



Canadian Pork Council
Conseil canadien du porc



PRIORITY AREAS FOR STRENGTHENING THE CANADIAN PORK INDUSTRY



As a pork producer, you are the most reliable expert on what is needed to further strengthen your farm and the pork industry. Only through ongoing communication with community members, business leaders and elected officials will they know and understand the issues affecting the pork industry and the community you live in. *Priority Areas for Strengthening the Canadian Pork Industry* is based on priorities submitted by your fellow producers and has been designed to help you make the most of your time and effort.

The purpose of this document is to promote a country-wide, grassroots lobbying effort by pork producers. It is your participation that will help determine the success. Along with hundreds of other pork producers across the country, you play an important role in further strengthening the Canadian pork sector.

We encourage you to use this information as a convenient reference.

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Market Access

Trans-Pacific Partnership

Background

The Trans-Pacific Partnership (TPP) negotiations have been ongoing for several years, with Canada's involvement since 2012. The CPC advocates that a signed agreement that includes Canada will help secure a bright future for our pork industry. If Canada is not part of the agreement with the other 11 Trans-Pacific Partnership countries, the economic impact would be extremely damaging for our pork sector, particularly with Japan.

Pork is a premium product in Japan and sells for twice the price per kilogram than in Canada. In 2014, Canadian pork exports to Japan were close to \$1 billion. If not part of the TPP, that valuable Japanese market served by Canada's pork industry would rapidly be acquired by other countries. There would be a negative downturn in our pork sector and the economic viability of the industry would result in cutbacks and closures of Canadian pork producers, processors and exporters.



Canada's pork sector found itself in a similar position several years ago when the United States, the European Union and other major competitors secured free trade deals with South Korea before Canada. The Canadian pork sector lost its traditional market share in Korea almost immediately and saw pork exports to that country fall by two-thirds (67%) within just two years after the Korea-U.S. FTA went into effect. With the TPP, the Japanese market is several times larger for Canadian pork exports than South Korea ever was.

Market Access

Trans-Pacific Partnership

Main Speaking Point

Canada must negotiate to be part of the TPP or risk losing some of our most valuable markets and become uncompetitive. There would be a negative downturn in our pork sector and the economic viability of the industry would result in cutbacks and closures of Canadian pork producers, processors and exporters.

Speaking Points

- It is critical to Canadian pork producers that Canada is a successful member in the Trans-Pacific Partnership (TPP) in which Japan and the United States are key pork industry participants.
- Pork exports, particularly to Japan, are vital to the Canadian economy.
- Canada's pork exports to Japan in 2014 were well over \$900 million.
- Being part of the agreement with the other 11 TPP countries could see a rapid increase in exports to Japan and or open access to other export markets.
- If not part of the TPP:
 - Canada's pork producers would see a decline of almost 40% in the volume of pork exported to Japan.
 - Pork producers would lose around \$5 per animal.
 - There would be an almost 40% decline in volume of pork exports to Japan - equivalent to \$330 million in sales. 4,500 jobs would be in jeopardy.
- Canada's pork industry needs you to support the country's participation in the Trans-Pacific Partnership negotiations. A signed agreement will help secure a bright future for this country's pork industry.

Market Access

Country of Origin Labelling

Background

Country of Origin Labelling in the United States became mandatory in 2008 and since then, the Canadian government, along with the CPC and other livestock groups like the Canadian Cattlemen's Association (CCA), has been fighting to have the American legislation changed. On May 18, 2015, the World Trade Organization (WTO) determined for the fourth time that U.S. COOL for beef and pork discriminates against Canadian cattle and hogs and violates the WTO obligations of the United States.



The U.S. is out of recourse mechanisms. COOL violates the trade obligations of the U.S. Retaliatory tariffs are imminent, unless Congress acts.

Unless the U.S. eliminates the discrimination, Canada will implement trade retaliation. U.S. imports that could be blocked include: live cattle and hogs; fresh, chilled or frozen beef or pork; bacon, some cheeses, fresh fruits and processed meats; rice; maple syrup; pasta; tomato ketchup; certain sugars; and other non-food items.

Market Access

Country of Origin Labelling

Main Speaking Point

Canada needs to continue to stand up for cattle and hog producers to ensure the harm is ended and to return to an integrated supply chain. If not, Canada needs to retaliate on U.S. imports.



Speaking Points

- The pork and beef industry appreciate the Canadian government's efforts to deal with the U.S. COOL legislation.
- The Canadian government, with the unqualified support of the livestock industry has already placed a tremendous amount of pressure on the U.S. government for them to make changes to COOL to eliminate the discrimination against our pigs and cattle.
- Maintain the pressure on the U.S. - don't get cold feet!
- If the U.S. doesn't respond to the pressure - retaliate with trade measures as has been threatened.

Market Access

New Trade Agreements

Background

Future trade agreements have continued importance to Canada's pork producers, particularly negotiations with Japan and China.

Canada and Japan remain engaged in both the TPP and the bilateral Canada-Japan Economic Partnership Agreement (CJEPA) to expand trade opportunities between the two countries and Canada looks forward to hosting the next round of negotiations in coming months. While market access is being addressed primarily within the TPP negotiations, the bottom line is the same: Japan is a priority market for Canadian pork producers.

At the same time, the CPC is eager to proactively shape trade talks with China. Pork producers know China is crucial to Canada's economic future over the next 50 years as it remains Canada's second largest national two-way trade partner. There are indications from recent trade deals between China, New Zealand, Australia and Chile that China may be prepared to address tariffs and other trade barriers on sectors like pork. If free trade negotiations with China proceed, CPC wants to be at the table.

Market Access

New Trade Agreements

Main Speaking Point

Canada needs to take every opportunity to secure favourable terms of access to foreign markets including through new or expanding existing trade agreements.



