



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

Date: 2/1/2008

GAIN Report Number: CA8004

Canada

Agricultural Situation

This Week in Canadian Agriculture, Issue 3 2008

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Report Highlights:

GOC Announces Intent to Introduce Legislation to End CWB Barley Monopoly * CWB Gets New CEO * Canada Looking to Reopen Mexican Market for Dairy Cattle * Ag Trade Group Says WTO Agreement Would Yield Additional C\$3 Billion Annually for Canadian Agriculture and Food Exporters * GOC Announces Consultations on Food Safety Plan * Funding for Biodiesel & Bio-Products Announced * CTA Rules in Favor of Grain Shippers * Retail Food Sector Report Released

Includes PSD Changes: No
Includes Trade Matrix: No
Trade 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.

CANADIAN GOVERNMENT ANNOUNCES INTENT TO INTRODUCE LEGISLATION TO END CWB MONOPOLY ON BARLEY SALES:

A meeting between Canada's Minister of Agriculture and Agri-Food, the Honorable Gerry Ritz, the Canadian Wheat Board (CWB), and select barley industry stakeholders took place on January 29th. At the end of the meeting, the Federal Agriculture Minister re-iterated his government's intention to introduce legislation to end the Canadian Wheat Board's monopoly on barley sales. Minister Ritz did not specify a timeline. The Canadian government is currently appealing a federal court's ruling that the government cannot remove the CWB single desk status on barley through regulation. The court date is set for February 26th, 2008. It is expected that should the government lose its appeal, Minister Ritz will introduce legislation into Parliament at that time. If adopted, it would end the CWB single desk status on barley. The purpose of the meeting was to discuss the CWB's new marketing plan, called Cash Plus, unveiled by the CWB earlier in the month. It was billed as a forum within which real options to deliver "marketing choice" for farmers could be discussed. However, some observers claimed that based on the guest list, this was simply another move to try to strong-arm the CWB. Some farm groups (mostly those who want the barley market open) and malters are unhappy with the new marketing plan proposed by the CWB, claiming it does not provide the price transparency that an open market would. The CWB continues to defend its plan, describing the new program as a way to establish a guaranteed cash price for farmers that reflects market values and one that establishes a more direct relationship between selectors and farmers. While the merits of the program are being judged against an open market standard, in reality, the CWB is under no obligation to try to deliver an open market model. In fact, the CWB would argue that it would be going against its mandate to do so. The province of Saskatchewan's Minister of Agriculture, Bob Bjornerud attended the meeting and stated his party's support for the federal government's goal of ending the CWB monopoly on barley. The province of Manitoba also issued a statement demanding an end to the "closed door" meetings that are being held on this issue.

APPOINTMENT OF NEW CEO TO THE CWB ANNOUNCED: The Canadian Wheat Board and the Minister of Agriculture and Agri-food, and the Minister for the Canadian Wheat Board, the Honorable Gerry Ritz, have jointly announced that Ian White has been chosen as the new president and CEO of the Canadian Wheat Board (CWB). White was chosen by a joint government-CWB committee. He has served as a senior executive at a number of agribusiness companies in Canada, the United States and Australia, including Queensland Cotton Limited, Defiance Mills Limited, Grainco Limited, AgPro Grain (a subsidiary of Saskatchewan Wheat Pool) and Elders Grain. Most recently, White has occupied the position of Managing Director and Chief Executive Officer of Queensland Sugar Limited, a multi-billion dollar industry-owned marketing company. White will begin his 3-year term on March 31, 2008, taking over from Greg Arason who has been acting as an interim CEO. The press statement announcing the appointment and some biographical information about Mr. White is available on the Agriculture and Agri-Food website at the following web address:

http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2008&page=n80130

CANADA LOOKING TO REOPEN MEXICAN DAIRY CATTLE MARKET: Canada's Minister of Agriculture, Gerry Ritz, and Agri-Food had his first official visit to Mexico last week and, among other issues, discussed the re-opening of the Mexican market to Canadian dairy cattle with his Mexican counterpart, Alberto Cárdenas Jimenez. Canadian dairy cattle exports to Mexico have been banned since May 2003 following the detection of BSE in Canada. Mexico reopened the market for most Canadian beef that same summer, but has kept the border closed to Canadian cattle. Canadian dairy cattle exports to Mexico during 2000-2002 (i.e., the period prior to BSE) averaged 230 head annually and were valued at about \$1800 per head. However, the resumption of trade is also important in the context of NAFTA-partner live cattle trade and the Canadian industry is hopeful that that Mexico will embrace policies similar to MMR2 (i.e., the most recent U.S. minimal risk rule, Nov. '07) and permit imports of all live Canadian cattle born after Canada's feed ban of 1997 bringing their import policy in

line with OIE guidelines. The outcome may not be known until late February 2008 when the animal health officials of Mexico and Canada have reportedly agreed to sit down and work out the details of the live animal protocol.

