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Report Highlights:

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Includes PSD Changes: No
Includes Trade Matrix: No
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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.

THE BSE, CULL COW DILEMMA FOR CANADA: The BSE situation in Canada has sharply disrupted the normal flow of cull cows through the supply chain. With the industry heavily dependent on the normal flow of Canadian beef to foreign markets and on the daily movement of live slaughter cattle to the United States, the international border closures and restrictions have presented a unique situation with regard to cull cows. Canada lacks sufficient slaughter facilities for cull cows because normally, a significant share of cows destined for slaughter are exported to specialty plants in the United States. These animals are starting to back up on farms and there have been some isolated cases of farmers shooting and burying these animals. The national producer organization, the Canadian Cattlemen's Association (CCA), continues to resist a national cull, but is lobbying the federal government for a special relief program unique to cull cows that would include alternate export markets for older animal beef and expanded domestic ones. The CCA claims that Canada's earlier decision to suspend supplementary imports of non-NAFTA beef (see CA3055) has already helped increase the domestic market for cow beef.

DAIRY FARMERS ASK FOR MAD COW AID: The October 1 *Edmonton Journal* reported that mad cow disease is about to claim another victim -- Canada's dairy farms -- unless dozens of small slaughterhouses are built and licensed in the coming months, a senior executive from the country's largest dairy farmers association told Canadian government Members of Parliament (MPs). With no access to slaughterhouses to cost-effectively destroy aging dairy cattle -- cows that previously would have been slaughtered for meat -- dairy farmers are going to start killing and composting the animals on their own farms, said Bruce Saunders, Dairy Farmers of Canada (DFC) second vice-president. He termed his prediction a worst-case scenario. Speaking to members of the federal agriculture committee, Saunders farmers would lose C\$300 million a year in trade in live dairy cattle, and would see their industry be tarnished by farmers forced to shoot their own animals because they can no longer afford to feed them. Saunders said that at the time of the May 20 closing of the Canada-U.S. border after a case of bovine spongiform encephalopathy was discovered in Alberta, 70% of dairy cows were being shipped live to the U.S. for slaughter. Saunders told the MPs that the Canadian Food Inspection Agency (CFIA) should expedite the licensing and opening of new abattoirs to ensure the viability of the dairy industry. Farmers are surviving on milk sales but need to sell their older cows in order to make a profit, he said.

MEXICO TO ACCEPT CANADIAN BEEF: Mexico has re-opened its border for imports of Canadian boneless beef from cattle under 30 months of age, liver, kidney, heart and tongue. It's expected that shipments to Mexico should begin within days. The Canadian Cattlemen's Association (CCA) hailed the news because Mexico is its second largest export market for beef after the United States. In 2002, Canada exported about 50,000 metric tons of beef to Mexico, slightly more than 10% of total Canadian beef exports that year (83% of Canadian beef exports was destined for the U.S.). According to the CCA, a large percentage of the beef shipped to Mexico is hips and chucks, which are in oversupply in Canada. In August 2003, the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food, SAGARPA, began accepting requests to import certain beef products from Canada, but no meat had actually moved.

CWB LAMENTS STRONG CANADIAN DOLLAR: The October 2 edition of *Good Morning Ontario* covered a Resource News story that the current strength of the Canadian dollar, relative to the US dollar is negatively impacting exporters of Canadian grains and oilseeds, said market sources. "For almost every sale we make, even in Canada, our transactions are based on US dollar competition," said Louise Waldman, media relations manager for the Canadian Wheat Board (CWB). "As the Canadian dollar strengthens, relative to the US dollar, the amount of Canadian dollar revenue we receive per ton drops," Waldman added. The past two years have been "a double whammy," for the CWB, said Waldman. Worldwide grain prices dropped at the same time as the increasing dollar. "So obviously this year, the dollar did have an impact on sales returns," said Waldman. She noted a negative impact of up to C\$35 a ton at different times in the year. Currency movements are "a huge area of concern" for the CWB, said Waldman. "In terms of hedging, we can do that to a certain extent to protect ourselves." Waldman said that the sharp drop in the U.S. dollar, to the extent it devalued was a "surprise to everybody."

SASKATCHEWAN 95% HARVESTED: Ninety-five percent of the 2003 harvest is complete, according to Saskatchewan Agriculture, Food and Rural Revitalization's September 28 weekly crop report. Harvest progress this week remains ahead of the five-year (1998-2002) average of 83% complete for this time of year. Crops with more than 10% remaining to be harvested include flax, sunflowers, and canary seed. The northwest is the only region with more than 10% of the crops still to be harvested. During the past week, crop damage was mainly caused by wind, migratory birds, and rain. Topsoil moisture conditions on cropland have improved slightly since last week with one-third of reporters rating conditions as adequate, compared to 28% last week. Twenty-four percent of reporters rate topsoil moisture conditions on hay and pasture land as adequate, compared to 22% last week. Rains in late August and early September have revived some pastures, but more rain is needed to replenish ground water supplies.

