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Report Highlights:
* Federal Loan For Slaughter Cow Plant * Ontario Issues Additional C$2 Million Under Its Manure Animal Abattoir Fund * Next Year's Outlook is Good For U.S. Exporters Selling to Canadian Foodservice * Canadian Farm Groups' Reaction to U.S. Election Results * Fate of Rail Cars Could be Decided Soon * New Poll Indicates Farmers' Outlook on Ag Economy to be Bleak

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Includes PSD Changes: No
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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.

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.

FEDERAL LOAN FOR SLAUGHTER COW PLANT: Gencor Foods Inc, a subsidiary of the farmer-owned co-operative Gencor, The Genetic Corporation received a C$2 million loan from Agriculture and Agri-Food Canada through Agricultural Adaptation Council's CanAdapt program. This loan will assist Gencor Foods with their plan to build a fully integrated, federally inspected, consumer driven, beef processing company. Gencor Foods Inc. was formed as a producer owned cattle slaughter and primary food processor in December 2003. The company is a federally inspected establishment under the Canadian Food Inspection Agency inspection program. Gencor purchased the former MGI facility in Kitchener (now Gencor Foods Inc.). The company intends to provide an Ontario solution to the cull cow crisis resulting from the U.S. border closure, and to establish an integrated link in the meat industry from the farm gate to the consumer's plate." said Gencor President, John Hazeleger. The plant has a slaughter capacity of about 1,500 head per week.

ONTARIO ISSUES ADDITIONAL C$2 MILLION UNDER ITS MATURE ANIMAL ABATTOIR FUND: In June 2004, the Ontario government announced that C$7 million would be invested in the province's Mature Animal Abattoir Fund. Under the first phase of the program, the Ontario government provided about C$5 million to Gencor Foods Inc. of Kitchener, Ryding Regency Meat Packers Ltd. of Toronto, West Grey Premium Beef Inc. of Durham, and Brian Quinn's Meats Ltd. in Yarker, Ontario, all small to medium-size abattoirs. This week, under phase two of the program, the government provided C$2 million to four additional small packers: Holly Park Meat Packers Inc., M. Scheel Packers Inc., Aman's Abattoir and Rideau Meats. The fund is intended to assist the province's livestock industry deal with the effects of U.S. (BSE-related) border closure to Canadian live cattle by expanding Ontario's slaughter capacity for surplus mature animals. According to provincial officials, Ontario shipped about 1,000 cull cows per week for processing in U.S. plants, and up to 1,000 dairy heifers per week for U.S. dairy herds prior to the border closure. The heifers now remain in Ontario's dairy herds, resulting in an increase in Ontario's dairy cull rates. The lack of slaughter capacity for cull animals combined with depressed cattle prices has resulted in an estimated backlog of about 60,000 head in Ontario.

NEXT YEAR'S OUTLOOK IS GOOD FOR U.S. EXPORTERS SELLING TO CANADIAN FOODSERVICE: The Canadian Restaurant and Foodservices Association (CRFA) forecasts that sales in Canada's foodservice industry will grow to C$47.9 billion in 2005. That's good news for U.S. value-added food sales to Canadian restaurants and foodservice outlets and distributors. The CRFA says that fueled by a strong economy, rising income and more tourists, 2005 will bring a 4.7% increase in sales – down only slightly from 5.9% growth in 2004. Adjusted for menu inflation, real sales will advance 2.4% in 2005, on par with the long-run average growth in foodservice sales. For a detailed look into the Canadian foodservice market, and a roadmap to market entry, see CA4019, FAS/Ottawa's Foodservice Sector report available on the FAS webpage.

CANADIAN FARM GROUPS' REACTION TO U.S. ELECTION RESULTS: Reaction to Tuesday's election results came far and wide from Canada's farm community. By most accounts, Canadian farmers were generally pleased with the re-election of President Bush, especially since it ensures some continuity in relations with the U.S. In addition, according to many Canadian farm leaders and producer groups, there is a general perception among Canadian farmers that S.D. Senator Daschle's defeat would be positive for U.S.-Canada agricultural trade relations. Most importantly, however, there is a feeling of general relief that the election is over and that U.S. policymakers can re-focus their attention to the task at hand, including the re-opening of the Canada-U.S. border to live Canadian cattle exports. Lyle Stewart, the Saskatchewan Party Agriculture Critic stated that although President Bush's defeat of Sen. Kerry doesn't solve the border closure issue, it was the best scenario for ranchers, considering Mr. Kerry was one of the signatories of a letter urging the continued closure of the U.S. border to live Canadian cattle exports. Many of the groups were realistic in that they did not expect the re-election of President Bush to end trade disputes in regards to Canadian wheat, hogs and lumber, but many felt they would have a better shot at working through the disputes with President Bush at the helm. Many Canadian farm leaders hold strong perceptions, rightly or wrongly, that the election results in S. Dakota would help greatly to improve U.S. trade relations with Canada on the agriculture front. Brian Ross, president of the Saskatchewan Stock Growers Association stated that he felt Sen. Daschle was too protectionist. Ted Haney, president of the Canadian Beef Export Federation stated that the election results in S. Dakota were even more significant to Canadian cattlemen than the Presidential election. Despite the positive feeling coming from many of the farm groups over President Bush's re-election, there is also the sentiment that if progress is not made quickly on the cattle issue, Canada should turn to international trade panels to resolve the dispute. In the meantime, the Canadian cattle industry is moving quickly, and plans to meet with members of the U.S. government next week in Washington in hopes that now the election is over, it will speed up the border re-opening.

FATE OF RAIL CARS COULD BE DECIDED SOON: Producers, farm groups and the national railways have been waiting anxiously for nine years for the federal government to decide the fate of its aging fleet of grain cars. Now, according to Transport Minister Jean Lapierrie, the federal government might actually be ready to make a decision. The minister told farm, grain and transportation industry groups at a meeting on Monday that the government has received three expressions of interest to buy all or part of the fleet and that the government hopes to sign off on a deal soon. The fleet consists of 13,000 hopper cars, some of which are nearing the end of their life expectancy and will need to be replaced within the next five to seven years. The Farmer Rail Car Coalition, a collection of farm groups, has been the leading group expressing the desire to purchase the entire fleet, claiming it can save farmers money by better maintaining the cars. Other farm groups, like the Saskatchewan Canola Growers Association and the Western Canadian Wheat Growers, would rather have the government hold onto the cars, claiming new ownership would do little improve grain transportation and could end up costing farmers more in freight rates. Canadian Pacific Railway (CPR), which operates half of the federal fleet, presented its own plan for dealing with the cars, which would have Transport Canada holding onto the cars, but the railways would undertake a major quality enhancement program. But CPR is ready to bid on the fleet if the government is insistent on selling it. Canadian National Railway (CNR) is also willing to bid on the 6,000 cars it operates.

NEW POLL INDICATES FARMERS' OUTLOOK ON AG ECONOMY TO BE BLEAK: According to a new Ipsos-Reid poll, Canadian commercial farmers thing the agricultural economy is weak and many don't expect any improvement over the new six months. According to the poll, over one-half of the producers surveyed rated the agriculture economy as very weak, while only 2% considered it to be very strong. Beef producers had the most dismal view, with two-thirds giving the economy a very weak rating. Crop producers weren't much better in their assessment. Over half of them assessed the agricultural economy as very weak. Prairie farmers were the most pessimistic. The outlook was poor in Alberta and the situation is perhaps the most distressing Manitoba, where producers pessimistic about economic growth outpaced those on the optimistic side by nine to one.

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