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This Week in Canadian Agriculture, Issue 2 2003

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Report Highlights: Canada Extends Poultry Meat Ban on Imports from California Due to Newcastle Outbreak* 2003/04 Grains and Oilseeds Estimates Released by AgCanada
* Study Assesses COOL Impact on Canadian Hog Sector* Canadian Wheat Board Posts Prices, Sells Crop Slowly* Bondholders Nix Saskatchewan Wheat Pool Refinancing Proposal* Commerce Undersecretary's Forestry Paper Draws Additional Criticism*
Canada Contributes C\$19.7 Million to Help Chinese Farmers Adapt to Global Markets

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.

CANADA EXTENDS POULTRY MEAT BAN ON IMPORTS FROM CALIFORNIA DUE TO NEWCASTLE OUTBREAK: A temporary ban on imports of poultry meat and poultry meat products from California has been extended to an indefinite ban due to the Newcastle disease outbreak in commercial poultry in the State of California. Meanwhile, U.S. animal health officials implement control measures for Exotic Newcastle Disease. USDA has instituted a quarantine zone that serves as a buffer around the affected area in Southern California. The department has also declared an extraordinary emergency to provide additional resources and authorities to an eradication campaign. The Canadian Food Inspection Agency's import ban does not apply to cooked poultry meat products.

AG CANADA RELEASES 2003/04 GRAINS AND OILSEEDS ESTIMATES: According to the January 10, 2003 *Canada: Grains and Oilseeds Outlook*, durum wheat production in crop year 2003/04 is forecast to be 4.97 million metric tonnes (MMT), up nearly 34% above 2002/03 production levels. Non-durum wheat production is also forecast to increase sharply at 20.70 MMT, up 73% over '02/03 levels. Barley production for '03/04 is forecast to be 12.92 MMT, up a tremendous 77% over '02/03 levels. Corn production in '03/04 is forecast to remain about the same as that in '02/03 at 9.1 MMT. Oat production in '03/04 is forecast to be 3.74 MMT, up 36% over '02/03 levels. Canola production in '03/04 is forecast to be 5.78 MMT, up 61% over '02/03 levels. Soybean production in '03/04 is forecast to be 2.76 MMT, up 18% from '02/03 levels. Flax production for '03/04 is forecast to be 895,000 metric tonnes, up 32% from '02/03 levels. The increased production forecasts are due to higher estimated yields and harvested acreage.

STUDY ASSESSES COOL IMPACT ON CANADIAN HOG SECTOR: A report commissioned by the Manitoba Pork Council to study the impact of U.S. Country-Of-Origin-Labeling (COOL) on Canada's hog industry concludes that at best, Canadian hog packers will benefit because pork will trade with the U.S., but hogs won't and Canadian pork may be able to command a premium. At worst, Canada will either lose a substantial export market or retain it only at a significant price discount. Based on its research, the George Morris Centre, an agricultural think tank, identified alternative scenarios under COOL and estimated their economic consequences. In the negative scenario, it estimates the possibility that the Canadian hog and pork industry could lose over 450 hog farms and farm income totaling over C\$350 million; Canadian feed mills would close; a market for 250,000 acres of cropland would be lost; Including grain farms, losses could be up to C\$750 million in farm income and losses of over 3,000 farms. From a Canadian perspective, the Centre believes certain actions can maximize the probability of having the best possible outcome,

including: expanding hog finishing capacity in Canada; accessing and training the labor required for packers to move to two shifts; promoting Canadian Brands in the U.S. or Asian countries; replacing U.S. product in either the domestic or export market, preferably at premium prices. A copy of the full report is available on the Centre's webpage at: www.georgemorris.org

CANADIAN WHEAT BOARD POSTS PRICES, SELLS CROP SLOWLY: A January 9, 2003 *Reuters* article reported that the Canadian Wheat Board (CWB), Canada's monopoly exporter of wheat and barley, has quietly resumed posting prices and is doing "business as usual" despite an extremely small crop, a sales manager said. "Basically we're selling very slowly this year just because the crop is incredibly small, so that is business as usual for this year," said Dave Simonot, a marketing manager with the board. The CWB jolted world grain markets on Sept. 5 by saying it was temporarily withdrawing daily offers of wheat and barley for export from Canada. Drought slashed the Canadian wheat crop to 15.69 million tonnes, a drop of 40 percent from the 10-year average and the smallest crop in more than 30 years. With harvest completed, "we know what we have, but it's still very small, so we're going to be marketing slowly throughout the year," Simonot told Reuters. By mid-November 2002, the CWB was giving quotes on request to select customers, including Japan, Mexico and Britain, as well as domestic millers. "We never really stopped posting prices," Simonot said, calling the September 5, 2002 announcement "somewhat overstated." He compared the posted prices to the suggested retail prices posted on vehicles at auto dealerships, which are understood to be up for negotiation. "It's probably not the price you're going to end up paying -- it's just there to give an indication of whether prices are going up or down this week," Simonot said. "So we never really stopped doing that. It was just that the prices that we were willing to settle on relative to that indicator price, if you will, were prohibitively high for a period of time and we weren't prepared to sell the grain, just because we didn't think we had the supply."