Speaking Points

- Japan is a top priority market for Canadian pork producers. It imports 60% of its food as the third largest economy in the world.
- Canadian pork producers need to be at the negotiating table if free trade negotiations open with China. This is a significant opportunity, especially if China is prepared to address current trade barriers, as it has with other countries.
- Canada needs to take every opportunity to secure favourable terms of access to foreign markets, including through new or expanding existing trade agreements with such countries as India and the Philippines.

Competitiveness

Shortage of Labour

Background

The CPC supports the Canadian Agriculture and Agri-Food Workforce Action Plan (WAP). This WAP was developed by an industry labour task force of representatives from all the Agriculture and Agri-Food Value Chain Roundtables and is a Committee of the Canadian Agricultural Human Resource Council.

The agriculture and agri-food industry needs workers in order to be globally competitive, take advantage of export opportunities and ensure the security, safety and sustainability of food for all Canadians.

The Workforce Task Force put forward two practical and essential recommendations that meet the immediate and future requirements of our industry: 1. Increase the supply of labour and 2. Improve the knowledge and skills of workers in the industry.

Implementation of the WAP will bring improvements to recruitment, employment and retention. The short, medium and long-term solutions will help the industry remain a viable, competitive and significant contributor to the economic health of the country. Farmers, industry and government should have a shared interest in working together to address the labour issues facing Canada's agriculture and agri-food industry.

According to newly released information, the Statistics Canada's Job Vacancy and Wage Survey report indicates that the agriculture industry is encountering difficulties with job vacancies and recruitment (prior to farmers' busy season):

- General farm workers fall within the top 10 occupations with the highest number of job vacancies; and
<http://www.statcan.gc.ca/daily-quotidien/150813/t003a-eng.htm>
- The Canadian agriculture industry is one of the industries listed as having the highest share of job vacancies which have not been filled after more than three months of recruitment efforts where employers are constantly recruiting.
<http://www.statcan.gc.ca/daily-quotidien/150813/t004a-eng.htm>

Competitiveness

Shortage of Labour

Main Speaking Point

To remain viable, Canadian agriculture needs immediate access to the Express Entry Program. Livestock producers do not have the ability to close the business early if labour is not available. Producers are dealing with live animals with 24/7 animal care needs.



Speaking points

- Industry and government need to partner on the ***Canadian Agriculture and Agri-Food Workforce Action Plan*** which has been developed based on extensive industry research and consultation. The plan clarifies the pervasive challenges of the labour shortage and highlighted the need to address two priority objectives:
 - **Increase the supply of labour** - to meet immediate and future requirements for skilled and unskilled workers (including the use of TFW and seasonal works); and
 - **Improve the knowledge and skills of workers** - to meet immediate and future
- It is urgent that due focus and attention be given to these activities now in order for the industry to remain viable, competitive and a significant contributor to the economic health of the country.
- The agriculture and agri-food industry needs more workers. Finding workers to work and live in small rural communities is very challenging.
- Canadians have demonstrated clearly and consistently that only a limited number are interested in rural jobs in the agriculture and agri-food sector.

- The agriculture industry needs a sustainable workforce to remain globally competitive and take advantage of export opportunities provided by the federal government's free trade agenda.
- Jobs in the meat processing sector are well-paying - depending on the location, butchers and meat cutters start at \$12.95 to \$17.50 an hour and receive a comprehensive range of benefits, including medical, dental, vision, insurance and retirement plans.
- The CPC supports the Workforce Action Plan's urgent and essential call for the federal government to begin immediately to address the issues of labour shortages in Canada's livestock and meat sector.

Competitiveness

Canadian Pork Exports

(Non-Tariff Barriers)

Background

The meat industry is the most highly regulated component of the agri-food sector and every export shipment must be certified individually by the Canadian Food Inspection Agency (CFIA). Before Canadian pork moves to other countries, there are dozens of Canadian and foreign technical regulations and requirements that must be met. Canada's pork industry works closely with the Market Access Secretariat of Agriculture and Agri-Food Canada, the CFIA, Health Canada and Foreign Affairs, Trade and Development on the endless task of addressing these impediments.

There are numerous areas where the federal government could improve the trading climate and competitiveness of Canadian pork:

- Increase the number of technical personnel assigned to the meat industry at the CFIA Import and Export Division; the division is, at present, unable to respond adequately to the demand.
- Maintain on the CFIA website up-to-date instructions and public information of the export requirements of foreign markets.
- Develop explicit service guidelines at processing plants and headquarters for responding to Canadian industry and foreign government enquiries and requests.
- Ensure that producers and processors are permitted access to foreign labour when it has been demonstrated there are insufficient Canadians willing to work in the sector.
- The Canada–United States Regulatory Cooperation Council (RCC) is a model of cooperation that should be expanded to other markets. Canada should strengthen institutional mechanisms within the Department of Agriculture and Agri-Food Canada for facilitating international regulatory cooperation and commit to regulatory cooperation going forward.

Competitiveness

Canadian Pork Exports

(Non-Tariff Barriers)

Main Speaking Point

The federal government could improve the trading climate and competitiveness of Canadian pork by strengthening the technical support to exporters and quickly solving issues disrupting the normal flow of trade.



Speaking Points

- Export market access is of paramount importance to the sustainability of our industry. The development of international market opportunities can only strengthen our sector, jobs and economic growth.
- Our industry has a growing concern with the ability of the CFIA and other departments to provide an adequate level of service to maintain existing markets or fully develop and benefit from new export markets.

