



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 10/17/2002

GAIN Report #CA2122

Canada

Agricultural Situation

This Week in Canadian Agriculture, Issue 36

2002

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Report Highlights: What's New EH?...VANCLIEF CONTINUES TRADE MISSION IN MEXICO AND CHILE; **VANCLIEF SAYS U.S. FARM SUBSIDIES DAMPEN WTO TALKS AND NEW U.S. FOOD LABELING GUIDELINES COULD HURT TRADE; **GRAIN COMMISSION CHANGES FOREIGN GRAIN HANDLING REQUIREMENTS; ** FUNDING TO HELP STRENGTHEN B.C. FORESTRY MARKETS; **ETHANOL PLANTS TO BE BUILT IN SASKATCHEWAN; **SASKATCHEWAN HARVEST PROGRESSING SLOWLY; **CANADIAN'S EATING MORE VEGETABLES, OILS AND FATS AND FISH

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.

VANCLIEF DISCUSSES MARKET ACCESS ISSUES WITH MEXICAN AG MINISTER:

According to Agriculture and Agri-Food Canada, on October 12, Minister Lyle Vanclief met with Mexican Agriculture Secretary Javier Usabiaga to discuss trade between Canada and Mexico under the North American Free Trade Agreement (NAFTA) and ways to enhance the trading partnership. The two ministers discussed the January 2003 elimination of tariffs on almost all agricultural exports from Canada to Mexico, as well as the possible measures by the Mexican government to help the country's farmers deal with elimination of tariff protections. Mr. Vanclief said Canada's trade with Mexico is complementary and indicated Canada's intention to seek a greater share of Mexico's import market. Vanclief reiterated to Secretary Usabiaga the importance of resolving seed potato access issues on the basis of science and technical discussions. "There is no doubt that the Mexican government knows that Canada is confident that Mexico will not restrict access, or impose tariff restrictions against Canadian agricultural products," said Vanclief. Vanclief will speak to Mexican agricultural industry members and will promote Canadian agricultural products during the remainder of his stay in Mexico. Earlier this week, Vanclief traveled to Chile to hold bilateral meetings with government and industry representatives and to attend a number of trade shows highlighting Canadian food products.

U.S. FARM SUBSIDIES DAMPEN WTO TALKS, SAYS VANCLIEF: According to *farms.com*

federal Ag Minister Lyle Vanclief said that there will be little progress in the latest round of world trade talks unless the United States agrees to cut its large farm subsidies. Vanclief reportedly said the recent U.S. farm bill was a giant step backward and would hinder World Trade Organization talks launched last year in Doha. "I don't think we're going to get as far as quickly as we should at the WTO until the United States agrees to some major changes," Vanclief told Reuters in an interview in Chile, where he was promoting Canadian farm products. "The United States, in my view, is going to have a very, very difficult task in squaring the circle of what they have put in law through their farm bill versus the direction they say the negotiations should go."

NEW U.S. FOOD LABELING GUIDELINES COULD HURT TRADE SAYS VANCLIEF:

In an October 11 news release, federal Agriculture Minister Lyle Vanclief says voluntary U.S. guidelines introduced today that would see food sold in the U.S. labeled with information on its country-of-origin are flawed and unworkable, and run counter to the long term interests of both Canada and the United States. "We are concerned about these guidelines and their possible impact on our bilateral trade," said Mr. Vanclief. "They appear to place unreasonable demands on industry. We are reviewing the guidelines and consulting with stakeholders to determine the

appropriate course of action." Exemptions are granted if the item is an ingredient in a processed food item or sold in a food service establishment. The guidelines are scheduled to become mandatory in September, 2004. Canadian food companies, packers and processors have said the proposed guidelines are costly and unnecessary. "We hope that U.S. federal and state governments will take into account the negative impact of this law and decide not to make the provisions mandatory," said Mr. Vanclief. "We are closely monitoring developments and will seek to ensure that the U.S. meets all of its international trade obligations."

