



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 5/3/2002

GAIN Report #CA2055

## Canada

### Agricultural Situation

## This Week in Canadian Agriculture, Issue 16 2002

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**Report Highlights:** Canadian Agriculture Minister Slams U.S. Farm Bill\*\*Canadian Cattlemen Disappointed At Farm Bill Provisions\*\*Canada Rescinds Anti-Dumping Order Against U.S. Iceberg Lettuce\*\*Canadian Trade Minister Dismayed at U.S. Ruling on Canadian Lumber\*\*Live Hog Exports to the U.S. Continue to Rise\*\*Seeding Pace Slow in Western Canada\*\*Exports of U.S. Farmed Raised Catfish to Canada Reach New Record.....and Much More, Eh!

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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. 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.

**CANADIAN AGRICULTURE MINISTER SLAMS U.S. FARM BILL:** Canadian federal agriculture minister Lyle Vanclief, in an Agriculture and Agri-Food Canada (AAFC) April 30 news release, predicts that the new U.S. Farm Bill will encourage U.S. producers to harvest handouts from the American Treasury instead of reaping the rewards of trade liberalization. Vanclief called the new Farm Bill, "mail-box driven", "trade-distorting", and protectionist. "The Farm Bill is a serious blow to the U.S.'s credibility in the current round of WTO negotiations. We are examining overall implications of the new Farm Bill as more details emerge. On the basis of this analysis we will decide how best to defend the interests of Canadian producers," concluded Mr. Vanclief. For more information, see GAIN report CA2050.

**CANADIAN CATTLEMEN DISAPPOINTED AT FARM BILL COUNTRY OF ORIGIN LABELING PROVISIONS:** The Canadian Cattlemen's Association (CCA) issued a press release expressing its extreme disappointment that the U.S. House-Senate Conference has included a provision in the U.S. Farm Bill for mandatory country of origin labeling after two years. The provision will apply to retail sales of fresh and ground beef, pork, lamb, and veal not born, raised and slaughtered in the U.S. and to farm-raised fish, produce and peanuts. CCA President Neil Jahnke said, "two years of voluntary labeling gives American retailers and packers the opportunity to show their government that mandatory country of origin labeling is unworkable and will cost the U.S. industry and U.S. consumers millions if not billions of dollars." Jahnke added that, "USDA studies have already concluded there's no economic efficiency argument for mandatory country of origin labeling to the point of retail sale. (The CCA) will continue to work with the coalition of food producers, processors and retailers on both sides of the border to prove this point and hopefully logic will prevail over politics and head off this threat of mandatory labeling before it gets started." The CCA is supported in its position by the National Cattlemen's Beef Association (NCBA), the official organization representing beef cattle producers in the United States", said Jahnke.

**MANITOBA AG MINISTER CALLS ON CANADIAN GOVERNMENT TO ADDRESS U.S. FARM BILL CONCERNS:** Manitoba Agriculture Minister Rosann Wowchuk raised concerns over the U.S. farm bill which may increase subsidies and support for U.S. farmers by \$73.5 billion over 10 years. Specifically, Wowchuk will ask the Canadian government at the federal-provincial-territorial meeting May 6-7 in Ottawa to address: (1) the proposal for increased subsidies; (2) potential costs of country of origin meat labeling; and (3) the addition of pulse crops to loan coverage programs which could create additional competition for Manitoba

pulse crop producers. Wowchuck will also raise these concerns at the upcoming Tri-National Accord meeting in Arizona in mid-May. For more information, see GAIN report CA2053.

**CANADA RESCINDS ANTI-DUMPING ORDER AGAINST U.S. ICEBERG LETTUCE:**

The Canadian International Trade Tribunal has rescinded the anti-dumping order on U.S. fresh Iceberg lettuce exported to British Columbia. U.S. exports of fresh Iceberg lettuce to B.C. had been subject to Canadian anti-dumping duties since 1992. The anti-dumping order was scheduled to expire in November 2002, but was withdrawn early after the BC Vegetable Marketing Commission submitted that the duty should be rescinded immediately, given current industry circumstances and the low volume of Iceberg lettuce it projects that B.C. will produce this coming crop year. For more information, see CA2046.

**USITC FINDS THREAT OF INJURY IN SOFTWOOD LUMBER INVESTIGATION:** On May 2, the U.S. International Trade Commission (ITC) announced its final injury determination, finding a threat of material injury in both the countervailing duty and antidumping investigations of Canadian softwood lumber. On March 22, the Department of Commerce (DOC) announced the final countervailing duty rates and antidumping margins for Canadian softwood lumber, finding a net countervailing duty rate of 18.79% and antidumping margins ranging from 2.18 to 12.44%. (Products manufactured in the Maritime Provinces are exempt from the countervailing duty, as are products of certain manufacturers who rely entirely on logs sourced from the Maritime Provinces or Maine.) The duties will go into effect upon publication of the countervailing duty and antidumping orders in the U.S. Federal Register, possibly in mid-May. In the interim, as the provisional countervailing and antidumping duties are no longer in place, Canadian exports to the U.S. have increased as Canadian firms attempt to maximize shipments to the U.S. before the final duties are put in effect (see GAIN report CA2036).