AG TRADE GROUP ESTIMATES WTO AGREEMENT COULD BRING ADDITIONAL C\$3 BILLION EXPORT VALUE TO PRIMARY CANADIAN COMMODITY EXPORTERS: The Canadian Agri-Food Trade Alliance (CAFTA), the organization representing Canadian producers, processors, and exporters of more than 80% of Canadian agriculture and food products says it welcomes the prospect of a WTO agreement. In a press release, Darcy Davis, CAFTA President said, "The agreement that seems to be coming together is a good deal for Canada. Late last year, CAFTA commissioned an analysis of the work that has been done to date; we can clearly demonstrate that Canada's exporters will realize significant gains through a WTO agreement. The analysis indicates that this agreement would generate an annual increase of about C\$3 billion in export value for selected primary Canadian commodities." "The analysis of the benefits coupled with news on further progress in the negotiations comes at a critical time," said Keith Lancaster, CAFTA Executive Director. "The impact of a high Canadian dollar has been hitting agricultural exporters very hard – and it's been an even tougher year for our beef and pork sectors that are also dealing with the effects of continuing market access issues. The agreement that is on the table will clearly benefit Canadian agriculture," said Lancaster. CAFTA estimates C\$10 Million in lost export opportunity for each day there is no WTO agreement.

CANADIAN GOVERNMENT ANNOUNCES CONSULTATIONS ON FOOD SAFETY PLAN: At the same time that the U.S. is considering food-safety bills to strengthen the U.S. Food and Drug Administration, the Canadian government has announced the launching of public consultations on the proposed Food and Consumer Action Plan. The consultations are designed to give interested parties the opportunity to learn the details of initiatives being proposed to modernize and strengthen Canada's food safety system. The Food and Safety Action plan, which was first announced in mid-December by Prime Minister Harper (see GAIN report CA7065) focuses on three areas: (1) preventing problems from occurring, (2) targeting higher risk areas, and (3) empowering regulators with the ability to react faster. Information about the consultations can be found on the following website: www.healthycanadians.gc.ca

FUNDING FOR BIODIESEL/BIO-PRODUCTS ANNOUNCED: Agriculture and Agri-Food Canada has issued a press release announcing C\$860,000 in funding for three biofuels/biodiesel projects in New Brunswick. Half a million dollars has been awarded to BIO-D Energie Inc to purchase and retrofit an existing facility in order to establish a biodiesel processing plant facility in the community of Clair. The monies come out of the Atlantic Canada's Opportunities Agency's (ACOA) Business Development Program. BIO D Energie Inc has been granted C\$300,000 under Agriculture and Agri-Food Canada's (AAFC) Biofuels Opportunities for Producers Initiative (BOPI) to refine their production technology in order to produce biodiesel from canola and soy to meet North American standards. The Center for Excellence in Agriculture and Biotechnological Sciences in Grand Falls has been awarded C\$61,000 through Agriculture and Agri-Food Canada's Advancing Canadian Agriculture and Agri-Food (ACAAF) program to determine the most cost-efficient technology to transform starch from waste potatoes and grain into lactic acid that can be used in biodegradable plastic and other more environmentally-friendly packaging.

CTA RULES IN FAVOR OF GRAIN SHIPPERS: The Canadian Transportation Agency (CTA) has ruled that CN Rail failed to provide proper service levels for several grain shippers across the Prairies. This is the second level-of-service complaint that CN Rail has faced in connection with its decision in July 2006 to remove its 50-car products (called "GT Secure") for yearly advance booking and offered only offer 100-car units (GX100) which must be booked for 42 consecutive weeks to secure supply. The first level of service complaint was filed by Great Northern Grain in March 2007. It was supported by 10 other grain industry corporations, including the Canadian Wheat Board. (See GAIN report CA7011). In July 2007, the CTA issued its ruling in favor of the grain shippers and CN re-introduced a limited supply of 50-car blocks (see Gain report CA7035). In September of 2007, feeling that this measure was not going far enough to comply with CN's obligations under the law to provide adequate service to shippers under the law, a new level-of-service complaint was filed against CN Rail (see GAIN report CA7044). The CWB has issued a press release announcing the CTA's ruling. The CWB expressed pleasure with the ruling, and also pointed out that CN Rail had already begun changes, including canceling the problematic GX100 program. At this time, legislation is working its way through Parliament to amend the Canadian Transportation Act.

RETAIL FOOD SECTOR REPORT: The Office of Agricultural Affairs has prepared its bi-annual retail food sector report, CA7063. U.S. food exporters looking for a snapshot of the Canadian retail food sector can use the report to assist them in exploring the possibilities of exporting to Canada, the No. 1 market for U.S. food and agricultural products. Total Canadian retail food sales during 2006 reached an estimated C\$67 billion, an increase of 5% over the year earlier level. Retail food sales accounted for more than 17% of total Canadian retail sales of C\$390 billion generated by Canada's 32.6 million consumers. The Retail Food Sector Report is one of several food sector and marketing reports submitted by the Office of Agricultural Affairs, Ottawa, Canada. For a complete listing of other Post reports and of FAS' worldwide agricultural reporting, visit the FAS home page <http://www.fas.usda.gov> and click on "Attaché Reports". Insert the report number into the appropriate field to access the desired report.

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CA7064	This Week in Canadian Agriculture, Issue 33	12/07/2007
CA7063	Retail Food Sector Report	01/25/2008
CA7062	This Week in Canadian Agriculture, Issue 32	11/30/2007
CA7061	Dairy Annual	11/16/2007