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Agricultural Situation

This Week in Canadian Agriculture, Issue 5 2002

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Report Highlights:

"What's New, Eh?" * Goodale Defends CWB and Lashes out Against United States * Canada, Mexico Agree on New Work Plan for Agricultural Cooperation * B.C. to Lift Moratorium on Salmon Farm Expansion * Cargill to Build Meat-Processing Plant in Quebec * Reduced Beef Output; Higher Pork Production Forecast * Clearfield Rice Receives Approval from Health Canada and CFIA * Canadian Agricultural Exports Reach All-Time High * Canada Ill Suited for Grain Segregation Say Experts
... 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.

GOODALE DEFENDS CWB AND LASHES OUT AGAINST UNITED STATES:

According to a February 6 article from *Reuters*, Ralph Goodale, the federal minister responsible for the Canadian Wheat Board lashed out at the United States after a senior U.S. trade official suggested Washington could impose anti-dumping duties against the grain marketer. "If they take action that we believe is ill-founded and wrong-headed, then obviously we will defend ourselves as aggressively as we possibly can," said Minister Goodale. "These constant American tactics of harassment and bullying are just thoroughly wrong-headed and inappropriate," said Goodale, responding to comments made by U.S. Trade Representative Robert Zoellick. The U.S. and Canadian comments come ahead of a USTR decision, expected on February 15, on an investigation of the wheat board's marketing practices, which was prompted by a complaint of predatory pricing by North Dakota wheat growers. "This is catering to local, domestic American politics and trying to use the Canadian Wheat Board as the whipping boy," said Goodale, who also said he was confident that Canada would be found a fair trader in next week's USTR ruling.

CANADA, MEXICO AGREE ON NEW WORK PLAN FOR AGRICULTURAL

COOPERATION: In an press release late last week, Canadian Agri-Food Minister Lyle Vanclief announced that he and Javier Usabiaga Arroyo, the Mexican Secretary of Agriculture, had agreed on a work plan for agricultural cooperation. A new Consultative Committee will coordinate and monitor the implementation of a work plan and address other bilateral issues related to agriculture trade. Eighteen activities, including studies of the Winnipeg Commodity Exchange, income stabilization programs, crop insurance, farm credit and federal-provincial consultations, cooperation on agriculture and a proposal for organizing an investment mission to Mexico, are identified in the work plan. During a meeting in Toronto, the two leaders also discussed bilateral trade issues, including Mexican plant health restrictions on Canadian exports of seed potatoes. Both countries have established a technical committee that will, later this year, make scientifically-based recommendations on ways to successfully resolve this issue.

B.C. TO LIFT MORATORIUM ON SALMON FARM EXPANSION: The British Columbia government announced that new, comprehensive environmental standards and practices will allow for the managed expansion of the salmon aquaculture industry in British Columbia beginning April 30, 2002. The B.C. government placed a cap of 121 on marine salmon farms tenures in 1995, pending the results of a review by the Environmental Assessment Office. The review, completed in 1997, made many recommendations to reduce risks of salmon aquaculture. In 1999, government accepted the Environmental Assessment Office recommendations but decided not to lift the cap on the number of farms until a new regulatory framework was

developed to address the issues. The new standards address escapes, fish health, siting, etc. The B.C. Salmon Farmers Association estimates B.C. salmon farmers will invest C\$50-C\$60 million annually over the next 10 years and expand at the rate of about 10 new farms per year, which will roughly double the industry within a decade. Applications for new aquaculture sites will be accepted after April 30, 2002, and are expected to take up to a year to process. Since aquaculture has a long production cycle, businesses need to make decisions now for production to begin by 2003.

CARGILL TO BUILD MEAT-PROCESSING PLANT IN QUEBEC: Pauline Marois, Quebec finance minister and deputy premier, announced this week that Cargill Inc. will build a C\$45 million meat processing plant near Montreal, creating 600 jobs. Cargill will reportedly receive C\$3.9 million in equity investment and grants from the province to build a factory in Chambly, just east of Montreal to process beef and pork products for distribution to Provigo and Loblaws supermarket chains throughout greater Montreal. Cargill has nearly 4,000 employees in Canada providing goods and services across a wide range of agri-businesses. In other meat related ventures, Cargill constructed the C\$60 million beef processing plant in High River, Alberta in 1989 and in 1992 acquired Trillium Meats in Ontario where its Toronto plant claims to have pioneered the production of counter ready meats in North America.

