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Report Highlights:

Canada Remains Top Market for U.S. Agricultural Exports During the First Half of 2006 *
Lumber Deal Deadline * Anthrax Outbreak Most Serious in Decades * Investigation of
Manitoba BSE Case Completed * Market Development Funding for Canadian Pulses *
Funding for Wild Blueberry Marketing Efforts * Western Feed Supply Lower Says CWB

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 REMAINS TOP MARKET FOR U.S. AGRICULTURAL EXPORTS DURING THE FIRST HALF OF 2006: Canada remained the No. 1 market for U.S. exports of food and agricultural products during the first half of 2006. U.S. farm and food exports to Canada in the January to June period of 2006 reached \$5.8 billion, accounting for 17% of total U.S. agricultural exports to the world. Exports to the northern neighbor represented an increase of 11% over sales to Canada during the same period last year. Of total U.S. agricultural exports to Canada in the first six months of 2006, \$4.5 billion, or 77% were in the consumer-oriented category with fresh and processed red meats, snack foods, and fresh and processed horticultural items heading up the list of some of the stronger year-to-year increases. The importance of trade with Canadian provinces cannot be underestimated. U.S. agricultural exports to Ontario in the first half of 2006 exceeded \$3.5 billion, almost 7% more than to the EU-25. If British Columbia were a country it would rank as the 7th largest individual market for U.S. agricultural exports. Based on their first-half performance, total U.S. food and agricultural exports to Canada are on pace to reach \$11.7 billion during calendar year 2006.

LUMBER DEAL DEADLINE: Canada's trade minister has given the Canadian lumber industry until August 21 to show support for the recent negotiated U.S./Canada softwood lumber deal. On July 1, 2006, Canada and the United States finalized a legal text on a softwood lumber agreement. Under the proposed plan, the United States would return \$4 billion in safeguard duties collected from Canadian companies since 2002 and Canadian softwood lumber exporters would pay a pro-rated export charge on their sales to the United States when the price of lumber is at or below \$355 per thousand board feet. Canada's new government is planning to introduce implementation legislation for the agreement when Parliament reconvenes next month. Reports indicate that the GOC wants industry support and the withdrawal of legal cases against the U.S. duties that were levied prior to the introduction of the legislation. Canadian forest industry executives met with the trade minister, David Emerson in Toronto this week to discuss the issue and after the meeting Mr. Emerson told the press of the August 21 deadline. Last week, Prime Minister Stephen Harper told reporters that Canada would abandon the deal if the industry didn't offer clear support for it within the next few weeks.

ANTHRAX OUTBREAK MOST SERIOUS IN DECADES: Livestock farmers and ranchers in Canada's prairie provinces are suffering through the worst anthrax outbreak in more than 20 years. The Canadian Food Inspection Agency is recommending that all ranchers on the Prairies vaccinate their cattle against anthrax, an infection caused by bacteria that lives in the soil. It mainly affects farm animals such as horses, cows and sheep, and is not considered a significant human health threat. According to the CFIA, there have been 129 positive premises in Saskatchewan, reporting 628 dead animals. In Manitoba, there have been 17 positive premises, with 118 dead animals reported. The agency is now recommending that ranchers vaccinate their livestock, the standard preventive measure. More than 8,500 cattle have been treated so far. Anthrax outbreaks occur on a fairly regular basis on the prairie but generally are not so severe. According to news reports, Saskatchewan recorded just five cases in the past six years, while Manitoba counted 43 cases during the same period.

INVESTIGATION OF MANITOBA BSE CASE COMPLETED: The Canadian Food Inspection Agency (CFIA) has concluded its epidemiological investigation of the case of bovine spongiform encephalopathy (BSE) confirmed on July 3, 2006 in a 16 year-old cow from Manitoba. According to CFIA, no part of the animal's carcass entered the human food or animal feed chains. The advanced age of the affected animal (at least 16 years old) limited the CFIA's capacity to collect information concerning the animal's early history, including its birth farm. The CFIA traced 21 herdmates that had been previously purchased with the affected animal. One of these animals was still alive and tested negative for BSE. Canada's 7th confirmed BSE case occurred about week later in a 50 month-old dairy cow from Alberta. The CFIA investigation of this most recent case of BSE, confirmed July 13, 2006, is nearing completion and the CFIA expects to summarize the findings of that investigation shortly.

MARKET DEVELOPMENT FUNDING FOR CANADIAN PULSES: Chuck Strahl, Minister of Agriculture recently announced C\$525,800 in funding to assist the international marketing strategy of Canadian pulses (dried peas, beans, lentils and chickpeas) until the end of March 2008. The federal contribution will be made to Pulse Canada under the Canadian Agriculture and Food International (CAFI) Program, a five-year, C\$175 million program implemented by the previous government that is designed to fund activities to reduce and remove trade barriers as well as increase the international competitiveness of Canadian agricultural exports (see also CA5088). Pulse Canada is the national industry association that represents provincial pulse grower groups. The organization will attempt to increase the demand for pulses in new or emerging markets. "The Canadian pulse industry faces challenges and challengers in pulse production and exports," said Gordon Bacon, Chief Executive Officer of Pulse Canada. "This funding will allow our organization to develop strategies to take advantage of new opportunities in the global marketplace." *Comment: In addition to annual bilateral trade in pulses exceeding \$100 million, U.S. and Canadian pulse growers compete for important pulse markets in India, Spain, the U.K. and China.*

FUNDING FOR WILD BLUEBERRY MARKETING EFFORTS: Agriculture and Agri-Food Canada will provide C\$1.5 million to help develop international markets for wild blueberries. Funding is being provided to the Canadian component of the Wild Blueberry Association of North America (WBANA), the common promotional arm of Canadian and Maine wild blueberry growers and processors. "Canada is the world's largest producer and exporter of wild blueberries, and this government is committed to helping growers and processors of this industry," said Mr. Casey, a Member of Parliament representing the new government in a Nova Scotia electoral riding. Neri Vautour, Executive Director of WBANA (Canada) said "Our members presently export to more than 25 countries and the promotional activities that the industry has been able to undertake in partnership with the federal government have resulted in very positive growth for the wild blueberry industry." WBANA was established in 1981 to promote and increase the use and consumption of wild blueberries. The Canadian component of the association represents growers and processors of wild blueberries in Atlantic Canada and Quebec. Of total Canadian exports of frozen wild blueberries during 2005 of 45,989 metric tons, valued at \$128 million, more than half, or 25,727 metric tons (\$71.4 million) were destined for the United States. The balance was exported mostly to Japan and markets in Europe.

WESTERN FEED SUPPLY LOWER SAYS CWB: Canadian Wheat Board (CWB) Weather and Crop Surveillance director Bruce Burnett told *Farmscape* this week that preliminary indications are that the (western) feed supply will be lower this year. The CWB reports the supply of feed barley and the supply of feed wheat from fall-seeded crops will be lower this year than last. While the harvest of the fall-seeded cereals is over 80% complete, the harvest of the spring seeded cereals range from well advanced in the drier parts of Manitoba to just getting started in Saskatchewan and Alberta. Burnett said that this year's barley crop has been impacted by the summer's dry hot conditions and as a result, the CWB has reduced its barley estimate by 700,000 MT from its June estimate to 9.8 MMT, almost 2.0 MMT lower than last year's production (in western Canada) and one of the smallest barley crops produced in the last five years. Statistics Canada also reported in late June that western barley area in 2006 was 7.9% lower than a year ago.

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