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Report Highlights:

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Below-Average Crop Forecast for Saskatchewan * CWB Wheat, Durum & Barley
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* Release Date Delayed on Study of CWB's Performance * Think Tank Critical of
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Growing Appetite for U.S. Foods ... & MORE

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.

PETTIGREW WELCOMES U.S. DECISION TO EXEMPT ATLANTIC CANADA FROM LUMBER INVESTIGATION:

In a press release from the Canadian Department of Foreign Affairs and International Trade (DFAIT), Trade Minister Pierre Pettigrew welcomed the decision by the U.S. Department of Commerce to exempt Atlantic Canada from the softwood lumber countervailing duty investigation. An news article from *The Globe and Mail* stated that lumber producers outside of the Atlantic provinces are facing the threat of having to pay countervailing and anti-dumping duties. The article goes on to say that the province of British Columbia (B.C.) backs the Quebec proposal that should the U.S. decide to impose the punitive duties, the duties should apply differently to each province. This would allow the U.S. to take into account the different forest policies in various provinces. It would also allow B.C. to benefit from expected changes in provincial regulations governing the way companies hold timber land and pay for the right to harvest logs (stumpage) that would possibly alleviate concerns of subsidization. Pettigrew has asked his U.S. counterparts for exclusion of independent lumber remanufacturers, Quebec border mills, and a number of products.

CANADA ATTEMPTS TO DISPROVE LUMBER DUMPING: According to an article from *The Globe and Mail*, the Canadian government released numbers that it claims disprove allegations of dumping. DFAIT said that while softwood lumber exports have risen since the expiry of the 1996 Softwood Lumber Agreement, there has not been a "wall of wood" flooding the U.S. market. According to DFAIT, comparison of the second quarter of 2001 to the second quarter of 2000 reveals that softwood lumber exports to the U.S. were 11.3% higher - less than the 15% trigger required to satisfy the "critical circumstances" condition needed to apply retroactive duties on Canadian lumber exports. A spokesman for the department said that "We're under the threshold. There should be no finding of critical circumstances." The article states that many expect the U.S. to produce a different set of numbers - that will allow it to proceed with the retroactive duties. A Department of Commerce decision is expected to be available sometime on August 10. In a related article from *The Globe and Mail*, Canadian lumber company TimberWest Forest Corp. has filed a statement in the Federal Court of Canada in an attempt to force the Canadian government to repeal log export restrictions which discriminate against companies and individuals that harvest wood from private land in British Columbia. The decades old restriction requires that logs be made available domestically before they are sold abroad.

BELOW-AVERAGE CROP FORECAST FOR SASKATCHEWAN: According to the Saskatchewan Agriculture and Food August 7 crop report, pre-harvest crop production estimates

suggest that Saskatchewan crop production will be below average in 2001 due to below average yields caused by dry conditions across a large area of the grainbelt. Dry conditions in western and central districts of the grainbelt, for much of the growing season, is the main cause of the below average production forecast. The below average production forecast comes despite the fact that Saskatchewan farmers seeded a record area of 35.7 million acres this spring – up 9% from the ten-year (1991-2000) average. Based on the yield forecast, Saskatchewan farmers are expected to harvest 20.6 million tonnes of grains, oilseeds and specialty crops. This is 18% below the ten-year (1991-2000) average and the smallest crop since 1989. Generally at the provincial level, crop yield estimates range from seventy to eighty per cent of the ten-year (1991-2000) average. However, there is a high level of variability both at the local and regional levels. Whether this production forecast comes to pass, depends on weather conditions from now until the end of harvest. Hot weather continues to push crop development across the grainbelt. Saskatchewan spring cereals are 87% in the dough stage and six percent ripe, compared to a five-year average of 72 and 5 percent respectively. Flax crops are over 80% at or past the boll stage, compared to a five-year average of 63%. Canola and mustard crops are over 90% at or past the podding stage compared to a five-year average of 82%. Pulse crops are 30% ripe, compared to a five-year average of 13%. Fall-seeded crops are 78% ripe, compared to a five-year average of 79%. The hot weather is also promoting an early harvest. At the provincial level one percent of the 2001 crop has been combined and in the south-west combining ranges from three to seven percent complete. By crop, 12% of the fall rye, five percent of the winter wheat, five percent of the field peas and four percent of the lentils have been combined. Swathing and desiccation of the pulse crops will become more general across the province if the hot weather continues.