ONTARIO CROP CONDITIONS: According to the Ontario Ministry of Agriculture and Food (OMAF) September 24 *Ontario Field Crop Report*, early reported soybean yields vary widely from 25-50 bushels per acre which is lower than what was anticipated based on crop appearance during July and August. Seed quality has generally been excellent. Seed moisture content has been dry. Rainfall during the past week has improved seed moisture content with the majority of edible beans delivered now being between 16-22%. Yields have been average to above average with good quality reported. There have several reports of anthracnose present in white bean fields. Initial infection appears on individual plants. Recent weather has co-operated to bring much of the Ontario corn crop closer to maturity. A lot of the late-planted corn has caught up in maturity due to sufficient moisture through silking and warm bright sunny days through August and September. Meanwhile, recent rains have aided in creating an ideal seedbed for planting winter wheat.

SWEDE MIDGE FOUND IN CANOLA IN ONTARIO: According to the September 23 edition of the Ontario Ministry of Agriculture and Food (OMAF) *Crop Pest Ontario* suspected Swede midge injury was been reported in a few fields in Ontario. While surveying 32 fields for cabbage seedpod weevil, six fields were found to have evidence of Swede midge injury. The six fields were located in the Grand Valley area; currently an area listed as quarantined for cole crops due to Swede midge by the Canadian Food Inspection Agency (CFIA). Two of the fields were planted with winter canola. The remaining four were spring canola fields. CFIA is currently investigating the situation. To date, this pest has not been found elsewhere in North America. The adult itself is a very weak flyer, so as a result, CFIA has quarantined counties where swede midge was found in attempts to limit its spread. Currently, swede midge has been found in eight counties in Ontario. For more information on CFIA quarantine directives and regulated counties, visit the websites listed below. CFIA Directive:

<http://www.inspection.gc.ca/english/plaveg/protect/dir/d-02-06e.shtml>

CFIA Regulated Counties:

<http://www.inspection.gc.ca/english/plaveg/protect/dir/smidgee.shtml>

NEW STRAIN OF BLACKLEG FUNGUS THREATENING CANADA'S \$2-BILLION CANOLA

INDUSTRY: The October 2 *CP Wire* reports that Canada's \$2-billion canola industry could, according to this story, be facing its worst disease threat in 20 years as a new strain of blackleg fungus appears to be spreading across the Prairies. The story says that University of Manitoba plant scientist Dilantha Fernando first found the strain, which is common in Europe, in a crop last year near Morden, about 100 kilometers southwest of Winnipeg. This year, he's testing 75 samples from Alberta, Saskatchewan and Manitoba farmers who have found canola varieties normally resistant to blackleg covered in fungal lesions. Samples are also coming into his lab from the northern U.S. JoAnne Buth, vice-president of the Canola Council of Canada, which alerted farmers through its website to send samples to Fernando, was quoted as saying, "I think this is serious." The canola industry and governments are prepared to pour about \$200,000 into research this winter to assess how far the disease has spread and whether any existing canola varieties are resistant, Fernando said. Buth added that a huge outbreak of a different blackleg strain in the 1980s caused tens of millions of dollars in losses, according to, but crop varieties were bred during the 1990s to resist it. But many farmers have stopped taking precautions such as leaving four years between canola rotations. The seed-borne fungus has been known to infect winter-planted canola crops in Ontario and the southern U.S., but this is the first time it has shown up in Prairie spring canola.

BEETLE DOOMS THOUSANDS OF TREES; KILOMETERS-LONG SWATH MUST BE CUT:

According to a story from the September 23 *Toronto Star*, Canadian federal officials were cited as saying that the spread of the Asian longhorned beetle (ALB) will force the removal of thousands of trees in the Toronto, Ontario region because the ALB has no natural predators in Canada and the only way to eradicate an infestation of the beetle is to cut down host trees within a 300-meter radius of those where the winged creature has been found. The story says that infested trees were found in a 5-kilometer swath in a largely industrial and commercial zone earlier this month.

GYPSY MOTHS DISCOVERED IN NORTHERN ALBERTA: According to a September 25 article from the *Edmonton Journal*, gypsy moths have, according to this story, been found in Edmonton for the first time, raising concern over the city's trees and Alberta's northern boreal forests. Peter Volney, a Canadian Food Inspection Agency (CFIA) program officer, was cited as saying that three moths were found in two local traps early last week said Volney said he remembers opening the first trap and seeing the three male gypsy moths. The specimens were sent to Ottawa to be more specifically identified by DNA testing, since the male Asian gypsy moth looks identical to the male North American -- formerly European -- gypsy moth. "Either way, it's not good," Volney said.

