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## Canada

### Agricultural Situation

#### This Week in Canadian Agriculture, Issue 47

2001

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**Report Highlights:** \* WTO Appellate Body Overturns Canadian Dairy Export Ruling \* Drought-Like Conditions Reduce Potato Crop \* Free Trade Talks with Central American Countries \* Greenpeace Invades Grocery Store With GM Food Labels \* Federal Budget Next Week Could Overlook Agriculture \* Ontario's Food Inspection System Under Attack \* USA Pavilion at Canada's Largest Food & Beverage Show \* New Events to Highlight Upcoming Fine Food Show

AND MORE...

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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. 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.

**WTO APPELLATE BODY CONCLUDES THAT PREVIOUS PANEL ERRED ON PREVIOUS CANADIAN DAIRY EXPORT DISPUTE RULING:** On December 3, the World Trade Organization (WTO) Appellate Body overturned a previous compliance panel ruling that Canada's new dairy export mechanisms still constituted as export subsidies under the WTO Agreement on Agriculture. According to the Appellate Body, the compliance panel made a mistake by using the wrong benchmark in its analysis, noting, "This does not amount to a finding that the measure at issue is WTO consistent, but simply that the panel's findings are vitiated by error of law." The Canadian government is pleased with the ruling, however, and the Canadian dairy industry applauds the decision. The ruling means that the U.S. and New Zealand will be unable to impose \$35 million/year (each) in retaliatory annual punitive tariffs for the time being. The New Zealand Trade Minister says that the WTO decision leaves the door open to pursue further proceedings against Canada.

**DROUGHT-LIKE CONDITIONS LOWER POTATO CROP OUTPUT:** In its first estimate of potato production, Statistics Canada says that total Canadian potato production during 2001 fell to 3,970,600 metric tons, down 12.4% from a year ago. Drought-like conditions affected major growing regions throughout the 2001 growing season and yields suffered as a result. Prince Edward Island was the hardest hit with its yield down 38.9% from last year. The developments are expected to increase Canadian demand for U.S. fresh potatoes throughout MY2001/2002 and result in lower than average exports of Canadian fresh potatoes to U.S. markets. For more information see CA1167.

**FREE TRADE TALKS STARTED WITH FOUR CENTRAL AMERICAN COUNTRIES:** According to a recent trade news release from the Canadian Department of Foreign Affairs and International Trade, Minister Pierre Pettigrew announced the launch of free trade negotiations with El Salvador, Guatemala, Honduras and Nicaragua, aimed at further enhancing Canada's trade relationship with Central America. "This free trade agreement will improve our trade and political ties with these emerging markets," said Mr. Pettigrew. "An agreement would also give Canadian exporters more advantageous access compared with competing suppliers in the United States and Europe." In 2000, bilateral trade between Canada and these four Central American countries totaled C\$617 million. There is significant potential for Canadian companies in several priority export sectors, including processed foods and construction. The free trade agreement will be accompanied by parallel environmental and labor cooperation agreements. From a broader perspective, a free trade agreement with the region would signal Canada's continuing commitment to the hemisphere and would inject further momentum into Free Trade

Area of the Americas and WTO negotiations by serving as a model for cooperation between developed and developing countries. The first negotiating session will be held in Central America in December and follows several preparatory rounds.

**GREENPEACE INVADES GROCERY STORE WITH ITS OWN GM FOOD LABELS:**

Late last week in Toronto, members of the environmental protection group Greenpeace invaded a Loblaws retail grocery outlet in downtown Toronto and placed their own labels on food items that they claimed contained genetically modified material. "Labels are coming to Loblaws whether it likes it or not," said a Greenpeace spokesperson. "If the (federal) government won't make Loblaws put labels on its GE food, Greenpeace will do it ourselves. In addition to putting warning labels on certain foods, two activists reportedly locked themselves to shopping carts as others paraded outside with picket signs and distributed leaflets.

