



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 1/7/2005

GAIN Report Number: CA5001

Canada

Agricultural Situation

This Week in Canadian Agriculture, Issue 1

2005

Approved by:

Gary Groves
U.S. Embassy

Prepared by:

Christina Patterson and George Myles

Report Highlights:

* Canada Confirms Second Case of BSE * Reactions to Minimal Risk Rule and 2nd BSE Case in Canada * Birth Date Registration Service For Cattle * Despite BSE, Canadian Agricultural Exports to U.S. Remain Strong * Manitoba Confident of Successful Defense in Swine Anti-Dumping Case * Canadian Wheat Board Election Results * Toss of the Coin Gives Canada Majority on ECC Panel * Retaliation Tariff Could Drive Bean Seed Prices Higher * Drop in Ontario Corn Acreage Forecasted * Nothing More Than an Expensive Party

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.

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 CONFIRMS SECOND CASE OF BSE: One day after the December 29, 2004 announcement of USDA's BSE minimal-risk rule that proposes the resumption of imports of cattle under 30 months from Canada and additional Canadian beef and ruminant products on March 7, 2005, Canada's Food Inspection Agency (CFIA) announced that preliminary test results identified a BSE suspect animal in Alberta. After additional laboratory testing, it was confirmed on January 2, 2005 that an older dairy cow from Alberta was positive for bovine spongiform encephalopathy (BSE). The infected animal was born in 1996, prior to the introduction of Canada's 1997 feed ban. It is suspected that the animal became infected by contaminated feed before the feed ban. On January 4, 2005, Ron DeHaven, Administrator, Animal and Plant Health Inspection Service, announced that USDA remains confident that the animal and public health measures that Canada has in place, including the removal of specified risk material (SRMs) from the human food chain, a ruminant-to-ruminant feed ban, a national surveillance program and import restrictions, combined with existing U.S. domestic safeguards and the additional safeguards announced as part of USDA's BSE minimal-risk rule announced Dec. 29 provide the utmost protections to U.S. consumers and livestock.

REACTIONS TO MINIMAL RISK RULE AND 2ND BSE CASE IN CANADA: During the hearing on the nomination of Nebraska Gov. Mike Johanns as Secretary of Agriculture, Johanns listened to several appeals from members of the Senate Agriculture Committee to slow down the opening of the Canadian border to live cattle imports from the March 7, 2005 scheduled date. Gov. Johanns assured the Committee that he intended to fully participate in congressional hearings related to the minimal risk rule. R-CALF USA, the Ranchers-Cattlemen Action Legal Fund, United Stockgrowers of America, posted a fund raising appeal on its website asking members to contribute generously to a continued effort to fight the re-opening of the border to Canadian live cattle. In a statement, American Meat Institute (AMI) President and CEO J. Patrick Boyle made the following comment: "Beef trade with Canada should move forward because the measures taken by both the U.S. and Canada, to ensure that beef is safe and wholesome, are working as planned." Mark Dopp of the American Meat Association reportedly said that Canadian cattle should be allowed into the U.S., given that the two countries now have almost identical rules in place when it comes to testing for and dealing with cases of mad cow disease. Calling Canadian beef unsafe is like calling your twin sister ugly," Dopp said.

BIRTH DATE REGISTRATION SERVICE FOR CATTLE: The Canadian Cattle Identification Agency (CCIA) is providing Canadian beef cattle producers the ability to electronically register birth date information for their cattle. The CCIA believes this is an important step in the effort to regain and rebuild export markets for Canadian beef. The CCIA said that with countries such as Japan considering reopening beef markets from cattle under 21 months of age, registering birth date information may become a marketing advantage. Canada's mandatory cattle ID program began January 1, 2001. Since that time all Canadian cattle must be tagged with an approved CCIA ear tag by the time they leave their herd of origin. Full enforcement of the program with monetary penalties began on July 1, 2002. On July 1, 2001 all packing plants began reading all tags, transferring the information to the carcass and maintaining that identity to the point of carcass inspection. This includes provincially inspected plants and non-inspected plants.

DESPITE BSE, CANADIAN AGRICULTURAL EXPORTS TO U.S. REMAIN STRONG: Despite BSE border restrictions in effect throughout 2004, Canada managed an estimated \$11.5 billion worth of agricultural exports to the U.S., up more than 10% from the 2003 level and more than 11% above the pre-BSE 2002 level. Increased beef exports were partially responsible. Since August 8, 2003, when the U.S. allowed imports of Canadian boneless beef from young cattle, the Canadian beef industry has slaughtered animals that can no longer be exported as live, and has taken advantage of strong U.S. wholesale meat prices. The value of Canadian fresh or frozen beef to the U.S. in the January to October period of 2004 was almost \$1.0 billion, 58% greater than during the same period of 2003 and

almost \$100 million higher than the same period of 2002- before BSE! In addition, large increases in Canadian exports of pork, live swine, frozen french fries, vegetable oils, and snack foods to the U.S. all helped to more than offset the declines in the value of live cattle trade over the last couple of years.

