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Agricultural Situation

This Week in Canadian Agriculture, Issue 14 2003

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Report Highlights: * February Trade Data Shows Exports Decline * Study Predicts COOL Will Result in Major Negative Repercussions for U.S. Hog Sector * Canadian Pork Exports up 20% over Last Year's Pace * Increase in Western Grain Area Forecast * Softwood War Tops Pettigrew's Trade List * Ontario Extends Financial Support for Wine Program * SIAL Montreal a Success

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. Substantive issues and developments are generally also reported in detail in separate reports from this office.

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.

FEBRUARY TRADE DATA SHOWS EXPORTS DECLINE: According to Statistics Canada, total Canadian merchandise exports fell 1.6% during February 2003 to just under C\$34.6 billion, while imports remained unchanged at C\$30.0 billion. Canada's trade surplus with the world dropped by half a billion dollars to C\$4.6 billion in February, the third decline in the past four months. Forestry products exports fell 1.1% to C\$2.9 billion, with export prices rising marginally, while volumes declined in lumber and sawmill products mostly reflecting slumping U.S. housing starts. Agricultural and fishing products exports fell a slight 0.7% to C\$2.5 billion, with meat and meat preparations and live animal exports accounting for most of the decline. Although exports of canola and wheat bounced back, those of wheat and barley were approximately half of their levels from February 2002.

STUDY PREDICTS COOL WILL RESULT IN MAJOR NEGATIVE REPERCUSSIONS FOR U.S. HOG SECTOR: A report commissioned by major hog industry organizations in Canada and prepared by the George Morris Center in Guelph, Ontario (a Canadian agricultural think tank) and the Virginia Polytechnic Institute and State University, foresees significant negative repercussions for the U.S. hog industry under Country of Origin Labeling (COOL) legislation. In a study entitled, *Impacts of US Country of Origin Labeling on US Hog Producers*, the authors predict a loss of economic activity to the US economy amounting to over US\$4 billion. The research revealed that as a result of COOL, the following developments are expected to occur: Loss of over 1,000 independent farms in the U.S. mid-west which are likely to be replaced by the large integrators; Loss of up to five hog packing plants and up to 8,000 jobs mostly in Iowa; Increased manure production in the US, mostly in Iowa and; Lower hog prices. The study also notes that COOL is likely to result in an increase of the competitiveness of Canadian pork processors in U.S. and world markets. For the full report, see www.georgemorris.org

CANADIAN PORK EXPORTS UP 20% OVER LAST YEAR'S PACE: Canada's pork exports continue to increase according to the latest data from Statistics Canada. In the first two months of 2003, Canada exported 121,825 metric tons (product weight) of pork, more than 20% above the level for the same period last year (100,895 metric tons). So far in 2003, more than 55% of Canadian pork exports have been destined for the United States. Exports to Japan accounted for 23% of total while Russia and Australia each accounted for 4%. According to pork industry analysts, increased exports have been driven by higher production in Ontario, Quebec and the Western provinces as greater processing capacity has meant more hogs are processed in Canada and fewer live hogs are exported.

INCREASE IN WESTERN GRAIN AREA FORECAST: Area seeded to most major grains in western Canada is expected to increase due to strong prices in 2002/03, with the largest increases being to spring wheat, barley and canola, while summerfallow and special crop areas decrease. Total production of wheat and coarse grains in Canada is forecast to increase to 55.7 MMT for 2003/04, nearly 21 MMT above the drought-reduced 2002 crop, an increase of 59%. The higher production will be partly offset by low carry-in stocks and a significant decrease in corn imports. Total exports of wheat and coarse grains are forecast to increase by 68%, to 19.1 MMT, while total imports are expected to decrease by 54% to 2.2 MMT. For more information, see the Grain and Feed Annual Report, CA3021.

SOFTWOOD WAR TOPS PETTIGREW'S TRADE LIST: An April 10 *National Post* article reported that resolving the softwood lumber dispute with the United States is the number one trade priority for the Canadian federal government this year, ahead even of making sure the flow of goods across the Canada-U.S. border remains steady, quoting International Trade Minister Pierre Pettigrew's April 9 comments. Ensuring "the smooth flow of goods and services to our top market, the United States," the destination for 87% of Canadian merchandise exports, ranks second in departmental priorities, Pettigrew said. Two-way trade in goods and services amounts to \$1.9-billion a day, making annual softwood exports equal to five days' overall trade across the border. Pettigrew said he has two other priorities this year: making progress on freer trade negotiations at the World Trade Organization and Free Trade Area of the Americas, and concluding free-trade deals with Central American countries and Singapore. The country's NAFTA goals include "eliminating the border as an impediment to trade, investment and business development," Mr. Pettigrew said in releasing the department's report on priorities.

ONTARIO EXTENDS FINANCIAL SUPPORT FOR WINE PROGRAM: Ontario's recent provincial budget extended financial support for Ontario's Wine Strategy for another five years and C\$10 million beyond the current commitment (also C\$10 million), which expires on December 31, 2005. In late 2001, the province provided half of the C\$20 million funding to the Ontario Wine Strategy, a long term plan aimed at ensuring Ontario wines compete successfully for their share of Ontario and selected export markets. At that time, the Ontario Wine Council, Vintners Quality Alliance Ontario and the Ontario Grape Growers Marketing Board provided the balance of the C\$20 million project funding (see CA1164).

SIAL MONTREAL A SUCCESS: FAS and IMEX Management organized the U.S. Pavilion at Sial Montreal 2003, which was held April 2-4 in Montreal, Quebec. The pavilion consisted of 38 booths, representing approximately 50 U.S. companies. Sales resulting from the show are expected to exceed US\$18.7 million in the next 12 months. One of the highlights of the show was a visit by U.S. Ambassador, Paul Cellucci and his wife Jan to the U.S. Pavilion.

Did You Know ...that of total Canadian merchandise exports of C\$34.6 billion in February 2003, a whopping C\$29.1 billion, or 84% were destined for the United States? About 66% of Canadian agricultural product exports, or about C\$1.2 billion were sold into the U.S. market.

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA3021	Grain and Feed Annual Report	4/11/2003
CA3017	This Week in Canadian Agriculture, Issue 13	4/7/2003

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