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## Canada

### Agricultural Situation

### This Week in Canadian Agriculture, Issue 5 2005

**Approved by:**

Gary Groves  
U.S. Embassy

**Prepared by:**

Christina Patterson and George Myles

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**Report Highlights:**

\* Canada Proposes Expanded Access for U.S. Cattle and Beef \* National Cattlemen's Beef Association Team Returns From Fact-Finding Mission to Canada \* The Philippines Bans Canadian Beef \* Brand Canada Pork Promoted in Japan \* Parliamentary Border Caucus Established \* Urban Encroachment Consumes Canadian Farmland \* The Battle to Operate Outside of Supply Management Goes to Court \* Milk Price Increase Comes Into Effect \* Consolidation in B.C.'s Lumber Industry Continues \* Error in Trade Numbers

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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.

*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 PROPOSES EXPANDED ACCESS FOR U.S. CATTLE AND BEEF:** The Canadian Food Inspection Agency (CFIA) is proposing to amend regulations to further expand access for U.S. cattle and beef products currently restricted under Canada's bovine spongiform encephalopathy (BSE) import control measures. A 30-day public comment period ends March 1, 2005. Following the discovery of the Washington State BSE case on December 23, 2003, Canada placed import restrictions on certain U.S. live animals, beef and beef products. The CFIA eased the prohibition regulations on April 23, 2004 by expanding the list of U.S. live animals and products that were eligible for importation. Under the new proposal the prohibition would only apply to animals of the sub-family *Bovinae* born before January 1, 1998, which marks the first full year after the implementation of the U.S. feed ban. Imports of younger cattle and of live goats and sheep would no longer be prohibited or live bulls destined for animal semen production centers. As the removal of specified risk materials (SRM) from the food supply is now viewed as the single most effective measure to protect public health, the importation of meat from U.S. animals of all ages would be permitted. For more information, see CA5008.

**NATIONAL CATTLEMEN'S BEEF ASSOCIATION TEAM RETURNS FROM FACT-FINDING MISSION TO CANADA:** The National Cattlemen's Beef Association (NCBA) returned from a mission to Canada to study Canadian feed control procedures, the cattle inventory, and other BSE-related border measures in light of the two cases of bovine spongiform encephalopathy (BSE) in Canada on January 2, and January 11, 2005. The mission concluded that the Canadian feed industry appears to be in compliance with its feed ban and that because the ban did not specify a recall, there apparently was some limited feeding of SRM tainted feeds. In addition, the NCBA predicted that no more than 900,000 head of Canadian cattle would be shipped to the United States in 2005 should the border reopen on March 7. This estimate is just slightly below the post export forecast of 1.0 million head in post's Semi Annual Livestock Report, CA5004 on January 31, 2005.

**THE PHILIPPINES BANS CANADIAN BEEF:** The government of the Philippines has banned imports of Canadian beef following the January 11, 2005 case of BSE discovered in an Alberta cow born after Canada's feed ban. The Philippines had previously allowed importation of meat products from Canada, particularly beef from cows aged 30 months and younger. The ban covers importation of live cattle, sheep and goats, and their meat and meat products; bovine embryo; meat and bone meal; and other feed ingredients derived from these animals from Canada, according to a memorandum issued by Agriculture Secretary Arthur Yap. In the January to November period of 2004, Canada had shipped 586 metric tons of beef worth almost \$1.0 million to the Philippines. During 2004, the Philippines was the fourth largest export market for Canadian beef after the United States, Mexico and Macau. Total Canadian beef exports in 2004 reached about 430,000 metric tons product weight worth almost \$1.5 billion.

**BRAND CANADA PORK PROMOTED IN JAPAN:** Canada Pork International (CPI), the export promotion agency for the Canadian pork industry, in partnership with Maple Leaf Foods Ltd., Olymel and the Canadian Pork Council are preparing the final phase of a generic promotion of Canadian pork in Japan. Last year, CPI worked to increase the awareness of Canadian pork in Japan. According to CPI International Executive Director Jacques Pomerleau, Canadian pork, especially fresh pork, was sold at retail, but was never advertised as such until the Japanese government forced the issue by requiring the origin of the fresh product to appear at the consumer level. The CPI is planning a Brand Canada campaign for next month that will focus on quality attributes and promote Canadian pork as being clean and safe, well trimmed, and well packaged. Japan is the 2<sup>nd</sup> most important export market for Canadian pork after the United States. In 2004, Canada exported an estimated \$560 million worth of pork to Japan, compared to over \$1.0 billion worth to the United States. The two markets accounted for 85% of total Canadian pork exports.