HOT WEATHER, LITTLE MOISTURE DAMAGING ONTARIO CORN CROP:

According to an August 3 Ontario Corn Producers' Association report, much of Ontario's corn crop has been experiencing the effects of prolonged hot weather conditions with little moisture to assist crop development. The near drought conditions has resulted in a downsizing of the 2001/2002 crop to an average yield of 116 bushels per acre or a 228.5 million bushel corn crop. If conditions prevail into the immediate future, crop predictions will include further reductions. In 2001 Ontario corn farmers planted 1.97 million acres and coupled with the excellent early crop development, the 2001/2002 crop was predicted to be a record harvest at 240.3 million bushels on a provincial average yield of 122 bushels per acre. The record crop of 1998 produced a 238.3 million bushels with an average yield of 128.8 bushels an acre. Rainfall across Ontario in July averaged only 20-40 percent of normal for July conditions. Farmers are concerned that rather than a crop reflecting the record conditions of 1998 they could be facing the worst case scenario, similar to the drought crop of 1988 where yields plummeted to an average yield of 87.3 bushels an acre producing a crop of 147 million bushels.

WHEAT, DURUM & BARLEY PRODUCTION ESTIMATES, EXPORTS TO FALL:

The Canadian Wheat Board (CWB) reduced (western) wheat production estimates to the 20-21 million metric tonnes (MMT) range, with durum production estimated to be just 3.2 MMT for the 2001/02 crop year. Barley production is estimated to be down to 11 MMT. As a result, Canadian wheat and barley sales could drop 10 to 15% from last year's 18.1 million metric tons, said Canadian Wheat Board (CWB) president and CEO Greg Arason at the CWB's annual end-of-crop year news conference. Arason said the extent of the export reduction would depend on how badly western Canadian production is affected by drought in Alberta and Saskatchewan.

"The coming year's export program will be impacted by the size of the crop that farmers begin to harvest," he said. "Although we need to see both the quality and the quantity of the crop before we make any final predictions, we already know that total exports will be down." Crops in the western part of the prairies suffered most from the dryness. Areas in the eastern part of the prairies are also experiencing quality problems because of diseases such as fusarium. In Manitoba, high humidity has contributed to its spreading. For additional information, see GAIN report CA1108.

CANOLA CRUSH IN 2000/01 CROP YEAR UP OVER LAST: According to the August 3 edition of *Agriline Daily*, the canola crush for the 2000/01 crop year ended July 31 totaled 2.994 MMT, says COPA, slightly ahead of 2.951 MMT in 1999/2000. Soybean crush for the year was 1.697 MMT, just below 1.712 MMT last season. Canola crush in the latest week (ended Aug. 1) jumped 56% to 62,059 tonnes from 39,705 tonnes a week ago (40,865 a year earlier). Soybean crush totaled 33,624 tonnes vs. 39,548 week-ago and 37,551 year-ago.

RELEASE DATE DELAYED ON STUDY OF CWB'S PERFORMANCE : The August 3 *Agriline Daily* reported that the study of Canadian Wheat Board's performance commissioned by the CWB and being conducted by University of Saskatchewan agricultural economist Richard Gray is apparently delayed until fall. Final report was originally due to board of directors May 31, but response from producers and farm groups was greater than expected. Study is supposed to develop a formula by which Wheat Board performance can be measured on an on-going basis.

