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Report Highlights:
* Tyson Invests $17 million in Alberta Plant to Boost Slaughter Capacity * Gencor Foods Will Source Cull Cattle in Manitoba * R-Calf Border Strategy Harmful to U.S. Cattle Industry Say Cattlemen * Bill C-40 is Passed by House of Commons * Ainsworth Lumber to Take Advantage of Beetle Damaged Wood * Ontario Budget Disappoints Farmers * PEI Potato Farmers Support Buy-Down Program

Includes PSD Changes: No
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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.

TYSON INVESTS $17 MILLION IN ALBERTA PLANT TO BOOST SLAUGHTER CAPACITY: Tyson Foods Inc., will invest $17 million to increase slaughter capacity at its Brooks, Alberta (i.e., Lakeside) cattle processing plant increasing the daily kill-rate by 900 head to a reported 4,700 head during the last half of 2005. A company spokesperson said that the investment was in response to the backlog of cattle in Canada caused by the continued closure of the U.S. border. The company also said that production in its U.S. plants is reduced due to the lack of access to Canadian cattle that normally supplied about 3-5% of its production. Last week, Winnipeg's Cargill Ltd., a subsidiary of Cargill Inc., announced that it would purchase the beef processing operations and related assets of Better Beef Ltd. of Guelph, Ontario. Better Beef Ltd. is one of the leading beef processors in Canada with global distribution capability.

GENCOR FOODS WILL SOURCE CULL CATTLE IN MANITOBA: Gencor Foods of Kitchener, Ontario, a producer owned cattle processor, has reportedly set up collection depots in Manitoba to source cull beef and dairy cattle from south-eastern Manitoba that normally made their way to U.S. processors. Gencor purchased the former MGI facility in Kitchener in 2003 to provide an Ontario solution to the cull cow crisis resulting from the loss of access to the U.S. live cattle market and to establish integrated links in the meat industry to market the value-added products of those cattle that were formerly exported to U.S. processors. The success of the endeavor now has the company looking further than Ontario to source cull cattle.

R-CALF BORDER STRATEGY HARMFUL TO U.S. CATTLE INDUSTRY SAY CATTLEMEN: In several recent interviews on popular U.S. farm media broadcasts, John Masswohl, Director of International Relations for the Canadian Cattlemen's Association (CCA), has been extolling the benefits of an integrated North American cattle market and cautioning that the goals and strategies of R-Calf USA (to block the border to Canadian cattle and beef products) are harmful to the U.S. processing industry and not in the long-term interest of U.S. producers. Masswohl cites recent investment (*comment: much of which is being made by U.S. based packers*) in Canadian slaughter capacity expansion, as proof that Canada is intent on increasing its global competitiveness. Some beef industry observers believe that the net result of continued successful R-Calf legal actions to thwart the resumption of an integrated U.S./Canadian beef market would lead to the eventual contraction of the U.S. beef industry due to a number of factors including the loss of the efficiencies associated with integration at a time when the world beef market is becoming more competitive.

BILL C-40 IS PASSED BY HOUSE OF COMMONS: Bill C-40, an act to amend the Canada Grain Act and the Canada Transportation Act, was tabled in the House of Commons yesterday by the chair of the Standing Committee on Agriculture and Agri-Food and was subsequently passed by the House of Commons. The Bill will now move onto the Senate, where it must be passed and given royal assent before becoming law. Bill C-40 was introduced into the House of Commons on March 11, 2005. The goal of the Bill is to bring Canada into compliance with its World Trade Organization (WTO) obligations. Prior to tabling the bill in the House of Commons, the Standing Committee on Agriculture and Agri-Food made one amendment. With the uncertainty surrounding the longevity of Parliament, there is a very strong possibility that the government may fall before the Bill is passed by the Senate. If this is the case, Canada most likely will fail to meet its August 1, 2005 date for compliance with the WTO. Given that C-40 passed through the House with full support of the Members of Parliament present, it is likely that the Bill would be reintroduced if an election is called and a new government is formed.

AINSWORTH LUMBER TO TAKE ADVANTAGE OF BEETLE DAMAGED WOOD: The massive infestation by the mountain pine beetle is forcing British Columbia to loosen harvesting restrictions so millions of trees damaged by the infestation can be processed before they lose their commercial value. Therefore the B.C. government is offering new harvesting licenses to companies who are willing to invest in plants that will produce commodities from the timber damaged by the pine beetle. As previously mentioned in TWICA CA5015 Ainsworth Lumber Co. Ltd was a rumored bidder for the new harvesting licenses that would enable it to manufacture oriented strandboard (OSB) out of beetle damaged wood. In a recent announcement Ainsworth Lumber Co. Ltd. unveiled its plans to invest $400 million to build two OSB plants in north-central British Columbia. According to the company, the new mills will use logs from beetle-killed pine stands that have degraded to a state which makes them undesirable for lumber production. The two plants will raise Ainsworth's production capacity by 43 percent, from 3.5 billion square feet of OSB panels annually to 5 billion square feet. Although OSB prices tend to be among the most volatile in the lumber world, one of the desirable features of OSB production is that it is not subject to tariffs under the Canada-U.S softwood lumber dispute. Despite the recent decline in prices, companies that are producing OSB are reaping huge profits from their OSB operations. Ainsworth is following in the footsteps of other lumber companies in B.C. that are taking advantage of the damage reaped by the pine beetle. Canfor Corp. and West Fraser Timber Co. Ltd. had both previously announced plans to increase the capacity of their sawmills to process wood damaged by the beetle.

ONTARIO BUDGET DISAPPOINTS FARMERS: Earlier this week, the government of Ontario announced its annual budget. The provincial budget is cutting $600 million in funding to the Ministry of Agriculture and Food. Agriculture and Food's operating budget was reduced to $564 million this year, down from $733 million last year. The provincial Minister of Finance insisted the province was directing its resources to where they are needed the most, but refused to comment on the impact of cuts on the ministry. The Ontario Federation of Agriculture (OFA) was quick to call the budget a huge disappointment for farmers. According to the OFA, the grains and oilseeds sector is expecting to be short another $300 million for 2005; livestock producers continue to face losses as a result of the ongoing BSE crisis; farmers are faced with provincial legislation requiring large investments to comply with the Nutrient Management Act; and fruit and vegetable producers' needs for an extension of the Self-Directed Risk management program, all of which the budget failed to address.

PEI POTATO GROWERS SUPPORT BUY-DOWN PROGRAM TO REDUCE ACREAGE: Seventy-six percent of Prince Edward Island potato growers have voted to accept an acreage buy-down program that will double the producer levies for all potatoes. According to press reports, 6,000-8,000 acres less could be planted in 2005 through the producer funded buy-down strategy that would pay farmers to retire acreage from potato production on a permanent basis. The program will be paid for through the usual levy system, which reportedly brings in about C$1.6 million a year for the board. To pay for the acreage cutback, the provincial Potato Board approved a doubling of the levy. Ivan Noonan, general manager of the board, claimed that most of the large potato-growing regions in North America are using the buy-down strategy to reduce acreage and lower supplies in an effort to strengthen prices. Not all PEI potato farmers are happy with the new levy. Producers who grow under contract for processors, who make up about one-third of the total, feel they should be excluded from paying double levies since their potatoes don't contribute to an oversupply situation.

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