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## Canada

### Agricultural Situation

## This Week in Canadian Agriculture, Issue 25 2003

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**Report Highlights:**

Prime Minister Presses Japan To Open Its Border To Canadian Beef \* Chrétien Urges U.S. To End Beef Ban  
\* Provinces Request Limit On Beef Imports \* Canada May Restrict Beef Imports, But Not From U.S.  
\* Mexico Ready To Reopen Border To Canadian Beef \* Ban On Canadian Cattle And Beef Exports Increases  
Short-Term Domestic Demand For Feed Grains \* Canadian 2003/04 Grain Estimates Revised Downward,  
Still Well Above 2002/03 Levels \* Deteriorating Crop Conditions In Saskatchewan Improve With Rain  
\* Quebec Signs Agricultural Policy Framework \* Canadian Scientists Find GM Wheat Poses Environmental  
Risk \* Canada Issues 4<sup>th</sup> Report On Future Of Food Biotechnology \* Saputo To Close Additional Canadian  
Cheese Plant \* Canadians Prefer Beer, With Rising Trend Towards Imported Brands

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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.

*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.

**PRIME MINISTER PRESSES JAPAN TO OPEN ITS BORDER TO CANADIAN BEEF:** The July 2 *Globe and Mail* reported that Canadian Prime Minister Jean Chrétien stepped up the pressure on Japan to open up its border to Canadian beef in a 16 minute telephone call July 1 with his Japanese counterpart, Junichiro Koizumi, suggesting there is no scientific basis behind the continuing ban imposed after May's mad-cow scare. "The Prime Minister went over all the government's actions since the crisis erupted," said Stephen Hogue, a spokesman for Chrétien. Hogue said Mr. Chrétien "put emphasis on the importance of using scientific evidence to put a ban on or lift a ban, and also on using existing international standards." Mr. Koizumi responded by saying that he would send his agriculture minister to Canada on July 12. "We see this as a very positive step," Mr. Hogue said. In the meantime, the Japanese will receive a report from a delegation that visited Canada. In addition, the Canadian Food Inspection Agency's Chief Veterinarian, Dr. Brian Evans, led a Canadian delegation to meet with counterparts in the Japanese government. At a special hearing of the House committee on agriculture, federal officials said the priority was getting access to the U.S. market. "I think it's the top issue of government right now, reopening the border," said Claudio Vallé of the Department of Foreign Affairs and Trade, after being criticized that the Canadian government was not doing enough to re-open cattle and beef export markets.

**CHRÉTIEN URGES U.S. TO END BEEF BAN:** The July 8 *Globe and Mail* reported that Canadian Prime Minister Jean Chrétien, continuing his lobbying effort to reopen the U.S. border to Canadian beef, called President Bush and talked for about 10 minutes, laying out Canada's efforts that ensure its beef industry is not tainted with mad-cow disease said Steven Hogue, a spokesman for the Prime Minister's Office. According to Mr. Hogue, the President assured the Prime Minister that he would instruct his officials to "find an early resolution" to the crisis.

**PROVINCES REQUEST LIMIT ON BEEF IMPORTS:** The July 9 *Globe and Mail* reported that Canada should respond to the U.S. ban on Canadian beef imports with its own protectionist trade measures, the provinces say, including restrictions on meat shipments from Australia, New Zealand and Uruguay. Provincial agriculture ministers will ask the federal government to block more than half of Canada's offshore beef imports when they meet today to discuss the crisis over mad-cow disease. The provinces are asking the Canadian federal government to stop giving out supplementary import permits, which allow countries that aren't part of the North American free-trade agreement to exceed Canada's limit of 76,000 tonnes of imported beef a year. About 65,000 tonnes of fresh or frozen beef and veal were imported under such permits last year, and almost 55,000 tonnes so far this year — an increase of 44% compared with the first half of last year. Without the permits, offshore beef imports that exceed the annual quota would get slapped with hugely expensive tariffs. Provincial agriculture ministers hope that a freeze on supplementary permits would encourage Canadian buyers to choose domestic beef.

**CANADA HAS NO PLANS TO CLOSE BORDER TO U.S. BEEF:** The July 8 edition of *Good Morning Ontario* reported that Canada has no plans to close its border to U.S. beef and cattle, a spokesman for Canadian Finance Minister John Manley said on July 7, after

weekend reports said Manley had threatened to close the border. "The minister never recommended closing of borders," said Mike Scandiffio, spokesman for Manley.

