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Report Highlights:

Canada's Cattle & Pork Producers Claim U.S. COOL is Discriminatory; Press Canadian Government to File WTO Case * Potential for Seaway Strike Impacting U.S. and Canadian Grain Shipments * C\$12.4 Million in Disaster Assistance for Prince Edward Island Potato Growers * Canada Announces Documentation Requirements for Imported Infant Formula and Baby Food * Ontario Pork Board No Longer Sole Marketing Authority for Hogs * New Listeria Finding Not Surprising Says Maple Leaf Foods CEO * Quebec Provides Cheese Retailers and Artisan Cheese Industry with \$8.4 Million Recovery Plan Following Listeria Related Recall

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.

CANADA'S CATTLE AND PORK PRODUCERS CLAIM U.S. COOL IS DISCRIMINATORY ; PRESS

CANADIAN GOVERNMENT TO FILE WTO CASE: The Canadian Cattlemen's Association (CCA) and the Canadian Pork Council (CPC) officially submitted joint comments, to the United States Department of Agriculture, claiming Country-of-Origin Labeling (COOL) legislation discriminates against Canada's 100,000 livestock producers. In a press release, Travis Toews, CCA Foreign Trade Committee Chair, alleges that the legislation violates World Trade Organization (WTO) rules and that there is a high degree of uncertainty over the extent of the impact as the playing field changes frequently. "The law seems to be open to interpretation on a weekly basis, depending on comments and questions submitted to the USDA. The constantly changing regulatory landscape is creating confusion among producers and packers. We have already seen disruption occurring in the markets and expect more negative impact on volume and prices, as some traders adopt a 'wait-and-see' approach to Canadian cattle markets," said Toews. CPC President, Jurgen Preugschas, said, "The potential for trade-damaging effects with COOL looms over North America's highly-integrated markets. Already, one of our major U.S. customers announced they will cease purchasing pigs born outside of the United States when COOL enforcement begins." The Canadian groups also cite what they consider flaws in COOL. They allege that COOL processed food labeling unfairly targets ground meat. "We believe that meat which undergoes further processing in a U.S. facility, whether ground or combined with other ingredients, should no longer be called Canadian," Toews continued. "Also, the potential for inconsistencies within the paper trail exists, as it applies to domestic or imported animals, including animal identification requirements." The industry groups will continue to press the Canadian government to take action against the U.S. at the WTO level, says Toews. During a recently-televised debate, the federal Agriculture Minister, Gerry Ritz, announced plans to initiate a WTO Panel on COOL, Toews added.

POTENTIAL FOR SEAWAY STRIKE IMPACTING U.S. AND CANADIAN GRAIN SHIPMENTS:

Unionized employees of the St. Lawrence Seaway could soon be out on strike, effectively shutting down the international shipping route utilized by U.S. and Canadian grains and oilseeds exporters. A strike vote last month reportedly provides union workers a mandate to strike on 72 hours notice at any time after Oct. 10. The major contractual issue is reportedly the St. Lawrence Seaway Management Corporation's plan to increase automation at the 13 Canadian locks of the 15 lock system and replace up to 150 workers. According to the Canadian Wheat Board (CWB), more than 6.0 MMT of western Canadian grains and oilseeds move through the Seaway each year. This year's harvest of the Prairie crop is virtually complete, with estimates pointing at one of the largest crops in 10 years. The CWB says that without the Seaway, it will be impossible to move a significant portion of the crop to market as there is not sufficient capacity in other export corridors to take up the slack. The CWB, along with other key stakeholders in the western Canadian grain industry, has urged management and labor at the St. Lawrence Seaway to quickly reach a negotiated settlement that can ensure an uninterrupted flow of grain to export markets worth C\$2 to C\$3 billion. According to a spokesperson for the Duluth Seaway Port Authority, even if a strike is averted, this season is likely to go down as the Twin Ports' weakest ever for grain shipping with the port loading only about 2.0 MMT of U.S. grain this year compared to 3.0 MMT tons a year ago. Other industry observers said the uncertainty of the labor-related disruption has already adversely impacted Seaway grain shipments. *Comment: Typically open for traffic from late March until late December, export grain from central U.S. and Canadian farms moves through the Seaway to markets in Europe, North Africa, the Middle East, the Mediterranean, Russia, and Central and South America. According to the St. Lawrence Seaway management Corporation, grain tonnage in recent years has averaged about 10 million metric tons (MMT) representing about 25% of the Seaway's total cargo capacity. Canadian grain exports are more reliant on the Seaway system than the U.S. grain industry.*

