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Report Highlights:

On Pace for Record Broiler Chicken Production in Canada * Canadian Corn Producers Back Down From Corn Countervail Appeal * Grain Shippers File Yet Another Level-Of-Service Complaint Against CN * Canada Third Most Important Export Market for U.S. Poultry

Includes PSD Changes: No
Includes Trade Matrix: 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.

ON PACE FOR RECORD BROILER CHICKEN PRODUCTION IN CANADA: Canadian broiler chicken production in 2007 is on pace to reach a record 995,000 metric tons (MT) and a modest, but steady annual increase in demand for chicken at retail and at foodservice is expected to propel total Canadian broiler chicken production beyond the 1.0 million metric ton (MMT) level during 2008. In 2007, the Chicken Farmers of Canada (CFC) commissioned a study to survey chicken usage and attitudes about chicken among Canadian consumers. Some of the key findings released by the CFC were: 1) 97% of respondents said that they buy poultry and eat chicken an average of 8.6 times per month; 2) 82% said they cook meals with chicken at home at least once per week, up from 75% in 2004; 3) Boneless, skinless chicken breasts are the most popular type of chicken.

CANADIAN CORN PRODUCERS BACK DOWN FROM CORN COUNTERVAIL APPEAL: Canadian Corn Producers (CPP's), a coalition of Canada's main corn producer organizations, issued a press release on September 6th, stating that they would not be seeking leave to appeal the Canadian Federal Court of Appeal's decision to dismiss the CPP's application for a judicial review of the Canadian International Trade Tribunal's May 2006 "no-injury" finding. They state this decision is a business decision and are satisfied that the Canadian government is carrying their case/concerns forward. On June 5th, 2007, shortly after the Canadian Federal Court of appeal denied CPP's application for a judicial review, the Canadian government announced its intention to request that a WTO dispute settlement panel be established on the issue of U.S. subsidies. Canada is making three sets of claims to justify this decision: (1) that U.S. domestic support programs, plus export credit guarantees, for corn suppress or depress corn prices in the Canadian market; (2) that U.S. export credit guarantees for corn and other unscheduled commodities are prohibited export subsidies; and (3) that U.S. domestic support for domestic agricultural producers is in excess of the U.S.'s commitments for marketing years 1999, 2000, 2001, 2004, and 2005. The decision by the Canadian government to pursue a dispute settlement panel is likely intended to put pressure on U.S. legislators who are in the midst of approving/finalizing the next generation Farm Bill, while at the same time being able to prove their commitment to rural Canada. For more background information on the corn countervail case, please see GAIN report number CA5085, available at the following website: <http://www.fas.usda.gov/scripts/attachrep/default.asp>. A history of the shake out of the case is available in This Week in Canadian Agriculture report numbers CA6012, CA6018, CA6020, and CA7030.

GRAIN SHIPPERS FILE YET ANOTHER LEVEL-OF-SERVICE COMPLAINT AGAINST CN: Disappointed with the lack of progress being made during meetings with Canadian National Railway (CN) meant to address issues related to service to smaller grain shippers, six Western Canadian grain shippers have decided to launch another level-of- service complaint against CN. The first complaints from the Canadian Wheat Board (CWB) and the North East Terminal Ltd were filed on September 5th with the Canadian Transportation Agency (CTA). This new level of service complaint comes just a few months after Great Northern Grain (GNG) Terminals, a small in-land grain terminal in Nampa Alberta, won its level-of-service complaint against CN. GNG, who was supported by 10 grain-industry corporations, including the Canadian Wheat Board, which sought intervener status in the case, took action in March 2007 after a change was made to CN's advance-product program. In July 2007, the CTA found that CN had breached its statutory obligations to provide Great Northern Grain Terminals (GNG) with adequate and suitable rail service. Canada has only two Class One railways, which each service separate ends of the country. To protect against abuse, Canadian law requires these rail companies to provide adequate service to shippers. GNG had argued that CN, by changing its set booking limit to 100 cars for 42 consecutive weeks to secure supply from the originally offered blocks of 50 cars to be booked for one destination, discriminates against small companies and single point shippers. The CTA agreed with GNG and CN was ordered to put in place a program whereby GNG could order blocks of 50 rail cars in advance. This new level of service complaint alleges that while CN complied with the ruling and re-instituted its advanced bookings of 50 cars, it continued with its 100-car advance-booking

program so that only a small supply of 50-block cars was available. The grain shippers will be asking the CTA to order CN to eliminate its 100-car requirement and only have 50-car offerings. In addition, the small grain shippers are seeking for an interim order to suspend CN's new advance-products program that awards cars to bidders (auctioning), which is essentially a cash-bid system and similar to what is done by US railways. The CTA's July 2007 decision can be found at the following web address: http://www.cta-otc.gc.ca/rulings-decisions/decisions/2007/R/344-R-2007_e.html. The press release issued by the CWB announcing the intent to file the level-of-service complaint is available at the following website: <http://www.cwb.ca/public/en/newsroom/releases/2007/090507.jsp>.

CANADA THIRD MOST IMPORTANT EXPORT MARKET FOR U.S. POULTRY: After Mexico and the Russian Federation, Canada is the third most important export market for U.S. poultry meat. In 2006, U.S. poultry meat exports to Canada reached \$322 million, 4.9% above the \$307 million exported during 2005. For the first six months of 2007, the value of U.S. poultry meat exports to Canada at \$201 million is on pace to set a new record with shipments valued 35% above last year's level over the same period. In recent years, Canadian poultry companies have increasingly utilized the *Import to Re-Export Program (IREP)* whereby they import chicken under supplementary import license (i.e., tariff free) for the domestic market provided they export an equal amount of product, normally of lesser demand in the market. According to the GOC, imports under the IREP program to mid-August 2007 totaled approximately 50,500 MT, an amount only slightly less than the 52,600 MT imported under the TRQ. Clearly, the IREP program has become a driving force in total Canadian import demand for broiler chicken. For more on Canadian poultry production and trade watch for the upcoming annual poultry report for Canada available later this month on the FAS/W homepage.

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