GRAIN COMMISSION CHANGES FOREIGN GRAIN HANDLING REQUIREMENTS: In an October 08 memorandum to the industry, the Canadian Grain Commission (CGC) informed licensed transfer elevators that it has revoked all annual crop year orders granting transfer elevators permission to handle foreign grain up to a specified percentage of each elevator's licensed capacity. The CGC has reissued the annual orders granting permission for transfer elevators to receive and store grain from the U.S. up to a maximum level. In the near future, the CGC will review its policy of setting maximum limits on the amount of U.S. grain transfer elevators may accept. These actions have been taken due to the increased interest in importing feed-quality wheat from Eastern Europe. The CGC feels a judicious approach is necessary to ensure imports are free of prohibited material and do not find their way into the Canadian grain handling system, thereby compromising the quality of Canadian grain. Transfer elevators seeking to handle foreign grain, that is not of U.S. origin, will need to seek prior authorization from the CGC, on a case-by-case basis. This requirement is in accordance with the *Canada Grain Act* which states that no operator of a licensed elevator shall receive into the elevator any foreign grain, except as may be authorized by the CGC. Requests must specify the location of the handling transfer elevator, the origin and final destination of the grain, the kind and volume of grain, and the date it is to be received and discharged. Authorization may be granted by order of the CGC, which may contain conditions regarding the handling of the foreign grain. In particular, the CGC will require foreign grain to be kept separate from Canadian grain on receipt into, during storage and handling, and on discharge from a transfer elevator.

FUNDING TO HELP STRENGTHEN B.C. FORESTRY MARKETS: The British Columbia (B.C.) provincial government is spending C\$6.8 million on international marketing of B.C. forest practices and products to help strengthen and diversify forestry markets, according to B.C. Premier Gordon Campbell and Minister of Forests Michael de Jong. Nearly half of the funding, C\$3 million - will go to establishing a Market Outreach Network, dedicated to giving international customers information about B.C.'s sustainable forest practices and policy. The funding is part of the government's C\$20-million commitment for international marketing and product development. In addition to the province's \$3-million investment, industry will make cost-share contributions. A further C\$3.8 million will promote marketing activities and access in China, Taiwan, Korea and India, as well as Coastal forest products in both emerging and existing markets. This November, de Jong will lead a trade mission, focused on promoting B.C. forest products and forest practices to China and possibly Japan.

THREE 80 MILLION LITER ETHANOL PLANTS TO BE BUILT IN SASKATCHEWAN: Saskatchewan will soon be the number one producer of ethanol in Canada Saskatchewan Premier Lorne Calvert said on October 10, speaking at the sod-turning for a C\$55 million ethanol plant to be built near Belle Plaine, SK. Two similar plants will follow in the Tisdale and

Melville-Yorkton areas. Dwight Johnson of the Broe Companies said the Belle Plaine plant is expected to open in the spring of 2004 and announcements on the other two plants can be expected early in the new year. The Broe Companies will be the majority owner of each of the plants. Broe will have 60% of the equity in the Belle Plaine plant and (Saskatchewan) Crown Investments Corporation (CIC) 40%. Community-based groups are also expected to invest in this plant and the other two plants. That additional investment would decrease CIC's equity and/or debt position. Calvert said each 80 million liter plant will use 8 million bushels of wheat a year and produce enough distillers grain to feed 120,000 head of cattle.

