



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 3/26/2007

GAIN Report Number: CA7013

Canada

Agricultural Situation

This Week in Canadian Agriculture, Issue 8 2007

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Report Highlights:

Public Pressure For GOC to Regulate Pet Food * U.S./Canada Pet Food Trade Exceeds \$0.5 Billion * Pork Council Renews Concern Over Country of Origin Labeling * Joint Announcement on Seed Potato Surveillance Measures * Canada Undergoes Trade Policy Review at WTO

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.

PUBLIC PRESSURE FOR GOC TO REGULATE PET FOOD: The issues surrounding the recent recall of up to 100 brands of pet food manufactured in the United States by Ontario-based Menu Foods has prompted Canadian pet owners to call for the federal regulation of pet food in Canada. Currently, the manufacture and sale of pet food is not regulated in Canada by the Canadian Food Inspection Agency (CFIA) or by any other governmental department. The Canadian Veterinary Medical Association operates a voluntary pet food certification program for pet food manufacturers that sets basic quality standards. Agricultural Minister Chuck Strahl, who oversees the Canadian Food Inspection Agency, told the media that CFIA's job is to look after human food production and safety. In the United States, the FDA's regulation of pet food is similar to that for other animal feeds. In Canada, the CFIA regulates animal feed, but not pet food.

U.S./CANADA PET FOOD TRADE EXCEEDS \$0.5 BILLION: Total U.S./Canada bilateral trade in dog and cat food exceeded \$500 million during 2006. In 2006, the United States imported 90,406 metric tons (valued at \$120 million) of dog and cat food from Canada. For the same period, the U.S. exported 295,266 metric tons to Canada, valued at a record \$385 million. Canada was the top market for U.S. pet food exports in 2006 accounting for 37% of total.

PORK COUNCIL RENEWS CONCERN OVER COUNTRY OF ORIGIN LABELING: Martin Rice, Executive Director of the Canadian Pork Council has renewed his group's concern over mandatory Country of Origin Labeling (COOL) provisions introduced in the 2002 Farm Bill. Rice told reporters this week that many observers doubt there would be any further delays and expect COOL to become mandatory by the end of September 2008. Rice predicts that its introduction would be detrimental to the entire North American hog and beef industries, not just Canada's. He said that the measure would add significant costs to the value chain for delivering hogs and pigs because it will require a great deal of record keeping and systems for auditing---costs that are not borne by the chicken sector or the turkey sector (they are exempt from COOL) so it's going to create cost disadvantages for pork and beef. Rice added that COOL for fish and seafood took effect a couple of years ago and has not increased the price or the consumption of those products but has simply been an additional burden that sector has had to shoulder. *Comment: The Canadian meat industry main fear is that record-keeping requirements imposed on the supply chain under COOL will discourage certain U.S. meat purveyors from purchasing Canadian meat.*

JOINT ANNOUNCEMENT ON SEED POTATO SURVEILLANCE MEASURES: The Animal and Plant Health Inspection Service, and the Canadian Food Inspection Agency (CFIA) announced a joint certification protocol for the potato cyst nematode and golden nematode for all seed potatoes traded between the United States and Canada. The initial phase of the protocol will begin on March 21, 2007, as the first step in implementing this surveillance for the United States and Canada. The protocol responds to the 2006 detections of the potato cyst nematode in the state of Idaho and the golden nematode in the province of Quebec. The goal of this protocol is to maintain the safe movement of regulated articles between the United States and Canada while continuing to protect against the spread of these nematodes. It reflects the risk mitigating measures agreed upon in the Canada-United States guidelines for phytosanitary action following the detection of potato cyst nematode in the United States and the golden nematode in Canada. Since most potato fields are currently frozen, the first phase of the protocol will include sampling and testing of soil associated with tubers in storage facilities for all remaining 2006 seed potatoes shipped between the United States and Canada. All shipments between the United States and Canada must include a phytosanitary certificate with an additional declaration confirming that the lot was tested and found free of these target pests according to the agreed protocol. The next phase of bi-national potato surveillance will begin during the 2007 production year and will include more extensive field surveys for seed potatoes.

Bi-national survey detail discussions will continue between USDA and CFIA officials and stakeholders over the coming months.

CANADA UNDERGOES TRADE POLICY REVIEW AT WTO: Canada underwent its WTO trade policy review for the years 2003-2005 on March 21-23rd. Trade Policy Review is an exercise where the member country's trade and related policies are examined and evaluated. This review is mandated in the WTO agreements and requires two documents be prepared. The first is a policy statement by the government of the member under review, and the second is a detailed report written independently by the WTO Secretariat. Both documents are discussed by the WTO's full membership in the Trade Policy Review Body. Some of the agriculture sector highlights from the Secretariat report on Canada include:

- (1) In 2005, total agri-food exports were Can\$26.2 billion making Canada one of the largest exporters of agri-food products;
- (2) The agri-food sector in 2004 accounted for 8.1% of Canada's GDP;
- (3) Canada shows an increase in federal and provincial government expenditure in support of the agri-food sector; Can\$7.4 billion in 2004/05, up from Can\$6 billion in 2001/2002;
- (4) Federal government expenditures in support of agri-food amounted to Can\$4.3 billion in 2004/05, representing an 18% increase over the average of the previous five years. The highest level in 12 years occurred in 2003/04 (Can\$5.4 billion) and represents the government's response to drought and the discovery of BSE in Canada.
- (5) Provincial government expenditure amounted to Can\$3 billion in 2004/05, an increase of 14% above the average for the previous 5 years.
- (6) The OECD Producer Support Estimate (PSE) is a broader measure of support that includes government payments and price support. According to the OECD, Canada's share of the PSE payments that are based on historical entitlements or farm income (which the OECD considers less production and trade distorting than market price support or output and input payments), is one of the highest amount OECD countries. This is noted as an indicator of good agricultural policy reforms.
- (7) Canada's level of support has, however, trended upward in the last decade. Canadian authorities attribute this increase to ad hoc payment linked to sanitary and weather conditions.
- (8) Most tariffs were reported filled during 2005 with the exception of wheat barley, beef and veal, and margarine. The fill rates of the quotas for concentrated/condensed milk and cream and "other dairy products" were found to have been declining since 2003. Canadian authorities indicate that the low fill rates are due to low demand for these products in Canada and, for wheat and barley, the competitiveness of domestic producers
- (9) Overall, Canada was given a good mark in terms of economic performance for the period under review due to the openness of its trade regime. However, productivity growth was slow and the report suggests that productivity growth could be accelerated by, among other things, eliminating barriers to agricultural imports, removing restrictions on foreign investment, minimizing subsidies that distort competition, and dismantling obstacles to internal trade.

The report in its entirety can be found at the following WTO website:

www.wto.org/english/tratop_e/tpr_e/tp280_e.htm

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