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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.

LATEST STATS CANADA CANOLA ACREAGE NUMBER DOUBTED: According to a recent *Agriline Daily* article, ideas that Statistics Canada's April 24 acreage numbers for canola are inaccurate are widespread among traders. Traders have trouble believing that over a million fewer acres will be seeded in Saskatchewan. Moisture conditions are not bad in the province's prime canola areas. Some think that actual acreage will easily top 10 million acres versus StatsCanada's 9.28 million acres.

SENATOR GRASSLEY WARNS CANADIANS ABOUT RAPID HOG EXPANSION: Iowa Sen. Charles Grassley has cautioned Canadian officials against continued hog expansion. In a letter to Canadian Agriculture Minister Lyle Vanclief, Grassley warned that Canadian pork producers have continued "on an expansionist path that may take us back to the grim conditions we saw three years ago." Grassley pointed out that while 1998 U.S. production jumped 10.1%, 1999 production rose only 1.5% and fell by 1.8% in 2000. Following a jump of 10.9% in 1998, however, Canadians produced 12.7% more pork in 1999 and 4.2% more in 2000. Grassley believes Canadian production this year will show an increase above the modest 1.7% increase expected in the U.S. In 2000, a total of 4.3 million Canadian hogs were exported to the U.S., which means that hogs born in Canada have a tremendous impact on the U.S. market and on U.S. slaughter capacity. Agweb.com says figures indicate that Canadian slaughter capacity has not kept pace with the upward march of production, placing increased pressure on limited U.S. slaughter capacity as record numbers of Canadian hogs continue to move to the United States. Grassley also stressed in his letter the importance of the Canadian pork industry working with the U.S. pork industry to proactively address demand issues and slaughter capacity in addition to trade flows.

PORK INDUSTRY REACTS TO SEN. GRASSLEY'S CRITICISM: Senator Grassley's recent remarks on Canadian hog expansion prompted an immediate reaction north of the border. Janet Honey, hog analyst for Manitoba said Canada's farmers can receive more money for their feeder pigs in Iowa and Minnesota and a significant number of pigs go south in accordance with delivery contracts between U.S. feeders and large Canadian sow farms. Martin Rice, Canadian Pork Council said Canada's pork packers would prefer to kill more hogs but it would be "intolerable" for the industry to interfere in established business relationships by telling the U.S. producers not to buy Canadian hogs. Agriculture and Agri-Food Canada attributes rising Canadian feeder pig exports to growing demand in the U.S. as a result of a shift in U.S. mid-west hog production practices (CA1068 and CA1014). Bill Vaags, Canada Pork International's president, reportedly said, "If Grassley doesn't like it (live pig exports), he should ask buyers in

Iowa and Minnesota why they imported more than 2 million feeder pigs last year."

JAPAN WILL LOOK TO CANADA INSTEAD OF U.S. FOR SOYBEANS: The May 9 edition of *Good Morning Ontario* states that the U.S. ag attache in Japan reports imports of U.S. soybeans are forecast to decline in 2001/02, as soybean users continue to shift to non-GM soybeans from Canada and Brazil. "In order to meet Japan's increasing demand for non-GMO food soybeans, both Brazil and Canada have rapidly increased their soybean exports," says the attache. "For example, Brazil's share in volume increased from 12% in 1999 to 16 % in 2000. Canada's share increased from 3% in 1999 to 5% in 2000. As a result, the U.S. market share dropped from 79% in 1999 to 64% in 2000." In addition, total meal imports are expected to decline for compound feed and an increase in meat imports.

VANCLIEF ON TWO-DAY TRADE MISSION TO MEXICO: Agriculture and Agri-Food Minister Lyle Vanclief concluded a two-day mission to Mexico this week. The Minister met with Sr. Javier Usabiaga Arroyo – the Mexican Secretary of Agriculture, Livestock, Rural Development, Fisheries and Food – to sign a letter of intent for increased cooperation in agriculture and agri-food and to discuss key issues such as market access for Canadian agri-food products. He also participated in a promotional event organized jointly by Canada Pork International and the Canada Beef Export Federation. Canada is the second largest supplier of meat to Mexico. The letter of intent calls for the renewal of the Canada-Mexico Agreement on Agricultural Co-operation. Officials in both countries will develop targeted activities and projects over the next few months designed to enhance cooperation in areas of mutual interest. On market access issues, Mr. Vanclief reportedly raised specific concerns for Canadian seed potatoes, dry beans and apples, as well as discussing ways to improve border clearance procedures for Canadian agri-food products. Mexico is one of Canada's most important trading partners. Since NAFTA was implemented, two-way agricultural trade between the two countries has increased 88 per cent, totaling more than \$700 million during 2000.