**PETTIGREW EXPRESSES DISMAY AT FINAL U.S. LUMBER DECISION:** International Trade Minister Pierre Pettigrew announced that the decision against Canadian softwood lumber was not unexpected, given the "protectionist nature of U.S. softwood lumber decisions." Canada will conduct an immediate review regarding possible challenges to today's United States International Trade Commission (ITC) Final Determination that Canadian softwood lumber exports posed a threat of injury to U.S. industry. A decision to challenge the ITC's Final Determination by the Government of Canada would complement ongoing challenges of U.S. law and practice at the World Trade Organization and under the North American Free Trade Agreement. For more information, see GAIN report CA2054.

**BRITISH COLUMBIA STREAMLINES FOREST PRACTICES CODE:** The provincial government is proposing to shift its forest management focus from paperwork to protection by cutting through the regulatory burden in the current Forest Practices Code. The revised Code will be open, transparent and cut the regulatory burden that forestry firms have to face. The new code will build on British Columbia's existing compliance and enforcement regime, already one of the most comprehensive in North America, but it will have tougher penalties for non-compliance. The new code will maintain British Columbia's environmental standards for everything from wildlife protection to retention of old-growth stands. Legislation will be introduced this fall, with implementation of the new results-based code in April 2003. For more information, see GAIN report CA2052.

**QUEBEC TO ADDRESS HOG FARM EXPANSION ISSUE:** Wire reports indicate that Quebec's Environment Minister, Andre Boisclair may make an announcement this week dealing with hog farm expansion in the province. Reuters reported that the Quebec government, which has supported large hog operations over the past few years to help boost exports, has run into opposition from other residents and environmental groups who object to the odor and pollution from large hog farms. "We have to make sure that the development of the industry (is) more respectful of the environment," said Boisclair. Quebec is Canada's most important pork producing province, accounting for about 30% of total hog numbers.

**LIVE HOG EXPORTS TO U.S. CONTINUE TO RISE:** Canadian exports of live swine to the United States continued to increase during the first two months of 2002. Total live hog exports (feeder, slaughter, and purebred) to the United States in the January to February period of the current year were up 25% from the same period last year and are on pace to reach 6.0 million head compared to 5.3 million head during 2001. For January and February 2002, Canadian feeder pig exports were up 41% and slaughter hogs exports were up 4.0% from that period last year. Some U.S. pork industry analysts are concerned that the slaughter level in the U.S. continues at a high level and believe the odds are quite high for a slaughter number above 27 million head during the fourth quarter of 2002. The U.S. slaughter number for the 4th quarter of 1998 was 27.586 million head and a hog market collapse ensued.

**LIMITING LIVE HOG EXPORTS NOT AN OPTION, SAYS OFFICIAL:** Martin Rice, Executive Director of the Canadian Pork Council, the national organization representing hog farmers, claimed that limiting Canadian live hog exports to the United States, is not an option as the North American industry looks at ways to avoid a possible price slump in the fourth quarter this year. Rice said his organization has not done that, would not do that and could not do that. According to pork industry reports, many pork market analysts have become worried that any restriction in slaughter capacity in the fourth quarter, when the number of slaughter hogs increases, could cause supplies to outstrip processing ability, and collapse prices. A similar situation occurred in 1998 and led to heavy losses in the North American hog industry.

**SEEDING PACE SLOW IN WESTERN CANADA:** According to the May 1 edition of *Good Morning Ontario*, so far there has been limited progress made in planting. It has been cold and warmer temperatures are needed before things pick up steam. Less than 5% of the crop is in the ground so far, says Bruce Burnett, with the Weather and Crop Surveillance Department at the Canadian Wheat Board. This would compare with the less than 1% pace roughly a week ago. Most of the seeding that has occurred has been in the areas where soils are quicker to warm, such as more sandier as well as better-drained regions, Burnett indicates. The cool temperatures this spring across western Canada has slowed seeding operations, he notes, adding that overnight readings which were in the minus teens Celsius last week have helped keep soils extremely cool. The cool temperatures and their impact on seeding, however, are not a large issue that will hamper the ability of farmers to get a crop in this spring, Burnett says. "Once it does start to warm up, producers are not exactly facing any excess moisture problems, which in the past has helped to get seeding off to a slow start." He adds that once the temperatures warm up and seeding starts, those operations will progress fairly rapidly across the Canadian prairies. It also continues to be dry in the west. Burnett notes the soil moisture situation in western Canada has improved somewhat, but still remains in a deficit position overall. "We have most of the prairies

at less-than-normal precipitation with only northern Alberta, parts of Manitoba and some isolated areas close to the mountains in southern Alberta where soil moisture levels are above normal."

