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This Week in Canadian Agriculture, Issue 5

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Report Highlights:
Cattle Numbers Fall Another Half Million Head * Hog Numbers Level Off Reflecting Weaker Prices and Lower Domestic Slaughter; Live Hog Exports to the U.S. Are Up * Apple Maggot Found in British Columbia * McCain Foods Miffed at New Food Guide Treatment of French Fries * CFIA Investigating Possible Import of Peanut Butter Brands Linked to U.S. Salmonella Outbreak * Canadian Bio-Fuels Industry Urging Canadian Government to Act with New Federal Budget * Saccharine Ban Under Review By Health Canada

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Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
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[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.

CATTLE NUMBERS FALL ANOTHER HALF MILLION HEAD: Statistics Canada data show Canada's national cattle herd continued to decline in 2006, falling by 515,000 head to 14.3 million head on January 1, 2007 down 3.5% from a year ago on that date. The beef breeding herd is lower and there were fewer calves born in 2006, but the biggest reason for the reduced inventory was exports of live cattle mostly for slaughter, to the United States. Last year marked the first full year the U.S. border has been open to Canadian cattle shipments since 2002. In 2006, Canadian live cattle exports to the U.S. reached 1.0 million head, about double the previous year but significantly below the 1.7 million head exported in 2002 (pre-BSE). Canada exported no live cattle to the U.S. from late May 2003 to July 2005 reflecting U.S. BSE import measures. As a result, slaughter levels hit record highs in Canada during 2004 and the first half of 2005. Since that time, Canadian slaughter levels have tapered off, partly because the border is open to live cattle but also due to a sharp fall in offshore demand for Canadian beef. Statistics Canada reports that total Canadian cattle slaughter in 2006 reached 4.2 million head, down 7.1% from 2005.

HOG NUMBERS LEVEL OFF REFLECTING WEAKER PRICES AND LOWER DOMESTIC SLAUGHTER; LIVE HOG EXPORTS TO THE U.S. ARE UP: This week, Statistics Canada reported on Canadian hog inventories as of January 1, 2007 and the data show that the hog herd has stabilized after almost five consecutive quarters of decline. According to the 2007 January Livestock Survey, there were 14.3 million hogs on farms as of January 1, 2007, 2.7% below the same date last and virtually unchanged from October 1, 2006. Profitability has been under pressure in the Canadian hog industry. Slaughter hog prices weakened in the fall of 2005 and have remained relatively low since. During the first nine months of 2006, the average price for hogs was 14.2% lower than the same period in 2005. Lower prices led to a 15.3% drop in hog farm cash receipts during the first nine months of 2006. Domestic slaughter has continued to decline after reaching a record high in 2004, mainly because of lower prices paid to producers and higher feeding costs. According to StatCan, hog slaughter dropped 2.4% between 2005 and 2006. In 2006, Canadian hog producers exported 8.8 million live hog to the United States, up 7% from the 2005 level of 8.2 million head. About 70% of live Canadian hog exports are feeder pigs destined for finishing and slaughter in the United States.

APPLE MAGGOT FOUND IN BRITISH COLUMBIA: The Canadian Food Inspection Agency (CFIA) has detected apple maggot in two locations in the Greater Vancouver Regional District (Langley and Vancouver), and in two locations on Vancouver Island (Esquimalt and Victoria). The pest was found in 2006 at a several locations in Abbotsford, but the findings near Esquimalt and Victoria in October 2006 represent the first time that the insect has been confirmed on Vancouver Island. The CFIA discovered the pest during regular survey activities. There has been no detection of apple maggot in the prime apple growing regions in the interior of B.C. where the introduction of the pest into these areas could seriously damage the apple industry. Apple maggot is a quarantine pest in Canada. The apple maggot is indigenous to North America and has been a serious pest of apples in Canada for over 100 years. It is now widespread throughout eastern Canada, with the exception of Newfoundland, and many U.S. states. Neighboring Washington State is the nation's largest apple producer, but according to the Washington State Department of Agriculture, apple maggot is already present in many counties.