**PARLIAMENTARY BORDER CAUCUS ESTABLISHED:** With the resumption of Parliament came the announcement of the creation of a new all-party caucus. The Parliamentary Border Caucus was established to complement the work of government in addressing issues of trade and security that affect the border with the United States. The founding meeting for the caucus will be held on February 8<sup>th</sup>, 2005, with U.S. Ambassador, Mr. Paul Cellucci as the guest speaker. As with all Parliamentary-established caucuses, membership is open to all Members of Parliament (MP), but the focus will be directed towards MPs who have who have a border crossing point in their ridings.

**URBAN ENCROACHMENT CONSUMES CANADIAN FARMLAND:** A recent study released by Statistics Canada indicates that towns and cities have more than doubled their occupation of good agriculture land between 1971 and 2001, consuming 7,400 square kilometers. Towns and cities occupy at least 3% of all dependable agricultural land in Canada, with nearly 7% of the occupation on Class 1 land, Canada's best and most productive agricultural land. Ontario has more than one-half of Canada's Class 1 land, and towns and cities occupy over 11% of it. The overall demand for cultivated land has increased even as the spread of towns and cities has taken over more agricultural land. The result of the increasing occupation has forced farmers to bring lower quality land under cultivation to meet the growing demand for agricultural products. The lower-quality land is less likely to be able to support long-term agricultural production and may actually be more environmentally harmful. The consumption of high quality agricultural land affects specialty crops, which are limited to the areas in which they can grow and require specific soil types in order to flourish. For example, the fruit belts in Ontario and B.C. are particularly vulnerable to urban encroachment.

**THE BATTLE TO OPERATE OUTSIDE OF SUPPLY MANAGEMENT GOES TO COURT:** The ongoing battle between the Dairy Farmers of Ontario (DFO) and the Georgian Bay Milk (GBM) Company continues to heat up as the case comes up for judicial review in Ontario's Superior Court next Monday. The DFO has been trying to stop member producers of the Georgian Bay Milk Company from producing and selling milk to the United States. GBM members do not own quota and are operating outside Canada's supply management system. They claim that the Ontario government and DFO have no authority to block their sale of milk to the United States. The DFO is concerned that if these producers continue to operate and export milk, it will make Canada a target at the WTO. If GBM is forced to cease exporting, those producers will either have to shut down or purchase quota. Currently in Ontario the price of quota is approximately \$29,000 per kg of butterfat, which essentially is the worth of one cow's milk output. For a 100-cow herd, members of GBM see the outlay of \$2.9 million in cash for quota as an unnecessary and unprofitable burden, and they will continue to fight for the right to continue to operate outside the existing system as they present their case to the provincial courts.

**MILK PRICE INCREASE COMES INTO EFFECT:** On February 1, 2005, a previously announced increase in the price of milk came into effect. The average price on a liter of milk rose between four and seven cents a liter. The price of butter could rise as much as 10%, cheese 6% or more depending on fat content, and ice cream up 5%. The increase in price came as a result of a ruling by the Canadian Dairy Commission in December that determined an increase in the price of milk was justified in order to offset the losses that have occurred as a result of BSE. The Canadian Restaurant and Foodservices Association (CRFA) has publicly stated that the increase in price was totally unjustifiable, citing that the dairy price keeps going up while the cost of production on farms has gone down and awarding BSE compensation through industrial milk price increases is not valid. Members of the CRFA purchase large quantities of dairy ingredients every year and the price increase will hurt their bottom line. The Dairy Farmers of Canada (DFC) are pleased with the price increase, stating that costs have outpaced milk prices and BSE has removed the market for cows sold for production and dramatically reduced the prices for cull cows.

**CONSOLIDATION IN B.C.'S LUMBER INDUSTRY CONTINUES:** According to the Globe and Mail, Brascan Corp. is in the final stages of a \$1.1 billion transaction with Weyerhaeuser Co. to acquire their forestry assets in British Columbia. Indications are that Weyerhaeuser has been negotiating to sell the seven lumber manufacturing plants and 260,000 hectares of private timberland it obtained when it acquired MacMillan Bloedel Ltd. in 1999. The rumored expectation is that Brascan will allocate the sawmills to Western Forest Products Ltd., of which Brascan owns 9%. The timberland would be folded into a Brascan investment trust. The timberlands are considered some of the most valuable and best located in North America. In addition to the 9 percent stake in Western Forest Products Ltd., Brascan has timberland operations in New Brunswick, the U.S. and Brazil.

**ERROR IN TRADE NUMBERS:** According to Statistics Canada, Canada's trade surplus for November has been revised downwards by \$1.89 billion. An error at Canada Border Services Agency led to the transmission of incomplete customs records, resulting in Canada's trade surplus being reported as \$7.30 billion rather than the correct amount of \$5.41 billion. Canadian companies imported \$29.3 billion worth of merchandise in November 2004, rather than the reported \$27.4 billion. Exports remained the same. See CA5002 for additional information.

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