



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 9/8/2006

GAIN Report Number: CA6042

Canada

Agricultural Situation

This Week in Canadian Agriculture, Issue 22

2006

Approved by:

Lisa Anderson
U.S. Embassy

Prepared by:

George Myles

Report Highlights:

Canada to Regulate Organic Foods * Canadian Organic Food Production * Increased Awareness of Organic Food Should Provide Boost for U.S. Sales * Canadian Beef Production Lower * Canada Among Top Markets for U.S. Red Meat Exports * Hog Inventory Lower, Pork Output Down * Large Ethanol Plant Opens in Ontario

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 TO REGULATE ORGANIC FOODS: The Canadian Food Inspection Agency (CFIA) has published a regulatory proposal to establish national regulations for organic food. The regulatory proposal governing the certification of organic foods and on the use of a federal organic logo was published in the Canada Gazette, Part I, on September 2, 2006 and includes a 75-day public comment. The proposal would establish a Canadian Organic Regime whereby the GOC would assume oversight with the CFIA acting as the competent authority while permitting the existing Canadian certification bodies and accreditation bodies to continue to deliver organic certification and accreditation services. The use of the organic product legend (i.e., logo) would be restricted to products that meet the prescribed requirements for organic food. The standards governing Canadian organic food products were adopted in 1999 by the Standards Council of Canada. Currently their use is voluntary in most provinces. Canada's organic food industry is aware that it needs a mandatory organic standard and a certification system to preserve its market in Europe for organic grains. Under the current European regulations, the EU requires that all countries exporting organic food to the EU be on an approved third-country equivalency list by December 31, 2006. The CFIA anticipates that USDA will recognize Canada's proposed organic regulations as equivalent.

CANADIAN ORGANIC FOOD PRODUCTION: According to the CFIA, Canada's the organic food industry has been growing at a rate of 15-20% annually for the past decade. Based on 2004 data, the CFIA estimates there were approximately 3,670 certified organic farms in Canada producing products with a retail value estimated at C\$986 million (\$758 million; 2004 exchange rate basis). The majority of Canadian organic food production is grain and oilseed and their products. Canada's largest export markets for organic food are the EU and the United States.

INCREASED AWARENESS OF ORGANIC FOOD SHOULD PROVIDE BOOST FOR U.S. SALES: The organic food retail market in Canada is dominated by imports from the United States, which account for almost 90% of total Canadian organic food sales at retail. The introduction of Canadian organic food regulations is expected to raise awareness of organic foods and have a positive impact on future U.S. organic food sales. Under Canada's proposed organic regulations, all importers who market a product identified as organic will be required to obtain an attestation issued by the competent authority of the country of origin, attesting that the product is considered to be organic in that country. The United States, the National Organic Program became effective April 21, 2001 and was fully implemented on October 21, 2002.

CANADIAN BEEF PRODUCTION LOWER: For 2006, Canadian beef and veal output is forecast to fall to about 1,375 thousand metric tons, down 10% from the 2005 level. Weaker demand for Canadian beef in major markets and the resumption of live exports of slaughter cattle to the United States during the last half of 2005 are two major reasons behind reduced Canadian cattle processing. U.S. beef exports to Canada in the first six months of 2006 are up 35% from the same period a year ago. Higher U.S. production, a strong Canadian dollar, and lower beef production in Canada have combined to fuel the increase in Canadian demand for U.S. beef. 2006. For more on the developments in the Canadian cattle and pork sectors that will influence the production and trade of live animals, beef and pork through 2007, see CA6038, the Livestock Annual.

CANADA AMONG TOP MARKETS FOR U.S. RED MEAT EXPORTS: After Mexico and Japan, Canada is the third most important export market for U.S. exports of fresh and frozen red meats. In 2005, U.S. fresh and frozen red meat exports to Canada reached a record \$456 million and accounted for more than 12% of the U.S. total in the category. For 2006, the value of U.S. fresh and frozen red meat exports to Canada is forecast to exceed \$630 million reflecting increased exports of both beef and pork.

HOG INVENTORY LOWER, PORK OUTPUT DOWN: Canadian pork production during 2006 is expected to slip to about 1,885 thousand metric tons, 1.5% below the level of a year ago. A decline in Canada's hog inventory and significant hog production losses in Ontario and Quebec because of porcine circovirus are major reasons for reduced pork production. Prospects for increased U.S. pork output in 2007 will put downward pressure on Canadian hog market prices and could lead to an additional production decline for Canadian pork next year.

LARGE ETHANOL PLANT OPENS IN ONTARIO: The new Suncor Energy Inc., ethanol plant in Sarnia, Ontario has opened. It is estimated that the plant, one of the largest ethanol production facilities in Canada could consume up to 10% of the Ontario corn crop, supplemented with imports of U.S. corn. With a current production capacity of more than 200 million liters annually, the output will reportedly replace an amount equal to all of the ethanol Suncor imports to blend with gasoline it sells at its retail gas stations across the province. In 2003, the GOC allocated C\$160 million for an Ethanol Expansion Program, part of its climate change plan for Canada, to promote its infant ethanol production industry in order to lower greenhouse gas emissions. Of this, approximately C\$118 million went to finance the construction and expansion of fuel ethanol production facilities across Canada, C\$40 million was allocated for contingent loan guarantees, and C\$3 million was budgeted for a public awareness campaign. Approximately \$22 million of federal monies helped build the C\$120 million Suncor plant. For more information on Canadian bio-fuels production, government support, and trade see CA6029, Bio-Fuels in Canada.

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
CA6038	Livestock Annual	9/06/2006
CA6037	This Week in Canadian Agriculture, Issue 21	8/25/2006
CA6036	Agricultural Biotech Report	9/01/2006
CA6035	Poultry Annual	8/25/2006
CA6034	This Week in Canadian Agriculture, Issue 20	8/18/2006
CA6033	This Week in Canadian Agriculture, Issue 19	8/11/2006
CA6032	Canadian Wheat Board's Proposed Reforms	8/04/2006
CA6031	FAIRS Report	7/28/2006

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