



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 11/9/2006

GAIN Report Number: CA6056

Canada

Agricultural Situation

This Week in Canadian Agriculture, Issue 31

2006

Approved by:

Lisa Anderson
U.S. Embassy

Prepared by:

Darlene Dessureault and George Myles

Report Highlights:

Minister Strahl Announces C\$2.3 Million in Funding to Assist Dairy Genetics Exports *
Suspected Tampering Causes Pork Processor to Recall Product * Saskatchewan Pork
Producers Explore Options for the Post-Maple Leaf Foods Era * Wal-Mart Opens Three Super
Centers * Dairy Quota Policy Changes Divide Producers * Majority of Growers Feel
Government Needs More Information from Farmers * SWP Surprises Grain Industry with
Hostile Bid for Agricore * Biodiesel vs Renewable Fuel Content

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.

MINISTER STRAHL ANNOUNCES C\$2.3 MILLION IN FUNDING TO ASSIST DAIRY GENETICS

EXPORTS: Chuck Strahl, Minister of Agriculture and Agri-Food and Minister for the Canadian Wheat Board, has announced C\$2.3 million in federal funding to the Canadian Livestock Genetics Association (CLGA) to promote the export of dairy genetics (live animals, semen and embryos). The CLGA'S international strategy includes market access and advocacy activities designed to create opportunities for Canadian dairy genetic producers, participation in key agricultural shows, and providing technical experts for international conferences and artificial insemination training projects. *Comment: Import bans on Canadian live dairy animals by Canada's trading partners following the initial detection of BSE in May 2003 in Alberta severely impacted live animal dairy exports and they have not yet resumed. Canadian exports of bovine dairy semen fared better after BSE since most major trading partners exempted semen and embryos from the BSE import control measures. Agriculture and Agri-Food Canada estimates the economic loss at almost C\$100 million annually.*

SUSPECTED TAMPERING CAUSES PORK PROCESSOR TO RECALL PRODUCT: Maple Leaf Foods, Inc., Canada's largest pork processor, voluntarily recalled some ham and luncheon meat products from grocery shelves following the discovery of a small number of syringe casings during the production process. According to Maple Leaf Foods, the products were only distributed in Canada. The company is conducting its own investigation and has also referred the matter to the police. A company spokesperson said that 3 empty plastic syringe cases, not containing needles, were found at its Kitchener, Ontario plant. Two syringes were found on equipment and a third was found inside a ham. Test results have confirmed the syringe casings found on October 24th and November 3rd contained a saline solution. Test results have also identified that the syringe casing found on November 2nd contained a residual amount of Heparin Lock Flush Solution, a saline solution containing a small concentration of Heparin, a nutrient (polysaccharide) derived from pigs, which is a common blood thinner used in a variety of medicinal applications. Maple Leaf said there was no evidence to indicate any health risk and the company is working closely with the CFIA to contain the potentially affected products within the supply chain during the recall.

SASKATCHEWAN PORK PRODUCERS EXPLORE OPTIONS FOR THE POST-MAPLE LEAF FOODS

ERA: Sask Pork, the organizational and promotional arm of Saskatchewan pork producers is exploring its options to keep hog slaughter and pork processing in the province in the wake of the recent Maple Leaf Foods Inc. announcement that the company had abandon its plans to expand pork operations in the province and to close Mitchell's Gourmet Foods, which slaughters and processes almost half of the province's hog production (see CA6050). "Without a major facility in the province, there are simply too many hogs that would have to be trucked to facilities in other provinces and the U.S.," said Shirley Voldeng, the producer chair of Sask Pork. "Compounding the problem, there are no assurances that plants in Alberta and Manitoba will be willing or able to accommodate the extra volume from Saskatchewan." Sask Pork officials said that pork carcasses and primal cuts are less perishable and can move much greater distances than live animals and are less likely to provoke (U.S.) trade action. They claimed trucking live market hogs to out-of-province facilities carries an additional cost to producers of C\$5 to C\$10 per hog. Selling pigs as feeders to the U.S. means a lost market for feed grain, as well as all the economic activity generated by processing. All options are being considered. These include: 1) Producer purchase of the existing Mitchell's facility; 2) Producers building their own new slaughter and processing facility; 3) Producers partnering with Maple Leaf Foods on the existing or a new plant and; 4) Attracting a new player in meat processing to Saskatchewan. *Comment: In recent years, Saskatchewan has accounted for about 5% of total Canadian hog slaughter.*

WAL-MART OPENS THREE SUPER CENTERS: Wal-Mart Canada opened 3 Supercenters this week in the Ontario towns of London, Ancaster and Stouffville. The company currently operates 273 stores and 6 Sam's Club outlets in Canada, but the Supercenters mark the initial foray into the combination

full-line grocery and general merchandise outlets. According to industry analysts, Canada's major grocery chains, Loblaws and Sobey's are bracing for the competition. Mario Pillozzi, Pres. & CEO of Walmart Canada told the Canadian Press that the Superstores will range in size from 160,000 - 200,000 square feet and stock about 120,000 products, 50% more than a traditional grocery store. Pillozzi also said that the fresh produce, meat and baked goods sections of the Supercenter stores will include organic and ethnic foods.

