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Report Highlights:

Report Highlights: XL Foods Update * Survey Shows Widespread Optimism Among Canadian Companies * Joint U.S.-Canadian Website Adds Cross-Border Seed Trade FAQs * Rooftop Produce Grower Starts Expansion Drive * Safe Food for Canadians Act Adopted by Senate

This Week in Canadian Agriculture is a 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 article 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.

XL Foods Update

XL Foods Inc. reached a deal with Brazilian-controlled JBS to operate its feedlots and processing plants, including the facility in Brooks temporarily closed due to a detection of E. coli. JBS also has the exclusive option to buy the Lakeside plant, feedlot and farming operations in Brooks, plus packing facilities in Calgary, Omaha, Nebraska and Nampa, Idaho, for \$100 million. Half the payment would be in cash and half in JBS shares. With sales of more than \$30 billion a year, JBS S.A. became the world's largest company in the beef sector with its 2007 acquisition of the U.S.-based Swift & Company. They have production processing companies in Brazil, the United States, Argentina, Italy, Australia, Uruguay, Paraguay, Mexico, China and Russia. This is JBS' first operation in the Canadian meat market and it is a major acquisition.

Immediate reaction in Canada has been positive. The Canadian Cattlemen's Association President, Martin Unrau, noted that JBS's management takeover of Lakeside "establishes credible intentions for resumed operations at the plant." Additionally, a labor union representative for the plant employees characterized JBS's arrival on the scene as positive. About one in six people in the southeastern Alberta city work at the meat packing plant. Federal Agriculture Minister Gerry Ritz said in an e-mailed statement that the move wouldn't affect the timetable or requirements for reopening the plant.

As the JBS deal was announced, Canadian media also reported that U.S. authorities repeatedly warned the Canadian Food Inspection Agency (CFIA) about safety problems at the plant. Details from audit reports from the U.S. Department of Agriculture's Food Safety and Inspection Service (FSIS) sent to the CFIA between 2003 and 2008 regarding deficiencies found at Canadian processing plants, including XL Foods facilities, have been cited in the press.

On September 17, 2012, CFIA posted on its website a statement noting that they are continuing to maintain strict oversight of the movement of some meat products from the plant to rendering and that none of the rendered material will enter the food system. The plant will not be permitted to resume normal operations until CFIA confirms in writing that it is safe to do so. Meanwhile, two people in British Columbia who claim they fell ill after eating beef from XL Foods have filed lawsuits.

In Ottawa, the XL Foods saga has revealed political divisions, with some of the opposition calling for the resignation of Agriculture Minister Gerry Ritz. The New Democrats also seek the reversal of cuts to the CFIA's budget and request the federal auditor general to investigate.

Survey Shows Widespread Optimism Among Canadian Companies

Results of a recent poll of 649 Canadian companies led in conjunction with Food & Consumer Products of Canada (FCPC) and BDO Canada (a leading accounting and advisory firm) found that manufacturers are optimistic about their prospects for growth, expecting a 77 percent increase in profitability by 2015. FCPC President & CEO, Nancy Croitoru, noted that "Canadian manufacturing - particularly of foods, beverages and consumer goods - has the potential to be an even greater economic driver." While bullish about opportunities both in Canada and around the world, participants called for a more cohesive national strategy to address their top challenges. The challenges cited include strengthened support for

productivity and investment attraction, immediate steps to bridge the skills gap, a reduction in the regulatory burden, enhanced integration with the United States and a continued focus on trade agreements that eliminate barriers for manufacturers to enter new markets.

Joint U.S.-Canadian Website Adds Cross-Border Seed Trade FAQs

As a result of the *Marketing Freedom for Grain Farmers Act*, on August 1, 2012 the Canadian Wheat Board (CWB) no longer holds its monopoly on sales of western wheat and barley. In order to ease the marketing transition, a working group of Canadian and U.S. non-profit and trade organizations established a website to include answers to important questions on cross-border trade. The website was recently updated to include information on the regulatory requirements in both Canada and the United States for cross-border seed trade, including differences in varietal registration, labeling and phytosanitary requirements.

The website, <http://canada-usgrainandseedtrade.info>, provides a detailed frequently asked questions (FAQs) section on both cross-border seed trade and producer deliveries following the implementation of the Act on August 1, 2012, in Canada. Visitors can also submit comments and additional questions through the website.

Rooftop Produce Grower Starts Expansion Drive

A Montreal "urban farming" business says it's raised the funds needed to expand its rooftop acreage in that city and expand its projects into Toronto and the United States. Les Fermes Lufa, which operates what it calls the "world's first rooftop commercial farm" in Montreal completed a \$4.5 million financing drive to build two more facilities in the area. The funds will also be used to begin expansion drives into Boston, New York, Chicago and Toronto. Funding from several venture capital firms, including \$1.3 million from a Montreal based firm with a special fund formed in part with a \$16.5 million injection from the provincial government, through Investissement Quebec. According to the Quebec Minister of Industry, Elaine Zakaib, Lufa's plans click with the new Parti Quebecois government's policy goal of "food sovereignty" for the province. Also taking part in the funding drive are Andrew Ferrier -- CEO of New Zealand-based dairy co-operative Fonterra from 2003 to 2011 -- and Kubo Greenhouse Project of the Netherlands. Ferrier will also get a seat on Lufa's board of directors.

Safe Food for Canadians Act Adopted by Senate

On October 17, 2012, *The Safe Food for Canadians Act (S-11)* reached a key milestone when it was adopted by the Canadian Senate. Agriculture Minister Gerry Ritz and Senator Donald Plett highlighted the Safe Food for Canadians Act and the importance of passing it expeditiously so the Canadian Food Inspection Agency (CFIA) has more tools and resources to help keep Canadian food safe.

<http://inspection.gc.ca/about-the-cfia/newsroom/news-releases/2012-10-17/eng/1350512151920/1350512143134>

Exchange Rate: Noon rate, October 18, 2012 (Bank of Canada): U.S. Dollar = C\$1.0196

Most Recent Reports from FAS/Ottawa:

Report #	Name of Report	Date Submitted
CA12039	Dairy Annual	10/15/2012
CA12037	Potatoes Annual	10/05/2012

CA12036	Livestock Annual	09/11/2012
CA12040	This Week in Canadian Agriculture, Issue 18	8/17/2012
CA12034	Poultry and Products Annual	08/16/2012
CA12033	This Week in Canadian Agriculture, Issue 17	08/14/2012
CA12032	This Week in Canadian Agriculture, Issue 16	08/03/2012
CA12031	Grain and Feed July Quarterly	07/27/2012
CA12030	FAIRS Country Report	07/27/2012
CA12029	Biotechnology Annual	07/20/2012
CA12028	This Week in Canadian Agriculture, Issue 15	07/20/2012
CA12027	Biofuels Annual 2012 – revised	07/20/2012
CA12025	This Week in Canadian Agriculture, Issue 14	07/06/2012
CA12015	Oilseed and Products Annual - Canada	04/10/2012
CA12014	Grain and Feed Annual - Canada	04/03/2012