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Report Highlights:

Wheat Interests in Canada-Columbia Free Trade Agreement *
Canadian Bio-fuel Production Update * Canadian Beef Industry
Moving Toward Full Traceability

General Information:

**Wheat Interests in Canada-Colombia Free Trade
Agreement**

Press reports indicate that the Canadian wheat industry is
requesting that the Government of Canada protect its

competitive position in Colombia by ratifying the Canada-Colombia Free Trade Agreement (CCFTA). Canadian ratification of the CCFTA is bogged down by opponents' concerns with peripheral issues involving human rights and environmental standards. Colombia recently imposed a 15 percent tariff on wheat imports, automatically triggered by low global wheat prices and meant to protect domestic producers from lower cost imported wheat. The tariff results in a C\$40 per ton increase on high quality red spring red wheat and a C\$35 per ton increase on lower quality winter wheat being sold to that South American market. Western prairie farmers are urging members of parliament to support the CCFTA's ratification to remain competitive with U.S. and Argentine producers – Argentina has duty free access for its low quality wheat. Canada sold 400,000 tons of high-quality wheat and 40,000 tons of malting barley to Colombia in 2008-09, worth roughly C\$135 million to prairie farmers.

Canadian Biofuel Production Update

Canadian biofuel production is expected to increase by 76 percent over the next two years as subsidies for production plants and renewable fuel requirements take effect. Industry sources report that biofuel production will surpass 2.5 billion liters annually by 2011. Federal funding is for periods of up to seven years, with exact amounts calculated on a per liter basis. Annual operating subsidies are designed to pay producers more in a weak market than when conditions are favorable. The Government of Canada since 2008 has awarded funding to 23 biofuel plants and distributed over C\$1.5 billion. Biofuel producers make ethanol from corn and wheat, and biodiesel from animal fat, soybeans, and canola. Post estimates that Canada will publish in the fall of 2009 proposed regulations requiring a 5 percent renewable fuel component in gasoline for comment. The proposed regulations may then be modified based on comments received and published a second time in June 2010. If this scenario holds, the ethanol section of the mandate would go into effect in September 2010 with a 2 percent renewable content in diesel and heating oil by 2011.

In 2009, total domestic ethanol production capacity is estimated to reach 1.42 billion liters (approximately 3.6 percent of gasoline pool) compared to 2008's 1.39 billion liters. In 2009, it is estimated that 69 percent of the production capacity for domestic ethanol will be derived from corn, 30 percent from wheat and 1 percent from "other" feedstock such as wood waste and wheat straw. Post forecasts that this will likely change to 75

percent corn, 23 percent wheat and 2 percent “other” feedstock by the end of 2010. Overall Canada’s limited biofuel production capacity, both in the short and medium term suggests that Canada’s entry into the global ethanol market is still quite distant.

Canadian Beef Industry Moving Toward Full Traceability

Press reports indicate that spurred by higher international and domestic standards for animal health and food safety, the Canadian livestock industry starting January 1, 2010, is required to affix to all cattle leaving the farm electronic identification tags. The Canadian Cattle Identification Agency (CCIA) has publically commented that it aims to traceback almost immediately an animal’s origin in the case of the detection of disease. The program requires the herd of origin, as well as birth certificates if cattle are to move out of Canada. Although a traceability system is already in place, technology is not yet able to capture every movement of an animal on and off a truck and seamlessly transmit it back to CCIA’s main database. Premise identification requirements are still being worked out since each province runs its own identification system and registration has been slower than anticipated. CCIA acknowledges that linked premise identification, as well as commingled sites (e.g., auction markets, renderers and processors) identification numbers will also have to be incorporated into its database in order to achieve full traceability.