**SASKATCHEWAN TOPSOIL MOISTURE CONDITIONS IMPROVE SLIGHTLY:**

Cropland topsoil moisture conditions improved slightly on a provincial level according to Saskatchewan Agriculture, Food and Rural Revitalization's latest weekly crop report. The southwest, central grainbelt, and northern grainbelt saw improvement in topsoil moisture. 47% of cropland topsoil moisture was rated fair or better. Precipitation this past week mainly fell in the northern grainbelt, with the northeastern region receiving an average of almost 9 millimeters (3/8"). Strong winds and cool temperatures continue to delay seeding and pre-seeding operations. Less than one-half of one percent of the 2002 crop has been planted. Hay and pasture land topsoil moisture conditions declined slightly on a provincial basis, with 30% rated as fair or better. East-central and northern grainbelt Over 1% of the 2001 crop was seeded. Strong winds and warm temperatures helped dry soil in wet eastern areas, but contributed to moisture loss and soil erosion in western areas. About two-thirds of the provincial fall rye and winter wheat crops are rated in good to excellent condition.

**AGRICULTURE CANADA FORECASTS INCREASED PRODUCTION:** Agriculture and Agri-Food Canada (AAFC), in its April 29 *Grains and Oilseeds Outlook*, has adjusted its 2002/03 forecast for grains and oilseed production based on the recent April 24 Statistics Canada acreage survey. Based on the survey, total production of grains and oilseeds in Canada in 2002/03 is forecast by AAFC to increase to 62 million metric tons (MMT) from about 51 MMT in 2001/02, assuming slightly below-normal yields. The supply of grains and oilseeds is forecast to increase only slightly due to low carry-in stocks and a significant decrease in corn imports. Total exports are forecast to increase slightly to 24 MMT, as higher exports of coarse grains and oilseeds more than offset lower exports of spring wheat and durum. In Canada, grains and oilseed prices, except flaxseed, are expected to decline. To view the entire AAFC 2002/03 outlook, go to: <http://www.agr.gc.ca/policy/winn/biweekly/English/gosd/2002/apr2002eb.htm>

**CWB SUPPORTS FERROEQUUS RAILWAY CO. REQUEST FOR RUNNING RIGHTS**

**ON CNR:** According to the Canadian Wheat Board (CWB), the CWB will intervene in support of the application by the Ferroequus Railway Company for running rights on the Canadian National Railway line from Camrose, Alberta to Prince Rupert, British Columbia. Starting on April 29, the Canadian Transportation Agency is holding a public hearing into the Ferroequus application in Winnipeg. The CWB is supporting this application because it believes that competition is important to ensure that farmers get the best possible service from transportation providers. If successful, the Ferroequus application should reduce farmers' freight costs by lowering the cost of moving grain to the port of Prince Rupert and increasing movement of grain through that port.

**CANADIAN FARMER MUST PAY MONSANTO COURT COSTS:** According to the Regina *Leader-Post* and the May 1 edition of *Good Morning Ontario*, the judge who ruled last year that Prairie farmer Percy Schmeiser knowingly violated Monsanto's patent on its Roundup Ready gene in 1998 has now ruled the Bruno, Saskatchewan farmer should pay Monsanto court costs of C\$153,000. That's in addition to the estimated \$19,832 the two sides in the long-running patent infringement case agreed was profit from Schmeiser's 1998 canola crop. The story says



that the nearly \$175,000 in damages and court costs works out to about \$175 per acre. In fact, the amount is likely between \$200 and \$300 an acre when Schmeiser's legal bills are counted, points out Monsanto Canada spokesperson Trish Jordan. She compares this to the \$15 an acre technology use agreement Monsanto requires farmers to pay if they are using a canola variety that has the Roundup Ready gene inserted.

**AUSTRALIAN WINE COMPETES FOR IMPORT MARKET SHARE:** The Australian Wine Bureau's Canadian office has released national sales figure showing that Australian wine continues to gain popularity across the country and significantly dominates the import wine market in British Columbia where it is the fastest growing wine category. Australian wines command 8% of the market by volume and 10.8 % by value. British Columbians quaffed 2.9 million liters of Australian wine in 2001, a 64 percent increase since 1998. Source: Bar & Beverage Business Magazine, March/April 2002.

