



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 4/6/2001

GAIN Report #CA1062

Canada

Agricultural Situation

This Week In Canadian Agriculture, Issue 13 2001

Approved by:

Norval E. Francis, Jr.

U.S. Embassy

Prepared by:

George C. Myles, Marilyn L. Bailey, Matthew A. Cahoon

Report Highlights:

What's New, Eh?

- Grain and Coarse Grain Production Forecast up 7% to 54.5 Mmt for 2001/02
- Canadian Greenhouse Tomato Growers Decry U.S. Industry Trade Action
- Canada Bans Potato Imports from Texas and New Mexico
- CWB Draws Attention to Concerns over GM Wheat
- Chretien Announces Creation of Liberal Task Force on Farming
- Monsanto Wins Schmeiser Case
- SIAL Montreal 2001
- Canadian Food & Beverage Show 2001

And More...

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report

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.

CANADIAN GREENHOUSE TOMATO GROWERS DECRY U.S. INDUSTRY TRADE

ACTION: The Canadian Tomato Trade Alliance, representing Ontario and British Columbia greenhouse tomato growers, issued a statement expressing their disappointment that U.S. greenhouse tomato growers are seeking anti-dumping duties on imports of greenhouse tomatoes from Canada. On March 28, 2001 a coalition of U.S. greenhouse tomato producers filed a request with the U.S. International Trade Commission (ITC) for a 731 investigation of Canadian hothouse tomatoes. Denton Hoffman, General Manager of the Ontario Greenhouse Vegetable Growers said, "The allegations of the U.S. greenhouse tomato producers are wrong. Canadian growers are not dumping their products into the U.S. market, nor are they injuring the U.S. greenhouse or field tomato producers. It would have been far more effective to discuss our mutual market concerns with the help of our governments." Kevin Doran, V.P., B.C. Hot House Foods Inc., said, "In the past, U.S. tomato growers have successfully argued before the ITC and the U.S. Department of Commerce (DOC) that greenhouse tomatoes and field tomatoes are one product, and have maintained that position until this point. We are surprised that U.S. greenhouse tomato producers have suddenly changed their position. However, we expect that the ITC and the DOC will not reverse their established positions on this point." For a listing of background reports see CA1043, page 6.

SECOND DELAY FOR POTATO PROCESSING EXPANSION: The J.R. Simplot Company, which announced in December 2000, that it would build a new potato processing plant near Portage la Prairie, Manitoba (see CA0201) now states it will take longer than anticipated to complete environmental studies associated with the construction project. According to trade reports, the company may delay construction by as much as one year to 2002, with start-up scheduled about a year later. The plant will cost an estimated \$80 million. The development marks the second time in recent weeks that potato processing expansion in western Canada has suffered a setback. Last month, Lamb-Weston shelved a \$50 million plan to expand its potato processing plant at Taber, Alberta, citing rising energy costs (see CA1040).

CANADA BANS POTATO IMPORTS FROM TEXAS AND NEW MEXICO: The Canadian Food Inspection Agency (CFIA) has placed a temporary ban on the importation of potatoes from Texas and New Mexico following the recent detection of Columbia Root Knot Nematode

(*Meloidogyne chitwoodi*). The CFIA officials stated that the ban is not connected to the current U.S. ban on the importation of P.E.I. potatoes (i.e., potato wart), but a temporary action deemed essential to protect the Canadian industry from the quarantine pest. Canada already regulates potato imports from certain U.S. western states for Columbia Root Knot Nematode. According to the local agricultural press, Ivan Noonan, general manager of the P.E.I. Potato Marketing Board, said that potato producers in P.E.I. don't want the nematode brought to Canada and expected the ban would last until the two states instituted measures to control the pest. Noonan stated that the Canadian potato industry has been pressing Agriculture Canada to be more vigilant about checking for quarantinable pests in imported plant material. In 2000, Texas exports of fresh potatoes to Canada reached 4,829 metric tons (value, \$1.2 million) and accounted for less than 2% of total U.S. potato exports to Canada of 257,924 metric tons, valued at \$65 million. New Mexico potato exports to Canada in 2000 were insignificant.

