



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

Date: 4/4/2008

GAIN Report Number: CA8018

Canada

Agricultural Situation

This Week in Canadian Agriculture, Issue 8 2008

Approved by:

Lisa Anderson
U.S. Embassy

Prepared by:

Darlene Dessureault & George Myles

Report Highlights:

WTO Reaffirms EU Beef Hormone Ban Is Unjustified * Canadian Government Biofuel Strategy Off to a Slow Start * Mandatory Labeling Bill for GM Food Debated * Ontario Cull Cow Plant to File For Bankruptcy Citing Competitive Disadvantage with U.S. Plants

Includes PSD Changes: No
Includes Trade Matrix: No
Trade 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.

WTO REAFFIRMS EU BEEF HORMONE BAN IS UNJUSTIFIED: Since August 1, 1999 Canada has imposed 100% tariffs on beef, pork, cucumbers, and gherkins from the European Union (EU). The action is in response to the EU's failure to implement WTO trade rulings concerning Canadian beef produced with growth hormones (see CA9096). The U.S. has similar sanctions against the EU. This week, Canadian ministers of trade and agriculture issued a press release welcoming a World Trade Organization (WTO) panel report confirming that the EU's ban on imports of Canadian beef from cattle treated with growth hormones is inconsistent with the EU's WTO obligations. "The WTO has once again sided with Canada by confirming that the ban is inconsistent with the EU's international trade obligations," said Trade Minister Emerson. "Canada continues to rely on the WTO rules-based system to defend its trade interests. We hope that the EU will lift its ban." Both Canada and the United States have consistently opposed the European Union's ban on the importation of beef from hormone-treated cattle since it was imposed in 1989. Canada and the U.S. maintain that the EU has not been able to prove there are scientific reasons for a ban. The minister's said the latest WTO ruling provides a clear indication that the dispute settlement panel agreed with Canada and the United States on this matter.

CANADIAN GOVERNMENT BIOFUEL STRATEGY OFF TO A SLOW START: Funds earmarked by the Government of Canada for its biofuels strategy have begun being released. Earlier this week, the Government of Canada announced providing 3.9 million dollars in funding to IGPC Ethanol Inc through Agriculture and Agri-Food Canada's ecoAGRICULTURE Biofuels Capital (ecoABC) initiative. EcoABC is a 200-million dollar, 4-year program designed as part of the Canadian biofuels strategy to encourage producer equity/ownership in bio-fuel facilities. It provides repayable contributions for the construction or expansion of transportation bio-fuel facilities. The 150-million liter ethanol plant is expected to be completed this November and will produce, in addition to ethanol, dried distillers grains with solubles, wet distillers grains, and carbon dioxide (to be used in food processing). Despite this recent announcement, the development of the Canadian Government biofuels strategy has not been unfolding as well as those involved in the ethanol industry had hoped. Changes in investment opportunities for agricultural producers due to high grains prices are mitigating producer's interest in investing the ethanol infrastructure, despite programs designed to encourage rural participation and investment. EcoABC requires producer equity investments of 5% to meet the eligibility requirements. The EcoEnergy for Biofuels Initiative, for which the March 2007 budget allocated \$CAN 1.5 billion over 9 years, is the subsidy program intended to put Canadian ethanol plants on equal footing with U.S. plants. It had been slated to begin on April 1, but the delivery mechanism has been plagued with problems. Some of the shortcomings include a convoluted payment formula that compares individual profitability calculations against a federal model of industry profitability. Other concerns include regional biases, differences created by different feed-stock used, and plant-scale biases. The Canadian Renewable Fuels Association president argues that this leaves the Canadian biofuels industry at a disadvantage compared to its American counterpart since the American model provides a great deal more certainty. The delivery mechanism is being re-worked and the initiative is expected to be launched soon.

