

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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Voluntary - Public

**Date:** 10/9/2009

**GAIN Report Number:** CA9053

## Canada

**Post:** Ottawa

### **This Week in Canadian Agriculture Issue 26**

#### **Report Categories:**

Agricultural Situation

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#### **Report Highlights:**

Canadian Hog Buyout Program Launched; Canada Requests WTO Panel on Country of Origin Labeling (COOL); Judge Sides with Government in Cheese Compositional Standards Decision; I Scream, You Scream...It's Not Ice Cream; Flax Trade Faltering on Detection of Unregistered Biotech Varieties; Canada-Columbia Free Trade Agreement (CCFTA) Still Stalled; Canadians Spending Less but Still Eating Out; Warm Dry October Needed to Set Crops

#### **General Information:**

##### **Canadian Hog Buyout Program Launched**

After the Minister of Agriculture's mid-August announcement of a program for the Canadian hog sector, details of the program became available this week. The C\$75 million [Hog Farm Transition Program](#) assists farmers who see no viable alternative but to cease hog production for a set period of

time. To participate in this program there is a prior registration and approval process. HFTP provides funding through a closed tendering process where successful bidders agree to set aside all hog production for three years. Participants must indicate in their bids how much money they will require to idle all production for three years following the emptying of their barns. Producers that were in operation on April 1, 2009 are eligible, including those that depopulated their barns between then and now. [The first tender](#) will be held on October 28 and subsequent tenders will be held until funding is exhausted. Details of the [Hog Industry Loan Loss Reserve Program](#) (HILLRP) were also announced. HILLRP is a loan guarantee program that assists producers that wish to continue in hog production address their liquidity problems. Producers applying for the loan must demonstrate to lenders that their businesses are or can be viable as well as have a reasonable prospect for loan repayment. The Government of Canada will share loan loss risk with the commercial lenders. Banks will bear the risk for the loans that they make and manage, being held accountable for losses beyond those that can be drawn from the Reserve Fund. The [loan terms](#) will be negotiated between lenders and applicants and shall not exceed 15 years – where possible a maximum of 10 years will be encouraged. The third part of the plan is the C\$17 million International Pork Marketing Fund (IPMF) to bolster market development in critical markets and fund activities to capture greater value from export markets. In addition, the fund allocates resources towards resolving trade restrictions.

### **Canada Requests WTO Panel on Country of Origin Labeling (COOL)**

Canada requested a dispute settlement panel at the World Trade Organization (WTO) over COOL on October 7. Canada argues that COOL requirements are so onerous that they affect the ability of Canadian cattle and hog exporters to compete in the U.S. market. COOL requires firms to track and notify retail consumers of origin of meat and other agricultural products. Canada contends that the COOL regulations which took effect March 16, 2009, has created confusion and certainty for the livestock industries on both sides of the border. Canada's request for a pane comes after two rounds of WTO consultations failed to resolve their issues.

### **Judge Sides with Government in Cheese Compositional Standards Decision**

The Federal Court judge issued a decision on the case brought by Saputo, Kraft Canada and Parmalat Canada which challenged the government's authority in these regulations. The judge found that the government did indeed have the authority to issue the Cheese Compositional Standards Regulations made to the Food and Drug Regulations and the Dairy Products Regulations. In other words, the new Cheese Compositional Standards Regulations proposed by the federal government, including new casein and whey ratios for all cheese, have been found by the Court, in all respects, to be constitutionally and legally valid as they apply to cheese in international and inter-provincial trade, including cheese imported into Canada. Unless there is an appeal to this Decision, issued on October 7, 2009, the new Cheese Compositional Standards Regulations are now law and will be enforced as of December. The government had been holding off on launching any additional standards, e.g. on yogurt, until this case was concluded. With this decision additional standards may now proceed on additional products.