- Canada's pork producers and exporters regularly travel to other parts of the world to study what consumers want in these markets and to promote the quality, taste, safety and reliability of Canada's pork products. Maintaining existing pork markets and opening up new markets is critical to the Canadian hog industry
- The Canada-U.S. RCC continues to be of priority to us and supportive of cooperation activities that would eliminate or reduce unnecessary red tape.
- The Canadian government should build on the success of the RCC and expand the model to other major agriculture markets.
- Current government employment and immigration policies are restricting the competitiveness and sustainability of the livestock and meat sector. As a direct result, livestock producers, meat processors and rural communities are all being penalized and investment, innovation, value-added, exports, jobs and economic growth are being transferred out of this country. Government policies should be modified to support rather than curtail access to an adequate supply of labour for the agriculture and agri-food sector.

Risk Management

CALA Loans

Background

The Canadian Agricultural Loans Act (CALA) program is a loan guarantee program designed to increase the availability of loans to farmers and can be a mechanism to further strengthen the hog industry. However, the program needs to be improved to better support hog farm renewal. Farm infrastructure is aging. Pork producers, over the last several years, fought for their businesses to survive during times of poor returns and adjustments. Now, industry is in need of significant re-investment to ensure continued efficiencies. A modified CALA loan program would work towards this.

Under the CALA program, the federal government guarantees to the lender, repayment of 95% of a net loss on an eligible loan issued. The maximum aggregate loan limit for any one farm operation is \$500,000.

Loans are limited to a maximum of:

- \$500,000 for purchase of land and the construction or improvement of buildings.
- \$350,000 for all other loan purposes, including consolidation/refinancing.

The maximum aggregate loan limit for agricultural co-operatives is \$3 million, with the Minister's approval.

The current limitations to loans are constricting and unreflective of current farm business practices. An updated CALA program should reflect growing farm sizes and other current realities of farming like farm costs, more complex farm structures and revenue and profit volatility. The maximum loan limit needs to increase significantly and expand in scope.

Risk Management

CALA Loans

Main Speaking Point

The program needs to change to reflect Canadian agriculture today and support the replacement of old hog barns with much needed new barns.



Speaking Points

- CALA needs modernization to reflect agriculture in Canada today - growing farm sizes, increased farm costs, more complex farming structures and revenue and profit volatility.
- The current maximum loan limit of \$3 million for cooperatives needs to increase to \$20 million.
- The new maximum loan limit should expand beyond cooperatives to include corporations that value-add primary agricultural products.
- The payback schedule needs to extend to reflect current business practices and standards.

Risk Management

Hedging Program

Background

The pork industry has changed. Farms are getting larger and capital intensive. Hog prices are closely tied to the future process established on the Chicago Mercantile Exchange (CME). The market is volatile due to global speculation on commodity prices and foreign currencies. Hedging can be an effective tool to manage the downside price risk facing producers. While the mechanics to hedge future prices are well established and work efficiently, not many producers actually use the future market to hedge their production.

For Canadian hog producers, futures contracts and hedging strategies to mitigate risk are among the most available, significant and widely used risk management tools. But maintaining an effective hedging program can be a capital-intensive undertaking. Access to credit is absolutely crucial to a hog producer's ability to hedge effectively. When hedging, hog producers need to provide their broker with upfront cash - like a deposit - for margins. It's required to ensure there is always sufficient cash physically available at the commodity exchange to offset the position at any time.

For example, one \$100,000 futures contract would cover approximately 600 hogs, or three loads. To maintain their position, a producer holding this contract would need to contribute around \$7,000 cash to their margins account, in addition to the initial margin. If 30% of the annual Canadian hog production is hedged - seven million hogs - \$77 million in hedging is required.

Canadian hog producers also must hedge the Canadian dollar to protect themselves against rapid appreciation in the Canadian dollar exchange rate.

This initial outlay of money is financially challenging for hog producers. A financial loan guarantee for risk management purposes only would provide access to a government guaranteed line of credit and open the opportunity for greater hedging flexibility. With a financial loan guarantee program, the federal government would guarantee margin loans or lines of credit at recognized financial institutions with strict controls to ensure minimal costs. Overall, the CPC envisions the program working like the Canadian Agricultural Loans Act program.

Risk Management

Hedging Program

Main Speaking Point

Pork producers need a program to mitigate the risk of margin calls so hedging is a useful and used business risk management tool.

Speaking Points

- Hog producers face a combination of production, market and financial risks that can undermine the success of a farm without a range of risk management tools and strategies.
- Pork producers need a program to mitigate the risk of margin calls so that hedging becomes a useful and used business risk management tool.
- Risk management is a fundamental cornerstone in any business venture with volatility in revenue and costs - exactly like Canada's hog sector.
- For hog farmers, hedging to mitigate risk is one of the most available, significant and widely used risk management tools.
- Maintaining an effective hedging program is capital-intensive. Access to credit is absolutely crucial to a hog producer's ability to hedge effectively.
- Canadian hog producers need a financial loan guarantee for risk management that would provide access to a government guaranteed line of credit and open the opportunity for greater hedging flexibility.
- The Canadian Pork Council estimates loans under such a program would range from \$97 million and \$974 million, while the potential amount of loans defaulted would be less than 1% or annually would range between \$1 million and \$10 million.

Risk Management

Federal/Provincial/Territorial Programs

(Business Risk Management)

Background

AgriStability and AgriInvest are core business risk management programs. The changes made to both these programs in Growing Forward II (GF2) have significantly reduced their capacity to assist the Canadian hog industry. Many have little or no historical reference margin in the AgriStability program as a result of many sequential non-profitable years. Producers are vulnerable to any new shock or downturn, including Porcine Epidemic Diarrhea Virus (PEDv) and a reduction of the level of support reduces the value of the program.

Hog producers have not historically been in a position to contribute to AgriInvest accounts. The program structure limits the value of the program. As feed costs are the most significant in raising hogs, deducting feed purchases severely limits the program.

