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## Canada

### Agricultural Situation

### This Week in Canadian Agriculture, Issue 27

2005

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**Report Highlights:**

\* Canadian Growers Want Trade Action Against U.S. Apples \* More Expansion Plans for Pork Processor \* Ontario's Ethanol Industry Continues to Expand \* Softwood Lumber Dispute Reaches Boiling Point \* Wheat Duties Lowered \* Crop Report \* AAFC Releases Crop Estimates

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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.

*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.

**CANADIAN GROWERS WANT TRADE ACTION AGAINST U.S. APPLES:** Industry contacts and press reports indicate that Canadian apple growers are pressing for safeguard measures on imports of U.S. fresh apples, predominantly those from Washington State. Citing low market prices, Canadian growers are allegedly seeking Canadian government action under the Special Import Measures Act, the legislation that governs Canada's countervailing and anti-dumping laws. The Canadian Border Services Agency (CBSA) would not deny or confirm that Canadian apple growers have filed a petition for an investigation. The CBSA does not disclose the petitions it receives. They are only made public upon the initiation of a formal investigation to determine whether the goods imported into Canada are dumped or subsidized. To ensure there is sufficient support by the Canadian industry for an investigation, producers representing at least 25 per cent of Canadian production must support the complaint. As well, there must be more support than opposition to the complaint within the Canadian industry. Historically, Canada did apply anti-dumping duties to certain U.S. apples in the late 1980's and mid-1990s.

**MORE EXPANSION PLANS FOR PORK PROCESSOR:** Just weeks after announcing a \$C160 million investment in a new primary pork processing facility and pork processing operations in Saskatchewan (See CA5051), Maple Leaf Foods Ltd., Canada's largest pork processor, is reportedly looking at building a large new pork plant in Hamilton, Ontario to replace its (nearby) Burlington, Ontario facility. According to press reports, the Hamilton plant would not be fully operational for about seven years, but will have a higher processing capacity and employ up to 1,000 more workers than the current Burlington facility where about 1,400 work. A local report said that the company plans to have Hamilton officials tour its modern facility in Brandon, Manitoba to demonstrate its features. For the past couple of years, Maple Leaf's intention to take the Brandon plant to a second shift has never materialized. Reports say insufficient wastewater treatment facilities and current market conditions have put those expansion plans on hold.

**ONTARIO'S ETHANOL INDUSTRY CONTINUES TO EXPAND:** UCM Engineered Fuels has announced plans to build a new ethanol plant in the city of Barrie, Ontario. The new facility will be located at the site of a former Molson Brewery. According to UCM Engineered Fuels, construction is expected to begin in three months, with ethanol production to begin by the fourth quarter of 2006. This new plant will be the largest ethanol plant in Ontario, with a total capacity of 300 million liters of ethanol per year produced from almost 30 million bushels of corn. The increase in ethanol production in Ontario has been fueled by the Ontario government's requirement that gasoline in the province be required to contain an average of five percent ethanol by January 1, 2007. See TWICA 5030 for more information on ethanol expansion in Ontario.

**SOFTWOOD LUMBER DISPUTE REACHES BOILING POINT:** On Wednesday, the Extraordinary Challenge Committee (ECC) rejected U.S. claims that a NAFTA panel reviewing the U.S International Trade Commission's (ITC) threat of injury determination regarding softwood lumber violated NAFTA rules. In addition, the ECC also dismissed allegations that the NAFTA panel had violated the Code of Conduct for Panelists. The Canadian government was pleased with the ruling and indicated that it expected that the duties currently imposed on Canadian softwood lumber exported to the U.S. be removed and the duties already collected be returned. The U.S. has stated that panel's ruling will have no impact on the anti-dumping and countervailing duty orders and the duties already collected will not be returned. This has in turn angered many Canadian officials, including provincial Premiers who took the opportunity to present their grievances regarding this trade dispute to Ambassador Wilkins at the annual Premiers' conference in Alberta. Members of the Canadian lumber industry were also pleased with the ruling, but disappointed with the response from the United States. They are expecting Canadian officials to act decisively if the U.S. ignores the NAFTA ruling. Canadian trade officials have

indicated that they will pursue all legal options available, including possible retaliatory trade measures to force the U.S. to return the nearly \$5 billion in collected duties.