BRITISH MILITARY VEHICLES REFUSED ENTRY OVER FMD FEAR: The Globe and Mail reported this week that a cargo ship carrying British military vehicles to Canada, as part of a scheduled military exercise in southern Alberta, was refused entry at the port of Quebec after Canadian Food Inspection Agency officials discovered mud on the tires and undercarriages of the vehicles. The CFIA determined that although the soil on the vehicles was not tested, the risk of the spread of foot and mouth disease (FMD) was too great to permit their entry. According to government officials, the military exercise will proceed despite an outcry from some Alberta ranchers that the British military personnel associated with the exercise pose an unnecessary risk of spreading FMD in the heartland of Canadian cattle country. The CFIA responded by announcing an additional 14-day withdrawal period for British military personnel. Preceding their arrival in Canada these soldiers will not have visited a farm in the UK, or a training area used for livestock agriculture, or a quarantined area in the UK for 28 days.

SENTINEL FLOCKS ABANDONED AS WEST NILE VIRUS DETECTOR: According to farm press reports, Canada will not use sentinel chickens along the U.S. border to monitor West Nile Virus this year. A Canadian pathologist associated with the disease monitoring effort in Canada claimed that too few sentinel flocks were deployed to detect the disease and therefore failed to show the spread of the West Nile Virus into Canada (see CA0069). The mosquito-spread disease, which caused 7 deaths in the U.S. and resulted in expensive spraying programs, particularly in New York, has never been found in Canada despite the fact that every New York county bordering Canada confirmed the presence of the disease. The Canadian pathologist claimed that Canada hadn't looked as hard for the disease as was the case in the United States. This year, Canada will reportedly rely on the testing of dead birds, especially crows and jays. There is some concern that spraying for the disease could become controversial in Canada because only one pesticide is registered for use (malathion), and that product is under review. New York State reportedly had several registered pesticide products to conduct its spraying program last year.

TOTAL GRAIN AND COARSE GRAIN PRODUCTION FORECAST UP 7% TO 54.5 MMT FOR 2001/02: World wheat prices are expected to start a substantial recovery by mid-2001, based on the decline in stocks and the possibility that some growing regions may experience weather difficulties. Western Canadian wheat acreage could increase significantly in 2001 if it appears prices for 2001/02 will continue to advance. Wheat also has the appeal of comparatively low per-acre input

costs. Some acreage could also be diverted from canola and possibly special crops in 2001 because of weak markets and higher input costs for these crops. Good moisture conditions across the eastern prairies also favor less summerfallowing in 2001. Under the assumption that yields return to average levels, total grain and coarse grain production for 2001/02 is estimated to increase by almost seven percent to 54.5 MMT. For more information, see GAIN report CA1060.

CWB DRAWS ATTENTION TO CONCERNS OVER GM WHEAT: The Canadian Wheat Board reported on April 4 that, at meetings with federal politicians, the CWB's directors discussed concerns received from farmers and customers regarding genetically modified (GM) wheat. "We believe that genetically modified wheat varieties shouldn't be introduced until it can be shown that there will be clear benefits for western Canadian farmers and the Canadian handling system can segregate genetically modified varieties to meet customer requirements," said Board chairman Ken Ritter. "Farmers have clearly told us that while there may be some potential agronomic benefits to growing GM wheat, but given the current environment, those benefits do not outweigh the market risks." Unless there is widespread international consumer acceptance of transgenic food ingredients, a rigorous segregation system would have to be implemented to ensure the CWB's ability to meet customers' needs with shipments guaranteed to satisfy maximum tolerances for levels of GM wheat within non-GM wheat. The CWB, grain industry and life sciences companies are now involved in discussing the requirements for such a system. Genetically modified wheat could be considered for registration in Canada as early as 2003. There are no genetically modified barley varieties now under development. "As an exporter, we realize that there may be value for genetically modified wheat in the future and we don't want to close the door on them," said Ritter. "However, they should not be allowed in the country if they will damage returns to farmers." The CWB's updated biotechnology statement is available at <http://www.cwb.ca/publicat/biostate/index.htm>

B.C. HOG, VEGETABLE FARMERS GET NEGATIVE MARGIN COVERAGE: According to an April 4 *Canadagriculture Online* article, British Columbia's provincial government is offering negative margin insurance to hog farmers and vegetable growers this year as a pilot program. The program, which will follow the provincial whole farm insurance program guidelines, will cover eligible operating losses, complementing the existing insurance plans. About 60 B.C. hog producers and 250 vegetable producers are eligible.

