



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 2/1/2002

GAIN Report #CA2012

Canada

Agricultural Situation

This Week in Canadian Agriculture, Issue 4 2002

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Report Highlights:

"What's New, Eh?" * Dairy Farmers of Canada Hold Annual Policy Conference *
Canada Asks WTO to Appoint Lumber Dispute Panelists * A Canadian Perspective on
the Precautionary Approach/Principle * Study Says Food Processing Costs Lower in
Canada * Bright Future Predicted for Canadian Pork Producers * Lower Imports of U.S.
Feeder Cattle * Association Goes to Court Seeking Relief from Rising Cheese Prices *
CWB President and CEO Greg Arason Announces Retirement *
... and 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.

DAIRY FARMERS OF CANADA HOLD ANNUAL POLICY CONFERENCE: Dairy Farmers of Canada (DFC) at their annual policy conference said that they will continue to lobby that the Canadian government uphold the "three pillars of supply management" as well as put pressure on Canada's chief ag trade negotiator that supply management not be traded or sacrificed in any way in the next WTO round. DFC will continue to pressure the Canadian government to defend the supply management system and will continue to promote the perceived benefits of supply management on an international level to garner international support. The Canadian Dairy Commission has voiced its support for Canada's dairy sector and has promised to work towards the objective of seeing that 50% of Canadian dairy farmers cover their cost of production. For more information, see GAIN report CA2011.

CANADA ASKS WTO TO APPOINT LUMBER DISPUTE PANELISTS: According to the Canadian Department of Foreign Affairs and International Trade, in an effort to move the softwood lumber dispute resolution process forward, Trade Minister Pierre Pettigrew on January 22 asked the World Trade Organization (WTO) to appoint panelists to hear Canada's complaint against the 19.31 percent provisional duty imposed on Canadian softwood lumber exports. Canada feels that the selection process has taken too long and that the duty is unwarranted to begin with. Under the WTO process, Canada and the United States consider panel candidates proposed by the WTO Secretariat. When the two countries cannot agree on panelists, the Director General can be asked to appoint a panel and has 10 days to do so. One panelist has already been agreed to by both sides. Once the other panelists are chosen, the proceedings will take about six months to complete.

A CANADIAN PERSPECTIVE ON THE PRECAUTIONARY APPROACH/PRINCIPLE: The Government of Canada is providing its own perspective on the precautionary approach/principle and is seeking input from Canadian stakeholders. The usage of the phrase "precautionary approach/principle" should not be confused with or taken to be the same as that of the European Union. The Canadian government acknowledges that the precautionary approach recognizes that the absence of full scientific certainty shall not be used as a reason to postpone decisions where there is a risk of serious or irreversible harm. The Government of Canada will accept comments until the end of March, 2002. For more information, see GAIN report CA2010.

STUDY SAYS FOOD PROCESSING COSTS LOWER IN CANADA: According to an Agriculture and Agri-Food press release, recent analysis by consulting firm KPMG, in a report entitled *Competitive Alternatives: Comparing Business Costs in North America, Europe and*

Japan, concludes that costs for Canadian-based food processors are 7.5 per cent less than those in the United States. Agri-food is only one of the industry sectors analyzed in the KPMG study, but in the food processing sector, Canada ranked first in North America and fourth overall, closely following the United Kingdom, Italy and the Netherlands. Agriculture Minister Lyle Vanclief claimed the KPMG study confirms that Canada is an ideal investment location. According to Vanclief's department, the agriculture and agri-food sector is one of the most important in Canada's economy. It is the second-largest manufacturing sector, the source of one in seven Canadian jobs, and is valued at about C\$130 billion.

BRIGHT FUTURE PREDICTED FOR CANADIAN PORK PRODUCERS: According to *farms.com*, Réjean Nadeau, the CEO of Olymel, one of Canada's major pork processor's with operations in Quebec, Ontario, and Alberta, says Canada is poised to seize the world-wide market opportunities that increased world pork consumption offers. Nadeau was speaking at a Pork Seminar in Banff last week (organized by the University of Alberta, Alberta Pork and the provincial government) and outlined Olymel's bullish outlook on future pork production and sales. "Around the world, the consumption of meat grew by 30% in the 1990s, while the population increased by 15%, said Nadeau. Pork increased its per capita share of consumption by 13%." He predicts a bright future for Canadian pork producers and for Olymel, noting that Canada is already the number one exporter of pork and that it has the lowest pig population per square kilometer than any other major pork-producing nation. For more on Canadian pork exports, watch for post's Livestock Semi-Annual report in early February, 2002.

