USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 4/29/2005

GAIN Report Number: CA5030

Canada

Agricultural Situation

This Week in Canadian Agriculture, Issue 16

2005

Approved by:
Gary C. Groves
U.S. Embassy

Prepared by:
Christina Patterson and George Myles

Report Highlights:
* Pork Producers Look to WTO to Increase Market Access * Duty Deposits in Hog Trade Case to be Refunded * Hog Inventory Remains Stable * Despite Growth, Organic Farming Still a Niche Market * Imports of Herbicide Saves Producers Money * Ethanol Plant Gets Green Light in Ontario * Tight Barley Supplies Hinder Exports to China

---

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.

PORK PRODUCERS LOOK TO WTO TO INCREASE MARKET ACCESS: Canadian Pork Council President (CPC), Clare Schlegel told *Farmscape* this week that the CPC is interested in freer and more open trade and looks to a reduction in the barriers that limit access to certain markets for Canadian pork during the Doha round of World Trade Organization negotiations. Schlegel said that Canadian pork exports account for more than one-fifth of the world pork market and that restrictive rules or the inability to access particular markets are important barriers that make it more difficult for Canadian producers. In 2004, total Canadian exports reached 970,000 metric tons (carcass weight equivalent) valued at $1.9 billion. More than half, or 52% of the volume of Canadian pork exports were destined for the United States (valued at $1.0 billion) while Japan and Mexico accounted for 24% and 6% of the total respectively. In addition to the U.S. being the No. 1 market for Canadian pork, Canadian hog producers exported 8.5 million live swine to the United States, mostly for feeding or immediate slaughter. Canadian live hog exports to the U.S. were valued at $0.5 billion last year.

DUTY DEPOSITS IN HOG TRADE CASE TO BE REFUNDED: Ontario Pork, the organization that represents Ontario's 3,600 pork producers, says it has stopped collecting the marketing operations fee associated with the recent U.S. trade case. Following the final determination of the United States International Trade Commission (ITC) on April 6 2005 that the U.S. hog industry is not materially injured or threatened with material injury by imports of live swine from Canada, U.S. Customs is no longer collecting duty deposits at the border on live Canadian swine. For Ontario live hog exports, the cost of the duty was paid by Ontario Pork and shared collectively across all Ontario market hog producers via a temporary marketing operations fee on each marketed hog. Now that the trade case is terminated, the deposit duties will be refunded. Ontario Pork has told producers that it could take U.S. Customs nearly a year to return the deposits.

HOG INVENTORY REMAINS STABLE: At 14.7 million head, the Canadian hog inventory on April 1, 2005 was virtually unchanged from the January 1, 2005 level and 0.8% above the level a year ago on that date. Producers did indicate that their farrowing intentions during the second quarter of the year were 3% greater than last year's pace but overall, Canadian hog numbers are relatively stable after several successive years of increase. Live hog exports to the United States, comprised of both slaughter hogs and feeder pigs, reached 8.5 million head during 2004. Preliminary data for the first quarter of 2005 show a decline in live hog exports to the U.S. of more than 10% compared to last year and may partly reflect the imposition of U.S. anti-dumping duties during that period. Despite U.S. anti-dumping duties imposed in October 2004, first quarter hog market prices were 13% above the same quarter last year. The U.S. duties were lowered in March 2005 and lifted altogether following the April 6, 2005 negative injury determination by the U.S. International Trade Commission.

DESPITE GROWTH, ORGANIC FARMING STILL A NICHE MARKET: According to a study carried out by Statistics Canada, sales of organic products still represent a niche market in most parts of Canada. The study also concluded that producers entering into organic farming should not expect to automatically receive a premium price for organic fruit and vegetables unless they can produce a premium product and sell it into the right market. The number of farmers using organic production methods has increased from 640 in 2000 to 660 in 2003, but the study also indicates that there is a high turnover in organic farming. During the three-year time frame in which the study was conducted, between 60 and 70 percent of people claiming to be organic farmers quit and returned to regular farming. Canada relies heavily on imports of U.S. organic products to fulfill the increasing demand by consumers for organically grown products.

IMPORTS OF HERBICIDE SAVES PRODUCERS MONEY: As fuel, fertilizer, crop protection products and seed costs continue to rise, some Canadian farmers are taking advantage of Canada's Pest Management Regulatory Agency (PMRA) own-use importation program to import ClearOut 41 Plus, a herbicide from the United States. Farmers of North America, which operates in western Canada, has worked for five years to get the glyphosate product approved in Canada. Their efforts have paid off, as earlier this year, the PMRA announced that ClearOut 41 Plus is chemically equivalent to glyphosate products already registered in Canada, enabling Canadian producers to apply to import this product through the PMRA. By substituting ClearOut 41 Plus in place of a comparable product in Canada, producers are saving around 40 percent on their purchases. In the face of continuing increases in input costs and the failure of farm commodity returns to keep pace, the ability to save some money on herbicides is a welcome break for producers. To date, the PMRA has approved 450 farmer applications, amounting to 760,000 liters of ClearOut 41 Plus.

ETHANOL PLANT GETS GREEN LIGHT IN ONTARIO: Suncor Energy Inc. received government approval for a $120 million (CDN) ethanol plant in Southern Ontario. The company has indicated that it will start construction immediately and expects to be producing ethanol by mid-2006. The company expects production to be approximately 200 million liters of ethanol annually and will require approximately 20 million bu (508,027 metric tons) of corn each year. The Suncor plant was one of seven projects from across Canada to share in $78 million (CDN) announced by the federal government last year as part of Ottawa's Ethanol Expansion Program. The Suncor plant is not the only new ethanol plant proposed for Ontario. In addition to Commercial Alcohols' already-operating 150 million liter plant in Chatham, Integrated Grain Processors Cooperative has proposed a 125 million liter plant for Brantford, while a 66 million liter plant is planned for Cornwall. Ethanol production is expected to continue to grow in Ontario in order to fulfill the recent announcement by the provincial government that all gasoline sold in the province will be required to contain an average of 5% ethanol by 2007. The expansion of the ethanol industry will provide an alternative market for Ontario corn producers, as well as for U.S. corn producers.

TIGHT BARLEY SUPPLIES HINDER EXPORTS TO CHINA: According to industry and government sources, tight malting barley supplies resulted in Canada missing out on increased export opportunities to China. The booming Chinese beer market and the smaller Australian barley crop resulted in China looking for extra supplies of malting barley for alternative supplies. Unfortunately, last year's poor growing season severely limited supplies of malting barley in Canada. If Canada had been able to fulfill the Chinese demand, exports of malting barley could have reached as high as 1.2 million metric tons in 2004/2005. Unfortunately this was an opportunity lost for Canadian barley producers, as Australia's barley crop is now forecast to return more normal levels, increasing the competition and cutting into Canada's sales opportunities to China.

Find FAS on the World Wide Web:

Visit our headquarters' home page at http://www.fas.usda.gov for a complete listing of FAS' worldwide agricultural reporting.

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA5027	This Week in Canadian Agriculture, Issue 14	4/15/2005
CA5025	This Week in Canadian Agriculture, Issue 13	4/8/2005
CA5024	C$1 Billion Farm-Aid Package	3/31/2005
CA5023	This Week in Canadian Agriculture, Issue 12	4/1/2005

VISIT OUR WEBSITE: The FAS/Ottawa website is now accessible through the U.S. Embassy homepage. To view the website, log onto http://www.usembassycanada.gov; click on Embassy Ottawa offices, then Foreign Agricultural Service. The FAS/Ottawa office can be reached via e-mail at: agottawa@usda.gov