CWB DIRECTOR WANTS TO END CWB BUY-BACK CHARGE: According to an August 2 *Canadagriculture Online* article, Canadian Wheat Board (CWB) farmer-director Jim Chatenay says he will propose that the board grant export licenses, with no buy-back, for organic grain, unlicensed varieties, and feed barley. The change would not require removal of these grains from CWB jurisdiction, he explains, and would implement the unanimous recommendations of a grain marketing panel commissioned by none other than CWB minister Ralph Goodale. Since the CWB does not market organic grain and unlicensed varieties, says Chatenay, it should treat these grains like other grains it does not market. As well, he adds, "the CWB already gives feed mills licenses to export processed barley to the U.S., and I strongly believe producers should have the same privileges big companies enjoy." He points out that the CWB can grant these licenses at any time, without any changes in its legislation.

THINK TANK CRITICAL OF INTERNAL TRADE BARRIERS: The Montreal Economic Institute, a public policy think tank, released a study sharply critical of Canada's internal barriers to trade between provinces and highlighted the dairy industry as the most regulated and protected sector in Canada. According to the MEI, dairy industry examples of internal barriers include: 1) measures that prevent the sale of colored margarine in Quebec, 2) Ontario's Edible Oils Act that prevents the manufacture and sale of imitation dairy products, 3) fluid milk distribution licensing measures in Ontario, Quebec and the Atlantic provinces that prevent fluid milk products from moving freely across provincial boundaries. In the West restrictions on the interprovincial movement of fluid milk are gone. In the East they have been used to protect local processors, particularly in the Maritimes where, according to the MEI, the result is an unproductive, non-competitive and vulnerable dairy industry. Between 1992 and 1998 interprovincial trade increased at an average 4.7 percent each year; during the same period international exports

increased by an average of 11.9 percent a year with imports growing at a slightly slower pace at 10.9 percent. The MEI believes this strong international trade performance in recent years is good news for Canada's economy but, the shift in relative importance between international and interprovincial trade may be bad news for Canada as a nation and for export growth in the long run. See www.iedm.org for more information.

INFORMATION SEMINAR ON MANDATORY NUTRITION LABELING PROPOSAL:

Health Canada (HC) is hosting an information session on the new regulatory proposals governing mandatory nutrition labeling and claims. The seminar will be held in Ottawa on August 14, 2001. For registration information contact Suzanne Lacombe, HC, tel: (613) 957-3826.

Currently, nutrition labeling in Canada is voluntary. In June 2001, Health Minister Allan Rock announced a comprehensive nutrition labeling proposal (draft regulations) which were published in the Canada Gazette, Part I, on June 16, 2001 (see CA1088). A 90 day public comment period expires on September 4, 2001. HC anticipates that the final rule on nutrition labeling will be law by the end of this year or early 2002. The forthcoming changes will affect U.S. packaged food product sales to Canada once the final regulations are in place. While the format of Canadian nutrition labeling will be similar to U.S. standards, it is important for U.S. exporters to note that differences exist between the United States and Canada as to the levels of recommended daily intake of certain nutrients and the display of nutrition facts on packaging in addition to Canadian declarations in metric and two languages (English and French). Further information and a copy of the regulatory proposal is available on the following Health Canada website: <http://www.hc-sc.gc.ca/hppb/nutrition/labels/index.html>

