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## Canada

### Agricultural Situation

## This Week in Canadian Agriculture, Issue 34 2002

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#### **Report Highlights:**

"What's New, Eh?" \* Canada Applauds WTO Lumber Decision, Appeals WTO Dairy Decision \* Canada Eyes up to C\$400 Million in Lumber Sector Aid \* Court Dismisses Case Against Dairy System \* CFIA Gets New President \* Good Year for Ontario Wines \* Reduced Apple Crop Predicted \* Study Shows Organic Horticulture Production Very Small \* Grains Loading out of Vancouver via Direct Hit \* New Chief Commissioner for Grain Commission \* Saskatchewan Harvest 75% Done \* U.S. Corn Imports Lower in W. Canada, Higher in E. Canada \* Malting Barley Supplies Insufficient to Meet Domestic Needs \* Tendering for Grains Saved Farmers C\$40.9 Million, Says CWB \* Government Investment to Spur Demand for B.C. Forest Products \* Canada Initiates Trade Mission to Sub-Saharan Africa

...and MORE!

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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.

**CANADA APPLAUDS WTO LUMBER DECISION:** In a September 27 release from the Canadian Department of Foreign Affairs and International Trade, International Trade Minister Pierre Pettigrew welcomed the World Trade Organization (WTO) ruling that U.S. duties on Canadian softwood lumber exports violate international trade rules. "The WTO has found in favor of our position that the U.S. preliminary subsidy determination was flawed and disproves the methods of calculation" said Pettigrew. The WTO agreed with Canada that the United States' finding that Canadian provincial stumpage programs are countervailable subsidies was not made in accordance with WTO rules. The WTO Panel upheld the U.S. argument that Canadian provincial government sales of public land timber to Canadian producers amounted to an illegal subsidy. The ruling also upheld the U.S. procedure for calculating a country-specific subsidy rate instead of company-specific rates. Canada remains open to working with the United States to find a long-term solution to the softwood lumber dispute. Canada is also continuing to follow legal processes available including, pursuing WTO challenges of the final U.S. determinations of subsidy, dumping and injury. The Government of Canada, the provinces and industry have initiated three reviews under the NAFTA dispute settlement process regarding the U.S. final subsidy, dumping and injury determinations. Those decisions are expected in 2003.

**CANADA EYES UP TO C\$400 MILLION IN LUMBER SECTOR AID:** According to coverage by the *Globe and Mail* of a September 30, 2002 *Reuters* article, the Canadian government is close to deciding on a substantial aid package for softwood lumber workers who have been hit hard by U.S. tariffs, senior trade officials said. One government source, who asked not to be identified, said the size of the package being discussed was C\$250 million to C\$400 million (\$160 million to \$250 million). It was not clear if the aid package would be all new money or would include a reallocation of already budgeted funds. Nor was it known if Ottawa intended to dip into its C\$3 billion contingency reserve. Ottawa is determined to produce a balanced budget or a surplus this year, and is also keen to avoid giving direct subsidies to the softwood industry itself, lest it trigger a new round of U.S. tariffs. It is expected the plan would more likely concentrate on training laid-off lumber workers or providing richer employment insurance benefits.

**CANADA APPEALS WTO DAIRY RULING:** According to a press release from the Canadian Department of Foreign Affairs and International Trade, the Government of Canada, on September 23, appealed a World Trade Organization (WTO) Compliance Panel Report that concluded that Canada's commercial export milk approach does not comply with WTO obligations. "We believe that there are

compelling legal grounds for appealing the Compliance Panel Report," said International Trade Minister Pierre Pettigrew. "We have made extensive changes to our dairy exports since the adoption of the original Panel and Appellate Body reports in this case, to ensure full conformity with our international obligations." "With our appeal, we hope to lay this dispute to rest once and for all, allowing our dairy sector to focus on creating the world-leading dairy products it is known for." said Lyle Vanclief, Minister of Agriculture and Agri-Food. On July 26, 2002, a WTO Compliance Panel found Canada's export of dairy products to be subsidized. This decision emerged from a second request by the United States and New Zealand for a review of Canada's commercial export milk approach. Last December, the Appellate Body of the WTO found that the United States and New Zealand had failed to prove that Canada's commercial milk approach was inconsistent with WTO obligations.

