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And More...

Includes PSD changes: No
Includes Trade Matrix: Nos
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.

PROSPECTS POINT TO LOWER P.E.I. POTATO ACREAGE IN 2001: The P.E.I. Guardian speculates that this year's Island potato acreage will decline following the potato wart crisis. Not only are the repercussions of the disease outbreak expected to have adverse impact on the table potato plantings of some producers, but the McCain contract volumes for processing potatoes are expected to be lower in 2001 reflecting the company's announcement that it can no longer accept Island potatoes at its New Brunswick processing operations because of potato wart implications. According to the trade, the company's processing facilities in New Brunswick normally ship the potato peelings to its Maine-based disposal operation, so it cannot accept raw product from P.E.I. Cavendish Farms, P.E.I.'s other major processor will reportedly process the same volume in 2001 as it did last year. There are about 130 contract growers with Cavendish Farms and about 80 with McCain. Statistics Canada's first estimate of potato area for 2001 will be available in late July.

USITC FINDS INJURY IN P.E.I. MUSSELS ANTI-DUMPING CASE: The U.S. International Trade Commission has ruled that there is a reasonable indication that the U.S. mussel industry is threatened with material injury from imports of certain Canadian mussels. As a result, the Commission will begin a final phase of its anti-dumping investigation and the Department of Commerce continues its preliminary investigative phase. The original petition petition was filed in March against Canadian processors/growers of live cultivated blue mussels from the Canadian Atlantic provinces, mostly Prince Edward Island (P.E.I.). For background information see CA1046. In another mussel industry development, local P.E.I. news reported last week that a warehouse owned by P.E.I. Mussel King, of Morell, one of four companies named in the recent anti-dumping investigation, was destroyed by an explosion and fire. The multi-alarm blaze reportedly required required up to 100 firefighters from virtually every fire department in eastern P.E.I. to bring it under control.

CANADA TAKES ACTION TO PREVENT ENTRY OF SUDDEN OAK DEATH: Since March 2000, the Canadian Food Inspection Agency (CFIA) has implemented an emergency phytosanitary import measure to keep the plant disease, Sudden Oak Death, out of Canada. The disease, which kills oak trees and infects related plants (tanoak, huckleberry, rhododendron, and azalea) has been found in parts of California (7 counties), the Netherlands, and in Germany. Under the interim measure the CFIA is banning all propagative and non-propagative material including seed, nursery stock, logs with or without bark attached, bark, mulch, acorns, sawdust, pulpwood and firewood, of all species of oak (*Quercus* spp.) and tanoak (*Lithocarpus* spp.) as well as rhododendron, azalea and huckleberry (including fruit) from the regulated areas.

JUNE 2001 ONTARIO PORK CONGRESS CANCELED: Due to concerns associated with the Foot and Mouth disease (FMD) outbreak in the United Kingdom and parts of Europe, the Ontario Pork Congress Executive has canceled the 2001 Ontario Pork Congress, scheduled to run June 21 and 22, 2001. The action is similar to that of the National Pork Producers Council which canceled the World Pork Expo in Des Moines, Iowa to reduce the risk of an outbreak of FMD in the United States. The Ontario Pork Congress is an internationally attended annual event featuring pork industry technologies, services, a trade show and seminars. The OPC Executive consulted with producers, exhibitors, and swine health professionals and determined that it was safer to error on the side of caution with regard to the risks associated with FMD. The OPC Executive is looking forward to working closely with all interested stakeholders in planning the appropriate bio-security measures for next year's event.

CANADA STEPS UP FOOT AND MOUTH READINESS: According to the Ottawa Citizen, the federal government is launching a new information campaign to keep the foot-and-mouth virus out of Canada, complete with pamphlets and TV commercials. "With the beginning of the tourist season, we need to reach out to Canadians, particularly the traveling public, to help in this important effort," says Ron Doering, President of the Canadian Food Inspection Agency (CFIA). The Citizen article says the campaign will include 30-second and 60-second public service announcements to air on major Canadian television networks and on board international flights. The print campaign will be expanded to include large posters at international airports informing passengers of the risks of the disease. The CFIA is also set to place sniffer dogs at each one of Canada's 14 international airports. Currently, the dogs are stationed only at airports in Montreal, Toronto and Vancouver.

CRYPTOSPORIDIUM PARASITE CONTAMINATES WATER SUPPLY IN RURAL SASKATCHEWAN: Cryptosporidium, a small protozoan parasite of the Coccidia genus, blamed for the 1993 water contamination outbreak in Milwaukee, Wisconsin, where 400,000 residents fell ill at an estimated cost of \$54 million, has struck North Battleford, Saskatchewan, an agricultural centre of about 14,000 people on the banks of the North Saskatchewan River. Also, there has been national press coverage on a cow-calf operator in Rivers, Manitoba (distant from North Battleford) who has reportedly lost up to 100 beef calves to the parasite since January. Cryptosporidium has a worldwide distribution and is found in a large number of hosts including birds, fish and mammals. Scientists say it is capable of surviving for long periods in the environment and can easily escape detection. The volume of water sample required to screen the water supply has to be large, often as much as 5 gallons. Exactly one year ago, seven people died from water contamination caused by E. coli 0157:H7 in Walkerton, Ontario, a small rural town in the southwest region of the province (see CA0076). In that incident, cattle manure runoff was blamed.

