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This Week in Canadian Agriculture, Issue 3

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Report Highlights:

* New Ag Minister Named * New Ag Minister Faces Many Challenges * Former Liberal Minister Named Trade Minister * Anderson Named as Parliamentary Secretary * Farm Income Forecast * Alberta New Animal Disease Lab * Food Freedom Day * Federal Court Rules Against DFC

Includes PSD Changes: No
Includes Trade Matrix: 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.

NEW AG MINISTER NAMED: On February 6, Chuck Strahl, Member of Parliament for Chilliwack-Fraser Canyon in British Columbia, was named the Minister of Agriculture and Agri-Food and the Minister responsible for the Canadian Wheat Board. Mr. Strahl was first elected to the Canadian Parliament in 1993 as a member of the Reform Party (which, through a series of changes, has evolved into the present day Conservative Party of Canada). During his tenure in Parliament he has served as the Official Opposition House Leader, Deputy House Leader for the Official Opposition, Chief Opposition Whip and Deputy Speaker of the House of Commons. Mr. Strahl has also served as a critic for Natural Resources, Leader of the Government in the House of Commons, Industry, Deputy Prime Minister, Cultural Industries, Northern Economic Development and Democratic Reform. In addition, Mr. Strahl was Vice-Chair and member of several Parliamentary Standing Committees. Prior to being elected, Mr. Strahl was a businessman and a logging contractor. Mr. Strahl is highly regarded by his colleagues in the House of Commons and is known for his strong work ethic.

NEW AG MINISTER FACES MANY CHALLENGES: Canada's new Minister of Agriculture is facing several challenges as he attempts to learn his new portfolio. First and foremost is distribution of the \$775 million in emergency aid promised to grains and oilseed producers last fall by the previous Liberal government. During the election, the Conservative Party promised to pay out the money as soon as possible. Minister Strahl announced on Tuesday plans to move ahead with this by promising to deliver the money starting in a couple of weeks. The Conservative Party also committed to another \$500 million in their election platform, but when and if the money will be dispersed to Canadian farmers has not been decided upon. In addition, the Conservative Party pledged to eliminate the Canadian Wheat Board's monopoly. The current party balance in the House of Commons makes it difficult for the Conservative government to move quickly on this issue. Farm income is forecast to decline in 2005 and is expected to drop again in 2006. In order to deal with this situation properly, the Conservative government will have to move quickly on its promise to overhaul the Canadian Agricultural Income Stabilization Program (CAIS), which is no small undertaking. These are only the tip of iceberg in terms of issues facing the new Minister of Agriculture.

FORMER LIBERAL MINISTER NAMED TRADE MINISTER: In a shocking move, David Emerson, former Minister of Industry in the Paul Martin Government, crossed the floor of the House of Commons, joined the Conservative Party of Canada, and was named the Minister for International Trade. Mr. Emerson had just been re-elected as Liberal Member of Parliament for the riding of Vancouver Kingsway in British Columbia, during the general federal election on January 23rd. The move caught many, including members of his riding and the Liberal Party, by surprise. In his previous role as Minister of Industry, Mr. Emerson was critical of the U.S. regarding the softwood lumber dispute, including calling for the imposition of sanctions on U.S. products until the U.S. government complied with the Extraordinary Challenge Committee's findings. As the Minister of International Trade, Mr. Emerson will be directly responsible for the softwood lumber dispute file, which some are viewing as a conflict of interest, as Mr. Emerson was CEO of Canfor, Canada's largest lumber company, in his life before politics.

ANDERSON NAMED AS PARLIAMENTARY SECRETARY: David Anderson, Member of Parliament (MP) for the riding of Cypress Hills – Grasslands in Saskatchewan, was named as one of the two Parliamentary Secretaries to Minister of Agriculture and Agri-Food. Mr. Anderson has been a MP since 2000 and has served as the Official Opposition Critic for the Canadian Wheat Board (CWB). Mr. Anderson has been an outspoken critic of the CWB, calling for the elimination of the CWB's operating monopoly. Mr. Anderson's appointment was balanced off with the appointment of Quebec MP Jacques Gourde as the other Parliamentary Secretary to the Minister of Agriculture and Agri-Food. Mr. Gourde was first elected in 2006 to the riding of Lotbinière--Chutes-de-la-Chaudière. Prior to being elected, Mr. Gourde was a producer and exporter of hay in Saint-Narcisse de Beaurivage in Quebec.