**FEDERAL BUDGET NEXT WEEK COULD BE SHORT ON AGRICULTURE**

**CONTENT:** Many observers feel the federal budget scheduled for December 10, 2001 won't have any new money or programs for the agriculture sector. Federal Agriculture Minister Lyle Vanclief has reportedly presented a "farm action plan" to his cabinet colleagues which, according to local press sources, includes strengthening on-farm food safety systems, enhancing the industry's environmental performance, assisting research and development of new products, and offering training to help farmers adapt to change, but farmers shouldn't expect to see much money to back it up in the federal budget.

**AUDITOR CRITICAL OF ONTARIO FOOD INSPECTION SYSTEM:** The Provincial Auditor for Ontario, the watchdog of provincial government policies and spending, issued a scathing report of Ontario's food inspection system, mainly critical of provincial slaughterhouse sanitation, goat milk handling, and inadequate residue testing of fruits and vegetables. Ontario Agriculture Minister Brian Coburn said, "We have safe food in Ontario, the safest in the world, and we intend to keep it that way." The Canadian Meat Council, the organization representing federally-inspected meat companies, representing 95% of red meat processing, seized the opportunity of the Provincial Auditor's report to renew its call for a single system of federally-monitored meat inspection in Canada. "Mandating a federal meat inspection program for all slaughterhouses would eliminate confusion around the dual inspection system and bolster consumers' confidence about the safety of Canadian meat products," said Robert Weaver, general manager, Canadian Meat Council. "The federal program has rigorous inspection and monitoring standards with full-time inspectors and veterinarians at all slaughterhouses." Many provincial meat slaughtering establishments lack full time inspection. However, laws prevent their products from being sold across provincial boundaries or into export trade.

**INTERIM RULE FOR FRESH APPLE IMPORTS FROM THE UNITED KINGDOM:**

The Canadian Food Inspection Agency (CFIA) recently issued a directive detailing the phytosanitary requirements for importing fresh apples from the United Kingdom. Last year, Canada imported fresh apples from 23 countries, but none from the U.K. For fresh fruit from new sources, the CFIA requires a trial period to verify the absence of quarantine pests in that country.

**USA PAVILION AT CANADA'S LARGEST FOOD & BEVERAGE SHOW:** Recruitment has begun for the Canadian/International Food & Beverage Show, which will be held February 17-19, 2002 at the International Center in Toronto. This is the largest food and beverage trade show in Canada, drawing approximately 800 exhibitors/suppliers and over 11,000 attendees/buyers from restaurants, hotels and institutions. FAS will sponsor a USA Marketplace Pavilion, which will include a professional chef to help promote U.S. products, a business center for exhibitors in the U.S. pavilion to conduct one-on-one meetings with contacts, and a media event to showcase U.S. products on display. Several groups have already registered to be part of the U.S. pavilion. For more information, contact Darlene Maginnis at the FAS office in Ottawa.

**NEW MANAGEMENT AND NEW EVENTS FOR UPCOMING FINE FOOD SHOW:**

*Canadian Grocer* reports that the Canadian Association of Specialty Foods has purchased the Canadian Fine Food Show and assumed full management of the show. The association will present the 18<sup>th</sup> Annual Canadian Fine Food Show, May 26-27, 2002, at the International Centre in Toronto. The show will feature a "gourmet village" and a "fine food judging" event.

**Did You Know...** that according to Agriculture and Agri-Food Canada, there were an estimated 100,000 head of bison on about 1,400 farms in Canada, of which about 85% are in western Canada.

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA1165	This Week in Canadian Agriculture 46	11/29/2001
CA1167	Widespread Drought Lowers Potato Output	12/04/2001
CA1168	Cuban Quarantine Pest List	12/04/2001
CA1169	Canada Concepts Stretches \$ for Cooperators	12/05/2001
CA1170	Soybean Production Down 41% from Previous Year, Says Statistics Canada	12/05/2001

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