	300	340	0	315
Ending Stocks	10	7	9	16	0	10
TOTAL DISTRIBUTION	325	374	334	376	0	355
Calendar Year Imports	28	28	50	75	0	40
Calendar Yr Imp. U.S.	28	28	50	75	0	40
Calendar Year Exports	37	37	40	30	0	25
Calndr Yr Exp. to U.S.	33	33	30	30	0	25

## **POLICY DEVELOPMENT AND INDUSTRY NEWS**

The following segments are excerpts from recent GAIN reports covering Oilseed issues. Some sections contain references to more in-depth GAIN reports. A table at the end of the report lists all reports submitted since the 2001 Oilseeds Annual Report that contain references to oilseeds.

### **I. Trade**

#### **GRAIN GROWERS OF CANADA ASK FOR TRADE INJURY COMPENSATION**

According to a *Western Producer* article, a safety-net program being advanced by the Grain Growers of Canada (GGC) would see the federal government spend millions of dollars a year to compensate them for price-depressing foreign subsidies. A new program is needed, says the group, because existing programs such as the Net Income Stabilization Account and the Canadian Farm Income Program compensate for variations in earnings between years, but do not take into account income not earned because of external distortions. GGC used a government-generated analysis to argue that foreign subsidies cost Canadian farmers hundreds of millions of dollars annually. Based on a study by Agriculture Canada (AAFC), GGC estimates foreign subsidies have cost Canadian grains and oilseeds producers more than C\$1.2 billion in lost revenue during the four years from August 1996 to July 2000. AAFC "reached a conclusion that 25% of the price reduction per tonne for grains and oilseeds between the 1995-96 peak to the 1999-2000 trough is attributed to foreign subsidies," says a GGC discussion paper. The group said the answer is a national program aimed specifically at compensating farmers for these losses. It said the proposed "trade injury compensation program" would have a payments system based on a combination of historical yields, prices and acreage, and would be detached from production. This formula would make it WTO-compatible and less susceptible to US countervailing duties, says GGC. The subsidy program would have a built-in sunset clause requiring that it disappear when Ottawa succeeds in using WTO trade talks to reduce subsidies in competitor countries.

#### **STUDY RECOMMENDS BRIDGE FUNDING TO COUNTER FOREIGN SUBSIDIES**

According to the 26 recommendations to Prime Minister Chretien in the Prime Minister's Caucus Task Force on Future Opportunities interim report, the federal government should defend supply management and the Canadian Wheat Board as a state trading enterprise while advocating increased market access. In addition, the report calls for action on a number of fronts to help farmers, including; (1) A long-term national agriculture policy developed in consultation with stakeholders. (2) Safety net programs that respond to the needs of farmers by providing flexibility. (3) At a minimum, a guarantee to maintain current levels of safety net funding for five years. (4) Bridge funding to respond to "the adverse and unpredictable effects of weather, markets and income fluctuations due to factors beyond farmers' control." For more information, see GAIN report CA2043.

#### **VANCLIEF RULES OUT TRADE INJURY COMPENSATION**

According to an April 24, 2002 *Canadian Press* article, farmer's shouldn't count on a C\$1.3 billion in

trade injury compensation recommended by the Liberal Task Force on Farming. In a meeting with farm groups in Alberta, federal agriculture minister Vanclief ruled out compensating farmers for lost revenue due to foreign government subsidies. Vanclief also rules out matching the subsidy payments of foreign governments. Vanclief noted that government farm assistance programs put C\$3.7 billion in farmers pockets last year, the highest amount in a decade, and farmers are expected to get another C\$1.8 billion this year.

## **MANDATORY GM LABELING COULD PROMPT TRADE BATTLE, WARNS EXPERT**

Peter Phillips, co-chairman of the Canadian Biotechnology Advisory Committee, told the House of Commons Health Committee in March that mandatory labeling for genetically modified foods would likely violate trade agreements and trigger a trade battle with the United States. According to reports, Phillips noted that Canada's food industry is heavily export-oriented and is integrated with that of the United States. "Our deliberations have satisfied us that mandatory labeling, if (Canada) should choose that route, would be actionable and likely would be subject to an adverse decision which would affect our market access," he said. "It would undoubtedly complicate our relations with our major trading partner, the United States, and complicate the access of our market into to their market and vice versa." Last fall, the Standing Committee on Health announced that it had adopted a proposal from the Ministers of Health, Agriculture, Industry and International Trade, to study the issue of labeling of genetically modified foods. Throughout 2002, the Committee will be examining a range of issues related to labeling of genetically modified foods and will produce a report and recommendations on the best options for meeting consumers' information needs. For more information, see CA1017, Update on Canadian Biotech Foods Labeling.