CANADA ON GUARD FOR WEST NILE VIRUS: According to a *Good Morning Ontario* article dated May 10, Health Canada and the Canadian Food Inspection Agency say the deadly West Nile virus poses no risk to cattle or hogs, but is dangerous to horses. The departments have announced an increase in surveillance efforts to monitor for the presence of the virus in provinces east of and including Saskatchewan. The common crow will become Canada's newest early warning system against the West Nile virus, because if a crow is dead it could be an ominous sign the virus has arrived. "If the virus does work its way to Canada we will have good advance warning from the surveillance system in place," said Dr. Harvey Artsob of Health Canada. Last year chickens were set up as sentinels against the disease, but no birds got sick. Now scientists believe chickens were a bad choice. They either resist the disease better than other birds, or mosquitoes don't bite them enough. So crows are in, chickens are out.

MANITOBA MOVES TO PROTECT HONEY BEE INDUSTRY FROM FOULBROOD DISEASE: According to *Canadagriculture Online*, Manitoba has banned the movement of honey bees and equipment from British Columbia and Alberta due to the detection of American Foulbrood disease in those provinces. Some U.S. states also report incidence of the disease which affects the brood cells of hives and weakens colonies. It is a difficult disease to combat because certain strains are drug resistant and the infective spore agent can be spread by bees and

on equipment. Manitoba is Canada's third most important honey producing province after Alberta and Saskatchewan. See CA0185 for the most recent honey production data. Canada has banned imports of live U.S. bees since 1987 due to the presence of varroa mite in certain U.S. states but allows imports of queen bees from Hawaii under strict health measures. In 1999, the GOC extended the honeybee import prohibition order until December 31, 2004.

CANADIAN CROP CONDITIONS: The May 14 edition of *Agriweek* released its second crop conditions report, stating that seeding progressed rapidly in much of the prairie grain belt last week. Exceptions were in extreme southern Alberta, where work basically stopped because there is no moisture at seeding depth, and in southern Manitoba, where fields are still too wet to support machinery. Elsewhere operations proceeded rapidly in mostly dry and sunny but cool weather. Moisture conditions are poor to fair over most of Alberta and the west half of Saskatchewan, extending also into north-central and northeast Saskatchewan. Where not excessive, moisture conditions are fair to good in Manitoba. By the end of last week, with fair weather generally expected, seeding should have reached 40 to 50% completion in Alberta, about a third in Saskatchewan and perhaps 25% in Manitoba. Seeding progress is close to average. Soybean planting is underway. Winter wheat is in fair shape with growth retarded in some areas by cool and dry weather.

CANADA-CHILE FREE TRADE AGREEMENT OPENS MARKET FOR FRENCH FRIES, BEANS, PEAS AND PET FOOD: According to Trade Minister Pettigrew, Canada and Chile are increasing their market shares and competing in new areas of non-traditional exports. Canada and Chile agreed on appropriate compensation for a safeguard measure that has been imposed on Canadian wheat. The compensation will take the form of accelerated tariff elimination on imports of Canadian french fried potatoes, dried beans and peas, and pet food. Tariffs on these products were to be eliminated over the next two years, but following a May 10 agreement, they will be eliminated almost immediately. For more information, see GAIN report CA1072.

GM SOYBEANS MORE PROFITABLE THAN CONVENTIONAL VARIETIES: A study prepared for the Canola Council of Canada and paid for by GM canola-makers Monsanto and Aventis concludes Roundup Ready and Liberty Link varieties have made western Canadian farmers millions of dollars since their introduction in 1997. The study says farmers who grew GM canola last year reported an average additional net return over conventional varieties of \$5.80 an acre. That translates to a total of almost C\$39 million (6.7 million acres of GM canola X \$5.80). However, the economic model developed for the study calculated the profit advantage to be \$10.62 per acre. For more information, see GAIN report CA1073.

CANADIAN EXPORTERS HELPED BY NEW RUSSIAN BUILDING CODES: According to a press release from the Canada Mortgage and Housing Corporation (CMHC) dated April 26, 2001, Canadian housing exporters could potentially reach a housing market of up to 400,000 units annually, due to Russia's recent approval of a new building code for single family housing, the first of three new housing codes. Over the next few years, when the codes are expected to be adopted in other countries of the former Soviet Union, a potential market of 700,000 units exists. The first new code, the "Russian Federation Building Code and Regulations for Single Family Housing" was recently approved. Two other codes will be released later in the year, including

one on light frame construction which is based on Canada's National Housing Code. Canada and Russia also are cooperating on the certification of Canadian products to Russian standards. These developments stem from memorandum of understanding signed between the CMHC and the State Committee of the Russian Federation for Construction and Housing. The new codes will assist Canadian companies to export building products and undertake joint venture products with Russia.

Did You Know...

That the province of Ontario is the major agricultural producer in Canada? Ontario accounts for almost 25% of Canadian farm cash receipts.

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA1071	This Week in Canadian Agriculture, Issue 18	5/10/2001
CA1072	Canada Lists Positive Results of Free Trade Agreement with Chile	5/11/2001
CA1073	GM Canola More Profitable than Conventional Canola	5/16/2001

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