**CANADA MAY RESTRICT BEEF IMPORTS, BUT NOT FROM U.S.:** The July 9 *Canadian Press* reported that Canada may curb some beef imports but not from the United States or other countries covered by international trade deals, according to July 8 comments from federal Agriculture Minister Lyle Vanclief. He said he has told International Trade Minister Pierre Pettigrew of concerns raised by provincial agriculture ministers and the beef industry over imports from some countries at a time when most borders are closed to Canadian beef due to the mad cow scare. But restricting beef imports cannot apply to Canada's partners in the North American Free Trade Agreement or countries like Australia that fall under the auspices of the World Trade Organization, Vanclief said. It would be difficult, if not impossible, to curb imports from those countries unless there was a large increase that could be proved to be damaging to Canada. "The only other way you can limit is for health reasons and we have BSE and they don't," Vanclief said after a meeting with his provincial and territorial counterparts.

Ted Haney of the Canadian Beef Export Federation said he approves of the strategy that is being followed so far. "The strategy is to deliver the information, which has been done, to very clearly state that timing on the U.S. side is related to our ability to harmonize regulatory change in Canada," he said. "A significant delay in the U.S. opening will cause us to act independently, not something the U.S. wants to happen, because without harmonization Canada may be forced to go a little bit further on the regulatory front than we otherwise would." Canada also is considering extending a ban on animal products in feed to all livestock. It has been banned in cattle feed since 1997. In addition, Haney said if the integrated Canadian and American beef sectors are forced to go their own way, Canada will compete head-to-head with the United States in many markets. "There's no way that the U.S. industry would prefer to see Canada displace a couple of hundred thousand tonnes of U.S. exports in Mexico and Asia."

**MEXICO READY TO REOPEN BORDER TO CANADIAN BEEF:** The July 8 *Edmonton Journal* reported that Mexico will soon reopen its border to Canadian beef, the Mexican ambassador to Canada said on July 7. Maria Teresa Garcia de Madero, in Calgary, Alberta, for the opening of the Mexican Consulate, said she hopes her country will lead the way to the end of the mad cow crisis for Canada. "I can say we'll be the first country to reopen the borders to Canadian beef," Garcia de Madero said. She didn't provide a date for when the border will open, but said that it would be as soon as Mexican officials are assured Canadian beef is safe. Mexico is Canada's second-largest beef export market behind the United States. Last year, Mexico purchased \$197 million in Canadian beef, 99% of which was from Alberta. While that is significantly less than the \$1.93 billion in beef that went to the U.S., it is three times more than what was sent to Japan. Ted Haney, president of the Canada Beef Export Federation (CBEF), was pleased to hear of the Mexican ambassador's comments. Haney said the opening of the Mexican border could potentially lead to an increase in Canada's beef sales to Mexico, from 76,000 tons of beef last year to possibly 250,000 tons this year. Haney also said Mexico would welcome competitively priced Canadian beef into its market. The CBEF hopes that by Mexico opening its border, other countries such as Japan, Korea, China, Taiwan and Hong Kong would be encouraged to follow suit.

**BAN ON CANADIAN CATTLE AND BEEF EXPORTS INCREASES SHORT-TERM DOMESTIC DEMAND FOR FEED GRAINS:** The discovery of a single case of Bovine Spongiform Encephalopathy (BSE) in Alberta and the resulting border closures to Canadian cattle and beef exports has led to Canadian slaughterhouses significantly reducing production. Consequently, cattle producers have had to continue to feed their cattle on-farm until slaughterhouse activity returns to normal levels. In the short-term, it is expected that

domestic demand for feed grains will increase slightly until Canada resumes cattle and beef exports. With forecasted supplies of barley of 12.7 MMT for 2003/04, it is expected that the demand for imported corn from the U.S. will decrease significantly from 4.3 MMT in 2002/03 to 2.2 MMT for 2003/04. For additional information, see GAIN report CA3039.