MANITOBA CONFIDENT OF SUCCESSFUL DEFENSE IN SWINE ANTI-DUMPING CASE: Manitoba Pork Council Chair Karl Kynoch told Farmscape this week that there is growing confidence among Canadian hog producers that they will be successful in the final injury determination in April 2005, and that the U.S. trade action against Canadian swine will end. Kynoch said the U.S. hog industry, which has been enjoying record prices, will have a difficult time arguing that increased live swine imports from Canada are harmful to U.S. pork producers. On October 15, 2004 the U.S. Department of Commerce (DOC) announced an affirmative preliminary determination in the antidumping duty investigation of live swine from Canada, with margins ranging from *de minimus* to 15.01 percent. In a companion countervail case, the DOC ruled in August 2004 that Canada's subsidies for its hog industry are too small to justify the imposition of U.S. tariffs.

CANADIAN WHEAT BOARD ELECTION RESULTS: The results of the Canadian Wheat Board (CWB) director elections were announced this week. The election results were for directors in the CWB's five even-numbered districts. Jim Chatenay was the only pro-choice candidate and he was re-elected in District 2. Ken Ritter, Ian McCreary, and Rod Flaman were all re-elected in their respective districts. Bill Toews was elected in District 10, replacing Art Macklin, who chose not to run again. The election was plagued by problems, as computer glitches resulted in some names being omitted from the voter list, while others were assigned to vote in the wrong district. This resulted in one of the candidates obtaining a court injunction to delay the results, citing election irregularities. A federal judge ruled against the candidate's bid to delay the announcement of the results, but left the door open for a judicial review of the CWB's election process. CWB board officials have stated that they plan to improve the way the elections are conducted in order to prevent these problems from happening again.

TOSS OF THE COIN GIVES CANADA MAJORITY ON ECC PANEL: A simple toss of the coin has won Canada two of the three seats on the Extraordinary Challenge Committee (EEC) that will hear the softwood lumber injury case. The U.S. requested an ECC after a NAFTA panel ruled in September that Canadian lumber imports do not threaten to injure the U.S. industry. The ECC panel will review the decisions made by the NAFTA panel. The ECC's decision will be final and cannot be appealed. The final decision from the ECC is slated for March 9, 2005.

RETALIATION TARIFF COULD DRIVE BEAN SEED PRICES HIGHER: The ongoing dispute between Canada and the United States regarding the Byrd Amendment could result in higher bean seed prices for Canadian producers. The World Trade Organization gave Canada the green light to implement tariffs on U.S. products coming north in retaliation to the U.S.'s failure to repeal the Byrd Amendment. A broad range of dry beans are included on the list of products Canada has put forward as potential candidates for tariffs of up to 100%. The impact of the potential tariff could be significant for Canadian producers. Most of the dry bean seed used in Western Canada comes up from the U.S., and the proposed tariff would double the price. During the comment period on the proposed tariff list, Pulse Canada strenuously objected to having dry beans included. The Canadian government will make a final decision on what products will remain on the list and if and when tariffs will be applied.

DROP IN ONTARIO CORN ACREAGE FORECASTED: The Ontario Corn Producer's Association (OCPA) has released its 2005 acreage forecast, dropping the predicted acreage in response to poor market prices. The OCPA has lowered next year's Ontario harvested corn area to 1.575 million acres, the lowest since 1996. Next year's production is estimated at 182.2 million bu on an average yield of 115.7 bu/ac. With the decrease in estimated production and the increase in ethanol production in the province, increased corn imports from the U.S. will be required to meet processors' needs.

NOTHING MORE THAN AN EXPENSIVE PARTY: The Canadian Wheat Board (CWB) has drawn the ire of its critics by hosting an all-expenses-paid, three-day conference at Calgary's Hyatt Regency Hotel for over 160 of their closest friends. The conference features a banquet, receptions and speeches. The CWB is covering the cost of plane tickets, meals and other travel expenses for farmers, board directors and agency staff. Critics of the CWB see the conference as nothing more than an expensive party for friends of the organization. At a time when Prairie farmers are struggling to survive, an extravagant party by the CWB is not sitting well with many producers. In response to the criticism,

the CWB defended the cost of the conference, stating that it will be more than offset by the benefit of being able to engage farmers on important issues.

Find FAS on the World Wide Web:

Visit our headquarters' home page at <http://www.fas.usda.gov> for a complete listing of FAS' worldwide agricultural reporting.

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA4089	This Week in Canadian Agriculture, Issue 44	12/17/2004
CA4090	Honey Production and Trade Update	12/16/2004
CA4088	This Week in Canadian Agriculture, Issue 43	12/10/2004
CA4086	This Week in Canadian Agriculture, Issue 42	12/03/2004

VISIT OUR WEBSITE: The FAS/Ottawa website is now accessible through the U.S. Embassy homepage. To view the website, log onto <http://www.usembassycanada.gov>; click on Embassy Ottawa offices, then Foreign Agricultural Service. The FAS/Ottawa office can be reached via e-mail at: agottawa@usda.gov