C\$12.4 MILLION IN DISASTER ASSISTANCE FOR P.E.I. POTATO GROWERS: Potato growers on Prince Edward Island (P.E.I.) affected by extreme wet weather during the 2008 growing season are being offered up to C\$12.4 million in federal/provincial financial aid to offset losses. Provincial potato specialists fear that placing potatoes in storage that have a high incidence of rot due to the excessively wet conditions could place all storage potatoes at risk, the province said. To reduce the risk to stored potatoes, AgriRecovery aid will be provided to encourage producers to destroy affected areas of their fields. The AgriRecovery program is part of the suite of Business Risk Management programs offered by the federal, provincial and territorial governments designed to provide producers protection in dealing with the financial risks associated with farming, including weather related disasters. It is cost-shared on a 60-40 basis between the federal and provincial governments. More than 60% of the province's potato growers have crop insurance and these producers will also be eligible for disaster assistance based on a formula that takes into account their chosen level of crop insurance protection and individual historic average yields. *Comment: P.E.I. is Canada's top producing potato province accounting for about 25% of total Canadian potato production. P.E.I. potato plantings in 2008 are estimated at 93,000 acres, 3.1% lower than last year. The extent of crop loss due to persistent wet weather throughout August and September is not yet known but concerns are rising among industry officials that the economic impact may be significant because the number of acres being abandoned is rising as the harvest continues.*

CANADA ANNOUNCES DOCUMENTATION REQUIREMENTS FOR INFANT FORMULA AND BABY FOOD FROM ALL SOURCES AND INTERIM STANDARDS FOR MELAMINE IN MILK PRODUCTS:

The Canadian Food Inspection Agency (CFIA) has advised all importers that imports of baby food or infant formula from all countries will require documentation attesting that the product and its milk ingredients were not sourced from China. For infant formula and baby food that contains milk or milk-derived ingredients from China, the CFIA will require documentation of analytical results indicating that melamine levels do not surpass the interim standards set by Health Canada of a maximum of 1.0 part per million (ppm). Laboratory results must be obtained through a laboratory acceptable to the CFIA and results must be available for CFIA review upon request. For other foods imported from China that contain milk or milk-derived ingredients, documentation of analytical results will be required indicating that melamine levels do not surpass the interim standard of a maximum 2.5 ppm. The levels will apply to a combined concentration of melamine and cyanuric acid (a chemical generally found together with melamine). According to the CFIA, the interim standards were developed using a consistent approach adopted by other food regulatory agencies in Europe, Australia, New-Zealand and the United States. Should new scientific evidence become available, Health Canada's risk assessment will be reviewed and the interim standards will be re-examined. The new requirements are effective immediately, but will not be implemented until CFIA has finalized procedures and briefed inspection staff. CFIA inspection will be taking place at the importer's distribution center, not at the border.

