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## Canada

### Agricultural Situation

# This Week in Canadian Agriculture, Issue 30 2002

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#### **Report Highlights:**

"What's New, Eh?" \* Plant Health Officials Continue to Work Toward Potato Mop-Top Agreement \* Falling Cash Receipts Don't Yet Reflect Worst of Western Drought \* Lockout Stops Grain Handling in B.C. \* Biotech Committee Recommends Voluntary Labeling of GM Foods \* Western Hog Plant to Be Upgraded \* Ontario Wheat Board Goes 100% Voluntary in 2004 \* Canada's Dairy Policy Costs Consumers C\$2.5 Billion Per Year, Says Professor \* Foodservice Market Share Lower in Canada \* Brighter Times in 2003 for Foodservice

...and MORE!

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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.

**PLANT HEALTH OFFICIALS CONTINUE TO WORK TOWARD POTATO MOP-TOP AGREEMENT:** Plant health officials from USDA's Animal and Plant Health Inspection Service and the Canadian Food Inspection Agency met in Ottawa this week to develop a joint plan dealing with Canadian entry requirements of U.S. fresh potatoes following the recent finding of the potato disease called potato mop top virus (PMTV) at a research farm at the University of Maine and reports in other states. Fortunately, there is relatively little potato movement in the period prior to the new crop harvest. In 2001, U.S. fresh potato exports to Canada, including seed and table potatoes, reached \$68 million, just slightly less than the \$70 million worth of Canadian fresh potatoes exported to the U.S. that year. Further meetings are scheduled to discuss a cooperative PMTV management plan if the disease is found on both U.S. and Canadian seed potato farms.

**EMERALD ASH BORER CONFIRMED IN WINDSOR, ONTARIO:** According to an August 22 news release from the Canadian Food Inspection Agency (CFIA), based on preliminary surveys recently conducted by the CFIA, Ontario Ministry of Natural Resources (OMNR) and Natural Resources Canada's Canadian Forest Service (NRCan-CFS), the presence of the Emerald Ash Borer (EAB) has been detected and is believed to be confined to the Greater Windsor (Ontario) area of Ontario. The CFIA is asking residents of the area not to remove materials such as dead or damaged trees, firewood, and ash nursery stock from the area as this may cause the spread of the Emerald Ash Borer (EAB) beetle into areas that are not infested. Although the flight period for adult EAB beetles is over for this year, and they will not emerge until the spring of next year, it is still possible for EAB to be spread to uninfested areas through the movement of these infested materials. A pest risk assessment recently completed by the CFIA has concluded that the EAB is a pest of potential economic and environmental significance and poses a risk to both urban and forested areas throughout much of eastern Canada and the US. It is suspected that the beetle may have arrived in North America on wood packaging. The EAB, a beetle native to China and eastern Asia, had not previously been reported as occurring in North America. The CFIA is actively working with cooperating agencies such as the United States Department of Agriculture, OMNR and NRCan-CFS to develop strategies to control the EAB.

**FALLING CASH RECEIPTS DON'T YET REFLECT WORST OF WESTERN DROUGHT:** Canadian farmers faced difficulties during the first half of 2002, as cash receipts from crops, livestock and program payments declined. Statistics Canada reports that crop receipts dropped to a seven-year low, while livestock receipts fell after three consecutive years of increase for this period. The financial outcome that may result from the extreme weather seen on farms during

the 2002 growing season will not be reflected in the cash receipts released by the agency until the second half of 2002. During the first six months of 2002, crop receipts were at their lowest since the first half of 1995, down 2.7% from the same period in 2001. Lower deliveries for most of the major grains and oilseeds more than offset the increase in prices for all of them. At C\$6.6 billion, crop receipts remained 4.1% below the previous five-year average (1997 to 2001). Livestock receipts fell for the first time since 1998 for the January-to-June period, as prices for the major commodities slumped after peaking in 2001. Program payments decreased for the first time since 1997, falling 38.8% to \$1.1 billion in the first six months of 2002. Despite this significant reduction, program payments remained above the previous five-year average of C\$990 million.

