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Canada's pork industry faces challenge of playing down swine flu

Last Updated: Monday, April 27, 2009 | 5:30 PM ET Comments15Recommend8
The Canadian Press

Canada's embattled pork industry is on the defensive against misconceptions that pork products are associated with swine flu, a virus that hasn't actually been linked to pigs.

Both China and Russia have already banned imports of pork products from Mexico and three U.S. states, while other governments have stepped up their screening processes to prevent the spread of the virus.

The swift international response has sent U.S. hog futures prices — which set the selling value of pigs on the market — into a downward spiral.

At the same time, stock prices of major U.S. pork product suppliers like Tyson Foods (NYSE:TSN), and Smithfield Foods (NYSE:SFD) were down about 10 per cent in afternoon trading.

Shares in Canadian supplier Maple Leaf Foods (TSX:MFI) lost three cents to $8.46 on the Toronto Stock Exchange after earlier falling more than one per cent. The company did not immediately respond to requests for comment Monday.

The growing misunderstanding about the cause and carriers of swine flu could have a devastating impact on distressed domestic pork producers, said Paul Hodgman, executive director of Alberta Pork, an industry organization of pork producers.

He said the pork industry has been hit by weaker demand for pork products while at the same time paying higher feed prices.

"The last two years have been extremely difficult for our industry," he said in an interview.

"We've never had a period this bad for this long in the history of the pork industry in Canada."

In recent months, the market has shown signs of a recovery that could solidify later this year, according to Kevin Grier, senior market analyst at the George Morris Centre, an independent agricultural think-tank in Guelph, Ont.

However, the recovery could be obliterated if consumers start to change their spending habits and buy non-pork products, he said.

Any threat of a weaker demand would send hog prices tumbling.

Canadian hog prices are directly tied to sales of hogs in the United States, so pig farmers will likely eat part of the swine flu worries, even if domestic suppliers aren't affected, Grier said.

"The market has to react to what they think people's perceptions are," Grier said.

"If there's declining export demand then packers will respond by cutting back," he added.

Exports have been a cornerstone for the domestic hog industry. Canada is one of the top three farm animal exporters in the world, and it ships about 60 per cent of farm animals outside the country to about 100 countries, Hodgman said.

However, Richard Besser, acting director of the U.S. Centers for Disease Control, emphasized that swine flu is not spread by food.

"You can't get this from eating pork," he said. "Cook your pork appropriately so you don't get other infectious diseases, but influenza is not transmitted from eating pork or pork products, they are safe."

That message has been echoed by other advocate groups for the pork industry, which are trying to cushion the impact this could have on Canadian pig farmers.

"We're certainly attempting to communicate this with our exporting agencies and working together to try to explain this to other countries' jurisdictions or potential purchasers of our Canadian pork," said Gary Stordy, a spokesman for the Canadian Pork Council.

However, Stordy acknowledged that producers are ultimately powerless to their purchasers' final decision.

"If these countries want to do this for whatever reason it may be they'll proceed this way," he said.

A spokesman for pork product maker Olymel LLC, based in St-Hyacinthe, Que., said the company is closely monitoring swine flu developments, but that it hasn't heard any concerns from other nations that buy its products.

"There's no sign from any countries we export (to) that they want to stop," said Richard Vigneault.

He estimates that about 50 per cent of Olymel's finished pork products are shipped outside Canada.

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canmonster **wrote:**Posted 2009/05/03
at 2:47 PM ETcanada should ban all chinese products till they stop using lead and other contaminents

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- *0*

*0*Agree *0*DisagreePolicy Report abuse
MattinTO **wrote:**Posted 2009/04/28
at 2:02 PM ETboogiman wrote: "I don't dig on swine. Pigs are filthy animals, I don't eat filthy animals."

but bacon tastes soooood. Pork chops tastes gooood.

- *4*
- *0*

*4*Agree *0*DisagreePolicy Report abuse
rawhide **wrote:**Posted 2009/04/28
at 11:15 AM ETPhipps wrote:Posted 2009/04/28
at 7:54 AM ET
The swine population is not the problem. The human population is the problem,
You are so right. I would suggest that of the the folks posting here that pigs are dirty, etc., less than 10% of them have ever raised pigs and most of them have likely never seen a live one. Pigs are one of the cleaner animals, given the chance. They're as clean as their surroundings will permit.