PORK PLANT EXPANSION GEARED TO EMPLOYEES: Maple Leaf Pork has announced a C\$1.9 million investment in its Brandon, Manitoba plant to build a new employee cafeteria. The new cafeteria will be 14,000 square feet with seating for 650 people, serving over 1,300 meals each day. According to the company, employees will have wider variety of healthy meal choices and the new cafeteria will include a larger retail operation where employees can purchase a range of Maple Leaf products at close to wholesale prices. The cafeteria is expected to open by September 2002. Maple Leaf Foods Inc., has been processing hogs at the Brandon facility since August, 1999. The Brandon plant is a world-class, technologically advanced facility. It is the company's flagship pork processing operation and is one of the largest in North America. Recently, it was reported that Maple Leaf Foods was bringing in about fifty workers from Mexico, including experienced meat cutters, to work in the company's Brandon plant (see CA2008). Plans to implement a second shift at the plant have reportedly been thwarted by labor shortages and high absenteeism.

LOWER IMPORTS OF U.S. FEEDER CATTLE: The combination of a weaker Canadian dollar, negative feeding margins, and greater placements into western feedlots earlier in the fall due to drought conditions, have combined to result in lower imports of U.S. feeder cattle under the Northwest Cattle Project (aka "restricted feeder program") during the first half of the 2001/2002 season. Statistics show that from October 1, 2001 to January 19, 2002 imports of U.S. feeder cattle reached 115,888 head, down 30% from 166,102 head during the same period a year earlier. Canada imported a record number of U.S. feeder cattle during the 2000/2001 season (October to March). Imports reached an estimated 204,000 head, up more than 13% from 180,314 head a year earlier. This year, South Dakota has joined Montana, Idaho, North Dakota, New York, Washington, Hawaii and Alaska on the list of states eligible to export feeder cattle

under the Northwest Cattle Project. For an outlook discussion for Canadian cattle and beef in 2002, watch for post's Livestock Semi-Annual report in early February, 2002.

CRFA GOES TO COURT JANUARY 31 SEEKING RELIEF FROM RISING CHEESE PRICES: According to a January 22 article listed in the *Food In Canada E-Newsletter*, the Canadian Restaurant and Foodservices Association (CRFA) is taking its fight for access to lower-priced cheese (known as Class 5a permits) to Ontario court. The challenge will be heard starting Jan. 31, 2002. The CRFA notes that pizzerias will be the hardest hit foodservices sector when the 3.5% price hike for milk, awarded by the Canadian Dairy Commission in December, takes effect on February 1 because cheese accounts for approximately 30% of the cost of a pizza. Until the case is heard and ultimately decided, dairy price hikes have left pizza operators with little option but to use less cheese on pizzas - something that, the CRFA notes, "is counter-productive to Canada's dairy industry." "We're one of the dairy industry's largest customers and we want to grow the market for Canadian dairy products," says CRFA's vice president of food supply, Stephanie Jones. "But constant increases in prices are a huge roadblock that is actually limiting consumption of dairy products in Canada."

CWB'S PRESIDENT AND CEO GREG ARASON ANNOUNCES RETIREMENT: Greg Arason, President and CEO of the CWB, announced that he will not undertake an extension to his current two-year term set to expire December 31, 2002. The Board of Directors had proposed an extension of one year to Mr. Arason's term at the December 2001 Board meeting, but Mr. Arason declined citing family reasons. The CWB will be working in the coming months to prepare for an orderly transition of executive responsibility. Mr. Arason assumed the role of President and CEO on December 31, 1998 - when he leaves the CWB, he will have been with the Board for four years. Mr. Arason has been involved in the Prairie grain industry for more than 30 years and was formerly CEO of Manitoba Pool Elevators, and past director of several grain and food operations including XCAN Grain, Can-Oat Milling and CanAmera Foods Ltd.

ASIAN FOOD SALES BECOMING MORE POPULAR: Canada's largest Asian supermarket is planned for the Toronto area. Toronto is preparing its palate for a heavy hit of Asian flavor when T&T Supermarket opens this coming summer. T&T Supermarket Inc., based in Richmond, British Columbia already operates eight stores in Western Canada, but the planned Toronto location will be its most ambitious with a floor space of 65,000 sq. feet., housing more than 15,000 Asian products. T&T is also looking into opening three more stores in the Toronto area.

Did You Know... that according to an ACNielsen report commissioned by Agriculture and Agri-Food Canada, the Canadian grocery categories showing the greatest annual increases in retail sales in 2000 were candy and chewing gum, fresh meats including poultry, fresh produce, and frozen foods. Among the worst performing categories were canned meats and baking needs.

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA2008	This Week in Canadian Agriculture, Issue 2	01/17/2002
CA2009	This Week in Canadian Agriculture, 3	1/24/2002
CA2010	A Canadian Perspective on the Precautionary Approach/Principle	1/28/2002
CA2011	Dairy Farmers of Canada Annual Policy Convention, January 2002	1/30/2002

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