

Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 7/5/2002

GAIN Report #CA2082

Canada

Agricultural Situation

This Week in Canadian Agriculture, Issue 23

2002

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Report Highlights:

"What's New, Eh?" * Soybean Pilot Project Announced * Canola Production in Canada Uncertain * GM Canola Spreading Via Seed, Says Agriculture Canada Report * Canadian Crops Blasted by Heat-Wave * South Dakota's Oxen Spring Wheat Variety in Canada * Farm Operator's Total Income Rises * Sawmill Production and Shipments See Double-digit Increases * Pettigrew Sees Little Hope of Early End to Lumber Dispute

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.

BEAN PILOT PROJECT ANNOUNCED: According to Agriculture and Agri-Food Canada (AAFC), a pilot project called "Soy 20/20" is underway that will encourage better coordination of research, production, commercialization and processing of Canadian-grown soybeans in order to capture new, lucrative markets for soybeans. Soy 20/20 will see the federal government, province of Ontario, academia and the soy industry each contribute C\$100,000 for more than C\$400,000 in total, plus staff time, to help the sector capture emerging markets for value-added soybeans. AAFC, the Ontario Ministry of Agriculture and Food (OMAF), the Ontario Soybean Growers (OSG) and the University of Guelph have completed a Memorandum of Understanding and set up a steering committee, chaired by Peter Hannam, president of First Line Seeds, to oversee the launch and determine the scope of the project. The initial focus of Soy 20/20 will be to gather market intelligence and conduct research and analysis on the current and potential uses of soybeans, soy oils and other soy byproducts. The pilot project was conceived as part of the science and innovation element of AAFC's Agricultural Policy Framework (APF). Ontario produces over two million tonnes of soybeans per year, which accounts for about 85% of the total Canadian production. Of this, the majority are crushed for their oil and protein-rich meal, and about 750,000 tonnes are food-grade (white hilum) soybeans, which are primarily shipped to export markets in the U.S., Asia and Europe for further processing into soyfood products.

CANOLA PRODUCTION IN CANADA UNCERTAIN: According to the July 4 edition of *Good Morning Ontario*, Statcom Ltd. reports that there are still a lot of unknowns about this year's Canadian canola crop. Statcom says that about 72% of Alberta and 52% of Saskatchewan is too dry. To account for the uncertainty about area, they have reduced the Statistics Canada canola area estimates by a factor of 5-25% to see what would happen to production under these conditions. After all of their figuring Statcom produced a yield of 21.4 bu/acre in Alberta, down from last year's 28.8 bu/ac and the five-year average yield of 26.5 bu/acre. In Saskatchewan, yields were estimated at 18.8 bu/acre, down from last year's 19.7 bu/acre and the five-year average yield of 23.2 bu/acre. In Manitoba, they used five-year average yields. Based on this information, Statcom took a look at potential production scenarios. With an area loss of 5-25%, their numbers show production that ranges from a low of 4.06 million tonnes with an area loss of 25% and 4.75 million with an area loss of only 5%. "Our best guess is that we're looking at somewhere between 4.4 and 4.6 million tonnes, but it will depend on what the weather does from here on in," says Statcom.

GM CANOLA SPREADING VIA SEED, SAYS AGRICULTURE CANADA REPORT: The June 28 edition of *Good Morning Ontario* reports that there is confirmation of something canola farmers have been saying for years: that genetically modified canola is popping up where it wasn't planted and where it isn't wanted. An Agriculture and Agri-Food Canada (AAFC) study suggests the problem is in the seeds. In a study by AAFC, more than half of the seed samples tested showed some level of genetically modified presence. The study's authors conclude that almost every canola field planted with conventional seed will contain some genetically modified plants. The Canadian Seed Growers Association helped to pay for the study. It says it wasn't released because it isn't finished. "What the report clearly indicates is that there isn't 100% purity and we knew that before, that is the way mother nature is," said Dale Adolphe of the CSGA.

CANADIAN CROPS BLASTED BY HEAT-WAVE: The latest crop report from *Agriweek* reported that the last thing crops in the central prairies needed was the near-record-breaking June heat wave that covered the region for most of last week. Temperatures soared into the mid-30s C, searing crops that were already drought-stressed. Only scattered showers fell. Temperatures were expected to cool in the coming week, but crop damage in the drought area of Saskatchewan and eastern Alberta is irreversible. Many fields that previously had a chance if any rain fell now are being written off. Conditions were still fair to good in the eastern two-thirds of Manitoba, where moisture has been excessive; the heat promoted rapid development of crops that had a poor start because of a cold, late spring. Crop conditions are also good in many parts of the extreme south along the U.S. border, where heavy rains were

received in May. However the hot spell has significantly reduced total crop potential for the west. Crops in Ontario continued to improve with warmer weather. However the season remains delayed and there may be some added frost risk for corn in the fall. Winter wheat harvesting is about to begin in the extreme south with average or better yields expected.