- *3*
- *0*

*3*Agree *0*DisagreePolicy Report abuse
rawhide **wrote:**Posted 2009/04/28
at 11:04 AM ETspeaking_the_truth wrote:Posted 2009/04/27
at 7:24 PM ET
Chicken is better!
OK, you can have yer bird flu and I'll have my swine flu. I'm an "equal opportunity" sort of guy.

- *2*
- *1*

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Phipps **wrote:**Posted 2009/04/28
at 7:54 AM ETTommy shanks

The swine population is not the problem. The human population is the problem, any population that grows to unmanageable sizes such as humans have done natural responses to over population kick in such as disease. As humans we have created large populations of pigs, chickens and many other livestock that have become breading grounds for pathogens. It does not stop at pigs, WE are the problem.

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MSNBC.com

Pork industry seeing flu's impact on business

Producers want name change as food is safe, but worries are hurting sales

The Associated Press

updated 3:42 p.m. CT, Tues., April 28, 2009

DES MOINES, Iowa - Like the virus itself, the name "swine flu" is spreading quickly. For the pork purveyors and hog farmers who make up the nation's $15 billion pork industry, that's a disaster.

It doesn't seem to matter that the strain may not come entirely from pigs and cannot be spread by eating pork. Hog prices are already dropping as financial markets worry people will have second thoughts about buying "the other white meat."

"It's killing our markets," said Francis Gilmore, 72, who runs a 600-hog operation in Perry, outside Des Moines, and worries his small business could be ruined by the crisis. "Where they got the name, I just don't know."

The swine flu strain that is spreading is a never-before-seen hybrid of human, swine and bird influenza but is widely known as swine flu. Though it is suspected of killing more than 150 people in Mexico, public health officials have said eating products like bacon, ham and pork chops is safe as long as the meat is cooked thoroughly.

Still, the outbreak has depressed the U.S. pork industry. China, Russia and Ukraine have banned pork imports from Mexico and parts of the United States, and the outbreak has stalled the usual spring rise in U.S. hog prices.

Hog prices nationwide had dropped to an average of about $59 per 100 pounds of carcass weight Tuesday morning, down from about $62 last Thursday, according to the U.S. Department of Agriculture. Prices typically climb past $70 in late April and May.

"It is an unfortunate use of words," said Dave Warner, a spokesman with the National Pork Producers Council. "It does trouble us from that standpoint because it's very much a public health issue right now and there's no indication that a pig gave it to a human. To call it a 'swine flu' I think is a little bit misleading."

U.S. officials said Tuesday they may abandon the term swine flu, for fear it's confusing people into thinking they could catch it from pork.

"We're discussing, is there a better way to describe this that would not lead to inappropriate actions on people's part?" said Dr. Richard Besser, acting director of the Centers for Disease Control and Prevention. "In the public, we've been seeing a fair amount of misconception ... and that's not helpful."

The European Union's health commissioner has suggested the virus be renamed "novel flu."

Marie Gramer, an assistant clinical professor at the University of Minnesota College of Veterinary Medicine who advises the National Pork Board, suggested that the virus be named based on the geography of the outbreak: North American influenza. She said that would be more accurate than pinning the name on the genetic ancestry of the virus.

"It's just like looking at me and my heritage. Someone could look at a gene of mine and say, 'Oh, she's Czechoslovakian,' even though I was born and raised in Minnesota. To refer to me as from Czechoslovakia would be incorrect," Gramer said.

U.S. agricultural officials also favor a name change. Agriculture Secretary Tom Vilsack points out that the virus is not food-borne and has nothing to do with consuming pork products.

Vilsack says he's concerned that misunderstandings could have a negative impact on farmers who provide pork products to consumers around the world.

Speaking Tuesday at a daily news briefing on the government's response to the outbreak, Vilsack said the American hog industry is sound and that consumers everywhere should know that U.S. pork products are safe.

The World Health Organization indicated it had no plans to try to remove the term "swine" from the flu's name.

"This epidemic started, basically, with that name, and the virus that is identified is the swine influenza virus," said WHO's assistant director-general Keiji Fukuda. "And we are hopeful that the introduction of new names doesn't cause any undue confusion."

MaryBeth Winstead, who was shopping at a Harris Teeter supermarket in Raleigh, N.C., said she probably wouldn't be putting pork on her grocery list as the outbreak unfolds.

"I haven't really done a lot of research on it yet," the 44-year-old Winstead said. "We normally take caution. But it's not like I'm going to cook it anytime soon."

At a Kroger store in Charleston, W.Va., Sondra Meadows, 69, loaded two packages of pork chops into her shopping cart. "Once it's cooked, I don't see how it could possibly hurt anyone," she said. "Not buying pork is sort of ridiculous, I think."

