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### **This Week in Canadian Agriculture Issue 14**

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Agricultural Situation

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**Report Highlights:**

\*Canada Acts on South Korean Inaction on Beef and Requests WTO Consultations \* New Agricultural Trade and Market Development Program Announced \* Canada Provides Ecoenergy Funding to Permolex Red Deer Plant \* Canadian Bioenergy and Archer Daniels Midland Consider Biodiesel Joint Venture \* Ontario Government Invests C\$24 Million in Promoting "Locally" Produced Food \* Turkey Marketing Agency Changes Name

## **General Information:**

### **CANADA ACTS ON SOUTH KOREAN INACTION ON CANADIAN BEEF AND REQUESTS WTO**

**CONSULTATIONS:** Last month AgMin Gerry Ritz warned South Korea that unless the Asian country lifted its ban on Canadian beef soon that Canada would initiate a WTO challenge (see “Ritz Delivers Blunt Message”, [CA9016](#)). This week, Stockwell Day, Minister of International Trade announced that Canada has requested the World Trade Organization (WTO) to begin consultations to address South Korea’s continuing import ban on Canadian beef. “We are disappointed to have to launch this action, as we had hoped to resolve our differences through negotiation,” said Minister Day. “Canada has a robust trade relationship with South Korea, so it is unfortunate that we have not been able to settle this issue and reopen South Korean markets to Canadian beef.” The World Organization for Animal Health (OIE) officially recognized Canada as a “controlled-risk” country for bovine spongiform encephalopathy (BSE) in May 2007. OIE guidelines allow trade of all beef and cattle for countries in this risk category. The OIE reconfirmed Canada’s controlled risk status in May 2008. Canada currently exports beef to about 55 countries. The United States, which has the same OIE controlled-risk status as Canada, obtained access to the South Korean beef market in June 2008. In September 2008, hoping to avoid taking action at the WTO, Canada intensified its bilateral representations to South Korea. These included ministerial meetings and letters, technical discussions, and most recently a March 20 visit to South Korea by Gerry Ritz, Minister of Agriculture and Agri-Food. Despite these efforts, Canada and South Korea have been unable to resolve the issue, or to agree on a reasonable timetable for a resolution.

WTO consultations are the first phase of the WTO dispute settlement process. They are generally held within 30 days of a request being filed, unless both parties agree to a different time frame. Consultations provide parties with an opportunity to resolve their differences prior to the establishment of a dispute settlement panel. If consultations do not resolve the dispute, Canada would be in a position to request the establishment of a WTO panel 60 days from today, the date of its request for consultations. *Comment: South Korea banned all Canadian beef and cattle following Canada’s initial detection of BSE in May, 2003. During 2002, the full year prior to international BSE bans on Canadian beef, South Korea was the third most important export market for Canadian beef. Exports in 2002 totaled almost 12,500 metric tons valued at C\$45 million.*

**NEW AGRICULTURAL TRADE AND MARKET DEVELOPMENT PROGRAM ANNOUNCED:** Within the federal/provincial [Growing Forward agricultural policy framework](#), Agriculture and Agri-Food Canada has announced that it will introduce a new trade and market development program for Canadian food and agricultural product exporters. It will contain 5 separate initiatives targeted at expanding domestic and international markets for Canadian food products. They are:

AgriMarketing will replace Canadian Agriculture and Food International (CAFI) program, the current cornerstone of Canadian agricultural market development funding. The AgriMarketing Program’s goal is to enhance marketing capacity and competitiveness of the Canadian agriculture, agri-food, fish and seafood sectors. The Program will leverage the Canada Brand, and starting in 2010-2011, industry associations will be required to have a multi-year Long Term International Strategies in place.

Canada Brand will promote Canada's overall image and food system abroad utilizing the current Agriculture and Food Trade Commissioner Service and a Domestic Canada Brand element that is being introduced to enhance the sector's

performance in the domestic market.

Value Chain Roundtables will enable industry and government strategy collaboration.

Market Information and Export Capacity Building to provide market intelligence for industry that will increase sector knowledge and competitiveness to maintain existing and enter new foreign markets.

