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Approved By:

Robin Tilsworth

Prepared By:

Robin Gray

Report Highlights:

Cattle Traceability Identification Regulation * More Canadian Canola Meal Exports to Asia * End to Korean Ban of Canadian Beef May Be Near * Tweeting Cows

General Information:

Cattle Traceability Identification Regulation

The province of Alberta is strengthening its animal health and food safety legislation with the introduction of the new *Traceability Cattle Identification Regulation*, effective March 1, 2010, repealing the *Traceability Livestock Identification Regulation*. There are two components to the new

regulation: tagging requirements for cattle identification and cattle move-in reporting for feedlots. All producers now must apply the industry-approved Radio Frequency Identification (RFID) tags at 10 months of age, rather than at 8 months of age, and register the cattle's birth date. Producers using actual birth dates also have the option of using a cattle identifier, either tattoo or production dangle tag, by three months of age and until applying an RFID tag at 10 months of age, or when the animal leaves the farm, whichever comes first. Previously, RFID tags were required at three months of age.

Feedlots feeding 1,000 or more head a year are now required to report move-in information to the Canadian Cattle Identification Agency (CCIA). Previously, only feedlots feeding 5,000 or more head were required to do so. This regulation applies only to feedlots, not cow-calf operations.

The National Canadian Cattle Identification Program (CCIP) is an industry-led trace-back system introduced in 2001. Cattle born after that date are required to be age verified under the *Animal Health Act*. Traceability enables the government to move quickly to prevent, prepare, respond and recover from natural disasters and outbreaks of disease, while minimizing economic impacts.

More Canadian Canola Meal Exports to Asia

Over the last year the Food and Drug Administration of the United States has placed restrictions on Canadian canola meal exports from plants owned by Bunge, Cargill and Viterra due to salmonella contamination. Following these restrictions, shipments to the United States shrunk more than twenty-five percent during the period August through September. (FDA restrictions on Cargill's Clavet plant, the largest in North America with a crushing capacity of 1.5 million tons, were just lifted.) Overall, Canada's canola meal exports during August and September were down nearly five percent at 290,287 tons. In an effort to pick up lost export volume, Canadian exporters sharply stepped up shipments of canola meal to Mexico and Asia. During the August to September period, Thailand imported over 36,000 tons, becoming Canada's number two market for canola meal. Moreover, exports to Mexico and Taiwan more than tripled. Shipping offshore, although currently necessary, is more costly and less profitable for crushers.

Canola is crushed for its meal which is used as a protein source for animal feed, especially by U.S. dairy farmers, and for its oil which is used in cooking oil and in biofuel. The canola industry has said that meal with salmonella does not threaten human health, as only animals eat it. The FDA has countered that it is concerned that livestock with the bacteria can act as vehicles to transfer it to humans. While U.S. farmers have still been able to find canola meal to feed cattle, they are not likely to buy it when it's priced higher than other protein sources. The salmonella issue may have trimmed supplies enough to keep prices too high. Salmonella, however, is only one of several market-moving factors this year, along with Chinese restrictions on canola seed and volatile growing-season weather. The United States remains by far Canada's biggest export market, importing more than 209,000 tons of canola meal from August to September. In response to the current market environment, Canadian canola futures are up 12 per cent from a year ago.

End to Korean Ban of Canadian Beef May Be Near

Seoul's *Joong An Daily's* recent headline: "President says he hopes to end ban on Canadian beef" is viewed as promising for Canadian beef exports. Korea was once Canada's fourth biggest export

market for beef, with C\$50 million in annual beef exports to Korea. In 2003, the beef barrier came swiftly crashing down when Ottawa revealed a case of bovine spongiform encephalopathy, (BSE). For Canadian Prime Minister Stephen Harper, persuading the Koreans to lift the ban on Canadian beef would be a clear coup - another takeaway to add to a basket of benefits brought back to Canada after his recent Asian tour. However, Korean President Lee Myung-bak is moving cautiously. Last spring the biggest anti-government protests in 20 years were triggered when the Korean government announced plans to lift the ban on American beef. President Lee told reporters, "the two countries (Canada and Korea) are discussing the matter." But Ottawa has grown impatient. Earlier this year Canada took the dispute to the World Trade Organization (WTO), a move that rankled the Koreans. In August, the WTO announced a panel to decide the dispute, but Canada and Korea couldn't agree on the composition of the panel. The director general's office of the WTO finally decided the panel last month. If the panel goes ahead, a WTO ruling could come down by August, 2010. Canada points out that the Paris-based World Organization for Animal Health granted Canada's beef a "controlled risk" classification, after the organization was satisfied that Canada had BSE under control.

Canadian Government Receiving Mixed Reviews on Agricultural Trade Issues

The current Conservative government is getting mixed reviews from farm groups for its handling of trade issues, ranging from increasing access to Asian markets for Canadian beef to protecting the Canadian Wheat Board at the World Trade Organization (WTO). Prime Minister Stephen Harper won praise from the Canadian Cattlemen's Association for his recent trip to Asia, for negotiations on increased access to Korean and Chinese markets for Canadian beef products. But the National Farmers Union blasted the federal government for all but abandoning the Canadian Wheat Board at the WTO talks in Geneva. The draft text of the proposed WTO agreement calls for an end to "state-trading agencies," such as the Canadian Wheat Board, which has the legal monopoly to sell grain on the export market on behalf of western Canadian farmers. A spokesman for the National Farmers Union said the loss of government guarantees on Canadian Wheat Board borrowings alone could cost farmers more than C\$100 million, or C\$2,000 per average permit-book holder. In addition, the loss of government guarantees on initial payments could cost farmers C\$10,000 to C\$20,000 per permit book. However, the National Farmers Union contends that this doesn't mean the Canadian Wheat Board is subsidized by the government. They argue that the Canadian Wheat Board has been examined on multiple occasions and has not been found to be not market-distorting.

Tweeting Cows

For the next year, a dozen Canadian dairy cows will be "tweeting" as well as mooing. The "Dairy Diary" project, a collaborative project between the Georgia Gwinnett College in Atlanta and the Critical Media Lab of the University of Waterloo, Ontario, will follow 12 cows at different life stages at an innovative dairy farm. The project uses a system that essentially lets the cows decide when they'll be milked by offering feed to entice cows into automated milking stations, eliminating the involvement of the farmer in a traditional mechanized milking parlor. Using radio frequency tags, the cows' "Teat Tweets" will include how frequently they were milked, how much milk they produced and when they go offline to give birth, will be sent to a live Twitter feed. In addition to the Twitter feed, the project will have a very public component in downtown Kitchener, Ontario, where video of the cows interacting with the milking robot will be projected on a cube atop city hall. The third

component of the project is a large plastic cow erected in the Critical Media Lab. The lab will sell "shares" of the cow to draw attention to the cow's status as a product in the global economy. Money from the shares will go to the local food bank and toward the purchase of a dairy cow for a village in Africa. The Twitter feed and the video will be launched Friday on the project's website, www.teattweet.net.

Exchange Rate: Noon rate, December 17, 2009 (Bank of Canada): U.S. Dollar = C\$1.0713