To put customers at ease, hog producers have ramped up efforts to show that their operations are clean. That includes urging farmers to increase handwashing, restrict visitors, block outside clothing from being worn near the animals, preventing birds from interacting with pigs and separating hogs that come from multiple sites.

But it might be too late to shut the barn door on the term swine flu.

"It's just a very negative, onerous and really incorrect appellation that we're going to have to live with," Dr. Tom Ray, a veterinarian and North Carolina director of livestock health.

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TIME
IN PARTNERSHIP WITH CNN

Tuesday, May. 05, 2009

Amid Swine Flu Fears, the Pork Marke Falls Ill

By Ari J. Officer

Swine flu, recently renamed H1N1 virus, is causing a swoon in pork prices. The Lean Hogs futures contract, trade on the Chicago Mercantile Exchange (CME), is down more than 10% since news of the potentially imminent pandemic first broke. The CME's Frozen Pork Bellies futures contract has suffered comparable losses.

At first glance, one might assume that a swine flu scare would send prices up, as pigs are widely slaughtered and supply disappears. Egypt, for instance, has begun slaughtering more than 300,000 presumably healthy pigs as a precautionary measure. However, the futures market is pricing hogs as if the fall in demand will outpace the dror in supply. (Read "Swine Flu: Don't Blame the Pig.")

Fear and panic have gripped both traders and consumers, even though the Centers for Disease Control and Prevention and the World Health Organization have clearly stated that there is no evidence of contamination in raw or cooked meat. Although the genetic makeup of the H1N1 virus originated in pigs, the flu itself was not directly transmitted from pigs to humans. Ironically, there is at least one documented case of it going the other way: the flu has been transmitted from a man to a herd of pigs in Canada. But almost all transmission is human-to-human.

Yet the threat of this new influenza strain has apparently frightened consumers away from buying pork, frightened traders into selling hog futures, and frightened entire countries, such as Russia and China, into slamming their doors to pork imports from Mexico and the U.S. Also, with prices falling, there is a bit of a self-fulfilling prophecy: as prices fall, food processors that buy hogs cut back on their orders because they believe the can buy hogs at even cheaper prices later on. The result: prices keep falling.

The Lean Hogs futures market on the CME is certainly the most liquid and transparent market related to the porl industry, but it can be buffeted by things other than the demand for pork. As hog prices fall, for instance, producers might take on short positions as a hedge, essentially locking in a price for their pigs before the market collapses even further. By taking on that short position, though, they are adding to the downward pressure on ho prices.

Similarly, speculators play their own self-protection game, which can add to bearish momentum. As markets tumble, the crash becomes exacerbated by traders' stop-loss orders, which automatically initiate more selling as the price falls. In other words, as traders who had bought hog contracts at a higher price begin to lose money on their long positions, they are forced to sell them before their losses escalate. (See the top five swine flu don'ts.)

The fall in prices, no matter the cause, could be devastating for the pork industry and ultimately bad for consumers. According to Dave Ward and Perry Iverson of Commodity and Ingredient Hedging, LLC, a Chicago-based agricultural-risk-management consulting firm, if prices continue to fall over the coming weeks, there will be fewer pork producers next year — and less pork production, consequently. Assuming demand for pork recovers, this will lead to higher prices long-term.

Hog producers have already suffered tight margins for the past two years, according to Ward and Iverson. The price of feed skyrocketed amid a rally in the prices of agricultural products, up until the recent slump in demand for pork. For example, soybeans recently set their seven-month high in futures trading on the Chicago Board of Trade.

This year, farmers will likely suffer heavy losses, as the sale price of their hogs does not meet the cost of raising the animals. The recent price fall could be realized as a $10 to $20 per head loss in the next 12 months, predict Ward and Iverson. Pork processors have already lowered their bids for pigs, given the great degree of uncertainty in predicting the demand for pork.

The situation is frustrating for pig producers: the fall in pork prices has nothing to do with meat contamination and everything to do with the phrase "swine flu." It is pure psychology.

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Leadership

What The Pork Industry Must Do About The Swine Flu Scare

Michael Maslansky, 05.06.09, 4:00 PM ET

Perception is reality. At least that is what the pork industry needs to recognize--and fast.

Twenty countries have banned imports of pigs, pork and other meat in response to the H1N1 flu strain that has infected both people and swine. This despite the fact that the Centers for Disease Control and others have made it clear that swine influenza viruses are not transmitted by food and you cannot get the flu from eating pork or pork products.