SOUTHERN ALBERTA EXPERIENCES 36 HOURS OF SNOW: The April 3 *AgriLine Daily* reported that heavy snow has been falling in southern Alberta. Total accumulations will be over a foot, greatly improving soil moisture conditions. Amounts were less north of Calgary. The rest of the province got little or no precipitation and remains extremely dry. Lighter snowfall reached across parts of southern Saskatchewan, where moisture conditions are also poor to fair. The dry area of the prairies extends north and west of a line approximately between Melfort-Tisdale, Saskatchewan to Red Deer, Alberta. The whole area needs heavy rain before seeding. Many districts in the southeast prairies, including much of Southern Manitoba, have excess moisture.

SASKATCHEWAN SIGNS UP FOR CFIP: The April 2 edition of *Canadagriculture Online* reports that Saskatchewan has signed onto the Canadian Farm Income Program (CFIP), the nationwide 60/40 federal/provincial program to target funds to farmers facing sudden and severe

drops in income due to uncontrollable circumstances. CFIP, also known as "son of AIDA," could pay out C\$200 million to Saskatchewan farmers during 2001 under current projections. Plus, under a new Canada Saskatchewan Adjustment Program (CSAP II), the feds and the province will provide another \$200 million for grain, oilseed and specialty crop growers. Saskatchewan Ag Minister Clay Serby said it was important to get funds to farmers for spring seeding, and these just-concluded arrangements will ensure that. The province expects to release more information on CSAP II shortly.

AIDA PAYMENT LEVEL INCREASES TO 95% FROM 80% FOR 1999: According to joint Government of Canada and provincial government news releases, Agricultural Income Disaster Assistance (AIDA) payment levels will increase from 80% to 95% for the 1999 claim year. Farmers who have already received an initial payment from AIDA will receive an additional payment. Farmers who now qualify will receive a payment that reflects the increase. The additional money comes from an increase in the federal share of payments to producers under the AIDA program. AIDA payments were initially paid at a reduced percentage to ensure that payments did not exceed the budget allocated to the program while claims were being processed and appeals considered. With most of that administration complete (90% in most provinces except Saskatchewan, which is 100% complete), the federal government is now in a position to increase the funding level. The increase will result in C\$11.4 million for B.C. farmers; \$33.6 million for Saskatchewan; \$20 million for Manitoba; and \$9 million for Ontario farmers. Once all of the AIDA 1999 appeals have been addressed by the Producer Review Committees, the AIDA administration will be able to issue final payments for the remaining amount of federal funding sometime this summer.

MINISTER ANNOUNCES PENALTIES UNDER GRAIN TRANSPORTATION REFORM REGULATION: The April 2 edition of *Agriweek* reported that transport minister Collenette has announced that the regulation that will apply if the major railways collect more for the grain haul in a crop year than they are entitled to. The law now limits the total revenue that the railways can collect based on a given amount of haul. If this so-called 'cap' is exceeded, the excess must be paid back with a penalty. The minister has decided that the excess revenue, with interest, will go to the Western Grains Research Foundation, the main function of which is to manage the marketing check-off on wheat and barley sold in western Canada. The Foundation will receive both the excess revenue and the penalty. If the cap is exceeded by 1% or less a 5% penalty applies; if by more than 1%, the penalty becomes 15%. The government anticipates that any violation of the limit would be inadvertent and small. The cap applies only to the CNR and CPR, not to short-line railways, whose rates are not regulated. Short lines that operate within one province are under provincial jurisdiction. The cap replaced per-tonne price controls on grain rates that were in effect until last Aug. 1, but the difference is more apparent than real. The cap is C\$838 million based on hauling 30 million tonnes of grain and oilseeds in a crop year, or an average of \$27.93 a tonne. The only difference is that whereas the former system of direct rate regulation prescribed a rate for each tonne hauled, the successor system allows the railways to charge somewhat different rates for different kinds of traffic and different places and times.