SOUTH DAKOTA'S OXEN SPRING WHEAT VARIETY IN CANADA: Oxen is a high-yielding semi-dwarf red spring wheat variety developed in South Dakota and released in 1996 reports *Agriweek* in its July 1 edition.. It is one of several related varieties bred for high yields and early maturity. Oxen is not registered in Canada because its kernels look just like

other hard red wheat samples and cannot be visually distinguished from Canadian registered varieties. However, Oxen seed was brought into Saskatchewan and some of it has entered the commercial grain stream. It is reported that Agricore United had 50 or 60 cars of wheat downgraded to feed in Thunder Bay and Montreal because of undetected and unsuspected Oxen contamination. Only minute amounts of Oxen were found, not enough to affect milling quality of the wheat or enough to be noticed by the end user. Advanced DNA tests were needed to locate it and it was only detected as a result of spot checks by the Canadian Grain Commission. It is unlikely that all instances were caught, and some Canadian wheat containing trace amounts of Oxen was probably sold to buyers who surely did not notice any difference. Growing unlicensed varieties is not illegal in Canada, but selling them into the commercial grain system is a *Canada Grain Act* offense. What the case demonstrates is the futility of trying to segregate varieties in the bulk handling system to the zero-tolerance standards demanded by the Act.

FARM OPERATOR'S TOTAL INCOME RISES: According to Statistics Canada, average total income of farm operators rose 8.9% in 2000, the largest percentage gain since 1995, according to analysis of data from personal income tax returns. This growth was the result of a rise in both average net farm operating income (before depreciation) (+13.7%) and average off-farm income (+5.4%). The upturn in net farm operating income, which followed three straight annual declines, was responsible for most of the improvement in average total income. Total income of farm operators averaged C\$43,558 in 2000. Average net farm operating income totaled C\$19,103, or almost 44% of total income, gaining two percentage points from 1999. Average off-farm income rose to C\$24,455 in 2000. Average off-farm employment income, which grew 6.5%, was the major factor in the increase in the average off-farm income of farm operators.

SAWMILL PRODUCTION AND SHIPMENTS SEE DOUBLE-DIGIT INCREASES IN

APRIL: According to Statistics Canada's July 4 edition of *The Daily*, continued strong demand from new home builders combined with the temporary cancellation of countervailing duties on exports to the U.S. contributed to double-digit increases for both production and shipments by Canadian sawmills. Sawmill production rose for the fourth consecutive month, reaching 6.8 million m³ in April, up 12.1% from the 6.0 million m³ produced in March. The strong demand for lumber by builders in Canada and the United States pushed shipments up 14.8% from March. Shipments reached 6.7 million m³, up 7.9% from April 2001. The intense activity in the residential construction sector is still fueled by the low vacancy rate of existing dwelling units as well as by low interest rates and the high level of consumer confidence. Lumber exports, as measured by the International Trade Division, increased 2.4% in April from March; this was partly the result of the cancellation of countervailing duties on exports to the United States until the end of May. The total value of building permits in Canada reached \$3.9 billion in April, up 5.6% from March and the highest since August 1989, according to the Building Permits Monthly Survey. After the frantic activity observed at the end of 2001 and the beginning of 2002, housing starts fell in April from March, down 7.3% in the United States and 11.0% in Canada. Housing starts in both countries, however, remain significantly higher than they were throughout 2001.

Lumber prices in April diminished a slight 1.5% from March, according to the Industrial Product Price Index. However, prices remain 14.1% higher than in April 2001.

PETTIGREW SEES LITTLE HOPE OF EARLY END TO LUMBER DISPUTE: According to a June 28 release from the Canadian Association of Importers and Exporters, International Trade Minister Pierre Pettigrew, at an international conference on trade in Montreal, said there is little hope for an early settlement in the lumber trade dispute with the United States that has forced the layoffs of several thousand Canadian lumber workers. Pettigrew also denounced the United States for its protectionist policies but he said not much can be done in the near term.. "This is American protectionism at work, unfortunately," the minister said after giving a speech at the conference. "It will take some time now (to resolve) unless we can resume negotiations with the United States but unfortunately there is no view that it could be done in the short term," said Pettigrew. Canada is pursuing the matter before the World Trade Organization, which is to render a preliminary opinion in July. Pettigrew said that the decision "may have an effect in the United States." Because the WTO route could take years, the federal government is also trying

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to negotiate a political settlement with the U.S. government. But Pettigrew admitted Wednesday, "There is no change in the dynamics with the United States at this moment."

Did You Know... that in 2000, there were 1.16 million cows in Canada on 20,624 dairy farms, delivering 74.8 million hectolitres of milk. The average Canadian dairy farm had 56 cows and produced 3,633 hectolitres of milk. (Source: Agriculture and Agri-Food Canada)

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA2081	This Week in Canadian Agriculture, Issue 22	6/28/2002

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