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Report Highlights:

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Opportunity * Grocery Innovations Canada Recruitment Starts
... 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.

CANADA PLEASED WITH WTO FINDING ON U.S. BYRD AMENDMENT: According to the Department of Foreign Affairs and International Trade (DFAIT), International Trade Minister Pierre Pettigrew welcomed news of the World Trade Organization (WTO) interim decision that the U.S. Byrd Amendment violates international trade law. "If the final report reflects the arguments brought forward by Canada, this is very good news. It will mean that the U.S. government will have to conform to international law by eliminating this unfair practice," said Minister Pettigrew. The Byrd Amendment, also known as the Continued Dumping and Subsidy Offset Act of 2000, requires U.S. customs authorities to distribute duties collected from countervailing anti-dumping orders to affected domestic producers for qualifying expenses. Canada and several other countries challenged this U.S. law because they believed it contravened WTO rules. This law constitutes a remedy in addition to the imposition of countervailing or dumping duties. Such a remedy is not envisaged in the WTO agreements governing the application of those duties. "This legislation is potentially harmful and disruptive to the international trading environment," Minister Pettigrew added. "It means that the Byrd Amendment gives U.S. businesses a vested interest in having their government impose duties, because they would get a direct cut." The WTO is expected to issue its final ruling in September.

CANADA ENHANCES BIOSECURITY BORDER MEASURES: The Canadian Food Inspection Agency (CFIA) is enhancing its biosecurity measures at airports, seaports and land borders as part of Canada's *Protecting Our Borders and Skies* public awareness campaign. The CFIA's enhanced measures are intended to further prevent the introduction of pests and diseases which pose a risk to plant and animal health in Canada and include: assigning additional inspectors to entry points and working with the Canada Customs and Revenue Agency to increase inspection of imported container cargo; using new and additional inspection tools – such as X-ray machines – at various entry points, including postal, courier and cargo inspection sites; increasing collaboration with United States authorities for intelligence sharing and to identify and address foreign plant and animal disease and pest risks; and increasing the number of detector dog teams to detect restricted and/or prohibited plants, animals and their products.

WEST NILE VIRUS CONFIRMED IN WINNIPEG, MANITOBA: The Manitoba government confirmed that a crow found in Winnipeg, Manitoba has tested positive for West Nile Virus. It is the first positive test for the disease west of Ontario. The virus can cause serious illness in people, animals and birds. West Nile virus can affect horses, but other livestock are not affected. Manitoba Agriculture has sent a letter to all veterinary practitioners to advise them

about the availability of a vaccine for horses. The province has launched a campaign to encourage residents to get rid of standing water on their property to limit the numbers of mosquitos which can carry the virus. The province has initiated a malathion spraying program to help control the mosquito population.

ONTARIO WHEAT BOARD SETS FORWARD CONTRACTING RECORD: On July 15, 2002 the Ontario Wheat Producers Marketing Board (OWPMB) board set some new records in regards to the forward contracting program for 2002 in which the board wrote 234 contracts for a total of 13,858.736 metric tonnes. That is more than the total of contracts written in the first two years of the program. It is estimated that the board received over 500 phone calls on the 15th in the marketing department alone in regards to contracts. Many other calls were also received dealing with other board programs. The last record was set during August of 2001 when approximately 116 contracts were written in one day. Currently the board has written 5,244 contracts for the 2002 crop year for a total of 227,091.920 tonne of wheat. The total value of the contracts are C\$37,385,208.55. It is expected that contracting will exceed last years 278 000.000 by the end of July. A combination of strong prices and informed producers have added to the increase in contract interest and activity.