NISA STATUTORY REVIEW UNDERWAY: The April 2 *Agriweek* also reports that there is a statutory review of the Net Income Stabilization Account by the consulting firm Ipsos-Reid with a report due for the federal and provincial agriculture ministers in June 2001. NISA has been criticized because many farmers are not using it for its intended purpose, which is to build up reserve funds with

government contributions in good years, to be drawn from during periods of depressed prices or production. Many farmers maximize contributions and maintain large balances to attract matching government funds, while borrowing to make up cash-flow shortages in difficult times. The review can be viewed on-line at www.agr.ca/nisareview

ONTARIO WHEAT BOARD INCREASES EXEMPTION VOLUME: According to another April 2 *Agriweek* article, delegates of the Ontario Wheat Producers Marketing Board voted in favor of a plan to increase to 200,000 tons from 150,000 tons the amount of wheat from the 2001 harvest that Ontario farmers can market outside the board's single-desk pool. This would amount to almost 17% of the 1.2 MMT expected to be harvested from approximately 650,000 acres this summer. Last year producer sign ups for the exemption were taken up within five days as the exemption is granted on a "first-come, first-serve" basis until the exemption volume is reached.

AG FUNDING UP IN SASKATCHEWAN BUDGET: According to the March 31 edition of *Canadagriculture Online*, Saskatchewan Finance Minister Eric Cline says the province will increase funding for agricultural programming by 35% in its 2001/02 budget, including funds for emergency assistance and safety net programs. In the budget are C\$95 million in interim farm income support for 2001/02, \$2 million in increased ag research funds, \$5 million for the previously announced conservation cover program, and \$6 million for the Farm Family Opportunities Initiative, a program Ag Minister Clay Serby has discussed as a way to help farmers adapt to changing industry conditions by establishing alternative operations.

POOLS, BASF GET FIRST REGISTERED CLEARFIELD WHEAT: The March 30 edition of *Canadagriculture Online* reported that BASF Canada, Sask Pool and Agricore have picked up registration for their herbicide-tolerant CWRS wheat variety BW755, the first such wheat variety in the Clearfield production system, tolerant to BASF's Adrenalin herbicide. The variety, considered non-GMO, was initially rejected at registration in February but was approved today on appeal. BASF spokesmen say the 1998-2000 Co-op registration trials show BW755 (commercial name pending) yielded 1.75 bu/ac above AC Barrie with similar maturity, lodging and leaf rust resistance, plus above-average protein content. BASF's Adrenalin is touted to control various grasses and broadleaf weeds, including Group 2- resistant weeds, as well as off-types of wheat and volunteer barley. With this variety in hand, Sask Wheat Pool and Agricore say the Clearfield production system for wheat will be available exclusively through their retailers in 2001.

CHRETIEN ANNOUNCES CREATION OF LIBERAL TASK FORCE ON FARMING: The Task Force will consult with and learn from farmers, processors and other stake-holders and experts in studying and assessing the long term opportunities and challenges facing the farm economy. Specifically, the following will be considered: (1) The effectiveness and future direction of safety net programs; (2) Farm products that can attract a premium price (e.g., organic products, and pulse crops such as peas, lentils, beans, and chickpeas); (3) Rural economic opportunities more generally, especially opportunities for value added agri-food activities; and, (4) Opportunities for farms to contribute to a healthy environment and increase Canadians' confidence in food safety. For more information, see GAIN report CA1061.

MONSANTO WINS SCHMEISER CASE: The March 29 edition of *Canadagriculture Online* reports that as generally expected by those familiar with details of the legal issues at stake, Monsanto has won its high-profile case against Saskatchewan farmer Percy Schmeiser in Federal Court. Monsanto had accused Schmeiser of infringing its rights under the *Patent Act* by growing Roundup Ready canola without the company's consent and without paying a technology use agreement (TUA) fee. Schmeiser, despite compelling evidence to the contrary, had claimed that the Roundup Ready canola found growing on his land got there accidentally. In responding to the ruling, Monsanto said it was "gratified" that its rights had been respected. In a press statement the company said, "We regret that despite repeated attempts to negotiate a settlement with Mr. Schmeiser, he gave us no alternative but to pursue this case in court. While the outcome was positive, the process is one we would have preferred not to have taken. This decision gives companies like ours the confidence we need to continue investing in the future of Canadian agriculture through the development of improved crops and more nutritious foods."