**CHINESE GMO RULES THREATEN CANOLA EXPORTS:** The February 12, 2002 *Globe and Mail* reported that China's new restrictive regulations on genetically modified crops may leave Canadian canola farmers without one of their most significant customers next year. The new regulations, which come into effect March 20, require that all genetically modified crop traits be approved by China's Ministry of Agriculture and also that every export shipment to China that contains a genetically modified crop be issued a safety certificate. Approval times for the new certificates could take as long as five to nine months. The new regulations are threatening Canada's annual canola exports of more than \$2-billion. "There's concern that this is really just a non-tariff trade barrier . . . to protect Chinese producers," said JoAnne Buth, vice-president of crop production for the Canola Council of Canada. Canadian trade officials say that China has failed to get WTO approval for the new regulations and worse, the rules are vague and incomplete. Nearly 60% of Canada's canola is genetically modified. Export shipments of canola always contain genetically modified organisms since GM strains are not segregated from conventional strains at silos. The new regulations will affect continuing sales of the 2001 crop as well as this year's harvest.

## **U.S. PESTICIDE MANUFACTURER MOVES TOWARD NAFTA COMPLAINT**

The U.S. speciality chemical maker, Crompton Corporation has filed a notice of intent to pursue a NAFTA Chapter 11 complaint against Canada over the Canadian government's recent ban of the

agricultural pesticide lindane. The company alleges that the Government of Canada failed to conduct an appropriate review of the chemical before banning it. Canadian action to ban lindane related to its use as a seed treatment for canola which is not permitted in the United States. Under NAFTA provisions, there is a ninety day opportunity period to resolve the issue before the company formally files its complaint.

## **CANADIAN SOYBEANS MAKE RESPECTABLE SHOWING IN JAPAN**

Canada's food-grade soybean industry got a boost from a respectable showing of Canadian products at Japanese miso competitions reported the AAFC *Spotlight on Research 1999-2001*. Miso is a paste used in preparing soups and other foods in Japanese cooking by fermenting cooked soybeans with rice and salt. The product from the Greenhouse and Processing Crops Research Centre, in Harrow, Ontario garnered national and international media attention and awards.

## **RAPID GROWTH IN SOY AND RICE BEVERAGE MARKET**

According to Agriculture and Agri-Food Canada (AAFC), the Canadian and U.S. soy and rice beverage markets are fairly similar. Both are made up of four main segments: lactose-intolerant/allergic consumers, consumers of Asian origin, people concerned about what they eat who believe that consuming soy beverages and cereals has health benefits, and vegetarians. In Canada, according to ACNielsen (as cited by Food in Canada and Canadian Grocer), there has been a steady, spectacular increase in sales of soy and rice beverages in the last four years rising from a C\$12 million (\$8 million) in 1998 to more than C\$50 million (\$34 million) today.

## **II. Biotechnology**

### **STATISTICS CANADA RELEASES ONTARIO AND QUEBEC GM SEED STUDY**

In 2000, farmers planted 16% of all soybean acreage in Quebec, and 18% of that in Ontario, with genetically modified seed (GMS), reports Statistics Canada in a report entitled "Growers of genetically modified grain corn and soybeans in Quebec and Ontario: A profile." The proportion for grain corn in both provinces was 27%. GMS had a significant impact on grain corn yield, according to the study. Average yields of genetically modified grain corn were higher than those for non-genetically modified seed, but for soybeans the differences were negligible. The study also shows that GMS was of interest to all farm categories, even though smaller farms used it more than large farms. For example, in Quebec, most farms that planted 50% or more of their soybean acreage with GMS were smaller than 490 acres, and those with less than 50% fell into larger categories. Small farms have more flexibility than large ones, especially with respect to marketing potential and investment risks. To read the full report (Adobe Acrobat format) go to:

<http://www.statcan.ca:80/english/research/21-601-MIE/21-601-MIE01052.pdf>

### **DON'T MISLEAD CANADIANS ON LABELING, FOOD MANUFACTURERS URGE**

The Food and Consumer Products Manufacturers of Canada are urging the federal government to "reserve mandatory labeling for health and safety reasons so that Canadian consumers are not misled about the safety of their food products." Laurie Curry, vice president for public policy and scientific affairs for the FCPMC, made that request before the federal Standing Committee on Health today as she presented her members' view on the implications of labeling of genetically modified (GM) goods. During the presentation, FCPMC called on the federal government to stand by Canada's food regulatory system and Health Canada's mandatory labeling policy for health and safety. She noted that independent reports and studies, such as the Royal Society Expert Scientific Panel's Report, confirm that GM foods undergo such a rigorous approval process that they are deemed to be as safe or safer than their traditional counterparts.

