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GAIN Report

Global Agricultural Information Network

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Report Highlights:

Ethanol and Biodiesel Add C\$2 Billion to Canadian Economy Annually * Brucellosis Outbreak Intensifies Testing in British Columbia * Mexican President Calls for Stronger Trade Ties between Mexico and Canada * Specialty Chicken Run Afoul of Poultry Marketing Board * Free-Trade Deal with Colombia on Tap * China Surpasses Japan as Canada's Third Largest Export Partner * Growth in Organic Food Shrinks * Ontario Becoming a Leader in Ethnic Dairy Products

General Information:

Ethanol and Biodiesel Add C\$2 Billion to Canadian Economy Annually

The Canadian Renewable Fuels Association this week released the first-ever comprehensive third party economic impact assessment of renewable fuels investments in Canada. The assessment concluded that the grand total of the annual positive economic impact of renewable fuels is C\$2.013 billion. The report studies 28 ethanol and biodiesel plants across Canada and added that there were major benefits from renewable fuels in rural re-vitalization, increased oil exports from western Canada, industrial development and valuable options for re-balancing fuel "mix." The economic impact of the construction phase of renewable fuels plant was assessed to include a total direct investment of \$2.326 billion. The total net economic activity from the renewable fuels plant is assessed at C\$2.949 billion, with the creation of 14,177 direct and indirect jobs during the respective construction periods. The economic impact of operating the 28 Canadian renewable fuels plants was assessed to include the production of a total of 2.25 billion liters of renewable fuels annually, with a net annual economic benefit of C\$1.473 billion to the Canadian economy and the creation of a net 1,038 direct and indirect jobs annually.

Brucellosis Outbreak Intensifies Testing in British Columbia

Two farms in British Columbia were quarantined by the Canadian Food Inspection Agency (CFIA) after three beef cows tested positive for brucellosis during routine testing at a slaughterhouse in the United States. USDA requires "sexually intact cattle and bison" imported from British Columbia for breeding to be tested for brucellosis by a veterinarian and certified disease-free by the CFIA before they can be exported to the United States. Cattle exported for immediate slaughter are not subject to the additional testing requirement. The CFIA is taking blood samples from all the cattle on the two unidentified farms. The original samples from the United States will be retested by the CFIA. Results are expected in one week. All animals found to be infected or exposed will be destroyed. The bacterium most commonly affects cattle, bison, deer and elk, but may also be found in sheep, pigs and humans. The last verified case of brucellosis in Canadian cattle was in Saskatchewan in 1989. Fees associated with the export requirements -- \$6 per test plus about \$25 per animal for the vet visit and blood extraction -- are borne by the exporting farmer.

Mexican President Calls for Stronger Trade Ties between Mexico and Canada

During a two-day official visit to Ottawa, Mexican President Felipe Calderon addressed the Parliament. Calderon highlighted the 66-year history of diplomatic and business relations that was strengthened with the North American Free Trade Agreement 16 years ago. But he warned more must be done to remain competitive, calling for more integration rather than isolation or protectionism, "I am convinced that Canadians and Mexicans must mutually avail ourselves of the advantages we offer and plan for and build a higher level of integration." Canada's agricultural exports to Mexico totaled C\$1.2 billion in 2009 while agricultural imports from Mexico were valued at C\$1.06 billion.

Specialty Chicken Run Afoul of Poultry Marketing Board

There's no need to tell Jens Jacobsen that we are what we eat -- especially when it's any of the 20,000 Red-Bro chickens he raises annually on his small farm. He claims these broilers are special because they are a heritage breed, thought by many consumers to have a superior taste to mass-produced, mainstream chicken. The old-fashioned chicks are shipped by air from Quebec and then raised on Jacobsen's British Columbia farm in a stress-free barn environment and fed a diet of grains and vegetables, rather than animal protein. In spite of the higher costs and time for production, the Red-Bro market is growing. Jacobsen's Quebec supplier now has a new contract to supply 235,000 RedBro chicks weekly to U.S. customers, but this will also curtail its ability to supply Jacobsen. To compensate, the supplier is giving Jacobsen a share of its western U.S. market, but Jacobsen would need 12,000 RedBro breeding hens to cover both local and U.S. markets. This is where Jacobsen says he has run headfirst into marketing-board bureaucracy. Chicken production in British Columbia is managed by a commission which is currently deciding whether Jacobsen will have to pay more than \$1 million for a license.

Free-Trade Deal with Colombia on Tap

The Columbia-Canada free trade agreement was signed in November, 2008, and is now before the House of Commons for approval. Press coverage of the agreement noted it is an opportunity for Canadian companies to develop new exports and steal market share from the United States. While the talks have been progressing slowly, Canada appears on track to pass a trade deal with Colombia in coming weeks, eliminating tariffs on products that are still subject to trade barriers with the United States. Trade between the two countries totaled about C\$1.3-billion last year, accounting for less than one percent of Canada's trade. One of the negotiating hurdles has been Colombia's reputation for violence, illegal drugs and a long-running rebel insurgency. A reputation which Columbian negotiators say is out of date.

China Surpasses Japan as Canada's Third Largest Export Partner

According to Statistics Canada, in 2009, China overtook Japan as Canada's third-largest export partner. The gain was driven mostly by demand for canola, iron ores, coal and other bituminous substances. Additionally, they noted that trade with countries other than the United States continued to gain in importance for Canada. Exports to China increased 6.6 percent to C\$11.2 billion. Canada's first and second largest export partners are the United States and the United Kingdom, respectively. Overall, the recession hit Canada's trade balance hard, resulting in the country's first trade deficit since 1975.

Growth in Appetite for Organic Food Slows

Consumers' passion for organic food appears to be waning after several years of rapid growth, says a report by the Canadian unit of The Nielsen Company. Sales of organic fruit and produce are still climbing, but at a slower rate than in previous years, according to the report. The recession has been a factor, with budget-conscious shoppers saying they have traded down to cheaper, non-organic brands. The study found that organic fruits and vegetables are on average 50 percent more expensive than their conventional counterparts. In addition, certified organic processors say they face increasing

competition from uncertified labels, such as "locally grown" and "natural," which many consumers believe to be just as beneficial as organic foods. Indeed, consumers appear to be more confused than ever about labeling and how to make choices. While the rate of sale growth for organic produce is declining, the growth rate for organic produce is outperforming the growth rate for conventional counterparts, according to Nielsen. Organic fruit sales rose 27 percent in the year ending Dec. 19, 2009. That's down from a 34 percent increase the previous year. Similarly, sales of organic vegetables rose 13 percent, down from a 21 percent increase the previous year.

Ontario Becoming a Leader in Ethnic Dairy Products

Ontario's growing ethnic communities are creating new markets for milk and the development of innovative products is filling the demand. The Dairy Farmers of Ontario's (DFO) are taking note of growing ethnic market opportunities. The province's South Asian, Eastern European, Middle Eastern and Latin American populations combined number over three million people and have been virtually ignored until the last couple years. DFO specifically hired a firm to focus on ethnic communities and encourage the production of dairy products that will meet the needs of these populations. Following implementation of this program, the number of applications and new product introductions has broken provincial records. One of these products is paneer, an unaged, cheese that is often used in Indian dishes. Paneer was previously sourced in the United States and in six short months, Ontario has taken over 20 percent of the entire paneer market in Canada.

Exchange Rate: Noon rate, May 28, 2010 (Bank of Canada): U.S. Dollar = C\$.9525.