While AgriInsurance was not impacted with GF2, this program is not available to hog producers. This creates an uneven sharing of the federal and provincial government dollars directed to manage on-farm risk. Governments need to offer an affordable and meaningful production insurance program for hog producers.

Production insurance would immediately address on-farm losses and payments would serve to help maintain AgriStability reference margins for producers with disease on-farm.

A mortality insurance product is close to being finalized, but a final push is needed to make it available.

Risk Management

Federal/Provincial/Territorial Programs

(Business Risk Management)

Main Speaking Point

New and novel approaches to risk management on hog farms need to be explored. Producers need a variety of tools, like mortality insurance and hedging, to find the best options for their operations.

Speaking points

- New and novel approaches to risk management on hog farms need to be explored. Producers need a variety of tools so they can select the best options for their operations.
- Hog producers don't have access to one of the three main BRM tools and production insurance would immediately address on-farm losses.
- Production insurance payments would serve to help maintain AgriStability reference margins for producers with disease on-farm. For example, no production insurance for hogs means producers dealing with PED will miss out on the benefits of today's market.
- A mortality insurance product is close to being finalized, but a final push is needed to make it available.
- The new Western Livestock Price Insurance Program, the extension of the Alberta Hog Price Insurance Program (HPIP), shows promise, but premiums are high and not reflective of the relative risk with other covered commodities.
- Hedging could be an important risk management tool. Offering a means for producers to lock in prices in the future, hedging can provide a means for producers to manage their risks in situations where forward contracts are not available, or as an alternative to forward contracts.

Risk Management

Growing Forward III Negotiations

Background

Growing Forward II (GF2) is based on three areas of focus: innovation, competitiveness and market development. Business risk management and strategic initiatives are components of each of the three areas and under strategic initiatives, there are federal-only programs and federal/provincial cost-shared initiatives.



AgriStability and AgriInvest are core business risk management programs. The changes made to both these programs in Growing Forward II have significantly reduced their capacity to assist the Canadian hog industry.

AgriInnovation - federal only

- Agri-Science clusters: 14 with a total budget of \$141 million over five years
- Agri-Science projects: \$120.5 million over five years with continuous intake; smaller projects with room for non-cluster work
- Enabling Commercialization and Adoption: \$136.9 million of repayable; aimed at companies for commercialization and adoption, commercialization of demonstration projects

AgriMarketing - federal only

- Market Development: aimed at non-profit associations to develop and implement an international market development strategy and/or to undertake market development activities such as generic sector-oriented promotions, participation in trade shows, incoming and outgoing missions, and technical training of foreign buyers
- Assurance Systems: funding to develop and implement Canadian national assurance systems or standards (animal care, food safety, plant health, etc.)

AgriCompetitiveness - federal only

- Fostering Business Development: support for development of youth, young and established farmers, farm safety initiatives, business skills development and development of individual and industry leadership. This is aimed at national organizations and is basically a continuation of past funding of 4-H, Canadian Agriculture Safety Association, Outstanding Young Farmer and Canadian Young Farmers

Innovation, Competitiveness and Market Development - federal/provincial cost shared initiatives 60/40

- The federal government requires provincial government to allocate at least 25% on Innovation and Competitiveness and Market Development to ensure the funding is spread to each of the areas. The actual split averages 48% to innovation, 30% to competitiveness & market development and 22% to adaptability and industry capacity.

Business Risk Management (BRM) - federal/provincial cost shared initiatives 60/40

- The data on the program since GF2 changes were brought in is small and still developing, so difficult to evaluate this aspect of GF2
- From 2007 to 2014, governments have spent \$14.7 billion on BMR: AgriInvest (15%), AgriStability (31%), AgriInsurance (48%) and AgriRecovery (6%)

AgriInvest - self-managed producer/government

- Savings account that allows producers to set money aside which can be used to offset small income declines or make investments to reduce on-farm risks. Producer contributions are matched by the federal and provincial governments.
 - Under GF2, producer limited contributions to 1% of their allowable net sales (GF1 was 1.5%) and the limit on matching government contributions was reduced from \$22,500 to \$15,000
 - There is \$2 billion in the AgriInvest account. AgriStability-triggering accounts do not always take their AgriInvest amounts out and may be problematic for continuing the program if balance remains high following a grain downturn.

*AgriStability - federal/provincial*

- Allows producers to protect against a large decline in farm income. Payments are triggered when margins drop below average margins from previous years.
 - Under GF1, producers received a payment when their income fell below 85% of their reference margin.
 - With the GF2 changes in 2013 program year, payments are not triggered until incomes drop more than 30% below their historic reference margin
 - The number of producers participating in AgriStability is believed to be declining due to consolidation, good times in grain production and acknowledged frustration with the program's coverage/payouts/paper burden.

Risk Management

Growing Forward III Negotiations

Main Speaking Point

The five-year Growing Forward 2 programs will expire in 2018. It's critical that federal representatives recognize and understand the importance of the pork industry and the need to improve coverage and availability of risk management programs.



Speaking points

- AgriStability and AgriInvest are core business risk management programs. The changes made to both these programs in Growing Forward II have significantly reduced their capacity to assist the Canadian hog industry.
- Federal and provincial governments need to improve risk management programs including production insurance, AgriInvest and AgriStability. Instability in the market place, currency fluctuations and reduced coverage under current risk management programs need to be addressed.

Innovation and Productivity

Need for Investment in Industry

Background

The Canadian pork industry saw tremendous operational stress and financial trauma over the past several years. The industry showed an unparalleled ability to withstand and move through an array of shocks, yet remain functioning and vibrant. Within that context, Canada's hog sector saw a robust swing to improved margins during the past year due to lower grain prices, a weak Canadian dollar, strong beef and chicken prices and the extraordinary impact of disease like Porcine Epidemic Diarrhea virus (PEDv). PEDv resulted in a 5 to 8% slaughter decline in the United States and drove hog prices higher.