### **I Scream, You Scream . . . It's Not Ice Cream**

Dairy Farmers of Canada have initiated a campaign to alert consumers about products "masquerading" as ice cream when they contain vegetable oil instead of milk fat. The regulations in the Ontario Milk Act were changed in late 2007 to allow nondairy fats in ice cream-like products. Previously, it was not legal for a food company to sell a product that resembled ice cream that was

made of a nondairy fat. The regulation change meant huge cost savings for companies because the cost for nondairy fat inputs is about a quarter of the cost for dairy fat inputs. Asia and Europe have permitted it for years, although it's still not allowed in the United States. By law, ice cream must have more than 10 percent milk fat before it can call itself ice cream. But that doesn't stop companies from making ice cream look-alikes and calling them frozen dessert. According to AC Nielsen, frozen desserts represented 9 percent of the market share from January to April 2008. For the same period this year it was more than threefold at 28 percent. Canadian dairy farmers are fighting back with recent marketing campaigns. They've rebranded their blue cow symbol, which is now accompanied by the words "100% Canadian Milk."

### **Flax Trade Faltering on Detection of Unregistered Biotech Varieties**

Press reports indicate that detection in Europe of biotech characteristics in Canadian flax shipments has thrown the flax market into turmoil. German companies have taken cereal and bakery products off store shelves after testing positive for the presence of CDC Triffid. Canadian growers are concerned that the European Union will shut down trade due to its zero tolerance policy for biotech presence. Europe took 80 percent of Canada's 2008-09 flax exports and 76 percent the previous year. Sales to Europe in 2008 topped C\$317 million.

### **Canada-Colombia Free Trade Agreement (CCFTA) Still Stalled**

In the ongoing political jostling Liberals and Conservatives in the Canadian parliament have joined forces to defend the Colombian government of Alvaro Uribe against critics among the New Democratic Party and the Bloc Quebecois. Bill C-23, implementing legislation of the CCFTA, was removed in the spring of 2009 from the government's agenda because of widespread public opposition. The bill has again become a top priority for the Harper government this fall but there is no definite timeframe for passage. Canadian wheat and barley exports to Columbia face an applied tariff that historically averages 15 percent. Similarly, without the FTA, Canadian exporters of pulse and specialty products valued at C\$80 million will face a 15 percent tariff disadvantage. Once implementing legislation is passed, Canadian exporters will be in a better position to compete with U.S. and Argentine exporters in the Colombian market.

### **Canadians Spending Less but Still Eating Out**

Canadians spent more in fast-food restaurants and bars in June, but less in full-service restaurants or for special food services, such as catering. Statistics Canada reported that national sales in the food service industry decreased 1.3 percent between May and June to just under \$4 billion. While people are still eating out, they're spending less when they eat out. The Canadian Restaurant and Foodservices Association is forecasting sales at full-service restaurants across the country will decline 2.6 percent this year to \$21.1 billion and sales for limited-service restaurants to remain flat at \$19.6 billion.

### **Warm Dry October Needed to Set Crops**

Statistics Canada (SC) reports that Canadian prairie farmers are finding decreases in all major grains in 2009 compared to 2008, with the exception of spring wheat in Manitoba. In Eastern Canada, Quebec and Ontario farmers are reporting potential increases in soybean production, with a possible record in Quebec. Canada's 2009 harvest is well under way with mainly dry and mild weather conditions across the country. SC indicates that less than desirable summer growing conditions have held back crop advancement and more time is required this season to bring in the crop. Corn

and soybean crops in Ontario and Quebec are maturing late this year and will require warm, dry weather through October. Reported yields so far have however been higher than those reported in the preliminary production survey taken at the end of July. **Canola:** Canadian prairie farmers reported that canola production is expected to fall by 19 percent from 2008 levels to approximately 10.2 metric tons (MT). Production is falling as a result of lower harvested area and yield. Alberta farmers are anticipating harvesting 36 percent less canola in 2009 than last year. The estimated production of 2.8 million tons will be the lowest production amount for Alberta since 2003. **Feed Grain:** Production of barley, oats and dry field peas are expected to be down in the Prairie Provinces. Production of barley should decline 24 percent to 8.5 million tons, while oat production may drop by over 36 percent to 2.5 million tons. Field pea production is expected to fall by 11.5 percent, declining to roughly 3.2 million tons this season.