**LOCKOUT STOPS GRAIN HANDLING IN B.C.:** According to the *Globe and Mail*, a labor dispute has halted grain shipments through the port of Vancouver, raising fears that a long-term shutdown would batter Canadian farmers already reeling from severe drought and plunging crop receipts. The dispute between the union representing 630 grain handlers and an association of five terminal operators is not yet affecting shipments of other commodities through Canada's largest port. The lockout, which began Sunday at midnight, is also expected to affect longshoremen, truck drivers and other logistical support services at a port that handles about 70% of Canada's grain production. Company and union officials said they see no quick end to the dispute, which has occurred after months of negotiations did not produce a settlement. The grain handlers were locked out after they failed to vote on an offer that was delivered by their employers last week. The Grain Workers Union contends that the offer was delivered without enough time for the union to hold a membership meeting. While a vote was subsequently held on August 29, results of the vote are still unknown, but sources say that it will most likely be rejected. The terminal association, which represents terminal operators Agricore United, Cascadia, James Richardson International, Pacific Elevators, and the Saskatchewan Wheat Pool, said it is "mystified" by the union's position in not being able to find a solution, given that it has been without a contract since Dec., 31, 2000. In the meantime, the Canadian Wheat Board may consider alternatives such as moving grain through other ports such as Prince Rupert, B.C.

**BIOTECH COMMITTEE RECOMMENDS VOLUNTARY LABELING OF GM FOODS:** The Canadian Biotechnology Advisory Committee (CBAC), a government appointed advisory body studying the regulation of genetically modified foods has recommended in a report to the Minister of Industry, that the labeling of GM foods in Canada be voluntary. In the report entitled *Improving the Regulation of Genetically Modified Foods and Other Novel Foods in Canada*, the CBAC notes that under existing food regulations, the mandatory labeling of GM foods is already required for health and safety reasons. The CBAC recommends that the federal government adopt a voluntary system for labeling GM foods for matters other than health and safety. The majority of CBAC members believe that Canada should begin with a voluntary labeling system for GM foods to allow time for testing the system's adequacy and efficiency and to develop an accepted international standard; to provide consumers who wish to purchase GM-free products with the ability to identify them; to limit costs; and to avoid trade action where a mandatory labeling scheme would contravene trade agreements. For a copy of the report, go the CBAC webpage at: <http://www.cbac-cccb.ca/english/>

**REPORT CALLS FOR TIGHTER CONTROLS ON ANTIBIOTIC USE IN AGRICULTURE:**

The *Globe and Mail* says that an expert panel has prepared a report, not yet publically available, that calls for a significant reduction in the use of antibiotics in food animals and for tighter controls governing their sales in Canada. According to the *Globe*, the 19 member panel, which included representation from farm organizations, recommends that antibiotics for agricultural use only be obtained by prescription; that their use in agriculture be monitored; that their effectiveness as growth promotants be determined and; that the import of antibiotics be more closely regulated.

**WESTERN HOG PLANT TO BE UPGRADED:** Olymel, Canada's largest pork processor, which recently purchased the Fletchers plant in Red Deer, Alberta, has announced it will invest \$5 million in improvements to the hog processing plant. The improvements will include doubling the size of its hog receiving area, new freezer capacity, and new office space. According to sources, construction will begin next month with the holding area completed in January, and the freezer completed by March. The capacity of the plant is about 40,000 hogs per week. Once the improvements are completed, the company will be able to export product directly from the plant, rather than first shipping the product to warehouses in Calgary and Edmonton. For more on Canadian hog industry developments watch for the Office of Agricultural Affairs' upcoming livestock annual report scheduled for early September.

**ONTARIO WHEAT BOARD GOES 100% VOLUNTARY IN 2004:** At its annual meeting on August 27, the Board of Directors for the Ontario Wheat Producers Marketing Board (OWPMB) indicated that, effective the start of the crop year 2004, that producers would be able to apply for certificates allowing exemptions from the marketing pools with no caps on tonnage. In crop year 2001/02, total pool tonnage was approximately 600,000 metric tons, forward contracting accounted for over 275,000 metric tons, and direct marketing (exemption from pools) accounted for 150,000 metric tons. In crop year 2002/03, it is estimated that pool tonnage will fall to approximately 300,000 metric tons, forward contracting will reach approximately 600,000 metric tons, and the balance of the crop will go mostly towards direct marketing, until the cap of 300,000 metric tons is reached. This cap will no longer be in place for the 2004/05 crop year.

**ONTARIO INVESTS IN WHEAT TESTING TECHNOLOGY:** In a new partnership between the Ontario Ministry of Agriculture and Food (OMAF) and the Ontario Wheat Producers Marketing Board (OWPMB), the Ontario government will contribute C\$205,580 towards technology that will allow for the rapid, efficient, and reliable testing of Ontario wheat. The balance of the \$440,580 project will be provided by the OWPMB, Automated Quality Testing and the federal government. According to Helen Johns, the Ontario agriculture minister, the goal of the project is to develop a 'QUICK' Test (for Quality Initiative for Cereal Kernels). Under the project, four methods of testing raw wheat for fusarium will be researched. In the past, fusarium, a blight that produces toxins in wheat and barley, has resulted in the removal of thousands of tonnes of wheat from the food chain, and the loss of millions of dollars in farmers' income in Ontario. The introduction of more efficient technology will mean faster, more accurate test results.