The returns remain good, but they were a long time coming. Between 2004 and 2014, some hog producers lost \$15 a head. As a result, the industry balance sheet remains stressed. 2015, however, looks positive for producers and some are ready to expand or upgrade.

Lenders appreciate the need to rebuild and improve the bottom line and working capital before expansions, yet they are cautious. Some banks may be more cautious than others but they are generally open to the hog sector and any well-documented and secured plan should be well received.

Producers are ready to grow and need to feel lender support, while banks need evidence that farmers can service their debt. Each situation is unique - and the nature of the business means that risks are always present and need to be taken into account.

Long term, hog sector expansion is likely to carry through to 2016. By that point, there will likely be weeks in the fourth quarter of 2016 in which industry is bumping up against capacity limitations. At that point, there could be severe downward pricing pressures on the North American industry.

Innovation and Productivity

Need for Investment in Industry

Main Speaking Point

Government can help producers become more efficient by partnering with producers to invest in construction of new barns and on-farm upgrades.



Speaking Points

- Despite current profitability levels on Canadian hog farms, the short-term situation can mask the fundamentals of the past six years.
- Current hog sector profits have not completely rebuilt industry equity lost during the previous seven years.
- Producers have not been in a position to re-invest and the banking sector is not yet ready to re-invest in industry.
- Government can play a role in partnering with producers to invest in:
 - On-farm upgrades that will help producers and farms become more efficient or adjust infrastructure and production techniques to assists in market access.
 - Research and technology/information transfer focused on lowering the cost of production.
 - Market development to maintain existing markets and to take advantage of new ones.

Innovation and Productivity

Canadian Pork Promotion - Research Agency

Background

The creation of a Canadian Pork Promotion-Research Agency will help strengthen markets for hogs and pork, optimize production efficiencies, increase domestic consumption and enhance financial returns from the marketplace to the benefit of participants across the Canadian pork value chain.

Individually, through their various provincial groups, Canadian pork producers fund an extensive series of market promotion, market development and research activities. The results of this work have been critical in enhancing the competitive position of the sector and in raising consumer awareness of the advantages pork can make in their diets. However, increasing complexity of the issues impacting the sector, their interwoven nature and the escalating cost of addressing these concerns means that a more strategic, coordinated approach is required.

The proposed national agency will serve to coordinate the efforts of its members and demonstrate the advantages of economies of scope and scale. In addition, the make-up of the agency's board will ensure the implementation of effective, common-sense solutions that focus on the needs of producers and consumers.

There are two primary reasons that support a need to create a national agency. First, in several provinces the current levy being collected and spent on research, promotion and market development is decreasing. An agreed national levy amount will be more uniform, equitable and stable. Second, imports have never contributed towards the eligible activities. An equivalent levy, applied to live animals, pork or pork product imports, could be expected to generate up to an additional \$2 million-plus gross per annum.

Provincial boards would continue to use their existing levies to carry out eligible activities at the provincial level but would provide copies of their audited annual reports, prepared for their respective provincial supervisory bodies, to the national agency.

Innovation and Productivity

Canadian Pork Promotion - Research Agency

Main Speaking Point

Establish a Canadian Pork Promotion Research Agency that can collect a reciprocal levies on imported live animals, pork and pork products.



Speaking points

- The establishment of a national agency is of direct interest to all participants of the value chain including producers, importers and consumers.
- There is currently no existing levy on imported pork products at this time. The creation of a national agency administering a uniform national levy on domestic hogs will provide the basis for the introduction of a levy on imports.
- Federal government can play a role in supporting the application from the Canadian pork industry and ultimately establishing the agency.

Social Responsibility

Animal Care, Environment, GMOs

Background

The pork industry supports the scientific development and introduction of agricultural products derived from new technologies. CPC believes producers and the consuming public can gain through advances in science, including increased production efficiency, improved pork quality and nutritional value, advanced animal health and well-being, continued environmental sustainability and increased food safety.

In recent years, the Canadian pork industry faced growing social pressures, particularly in the areas of animal health and welfare, the environment and genetically modified organisms (GMOs). As a result, the CPC created and implemented measures to address social responsibilities while maintaining the viability of the sector and markets.



Animal Health and Welfare – Canadian hog farmers are dedicated to the highest quality standards. Registered producers demonstrate their compliance with national standards for food safety and animal care through the national Canadian Quality Assurance (CQA) program. To be a registered CQA producer, producers undergo annual assessments for compliance of program requirements.

Outlining the food safety elements of the program, the CQA manual presents requirements and good production practices based on the internationally recognized Hazard Analysis Critical Control Point (HACCP) model. The Animal Care Assessment (ACA) manual presents animal care requirements based on Canada's Code of Practice for the care and handling of pigs.



Environmental Responsibility – Canadian pork producers take their environmental responsibilities seriously, applying many good environmental practices that benefit the producer and the environment. One such practice is participation in the national Environmental Farm Plan (EFP) program. Administered by individual provinces, EFP is recognized nationwide as a means for producers to identify and mitigate potential environmental risks on their farms.

GMO (feed) – The Canadian Food Inspection Agency (CFIA) regulates genetically modified (GM) plants and approves GM feed for animals. Health Canada is mandated to assess the safety of foods for human consumption, including GMOs in foodstuff, and for authorizing them to be sold in Canada. Advertising or labeling the presence of GMOs in a particular food is voluntary unless there is a health or safety concern.