ALBERTA FEEDLOTS SHIFT TO U.S. CORN: Tight supply and increasing prices for barley in western Canada have Alberta feedlots switching to U.S. corn to fatten cattle. According to anecdotal information in the *Western Producer*, up to 1.0 million bushels of U.S. corn could find their way into Alberta feedlots this year. A recent article highlighted the fact that many Alberta cattle feeders were using corn in the ration for the first time. Most of the feedlot operators who were feeding U.S. corn claimed the decision to do so was based on economics and they planned to return to a barley ration after Canadian supplies increase this summer. Also, most feeders expressed that they didn't want to alienate their local barley suppliers. In a related story, Canada's Beef Export Federation spokesperson, Ted Haney, who used to extol Canadian barley fed beef, was quoted as saying, "...it's virtually impossible to tell the difference between beef that has been fed corn or barley."

REDUCED BEEF OUTPUT; HIGHER PORK PRODUCTION FORECAST: Canadian cattle producers are expected to rebuild the national cattle inventory during 2002 and 2003, but the operative word is "slowly". The pace of rebuilding was stalled by drought conditions in 2001 that resulted in higher than anticipated female slaughter rates and there is no evidence in current slaughter patterns to suggest rapid rebuilding. The production highlights for Canada's livestock industry for 2002 include reduced beef output and higher pork production. The trade highlights include fewer live cattle imports and increased exports of live hogs and pork. For more information on livestock and meat production and trade developments, see the Semi-Annual Livestock Report, CA2013.

CHINESE GARLIC ALLEGED TO BE CIRCUMVENTING CANADIAN ANTI-DUMPING DUTIES: Warren Ham, V.P. of the Ontario Garlic Growers' Association recently alleged that Chinese garlic is circumventing Canadian anti-dumping duties intended to protect the Canadian garlic industry. Canada has applied anti-dumping duties on Chinese garlic since 1997 and last year was successful in getting the anti-dumping duties applied year 'round and also

to apply against imports from Vietnam when it was determined that Chinese garlic was entering Canada from that country. Recently, Mr. Ham told the *Western Producer* that suddenly fresh garlic is entering Canada from unlikely sources such as Indonesia, Pakistan, the U.A.E., and the Czech Republic, countries that have never before exported garlic to Canada. Ham claims the origin of the garlic is Chinese and that some Chinese garlic entering Canada is eventually sold into the United States as non-Chinese garlic to get around U.S. safeguard measures. His association is reportedly frustrated with their efforts to get the Canada Customs to enforce the anti-dumping order. Canadian garlic growers are currently making a case to Canada's Trade Tribunal to renew anti-dumping duties on Chinese garlic which are set to expire later this year.

CLEARFIELD RICE RECEIVES APPROVAL FROM HEALTH CANADA AND CFIA:

According to BASF Corporation, Health Canada and the Canadian Food Inspection Agency (CFIA) granted approval of CLEARFIELD production system for rice used as food and feed in the 2002 growing season. The approval came after the two Canadian federal government organizations completed a review of the new herbicide-tolerant rice. CLEARFIELD rice was required to go through Canada's feed and food approval process because CLEARFIELD rice is part of a new system for crop production. CLEARFIELD rice was developed through traditional plant-breeding methods and is considered as non-GMO. The Canadian government had already approved this technology for use with wheat, canola and corn. Ambassador Paul Cellucci, with the United States Embassy to Canada, wrote to both Health Canada and the CFIA to learn of the status of the approval process at the request of U.S. Senator John Breaux (D-LA).

