

Communiqué

Canadians Respond to U.S. Hog Slaughter Bottlenecks

Ottawa, January 8, 1999 — Efforts to deal with the current crisis of low hog prices due to pressures on hog processing capacity are being significantly enhanced by commitments from industry stakeholders in both countries to work together on what is clearly a continental issue.

The National Pork Producers Council (NPPC) visited Canada earlier this week, seeing government officials as well as representatives of industry, including the Canadian Pork Council, its Canadian counterpart organization representing the interests of hog farmers.

The U.S. hog industry has been caught between, on the one hand, a very large increase in hogs produced and on the other, by a loss of slaughter capacity due to plant closures, including two large facilities that drew hogs from the the Corn Belt, and by regulatory restrictions imposed on a major eastern seaboard facility. Despite the loss of effective capacity, hog processing at American plants established a new record in 1998, with total slaughter exceeding 100 million. This is an increase of 10% (ie., about 10 million pigs) over the previous year.

The NPPC explained that U.S. hog marketings will continue to severely test American packers' throughput capabilities, and are appealing to Canada to either slaughter more of our own pigs, thus reducing live exports to the United States, or alternatively, to facilitate slaughter of U.S. pigs in regions of Canada where existing slaughter capacity is not being fully utilized.

The CPC and other Canadian parties representing packers and the federal government, have already initiated discussions whereby the current situation is being analysed, and the NPPC suggestions and other alternatives are being considered.

According to statistics of the U.S. Animal and Plant Health Inspection Service (APHIS), to December 26th, there were 2.45 million hogs imported from Canada. According to the official import figures of the U.S. Department of Commerce (whose data for 1998 are not yet available) U.S. imports in 1997 of Canadian slaughter hogs were 2.19 million. Therefore, assuming the data from these two sources are comparable, Canadian slaughter hog exports, including both market hogs and cull breeding stock (sows and boars) to the U.S. were up by about 250,000, or 12%, in 1998. Total Canadian live slaughter hog exports in 1998 were thus equal to about 2½% of U.S. slaughter.

“The Canadian hog and pork industries are aggressively responding to the U.S. circumstances of plant closures and increased domestic hog marketings”, says Edouard Asnong, President of the CPC, and a hog farmer in Pike River, Québec.

Recent developments in Canada include:

- (1) ***Rapid increase in Canadian hog slaughter*** — According to Agriculture and Agri-

Food Canada figures, total Canadian hog slaughter climbed by 3.0% in the first half of 1998. For the second half of the year, the annual rate of increase jumped to 13.3%, (well above the rate of increase in total Canadian hogs sold). Looking at very recent periods, and despite a strike at a major Ontario pork plant during this period, Canadian hog slaughter since mid-October has been running at more than 20% on a year-to-year basis (i.e., much above the current rate of increase in Canadian hog marketings which is below the U.S. rate of +10%). Additional increases in throughput will very soon be realized from packers who are moving to Sunday slaughter and increased line speeds.

- (2) ***Declining exports to the U.S. of Canadian market hogs*** — What are known in the industry as barrows and gilts, Canadian market hog exports have actually been declining in recent months, even with the strike at Quality Meat Packers, a major pork processors in Toronto. U.S. APHIS statistics show imports from Canada of in this category from December 7th (i.e., the start of the strike) to the 26th averaged a little over 29,000 per week. This is only 5,500 per week above the average from mid-October up until the date of the strike at Quality (which was slaughtering between 20 and 30 thousand per week), but well below the weekly average of 34,650 over the first 9½ months.
- (3) ***Hogs being shipped for longer distances within Canada*** — During the recent weeks during which Quality Meat Packers, a major pork processor in Toronto, has been on strike, Ontario Pork has been shipping significant quantities of hogs within Canada as far away as Alberta, a distance of more than 2,000 miles. This is in lieu of shipping them to U.S. packers which are located much closer, and to which the costs of transporting the pigs is far less.
- (4) ***The opportunity now exists for U.S. hogs to be shipped to Canada*** — In December, 1998, the Government of Canada implemented new regulations which now permit the importation for immediate slaughter of U.S. hogs from states which have achieved freedom of Pseudorabies, a swine disease which Canada remains free of and which the United States has made great strides to eradicate from their swine herds.

“Although the CPC, along with other Canadian pork industry stakeholders, have undertaken major efforts already in response to U.S. capacity constraints”, said Mr. Asnong, “the situation clearly requires that we not let up in exploring any and every measure by which we can relieve packing capacity bottlenecks wherever they occur on the continent. An important factor for the Canadian Pork Council (as it is for many other Canadian parties) in considering new proposals is whether we can continue to maintain internationally recognized animal health status. It may be better from an animal health standpoint, as well as much more cost efficient, to pursue means of retaining for slaughter in this country, Canadian hogs which

would otherwise be going to U.S. plants thereby reducing transport costs in both directions on both sides while also avoiding disease transmission risks.”

“It is in the definite interest of Canadian hog farmers, along with packers and governments, to work with their American counterparts to find solutions that will address both U.S. and Canadian processing challenges and thus strengthen hog prices for producers in both countries”, concluded Mr. Asnong.

For information:

Martin Rice
Catherine Scovil
(613) 236-9239

Edouard Asnong
President
(450) 248-2375