USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 11/25/2005

GAIN Report Number: CA5081

Canada

Agricultural Situation

This Week in Canadian Agriculture, Issue 39

2005

Approved by:
Gary C. Groves
U.S. Embassy

Prepared by:
George Myles and Christina Patterson

Report Highlights:
GOC Announces Money for Grains & Oilseed Producers * Forestry Package Worth Up To C$1.48 billion * Softwood Duties Expected to be Lowered * Countries Announce Bans on Canadian Poultry * Poor French Fry Sales * Rendering Company to Produce Biodiesel from Animal Fats * Canola Crush Continues to Soar * Harvest is Over, Quality Down

---

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.

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.

GOC ANNOUNCES MONEY FOR GRAINS AND OILSEED PRODUCERS: On Wednesday, the Government of Canada (GOC) announced almost C$755 million (approximately $644 million) in emergency federal assistance for Canada's grains and oilseed producers. According to the Minister of Agriculture and Agri-Food, Mr. Andy Mitchell, the money is to help address the severe economic hardship being experienced by Canadian grains and oilseed producers, as a result of record low farm income. The goal of the money is to help sustain the industry while provincial and federal governments work together to develop a long-term solution. The GOC cites poor weather, rising fuel costs, U.S. domestic support for specific commodities and a high Canadian dollar as contributing factors to the decline in farm income. This announcement in combination with a previous announcement of C$439 million ($375 million) through the farm income payment program earlier this year, provides Canadian grains and oilseed producers with a total of nearly C$1.2 billion ($1.0 billion). The payment to producers will be based on net sales of grains and oilseeds and will be treated as farm income for the purposes of calculating the benefits received through the Canadian Agricultural Income Stabilization (CAIS) program. As a result, this will reduce the amount farmers receiving payment through CAIS. The money is expected to be delivered in the near future, but at the time of writing it is unclear if all the money would be allotted prior to an election call (see *Comment* under next entry).

FORESTRY PACKAGE WORTH UP TO C$1.48 BILLION: The GOC has announced a C$1.14 billion aid package for the Canadian lumber industry. The Forest Industry Competitiveness Strategy is a 5-year program aimed at a wide range of issues facing the Canadian forest industry. According to a press release from the Department of Natural Resources, the strategy will provide firms affected by the softwood lumber dispute an C$800 million in loan insurance and C$100 million in a repayable contributions program pending the resolution of the softwood lumber trade dispute. In addition, the government proposes to accelerate the capital cost allowance for forest bioenergy production resulting in an estimated C$110 million in tax savings. *Comment: Although members of the Canadian lumber industry applauded the announcement, some of the program elements may never materialize if the minority Liberal government falls to an upcoming opposition party non-confidence motion scheduled for early next week. A federal election is expected early next year. The lumber package announcement is one of many medium-term aid packages across diverse economic and social sectors promised by the current government. A new government would not be necessarily bound to honor them.*

SOFTWOOD DUTIES EXPECTED TO BE LOWERED: In compliance with a NAFTA ruling, the U.S. Department of Commerce (DOC) announced that it would reduce the countervailing duty (CVD) on Canadian softwood lumber exports to the U.S. from 18.8 percent to 0.8 percent. The announcement by the DOC came as a result of a NAFTA panel ruling that ordered the DOC to recalculate the CVD level. The reduction in the CVD is not expected to occur right away, as the final ruling on the case by the NAFTA panel is expected within 45 days. The U.S. has the right under NAFTA to appeal the decision and Canadian industry officials are expecting that to happen. If the ruling is upheld and no appeals are launched, the CVD will be removed, leaving the 4 percent anti-dumping duty still in place. Canadian government officials were encouraged by the announcement, but are still calling on the U.S. to return some of the $5 billion in duties already collected.

SEVERAL COUNTRIES ANNOUNCE BANS ON CANADIAN POULTRY OVER AVIAN INFLUENZA FIND ON DUCK FARM: The United States and Hong Kong have announced bans on imports of poultry from British Columbia (B.C.) and Japan has reportedly banned all Canadian poultry following the confirmation of avian influenza (AI) on two B.C. farms. Although three other related farms all tested negative for AI, the Canadian Food Inspection Agency has established a surveillance area in a five-kilometer radius around the farms where the virus was first identified. All birds from the two farms are being depopulated. According to CFIA, this pre-emptive cull follows international guidelines and the approach agreed to by governments and industry following the 2004 B.C. outbreak. British

Columbia. CFIA said that the AI virus has been confirmed as a low pathogenic H5 North American strain. This virus is different than the H7N3 strain found in 2004.