### **CACCIA EXPECTS MANDATORY GM FOOD LABELING**

According to the March 11 *Ottawa Citizen*, Liberal member of parliament (MP) Charles Caccia says he is confident that the Liberal government will "bite the bullet" on mandatory labeling of genetically modified foods. He also predicts that the House of Commons Agriculture and Health committees will reach different conclusions on the issue, leaving it up to the Canadian cabinet to break the deadlock. Caccia was the author of a private member's bill C-287 last year that would have forced labeling of GM foods. The bill was defeated last fall by a vote of 126-91.

### **HEALTH CANADA WILL TRY TO MONITOR EFFECTS OF GM FOODS**

Health Canada says it will try to monitor Canadians to see if they get sick from eating genetically modified foods, reports an article from the *Canadian Broadcasting Corporation* (CBC). The only problem is scientists say they'll have difficulty tracking people. Health Canada's Centre for Surveillance Co-ordination started monitoring the health effects of bio-engineered products, including GM food, pesticides and vaccines, in 2000. But because there are no labels on genetically modified food, it's difficult to tell whether a person has been eating GM products. [FAS/Ottawa comment](#): The fact that Health Canada has implemented this monitoring process is interesting because Health Canada, in conjunction with the Canadian Food Inspection Agency, requires approval of all new food products before the product may be released for general consumption. Approval is only given if the product is deemed to be safe for human consumption. Therefore this monitoring process might further exacerbate the debate between mandatory and voluntary labeling.

### **SASKATCHEWAN GROUP SUES FOR DAMAGES CAUSED BY GM CANOLA**

The January 10, 2002 edition of *Agriline Daily* reported that Saskatchewan Organic Directorate, a group of organic growers formed in last fall, has launched a class-action lawsuit against Monsanto and Aventis. The suit seeks compensation for alleged damages caused by GM canola spreading to non-GMO organic fields. The group contends that production of organic canola is threatened by the presence of GM canola, making it impossible for organic growers to prove non-GMO purity. The action may also ask for an injunction to prevent the introduction of GM wheat.

### **WESTERN CANADA PLANTING MORE GM CROPS**

According to an October 23, 2001 article from *Good Morning Ontario*, Western Canadian farmers appear to be increasing their yearly acreage of GM crops. The Canola Council of Canada statistics show that 61% of the 9.9 million acre canola crop planted by farmers in Western Canada planted this year was from GM seed, up from 55% in 2000 and 53% cent in 1999. JoAnne Buth of the Canola Council of Canada was quoted as saying, "Since the initial release of GM canola in 1996, its use has increased dramatically. We did a survey on why farmers are growing more transgenic crops and the primary reason is weed control. Both of the available varieties of GM canola are herbicide tolerant so farmers are seeing some real benefits with hard to control weeds."

### **MANDATORY LABELING BILL C-287 DEFEATED**

Bill C-287, a bill sponsored by Liberal party MP Charles Caccia that would have forced mandatory labeling of all "Genetically Modified Food", was defeated during the vote in the House of Commons on Wednesday, October 17. The vote was close, 91 in favor and 126 against. The bill is now dead and no further action will be taken on it. Although C-287 has been defeated the issue of labeling of biotech foods, and more broadly the safety and regulation of biotech foods, will now be examined by a parliamentary committee. The Embassy intends to very actively contribute to the Committee analysis and debate. For more information, see GAIN report CA1149.