ONTARIO PORK BOARD NO LONGER SOLE MARKETING AUTHORITY FOR HOGS: Following a decision by the Ontario Farm Products Marketing Commission, the provincial agency that oversees Ontario's agricultural marketing boards, the Ontario Pork Producers' Marketing Board (OPPMB) will no longer be the sole marketing authority for hogs raised in the province. The commission's decision was spurred by requests from hog farmers and industry stakeholders who argued that hog marketing had evolved significantly and that the industry wanted more choice in marketing methods. The commission held hearings earlier this year. Established in 1946, the Ontario hog marketing system evolved from one dominated by sales through drovers to packers to one where hogs moved to board-organized assembly points and centralized selling. By regulation, the board was delegated broad authority over the marketing of hogs. In the 1960s, an auction system was developed by the board which established both the price and the allocation of hogs to buyers. Prices were pooled weekly with all producers receiving the same price adjusted for quality. Market hogs were sold on a common pricing grid which accounted for weight and a measure of leanness. In the early 1990s, a limited number of hogs were sold to processors by direct contracts approved by the board. During the 1990s, the auction system was replaced by a formula price system. In its findings, the commission learned that in recent years, the percentage of hogs sold through supply contracts has increased to 80 to 85 percent of Ontario market hog sales. The commission has ordered the OPPMB to develop an implementation plan to move from a mandatory marketing organization to one offering producers "choices in marketing methods," and to return to the commission with a preliminary plan by Jan. 15, 2009 and a completed plan by March 1, 2009. According to the commission, the board's new role will be to "represent, and collect license fees from producers of all classes of pigs, including weaners and breeding stock" and to address pork industry issues on hog farmers' behalf. The commission also noted that hog marketing

jurisdictions in western Canada moved to a dual marketing system and that there was no evidence that the financial position or competitiveness of producers in those regions were damaged by the move to a voluntary marketing system.

NEW LISTERIA FINDING NOT SURPRISING ACCORDING TO MAPLE LEAF FOODS: The Maple Leaf Foods Inc. meat processing plant that was at the center of a nationwide listeria outbreak this summer, has disclosed that four positive test results for *Listeria monocytogenes* have been found from over 2,700 product samples taken since the plant restarted production in late September. The facility was closed on August 20th, after product was linked to an outbreak of listeriosis. The plant reopened on September 17th in a highly controlled and phased in approach. According to the company, over 5,000 product tests have been completed, with four positive findings for *Listeria monocytogenes*. The four positive findings were in two products produced on a single line not related to the prior incident. No products from the plant, including the four product samples that tested positive, have been distributed for public consumption, and the protocols in place have proven to be very effective. The Canadian Food Inspection Agency and Health Canada announced that they will do a full and comprehensive assessment and further scientific evaluation of the latest findings. Maple Leaf Foods President and CEO Michael McCain claimed that it was not surprising to find listeria bacteria in the meat plant after a food poisoning outbreak because of its prevalence in the environment. He said that listeria exists in all food plants, all supermarkets and presumably in all kitchens.

QUEBEC PROVIDES CHEESE INDUSTRY HURT BY LISTERIA OUTBREAK WITH C\$8.4 MILLION RECOVERY PLAN: Quebec's Agriculture Minister Laurent Lessard has announced a C\$8.4 million to fund the province's new five-point plan for development and economic growth in the province's fine cheese sector following a massive cheese recall related to a listeria outbreak that began earlier this summer. Last month, Quebec's Ministry of Agriculture, Fisheries and Food seized cheese from 300 retailers across the province and several artisan cheese producers suffered heavy financial losses after the province destroyed their inventories. The C\$8.4 million three-year plan calls for a temporary screening and prevention program in factories making cheese from raw or heat-treated milk; the development of guidelines for retailers selling Quebec cheeses; boosting quality control and assurance programs at cheese factories, including financial supports and incentives to develop such programs; loans, to be offered through La financiere agricole, the provincial agricultural lender, with a one-year interest-free period; and a fund to boost the value of Quebec cheeses in the food market, including a publicity campaign, in-store promotions and supports for purchase of Quebec cheeses. In addition, Quebec milk producers and the province's dairy council, who claim that the province's program did not go far enough to assist small producers, has reportedly offered special grants to cheese factories that lost more than 40 per cent of their inventory during the crisis.

Exchange Rate: Noon rate, Wednesday, October 10, 2008 (Bank of Canada): U.S. Dollar = C\$1.1249

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