Canadian pork producers do not use or raise GMO pigs. The pork industry supports continuing genomic research and the application of biotechnology to meet the challenge of providing a safe, secure food supply while adding value to the agricultural production system.

Social Responsibility

Animal Care, Environment, GMOs

Main Speaking Point

Pork producers are committed to animal care, the environment and public concern over GMOs. Government can support industry in these areas through investments in on-farm enhancements and remediation cost-shared with producers.



Speaking Points

- Given that only 2% of the population today is engaged in producing food for the other 98%, today's farms by necessity raise more animals than those in the past.
- The hog sector will continue to meet the reasonable demands of the marketplace, both domestic and international, for meeting social responsibilities through research-based-policies and sustainable practices.
- Government can support the sector by:
 - investing in on-farm enhancements and remediations through cost-share funding programs;
 - assisting in research and information transfer on animal health and welfare issues, including but not limited to foreign animal disease, antibiotic use and animal well-being; and
 - maintaining the role of CFIA in the approval of GM feed for animals.

Social Responsibility

Code of Practice

Background

Codes of Practice are guidelines for farm animal care and handling. Providing standard practices, they serve as social contracts and are one way farmers demonstrate their commitment to the welfare of their animals. Codes of Practice are developed through reasoned, scientifically informed debate by multi-stakeholders committed to developing a code that is good for animals, workable for producers and acceptable to society.

The Code of Practice for the Care and Handling of Pigs was developed with input from animal welfare experts, including veterinarians, animal welfare scientists, animal welfare advocates and farmers and outlines how producers should raise pigs on Canadian farms.

Raising livestock is a 365-day-a-year, 24-hour-a-day commitment and those who do it take the responsibility very seriously and consider it much more than a job. Released in 2014, the Code of Practice for the Care and Handling of Pigs makes a number of significant improvements to animal care, including a commitment to group housing.

The Code of Practice for the Care and Handling of Pigs does not include a requirement for converting existing facilities from gestation stalls to open housing. Conversion from gestation stalls to group housing is very difficult and the final welfare outcomes for the animals might be poorer. Barns built to house gestating sows in stalls were configured specifically for that purpose and the best renovation of a stall system to a group-housing system would still involve compromises to animal care.

The best approach is to convert the entire industry to group housing and the hog industry is committed to full adoption of group housing for sows. As a result, as older facilities are retired, new ones will replace them. All new facilities since July 1, 2014 will be group housing. A gradual, pragmatic conversion to group housing will ensure it is done right. Providing sows the opportunity for exercise helps address freedom of movement throughout the transition to group housing.

Social Responsibility

Code of Practice

Main Speaking Point

Producers recognize the importance of animal welfare and led development of *The Code of Practice for the Care and Handling of Pigs*, which goes far beyond minimum requirements and includes provision for further progressive changes in the future.



Speaking Points

- Canada has a long history of Codes of Practice for the handling of pigs. The first *Code of Practice for the Care and Handling of Farm Animals: Pigs* was released in 1984 and the second revision completed in 1993. This shows the hog industry's continued commitment to the welfare of the animals in their care.
- Codes of Practice are the result of a rigorous process overseen by the National Farm Animal Care Council and based on the best science available for each species, compiled through an independent peer-reviewed process, along with stakeholder input. Multi-stakeholder involvement ensures the development process includes perspectives that contribute to rigorous debate and result in practices that are acceptable to farmers and society.
- *The Code of Practice for the Care and Handling of Pigs* goes far beyond minimum requirements and includes provision for further progressive changes in the future.
- The hog industry is committed to full adoption of group housing for sows. All new facilities built since July 1, 2014 will use group-housing systems.

Social Responsibility

Canadian Quality Assurance (CQA)

Background

Originally launched in 1998 to address food safety, the Canadian Quality Assurance (CQA) program expanded in 2012 to include requirements for animal care. It was developed to set national standards for on-farm production, with the objective to develop a program *for* hog producers *by* hog producers rather than see provincial governments, federal governments, processors or retailers create their own standards, something that was seriously being considered at the time.



The Canadian hog industry implements a national Animal Care Assessment (ACA) within its CQA program.

The main objectives of the CQA program are to be of value to the producer and enhance export market opportunities for Canadian pork. It is a remarkable success story with participation growing to over 90% of the hogs processed in Canada now covered.

The CQA is currently undergoing a major revision to:

- Update existing programs to better meet producer needs.
- Revise programs to be more objective and easier to use.
- Make on-farm assessment easier, more consistent and transparent
- Benefit the producer

The objective is for a new program to be rolled out in 2016.

Social Responsibility

Canadian Quality Assurance (CQA)

Main Speaking Point

The on-farm food safety and animal care program was developed *by* hog producers *for* hog producers. The program will be updated and strengthened so it continues to be of value to producers and enhances export market opportunities for Canadian pork and pork products.

Speaking Points

- The Canadian Quality Assurance (CQA) program is a national on-farm food safety and animal care program.
- Canada is vast and includes several types and sizes of hog farming operations. Revision of the program based on a HACCP model is challenging since the program has to be applicable to all operation types and sizes.
- Over 90% of the hogs processed in Canada are certified under the CQA program.
- Providing a consistent national standard has allowed the pork sector to provide assurances to Canadian and international customers about its products.
- The program works to maintain access to existing export markets and gain access to new markets. For example, when Russia shut its borders to Canadian pork in 2013, CQA was used to rapidly put in place the ractopamine-free control program which helped Canada regain access to Russia quickly.

Social Responsibility

Antimicrobial Use (AMU)

Background

Antimicrobial use (AMU) and antimicrobial resistance (AMR) affect both human and animal health.