CANADIAN 2003/04 GRAIN ESTIMATES REVISED DOWNWARD, STILL WELL ABOVE 2002/03 LEVELS: Agriculture and Agri-Food Canada (AAFC), in its July 4 *Grains and Oilseeds Outlook* reported that for 2003/04, total production of grains and oilseeds in Canada is forecast by AAFC to increase to 59 million tonnes (MT) from 42 MT in 2002/03 and the 10-year average of 58 MT, based on Statistics Canada's June 26 seeded area estimates. The July 4 estimate is slightly down from the June estimate of 61 MT. AAFC assumed that yields will be slightly below trend, due to the dry areas and delayed seeding, and that abandonment rates will be significantly lower than 2002/03. Seeding was significantly later than normal, due to cool and wet weather, in Saskatchewan and Alberta. Therefore, crop development is, on average, about a week behind normal in these provinces. Grasshoppers are a significant problem in some regions of western Canada. Crop quality is expected to be significantly better than last year. Although soil moisture reserves in western Canada are significantly better than a year ago, there are some dry areas in the northern crop producing regions of Alberta, Saskatchewan and Manitoba. Most areas of western Canada need rain to keep crops from deteriorating. In western Canada, production is forecast to increase to 44 MT from 27 MT in 2002/03. In eastern Canada, production is forecast to increase slightly from 2002/03. Total Canadian supplies are forecast to increase considerably as higher production more than offsets low carry-in stocks. Total exports are forecast to increase to 23 MT from about 15 MT expected for 2002/03. In general, prices for grains and oilseeds in Canada are expected to decline due to lower world prices and the stronger Canadian dollar. For more information, visit: [http://www.agr.gc.ca/mad-dam/e/sd1e/2003e/jul2003\\_e.htm](http://www.agr.gc.ca/mad-dam/e/sd1e/2003e/jul2003_e.htm)

DETERIORATING CROP CONDITIONS IN SASKATCHEWAN IMPROVE WITH RAIN: Rain received over the weekend will help some crops, according to Saskatchewan Agriculture, Food, and Rural Revitalization's July 7 crop report. Many central and northern areas received rain on Saturday and Sunday, which is expected to improve deteriorating crop conditions in those areas. Across the province, less than 40% of reporters rate topsoil moisture conditions on crop, hay and pasture land as adequate. Crop conditions deteriorated across the grainbelt during the past two weeks from the high temperatures and winds. Provincially, crop conditions are reported as good to excellent for at least 50% of all crops with the exception of chickpeas and flax. The hot, dry weather has accelerated crop development for spring crops. Reporters expressed concern about short crops and heat damage during flowering. The main sources of crop damage during the past week were from insects and lack of moisture. Grasshoppers continue to be reported in damaging numbers across much of the province. In some areas, farmers have applied insecticide several times and are still losing crops. Hailstorms caused crop damage in several areas across the province, but mainly across the northern grainbelt. The hot weather has also caused stress for the hay crop, although it has allowed good haying progress to be made. Almost a third of the 2003 hay crop has been baled or silaged, with a further 23% lying in the swath. Quality is generally expected to be fair to excellent.

QUEBEC SIGNS AGRICULTURAL POLICY FRAMEWORK IN PRINCIPLE: A joint Canada-Quebec news release dated July 7 said that federal Agriculture and Agri-Food Minister Lyle Vanclief, Quebec Agriculture, Fisheries and Food Minister Françoise Gauthier and Quebec Minister for Canadian Intergovernmental Affairs and Aboriginal Affairs Benoît Pelletier announced that Quebec has signed the Federal-Provincial-Territorial Agreement on Agricultural and Agri-Food Policy for the 21st century. "I am proud Quebec is joining the other provinces who have signed onto our new agricultural and agri-food policy for the 21st-century," Vanclief said. "I am delighted with the collaboration we have undertaken for development of

Canada's agricultural industry. Together we are laying the foundations of a flexible new direction that will lead the agricultural sector to greater confidence and stability." La Financière agricole du Québec will be given responsibility for administering the new Net Income Stabilization Account (NISA), which will promote harmonious implementation of the new program with Quebec's programs. Vanclief stated the implementation agreement will recognize Canada's supply management system and its three pillars: import controls, a cost of production pricing policy, and production controls. Vanclief also reiterated his commitment to vigorously defend supply management during the next round of negotiations at the World Trade Organization.

**CANADIAN SCIENTISTS FIND GM WHEAT POSES ENVIRONMENTAL RISK:** The Canadian Wheat Board, on July 9 reported that three plant scientists from the University of Manitoba have concluded that the unconfined release of Monsanto's Roundup Ready wheat in Western Canada poses an unacceptable level of environmental risk. "The unconfined release of Roundup Ready wheat will negatively affect the environment and limit farmers' ability to conserve natural resources on farms in Western Canada," note Dr. Rene Van Acker, Dr. Anita Brûlé-Babel and Lyle Friesen in their report. "Under current conditions the release of Roundup Ready wheat in Western Canada would be environmentally unsafe." All three researchers are with the Department of Plant Science in the Faculty of Agricultural and Food Sciences were asked by the CWB to independently assess the impact of unconfined release. The results of the study have been submitted to the Plant Biosafety Office of the Canadian Food Inspection Agency, the federal agency responsible for assessing Roundup Ready wheat's environmental safety. "The study shows that this product, if granted unconfined release, will cause environmental problems for all farmers, not just those who choose to grow it," said Ken Ritter, chairman of the CWB's farmer-controlled board of directors. "We urge the federal government to consider this scientific evidence in their assessment process." The complete study is available on the CWB Web site at: <http://www.cwb.ca/en/topics/biotechnology/report/pdf/070803.pdf>