### **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.

### **ONTARIO FARMERS PLANT RECORD ACREAGE OF GM CROPS IN 2001**

AGCare, a coalition of farm groups representing Ontario's 45,000 field and horticultural crop growers' interests in biotechnology, crop protection, and related environmental issues reported last week that Ontario growers chose crops enhanced through biotechnology in record numbers for the 2001 growing season. AGCare estimates that 25-30% of soybeans, more than 80% of canola and approximately 40% of the corn grown in Ontario this season are from seed varieties that have been genetically modified to be herbicide tolerant or inherently resistant to specific pests. These figures represent significant increases over 2000, when approximately 20% of soybeans, 65-70% of canola and 30% of corn were grown from such varieties. "It's clear that farmers see the advantages that the technology offers," said Jim Fischer, of AGCare. "Each year, the adoption rate for biotech crops increases as

more farmers experience the benefits and incorporate the technology as an integral part of their farm business management system."

### III. Seeds/Research

#### SWP AND AAFC LAUNCH TWO NEW CANOLA-QUALITY VARIETIES

According to a joint news release from Saskatchewan Wheat Pool (SWP) and Agriculture and Agri-Food Canada (AAFC) on April 22, SWP and AAFC researchers have broken new ground, introducing a whole new crop to western Canada that can be grown in hotter, drier regions of the southern prairies. Arid and Amulet, two new canola quality *Brassica juncea* varieties, are available to producers this growing season at SWP locations throughout southern Saskatchewan. Since 1991, the Pool and AAFC scientists at the Saskatoon Research Centre have worked closely to develop these new products using selective breeding techniques. Originally derived from mustard plants, these non-GMO varieties are more drought-resistant and produce canola-quality oil and meal. Arid and Amulet received registration and final regulatory approval on April 19, 2002. SWP CEO Mayo Schmidt says, "*Brassica juncea* adapts well to the southern Prairie climate providing better heat and drought tolerance and higher yields than traditional canola."

#### LINDANE-TREATED SEED APPROVED FOR SALE

The March 13 2002 edition of *Canadagriculture online* reported that seed retailers with lindane-treated canola are free to sell the seed this spring. The huge stockpile of lindane treatment that has not been applied to seed is not eligible for sale. Lindane was to be withdrawn for this year, but seed companies with treated seed left over wanted the restriction lifted for one more season so they could clean out their inventories. Planting lindane-treated seed, the seed companies argued, would be the best way to dispose of it. They now have that clearance on the condition that all harvested grain from lindane-treated canola goes to primary elevators, and not to crushers. This will prevent canola grown from lindane-treated seed in 2002 from entering the U.S. The U.S. is the single largest market for Canadian canola oil and meal, and this year, the country is expected to set a tolerance level for lindane in canola products.

#### FOURTEEN NEW ROUNDUP READY CANOLAS APPROVED

According to the March 3, 2002 edition of *Canadagricultureonline*, the Western Canola Regional Recommending Committee approved 14 new Roundup Ready (RR) varieties at its recent meetings. The new varieties feature significant improvements including higher yield, earlier maturity, better standability, and improved blackleg tolerance. "These varieties, combined with the existing line-up of Roundup Ready canolas, provide growers with a range of choices to best meet their particular needs," says Craig Evans, general manager of biotechnology at Monsanto. He adds that recent announcements by grain handlers and processors confirm that genetically enhanced canola will be readily marketable this fall. Cargill, Agricare United and the Canadian Oilseed Processors Association, notes Evans, are

among the industry players that have announced plans to receive canola of any type, including genetically enhanced varieties.

### **NEW SOYBEANS FOR ONTARIO:**

The June 26, 2001 edition of *Good Morning Ontario* reported that researchers at Agriculture and Agri-Food Canada's (AAFC) Greenhouse and Processing Crops Research Centre in Harrow, Ont., have come up with three new food-grade soybeans - known as AC Hime (Japanese for 'princess'), AC Vin-Pro and AC X790P - as well as a navy bean cultivar called AC Cruiser. These discoveries are the latest in a long list of cultivars developed by AAFC researchers over the years to help farmers take advantage of Canada's unique growing conditions and expanding domestic and foreign markets.

### **NEW SOYBEAN VARIETIES APPROVED FOR ONTARIO**

Four varieties of Roundup Ready White Hilum (RRWH) soybeans were brought forward for registration at the annual OOPSCC (Ontario Oil & Protein Seed Crop Committee) meeting held recently in London, reports Kim Cooper, market co-ordinator with Ontario Soybean Growers. This issue of registering RRWH soybean varieties in Ontario has been very contentious over the past few years, says Cooper. The main question was whether the introduction of these soybean varieties into Ontario would disrupt our export markets. He says, after many months of careful consideration around the Ontario Soybean Growers (OSG) boardroom table and discussions with the various industry members, the OSG voted in favor of approving the four varieties for registration. The new soybean varieties will not be commercially available until the 2003 growing season. These varieties will only be grown for seed multiplication purposes in 2002.