SASKATCHEWAN HARVEST PROGRESSING SLOWLY: Harvest continues to progress slowly, according to Saskatchewan Agriculture, Food and Rural Revitalization's latest weekly crop report. It is estimated that 17%, or just over six million acres, of the 2002 crop is yet to be harvested. This is greater than the five-year average (1997-2001) of three percent of the crop remaining in the field at this time. Harvest is most advanced in southern areas, with 12% of the crop yet to be harvested. Farmers in central areas have 19% of the crop left to harvest, while 22% of the crop remains in northern areas. Reports of harvest progress vary across the province based on crop conditions and the amount of crop being put to alternate uses such as livestock feed. It is estimated that up to 28% of the crop in northern areas has not been combined and has been put to alternate uses. It is reported that 73% of the spring wheat crop has been harvested. Seven percent of the wheat harvested to date is expected to grade No. 1 Canada Western (1 CW), 21% - 2 CW, 38% - 3 CW, and 34% Canada Feed. Wheat quality is down from the 10-year average of 52% grading No. 1. Frost, wind, snow and rain caused crop damage last week. There were also reports of damage due to migratory birds feeding on unharvested crops. Crop reporters indicate improved soil moisture conditions in many areas. Fall fieldwork is underway, including fertilizer and chemical application, baling straw, hauling bales, and fall cultivation.

CANADIAN'S EATING MORE VEGETABLES, OILS AND FATS AND FISH: According to Statistics Canada, Canadians are including more fruits and vegetables, oils and fats and fish in their diets. The levels of calories, fat, proteins and most vitamins and minerals available per person from Canada's food supply have also increased. In 2001, each Canadian ate 125 kilograms of fruit, slightly less than in 2000, but up more than 13% from the early 1990s. Orange juice, bananas, apple juice, apples, oranges and melons topped the list, representing 62% of all fruit consumed in 2001. In 2001, each individual ate 183 kilograms of vegetables, up 9% from a decade ago. Consumption of fresh vegetables (excluding potatoes), increased from 67 kilograms per person in 2000 to just over 69 kilograms in 2001. Tomatoes, lettuce, carrots and corn, in fresh and processed form, have remained popular choices. Per capita consumption of oils and fats, which has exceeded 30 kilograms for the past five years, edged up slightly in 2001. The growing use of salad and shortening oils, by households or food service outlets, in salad dressings, deep fried products and other commercially prepared foods has, in large part, fueled this increase. Fish consumption, at almost 10 kilograms per person in 2001, increased slightly from 2000. The growing availability of convenient and easy to prepare products and demand for alternate protein sources have influenced consumption patterns.

AGGRESSIVE AD CAMPAIGN FOR ONTARIO WINES: The Wine Council of Ontario has launched a new advertising campaign in an effort to promote Ontario wines to Ontario consumers, and boost its share of the Ontario wine market to 50% from 42% today. The

advertising campaign is the largest that the Ontario wine industry has ever undertaken, and includes TV spots, and newspaper and magazine ads. The campaign is part of a C\$20 million, five-year marketing effort to boost market share and consumer acceptance and loyalty to Ontario wines, and the focal point of a five-year strategic plan called "Poised for Greatness" that was developed jointly by the Wine Council of Ontario, Liquor Control Board of Ontario, and Government of Ontario. The strategic plan is funded through a C\$10 million investment from the Government of Ontario, and matched by \$10 million from the Ontario wine industry, including wineries. "While a 42% market share may seem commanding, the home wine industries in all other wine producing countries have between 75% and 90% share of their home markets. The wine industry's goal is to achieve 50% share of the Ontario wine market in five years," said Kevin Nullmeyer, Vice President of Marketing for the Wine Council of Ontario. The new ad campaign will include TV commercials and full-page, four-color newspaper and magazine ads.

Did You Know ...that potatoes represented over 40% of all vegetables consumed by Canadians last year? According to Statistics Canada, each person ate on average 75 kilograms of potatoes, in fresh form or as processed products such as french fries, potato chips, stuffed baked potatoes or frozen mashed potatoes.

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA2120	This Week in Canadian Agriculture, Issue 35	10/10/2002
CA2119	Wheat, Barley and Canola Down, Soybeans Up, Reports Statistics Canada	10/10/2002
CA2118	Fishery Products Annual	10/10/2002

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