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Report Highlights:

* Cattle Industry Hails OIE Decision to Adopt New BSE Risk Guidelines * Pork Industry Worried That Court Decision Could Jeopardize Pork Exports to Australia * Shermag Consolidates * Japan Finds GE Canola in the Wild * B.C.'s Lumber Industry Performed Strongly in 2004

Includes PSD Changes: No
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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.

CATTLE INDUSTRY HAILS OIE DECISION TO ADOPT NEW BSE RISK GUIDELINES: The Canadian Cattlemen's Association (CCA) hailed the World Organization for Animal Health, or OIE, decision to officially recognize additions to the list of non-risk products (most significantly boneless beef) that can be traded without regard to a country's BSE status (provided accepted slaughter practices are followed and specified risk materials are removed). Stan Eby, CCA President, said it was a positive move for maintaining (Canadian) boxed beef markets in the United States. The Canadian industry noted that U.S. Agriculture Secretary Mike Johanns stated in a press release that the international standard for BSE is now based on the same information that has guided the United States' current practices and the proposed minimal risk rule.

PORK INDUSTRY WORRIED THAT COURT DECISION COULD JEOPARDIZE PORK EXPORTS TO AUSTRALIA: Last week's Australian court decision could impact Canadian pork exports to that country, Canada's 4th ranked export market for pork. The action is also of concern to the U.S. pork industry. Responding to a challenge by Australia Pork Limited (APL), a producer owned company, an Australian judge questioned the validity of a decision made by the Australia's Director of Animal and Plant Quarantine in the May 2004 risk assessment of the threat of imported pork introducing Post Weaning Multisystemic Wasting Syndrome (PMWS), a disease of young pigs. The APL is expected to ask the GOA to ban the import of pork from countries with PMWS. According to the Executive Director of Canada Pork International, the export promotion arm of Canada's pork industry, Canada was uncertain if the development would impact its shipments to Australia since Canadian pork was accepted into that market prior to the May 2004 risk assessment in question. At the time of writing, it wasn't known if the Australian government was to appeal or seek alternatives to a trade ban.

SHERMAG CONSOLIDATES: In recent announcement Canada's largest publicly listed furniture maker Shermag Inc. outlined a series of steps that the company would take to significantly consolidate its domestic operating activity and reduce cost structures. By consolidating, the company is hoping to create a leaner, more flexible producer of high-quality furniture. Stiff competition from low-cost Chinese imports and the effects of the high Canadian dollar are impacting the company's profitability and competitiveness. As part of the consolidation process, Shermag announced the closure of its bedroom furniture plant in Victoriaville, Quebec, with the company expecting to close as many as two additional domestic manufacturing facilities. Shermag has also sold its sawmill in North Anson, Maine and will be evaluating strategic alternatives for its sawmill division. In addition, Shermag is expecting to lose between \$1 to \$1.05 a share on revenue because of special charges in the fourth quarter. The charges include an \$11 million goodwill writedown following its May 2003 acquisition of the Jaymar Furniture business. According to the company new release, the refocus on domestic operations should create new opportunities for Shermag and provide consumers with the potent combination of choice and speed.

JAPAN FINDS GE CANOLA IN THE WILD: According to news reports, the Japanese agriculture ministry intends to reassess the import of genetically modified canola from Canada after GE canola was found growing in the wild in Japan. Japan is a key agriculture market for Canada and canola is one of Canada's main exports to that country. Canadian exporters are responsible for 80 percent of all the canola Japan imports each year and roughly 80 percent of the seed shipped by Canada is genetically modified. Although those who discovered the wild GE canola could not definitively pinpoint the origin of the canola, critics were quick to blame Canada. France and Australia also export canola to Japan, but neither commercially exports GE varieties at present. The finding has prompted groups like Greenpeace to call for the Canadian government to stop exporting GE canola to Japan. Despite the move to reassess imports of GE canola from Canada, the Japanese government has indicated that it believes canola seed from Canada is safe.

B.C.'S LUMBER INDUSTRY PERFORMED STRONGLY IN 2004: According to a report by PricewaterhouseCoopers (PwC), lumber producers in B.C. were found to be among the best performers globally in 2004. The strong performance was driven mainly by capital investment, which has created more efficient and larger mills, and the focus of the industry on solid wood products. The strong performance of the industry occurred despite facing adverse conditions like the strong Canadian dollar, duties imposed by the softwood lumber dispute, a railcar shortage and damage incurred by the pine beetle. According to PwC, mergers and acquisitions, upgrades and expansions have resulted in B.C.'s lumber producers having the largest, most efficient sawmills in the world. The strong performance was helped by the 44% increase in 2004 average lumber prices compared to 2003. In addition, oriented strand board (OSB) prices were also up 28% from 2003. Both lumber and OSB prices are expected to settle down in the latter half of 2005. The strong housing market in the United States has also been considered one of main contributors to the strong performance of the B.C. lumber industry, as the U.S. housing market continues to rely heavily in Canadian lumber producers to meet the demand. The top performers in B.C. included Canfor Corp. and West Fraser Timber, which are the second and third largest lumber producers in the world.

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