The good news for humans is that the H1N1 pandemic sounds like it won't be as bad as first feared. The bad news for the pork industry is that the consequences of calling H1N1 "swine flu" will likely kill many more pigs than the flu itself. And for the industry, the bad news is likely just beginning.

Executives at pork producers are clearly angry and frustrated. But anger and frustration are not strategies for addressing the dramatic shift in public perception about pork that happened in just a matter of days. The question is: What are they willing to do about it?

So far, their response has been tepid. The CDC has been particularly aggressive in using news media, social media and the Internet to get out its message, but the industry seems to be running a 20th-century crisis communication campaign.

The National Pork Producers Council does have a Twitter account, but it had 329 followers as of Tuesday. The industry has consistently communicated a simple message--"pork is safe"--but a sizable portion of the pork-eating population clearly hasn't bought it.

Swine Flu has the potential to become the new symbol of pork. Beyond the late-night jokes and news stories, the public is likely to associate pork with swine flu for the foreseeable future. Here are five things the pork-producing industry should be doing:

1. *Recognize that reality doesn't matter.* Just as the peanut salmonella scare wasn't really about peanut butter, the H1N1 flu is not really about pork. But that won't stop people from believing it is. Two months after the peanut scare, we did a study that found that 42% of Americans were extremely or very concerned about peanut butter, but only 39% said they were extremely or very concerned about other products containing peanuts. The industry must accept the perception that the swine flu is a real issue for pork and go from there.

2. *Embrace the "swine flu" name.* You cannot put this genie back in the bottle, tempting as it may be to try. It was smart to get the CDC and the World Health Organization to talk about the virus as H1N1 or Influenza A. Those organizations should be vigilant in ensuring that all their communications continue to move away from employing the term "swine flu." But the industry should continue to make the connection.

Why? Because the public may hear that H1N1 is no longer a threat but still connect "swine flu" with dangerous pork. The challenge for the industry is to ensure that the public learns that "swine flu," not just H1N1, doesn't affect pork. Otherwise the victory will be a Pyrrhic one.

3 *Overspend now.* We have seen many situations where companies and industry trade groups hemmed and hawed while their reputations got hammered. Some argued that they didn't have the money to put behind a big campaign. Others said the crisis would pass if they just waited it out. The result was often a much more costly and damaging crisis.

Instead of thinking about how much an awareness campaign will cost today, the producers should think about how much the worst-case scenario of this crisis could cost them over the next five years. Then they should build their budget based on what they are willing to spend to avoid that worst case.

4. *Focus on the meat counter.* That is the front line of the pork-is-safe campaign. If Wal-Mart and the big supermarket chains don't reinforce at the meat counter that pork is safe, then the industry will have a very hard time changing perceptions. Not that small butchers aren't important too. The industry should be sending its message with every side of pork.

5. *Make it personal.* Americans don't trust industries when they argue that their own products are safe. Rather than a top-down message, the industry should seek ways to get pork industry employees to get the message out. The industry needs to arm the masses of people who work for it with two or three key messages that should be repeated and Tweeted wherever possible.

This is hardly first time an industry has been forced to deal with a crisis of perception rather than reality, and it won't be the last. The challenge is to act quickly and aggressively rather than putting your head down and hoping the crisis will blow over. It won't.

Michael Maslansky is the chief executive officer of Luntz, Maslansky Strategic Research, a company that advises government and companies on how to manage communications issues.

REUTERS UK

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Pork producer ad blitz no instant cure for flu fears

Wed May 6, 2009 5:53pm BST

By Russell Blinch - Analysis

WASHINGTON (Reuters) - Fears of a global flu pandemic may be subsiding but a big sector in the already battered U.S. food industry will be left reeling for months to come as a result of the scare over "swine flu."

The H1N1 virus outbreak that spiked in Mexico in March and spread to the United States and beyond was originally dubbed "swine flu" and the impact on the pork industry was felt almost immediately.

Food safety officials have been clear that people can't get flu from eating pork. But that's not necessarily the perception of consumers made jittery by a string food scares that have raked America's giant agribusiness complex in recent months.

Pork sales and prices dropped in the United States while more than a dozen countries rushed to wall off their home markets from pork from infected countries.

"Unfortunately with the association with the name originally, it cast these questions about the industry that created a lot of nervousness with people trying to figure out what the situation is," said Neil Dierks, Chief Executive Officer, National Pork Producers Council.

"We are striving to the get the message out to everybody that it's a safe and good, nutritious and healthy product."

