



US Hog Producers' Baseless Claims on Swine Subsidies in Canada Meant to Mask Weakness of their Trade Case

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(Ottawa, ON) – Canadian Pork Council President Clare Schlegel said today that baseless allegations by the National Pork Producers Council (NPPC) regarding subsidies to Canadian hog producers were nothing more than “a desperate public relations ploy to mask the weakness of its trade petition.”

“The Canadian Pork Council categorically rejects NPPC's allegations contained in a recent letter submitted to the United States Trade Representative and reminds the NPPC that the U.S. Department of Commerce in August, for the second time in five years, has already rejected its claims that Canada engages in illegal subsidies,” said Schlegel. “No matter how many times the NPPC repeats these false claims, this will not change the fact that its allegations have been investigated and rejected by the U.S. government.” Mr Schlegel added, “This month, a second U.S. government agency – the U.S. Department of Agriculture — found that increased swine exports from Canada are *not* a result of subsidies, but rather in response to a host of factors, including exchange rates, Canadian competitive advantages in the areas of animal health and labour, and U.S. advantages in feeding costs.”

Mr. Schlegel was referring to a report released this past week by the Economic Research Service of the U.S. Department of Agriculture, *Market Integration in the North American Hog Industries* (publication LDP-M-125-01 at <http://www.ers.usda.gov/publications/ldp/NOV04/ldpm12501/>). The report states, “In a nutshell, Canadian hogs flowed into the U.S. in response to significant structural changes in the U.S. pork industry, concurrent with important policy changes in Canada. This, combined with a strong U.S./Canadian dollar exchange rate, created incentives to expand hog operations in Ontario and start production in Manitoba. In 15 years, an open border and pronounced breeding herd efficiencies helped to increase Canadian hog exports to the United States more than eight-fold.”

A closer look at the NPPC allegations regarding Canadian subsidies shows why its own government keeps rejecting them. The NPPC grossly misrepresents the situation regarding subsidies paid to hog farmers in Canada by referring to Canadian government figures on program payments relative to net farm income. These figures relate to farms designated as ‘hog farms’ by virtue of having 50% or more of the farm revenues derived from the sale of pigs. These payments may have nothing to do with hogs; such program

payments can easily relate to products other than swine sold from that farm. The situation could well be the same as in the United States. According to the U.S. Department of Agriculture publication, Agriculture Income and Finance Outlook (<http://www.ers.usda.gov/publications/so/view.asp?f=economics/ais-bb>), average U.S. government payments per reporting hog farm were \$25,586 in 2000 and increased to \$30,413 for 2001, *higher* than any amount the NPPC has cited for Canada after taking exchange rates into account. Many farms producing hogs also grow corn and soybeans and are thus eligible for U.S. government payments on those crops.

Mr. Schlegel also pointed to some important recent changes that significantly favour U.S. pork producers, particularly the 30% appreciation since 2002 of the Canadian dollar against its U.S. counterpart. This makes imports more expensive and U.S. pork exports more competitive.

“As a result,” he adds, “we are witnessing the U.S. pig population now growing just as fast, if not faster, than Canada’s and pork exports from the United States are expanding at record levels.”

“NPPC officials have said that the purpose of the antidumping duties is to ‘move Canada to eliminate subsidies to its hog producers,” concluded Mr. Schlegel, who runs a mixed farming operation in Perth County, Ontario. “The truth is that the NPPC knows that the antidumping investigation has nothing to do with subsidies; the purpose of all antidumping actions, including this one, is to raise import prices – and in this case, to raise prices for U.S. farmers, many of whom are NPPC members who buy Canadian imports, by imposing a tax at the border.”

The Canadian Pork Council is the national association representing the interests of Canada’s pig producers.

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