### **FEDERAL FUNDING TO ASSIST QUALITY ASSURANCE PROGRAM FOR SEED**

A new program, funded in part by Agriculture and Agri-Food Canada, will help Canada's seed industry meet the quality demands of a global clientele and seize new export market opportunities. Agriculture and Agri-Food Minister Lyle Vanclief today announced that C\$1.2 million will be allocated to the Canadian Seed Institute (CSI) to help develop its Market Delivery Value Assurance Program. Its purpose is to develop and implement a voluntary quality assurance program for the grains, oilseeds, pulse and special crops industries, allowing them to certify their shipments contain the specific variety traits their customers want. Created in 1997, the CSI is a non-profit organization officially recognized by the Canadian Food Inspection Agency to provide specific quality assurance services to the seed industry. Since then, the CSI has been accrediting seed companies and seed testing laboratories to help them comply with regulations which govern that sector.

### **MEASURES UNDERTAKEN TO MAINTAIN CERTIFIED SOYBEAN SEED SUPPLY**

Soybean seed in Ontario is in short supply. The shortfall will be made up by the re-certification of seed grown from certified seed. The Canadian Seed Growers' Association (CSGA) says that in response to significant yield and quality shortfalls in this year's harvest of pedigreed soybean seed, it has

authorized, under closely monitored conditions, the production of a limited amount of certified seed from fields that were planted with certified seed. Fields to be harvested under the emergency provisions must meet CSGA standards for varietal and mechanical purity, isolation and crop rotations. Standard crop inspection procedures for Certified seed crops will be required and carried out by inspectors from the Canadian Food Inspection Agency. The CSGA accommodated the request for the second generation Certified program after being advised that Certified seed supplies would be insufficient to plant the 2002 crop.

### **PIONEER OPENS CROP RESEARCH CENTRE**

The August 29, 2001 edition of *G-mail* reported that Pioneer Hi-Bred, in collaboration with several government and private groups, has completed its first major research investment in Quebec with the opening of its Crop Research Centre. The 23-hectare facility, located at Côteau-du-Lac about 50 km south-west of Montreal, represents an investment value into early maturity crop development of approximately C\$1 million. The Crop Research Centre is now the permanent home of Pioneer Hi-Bred's corn, soybean and alfalfa effort for Quebec and Eastern Ontario.

## **IV. Identity Preservation**

### **CANADA ILL SUITED FOR GRAIN SEGREGATION SAY EXPERTS**

Identity preservation experts say Canada has built the wrong kind of system to properly handle segregated grain and a second separate and distinct handling and transportation system may have to be developed, according to a January 24, 2002 story from the *Western Producer*. Sally Rutherford, director general of integrated policy systems with Agriculture Canada, says consumers are increasingly demanding to know where the food they eat comes from. But Canada is poorly equipped to accommodate identity preservation because its handling and transportation system has been built around huge, high throughput terminal elevators and hopper cars stuffed with grain. This identity preservation problem is the focus of a three-year research project at the University of Saskatchewan.

### **SOYBEAN EXPORTERS LAUNCH NEW IP STANDARDS**

According to the Ontario Soybean Growers Association, Canada's food-grade soybean customers will have new confidence in their purchases with the launch of the National Identity Preservation Standard. The standard is a minimum guideline that outlines identity preservation (IP) procedures for all stages of production from growing to processing. The Canadian Grain Commission will be the third party certifying body for the standard. They will conduct both a 'desk audit' of processors' IP procedures manuals, as well as physical audits of their facilities. For more information, see GAIN report CA1141.

### **GM TOFU POSSIBILITY CREATES UNEASE**

According to the August 29 edition of *G-mail*, the prospect of having white hilum soybeans with genetically modified traits is causing some debate in Ontario. The concern is whether this will create risk for the white hilum market which serves food needs such as tofu and soy milk. Already available in the U.S., GM white hilums could be introduced in the next year or two. Public breeders and some growers are expressing concern. Others, including many private companies, are less worried. As John Cowan of W.G. Thompson (Ontario) notes, proper identity-preserved (IP) systems should be based on true traceability, not just hilum color. Given the existence of IP programs for non-GM dark hilums, he feels the concern is misplaced. "It's not as if it's not manageable," he observes.