C\$7.6 MILLION LOAN TO DEVELOP E.COLI VACCINE FOR CATTLE: This fall, the Alberta Research Council will test an E.coli vaccine on 72,000 head of cattle at various Alberta farms and wider distribution will follow if federal regulators grant provisional regulatory approval. Hailed as the world's first vaccine against E.coli in cattle, Dr. B. Finlay of the University of British Columbia is credited with its discovery. The vaccine combats the deadly E. coli 0157: H7 in the host animal. Last year, Canada's worst outbreak of E.coli occurred in Walkerton, Ontario, a small rural town, after the infection sickened thousands of people and was linked to seven deaths (see CA0076). That outbreak was blamed on a torrential rainstorm that may have flooded the town's wells with cattle manure from nearby farms. The federal government has loaned an Ontario firm, Bioniche Life Sciences, C\$7.6 million through a program called Technology Partnership Canada to accelerate the commercial development of the vaccine. The Belleville, Ontario firm hopes to have conditional licensing by this fall and approval to market early next year in both Canada and the United States. The proposed vaccine will provide an immune response preventing the E. coli bacteria from multiplying in the digestive tracts of cattle, thereby reducing the E. coli bacterium in cattle manure. This, in turn, should reduce leakage of the bacterium into ground water and subsequent human exposure.

REGULATORY CHANGE ALLOWS JAPANESE BARBERRY IMPORTS FROM THE UNITED STATES: Canada's Food Inspection Agency has amended its Plant Protection Regulations to permit imports of certain varieties of rust-resistant barberry plants (Japanese barberry, *Berberis thunbergii*) from the United States. Many of the approved varieties of Japanese barberry have been commercially available and widely distributed in the U.S. for several decades. Prior to the amendment, the importation of Japanese barberry was prohibited

because barberry can be an alternate host for cereal stem rusts. However, rust-resistant varieties have been developed and marketed in the United States for over 30 years without any problems. Effective August 1, 2001 the approved amendment allows the importation and domestic movement of 11 varieties of Japanese barberry, subject to a control program to be administered by CFIA. The control program will provide safeguards to prevent the introduction and propagation of wild barberry plants and reduce the risk of black stem rust in Canada's cereal growing areas.

EXPORT DEVELOPMENT CORPORATION LAUNCHES NEW EXPORT SERVICE:

According to an August 2001 news release from the Export Development Corporation (EDC), the EDC will soon be launching an online information service allowing Canadian exporters to learn more about 64 million potential buyers in 70 key export markets. With this online service, customers will be able to find out whether EDC considers their buyers insurable for the amount of their sale and/or order an online Dunn & Bradstreet Information Report for detailed credit information and financial information (where available). The product will help Canadian exporting companies make a more informed decision about their potential buyers.

NORTH AMERICAN CRUISE INDUSTRY'S GROWING APPETITE FOR U.S. FOODS:

A joint study by the Office of Agricultural Affairs, Ottawa and the Caribbean Agricultural Trade Office, Miami shows that the North American cruise industry, representing 68% of the world's cruise capacity, has a growing appetite for U.S. food products in large quantities, of high quality and consistency, and products that will differentiate one cruise ship from another, remain fresh throughout a cruise, and reduce product and packaging waste. For the most part, the North American cruise lines secure their menu requirements from the United States. Ships chandlers/distributors consolidate container loads of product for delivery to the ships. For departure from a non U.S. port (e.g., Canada, Mexico) containers are sent in-transit from the U.S. to that port for en route pickup. Products are not considered exports and therefore require U.S. documentation only. The Caribbean is the most popular cruise route in North America and accounts for 43% of cruises. Other popular destinations include Alaska, Hawaii, New England, Quebec City, Mexico and Panama. About half of the cruises departing the U.S. leave from Florida ports. Other U.S. ports include New York, Seattle, and San Francisco to name a few. The Vancouver to Alaska route is increasingly popular. For more information see CA1107.

VETERINARY COLLEGES NEED SHOT IN THE ARM: According to articles in *Agriweek* and the *Edmonton Journal*, Canada's four veterinary colleges are suffering from rising costs and a troubled federal-provincial funding formula that has resulted in two veterinary colleges risking their international accreditation unless facilities are upgraded. According to the sources, the number of veterinarians graduating from Canadian veterinary colleges is below the number that could be placed in industry and more graduates are choosing urban pet and horse practice over meat-animal practice. The country's four university programs for veterinarians are in Saskatoon, Guelph, Montreal and Charlottetown.

