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Report Highlights:

* Cattle Group Files For Damages Under NAFTA * Canada's BSE Enhanced Surveillance Program * WTO Appellate Body Rules In Softwood Lumber Dispute * Canadian Company To Provide Seed Potatoes For Chinese Potato Industry * Cool Temperatures Plague The Prairies * Corn Numbers Get Slashed

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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.

CATTLE GROUP FILES FOR DAMAGES UNDER NAFTA: A small group called the Canadian Cattlemen for Fair Trade, representing owners and operators of five Alberta feedlots, filed a notice of intent in Washington, D.C. this week to submit claims under Chapter 11 of the North American Free Trade Agreement (NAFTA) for damages related to the BSE-related closure of the U.S. border to Canadian live cattle. While the group hopes to build support in other Canadian provinces resulting in a half-billion dollar suit, a spokesperson for the group said the initial claim seeks \$150 million in damages. The group contends that the investment producers have made in their farms and feedlots has been damaged by their inability to sell live cattle into the United States. Called "investor-to-state" dispute resolution under NAFTA, the mechanism permits private investors and corporations to sue NAFTA-signatory governments to obtain cash compensation for government policies or actions that investors believe violate their rights. The Canadian Cattlemen for Fair Trade group is separate from the Canadian Cattlemen's Association, the national association representing Canadian cattle producers.

CANADA'S BSE ENHANCED SURVEILLANCE PROGRAM: The Canadian Food Inspection Agency (CFIA) reports that up to August 8, a total of 4,839 cattle have been tested in Canada during 2004 and all have tested negative for BSE. In subsequent years, testing levels will increase to 30,000 animals. The tests focus on the cattle populations most at risk of being infected by BSE, such as cattle with clinical signs consistent with BSE (i.e., behavioural changes including excitability and anxiousness, and emaciation), dead stock, downers, and distressed or dying cattle. Prior to May 2003, when the detection of BSE was made in an Alberta cow, Canada had tested more than 10,500 animals for BSE and all were negative. Through the enhanced BSE surveillance testing program, the CFIA hopes to demonstrate to both domestic and international markets that the prevalence of BSE in Canada is extremely low.

WTO APPELLATE BODY RULES IN SOFTWOOD LUMBER DISPUTE: On August 11, 2004, the World Trade Organization (WTO) appellate body ruled that the United States' use of zeroing in its calculation to determine anti-dumping rates on Canadian softwood lumber was "inconsistent with the WTO Anti-dumping Agreement." The anti-dumping duty is currently 8.43%, but with this ruling the duty could drop to 4%. Despite this and other rulings which have gone in favor of Canada requiring a reduction in both the anti-dumping and countervailing duties (27.2% combined) applied against Canadian lumber exports into the United States, exporters must still deposit cash to cover original duties until final rates are confirmed or the tariffs are struck down. The NAFTA anti-dumping appeal panel did not address zeroing in its earlier decision, but said it would reconsider if the WTO ruled the practice illegal. NAFTA rulings have the force of law. The WTO appellate body also struck down findings with respect to dumping calculations for Abitibi Consolidated Inc., one of the six targeted exporters, but upheld findings regarding Tembec Inc. Canada's International Trade Minister Jim Peterson expressed his pleasure at the findings of the WTO appellate body and felt the ruling was a win in a key issue in the dispute. For further information regarding duties on Canadian softwood lumber see TWICA, Issue 26.

CANADIAN COMPANY TO PROVIDE SEED POTATOES FOR CHINESE POTATO INDUSTRY: Penn Biotech Inc. (PBI), a Vancouver based high technology company, will reportedly provide seed potatoes for a large potato processor in China. PBI mass produces nuclear seed potatoes (ie, microtubers, minitubers and plantlets) utilizing patented seed potato technology. According to PBI, the company participated in the World Potato Congress held in Kunming, China, in late March, and received substantial interest in its seed potato product and technology. During the Congress the company met with representatives from McCain, Simplot, Pepsico, and Kabee as well as with numerous domestic Chinese processors. This interest reportedly culminated in one of the world's largest potato processors requesting the immediate supply of microtubers to its operations in northern China. PBI has established a Tissue Culture Laboratory in Beijing, and is currently undertaking a number of field trials

in Shanton, and Jinlin provinces in China. In 2003, Canadian exports frozen french fries to China reached 5,261 metric tons (\$3.6 mil) enough to rank ninth in importance as an export destination for Canadian frozen french fries. The level was more than 6 times the quantity Canada shipped to China in 2002 and virtually all of the exports were from New Brunswick and Alberta where Canadian-headquartered McCain has processing facilities. In June 2004, McCain announced its intention to produce frozen french fries in China within two years (see CA4044).

COOL TEMPERATURES PLAGUE THE PRAIRIES: Below seasonal temperatures plagued the Prairies in the last week, with some places in Alberta reporting overnight frost resulting in mild damage to crops. In Saskatchewan, crop development is now roughly 3 weeks behind normal, with only a quarter of the crops at normal development. In spite of this, fall cereals are reported to be 85 percent in good to excellent condition, with 38 percent at normal or ahead of normal development. Spring cereals are reported to be 86 percent in good to excellent condition, with 22 percent at normal development. Oilseed crops are reported to be 82 percent in good to excellent condition, with 25 percent at normal or ahead of normal. Pulse crops are at 87 percent in good to excellent condition, with 27 percent of the crop at normal or ahead of normal development. Only one percent of the crop has been swathed, which is the winter wheat and very early spring-seeded crops. The cool, damp weather has also hampered crop development in certain regions of Manitoba. Lack of heat and the lateness of the spring crops are a major concern in the Southwest region of the province. Excessive rain in some regions is causing lodging in some of the cereal and flax fields. Soybeans, corns, sunflowers, and edible beans are 2 to 3 weeks behind normal in the Central region and will need heat in order to finish before the first frost, which in Manitoba can happen at any time now. In the Eastern region 80% of the early seeded cereals are fully headed while late seeded cereals are in the shot blade stage. Corn is in the vegetative stage. Despite the forecast for increased grain and oilseed production by Ag Canada, the weather could severely impact the quality of the crops. The delay in development has many producers crossing their fingers and hoping that they get enough heat before the first major frost of the season.

CORN NUMBERS GET SLASHED: In its latest release, Agriculture and Agri-Food Canada is forecasting corn production to fall by 14%. This is as a result of lower seeded area due to the cool, wet spring that plagued certain areas of Ontario and the Prairies. Ag Canada's production estimate has dropped from 8.675 million metric tons in July to 8.2 million metric tons. The delay in seeding and the cool start to the season has resulted in some of the corn fields being behind in development and not in the tassel stage yet. August 10th is usually the deadline date for the Ontario corn crop to be developed to the tassel stage. This has led to questions regarding the quality of the corn crop in Ontario this year. Along with declining production, quality may be compromised, resulting in a greater reliance on imports of corn from the United States.

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