FARM INCOME FORECAST: According to Agriculture and Agri-Food Canada, Canadian farm Net Cash Income (NCI) is forecast to decrease by two percent to \$6.3 billion (CDN) in 2005, four percent lower than the 2000-2004 average. The major contributors behind the decrease in income are an expected five percent decline in crop receipts, as a result of low commodity prices and a stronger dollar, and a small increase in expenses. These factors will more than offset the five percent rise in livestock receipts, driven by strong gains in the cattle and calf sectors. The growth in cattle sector is expected to offset the eleven percent decline in hog receipts, driven by lower prices and a decrease in marketings for both domestic slaughter and international exports. The increase in dairy prices is a contributing factor to the expected receipt increase from the supply-managed commodities. Direct program payments are projected to increase slightly to \$4.9 billion (CDN), due to a large increase in CAIS payments. In 2006, NCI is forecast to decrease by sixteen percent to \$5.3 billion (CDN), as lower program payments combined with increased operating expenses are expected to offset small increases in receipts for both livestock and crops. Crop receipts are expected to increase by three percent, due to an increase in grain and oilseed marketings following the large harvest in 2005. Livestock receipts are expected to increase by two percent, as a result of continued improvement in the cattle industry. Hog receipts are once again forecast to decline by another four percent, as a result lower expected prices for hogs. Receipts for the supply-managed commodities are expected remain relatively unchanged, as the increase in dairy prices is expected to offset a slight decrease in receipts for poultry, as the price of chickens is forecast to decrease. Direct program payments are forecast to decline by fifteen percent, due to the termination of special assistance programs for the cattle industry. Operating expenses are forecast to increase by three percent, due to higher feed prices, higher interest and farm labor costs. The NCI varies from province to province, with some provinces having larger drops in NCI and total net income than others.

ALBERTA OPENS NEW ANIMAL DISEASE LAB: Aimed at boosting animal disease detection and research, the province of Alberta opened its C\$14-million, state-of-the-art Level 3 Biocontainment Lab in Edmonton. The province believes its new facility puts Alberta on the cutting edge of animal disease detection and research. "Animal health threats are a reality we've come to know quite well in Alberta," said Doug Horner, Minister of Agriculture, Food and Rural Development. "It is vital that we not only manage these threats, but also expand our understanding of them. This facility makes Alberta a leader in animal disease detection and research." The lab will significantly increase Alberta's testing capacity for animal diseases such as bovine spongiform encephalopathy (BSE), chronic wasting disease (CWD) and avian influenza (AI). While the initial focus of the lab will be on testing, it will also be used for animal disease research, in collaboration with the Alberta Research Council and the University of Alberta. Since September 2004, Canada has tested more than 87,000 high-risk cattle as part of an enhanced BSE surveillance program - 44,000 of those from Alberta. In addition to surveillance initiatives, Alberta is in the process of implementing mandatory age verification for all young cattle slaughtered in Alberta processing plants as of April 1, 2007.

FOOD FREEDOM DAY: According to the Canadian Federation of Agriculture (CFA), a national umbrella organization representing provincial general farm organizations and national commodity groups, February 8, 2005 was Food Freedom Day in Canada. The CFA defines Food Freedom Day as the calendar date representing when Canadians have earned enough income to pay the grocery bill for the entire year. For 2005, the CFA calculated that it took just 38 days from January 1st to acquire the income needed to cover annual food expenses (on a per capita basis). The CFA claims that Canadian consumers spend on average 10.6 percent of their personal disposable income on food expenditures and that between 1997 and 2003, the price Canadian consumers paid for food increased by 13.8 per cent while the average price received by farmers for their production increased by only 2.1 per cent. According to the CFA, Food Freedom Day in other countries in 2005 was as follows: the United States, February 4; Australia, February 12; Japan, February 20 and; Mexico, March 4.

FEDERAL COURT RULES AGAINST DFC: On January 31, the Federal Court of Canada upheld the Canadian International Trade Tribunal's (CITT) 2005 decision on the tariff classification of a European milk protein concentrate. The CITT had ruled that the milk protein could be imported into Canada as a protein substance rather than as a natural milk constituent. As a result, the product would not fall under the import quotas that protect Canada's dairy sector by controlling imports and imposing heavy duties on products that exceed the quota. The Dairy Farmers of Canada (DFC) had challenged the CITT's ruling at the Federal Court and lost. The milk protein can be used in place of raw milk in the production of products, which could displace up to half a million dollars in raw milk sales each year according to the DFC. The DFC immediately called on the new Conservative government to honor its

commitment to protecting supply management and restore import measures to preserve the integrity of the Canadian dairy system. The DFC is also requesting that the government close the loophole created by this decision to protect further Canadian dairy farmers.

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