SHOULD THE CWB BE IN THE FEED BARLEY BUSINESS?: According to *Agriweek*, the 2001/02 marketing season will be the second-worst, if not the worst, year in the 67-history of the Canadian Wheat Board (CWB) for feed barley exports. For the week ended June 30, total CWB exports of barley, including feed and malting, were 978,000 metric tonnes, slightly over half the previous year's to-date total of 1.83 million. Only 29% of the barley western farmers delivered to commercial positions ended up as CWB barley exports, down from 39% the year before. The CWB's worst performance up to this time was in 1998/99, when it exported just 1.09 million tonnes, 26% of that year's farmer deliveries. Malting barley demand is somewhat more stable than export feed demand, though the CWB's malting barley exports are also in a long-term decline. In 1999/00 the CWB exported only 125,000 tonnes of feed barley and 969,000 tonnes of malting barley. This year the figures could be similar, which means that the CWB has lost most of the Japanese feed barley market, over a million tonnes a year. Domestic prices for feed barley have been higher than world prices for most of this crop year. Canada has gone from being a low feed-cost area to a high-cost area, which has drawn American corn into southern Alberta. Feed barley on the open market is currently bringing more cash than malting barley sold to the CWB. Malting barley seems drastically underpriced relative to the off-Board feed market. It is the strongest argument yet for removing at least feed barley from the Board monopoly, and probably all other barley as well. A form of dual market exists in feed barley because farmers are free to sell to domestic users if that price is higher. Barley growers naturally want their crop to go to the market that pays best, and in this case they have some choice, although they are prohibited from selling their barley directly for export.

CWB'S KEN RITTER CRITICIZES AG COMMITTEE RECOMMENDATION 14 FOR FREE-MARKET TRIAL IN LETTER TO PRAIRIE FARMERS: In an open letter to Western Canadian farmers, CWB Board of Directors Chairman Ken Ritter writes that how wheat and barley is marketed in Canada is determined by prairie Canada farmers through democratic elections, not via House of Commons agriculture committee recommendations. Ritter outlines several concerns that the CWB has with the proposed free-trial experiment and says that the

value of the CWB is built on three factors: (1) single-desk selling; (2) price-pooling; and (3) government guarantees for credit sales and payments to farmers. For more information, see GAIN report CA2085.

75% OF ALBERTA AGRICULTURAL LAND DRIEST IN 133 YEAR HISTORY:

According to *Agriweek's* latest crop report, scattered rain and showers were received across most parts of the western grain belt last week, but the heaviest amounts came where moisture conditions were already best. The rain did not keep up with evaporation losses and crop uptake in the serious drought area, which extends from east-central Saskatchewan northwestward to northern Alberta. The July 15 edition of *AgriLine Daily* reported that this weather was extremely damaging to crops. Rain will not help now. Area represents 20-25% of total western seeded acreage. Lateness of crops and lack of subsoil moisture made them even more vulnerable. Conditions are fair to good south of the Trans Canada highway in all three provinces, in southeastern Saskatchewan and most of Manitoba. Elsewhere crops are experiencing extreme drought stress and yield potential is dropping rapidly. The *Globe and Mail* writes that in Alberta, where nearly three-quarters of agricultural land is the driest it has been in 133 years of record keeping, more than half the province's municipalities are on drought alert or have declared themselves disaster areas. The province has asked the federal government to declare Alberta a drought zone. Corn and soybeans in southern Ontario continue to slowly catch up from a delayed spring season but remain behind normal development despite recent warmer weather. Some parts of the province could use rain. The winter wheat harvest is underway with fusarium infections at low levels being found in most fields.

ALBERTA ANNOUNCES SEPARATE FARM AID PROGRAM TO OFFSET EFFECTS OF DROUGHT:

The province of Alberta is providing C\$324 million (\$210 million) to assist farmers facing disastrous conditions due to drought. Shirley McClellan, Deputy Premier and Minister of Agriculture, Food and Rural Development, said the 2002 Farm Income Assistance Program (FIAP) will be funded solely by the province and that Alberta is still committed to a matching 40-per-cent contribution to recently announced C\$5.2 billion federal funding announcement (see CA2076). "We face losses of up to a third of our province's cow population. Nearly three-quarters of our agriculture land is the driest it has been in 133 years. The remainder of the land is still in a state of recovery from previous dry seasons," said McClellan. "We simply won't let our producers down." The 2002 FIAP program includes: C\$7.15 per acre for cultivated annual crop land; C\$10 per acre for tame forage (cultivated hay and pasture); C\$4 per acre for fenced native forage (land not cultivated); C\$4.50 per bee hive; C\$0.20 per square foot for covered crops (greenhouses, mushroom production); and, C\$100 per acre for perennial horticulture crops.