RELEASE DATE FOR CWB PERFORMANCE STUDY DELAYED: According to the February 4 edition of *Agriline Daily*, the study on the performance of the Canadian Wheat Board (CWB) contracted out to Dr. Richard Gray of the University of Saskatchewan has been put on hold pending a decision by the U.S. Trade Representative regarding the CWB's trading practices. The report was originally to have been released May, 2001. There are reports that the study would support ideas that the CWB is an effective marketer of Canadian wheat and barley and potentially raise the risk of U.S. trade action.

CANADIAN AGRICULTURAL EXPORTS REACH ALL-TIME HIGH: Agriculture Canada announced on February 4 that Canadian exporters of agriculture and agri-food products increased their slice of the international marketplace between January and November 2001 by sending more products to more countries and pushing export numbers past all previous records to C\$24.4 billion. The latest figures, compiled by Statistics Canada and Agriculture and Agri-Food Canada, show that agricultural exports between January and November rose more than 13%, beating the former export record figure of C\$23.4 billion recorded in 2000. Federal agriculture minister Lyle Vancilief said the growth in export trade figures is great news for Canadian producers and shows Canada is on the right track and continues to build a successful agriculture and agri-food sector

NEW SOYBEAN VARIETIES APPROVED FOR ONTARIO: Four varieties of Roundup Ready White Hilum (RRWH) soybeans were brought forward for registration at the annual OOPSCC (Ontario Oil & Protein Seed Crop Committee) meeting held recently in London, reports Kim Cooper, market co-ordinator with Ontario Soybean Growers. This issue of registering RRWH soybean varieties in Ontario has been very contentious over the past few

years, says Cooper. The main question was whether the introduction of these soybean varieties into Ontario would disrupt our export markets. He says, after many months of careful consideration around the Ontario Soybean Growers (OSG) boardroom table and discussions with the various industry members, the OSG voted in favor of approving the four varieties for registration. The new soybean varieties will not be commercially available until the 2003 growing season. These varieties will only be grown for seed multiplication purposes in 2002.

CANADA ILL SUITED FOR GRAIN SEGREGATION SAY EXPERTS: Identity preservation experts say Canada has built the wrong kind of system to properly handle segregated grain and a second separate and distinct handling and transportation system may have to be developed, according to a January 24 story from the *Western Producer*. Sally Rutherford, director general of integrated policy systems with Agriculture Canada, says consumers are increasingly demanding to know where the food they eat comes from. But Canada is poorly equipped to accommodate identity preservation because its handling and transportation system has been built around huge, high throughput terminal elevators and hopper cars stuffed with grain. This identity preservation problem is the focus of a three-year research project at the University of Saskatchewan.

HEINZ CANADA GOES PURPLE, BUT NOT BECAUSE OF THE COLD: Heinz Canada announced in Toronto this week that the company's E-Zee Squirt Purple Ketchup is coming to Canada -- joining Heinz E-Zee Squirt Red and Green in its growing complement of colored condiments. Canadian consumers will start seeing the color purple on grocers' shelves from coast-to-coast by mid-February -just in time for Valentine's Day. The suggested retail price for Heinz E-Zee Squirt Purple is C\$3.49. "The tremendous success of Heinz E-Zee Squirt Green showed us that kids love decorating their food with colors that are bright, wild and fun," said Susan Yorke, general manager, Ketchup, Condiments and Sauces, Heinz Canada.

U.S. CATFISH MAKE TELEVISION DEBUT: The newly appointed Canadian spokesperson for The Catfish Institute is being featured in a series of TV spots in a number of cities across Ontario, between February 7 and 15th. Chef James Spry will make appearances promoting U.S. farm raised catfish, on Ottawa, Toronto and London television programs, including Toronto's number one rated morning show, City TV - Breakfast Television. Details on the estimated audience etc. will be available following the shows.

Did You Know... that according to the latest Agriculture and Agri-Food Canada data, the average Canadian in 1997 spent about C\$60 (\$43) on confectionery items, purchasing about 10.3 kg of products, comprised of 6.7 kg of chocolate, 2.9 kg of candy and .68 kg of other confectionery products, such as chewing gum.

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
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
CA2012	This Week in Canadian Agriculture, 4	2/01/2002
CA2013	Semi-Annual Livestock Report	2/06/2002

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