RAIN FALLS IN WRONG PLACE: According to the May 7 edition of *Canadagriculture Online*, heavy weekend rain fell in Manitoba, the region of western Canada least in need of it. Excessive soil moisture had already delayed seeding across much of the province, and the latest rain will put farmers badly behind schedule. The western prairies remain mostly dry. Seeding is proceeding, but rain is needed soon in many areas if crops are to germinate evenly and get off to a good start. Subsoil and (in southern Alberta) irrigation reserves are low, leaving crops more dependent than usual on timely rains through the growing season. Meantime,

planting progressed rapidly in eastern Canada under summer-like conditions during the past few days. "The easiest planting season in some years," comments one cash cropper in the London area. "Around here most of the corn is in, and people are well into beans."

OMAFRA CROP REPORT - CORN 90% PLANTED: The Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) reported on May 10 that 90% of the intended Ontario corn crop has been planted. Excellent weather during planting has pushed corn acreage to 1.95 million acres. Early planting raises yield expectations to 124 bushels per acre with average conditions throughout the remainder of the crop year. Regarding winter wheat, much of the crop is uneven due to winter injury and approximately 70,000 acres will have to be reseeded. Spring cereal planting is reported as being complete. Emergence has been fast with the latest rainfall, but uneven due to overly dry areas in some parts of the province. Spring wheat, oats and barley is up 10-15% due to current high barley prices, lower input costs and good straw demand. Soybean plantings vary from just started to 50% complete.

DURUM SUPPLIES AT RECORD HIGH: The May 8 edition of *Canadagriculture Online* reported that the Statistics Canada March 31 estimates of Canadian grain stocks put total stocks (commercial plus on-farm) of durum wheat at 4.4 million tonnes. That was a record high for March 31, easily surpassing the previous March 31 record of 4.0 million tonnes in 1992. On the same date last year durum stocks were 3.3 million tonnes. The increase is due to last year's large crop and disappointing export performance by the Canadian Wheat Board so far in the 2000-01 crop year. The March 31 survey also revealed canola stocks of 3.2 million tonnes, the second highest ever but 18% below the year-before figure. Non-durum wheat stocks were 3% higher than on March 31 last year, and soybeans were up 7%. Stocks of other major crops were down: oats 21%, barley 2%, flaxseed 23%, and corn 18%. For more information, see GAIN???

CODEX GM FOOD LABELING: DISCUSSION PUT ON HOLD UNTIL 2002: The Codex Committee on Food Labeling (CCFL) during its May 1-4 meetings in Ottawa has put on hold further Committee discussion of the "Proposed Draft Recommendations for the Labeling of Food Obtained through Certain techniques of Genetic Modification/Genetic Engineering" until the next meeting of the Committee in Halifax, May 2002. The Committee was able to discuss the title, purpose and scope of the draft recommendations but was unable to proceed further due to the very large number of conflicting views and concerns expressed by the various country delegations. The CCFL Chair concluded that there was insufficient time to resolve these differences, and agreed that the proposed guidelines, as amended at the current session, should remain at current step of the Codex process for further comment from member states and international organizations. With respect to the "definitions" portion of the Recommendations, the Committee accepted a compromise text proposed by Canada, to include reference to "Modern Biotechnology" (although it retains reference to Genetically Modified/Genetically Engineered"). The draft definitions will now be moved to the next step of the Codex process for adoption at the 24th Session of the Codex Alimentarius Commission July 2001 in Geneva.

GMO FOODS - FIRST DEBATE OVER GM LABELING BILL: Bill C-287, a proposed piece of legislation that would force mandatory labeling of "genetically modified" foods was debated in the House of Commons on May 7. C-287, known as 'An Act to Amend the Food and Drugs Act (genetically modified foods)' was introduced into the House of Commons on February

28, 2001 as a private member's bill by Charles Caccia. The debate was the first of three scheduled sessions in parliament devoted to debating the merits of the Bill before a vote is conducted on whether to proceed to committee with the Bill or to remove it. During the debate, the governing Liberal party expressed their opposition to the Bill and made reference to the voluntary labeling standard being developed under the auspices of the Canadian General Standards Board (CGSB). Of critical importance is to which Committee the Bill will be referred should it advance that far. As C-287 would amend the Food and Drug Act, it would normally be subject to review by the Standing Committee on Health. However, due to the potential impact on the Canadian agriculture sector, some observers have suggested that the Bill be referred to the Standing Committee on Agriculture, or a joint Committee comprising membership from both the Agriculture and Health Committees. Biotechnology industry representatives believe that a joint committee would be the best means to ensure a comprehensive assessment of the Bill.