BONDHOLDERS NIX SWP REFINANCING PROPOSAL: According to a January 14, 2003 *Canadagrains Online* article, a committee representing approximately 42% of the holders of Saskatchewan Wheat Pool (SWP) medium term bonds has rejected the company's financial restructuring proposal. The committee faults the proposal for "absence of an acceptable capital structure and its failure to balance the interests of all stakeholders in a fair and reasonable manner." Under the proposal, SWP's bankers agreed to provide further credit to keep the company in business, but with conditions. One of the conditions is that the bondholders agree to significant dilution of their security. For the refinancing deal to go ahead, it must get 66.66% approval at a meeting of bondholders. A meeting is scheduled for January 31. At this meeting, the dissenting bondholders say they'll move for an adjournment to February 25, when they will present an alternative proposal "that accommodates the interests of all stakeholders and strengthens the financial position of SWP." Unknown at this point is whether the banks would go for any alternative proposal or, indeed, whether cash-strapped SWP can stay in business until the issue is sorted out.

COMMERCE UNDERSECRETARY'S FORESTRY PAPER DRAWS ADDITIONAL CRITICISM: According to a January 11, 2003 article from the *Globe and Mail*, criticism that views U.S. Commerce Department's undersecretary for international trade Grant Aldonas' forestry discussion paper as an unwarranted intrusion into Canadian sovereignty over resource management grew louder. Marc Boutin, with the Quebec Forest Industry Council, said the

suggestion that province must refashion its forestry practices to suit Washington or risk continued softwood duties is unacceptable. "To have an imposed modification to forest regimes, which would thereafter be monitored on a probably perpetual basis ... would be an infringement of sovereignty," Mr. Boutin said. Another Canadian forest sector group has already said the Aldonas paper "comes very close" to a blueprint for U.S. control of this country's forest system. Progressive Conservative trade critic Bill Casey said the Aldonas proposal will set a dangerous precedent for refashioning Canadian resource industry management to follow the dictates of the U.S. government. "If successful in implementing this agreement, the U.S. Department of Commerce could then apply the same concept to [other Canadian sectors]."

CANADA CONTRIBUTES C\$19.7 MILLION TO HELP CHINESE FARMERS ADAPT TO GLOBAL MARKETS: According to a January 9, 2003 news release from the Canadian International Development Agency (CIDA), Susan Whelan, Minister for International Cooperation, announced that Canada, through CIDA, will contribute almost C\$19.7 million to help small farmers in China adapt to global markets. "Canadian expertise and technical assistance will help maintain the incomes and livelihood of small farmers affected by China's entry to the World Trade Organization," Minister Whelan said. "Canada is committed to supporting China in its efforts to build an environmentally safe, quality agri-food system that will benefit all Chinese. Canada is helping to make a difference in rural agriculture around the world." The initiative, which will be implemented by Agriculture and Agri-Food Canada, is designed to provide training and technical assistance to Chinese decision-makers and institutions to implement progressive changes to the agricultural system in China. Canadian knowledge and expertise will help China ensure that its country's food safety and quality standards comply with World Trade Organization regulations. This initiative will also help small farmers increase their productivity, provide quality food products and access marketing tools to increase their income.

Did You Know ...that according to the Canadian Bottled Water Association (CBWA), the growth rate of bottled water sales in Canada in the next five to ten years will outpace U.S. domestic market sales? The CBWA says that the current per capita consumption of bottled water in Canada, at about 21 liters, is less than half the U.S. per capita level of 44 liters. (Source: AAFC)

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA3003	This Week in Canadian Agriculture, Issue 1	1/9/2003
CA3002	Impact of Country-Of-Origin Labeling in Canada	1/8/2003
CA3001	Canada Introduces Mandatory Nutrition Labeling	1/3/2003

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