McCain Foods Acquires First Manufacturing Company in Asia:

McCain Foods, headquartered in Florenceville, New Brunswick has announced its acquisition of Goodman Fielder International (Taiwan) Limited, the company's first manufacturing acquisition in Asia, from Goodman Fielder Limited of Australia. Goodman Fielder International (Taiwan) is the largest producer of frozen Chinese dumplings in Taiwan and the second largest manufacturer of ethnic Chinese frozen foods. General management offices are located in Taipei with a 5,451 square meter production facility in Chishan near Kaohsiung. "This modest acquisition is a natural extension of our international frozen food business into the Asian market," Chairman

Harrison McCain said in making the announcement. "The products complement the global development of the expanding McCain appetizer range." According to a company press release, McCain Foods Limited, with this new acquisition, has more than 55 production facilities on six continents, and more than 18,000 employees. McCain is the world's largest manufacturer of frozen French fried potatoes and a major producer of other frozen foods, selling products in more than 110 countries.

GLOBAL ORGANIC AGRICULTURE EVENT SCHEDULED FOR VICTORIA, B.C.:

The International Federation of Organic Agriculture Movements (IFOAM), founded in 1972, will hold its 14th Organic World Congress in Victoria, British Columbia, August 20-28, 2002. IFOAM is the worldwide umbrella organization of the organic agriculture movement, with about 750 member organizations and institutions in over 100 countries. Open to the public, the congress will address organic food-related issues such as redesigning food systems, crop production, pest and disease control, food safety and trade. The Congress will include a two-day international gathering to promote growth and knowledge in organic viticulture. According to the organizers, it is designed to appeal to everyone interested in organic agriculture and sustainable development -farmers, researchers, advisors, food processors, traders, certifiers, policy makers and consumers. Over 1000 delegates are expected to attend. For more information, visit the Canadian Organic Growers' webpage at: www.cog.ca

ORGANIC AND NATURAL FOOD TRADE SHOW OPPORTUNITY: The FAS/Ottawa office is working with the State Regional Trade Groups (SRTG's) to organize a USA Pavilion for the Canadian Health Food Association Trade Show, EXPO EAST, September 21-22, 2002, Toronto, Canada. Organic sales in Canada are growing 15-20% per year. Forty percent of Canadian consumers purchase organic products more than twice a year. Canadian retailers have identified organic foods as a significant growth opportunity. The U.S. supplies 80% or more of the organic products in Canada. Contact a State Regional Office or Marilyn Bailey of FAS/Ottawa at baileym@usda-canada.com for more information.

GROCERY INNOVATIONS CANADA: Recruitment for the USA Pavilion at Grocery Innovations has begun. FAS/Ottawa will once again organize a pavilion at this, the largest grocery show in Canada. In addition to Grocery distributors and brokers, buyers from all the major grocery chains in Canada attend this show to find new and innovative grocery products. Some of the best products identified for this show include: healthy, nutritious foods--organic foods, soy foods, and portable foods that support a recreational lifestyle; innovative & specialty foods--home-meal-replacement foods, sauces and salad dressings, ethnic foods, value added fish and seafood and snacks; and produce products--exotic fruit & vegetables and value added produce. Contact Marilyn Bailey in Canada at baileym@usda-canada.com or Sharon Cook of the FAS/Trade Show office in Washington, D.C. at sharon.cook@fas.usda.gov.

Did You Know... that according to Statistics Canada census data, the median age of Canada's population reached an all-time high of 37.6 years, up 2.3 years from 35.3 in 1996. This was the biggest census-to-census increase in a century. Median age is the point where exactly one-half of the population is older, and the other half is younger.

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA2084	This Week in Canadian Agriculture, Issue 24	7/11/2002

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