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## Canada

### Agricultural Situation

## This Week in Canadian Agriculture, Issue 8 2009

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**Report Highlights:**

Livestock Inventories Continue Record Pace Decline \* Canadian Cattlemen Voice Displeasure with Latest Action by USDA on Mandatory COOL \* Canadian Wheat Board Releases First Pool Return Outlook for 2009-2010 \* Saskatchewan Announces C\$71 Million Cattle and Hog Support Program \* Recession Cuts Foodservice Sales

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Includes PSD Changes: No  
Includes Trade Matrix: No  
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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.

**LIVESTOCK INVENTORIES CONTINUE RECORD PACE DECLINE:** Canada's cattle and hog industries remain in a steep contraction phase. On January 1, 2009 the Canadian cattle herd fell for the fourth consecutive year to 13.2 million head, down 5.1% from 13.9 million head a year earlier. Meanwhile, Canadian hog producers reported a modern record decline in hog numbers over a one year period when Statistics Canada reported total Canadian hog numbers on January 1, 2009 at 12.4 million head, 10.2% below the 13.8 million hogs recorded on that day one year earlier. Despite reduced livestock inventories, current prospects point to modest increases in both Canadian beef and pork output during 2009 reflecting increased domestic marketings and declines in live slaughter and feeder animal exports to the United States. A lower Canadian dollar is raising optimism in Canada's livestock industries that red meat exports will increase in 2009 although the optimism is somewhat tempered by uncertainty surrounding world demand in a global economic downturn. Total U.S. exports of fresh, frozen, prepared and preserved red meats to Canada during 2008 reached a record \$1.3 billion. Canada was the third most important export market for U.S. fresh or frozen red meats buying \$1.0 billion worth. Also, Canada was the number one market for U.S. exports of prepared and preserved meats during 2008 at \$329 million, accounting for almost half the total. For more information on the production and trade developments within Canada's livestock industry watch for Posts' Semi-Annual Livestock Report, CA9010, available soon on the FAS website under [Attaché Reports](#).

**CANADIAN CATTLEMEN VOICE DISPLEASURE WITH LATEST ACTION BY USDA ON MANDATORY COOL:** After Secretary Vilsack suggested that the U.S. meat industry adopt voluntary changes to the final U.S. Mandatory Country of Origin Labeling (COOL) rule, the Canadian Cattlemen's Association (CCA) issued a press release voicing its displeasure and urged the Government of Canada to reopen its WTO case. CCA President, Brad Wildeman, said the Secretary's new guidelines substantially change the intent of COOL's final rule. "In our view, the guidelines, as written, will be worse than the interim final rule that the Government of Canada was challenging through the WTO. The implications for the industry on both sides of the border are significant. If the Secretary's suggestions are adopted, either 'voluntarily' or through subsequent rulemaking, the rule will become even more onerous, costly and impractical than it is now, and extremely trade disruptive. The threat of forcing 'voluntary' compliance is tantamount to creating a de facto rule that's very damaging to Canada's red meat industries, as the U.S. industry will likely ease their compliance burden by avoiding purchase of imported animals and beef." Wildeman added, "This latest action by the USDA exacerbates the already clear U.S. violation of the North American Free Trade Agreement (NAFTA) and WTO trade rules. When the final rule was adopted by the Bush administration in January, we felt a pause in Canada's trade challenge was in order to evaluate the market response. But this latest protectionist action makes it very clear that Canada must use every tool to challenge actions and policies that will harm the Canadian industry. It's obvious that the U.S. has no intention of creating a workable solution for the industry. When the interim final rule was released in September 2008, many U.S. packers decided that the easiest way to comply was to no longer process cattle finished in Canada. We had hoped that this would turn around with the final rule. Not only is this U.S. action harming Canada's red meat industry, but it will ultimately impair the global competitiveness of the majority of our U.S. counterparts, who wanted to avoid the significantly increased costs of handling cattle imported from foreign markets." *Comment:* When queried by the press on whether he would take action, Canadian Agriculture Minister Gerry Ritz replied that his government was analyzing COOL's impact on Canadian trade and said Canada's WTO challenge remains an option.

**CANADIAN WHEAT BOARD RELEASES FIRST POOL RETURN OUTLOOK FOR 2009-2010:** The Canadian Wheat Board (CWB) released its first Pool Return Outlook (PRO) for 2009-2010 on February 23, 2009. The 2009-2010 PRO is down by a quarter to a third compared to the first PRO of 2008-2009. The PRO is the CWB's estimate of crop year returns and is used as key indicator by industry stakeholders when assessing future values of hard red spring wheat, durum and malting barley. Key

comments made by the CWB analysts on the PRO include the expectation of a drop in global wheat production accompanied by a drop in consumption due mainly to a drop in demand from the livestock industry. This is expected to help re-build stocks, as the stocks-to-use ratios remain relatively tight. The CWB analyst also anticipates that Canada's wheat production (wheat plus durum wheat) will fall to 23.9 million tones, a 16% decrease from 28.6 million tons in 2008. The outlook for durum is heavily influenced by high carry-in stocks of durum and the expectation of good weather, and therefore higher yields, off-setting a reduction in world area sown to durum wheat. More information on the CWB's PRO and commentary are available at the following website: CWB [PROs](#).

**SASKATCHEWAN ANNOUNCES C\$71 MILLION CATTLE AND HOG SUPPORT PROGRAM:** This week, the province of Saskatchewan announced a \$C71 million cattle and hog support program in an effort to help producers cope with low profitability. According to provincial Agriculture Minister Bob Bjonnerud, Saskatchewan cattle producers will be eligible for a C\$40 per head payment for all beef breeding cows and bred beef heifers owned as of January 1, 2009. Hog Producers will be eligible for C\$20 per market hog sold and C\$10 per head for all iso-weanlings, weanlings and feeder hogs produced between July 1, 2008, and January 31, 2009. "The Government of Saskatchewan recognizes the challenges cattle and hog producers continue to face," Bjonnerud said. "This program will help producers retain their breeding herds and address immediate cash flow needs." "In the absence of a national solution, we had to take action to help our producers, we will continue to work with our federal counterparts toward a national solution. In the meantime, we urge the federal government to come to the table and top-up this program with their 60 per cent share, or provide some other form of meaningful support." *Comment: Saskatchewan accounts for 29% of Canada's beef cow herd (Alberta for 40%) and about 7% of total Canadian pig numbers.*

**RECESSION CUTS FOODSERVICE SALES:** Not surprisingly, the economic recession in Canada has resulted in lower foodservice sales. According to Statistics Canada, sales for the foodservice and drinking places industry declined to just under C\$4.0 billion in December 2008, 2.2% below a month earlier. While sales declined, the price of food purchased in restaurants increased by 0.1% over the same period according to the Consumer Price Index. All sectors of the industry posted lower sales relative to November. The largest decline in sales in December was in the special food services sector (-4.9%), comprising food service contractors, caterers and mobile food services. Full-service restaurants posted a sales decrease of 2.4% in December. Sales declined by 1.5% at limited-service restaurants, where patrons order and pay for their meals at the counter. Sales at drinking places were also down by 1.5%. *Comment: According to the Canadian Restaurant and Foodservice Association, annual sales in food and beverage commercial establishments totaled about C\$48 billion during 2008, but could fall to about C\$46 billion for 2009 as a result of the economic downturn.*

**Exchange Rate:** Noon rate, February 26, 2009 (Bank of Canada): U.S. Dollar = C\$1.2456

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