MANDATORY LABELING BILL FOR GM FOOD DEBATED: A private member's bill seeking mandatory labeling on foods containing genetically modified components (Bill C-517) was debated in the House of Commons on April 3rd. The bill, introduced by an a member of the Bloc Quebecois, seeks to amend the Food and Drug Act by adding a narrow definition of the term "genetically modified", and adding to the duties of the Minister of Health. The additional duties would involve being responsible for establishing which foods contain genetically modified components, and then publishing this information on a publicly available website. The bill also states that sixteen days after the initial publication date, sales of the products on the list would be prohibited unless a label is affixed to the product stating "This product or one or more of its components has been genetically modified" and a sign be posted near the GM-containing foods that states "genetically modified". The bill was initially presented as a means to

provide consumers with more accurate information about the food they choose. Members of the government questioned the true motivation of the bill, pointing out that the 50 GM products that have been approved by Health Canada have gone through rigorous assessments in terms of their health safety, and questioned why additional labeling would be required. As the debate went on, it became clear that members of the Bloc Quebecois and members of the New Democratic Party see this as a food safety issue. The position taken by the Liberal party is to agree with the stated purpose of the bill – that stricter and clearer regulations on food labeling are required, and suggested that this should be attempted through regulation rather than through a bill. The suggestion made was to make an amendment to the act that would compel the minister to create regulations. The advantage would be that regulations can be modified as market conditions and scientific conditions necessitate. The Liberal party does not see it as a food safety issue, and stressed the trade implications of the bill as it stands now. This is not the first time that such a bill has been introduced. Similar bills were tabled in 1999, 2001, and again in 2007. The bill will undergo several more hours of debate before but to a vote that will either send it forward to committee or kill it. A complete copy of Bill C-517 is available at the following web-address:

<http://www2.parl.gc.ca/HousePublications/Publication.aspx?Docid=3314855&file=4>

Additional comment: *While few private member's bills make it into law in a majority parliament, a minority parliament, such as is the case at the moment, improves the odds. The sponsoring MP will need to get the support of the other opposition parties (the NDP and the Liberals) to get it to move forward to committee and through the Senate which is controlled by the Liberals. While the Bloc and the NDP are clearly on the same page, it is unclear at this time which way the Liberal party will vote. The Liberal party, while in power in 2001, faced similar potential legislation and voted it down at that time.*

ONTARIO CULL COW PLANT TO FILE FOR BANKRUPTCY CITING COMPETITIVE DISADVANTAGE WITH U.S. PLANTS:

Gencor Foods Inc. (GFI) OF Kitchener, Ontario announced its intention to file a proposal to the creditors of GFI pursuant to the Bankruptcy and Insolvency Act (Canada). The company accounted for about half of Ontario's slaughter of cull cows and became operational during Canada's BSE crisis to alleviate the impact of lost access to the U.S. market for live, over thirty month (OTM) cattle under U.S. import control measures for BSE. GFI claimed that Ontario livestock producers in recent years realized an additional C\$55 million in proceeds from their cull cows as a result of the plant's operation. However, according to the Board of Directors at GFI, the resumption of normalized trade with the U.S. in the cull cow market in November 2007 (i.e., USDA MRR2 rule) brought new challenges and negative financial consequences that the plant could not sustain. GFI claims that Canada's rigorous SRM handling policies imposed additional costs on domestic plants that provided a C\$39 per cow cost advantage to their American counterparts. GFI has reportedly engaged a consultant in an effort to find a buyer willing to keep the plant operational for Ontario livestock producers. *Comment: Approximately 600-700 head per week of live Ontario cull cattle have been exported live to U.S. processing plants since the implementation of MRR2 in November last year. Many of these OTM cattle were previously processed by Gencor. Prior to Canada's first detection of BSE in May 2003, the majority of Ontario cull cows were exported live to U.S. plants. The loss of the live cattle export market in 2003 prompted the need in Canada to slaughter all of its domestic supply of cull cows. This need led to an increase in cull slaughter capacity at plants like Gencor.*

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA8015	This Week in Canadian Agriculture, Issue 7	03/21/2008
CA8012	This Week in Canadian Agriculture, Issue 6	02/29/2008
CA8009	Semi-Annual Livestock Report	02/29/2008
CA8008	This Week in Canadian Agriculture, Issue 5	02/29/2008

CA8006	This Week in Canadian Agriculture, Issue 4	02/08/2008
CA8005	COOL Update Briefing Note	01/29/2008
CA8004	This Week in Canadian Agriculture, Issue 3	02/01/2008
CA8003	This Week in Canadian Agriculture, Issue 2	01/04/2008