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## Canada

### Agricultural Situation

### This Week in Canadian Agriculture, Issue 39

**2003**

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**Report Highlights:**

LOWER HOG INVENTORY REFLECTS HIGHER LIVE HOG EXPORTS \* MANITOBA PROVIDES C\$3 MILLION LOAN FOR HOG PROCESSING PLANT \* STRONGER HOG PRICES; ADVANCING PORK EXPORTS \* PACE OF CANADIAN FROZEN FRENCH FRY EXPORTS FORECAST TO PICK UP \* PRINCE EDWARD ISLAND EXPECTS CLEAN BILL OF HEALTH ON POTATO WART \* CANADA ANNOUNCES ETHANOL PRODUCTION INCENTIVES

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
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[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.

**LOWER HOG INVENTORY REFLECTS HIGHER LIVE HOG EXPORTS:** Statistics Canada's October 1, 2003 hog numbers show that the total Canadian swine inventory fell to 14.4 million hogs, down 1.2% from July 1 and 3.3% from the level of October, 2002. However, despite the decline in the total inventory, the size of the breeding herd remained about the same compared with July 1 and, in fact, increased 2.9% compared with October 2002. This structural change in the industry is linked to rising exports of feeder pigs to the United States. Canadian exports of live hogs to the United States, both feeder and slaughter, rose an estimated 24% in the first nine months of 2003, compared with the same period of 2002. Feeder pig exports account for about 70% of the total.

**MANITOBA PROVIDES C\$3 MILLION LOAN TO RE-ESTABLISH HOG OPERATION AT NEEPAWA:** Manitoba Industry, Trade and Mines Minister MaryAnn Mihychuk has announced that the province is providing a C\$3 million secured, repayable loan to Springhill Farms to assist the company in re-establishing its hog processing operations in Neepawa. Springhill Farms, an important hog processor in Manitoba, temporarily curtailed production in July 2003 (citing poor profitability linked to Japan sales and to the general appreciation in the Canadian dollar in 2003) with a resulting 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.

**STRONGER HOG PRICES FOR PRODUCERS; ADVANCING PORK EXPORTS:** Statistics Canada reports that Canadian hog prices and price prospects have been improving following a collapse in the fall of 2002, although they remain well below the higher prices experienced as recently as 2001. The September 2003 price was about 25% higher than the price in September 2002, which was the lowest point in that year. The closure of the US border to Canadian beef on May 20 was also a factor. U.S. beef prices rose as supplies in the U.S. tightened, boosting pork prices at the same time. Canada will likely emerge as the world's largest pork exporter this year. Total Canadian exports of pork in the January to August period of 2003 increased by almost 20% from the same period a year ago. Exports to markets in the same eight months of 2003 are up 14% to the United States, 29% to Japan, 38% to Australia and 86% to Mexico. Sales to South Korea and Russia were below year earlier levels.

**PACE OF CANADIAN FROZEN FRENCH FRY EXPORTS TO PICK UP:** Canadian frozen french fry production continues to be driven by export demand. Although Canadian frozen french fry exports during MY2002/03 (July /June) increased more moderately than during prior years, the pace of exports could increase during the current marketing year. For MY2003/04, post projects total Canadian frozen french fry output and exports to advance by approximately 6-7% reflecting, in part, the start up of the new J.R. Simplot plant in Portage La Prairie, Manitoba in August 2003. Canadian exports of frozen french fries to the U.S. reached 668,360 metric tons valued at \$415 million during MY2002/03 and accounted for more than 87% of total Canadian frozen french fry exports to the world. Canadian potato processors

export frozen french fries to more than 75 countries. In addition to their U.S. sales, Canadian potato processors are looking to Mexico, Japan and China for increased export opportunities. For more information, see the Annual Frozen Potato Products Report, CA3067, due to be released shortly.

**PRINCE EDWARD ISLAND EXPECTS CLEAN BILL OF HEALTH ON POTATO WART:** According to local press reports, P.E.I. potato growers are upbeat following a visit by an APHIS audit team. The preliminary result as reported by the P.E.I. Potato Board is that no signs of potato wart have been found across the province. In late 2000, the Island's potato industry was crippled by the outbreak of potato wart which resulted in the closure of the U.S. border to P.E.I. potatoes. Ivan Noonan, general manager of the P.E.I. Potato Board, reportedly told the Island press that "The early indications are that everything is perfect. (The APHIS team) will go back and do an official report, but it means no wart has been detected for the past three years."

**CANADA ANNOUNCES ETHANOL PRODUCTION INCENTIVES:** The GOC has announced an Ethanol Expansion Program by inviting industry to submit proposals for contributions toward the construction of new ethanol plants. Up to C\$60 million will be available in this first round of funding from the three-year, \$100-million program. The funds will be used to expand fuel-ethanol production and use in Canada, and reduce greenhouse gas (GHG) emissions. "These funds are intended to kick-start the expansion of the ethanol industry in Canada," said Agriculture and Agri-Food Minister Lyle Vanclief. "Increasing the production and use of bio-products and bio-fuels such as ethanol will create new markets for Canada's farmers." The GOC will also be launching a consumer-awareness initiative this fall. There are currently more than 1,000 retail locations in Canada selling ethanol-blended gasoline in all provinces west of New Brunswick. An estimated 7% of gasoline sold in Canada is blended with ethanol. According to the Canadian Renewable Fuels Association, Canada currently produces about 238 million liters of ethanol annually. The producers are: Mohawk Oil, Manitoba, 10 mil. liters (wheat-based); Pound-Maker Agventures, Ltd., Saskatchewan, 12 mil. liters (wheat-based/cattle feedlot); API Grain Processors, Alberta, 26 mil. liters (wheat-based); Commercial Alcohols, Ontario, 2 plants, 173 mil. liters (corn-based); Tembec, Quebec, 17 mil. liters (forest product-based).

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