Enabling Research for Competitive Agriculture Initiative will conduct research to be used by industry groups and producers to assist them in identifying new opportunities, new markets and ways to enhance productivity and improve competitiveness in global and domestic markets.

*COMMENT: AAFC has not announced the overall trade and market development program budget under Growing Forward. Six provinces have so far signed their agreements with Ottawa for cost-shared Growing Forward funding, with Alberta, Quebec, New Brunswick, Newfoundland and Labrador and the territories remaining. Until now, the center piece of Canada's efforts to increase the awareness and international sales of Canadian food and agricultural products had been the Canadian Agriculture and Food International Program (CAFI) which provided federal funds to the agriculture, agri-food, beverage, and seafood products industries. Supported activities are cost-shared on a 50/50 basis with industry. Under CAFI, export market financial assistance is directed at industry associations with the focus on generic marketing assistance. The CAFI and AAFC's Agri-Food Trade Service offered similar assistance elements to what is being termed a "new" trade and market development program.*

#### **GOVERNMENT OF CANADA PROVIDES ECOENERGY FUNDING TO PERMOLEX RED DEER PLANT:**

The government of Canada has announced that it will provide up to \$23.2 million dollars to Permolex International's ethanol plant in Red Deer, Alberta. The funding is being provided through the ecoENERGY for Biofuels program, a program that supports the production of renewable alternatives to gasoline and diesel by providing operating incentive for facilities that produce renewable alternatives to gasoline and diesel. Permolex International is an emerging global leader in the production of ethanol and other bio-fuel products from multiple feedstocks. Its plant in Red Deer was the first of its kind in North America using feed-grade wheat in its initial stages of production. The plant integrates three traditionally independent manufacturing processes – a flour mill, a gluten plant, and an ethanol plant and as a result is one of the largest users of the Canadian Prairie Spring (CPS) wheat variety in Canada. The CPS wheat is sold to Permolex either through the CWB or at spot market prices. The fuel ethanol plant uses the wet mill process. More information on ecoENERGY for Biofuels Program is available at the following website: [ecoENERGY](#). More information on Permolex is available at the following website: [PERMOLEX](#).

#### **CANADIAN BIOENERGY AND ARCHER DANIELS MIDLAND CONSIDER BIODIESEL JOINT**

**VENTURE:** Biodiesel supplier Canadian Bioenergy Corporation, and crop-processing giant Archer Daniels Midland Company (ADM), announced this week that they have entered into negotiations to form a joint venture to construct a large scale canola-based biodiesel production facility in Lloydminster, Alberta. The plant/project under study would produce 265 million liters (70 million gallons) of canola-derived biodiesel a year, requiring an annual supply of 240,000 tons of canola oil, crushed from 600,000 tons of seed. Plans for a slightly smaller, 225 million liter canola biodiesel plant near in Sturgeon, Alberta (near Edmonton) had been announced by Canadian Bioenergy in October of

2007. Whether or not the Edmonton project goes forward could depend on the results on the joint-feasibility study with ADM. Factors that will be taken into account include the weakened Canadian dollar which strengthens export prospects and the increased construction costs. If the project goes forward, construction is expected to begin in the 4th quarter of 2009 and be complete by the first quarter of 2011. This announcement is good news for the Canola Council of Canada, who is pushing hard for the biodiesel mandate implementation date to be moved up after the Alberta Renewable Diesel Demonstration (ARDD) study affirmed the functionality of canola as a feedstock for renewable diesel in cold weather conditions. At this time, the federal renewable fuel standard for gasoline is expected to go into effect in 2010 and the renewable fuels standard for biodiesel in 2012. The intended customers for the proposed Lloydminster biodiesel plants are the oil companies. The proposed plant's 265 million liters per year of canola-based biodiesel would represent close to 50% of the 520 million liters of bios-diesel the government of Canada estimates would be required to meet a 2% biodiesel mandate in 2012.