McCAIN FOODS MIFFED AT NEW FOOD GUIDE TREATMENT OF FRENCH FRIES: Ten days ago, the eighth edition of Canada's Food Guide was released by Health Canada (see CA7008). This week, McCain Foods Ltd., Canada's largest potato processor, is taking issue with the fact that french fries is on the Health Canada Food Guide's list of "foods to limit" (intake). The new guide groups french fries along with cakes, cookies, doughnuts, alcohol, soft drinks, and a few others among the foods and beverages which Canadians should limit their consumption. McCain spokeswoman Lucie Carswell pointed out to reporters that the company's popular brand of frozen french fries meet the Health

Canada requirements for claims that they are low in saturated fat and zero trans fat. Last fall. McCain Foods partnered with Canadian potato growers to launch a national "Potato Facts" consumer education campaign. The purpose of the campaign was to address what the industry termed misperceptions about potatoes and oven-baked french fries and to promote their nutritional benefits to Canadian consumers. *Comment: Potatoes is Canada's No. 1 vegetable crop accounting for about one-third of the total farm cash receipts for all vegetables produced in Canada. More than half of the potatoes grown in Canada are processed, mostly into french fries. Canadian frozen french fry exports, valued at $722 million (C$819 mil.) in 2006, were Canada's 6th most important agricultural export after wheat, canola, pork, beef, and live cattle.*

CFIA INVESTIGATING POSSIBLE IMPORT OF PEANUT BUTTER BRANDS LINKED TO U.S. SALMONELLA OUTBREAK: The Canadian Food Inspection Agency (CFIA) and the Public Health Agency of Canada are closely following the investigation by U.S. authorities into possible Salmonella contamination in certain brands of peanut butter distributed in the United States. The CFIA is working with the U.S. Food and Drug Administration (FDA) and Canadian importers to determine if Peter Pan and Great Value brands of peanut butter have been imported to Canada. If any Canadian distribution is identified, the CFIA says it will take immediate action to advise the public and verify the effective removal of the product from the marketplace. ConAgra Foods Inc. voluntarily recalled Peter Pan and Great Value brands of peanut butter, following a recent investigation by the FDA. The products are made at the company's processing plant in Sylvester, Georgia.

CANADIAN BIO-FUELS INDUSTRY URGING CANADIAN GOVERNMENT TO ACT WITH NEW FEDERAL BUDGET: With the federal budget expected out shortly, pressure is being put on the Canadian government to include tax parity with the United States for bio-fuels. Industry is arguing for a 10 cents a liter for ethanol and a 20 cents a liter for bio-diesel production tax credit is necessary to ensure the development of a domestic bio-fuels industry. Industry warns that should the current policy of waiving 10 cents and 4 cents per liter excise tax on ethanol and bio-diesel, respectively, not be converted to production incentives, the opportunities resulting from a home-grown bio-fuels industry will be lost to foreign interests who will take advantage of the excise tax exemptions. The differences in public policy drivers in U.S. and Canada have resulted in policies that lead to different investment levels in bio-fuels industry. In the U.S. federal and state subsidies are fueled by the need for energy independence from the Middle East. In Canada, bio-fuels are viewed as a means of addressing environmental objectives and as a means of addressing the farm income crisis. The result is that American grain companies are investing heavily in bio-fuels, while Canadian grain companies are still waiting for the federal government's yet-to-be-unveiled bio-fuel strategy and the incentives therein before deciding how heavily to invest. In addition to tax parity with the United States, industry is also asking for parity with the U.S. and Europe for loan guarantees. For example, Iogen, a small Ottawa based company who has developed a cellulosic technology which converts plant fiber from straw into cellulose ethanol, is telling the federal government that unless Canada can come up with comparable incentives, their new plant will be built in Germany or the U.S. where they are being offered attractive incentives in the form of loan guarantees. The current government is wary of these types of incentives as they may be viewed as a form of corporate welfare.

SACCHARINE BAN UNDER REVIEW BY HEALTH CANADA: The Canadian media reports that Health Canada is considering lifting the Canada's 30-year old ban on saccharine, a low-calorie sweetener. Saccharine is currently allowed for use in food in dozens of countries, including the U.S. but was classified by Health Canada as a suspected carcinogen in 1977 and banned from the Canadian food supply. Saccharine is available for sale in Canada but only in pharmacies and packaging must contain a warning label. Industry groups and new studies exonerating saccharin have prompted Health Canada's decision to review its regulations on saccharine.

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