The use of antimicrobials in animal health is currently under global scrutiny. Many countries have mounted national strategies with significant financial investments. The Federal Framework for Action on Antimicrobial Resistance and Use in Canada is a partnership between Public Health Agency of Canada, Health Canada, The Canadian Food Inspection Agency, Agriculture and Agri-food Canada and the Canadian Institutes of Health Research. It builds on three areas of focus: surveillance (monitoring), stewardship (prevention, control) and innovation.

Health Canada and Canadian Animal Health Institute (CAHI) announced a collaborative initiative in April 2014 to align with the U.S. initiative:

- Remove growth promotion and /or production claims of medically-important antimicrobial drugs by December 2016
- Develop options to strengthen the veterinary oversight of antimicrobials use in food animals (veterinary prescription for antimicrobial drugs in water and veterinary authorization for antimicrobial drugs in feeds)

There is no data on AMU in Canadian swine collected and controlled by the pork industry. Data currently comes from reports from the CAHI and Canadian Integrated Program for Antimicrobial Resistance Surveillance (CIPARS).

The Canadian pork industry has long recognized the importance of responsible use of antimicrobials. Use of antibiotics is an important tool for the welfare of the animal and herd management. The goal is to produce safe food while reducing the need for antibiotics.

Social Responsibility

Antimicrobial Use (AMU)

Main Speaking Point

The Canadian pork industry has long recognized the importance of responsible use of antimicrobials. Use of antibiotics is an important tool for the welfare of the animal and herd management. The goal is to produce safe food while reducing the need for antibiotics.

Speaking Points

- It is important for the CPC to be proactive regarding responsible AMU to build and maintain consumer trust, but also to ensure the pork industry protects the right to use antimicrobials in animal production.
- Healthy food comes from healthy animals and denying or delaying treatment is not ethical. The use of antimicrobials is vital for the hog production and essential in order ensure a high level of animal welfare.
- Through the national CQA program, which has been in place since 1998, producers follow best practices on antimicrobial use, work with herd health veterinarians and keep records on medication use. Regulatory requirements are met, and exceeded under the program.
- The hog industry understands that more can be done. Enhanced surveillance systems to monitor antimicrobial use and resistance, attention to alternatives and continued focus on prudent use are critical.
- The industry looks forward to continuing to work with stakeholders to see that antimicrobials needed to protect both human and animal health continue to be available and effective.
- The CPC supports the phasing out of the growth promotion claims and is willing to accept increased veterinary oversight.

Animal Health

Disease Prevention

Background

Swine health remains a critical issue. Work conducted by the Canadian Swine Health Board (CSHB) since 2009 has provided industry with significant benefits in the areas of biosecurity, research and long-term risk management (surveillance). That, along with its capacity for linking key stakeholders, has improved the position of the industry in terms of addressing Porcine Epidemic Diarrhea Virus (PEDv).

The pork industry remains focused on the issue of disease prevention in a number of areas: biosecurity, co-ordination, communication, preparedness and surveillance.

Biosecurity – ensure the continuation of the current biosecurity program and to determine, develop and implement actions needed to further protect biosecurity or update the program.

Co-ordination – facilitate discussion and co-ordinated actions of provincial members and engage other industry experts as needed. It also wants to ensure an effective transfer of knowledge and minimize overlap between projects.

Communication – Through regular communication efforts, the industry needs to create and disseminate information on disease issues as well as build national awareness, unity and focus on swine health.

Preparedness – developing and implementing animal disease prevention and preparedness plans and maintaining awareness on emerging disease issues.

Surveillance – continue to work with existing surveillance activities.

Animal Health

Disease Prevention

Main Speaking Point

The pork industry remains focused on the issue of disease prevention in a number of areas: biosecurity, co-ordination, communication, preparedness and surveillance. The Canadian pork industry requires government investment in partnership with producers in these areas.



Speaking Points

- The pork industry has to work on its preparedness to be primed for the next health challenge.
- The pork industry needs to identify threats around the world and raise awareness of how to respond to specific diseases.
- In the event of the next emerging disease situation, the pork industry needs to have the resources and a plan to ensure the industry is prepared and has the tools to improve swine health management, non-regulatory disease response and collaboration with governments.

Animal Health

Livestock Trailers

Background

In place since 1994, the Health of Animals Regulation, section 106(5.1) states, "No person shall bring from the United States a conveyance that has been used to transport poultry or porcines unless it has been cleaned and disinfected."

The CPC members are reporting this regulation has not been regularly enforced at many of the border crossings across Canada. According to livestock transporters and producers involved in live animal exports in Western Canada, Canadian Border Service Agency (CBSA) has never enforced this regulation at the Manitoba border.

The rapid spread of Porcine Epidemic Diarrhea Virus (PEDv) in the U.S. in the fall of 2013 led to concerns about the spread of the disease in Canada and the economic impact on producers. The CFIA became aware of the enforcement inconsistency and reminded CBSA in January 2014 of their responsibility to enforce the Health of Animals Regulation. This resulted in a strict enforcement at Canadian borders that led to several livestock trucks being stopped at a Manitoba border crossing. The CFIA granted an emergency exemption allowing trucks transporting hogs to the U.S. return to be washed in Manitoba after industry raised concerns about the level of contamination at the U.S. wash stations and increased risk of PEDv contamination.

The CFIA worked with the Province of Manitoba to develop a sustainable alternative to the interim exemption put together last year. The discussions have not been successful since the government of Manitoba is unwilling to take on the liability should a foreign animal disease be introduced into Canada. The CFIA indicated the exemption will be lifted in October 2015 requiring livestock trucks to be cleaned and disinfected in the U.S. before being permitted to enter Canada.

Western-based producers, transporters and provincial pork association have been reviewing the regulation and recommended a number of changes as a regulatory solution.