**ONTARIO GOVERNMENT INVESTS C\$24 MILLION IN PROMOTING “LOCALLY” PRODUCED**

**FOOD:** The Ontario government is investing C\$24 million over three years to develop the logistics to get more Ontario-grown food into the province's schools, hospitals, food service companies and other institutions. The goal is to help Ontario farmers market and sell their products to more consumers. "Ontario's food producers grow, raise and produce fresh, high-quality food products that are among the best in the world," provincial Ag Minister Leona Dombrowsky said in a release Monday. "This initiative will help to connect procurers to Ontario's producers while enhancing the awareness and visibility about buying local." "When we buy Ontario, everyone wins. It's good for our families, good for farmers, good for the rural economy and good for the environment," Premier Dalton McGuinty said in the same release. "In these challenging economic times, it's important we work together." *COMMENT: Currently, the Ontario government operates the [Savour Ontario](#) program under which 100 restaurants use and promote Ontario food. In addition, the long running [Foodland Ontario](#) branding program, which originally promoted local fresh fruit and vegetables has been expanded to include as meat, dairy, eggs and bakery products.*

**TURKEY MARKETING AGENCY CHANGES NAME:** Similar to Canada's supply managed marketing agencies for chickens and for eggs which changed their names to reflect a closer connection to the farming community, the Canadian Turkey Marketing Agency (CTMA) has renamed itself the Turkey Farmers of Canada (TFC), a name that the group said in a release "better reflects our organization's membership and business activity." *COMMENT: The national turkey agency (CTMA) was formed in 1974 under the Farm Products Marketing Agencies Act (1972) and operates under the three pillars of supply management: import control (under a tariff rate quota), production control (allocated among the provincial turkey boards) and price setting powers (i.e., provincial boards negotiate a selling price with processors based on a cost of production formula). In Canada strict production controls for turkey led to high retail prices, stifling the expansion of the industry and the development of further processed turkey items particularly through the 1980s. Whereas Canadian per capita consumption of turkey was once similar to the U.S. level, by 2007 it was only 9.9 lbs (carcass basis) almost 45% below the U.S. per capita consumption level of 17.5 pounds.*

**Exchange Rate:** Noon rate, April 9, 2009 (Bank of Canada): U.S. Dollar = C\$1.2274

Report#	Title of Report	Date
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CA9020	<b>Grain and Feed Annual</b>	4/7/2009
CA9019	<b>This Week in Canadian Agriculture, Issue 13</b>	4/3/2009
<a href="#">CA9016</a>	<b>This Week in Canadian Agriculture, Issue 12</b>	3/27/2009
<a href="#">CA9015</a>	<b>This Week in Canadian Agriculture, Issue 11</b>	3/20/2009
<a href="#">CA9014</a>	<b>This Week in Canadian Agriculture, Issue 10</b>	3/13/2009
<a href="#">CA9013</a>	<b>This Week in Canadian Agriculture, Issue 9</b>	3/6/2009
<a href="#">CA9012</a>	<b>Exporter Guide (Canada) 2008, revised/updated</b>	3/3/2009
<a href="#">CA9011</a>	<b>This Week in Canadian Agriculture, Issue 8</b>	2/27/2009
<a href="#">CA9008</a>	<b>This Week in Canadian Agriculture, Issue 7</b>	2/20/2009
<a href="#">CA9007</a>	<b>This Week in Canadian Agriculture, Issue 6</b>	2/13/2009
<a href="#">CA9006</a>	<b>This Week in Canadian Agriculture, Issue 5</b>	2/06/2009
<a href="#">CA9005</a>	<b>This Week in Canadian Agriculture, Issue 4</b>	1/30/2009
<a href="#">CA9004</a>	<b>Grain and Feed Quarterly Update</b>	1/29/2009
<a href="#">CA9003</a>	<b>This Week in Canadian Agriculture, Issue 3</b>	1/23/2009
<a href="#">CA9002</a>	<b>This Week in Canadian Agriculture, Issue 2</b>	1/16/2009
<a href="#">CA9001</a>	<b>This Week in Canadian Agriculture, Issue 1</b>	1/09/2009