**ONTARIO COURT DISMISSES CRFA CASE AGAINST DAIRY SYSTEM:** According to a press release from Dairy Farmers of Canada (DFC), the Ontario Divisional Court on September 25 dismissed the Canadian Restaurant and Foodservices Association's (CRFA) request for judicial review. The CRFA was asking that Canadian pizzerias be eligible to purchase cheese at special class prices available to makers of frozen pizza (essentially at U.S. prices). The Ontario Court judges were unanimous in rejecting CRFA's claims of bias or lack of "procedural fairness" at the industry's Canadian Milk Supply Management Committee (CMSMC). DFC welcomed the Ontario Divisional Court's decision. The CMSMC serves as the key national body for policy development and discussions respecting the dairy production and processing sectors. Representatives of national consumer and producer organizations also participate as non-voting members.

**CANADIAN FOOD INSPECTION AGENCY GETS NEW PRESIDENT:** According to the September 23, 2002 edition of just-food.com, Canadian prime minister Jean Chrétien has announced the appointment of Richard Fadden, currently Deputy Clerk of the Privy Council, Counsel, and Security and Intelligence Coordinator, as President of the Canadian Food Inspection Agency, effective September 23. Fadden joined the Public Service in 1978 and has held a variety of positions of increasing responsibility since that time, including assistant auditor general, audit operations, Office of the Auditor General of Canada; assistant deputy minister, Corporate Services, Natural Resources Canada; and assistant secretary, Government Operations Sector and Infrastructure Works, Treasury Board Secretariat.

**GOOD YEAR FOR ONTARIO WINES:** According to the Wine Council of Ontario, the 2002 vintage is expected to be an excellent year for Ontario white and red wines, due to the hot temperatures experienced over extended periods during the summer. The majority of Ontario grapes are normally harvested during October with the exception of those marked for late harvest wines and Icewine, which are harvested in colder temperatures. Ontario's three wine regions - Niagara Peninsula, Pelee Island and Lake Erie North Shore - are spread over 13,000 acres in southern Ontario which is home to more than 90 wineries that produce about 42 million liters of wine annually from the more than 8.3 million grape vines in production. The most widely planted wine grape in Ontario is Chardonnay. In 2002, Ontario wineries are expected to produce 52 million bottles of wine or 4.3 million cases. The total retail value of Ontario wine sold in 2001 was C\$378 million.

**REDUCED APPLE CROP PREDICTED:** Current prospects indicate that the volume Canada's 2002

fresh apple crop will fall about 10% from last year's relatively low level and reach an estimated 420,000 metric tons. The apple crop in Ontario, the major apple producing province, suffered from an early frost followed by yield-reducing heat and prolonged dry spells during the growing season. Production in Ontario is expected to be down as much as 30% from last year. Canadian fresh apple imports from the U.S. slipped to 92,755 metric tons during MY2001/2002, down about 2% from 94,847 metric tons a year earlier. U.S. fresh apple exporters lost import market share to Chile, New Zealand and South Africa during 2001/2002, but still accounted for 75% of Canada's total fresh apple imports. Canadian apple exports have performed dismally in recent years falling to almost half their volume of five years ago. In addition to lower fresh apple sales to the United States and Europe, low priced Chinese apples have displaced Canadian apples from many of the Asia-Pacific markets that Canada, and especially B.C. growers, were focusing on in recent years. For more information, see CA2116, Fresh Deciduous Fruit Annual.