## V. Related Oilseed News

### WORST YEAR FOR ONTARIO SOYBEANS

According to newswire reports, Ontario farmers are under a lot of stress as many acres of corn and beans remain unharvested. Heavy rainfall for the past two months seriously delayed the corn and soybean harvest. The Ontario Ministry of Agriculture, Food and Rural Affairs said the harvest has been significantly delayed by wet weather since mid-September and 20 to 30% of the soybean crop was still in the field at the beginning of November. Yields are ranging from 0 to 40 bushels/acre. The overall average for Ontario is likely to be in the low 20's, the lowest on record since 1960. As a result, the year 2001 will likely go down in history as one of the worst on record for Ontario soybeans. A potential shortage in soybean seed supply prompted the Canadian Seed Growers Association to declare an emergency situation allowing for the re-certification of soybeans from fields planted to certified seed, provided all the requirements for pedigreed seed production are met. For more information on the seed situation see CA1146.

### ONTARIO SOYBEAN CROP TAKING DAMAGE

According to the October 3, 2001 edition of *Good Morning Ontario*, Ontario's soybean harvest is slowly getting back underway after good weather has blanketed the province for the past few days. But farmers are not liking the results they are seeing. Richard Smibert of London Agricultural Commodities (LAC) tells that samples of early harvested crop have been showing as much as 5-10% damage which puts the grade down to a #4 or below which is called 'sample'. "First they have half a crop and now they lose their IP premium!" Smibert says. The IP premiums range from \$0.35 to \$1.00 per bushel. The downgraded soybeans will be destined for the crushers in both Hamilton and Windsor. Discounts will apply at the crusher. According to Bruce Spiers at Canamera in Hamilton, soybeans in the 3-5% damage range are called #3 and have a \$2/t discount and 5-8% damage is a #4 and a \$5/t discount. Eight percent damage and greater are called 'sample' and the discount is negotiable. Spiers tells these beans can make meal and oil just fine. However, something else is looming on the harvest front. Spiers has reports of another form of damage, called 'heat damage' where the kernel is shriveled

and has a moldy coat. "We have seen just a few examples of it but we can not take these beans at all due to the contamination it causes to the oil product," he explains.

### **CANOLA COUNCIL OF CANADA APPOINTS NEW PRESIDENT**

According to the February 25, 2002 edition of *Canadagriculture Online*, Barbara Isman has been appointed president of the Canola Council of Canada (CCC), based in Winnipeg, Manitoba. Most recently, Isman was president and general manager of Durafibre Inc., and assistant vice-president of Cargill Limited. Before that, she was chief of staff for the Saskatchewan minister of education, and manager/executive director of the Western Canadian Wheat Growers Association. Previous CCC president Dale Adolphe left in December to become executive director of the Canadian Seed Growers' Association.

### **SURVEY INDICATES DROP IN CANADA'S CANOLA ACREAGE**

According to the April 3, 2002 edition of *Good Morning Ontario*, a survey by growcanola.com indicates that "about 12% of Canadian farmers intend to grow 15-20% more canola this year, 6% intend to grow 0-10% more, 28% intend to leave their area unchanged, 69% are expecting to reduce their area between 0-10% and 47% intend to grow 10-20% more less area." Growcanola.com says that this information would point to a seeded area of about 3.678 million hectares (9.089 million acres). If average yields are assumed, farmers would produce about 5.213 million tonnes. This compares with 01/02 production of 5.062 million. Growcanola.com says it admits that its survey is "not a statistically defensible survey (the only survey which is statistically defensible is from Statistics Canada)." It is aware that actual planting often end up higher than original intentions, at least traditionally. Growcanola.com says "until we get a better feeling for how dry the soil is this spring, we will continue to use our current area estimate of 3.885 million hectares (9.6 million acres), which is unchanged from a year ago."

### **CANADIAN FARMER MUST PAY MONSANTO COURT COSTS**

According to the Regina *Leader-Post* and the May 1 edition of *Good Morning Ontario*, the judge who ruled last year that Prairie farmer Percy Schmeiser knowingly violated Monsanto's patent on its Roundup Ready gene in 1998 has now ruled the Bruno, Saskatchewan farmer should pay Monsanto court costs of C\$153,000. That's in addition to the estimated \$19,832 the two sides in the long-running patent infringement case agreed was profit from Schmeiser's 1998 canola crop. The story says that the nearly \$175,000 in damages and court costs works out to about \$175 per acre. In fact, the amount is likely between \$200 and \$300 an acre when Schmeiser's legal bills are counted, points out Monsanto Canada spokesperson Trish Jordan. She compares this to the \$15 an acre technology use agreement Monsanto requires farmers to pay if they are using a canola variety that has the Roundup Ready gene inserted.

