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Report Highlights:

* Cattle Industry Spokesperson Reiterates That Cattle Ban Will Backfire * Cattle Association President Says Slaughter Approaching 100,000 Head Goal * Alberta Expects to be Leader in Cattle-Age Verification * GOC Releases Consultation Document on New BSE Import Policy in Line With OIE * Bill C-40 Becomes Law * Softwood Lumber Dispute Adds One More Level * National Farmers Union Pushes Ontario Corn

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1]
[CA]

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

CATTLE INDUSTRY SPOKESPERSON REITERATES THAT CATTLE BAN WILL BACKFIRE:

John Masswohl, Director of International Relations for the Canadian Cattlemen's Association continued his information campaign in the United States to argue the benefits of an integrated cattle market and reiterate his warnings that continued efforts to oppose the re-opening of the U.S. border to Canadian live cattle will backfire. Masswohl traveled to Denver this week and reportedly met with Colorado business and political leaders to promote the safety of Canadian beef and warn that Canada is poised to process all its cattle. He claimed the fallout would grow for U.S. meat packers that normally depended on Canadian cattle.

CATTLE ASSOCIATION PRESIDENT SAYS SLAUGHTER APPROACHING 100,000 HEAD GOAL:

Stan Eby, president of the Canadian Cattleman's Association, told reporters this week that Canadian cattle slaughter is expected to surpass 100,000 head per week by late fall. At this level, he estimates the industry will be able to keep up with its cattle supply. Eby said that while the Canadian cattle industry has lost nearly C\$7 billion since the U.S. closed its border to Canadian cattle two years ago, the worst is over. Eby said that last week's national slaughter reached 88,000 head and he cited the expanded capacity at the Tyson (Lakeside) plant in Alberta and other new plants that will boost weekly slaughter beyond 100,000 head per week by November 2005. *Comment: Prior to the discovery of BSE in Canada on May 20 2005, Canadian cattle slaughter was averaging approximately 63,000 head per week. A significant proportion (roughly one-third, or about 33,000 head) of its slaughter-ready cattle were exported live to U.S. processors. The continued closure of the U.S. border to Canadian live cattle has prompted the expansion in Canadian slaughter facilities that has resulted in the associated value-added remaining north of the border.*

ALBERTA EXPECTS TO BE LEADER IN CATTLE-AGE VERIFICATION: Doug Horner, Minister of Agriculture, Food and Rural Development said this week that he expects Alberta to be the North America leader in cattle-age verification with a new tracking and tracing system. He said Alberta is planning to implement mandatory age verification for all young cattle slaughtered in Alberta processing plants as of April 1, 2007. Under the plan, individual cattle producers will forward the birth data of their calf crops to the Canadian Cattle Identification Agency (that administers Canada's existing cattle ID program), and link it to the radio frequency identification (RFID) tag attached to the animal. The measure is intended to improve traceability throughout the cattle chain. According to the Minister, Alberta cattle and beef industry officials foresee that foreign markets, particularly Asian, will require age verification within the next few years. By being the first jurisdiction to implement age verification across the board, Horner says that Alberta producers will have the edge when it comes to exporting beef.

GOC RELEASES CONSULTATION DOCUMENT ON NEW BSE IMPORT POLICY IN LINE WITH

OIE: The Canadian Food Inspection Agency (CFIA) is inviting public comment on a proposed new Canadian Import Policy to prevent bovine spongiform encephalopathy (BSE) in bovine animals and their products. The proposed policy would bring Canada's approach in line with new World Organization for Animal Health (OIE) standards as well as the proposed North American import standard announced on March 29, 2005. It is based on the recognition that international knowledge of bovine spongiform encephalopathy (BSE) and measures to mitigate its transmission have advanced significantly since Canada's existing import policy for controlling BSE was established in 1997. The new policy would be less restrictive than the current one. Canada's current policy permits the importation of live ruminants including, cattle, sheep and goats, and products derived from them, only after the exporting country has been officially recognized as BSE-free. Current science recognizes that the "BSE-free" requirement is unnecessarily restrictive. The draft policy is based on a proposed new OIE three-tier system for classifying bovine-trading countries based on their BSE risk management regimes. In all cases, exporting countries would also have to continue to meet other non-BSE food safety and animal health

requirements before becoming eligible to ship to Canada under any of the new BSE risk categories. A consultation period ending on July 22, 2005 is being provided to allow interested parties the opportunity to provide comments on the draft policy. Notice of this consultation is being published in the *Canada Gazette*.

BILL C-40 BECOMES LAW: In an effort to get legislation passed before the possible demise of the federal government, the Canadian Senate expediently passed Bill C -40, an Act to amend the Canada Grain Act and the Canada Transportation Act, on Thursday, May 19th, 2005. The bill was introduced into the Senate on May 12, after being passed by the House of Commons. The was quickly referred to the Senate Standing Committee on Agriculture and Forestry, where it was debated and passed by the agriculture committee on the 18th of May. The bill was tabled again in the Senate for final approval on May 19th, which it received. The bill was given royal assent and now has become law, implementing the changes to the Canada Grain Act and the Canada Transportation Act. Bill C-40 is Canada's effort to bring itself into compliance with its World Trade Organization (WTO) obligations.

SOFTWOOD LUMBER DISPUTE ADDS ONE MORE LEVEL: According to *the Globe and Mail*, Canada is asking the World Trade Organization (WTO) for the authority to implement \$400 million in additional import sanctions on the United States. The Government of Canada is justifying these latest sanctions as a result of U.S. refusal to comply with an August 2004 WTO ruling that found Washington's method of calculating softwood duties broke international trade rules. To date, Canada has received WTO authority to place \$14 million in sanctions on American goods due to U.S. failure to repeal the Byrd Amendment. On May 1, Canada implemented a 15 percent surtax on U.S. imports of pigs, cigarettes, oysters and fish. Canada has also asked WTO permission to implement a combined \$4.2 billion in retaliatory sanctions against the U.S. due to the failure of Washington to comply with a series of WTO rulings in the softwood lumber case. Canada is still awaiting the judgment from the WTO, which could take until the end of 2005. In this current case, Canada may have to wait as long as nine months for final WTO authority to implement retaliatory measures against the United States.

NATIONAL FARMERS UNION PUSHES ONTARIO CORN: The National Farmers Union (NFU) is pushing the use of Ontario corn in Suncor Energy Inc.'s new ethanol plant, ahead of importing corn from Michigan. Suncor recently received the green light from the Ontario government to go ahead with its planned \$120 million (CDN) ethanol plant construction project in southern Ontario. The company has indicated that it will start construction immediately and expects to be producing ethanol by mid-2006. Suncor expects production to be approximately 200 million liters of ethanol annually and which require approximately 20 million bu (508,027 metric tons) of corn each year. The NFU has recently passed a resolution urging the Ontario government to adopt an "Ontario-first policy" in regard to the use of grain in ethanol and biodiesel fuels. The NFU is advocating that Suncor should agree to buy Ontario-grown corn in exchange for receiving \$22 million from the government to help build its new ethanol plant. Suncor has indicated that it will buy corn at competitive prices on the open market, but that the company will look to buy Ontario corn as part of a policy to buy at the best prices possible.

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