**CANADA'S DAIRY POLICY COSTS CONSUMERS C\$2.5 BILLION PER YEAR, SAYS PROFESSOR:** A new report from William Stanbury, Professor Emeritus, University of British Columbia prepared for the Fraser Institute, cites that Canada's milk policy costs consumers C\$2.5

billion per year and is focused on helping political parties gain or retain office rather than on the needs of consumers, says an August 30 statement from the Fraser Institute. The study, entitled *The Politics of Milk in Canada*, shows that through a combination of a government-mandated cartel for milk and tight constraints on imports of milk and the products made from it, Canadian milk producers have persuaded federal and provincial governments to create policies that forcibly transfer about C\$2.47 billion per year (in 2000) from Canadian consumers to them. This constitutes an average income transfer of about C\$120,000 per dairy farm. Stanbury shows that as a result of these political pressures, Canada's dairy policy has become increasingly counter-productive: industrial milk prices have risen faster than the overall rate of inflation, produced rising prices for milk quotas, and required massive efforts by the federal government in international trade negotiations to limit changes that would open up the market and reduce quota values. Stanbury argues that a political leader who seizes this issue and is able to gain sufficient political support to get into power and dismantle the system is necessary to bring about major reform. Stanbury points out that the increased burden of the failed milk policy may eventually provoke a strong reaction from Canadian consumers and taxpayers. The report is available online from the following website: <http://www.fraserinstitute.ca/admin/books/files/Milk.pdf>

**SCALE BACK ON PRIVATE LABEL PROGRAM:** Sobeys Inc, Canada's second-largest grocery chain, is planning to move in the opposite direction of most grocery retailers with its private label products. The company has plans to cut weak private label products in the hope of creating a more focused program. Loblaw Companies, Canada's largest grocery chain, and even some independent grocers have been introducing new private label products and line extensions to capitalize on the higher margins. Some industry analysts speculated that the move may give Sobeys the opportunity to achieve better deals from national brand suppliers and offer consumers a wider brand selection. Source: Canadian Grocer, August 26, 2002 E-newsletter.

**FOODSERVICE MARKET SHARE LOWER IN CANADA:** Canada's foodservice share of the food dollar, 41.1%, still falls well below that of the U.S., where foodservice enjoys a 46.1% market share. The Goods & Services Tax (GST) and lower disposable income have kept Canada from matching the U.S. levels says the Canadian Restaurant & Foodservice Association.

**BRIGHTER TIMES IN 2003 FOR FOODSERVICE:** Although foodservice sales in 2002 are expected to realize their weakest gains since the 1990-91 recession, the industry will make a strong comeback in 2003, according to the Canadian Restaurant & Foodservice Association's Long Term Forecast. Powered by a healthy economy and high levels of disposable income, Alberta is forecast to be the fastest-growing province in terms of foodservice sales over the next four years. Although Ontario has recorded below-average growth in the past two years, foodservice sales are predicted to rebound strongly as the Canadian economy improves – led by solid gains at full-service restaurants. Foodservice sales are faltering in 2002 from a decline in the number of tourists and a weak economic climate, but the association predicts that Prince Edward Island, a popular destination for tourists, business conventions and retirees, will see healthy sales increases in the coming years.

**Did You Know ...**that total Canadian production of fox and mink pelts increased to 1,147,060 in 2001 from 1,090,380 in 2000. Pelt value was close to C\$50 million, up 8.2% from C\$46 million in 2000. The number of fox farms decreased from 169 to 135, but mink farms were up slightly from 180 to 190. (Source: Statistics Canada)

**Recent Reports from FAS/Ottawa:**

Report Number	Title of Report	Date
CA2104	Wheat and Barley Production Estimates for '02/03 Fall to 28 and 34 Year Lows	8/23/2002
CA2103	This Week in Canadian Agriculture, Issue 29	8/22/2002
CA2102	DFC Calls on Federal Government to Defend Supply Management	8/22/2002

**VISIT OUR WEBSITE:** The FAS/Ottawa website is now accessible through the U.S. Embassy homepage. To view the website, log onto [www.usembassycanada.gov](http://www.usembassycanada.gov); click on Embassy Ottawa offices, then Foreign Agricultural Service. The FAS/Ottawa office can be reached via e-mail at: [info@usda-canada.com](mailto:info@usda-canada.com).