MAPLE LEAF FOODS, INC., TO PURCHASE SCHNEIDER CORPORATION FROM SMITHFIELD:

Last week, Maple Leaf Foods, Inc. announced that it has executed a definitive agreement with Smithfield Foods, Inc. of Smithfield, Virginia to purchase Schneider Corporation of Kitchener, Ontario for \$378 million (approximately C\$515 million). Schneider, a value-added pork processor is a historically strong brand in Canada and is one of Canada's largest producers of premium branded quality food products, specializing in packaged processed meats, poultry and grocery products, but is. For the year ended April 27, 2003, Schneider's had sales of \$C1.24 billion and earnings from operations of \$C54.1 million. Schneider's employs approximately 5,000 people at its 20 facilities across Canada. Maple Leaf is Canada's largest food company and one of the largest processors of slaughter hogs in Canada. In 1997, Maple Leaf bid \$130-million to get Schneider, but the company moved to

thwart the bid and accepted a Smithfield offer. Some analysts were speculating that Smithfield was anxious to unload Schneider due to the potential lack of synergy of its operations in Canada under the U.S. Country of Origin Labeling (COOL) initiative. Public Law 107-171 requires USDA to promulgate regulations for a mandatory country of origin labeling program by September 30, 2004.

LIVE HOG EXPORTS TO U.S. COULD EASE IF MAJOR MANITOBA PLANT RE-OPENS SOON: Hog industry observers in western Canada are speculating that the Springhill Farms hog processing plant in Neepawa, Manitoba could re-open this fall. The plant temporarily closed its doors earlier this summer claiming low profitability which resulted in an increase in live slaughter hog exports to the United States. The plant's capacity is approximately 18,000 hogs per week. Normally, the plant slaughters hogs for shipment to a cutting plant in Winnipeg owned by Maple Leaf Foods, Inc. According to the local press, Manitoba's Minister for Industry, Trade and Mines recently confirmed the province was working on the details of a loan agreement with Springhill Farms.

SAPUTO TO BUY ARGENTINE DAIRY PROCESSOR: Saputo Inc. says it is buying the third largest dairy processor in Argentina for US\$50.8 million. The Montreal-based cheese maker says it has a preliminary deal with Molinos Rio de la Plata SA to buy its Molfino Hermanos SA business. Molfino, which has annual sales of about \$90-million, employs a work force of 850 and has two plants. About 40% of its sales are exported out of Argentina to more than 30 countries. It produces soft, semi-soft, hard and grated cheese and also butter, cream and milk powder. Molfino's main brands are La Paulina, Molfino, Ricrem and Taluhet. "By giving the Company the opportunity to establish itself in a market where the raw material is accessible at competitive international prices, this proposed transaction is in line with Saputo's goal of becoming a world-class cheese company," the company said.

QUEBEC ANNOUNCES C\$1.9-MILLION PROGRAM TO AID QUEBEC BEEKEEPING INDUSTRY DEVASTATED BY PARASITE MITE: According to the September 26 *Montreal Gazette*, the Quebec agriculture department was cited as announcing a C\$1.9 million program yesterday to help Quebec beekeepers whose hives have been devastated this year by the parasite Varroa mite. In announcing the program, Agriculture Minister Francoise Gauthier was cited as saying that Quebec's 200 beekeepers have 37,000 hives, and Varroa has wiped out "no less than 50%" of them this year. Denis Pellerin, of the beekeepers association, was cited as saying the damage is even worse in terms of honey production. For 2003, honey production in Quebec is between one-third and one-quarter of the usual amount.

GOVERNMENT OF CANADA INVESTS IN B.C. FOREST COMMUNITIES: According to a September 22 news release from Western Economic Diversification Canada, the Government of Canada (GOC) is investing over C\$3.5 million in B.C. communities severely impacted by softwood tariffs. This funding will go towards eight job-creating community-based initiatives worth more than C\$15 million. In the coming months, B.C.'s forest-dependent communities can expect to receive an additional C\$50 million from the GOC for similar projects. "Supporting British Columbia's forestry sector and forest-dependent communities is a top priority for the Government of Canada," said Herb Dhaliwal, Minister of Natural Resources Canada. "This initiative demonstrates our commitment to the sustainability of B.C.'s communities while we continue to work for a long-term solution to the softwood lumber dispute with the United States." Western Economic Diversification Canada is the federal department mandated to support economic diversification in communities across Western Canada through activities that promote and assist Innovation, Entrepreneurship, and Sustainable Communities. Federal funding for this initiative was provided for in the February 2003 budget.

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