SURVEY SHOWS CITY-DWELLERS GROWING WEARY OF HANDOUTS TO

FARMERS: According to the *Ottawa Citizen*, surveys conducted by Agriculture and Agri-Food Canada earlier this year following public rallies and protests by farmers over federal farm aid packages, show that city dwellers are growing weary of farmers' demands for government

handouts. In March 2001, the federal government contributed C\$500 million for farm aid (matched by the provinces' share of C\$330 million) in addition to the C\$1.8 billion already available this year through the federal-provincial safety net program. The action brought total federal-provincial funding for Canadian farmers for this year to more than C\$2.6 billion (see CA1040). With the additional funding, the federal government paid more money to farmers than in any other year since 1995. Lyle Vanclief, minister of Agriculture said he wasn't surprised that the surveys indicate that urban folk have little sympathy for farmers. "Non-farm people are asking, 'How much more do these people want?'" said Vanclief. According to the *Ottawa Citizen*, the results confirmed Vanclief's belief that there is widespread ignorance about farms and farming. A spokesperson for the firm that conducted the polls said that for many Canadians, "food is something that magically appears, shrink-wrapped, in the supermarket."

WARM SUMMER HEATS UP BEER SALES: An extended heat wave in Eastern Canada and a warm summer in most of the country is driving up beer sales. According to a *Globe and Mail* article, Canadian brewers report total Ontario beer sales for the week ended Aug. 5 -- including retail, bars and restaurants -- were up 10.4 per cent from last year. Retail sales alone were up 15.2 per cent. That goes hand in hand with the weather -- the average temperature for that week in the province this year was 29.7 Celsius, nearly 5 degrees Celsius warmer than the average for the same week last year. Earlier this summer, Statistics Canada reported that imported beers increased their market share by 25% to capture 8.9% of the beer market in Canada. This gain meant a sixth straight year of declining market share for domestic beer products (see CA1093). Official Canadian trade statistics show that for calendar year 2000, U.S. brewers supplied 51.5 million liters, or 32% of total Canadian beer imports of 160.6 million liters. The value of U.S. beer sales to Canada during 2000 reached \$33.5 million.

SWARMS OF APHIDS PLAGUE TORONTO, ONTARIO SOYBEAN FIELDS: According to an August 6 Canadian Broadcasting Corporation (CBC) article, farmers fear big losses after experiencing an aphid invasion. Ontario's soybean fields are infested with millions of aphids -- bugs that swarmed people in Toronto on August 3. Experts believe the insects amass when it's very hot and humid, and Ontario's weather this summer seems to suit the soybean aphids just fine. On Friday night, the air was so thick with flying aphids in Toronto that the Blue Jays game was interrupted and officials closed the Skydome's roof. Experts think the bugs take flight when they sense a change in the barometric pressure. Out in the fields this species sucks the water and nutrients out of soybeans. The bugs began showing up for the first time in crops in the US Midwest last year. Now, they're stunting the growth of Ontario's soybeans. Aphids can also transmit a number of plant viruses. Controlling the population is virtually impossible because females can reproduce on their own. As for the impact on Ontario's C\$500,000 soybean industry, a spokesperson for the farm insurance Agricorp says it's still too early to speculate. "We won't really know the financial impact until the combines have harvested all the soybeans in the province and crop insurance will have a tally of what the losses are."

Did You Know...

Overlaid on a map of Europe, the forests of Canada would cover all of the following: Great Britain, Ireland, Portugal, Spain, France, The Netherlands, Belgium, Luxembourg, Switzerland, Italy, Albania, Denmark, Norway, Sweden, Finland, Poland, The Czech Republic, Slovakia, Austria, Hungary, Greece, and Germany (Source: Council of Forest Industries).

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA1106	This Week in Canadian Agriculture, Issue 30	8/02/2001
CA1107	Get Onboard: North American Cruise Opportunities	8/07/2001
CA1108	CWB Crop-End Annual Report	8/092001

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