## **SASKATCHEWAN FARMER ORDERED TO PAY MONSANTO DAMAGES**

According to a May 24, 2001 *Canadagriculture Online* article, the Federal Court of Canada has ordered Percy Schmeiser to pay C\$20,000 in damages to biotech company Monsanto. Last March, the court ruled the Bruno-area farmer had violated Monsanto's patent by growing without a license a brand of canola genetically engineered to withstand herbicide use. After consulting with both sides, the court released the terms of the judgment. The \$20,000 represents the profits Schmeiser made from his canola crop in 1998. The court has also ordered him to deliver up any canola seeds or plants that contain the Round-up Ready gene. Monsanto will also be awarded costs.

## **SCHMEISER VOWS TO FIGHT ON AGAINST MONSANTO**

The CBC news reported on May 24, 2001 that Percy Schmeiser says his fight with the bio-tech company, Monsanto is far from over. The Bruno-area farmer says he will appeal a judgement of the Federal court of Canada. The court ruled that Schmeiser violated Monsanto's patent by growing it's genetically modified canola without a licence in 1998. Wednesday, a judge ordered Schmeiser to pay Monsanto close to 20-thousand dollars in damages. That amount is based on the profits he made from his 1998 canola crop. Schmeiser says that decision is unfair. "What I'm saying is if you have one or two per cent GMO in your field under this ruling, Monsanto could get all the profits of all your crops and that has startled farmers and people around the world." Monsanto has also been awarded legal costs. The company estimates that could be about C\$200,000.

## **PERCY SCHMEISER APPEALS MONSANTO DECISION**

The April 8, 2002 edition of the *Agriline Daily* reported that Percy Schmeiser, a Saskatchewan farmer who was judged in court in March 2001 to have been using Monsanto's Roundup Ready canola without paying the C\$15/acre technology fee, is appealing. His lawyer claims there are 27 instances in which the judge erred. The appeal case will be held in Saskatoon, Saskatchewan, starting May 15. An anti-GMO group is collecting donations for legal costs.

## **CGC PLANS TO INCREASE SPENDING ON GRAIN QUALITY ASSURANCE SYSTEM**

The March 27, 2002 edition of *Agriline Daily* reported that Canadian Grain Commission plans on doubling its capital spending on its grain quality assurance system in 2002/03 to C\$3 million. Revenue from inspection, weighing, licenses and other fees is expected to rise 14% to C\$41.7 million from C\$36.6 million in 2001/02. A deficit of C\$430,000 is forecast for 2002/03, up from the current C\$204,000.

## **ONTARIO ALLOWS BLENDED EDIBLE OIL/DAIRY PRODUCTS**

The Ontario government has repealed its *Edible Oil Products Act* (EOPA) which outlawed the manufacture or sale of any product that combined a vegetable oil with a dairy ingredient if the resulting food resembled a dairy product. According to the Ontario Soybean Growers (OSG), there are complete and comprehensive regulations that control the composition and labeling of dairy products. These regulations ensure that consumers will be able to tell if they are purchasing a dairy product, an edible oil product, or a blend of the two. The OSG notes that oil/dairy blended products are available in other parts of Canada. The repeal of the EOPA will allow reciprocal use by both the dairy and edible oil industries to create new products for the Ontario market.

## **QUEBEC STABILIZATION PROGRAM TO COVER CANOLA**

The April 3 edition of *Good Morning Ontario* reported that La Financiere agricole du Quebec, the Quebec provincial farm finance and insurance agency, has announced that canola will be eligible for coverage under its revenue stabilization program (ASRA) in the 2002-03 insurance year, similar to the coverage given now for wheat, oats, barley, corn and soybeans. Agriculture Minister Maxime Arseneau says canola acres in Quebec have dropped off in recent years as the market price fluctuated, from 12,000 hectares in 1999 down to 6,000 hectares in 2000 and 5,000 seeded hectares in 2001. ASRA is meant to protect farmers against price fluctuations, triggering a payment when prices fall below a set level based on cost of production.

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Contact FAS/Ottawa by e-mail: [info@usda-canada.com](mailto:info@usda-canada.com)