**STUDY SHOWS ORGANIC HORTICULTURE PRODUCTION VERY SMALL:** A two year investigative study by Statistics Canada comparing the organic production industry for fruits and vegetables and conventional production methods showed that the organic production industry for fruits and vegetables is very small and does not appear to be expanding. Total organic fruit area in Canada accounts for only 0.8% of the total fruit area. Organic vegetables account for only 0.6% of total vegetable area. Apples comprise the largest organic fruit crop, with about 845 acres. The largest organic vegetable crop is sweet corn, at about 345 acres. However, the study also showed that organically grown fruits and vegetables are generally able to command a price premium. For example, prices for organically grown apples were 73% higher than prices for those grown by conventional methods. Prices for organically grown lettuce were 33% higher. Also, about one-half of the organically grown fruit and vegetable crops generate a gross return per acre greater than conventional methods. For example, the gross return per acre of organically grown apples in Canada was C\$4,000 in 2000/2001, compared with C\$3,000 for an acre of conventionally grown apples. However, the study did not compare costs of production and therefore the key question of whether organic fruits and vegetables are more or less profitable than their conventional counterparts remained unanswered. The full report is available online at the following Statistics Canada webpage:  
<http://www.statcan.ca:80/english/freepub/21-004-XIE/21-004-XIE02009.pdf>

**SALE OF SWINE, EQUIPMENT AND EXPERTISE TO RUSSIA:** Two Canadian firms have been contracted by Russia's fourth largest meat processing company to assist with the establishment of a C\$45-million swine facility. The deal includes the sale of up to 9,000 sows, building design services, equipment and technological know-how to manage the operation. It represents the largest single contract ever for Canadian companies to supply a turn-key swine facility in Russia. "This is an indication of the opportunities for Canadian agri-food companies in the Russian marketplace," said Mr. Vanciel, who attended the contract signing in Moscow and congratulated the two companies, Donaldson International Livestock Ltd. of Tavistock, Ontario and Fred Groenestege Construction Limited Sebringville, Ontario, on their success. Last year, two-way Canada-Russia agri-food trade totaled nearly C\$90 million. Russia was Canada's fifth largest pork market in 2001, the fourth largest market for poultry and ranks 22nd as a market for Canadian seafood. The trip by Vanciel's was a follow-up on the Prime Minister's Team Canada Mission to Russia earlier this year during which Canadian and Russian businesses (all sectors) signed 77 trade

deals worth C\$337 million (see CA2016).

**GRAINS LOADING OUT OF VANCOUVER VIA DIRECT HIT:** According to *farms.com* October 1 coverage of a *Resource News International* report, "Direct loading" alternatives are being used at Canada's West Coast Port of Vancouver, since a labor dispute halted the use of export facilities there. The direct loading option involves transfer of grains, oilseeds or pulse crops directly from trucks or railcars to a vessel without added processing. The Canadian Grain Commission has allowed direct loading since the early 1980s. Grain is also being loaded at the Port of Prince Rupert, 900 miles north of Vancouver. Grain workers in Prince Rupert could be in a legal strike position in about three weeks. Grain Workers Union spokesmen for Vancouver said they object to the direct loading, and they are seeking an end to an injunction that has prohibited them from picketing at the Port of Prince Rupert. No negotiations to resolve the lockout of grain handlers are presently planned. Ottawa has declined to intervene despite calls for action by the federal government to end the labor dispute. The October 1 *AgriLine* reported that just 1,600 cars of grain were unloaded at the Port of Churchill in northern Manitoba so far this year, compared to 2,600 cars to this date a year ago. Churchill's catchment area includes some of the driest districts on the prairies, so the 2003 shipping season may not be much better.

**MANITOBA FARMER NEW CHIEF COMMISSIONER OF GRAIN COMMISSION:** According to the October 3rd, 2002 *Winnipeg Free Press*, a Manitoba farmer has been appointed the chief commissioner of the Canadian Grain Commission (CGC). Chris Hamblin, who farms near Morris, Manitoba and has been a CGC commissioner for six months, was named to the federal position yesterday by Agriculture Minister Lyle Vancilief. The CGC monitors and grades grain quality. "My role is to make sure the grain commission is keeping up to the times and serving the needs of the producers and industry," Hamblin said. She said one of their main tasks will be ensuring visual inspections of wheat accurately determine the quality. There are new strains of wheat which look the same as protein-rich red spring varieties but are of inferior quality. "We have to find a way of ensuring quality is maintained," Hamblin said.

