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Approved By:

Robin Tilsworth

Prepared By:

Robin Gray

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New Seed Verification Required for Flax Sector * New Rules on Horse Meat Exports * Exports of Dairy Genetics Follow Low Milk Prices * Nut Wars in Canada * Canadian Flax Scare Rubs Off on Mustard Exports to EU

NEW SEED VERIFICATION REQUIRED FOR FLAX SECTOR

This fall, the European Union (EU) sent the Canadian flax industry into a spin when trade was shut down following detection of the presence of CDC Triffid. The EU testing protocols have posed a significant challenge. The aftershocks of this disruption are now beginning to resonate through Canada's pedigreed seed industry. A letter was sent to 900 seed industry stakeholders, including flax breeders, seed distributors, registered certified seed establishments and all pedigreed seed

growers, informing them of new requirements from commercial grain handling companies, including Parish and Heimecker, Viterra, Paterson Grain, Cargill and James Richardson International. Starting in the fall of 2010, all flax crops delivered to a commercial grain handling facility must be accompanied by proof that they were grown with pedigreed seed. Failure to adhere to the requirements will keep the crops from gaining access to the European flax market. More detailed information on testing protocols accredited testing labs and requirements for commercial flax producers can be viewed at www.flaxcouncil.ca. In 2008 – 2009, eighty percent of Canada's exports were destined for Europe for a total value of over C\$317 million.

NEW RULES ON HORSE MEAT EXPORTS

Rules for exporting horse meat to Europe are demanding more traceability and additional food safety measures. The rules changed when the EU food and veterinary office conducted two audits of the Canadian system, as well as other nations supplying horse meat, and found few animal records were available. In addition, the audit found that there was no system to segregate horses for food from those in the general population. Within three years, Canada must have electronic identification and provide traceability on all horses entering plants. The Canadian Food Inspection Agency (CFIA) will enforce the new requirements, including the provision of horse identification and health documents that include treatment records for the last six months of animals' lives. The changes affect horses from the United States. The U.S. banned horse slaughter in 2007 and now thousands are exported to Canada or Mexico for processing. Canada has about one million horses and in 2008 over 110,000 were processed. Canada consumes about ten percent of the available horse meat, while the majority is shipped to the EU. Approximately thirty percent of the horse meat consumed in Europe comes from Canada.

EXPORTS OF DAIRY GENETICS FOLLOW LOW MILK PRICES

The global recession and collapse in international milk prices have reduced exports of Canadian dairy genetics. Strong customers such as the United States and Mexico have not sought replacement genetics as the domestic and international milk prices have faltered. Canadian dairy embryo exports were over \$46 million in 2008, climbing approximately five percent from the previous year. Exports through November, 2009 totaled \$39 million, down more than twelve percent from 2008 exports. International exports of live animals have been restricted since 2003 when BSE closed borders. While the Canadian dairy genetics industry hopes for improvement next year, they currently do not know of any large contracts for international sales. If milk prices return to profitability later this year, sales may rebuild. In the meantime, the Association continues to work on promoting and selling genetics with help from a C\$1.22 million investment from the Canadian government. The AgriMarketing program is a four year C\$88 million initiative for Canadian producers and processors to increase exports and build long-term international market development programs. The money is part of an ongoing program for international market development initiatives to sell dairy cattle as well as embryos and semen exports around the world through the livestock genetics association. This grant covers the period from April 2, 1009 to March 31, 2010 and is part of a larger C\$8 million program the association operates.

NUT WARS IN CANADA

The Canadian women's magazine *Chatelaine*, has recently been on the defensive over a December article on nut allergies. The article, written by an accomplished Canadian author, Patricia Pearson, suggested that the threat of food allergies may be overblown. Neither Pearson, nor *Chatelaine*, was prepared for the outraged response that the article provoked. Moreover, allergies made the headlines again two weeks ago when the Canadian Transportation Agency (CTA) ordered Air Canada to draft a plan for the establishment of a nut-free buffer zone on flights to accommodate passengers with serious nut allergies. The angry outpouring over the *Chatelaine* article and the CTA action are both signs of growing public awareness of the issue in Canada. Last year, Health Canada reported results of a recent food allergy study in which they found that approximately 1.5 percent of children in Canada are allergic to peanuts. The same study noted that the rates of both peanut and tree nut allergies among Canadian children is more than eighty percent higher than the rate of allergy among children in the United States. (However, this comparison was based on dated U.S. data.) In 2008, Canada imported more than \$280 million in nuts. Over seventy percent of Canada's imports came from the United States.

CANADIAN FLAX SCARE RUBS OFF ON MUSTARD EXPORTS TO EU

Canadian mustard seed producers are concerned about their export market in the EU following the appearance last fall of genetically modified product in flaxseed exports. The finding drastically slowed Canadian flax exports to the European Union (EU) market and created a frenzy among European consumer and environmental groups and even some reported backlash against all Canadian products. Industry representatives contend that EU importing companies are doing more testing, end-users are doing more testing and non-governmental organizations like Greenpeace are also doing more testing. While the vast majority of mustard samples are testing below the European Union's GM tolerance of 0.1 percent, there is heightened concern that a positive finding may occur and cause another storm. There is additional concern that the attention on Canadian product may lead to European processors switching to mustard seed grown in Eastern Europe. Canadian industry leaders are calling for a system that manages the crop from farm to end-use customer, producing a reliable, consistently high quality crop under strict growing conditions. Such a system would focus on identity preservation with full traceability and strict rules in areas like seed selection, field history, isolation, planting and harvesting techniques, storage, transportation and commercial handling. Additionally, a further component of such a system would require that European buyers commit to purchase 60 – 70 percent of their supplies from Canada at a price that properly compensate producers.

Exchange Rate: Noon rate, January 28, 2010 (Bank of Canada): U.S. Dollar = C\$1.06.