DAIRY QUOTA POLICY CHANGES DIVIDE PRODUCERS: La Fédération des producteurs de lait du Québec (FPLQ), the milk-marketing group for Québec, has announced that the Québec quota exchange will resume on November 20th with new quota transfer assessment measures in place. Québec and Ontario had cancelled their November exchanges while a joint proposal on using transfer assessments to bring down escalating quota prices was presented to their boards. The joint DFC-FPLQ quota transfer assessment proposal suggested a 50% assessment on all new quota bought when it is sold, and a 30% assessment (to be phased in over a three year period) on all existing quota beginning August 2007. Within family quota transfers would be exempt. This proposed policy move has divided producers between those wanting to sell, and those in the business for the longer term. Concerns of the escalating values of quota have been long-standing as the cost of buying quota soared and impeded the profitability of younger producers and expanding producers. Quota values have reached levels beyond what can be expected from milk price increases in the future. High quota values, which are not factored into the cost of production, are often criticized as a major weakness in the supply management system. Critics of the plan feel that this is a temporary solution and that lower quota values will not last unless there is market growth, something the dairy industry has been struggling with. Québec has announced the intention to move ahead with a 30% assessment on quota exchange beginning in November, but will defer policy changes to quota bought before November 20th to a later date. Ontario has not announced any quota policy changes yet as they are continuing consultations.

MAJORITY OF GROWERS FEEL GOVERNMENT NEEDS MORE INFORMATION FROM FARMERS:

Ipsos Ried, a marketing research company, released survey results showing that 58% of cereal growers feel that governments and other organization do not have enough information from farmers to make an informed decision about the role of the Canadian Wheat Board. The results were part of the findings of the Cereal Trends Watch study conducted by Ipsos Reid Agribusiness, Food and Animal Health. Six hundred cereal growers, each with at least 160 acres seeded to wheat and/or barley in 2006, participated in the survey. When asked directly on whether or not they support or oppose the Canadian Wheat Board (CWB), 72% of respondents responded that they strongly support or somewhat support the CWB, while 25% responded that they strongly oppose or somewhat oppose the CWB. The survey results also reveal that as farm sales increase, so does opposition to the wheat board. Cereal growers reporting sales of 250\$ k or higher are more closely divided on the issue of support for the CWB with 57% expressing some degree of support and 38% expressing some degree of opposition. In contrast, more than 75% of respondents with farms sales of less than \$250k expressed some degree of support for the CWB while only 20% expressed some degree of opposition to the CWB. More information on these survey results can be found at:

<http://www.ipsos-na.com/news/pressrelease.cfm?id=3257>

SWP SURPRISES GRAIN INDUSTRY WITH HOSTILE BID FOR AGRICORE: Regina-based Saskatchewan Wheat Pool surprised the Canadian grain industry with its hostile takeover bid that seeks to combine Canada's two biggest grain handlers into one big company that would, if the merger is successful, account for 61% of the primary and close to 70% of terminal grain handling on the prairies. The federal Competition Bureau, whose approval would be necessary for the merger to occur, will be looking closely into the matter. The Pool is offering to exchange each Agricore limited voting share for 1.35 common shares of the Pool. The Pool would also offer to buy Agricore convertible debentures for stock and will pay in cash for each preferred share. Producer groups have long expressed concerns of the increasing concentration in the Canadian grain industry and fear that this merger will hurt the producers' bottom line. Saskatchewan Wheat Pool president and CEO Mayo Schmidt sees this merger as a means of increasing the scale and scope of operation to enhance Western Canada's position in a global environment. Agricore United has not commented on the offer.

BIODIESEL VS RENEWABLE FUEL CONTENT: With the federal government's renewable fuels strategy expected out this Fall, biodiesel advocates are concerned that petroleum companies may subvert plans for farmers to participate in the value-added venture of biodiesel production. Advocates are urging the Canadian government to implement a two percent "biodiesel mandate" rather than a two

percent "renewable content mandate" that could open the door to petroleum companies meeting the anticipated renewable fuel obligations through a process called hydrocracking. Petroleum companies have been promoting hydrocracking as more effective and a more efficient way of creating the renewable fuel content. Hydrocracking is a catalytic process that will allow vegetable oil to be mixed directly with crude oil. As of yet, the technology does not exist but it may not be far away.

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
CA6055	This Week in Canadian Agriculture, Issue 30	11/03/06
CA6054	Dairy and Dairy Products Annual	10/31/06
CA6053	This Week in Canadian Agriculture, Issue 29	10/27/06
CA6052	This Week in Canadian Agriculture, Issue 28	10/20/06
CA6051	Frozen Potato Products Annual	10/20/06
CA6050	This Week in Canadian Agriculture, Issue 27	10/13/06

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