**SASKATCHEWAN HARVEST 75% DONE:** Saskatchewan farmers have completed three quarters of the harvest, according to Saskatchewan Agriculture, Food and Rural Revitalization's latest weekly crop report. Seventy-three percent of the 2002 crop is off with 60% of the crop combined and an additional 13% put to alternate uses including livestock feed. Harvest progress remains behind the five-year (1997-2001) average of 98% complete for this time of year.

It is reported that 65% of the spring wheat crop has been harvested. Eight percent of the wheat harvested to date is expected to grade No. 1 Canada Western (CW), 22% - 2 CW, 38% - 3 CW and 32% - Canada Feed. Wheat quality is down from the ten-year average of 52% grading No. 1. Immature crops suffered damage from frost last week, however farmers noted frost may help some underdeveloped crops mature. Crop reporters indicated migratory birds damaged crops. Grasshoppers and sawflies continued to cause crop damage along with wind that scattered swaths and shelled ripe crops. Staining, bleaching, mould, mildew and sprouting continue to decrease crop quality. Farmers are busy baling greenfeed, second-cut hay, straw and seeding fall crops with fall seeded crops emerging in some areas.



**ONTARIO PLANS EMERGENCY MEETING ON GREEN SOYBEANS:** According to the October 1, 2002 edition of *Good Morning Ontario*, the Ontario Soybean Growers (OSG) are organizing an emergency 'meeting of minds' on October 3 to try to get a handle on the extend of the green bean problem. There will be representatives from private crop consulting firms, agricultural scientists from provincial and federal governments and the crushers to share and publish up-to-the-minute information about the problem, says OSG Market Information officer Kim Cooper. "For example, we hope to have preliminary data on the value of the green beans as a feed and hope to identify just how much of a detriment it is in making soy oil and meal," says Cooper. "There's a lot of frustration out there," says Cooper. "They selected, planted and cared for a crop just like they always have and yet without rain, this is the result." Fortunately, harvest of soybeans in central and eastern Ontario is showing very low levels of the green bean problem, say industry sources.

**U.S. CORN IMPORTS LOWER IN W. CANADA, HIGHER IN E. CANADA:** The September 23 edition of *Agriline* reported that projections of US corn imports into western Canada are being scaled back somewhat due fairly good barley crops in southern Alberta and the increased supply of feed wheat due to quality concerns from drought and frost. Meanwhile, the Ontario Corn Producers Association (OCPA) has raised its estimate of US corn imports for 2002/03 to 50.0 million bushels (bu). This compares with the August forecast of 30.8 million bu but was unchanged from the year ago level of 50.0 million. Quebec is expected to import at least 10.0 million bu of US corn, up from the August forecast and the 2001/02 level of 9.0 million. OCPA forecasts that Canada will likely import 184.0 million bu of corn from the US in 2002/03. This is significantly higher than its previous 2002/03 estimate of 61.5 million bu and the 140.0 million brought in during 2001/02.

**MALTING BARLEY SUPPLIES INSUFFICIENT TO MEET DOMESTIC NEEDS:** According to the September 27 edition of *Agriline*, malting barley supplies in Canada this year may not be sufficient to meet domestic requirements. The poor growing season is expected to cut the availability of malting barley by at least half to around 1.2 million metric tons (MMT). Domestic buyers take an average of 1.1 MMT annually. There have been unconfirmed rumors recently that a test cargo of 25,000 tons of Danish barley was imported by a malting barley company through Vancouver. Total Canadian barley production for 2001/02 was about 10.8 MMT by Statistics Canada. Of this, roughly 2.1 to 2.2 MMT were selected for its malting qualities, says the Canadian Wheat Board.