Animal Health

Livestock Trailers

Main Speaking Point

Producers, transporters and provincial pork associations are aware of the situation involving livestock trailers entering Canada and request a quick resolution. Otherwise, there will be a major backlog in livestock in Canada and the biosecurity of our industry will be at risk.

Speaking Points

- The existing regulation has not been regularly enforced by the CBSA at Canadian border crossings.
- The regulation was introduced in 1994 and needs to reflect the changing hog industry.
- Enforcement of the regulation in October will lead to a major backlog in livestock transportation and leave producers to deal with animal welfare issues due to the inability to ship their animals.
- Biosecurity levels that have ensured PEDv control in our Canadian industry will also be at major risk from washing at U.S. wash stations.

Industry Facts

The hog industry in numbers: from farm numbers and herd sizes to feed sector value and export figures



Hog Farms (2014 figures)

- Number of pig farms in Canada: 7,020.
- Breeding herd: 1.195 million sows.
- Total production: 25.52 million.

Economic Value (2013 figures)

- Direct farm-gate annual sales: \$4.1 billion.
- Total economic activity or output: \$13.1 billion.
- GDP/value added to the economy: \$4.7 billion.
- Jobs generated on-farm: 31,000 farm jobs.
- Total direct, indirect and induced jobs generated: 69,000.
- Wages generated by direct, indirect and induced jobs: \$2 billion.
- Taxes generated by direct, indirect and induced jobs: \$1.2 billion.

Feed Value

- Diet includes: locally-grown corn, barley, feed wheat, canola meal, soy meal and dry peas.
- Annual consumption: roughly 10 million tonnes.
- Percentage imported: about 15 to 25% of pig feed, mainly corn and soy meal, imported from the United States, depending on relative feed grain and soy meal prices.
- Approximate national daily rations: 1 million tonnes of wheat, 1 million tonnes of barley, 1 million tonnes of canola meal, 4 million tonnes of corn, 3 million tonnes of soy meal and small amounts of dry peas, oats and other commodities.

Packing/Processing Industry

- 20.34 million hogs killed.
- Over 1.93 million tonnes of pork (cold trimmed carcass weight) produced annually.
- Direct annual sales: \$7.4 billion.
- Over 1.15 million tonnes of pork and pork products valued at over \$3.71 billion were exported to 92 countries in 2014.

By Value:

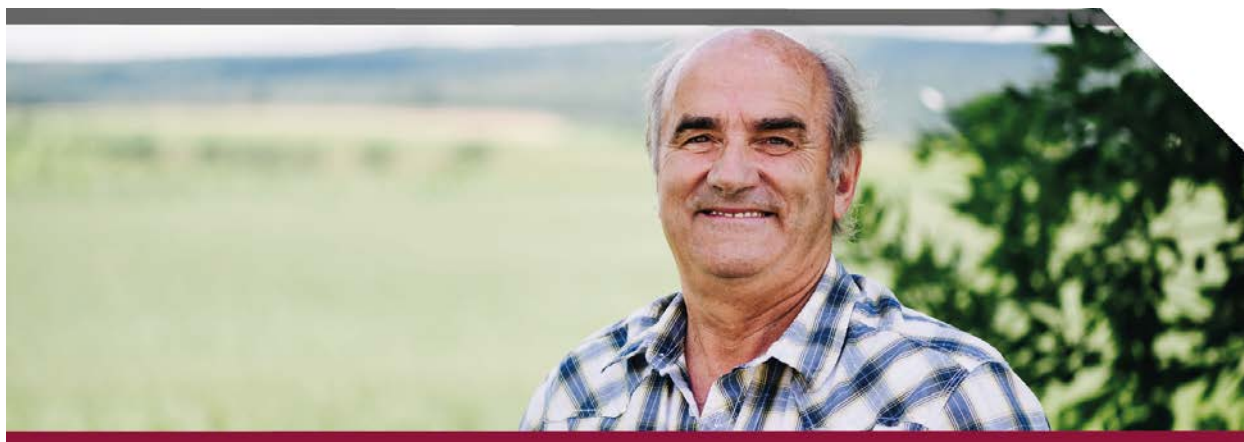
- 39% to the United States
- 25.6% to Japan
- 8.9% to Russia
- 6.6% to China/Hong Kong

By Cut:

- 48.4% fresh cuts
- 35.1% frozen cuts
- 7.6% processed pork
- 6% was offal
- 2.8% was fat
- Total economic activity or output of direct, indirect and induced jobs: \$23.8 billion.
- GDP/value added to the economy: \$1.9 billion.
- Direct jobs: 18,000 jobs.
- Total direct, indirect and induced jobs: 103,000.
- Wages generated by direct, indirect and induced jobs: \$3.6 billion.
- Taxes generated by direct and indirect jobs: \$1.5 billion.

Exports

- In 2014, over 1.1 million tonnes of pork and pork products were exported to 92 countries.
- In addition, 4.96 million pigs were exported to 33 American states and 16 other countries.
- Direct annual sales: \$3.2 billion.
- Pork packers plus live hog exports annual sales: \$8 billion.
- GDP/value added annually to the economy: \$24 billion.
- Total number of jobs created: 109,000.
- Wages generated by direct, indirect and induced jobs: \$3.8 billion.
- Taxes generated by direct and indirect jobs: \$1.6 billion.



Place in Canadian Agriculture

- The swine industry was the fourth largest commodity source of farm cash receipts in 2014, accounting for 9.2% of Canada's farm cash receipts from the market (excluding direct program payments).
- Pigs made up 19.9% of livestock receipts in 2014.
- Despite fewer pigs sold, significantly higher average pig prices raised farm cash receipts from the sale of pigs to \$5.09 billion in 2014.



Canadian Pork Council
Conseil canadien du porc