McCAIN FOODS TELLS POTATO GROWERS THAT IMAGE PROBLEM IS IMPACTING SALES: According to a report in *The Guardian*, McCain Foods Vice-President Mark MacCaulay told the P.E.I. Potato Board that frozen french fries sales are down due to a poor image held by consumers. MacAulay estimates as many as 750,000 North American households have cooled to frozen fries because of a belief that the product has no nutritional value. "We didn't react fast enough to the health image problem and did not anticipate the magnitude this would have on our product," said MacAulay. "With the Atkins diet craze and the notion that potatoes were junk food, it's hurt our industry." The company, which claims it is the world's largest french fry manufacturer, is headquartered in Florenceville, New Brunswick. It is reportedly ready to launch a major campaign to dispel the myth that potatoes aren't healthy and instead can be an important part of a balanced diet. The campaign will emphasize that potatoes are an important source of Vitamin C and potassium. *Comment: Canadian potato production during 2005 fell to an estimated at 4.3 million metric tons, down 18% from the 2004 level (see CA5078). Potato growers cited a decline in contracts for processing potatoes as a major reason for the downturn. For a recent update on the production and trade of frozen potato products in Canada see CA5070, the Potato Products Annual.*

CANADA'S LARGEST RENDERING COMPANY TO PRODUCE BIODIESEL FROM ANIMAL FATS: Rothsay, a division of Maple Leaf Foods Inc., has announced the opening of Canada's first commercial-scale biodiesel plant. The new facility has the capacity to produce 35 million liters of biodiesel annually and is located in Ville Ste. Catherine near Montreal. The company says that it's fuel is made by converting animal fats and recycled cooking oils into an environmentally sustainable alternative fuel that reduces harmful greenhouse gases, and can be used in all diesel engines without modification. Rothsay is one of the largest Canadian producers of recycled value-added products including animal feed ingredients, amino acid supplements, organic fertilizer, alternative fuel and other industrial products by converting edible and inedible by-products. It operates five rendering facilities across Canada.

CANOLA CRUSH CONTINUES TO SOAR: Canola crush in Canada has been humming along during 2005, and there is a possibility of the 2005/2006 crush surpassing the record crush established in 2003/2004. The pace of canola crushings so far into the 2005/2006 crop year (August-July) was 799,572 metric tons, 9.3 percent ahead of the previous 10-year average and the August to October crush was up 3.6 percent from the same quarter of 2004/2005 and 1.5 percent ahead of the 2003/2004 pace. Favorable crush margins in 2005/2006 are driving the record pace. According to the Canadian Oilseed Processors Association (COPA), crushers were working at 91.6 percent of available capacity, with year-to-date capacity utilization at roughly 85.7 percent. Crushers have been able to buy canola at values less than the futures and sell canola oil at a premium. Canola meal prices have also been better. European demand for canola oil has increased significantly this year, as the Europeans attempt to meet the demand for vegetable oils for bio-fuel production.

HARVEST IS OVER, QUALITY DOWN: Challenging growing and harvesting conditions have impacted crop quality in Western Canada. According to Saskatchewan's provincial Department of Agriculture, roughly 18% of Saskatchewan's spring wheat crop will be graded No.1 Canada Western (CW), which is significantly lower than the 10-year average of 53 percent. Approximately 26% of the durum crop will be 1 CW, compared to the 10-year average of 38 percent. The percentage of the oat and barley crops expected to grade 1 CW is also below the 10-year averages for both crops. Flax and canola are the two bright spots with 83 percent of flax and 85 percent of canola expected to grade 1 CW, both above the 10-year averages for each crop. Despite the poorer quality, production of major grains, oilseeds and specialty crops in Saskatchewan is estimated to be 28% above the 10-year average and 16% above 2004 production, due to a record expected harvested area and above average yields for almost all crops.

Find FAS on the World Wide Web:

Visit our headquarters' home page at http://www.fas.usda.gov for a complete listing of FAS' worldwide agricultural reporting.

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA5079	Export Certificate Report	11/23/2005
CA5077	Exporter Guide	11/22/2005
CA5073	Dairy Annual	11/21/2005
CA5078	This Week in Canadian Agriculture, Issue 38	11/18/2005
CA5076	This Week in Canadian Agriculture, Issue 37	11/07/2005
CA5070	Frozen Potato Products Annual	10/25/2005
CA5066	Fishery Products Annual	10/14/2005

VISIT OUR WEBSITE: The FAS/Ottawa website is now accessible through the U.S. Embassy homepage. To view the website, log onto http://www.usembassycanada.gov; click on Embassy Ottawa offices, then Foreign Agricultural Service. The FAS/Ottawa office can be reached via e-mail at: agottawa@usda.gov