**TENDERING FOR GRAINS SAVED FARMERS C\$40.9 MILLION, SAYS CWB:** The October 1 edition of *Agriline* reported that the Canadian Wheat Board (CWB) said that the grain tendering process and other changes to the grain transportation system saved western Canadian farmers C\$40.9 million during the 2001/02 crop year. Tenders totaling 3.45 MMT were accepted, accounting for 21% of total exports, short of the 25% required by the *Memorandum of Understanding* between the CWB, the and Minister responsible for the CWB, Ralph Goodale, and the trade in May, 2000. The proportion of CWB grain that must be tendered is supposed to rise to 50% in 2002/03. Some (smaller) companies are reportedly saying that the tendering process is a money-losing proposition and are considering withdrawing, while other (larger) grain companies report being able to offset the discounts resulting from tendering by capturing other efficiencies in the grain handling system.

**GOVERNMENT INVESTMENT TO SPUR DEMAND FOR B.C. FOREST PRODUCTS:**

According to a September 19 news release, the British Columbia (B.C.) provincial government is spending C\$2 million to increase domestic and international demand for B.C.'s primary forest products as part of its C\$20-million commitment to sector diversification and marketing. B.C. Forests Minister Michael De Jong stated that the province is implementing its promise to apply one percent of forest revenues to global marketing of B.C. forest products and practices. Five projects benefitting the primary forest products industry will receive funding under the Forestry Innovation Investment program of the Forest Investment Account. These following projects are cost-shared with industry groups: (1) Wood Promotion Network, promoting wood use in North American homebuilding through an extensive advertising and promotional campaign, C\$600,000; (2) Spruce Pine Fir Group, including the Cariboo Lumber Manufacturers Association, Northern Forest Products Association and Interior Lumber Manufacturers' Association, promotional program in Japan, China and Korea, C\$652,000; (3) Canply, for two projects, totaling C\$418,425: (i) Plywood marketing program in the U.S., Europe, China and emerging markets, (ii) Plywood grade-marking program to ensure compliance with European market requirements after 2004; (4) Canadian Wood Council, for the Wood Works! program, domestic promotion of wood use in non-residential construction, C\$375,000; (5) Northern Forest Products Association, education program for Grade 5 pupils, C\$40,000. These investments are part of the C\$20-million fund for forest-sector diversification and international marketing launched in March, 2002. Funding for other projects in the primary sector, as well as another C\$10 million for applied research projects, will be announced later in the year.

**CANADA INITIATES TRADE MISSION TO SUB-SAHARAN AFRICA:** According to the Canadian Department of Foreign Affairs and International Trade, at the June Kananaskis summit in Alberta, Prime Minister Chrétien announced Canadian initiatives to ease access to Canadian markets for African exporters and to strengthen trade and investment links between Canada and African countries. One of Canada's initiatives is a trade mission to sub-Saharan Africa (SSA). To fulfill this commitment, International Trade Minister Pierre Pettigrew has invited Canadian companies to participate in a trade and investment mission to South Africa, Nigeria, and Senegal, November 15 to 26, 2002. In 2001, Canadian goods exports to sub-Saharan Africa were C\$690 million and sales of services to the region in 2000 totaled approximately C\$630 million. South Africa accounted for 27% of Canada's exports to SSA in 2001 and has been among the top markets in the world in recent years for Canadian products ranging from mining and instrumentation equipment to agricultural products. Canadian sales to Nigeria of communications equipment, special plastic products, machinery, pre-fab buildings, fish products and pharmaceuticals point to further growth opportunities for companies ready to explore this market.

**Did You Know ...**that the first commercial vineyard in Canada was planted on Pelee Island in Lake Erie in the 1860s and is still in production?

#### **Recent Reports from FAS/Ottawa:**

Report Number	Title of Report	Date

CA2116	Deciduous Fruit Annual	10/02/2002
CA2115	Vending Machine Food Distribution In Canada	10/01/2002
CA2114	Canadian Food Brokers	09/23/2002
CA2113	This Week in Canadian Agriculture, Issue 33	09/20/2002

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