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This Week in Canadian Agriculture, Issue 15 2007

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Report Highlights:

Canadian Dairy Processors Cheesed Off * Canada Worried About US Food Security Debate *
SWP Ends Up On Top * Canada Set to Harmonize Some Pesticide Standards to Match U.S. *
CFIA to Review Pet Food Policies

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1]
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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.

CANADIAN DAIRY PROCESSORS CHEESED OFF: Dairy Processors Association of Canada (D-PAC), a lobby group that represents 85% of cheese production in Canada and whose members include Saputo, Agropur and Parmalat, has taken their fight for delaying or canceling the federal government's plans to develop new cheese standards public. A series of op-eds and articles have appeared in publications such as Financial Post, Globe and Mail, and Cheese Reporter stating their case that the standards would be bad for farmers, bad for processors and bad for Canadian consumers. First announced during the Dairy Farmers of Canada annual meeting in February 2007, the Canadian government intends to develop cheese compositional standards which will include a require a specific percentage of protein be derived from fresh milk for the production of specific cheeses. Based on a set of assumptions, D-PAC argues the action the government is taking will severely impact the commercial operations of dairy processors, will increase the retail cost of cheese, will limit the ability of processors to supply low-fat dairy products, and will decrease the competitiveness of Canada's dairy industry. While the larger cheese manufacturers are not happy with the anticipated changes, some smaller dairies are. This change in regulation may level the playing field and help smaller dairies become more competitive. Smaller dairies derive all the protein in their cheese from raw milk, as often they do not have the size or infrastructure necessary to warrant adopting technologies that make possible the use of cheaper, imported proteins. Canada's proposed regulations for compositional standards for cheese are expected to be published in Gazette Part 1 before the end of June, after which there will be a 75-day comment period. *(FAS comment: Whether or not the government will give in to the intense industry pressure remains questionable. The minority federal government has repeatedly pointed to the GATT article 28 action to restrict imports of milk protein concentrate, and the promise for compositional standards as proof of its commitment to Canadian dairy farmers in particular, and Canadian producers operating under supply management in general. This has been necessary, as producers under supply management have been watching the heavy-handed actions being taken on the Canadian Wheat Board with suspicion. The Conservative Party aims to win a majority in the next federal election and may hope to do so by making further in-roads in Quebec, a province with approximately 50 percent of Canadian dairy farmers. Also of note, the United States currently has compositional standards in place for cheese with federal standards of identity but is considering modifying its regulations to allow the use of ultra-filtered milk in cheese-making in order to reflect the changes in technology.)*

CANADA WORRIED ABOUT US FOOD SECURITY DEBATE: Canadian agribusiness is keeping a close eye on the U.S. debate on the need to demand fewer imports, increase inspections, and implement country of origin labeling. This debate has been spurred on by recent events such as Canadian BSE cases and the toxic chemical melanine in a filler originating in China. International Trade Minister David Emerson expressed concern this week that U.S. measures such as fees and initiatives not really designed to deal with Canada could end up negatively impacting the \$14 billion dollars in food exports to the U.S. market.

SWP ENDS UP ON TOP: This week it looks like the Saskatchewan Wheat Pool (SWP) might be the winner in the on-going fight to acquire Agricore United. The Canadian Press reports that Saskatchewan Wheat Pool has wrestled Agricore United away from James Richardson International (JRI) with a \$1.8 billion deal. SWP raised its bid to \$20.50 a share, out-bidding the \$19.25 a share offered by James Richardson International. A \$315 million side deal between James Richardson and SWP has been designed to ward off concerns about lack of competition, a concern voiced loudly by western grains farmers when the hostile take-over first began. JRI will be acquiring 15-grain elevators, and nine agri-products retail operations across the prairies from SWP. No decision has been made at this time on a new name or where the head office will be located.

CANADA SET TO HARMONIZE SOME PESTICIDE STANDARDS TO MATCH U.S.: Canada is getting ready to harmonize some of its standards on pesticide use for fruits and vegetables to match those of the United States. The regulatory change, which is being done on a case-by-case basis, will apply to pesticide limits where it has been determined that no risks are posed by the regulatory change. In some cases this will require lowering the limit, in other cases raising it. Growers on both sides of the border have long complained that the lack of harmonization is a trade irritant. In 1996, Canadian and U.S. regulators formed a technical working group to address how pesticide regulations could be harmonized to eliminate some of the trade barriers. While differences in the ecosystems and patterns of use accounts for many of the differences in the limits between the two countries, the trend is to use less due to the high costs of pesticides.

CFIA TO REVIEW PET FOOD POLICIES: In light of the recent pet food recalls related to shipments of wheat gluten and rice protein concentrate from China that were contaminated with melamine, the Canadian Food Inspection Agency (CFIA) is reviewing its pet food responsibilities and programs. In Canada, pet foods are regulated at three federal levels: the CFIA regulates imports of pet food for the prevention of the introduction of animal diseases. Industry Canada administers regulations that establish certain labeling requirements, while Health Canada authorizes therapeutic claims for pet foods under the *Food and Drug Regulations*. *Comment: Pet foods are also included in the CFIA's Enhanced Feed Ban, regulations that are scheduled to become effect in July 2007 and prohibit specified risk material (SRM) from being used in all livestock feed, pet food and fertilizers. SRM are tissues that, in BSE-infected cattle, contain the agent that may transmit the disease. These tissues include the skull, brain, trigeminal ganglia (nerves attached to the brain), eyes, tonsils, spinal cord and dorsal root ganglia (nerves attached to the spinal cord) of cattle aged 30 months or older and the distal ileum (portion of the small intestine) of cattle of all ages.*

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