**CANADIAN FOOD & BEVERAGE SHOW DRAWS RECORD ATTENDANCE:** Dispelling concerns about the economy, the Canadian Food & Beverage Show reported record attendance of 12,162 visitors, as foodservice professionals flocked to the February 2002 show. Attendance for the three day event was up 7.2% from last year. They believe that the strong turnout for the show is an indication the industry has rebounded from the events of September 11 and is successfully weathering the economic slowdown. Show exhibitors reported that attendees were in a buying mood as they sought new ideas, products and suppliers on the show floor.

**CANADIAN COFFEE AND TEA EXPO:** Vancouver will be the site of Canada's premier coffee trade show and educational forum this June 2-3, Fairmont Hotel, Vancouver, British Columbia. The Canadian Coffee and Tea Expo will bring together a group of 70 suppliers and exhibitors who will offer information on the latest equipment and products. Organizers report that the event will also feature an educational forum with as many as 20 topics in both workshop and seminar formats. Information is available from [www.coffeeandbeverage.com](http://www.coffeeandbeverage.com).

**COOLERS STILL HOT:** Just when you thought coolers couldn't be any more cool, manufacturers upped the ante to offer exciting new flavors and some enticing new entries. The cooler category in Canada has been growing at about 14% for each of the last five years. As of December 2001, growth was up 30%. Ready-to-drink's (RTD) offer consumers a thirst quenching product, in specific flavors, in a convenient ready to drink format, something previously unique to beer. Beer is the RTD category's biggest competitor. RTDs provide an alternative to typical beer occasions. Not all RTDs have the same target markets, its main consumers are beer drinkers, skewed equally male and female. Source: Bar & Beverage Business Magazine, March/April 2002.

**ONTARIO CHICKEN INDUSTRY REFORM:** Despite protests by chicken processors, the Ontario Ministry of Agriculture has upheld a decision that will lead to much needed reform of the chicken industry. The original decision made by the Ontario Agricultural Appeal Tribunal, indicated that reform was needed to create a more efficient and competitive chicken industry in Ontario. The tribunal's decision will ensure that processors are able to compete for foodservice business, volume setting is based on market needs and a price setting formula is introduced based

on input costs. The restaurant industry buys almost 40% of all chicken produced in Canada, and faces constant challenges securing product.

**NEW ORGANIC MILK PRODUCTS AVAILABLE:** According to the April 2002 edition of *Food in Canada*, this summer a milk product will be sharing the dairy case with the mainstream multinationals. Sunrich Valley Inc. a Canadian organic food company and subsidiary of Norval, Ontario-based Stake Technology recently unveiled a new line of certified organic dairy products now available at natural food stores and positioned to hit mainstream markets by August. MU Organics includes an organic churned butter and complete line of organic milk with plans to introduce cheese and cultured products within the next three months. Rather than presenting pastoral country pictures on the packaging, MU features photographs of people, from young children on the whole milk carton to fat conscious 30-something women on the partly skimmed version. From farm to fridge, each step in MU's production process is independently audited and verified by the Organic Crop Producers and Processors in compliance with the Canadian General Standards Board. One liter of 2% MU will sell for a suggested retail price of C\$2.75. Trade estimates suggest that organic products now account for about C\$1.5 billion in Canadian sales annually and are expected to account for C\$3.5 billion in sales by 2005.

**U.S. FARM RAISED CATFISH SETS NEW EXPORT RECORD:** According to a recent article in *Western Restaurant News* magazine, The Catfish Institute (TCI) has set a record for shipments of U.S. Farm Raised Catfish to Canada for the second year in a row. The 2001 exports are the highest ever to Canada and represent a 13-percent increase over 2000. Last year also saw all-time monthly export records shattered in both January and March. The 2001 promotion in Canada focused on Ontario and Quebec, with plans to extend to other provinces soon.

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

**Did You Know...** that the United States and Canada have the world's largest bilateral trading relationship. In 2001, total merchandise trade between the two countries was US\$383 billion, translating into US\$1.1 billion in goods crossing the border every day. When services and investment income are added, the daily total equates to US\$1.4 billion.

#### Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA2045	This Week in Canadian Agriculture, Issue 15	4/25/2002
CA2046	Lettuce Anti-Dumping Order Rescinded	4/26/2002
CA2048	Kosher Foods Market	4/30/2002

CA2049	Oilseeds and Products Annual Report	4/30/2002
CA2050	Vanclief Slams U.S. Farm Bill	5/02/2002
CA2052	New British Columbia Forest Code Will Focus on Results	5/02/2002
CA2053	Manitoba Ag Minister Calls on Canadian Government to Address U.S. Farm Bill Concerns	5/02/2002
CA2054	Trade Minister Pettigrew Express Dismay Over U.S. Softwood Lumber Decision	5/02/2002

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