

CPC President Cites Major Improvements in Canadian Hog Processing Capacity; Urges Canadian Hog Exporters to Examine Marketing Alternatives in Canada

Ottawa, January 14, 1999 — The Canadian Pork Council (CPC) is advising Canadian exporters of live hogs for slaughter in the United States that the plant capacity situation here has improved significantly and they are being strongly urged to examine alternatives for selling their animals in Canada. This message is being communicated with some urgency given increasing pressures in the United States to take action to restrict imports of Canadian pigs.

U.S. hog prices have been severely depressed since October, when they began a free-fall to levels that, after adjusting for inflation, had not been seen since the Depression. These have come about as a result of a sharp drop in exports to such countries as Russia and Korea, which previously were important and growing markets for pork sellers in both the United States and Canada, coinciding with rapid expansion in U.S. hog marketings (+10%) in the face of a significant (8%) reduction in American hog slaughter capacity.

The resulting disastrously low hog prices have been experienced in full in Canada as well, given the close trade ties that exist between the two countries.

“Producers naturally, and quite rightly, will continue to seek the best return available to them for their pigs,” said Edouard Asnong, CPC President. He indicated that for many in the Canadian hog industry, the route to achieving the best price has been to establish seller-buyer relationships with U.S. packers.

“I don’t expect what are, in many cases, longstanding and mutually satisfactory business partnerships to be suddenly terminated”, said Mr. Asnong. “However, everyone in the Canadian industry should be aware of significant border tensions which have arisen during the hog price crisis of the past several weeks and of recommendations by members of the U.S. hog industry to pursue actions that would restrict the importation of Canadian hogs”

Mr. Asnong went on to say: “The CPC in no way endorses suggestions that U.S. imports of Canadian hogs are a significant contributing factor to the current American price weakness. In fact, Canadian slaughter hog exports, running at about 50,000 per week, are below what they were one year ago when hog prices in the United States were well above what they are today. I nevertheless suggest it would be prudent that Canadian hog producers whose pigs are being exported or who are exporting pigs themselves take a look at the increased opportunities which now exist to have their animals processed here in Canada.

Although it is disappointing that workers at Quality Meat Packers earlier this week rejected the company’s offer to settle the strike at that Ontario plant, developments at other packers across the country more than offset the loss of that capacity:

- (1) Federally inspected hog slaughter in the province of Québec is now consistently at 160,000

or above on a weekly basis and exceeded 175,000 in the final full week of 1998. The average for the province during the first half of 1998 was below 130,000 and for all of 1997, it was only 115,000. This major expansion in processing activity has been accomplished through adding second shifts at several plants as well as initiating weekend operations.

- (2) Maple Leaf Pork in Burlington, Ontario, has been operating Saturdays for several weeks, and is now processing hogs on Sundays.
- (3) In Manitoba, the three events of a Saturday slaughter at one Winnipeg plant, the reopening of another smaller facility in that city, and additional custom killing at a plant in Neepawa add up to additional throughput in that province of 10,000 hogs per week.
- (4) Fletcher's in Red Deer, Alberta, is moving to a line speed effective Monday which exceeds 1,000 per hour, an increase of about 10% over their maximum rate to this point. This is the second increase at Fletcher's within the past year, such that their capacity is now 50% greater than it was a year ago.

“Canadian federally inspected hog slaughter for the final quarter of 1998 averaged a record 337,000, which was 22.5% above the corresponding period in 1997”, added Mr. Asnong. “With these other recent changes, Canadian hog slaughter performance will show further gains going into 1999.

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