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Report Highlights:
Cheese Is The New "White Gold" * First Hog Exit Cash Coming * Canada/European Union Bilateral Negotiations * Ottawa Delays Natural Health Food Crack Down

Cheese Is The New "White Gold"

Recent press reports in Canada have pointed out that some dairy products have become more expensive than some top cuts of meat in Canada. Since 1994, the price of dairy has jumped by sixty percent, twice the rate of inflation. The Canadian Dairy Commission, a Crown agency, manages the prices that farmers receive for their milk and limits production through quotas to match Canadian demand for milk, cheese, butter and other dairy products. A recent report by the Conference Board of Canada criticized the dairy industry's supply/management system, saying it hurt diary famers' ability to compete globally. In addition, Canadian dairy exports are capped by the World Trade Organization obligations. Those limits capped shipments of dairy products in 2008 at $255 million. The Dairy Farmers of Canada responded to the Conference Board report by saying that milk producers in other countries have been devastated when forced to compete in the free market.

Press reports suggest that fewer individuals can afford to buy dairy products, like ice cream, cheese and yogurt. Moreover, the dairy-supply management system is not only thwarting Canadian opportunities abroad, but it is also dramatically impacting a number of domestic sectors, such as food processors and restaurants. Some food processors have secured exemptions allowing them to purchase cheese at reduced prices. This reduction allows them to export processed food products to the U.S. market where they would otherwise not be able to compete. Representatives of the food processors sector argue that if something doesn't change, it could be cheaper for them to import milk from the United States.

First Hog Exit Cash Coming

Over the last several months we have reported on the evolving situation in the Canadian Hog Buyout Program, a new federal program that pays Canadian pork producers to leave the hog business. The hog farm transition program, administered by the Canadian Pork Council, has C$75 million to allocate to farmers leaving the business for at least three years. The aim is to reduce the Canadian hog herd by the equivalent of 250,000 sows. The program will allocate the total budget through a series of auctions based on bids submitted by eligible producers. Registered producers who wish to quit the industry must submit a bid stating how much money, on a dollar-per-animal-unit basis, they would accept to get out of the business for at least 36 months.   Under the first tender, which concluded November 4, the Canadian Pork Council received 261 bids. From these bids, 74 were accepted for a total award of $10.5 million, or $765.52 per animal unit. As a result of this first round, 127,000 animals will be taken out of production, including roughly 22,000 sows. Bids for the second traunch were due December 9, with approximately 600 producers expected to register.

(Additional information on the Canadian Hog Buyout Program can be found in previous TWICAs at: http://gain.fas.usda.gov/Recent%20GAIN%20Publications/This%20Week%20in%20Canadian%20Agriculture%20%20%20%20%20Issue%2026_Ottawa_Canada_10-9-2009.pdf; http://gain.fas.usda.gov/Recent%20GAIN%20Publications/This%20Week%20in%20Canadian%20Agriculture%20%20%20%20%20Issue%2028_Ottawa_Canada_11-6-2009.pdf; http://gain.fas.usda.gov/Recent%20GAIN%20Publications/This%20Week%20in%20Canadian%20Agriculture%20%20%20%20%20Issue%2029_Ottawa_Canada_11-13-2009.pdf)

Canada/European Union Bilateral Negotiations

With the lack of conclusion to the Doha Round negotiations in the World Trade Orgnization (WTO), more countries, including Canada, have been negotiating bilateral deals. The negotiation began quite recently between Canada and the European Union (EU) but have received very little public attention and debate. Press reports have recently suggested that a deal with the EU would be huge for Canadian agricultural exports. The EU is Canada's second-largest trading partner, after the United States. Canada's current chief agricultural negotiator calls it the most significant negotiation since NAFTA. For Canadian agriculture, an EU deal would likely mean improved access for pork, beef, grains, oilseeds and specialty crops. The EU has long cited Canadian use of hormones in beef production and issues surrounding genetically modified crops as a reason to severely restrict Canadian imports. The free trade agreement negotiations are reportedly looking into new ways to skirt these long standing issues.

Ottawa Delays Natural Health Food Crack Down

The Canadian Natural Health Products Regulations came into force on January 1, 2004 and currently require that all natural health products have a product license before they can be sold in Canada. Products that fall within these regulations include herbal remedies, homeopathic medicines, vitamins, minerals, traditional medicines, probiotics, amino acids and essential fatty acids, as well as many everyday consumer products, such as certain toothpastes, antiperspirants, shampoos, facial products and mouthwashes. The current practice allows companies to sell unlicensed natural health products, provided they've submitted a product license application with Health Canada and there are no known health risks associated with the product. This practice was to be curtailed in early 2010, however, officials recently announced that enforcement actions will be pushed to 2011 while Health Canada continues to work on developing a compliance policy. Currently there is a backlog of cases dating back to 2004, when Health Canada created the directorate to process thousands of natural health product license applications for a growing market. Food companies seeking approval of novel foods and drinks with added vitamins or minerals account for nearly 500 juice and water products, about 150 energy drinks and 25 candy products.