



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

**Date:** 4/8/2005

**GAIN Report Number:** CA5025

## Canada

### Agricultural Situation

### This Week in Canadian Agriculture, Issue 13 2005

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**Report Highlights:**

\* Negative Injury Determination Terminates Trade Case Against Canadian Live Swine \*  
Canadian Hog Industry Welcomes Hog Case Ruling \* Low Profitability Could Reduce P.E.I.  
Potato Area in 2005 \* Grain Companies Set to Work Together \* Report Labels Supply  
Management Outdated and Politically Driven

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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.

#### **NEGATIVE INJURY DETERMINATION TERMINATES TRADE CASE AGAINST CANADIAN LIVE**

**SWINE:** On April 6 2005 the United States International Trade Commission (ITC) determined that the U.S. hog industry is not materially injured or threatened with material injury by imports of live swine from Canada. The ITC Commissioners ruling was unanimous. The ITC's upcoming public report entitled *Live Swine from Canada* (Investigation No. 731-TA-1076 (Final), USITC Publication 3766, April 2005) will contain the views of the Commission and information developed during the investigation. However, in the view of the National Pork Producers Council, the petitioner in the case, near-record industry profits for U.S. hog producers in 2004 were the major reason they lost the case.

**CANADIAN HOG INDUSTRY WELCOMES HOG CASE RULING:** Canadian Pork Council President Clare Schlegel said the Canadian pork industry is vindicated by the United States International Trade Commission's (ITC) final ruling. "This is a welcome day for our industry", said Schlegel. "We are extremely pleased with the ITC's finding. We have repeatedly rejected the National Pork Producers Council's allegations that we are hurting the U.S. industry." Schlegel maintains that exports of Canadian feeder pigs for finishing (on U.S. feedgrains) and processing in the United States contribute to the success of an integrated North American hog industry.

**LOW PROFITABILITY COULD REDUCE P.E.I. POTATO AREA IN 2005:** Prince Edward Island potato growers have seen happier days. The industry has had difficulty returning to profitability following an outbreak of Potato Wart (October 2000) and drought (2001) that resulted in a loss of both domestic and international markets. During those years, growers in other regions of Canada captured traditional P.E.I. markets and the province is wrestling with overproduction that is driving down the value of the crop. As a result, island growers are discussing a voluntary cutback in area for 2005. During the last two years, P.E.I. growers have held plantings to about 106,000 acres, but many industry observers believe area may drop by several thousand acres this spring. According to local growers, the practice of growers planting additional acres beyond their processing contract requirements is a significant factor in depressing table potato prices. Cavendish Farms, one of two major processors of frozen french fries in Prince Edward Island (the other is McCain), is considering expanding its processing capacity (see CA5002) which is reportedly at full capacity at its two PEI plants. The company is said to be in discussions with provincial agriculture and environmental officials, but has made no public announcement concerning expansion.

**GRAIN COMPANIES SET TO WORK TOGETHER:** According to Canadian Press, James Richardson International Limited and Saskatchewan Wheat Pool have recently signed an agreement to work together at their Vancouver port terminals. The goal of the new deal is to try and save money and improve operations. The terminals are located on the north shore of Vancouver's Burrard Inlet. Through the joint venture, the companies will specialize the two plants by commodity, providing more flexibility when handling different types of grain. Two companies plan to link their railway yards, which will enable the direct exchange of railcars. Each company will continue to own their terminals and employees will remain with the parent companies.

**REPORT LABELS SUPPLY MANAGEMENT OUTDATED AND POLITICALLY DRIVEN:** According to a recent report published by the C.D. Howe Institute: "Great Wine, Better Cheese—How Canada Can Escape the Trap of Agricultural Supply Management", supply management is unfair to consumers, who are condemned to higher prices and limited choices; unfair to other farmers, whose chances at better access to foreign markets are sacrificed in order to protect dairy and poultry farmers; unfair to food processors, whose access to quality inputs is limited to what local suppliers will produce at regulated prices; and even unfair to efficient dairy and poultry farmers, whose opportunities to expand and become more productive are hemmed in by the system's constraints. In addition, the author Michael Hart highlights the fact that supply management is propped up by politicians who won't change the

system for fear of losing votes in seat-rich Ontario and Quebec. The lack of anger by consumers to demand a change in the system also continues to allow the status quo to survive. Mr. Hart recommends dealing with supply management with a liberalization program, accompanied by a modest adjustment package which compensates farmers who want to leave the business. Mr. Hart recommends the supply management industry look towards Canada's wine industry and Australia's dairy sectors as examples on how to transition out of the current system. According to Mr. Hart, international pressure to reform the system will eventually win, particularly as the number of Canadian dairy farmers continues to dwindle and Ottawa's incentive to maintain supply management wanes.

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