**CANADA ISSUES 4<sup>TH</sup> REPORT RESPONDING TO ROYAL SOCIETY EXPERT REPORT ON FUTURE OF FOOD BIOTECHNOLOGY:** In a June 27 news release from Health Canada, 2003 the Government of Canada released its fourth progress report on the Action Plan of the Government of Canada in response to the Royal Society of Canada's Expert Panel on the Future of Food Biotechnology. Like the previous progress reports, this document provides detailed technical information on the key milestones achieved for each of the actions the Government of Canada has committed to in addressing the recommendations from the Royal Society Expert Panel. Health Canada, Agriculture and Agri-Food Canada, the Canadian Food Inspection Agency (CFIA), Environment Canada, and Fisheries and Oceans Canada are all making progress in their response to the recommendations. The English progress report can be found at: [www.hc-sc.gc.ca/english/protection/royalsociety/progress\\_report\\_june.html](http://www.hc-sc.gc.ca/english/protection/royalsociety/progress_report_june.html) Previous progress reports, released in January, May and December of 2002, can be found at: [www.hc-sc.gc.ca/english/protection/royalsociety/index.htm](http://www.hc-sc.gc.ca/english/protection/royalsociety/index.htm)

**SAPUTO TO CLOSE ADDITIONAL CANADIAN CHEESE PLANT:** The July 10 edition of *Food in Canada* newsletter reported that nine months after Saputo announced the closure of three cheese plants (Souris, Manitoba; Yorkton, Saskatchewan; and Oakville, Ont.), Saputo Inc. has announced that the Cookstown plant north of Toronto will cease operations on August 1 and some of the production at its plant in Saint-Raymond de Portneuf, Que. will be transferred to other company facilities. The company explained, "These announcements come in the wake of the company's re-evaluation of its Canadian facilities and the optimization of its production capacities in light of the recent decision by the World Trade Organization concerning the Canadian system of the supply of milk to be used in products for the export market. In order to comply with that decision, Canadian dairy processors are

required to export their products at prices that make the exporting of dairy products from Canada non-competitive. Part of the production of the Saint-Raymond de Portneuf plant will be transferred to other facilities of the company. The company intends to make the plant "the benchmark in the manufacture of soft cheeses and goat cheeses, the aim being to continue to strengthen Canadian sales growth in those market segments."

CANADIANS PREFER BEER, WITH RISING TREND TOWARDS IMPORTED BRANDS: According to Statistics Canada's *Control And Sale Of Alcoholic Beverages 2001/02*, while a growing number of consumers are discovering the taste of spirits in the form of Canadian coolers, domestic beer and wine continue to lose ground to imports. Canadian spirit-based cooler sales more than doubled over the last five years; annual growth rate sales in 2001/02 soared 62.8% to \$258.7 million. Meanwhile, imported beer and wine products posted average growth rates of 15.5% and 10.4%, respectively, over five years. Beer is by far the most popular alcoholic beverage among Canadian consumers. Nearly 2.7 billion liters of alcoholic beverages were sold at beer and liquor stores and other outlets in 2001/02; beer made up 81.3% of the total, compared with 11.9% for wine and 6.8% for spirits. Sales totaled \$14.5 billion, up 6.8% from 2000/01. Beer accounted for 51.1% of the total, and the remainder was split between spirits (25.6%) and wine (23.3%). Imports continued to expand their share of sales, capturing 30% of the market in 2001/02, compared with 21% ten years earlier. Sales of imported beer totaled \$712.3 million in 2001/02, up 13.8%, the eighth consecutive annual increase. This gave imports 9.6% of the Canadian beer market, a 5.2% increase over 1995/96. The volume of imported beer sales was up 8.1% in 2001/02. For additional information, see: <http://www.statcan.ca/Daily/English/030709/d030709b.htm>

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