CANADIAN POSITION ON GMO LABELING UNCHANGED: In a related story regarding the Caccia bill (see above), several representatives of food processing organizations called FAS/Ottawa with concerns about a reported position taken by a Senior AgCanada official. In a private meeting, the official reportedly supported the Caccia bill, which would require mandatory labeling of genetically modified foods. Inquiries into the rumored comments reveal that the Canadian position on GMO labeling is unchanged and that the GOC would continue to evaluate voluntary labeling process under the direction of the CGSB.

AFFIRMATIVE INJURY RULE ON CHINESE GARLIC: The Canadian International Trade Tribunal ruled last week that fresh garlic from the People's Republic of China and Vietnam has caused material injury to the Canadian garlic industry. As a result, provisional duties applied by the Canada Customs and Revenue Agency are expected to be made permanent. Canada has applied anti-dumping duties on Chinese garlic since 1997, but only on garlic imported between July and December each year. Canadian growers lobbied the government for year-round duties after import levels of Asian garlic increased sharply during the non-duty period. Competition from low priced Asian garlic has hurt U.S. fresh garlic sales to Canada. In 2000, Canadian imports of Chinese garlic surged 33% from a year earlier to 7,572 metric tons, and captured two-thirds of the Canadian import market for garlic. Meanwhile, U.S. fresh garlic exports to Canada during 2000 slipped 31% to 1,671 metric tons (\$2.6 million) from 2,417 metric tons (\$3.4 million) in 1999.

MILK TRADE CEASING OPERATIONS IN ONTARIO EXPORT MILK EXCHANGE: Milk Trade, a private milk brokerage company, announced that it ceased operations on May 1, 2001, citing the continued existence of government control reflected by the statutory monopoly power of the export milk contracts. Milk Trade embarked on the export milk project with the understanding that the recent WTO Panel ruling would require that all government intervention in milk for export stop, and that under the new regime, export milk would be handled on a completely commercial basis free of all government control. Milk Trade maintains that the Export Contract Exchange Mechanism, which has been granted a statutory monopoly power over confirmation of milk export contracts, is taking full advantage of its monopoly power and refusing to adapt to market realities. Milk Trade stated that it would be willing to re-enter the milk export market should it be allowed to operate in a commercial environment that is free of government control through statutory monopoly.

WCE TO TRADE CANOLA MEAL: The May 3 edition of *Canadagriculture Online*, the Winnipeg Commodity Exchange (WCE) is planning to launch canola meal futures trading in June, starting with the October contract. Traded and margined in U.S. dollars, the contract will have eight delivery months: January, March, May, July, August, September, October and December. Minimum or maximum levels of protein, oil, moisture, crude fiber and glucosinolates are specified. One contract is 20 tonnes, and 5 contracts comprise a board lot. The pricing basis is FOB truck/railcar at listed points in the Par Region (Manitoba and eastern Saskatchewan). Delivery can be made from listed facilities at a US\$5/tonne premium in the Western Region (western Saskatchewan and Alberta) and Southern Region (Minnesota and the Dakotas), and at a US\$15 premium in the Eastern Region (southern Ontario and Quebec). Daily limit for the 20-tonne contract is US\$20 with a minimum price fluctuation of US\$0.10.

OMNITRAX AND FERROEQUUS FAIL TO GET RUNNING RIGHTS: *Canadagriculture Online* reported on May 4 that the Canadian Transportation Agency has rejected applications by Hudson Bay Railway, a subsidiary of OmniTRAX, and Ferroequus Railway to obtain open access running rights over CN Rail lines. The Agency ruled yesterday that the Canada Transportation Act allows railway operators to apply for rights to run over the lines of federal railways, but it does not allow these operators to solicit business from shippers on those lines. OmniTRAX and Ferroequus had been hoping to compete for grain and other business on the CN lines. The two shortline railways can appeal the decision to a Federal Court or to the federal government, but neither railway has given notice of appeal at this time.

HEALTH FOODS: A POTENTIAL BOOM SECTOR: Canadian consumers' growing interest in healthy eating and the nation's aging population can be linked to the success of health foods. According to a 1999 study by the National Institute of Nutrition, Canadian consumers are convinced that certain behavioral and dietary changes can enhance their quality of life, provide health benefits and reduce the risk of disease. Canada's agri-food industry is pursuing new market opportunities in the new niche of functional foods and nutraceuticals (ff&n)—responding to trend (e.g. omega-3 eggs, soy-based beverages, juices with added calcium). Health Canada is now working on standards that will establish the proof required for a specific health claim to be allowed on a product label. According to Agriculture and Agri-Food Canada, the market for these products worldwide is growing at 10-20 % every year. In fact, growth in the ff&n market is expected to outstrip that of the proposed food market as a whole. Recent studies suggest the ff&n market totals at least \$10.5-\$37 billion in the U.S.; \$15-\$20 billion in Europe, \$10.5-\$14 billion in Japan and \$1-\$2 billion in Canada.

Did You Know...

That although Prince Edward Island is Canada's major potato producing province, it accounts for less than 5% of total North American fall potato production.

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA1068	This Week in Canadian Agriculture, Issue 17	5/03/2001
CA1069	Opportunities for New-to Market Meal Solutions and Concepts	5/9/2001
CA1070	Statistics Canada March 31 Grain Stocks	5/10/2001

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