Schmeiser was ordered by the Federal Court of Canada to pay C\$15,450 initially in general damages and will have to negotiate additional costs and damages that could reach \$100,000.

SIAL MONTREAL 2001: SIAL Montreal 2001 the first SIAL show to be held on North American soil, was a great success. The U.S. Pavilion, consisting of a meeting area and 12 booths representing 19 U.S. exhibitors, was part of this success. Exhibitors in the U.S. pavilion displayed products including frozen cheese cakes and desserts; kosher, organic and health foods, bartender cocktail mixes, sauces, dipping sauces, relishes, dressings, oils, dessert topping mixes, cookies and waffle mixes. For more information see GAIN report CA1054.

CANADA CONNECT PROGRESS REPORT: The first 10 months of CANADA CONNECT have resulted in 24 value added food companies securing agent/distributor services in Canada. The services of Faye Clack Marketing & Communications Inc. have been rated "excellent". For more information see GAIN report CA1055.

GROCERY SHOWCASE WEST 2001: The FAS endorsed U.S. Pavilion at Grocery Showcase West included 8 booths representing 11 organizations and a business center. All recruitment was carried out by WUSATA. FAS/Ottawa worked closely with WUSATA to organize this small but important U.S. Pavilion in this, the largest western Canada grocery show. For more information see GAIN report CA1058.

CANADIAN FOOD & BEVERAGE SHOW 2001: The most successful Canadian Food & Beverage Show yet for the U.S. Pavilion. Although the number of exhibitors in the Pavilion was down from other years, the location and visibility of this year's pavilion brought more visitors. As in other years, Chef Michael McCarthy of the New England Culinary Institute was a big attraction. For more information see GAIN report CA1059.

HOOKED ON CATFISH: U.S. farm-raised catfish are making a splash on North American menus. Popular in the United States, many chefs, cookbook authors and celebrities have raised the profile of this whiskered sea creature by praising the taste and versatility, and the trend appears to be catching on in Canada. The Catfish Institute reports that shipments of U.S. farm-raised catfish to Canada have

increased by more than 20% in the last year.

FAIR GAME: Canada's February 2001 edition of *Foodservice and Hospitality* reports that it's open season game in Canadian restaurants. As chefs look for an "edge" that will make their cuisine distinctive, many have begun turning to exotic meats. Simply stated, game meat enhances the diner's experience because more consumers want to order something in a restaurant setting they don't cook at home. As consumers are becoming more adventurous, an increasing number of restaurants across Canada are experimenting with meats such as caribou, elk, muskox, emu, ostrich, alligator and tinamou, as well as the now almost commonplace venison, wild boar and bison.

Did You Know...

Statistics Canada announced that Canada's population reached 30,872,000 on January 1, 2001, up 266,200 from a year earlier on that date. The population growth rate, 0.87%, was mainly the result of higher immigration. A total of 227,000 immigrants entered Canada in 2000, up about 37,000 from 1999.

Find Us on The Web:

Visit our headquarters' home page at <http://www.fas.usda.gov> for a complete selection of FAS' worldwide agricultural reporting.

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA1052	This Week in Canadian Agriculture, 12	3/29/2001
CA1054	SIAL Montreal 2001- Evaluation	04/02/2001
CA1055	Canada Connect - Progress Report	04/02/2001
CA1058	Grocery Showcase West 2001- Evaluation	04/02/2001
CA1059	Canadian Food & Beverage Show 2001 - Evaluation	04/02/2001
CA1060	Total Grain and Coarse Grain Production Up 7% to 54.5 MMT for	4/4/2001
CA1061	PMO Announces Creation Of Agricultural Taskforce	4/5/2001

Contact: FAS/Ottawa e-mail: usagr@istar.ca