**WHEAT DUTIES LOWERED:** Earlier this week, the U.S. Department of Commerce (DOC) issued a revised determination of the countervailing duties on Canadian Hard Red Spring (CHRS). The revised determination lowers the countervailing duty from 5.29 percent to 2.54 percent. With the reduction in the countervailing duty, the total tariff on CHRS is reduced from 14.15 percent to 11.4 percent. In the revised determination, the DOC maintained that the two of the three financial guarantee programs investigated, the borrowing guarantee and the initial payment guarantee for the Canadian Wheat Board (CWB), confer countervailable duties, which would continue to apply to CHRS, but at a lower rate tariff rate. The CWB indicated that it was pleased with the reduction, but also stated that there was no justification for tariffs at all. The tariffs have virtually shut down exports of CHRS into the United States.

**CROP REPORT:** According to the Alberta Ag Info Center, warmer drier weather has helped push the maturity of the crops in the province, but pests and disease are still a concern, especially in canola. Higher-than-average yields in all crops are still expected as a result of mostly positive weather conditions. According to Saskatchewan's department of Agriculture, some harvest activity has taken place in all regions of the province and in all crops, except flax and sunflowers. Fall cereals are reported to be 85 percent in good to excellent condition, with 97 percent at normal or ahead of normal development. Spring cereals are reported to be 80 percent in good to excellent condition, with 89 percent at normal development. Oilseed crops are reported to be 82 percent in good to excellent condition, with 89 percent at normal or ahead of normal development. Many areas of the province require rain to finish off crops. Crop conditions have declined as a result of the hot, dry conditions. Yields are expected to be reduced due to the heat, but are still expected to be above average. According to Manitoba's provincial department of Agriculture, crops in that province are continuing to have problems. In the *Southwest* region, high temperatures and no rainfall has contributed to the deterioration of all crops. Winter wheat fields that have been harvested have reported very low yields and poor quality. Increasing levels of fusarium, leaf diseases and leaf rust are affecting cereal crops throughout the region. Sclerotinia stem rot infestations are noticeable in some canola fields. In the *Northwest region*, cereals are approaching maturity and some barley fields have been swathed. Fusarium is present in cereal crops and sclerotinia is damaging canola. Leaf diseases and unfilled heads are resulting in lower yields in cereals. In the *Central* region, many fields are ripening prematurely due to a number of factors: shallow rooting systems as a result of the excessive moisture, heavy disease pressure and hot, dry conditions. Wheat is being affected by high disease pressure. Oats are generally mature and will be combined right away. Canola is ripening prematurely. In the *Eastern* region, most fields are finally drying up (affects of the excessive moisture over a prolonged period earlier this year). Any of the crops that survived are yielding poorly for the most part. Oats have the potential to be the best-yielding cereal crop and corn and soybeans crops may produce reasonably well despite the poor growing season. According to Ontario's provincial department of Agriculture, despite the high heat and sporadic rainfall, much of the corn crop has achieved good to excellent pollination. Timely rains have helped reduce the stress for much of the crop, with exceptions in the most western and northern regions of the corn growing area, which remain very dry. Plant development suggests that the corn crop is a week to 11 days ahead of schedule in many areas. The spring cereal harvest is well underway and in most areas, the yields are below normal. The quality of the spring wheat has been excellent with very low to no fusarium and high protein levels. A majority of the winter wheat crop has been harvested and yields are generally 10 bu/acre lower than recent years. Quality has generally been good, with higher than normal protein levels in the hard red winter.

**AAFC RELEASES CROP ESTIMATES:** Agriculture and Agri-Food Canada (AAFC) released its estimates for crop production in Canada. AAFC estimates a sharp increase in barley production to 13.2 million metric tons (MMT) from its June estimate of 12.32 MMT, with an average yield of 3.29 t/ha. The increase in barley production is expected as higher yields more than offset lower harvested area. Wheat production was also increased to 24.5 MMT, from 23.8 MMT forecast in June. Corn production was decreased from the June estimate of 8.4 MMT to 8.1 MMT, as lower yields more than offset higher harvested area. Canola production was forecast to be 7.5 MMT, but is expected to leap to 8.2 MMT for 2005/2006 due to increased harvested area and yields. Oat production was only marginally increased from the June estimate of 3.56 MMT to 3.6 MMT. Forecast exports of wheat and barley were also increased from the June estimate to 16.7 MMT and 2.7 MMT respectively. Higher yields in Saskatchewan are forecast to be above-trend due to higher than normal precipitation. In eastern Canada, yields are expected to be below trend due to hot temperatures and lack of moisture.

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