The pork lobby, part of the politically powerful farm sector, went into high gear and was instrumental in getting everyone from President Barack Obama and world scientific bodies to drop the word "swine" when describing the virus.

MEDIA BLITZ

The Pork Council, which spent years convincing America that pork was "the new white meat," has launched a $1 million media blitz, with one full page ad in major U.S. newspapers saying: "Let's keep pork -- and all the facts -- on the table."

But despite a strong public relations campaign, it won't be easy to win back consumers, said Chad Hart, an agricultural economist at Iowa State University.

"They're having to battle back from the perception of where this one came from, how it's being transmitted throughout the world. And that's a major battle," Hart said.

The U.S. food industry has suffered colossal food safety nightmares, including last year's salmonella outbreak in peanut butter that forced the largest food recall in U.S. history. Peanut butter sales fell 25 percent and are only now recovering.

With some 76 million Americans getting sick and 5,000 dying each year from food-borne illnesses, the industry is facing a raft of new controls from the Obama administration. U.S. consumers are quick to shun recalled products and avoid them for months after.

Some analysts say it is not surprising that consumers in the United States and around the world worry about the safety of eating pork after the H1N1 virus, despite assurances from official sources.

"With swine flu people are sort of inclined to rule against the industry because of some of these other issues they have been reading about," said Paul Roberts, author of the book, "The End of Food."

The industry also has been slammed by lower hog prices, with the May futures contract down more than 20 percent since late April to 54 cents a pound.

THREATENS SURVIVAL

Signs of a drop in demand for pork at grocery stores initially caused a sharp drop in shares of producers such as Smithfield Foods (SFD.N: Quote, Profile, Research) and Tyson Foods (TSN.N: Quote, Profile, Research), but the stocks have recovered.

"As much as I want to see this situation go away, the damage has been done and it is not going to disappear in a week's time," lamented Don Norcini, an independent hog trader at the Chicago Mercantile Exchange.

The pork industry was hit last year with record feed prices, 70 percent of a producer's costs. The flu scare now threatening the survival of some producers, said Dierks of the Pork Council.

"There are producers that are in financial stress and the industry doesn't have an unlimited bank account to go forward. Some may make the decision to voluntarily leave the business; others may very well have an involuntary decision made by a lender to exit the business if markets don't recover."

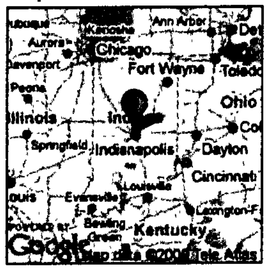
(Additional reporting by Jerry Bieszk in Chicago and Christopher Doering in Washington; Editing by David Gregorio)

Hog farmers brace for financial pain of swine flu

By CARLY EVERSON – May 6, 2009

Associated Press

Map



INDIANAPOLIS (AP) — Indiana hog farmers are among those pork producers nationwide stepping up health protection measures and bracing for the impact of swine flu on an already struggling industry.

Purdue University agricultural economist Chris Hurt says Indiana hog farmers have been losing money every quarter for the last year and a half, and it's gotten worse since the swine flu scare hit a few weeks ago.

Hurt estimated Indiana hog producers were losing about $5 a head on April 24; he said that number is now $20. Hurt estimates that in the week after the swine flu outbreak, the United States pork industry lost about $30 million.

Hurt says he expected prices farmers received at the market to bounce back this week amid assurances by the Agriculture Department and Centers for Disease Control and Prevention that pork was safe to consume. But that hasn't been the case.

Hurt says he suspects the news Monday that the swine flu was transmitted to pigs in Canada shook consumer and market confidence.

In Alberta, Canada, officials quarantined about 220 pigs infected by a worker who recently returned from Mexico. It was the first documented case of the H1N1 virus being passed from a human to another species. Canada stressed that pigs often get the flu and there is no danger in eating pork.

"I think it is a new twist. It's one where the pork producers had said it's not been found in hogs — well, you can't say that anymore," Hurt said. "Maybe it's the hogs that should,be more scared of humans at this point. Or, our hog producers really needing to increase their biosecurity to really try to keep it out of our herds here in Indiana."

Indiana Board of Animal Health spokeswoman Denise Derrer says strict health protection standards are a "normal course of business" and are already widely practiced in the state.

"Most producers work very hard to make sure that they don't have contact with other animals, that they're minimizing the opportunity for any kind of foreign bodies, pests, germs, or microorganisms to enter their herd. On commercial operations, everyone who comes in showering in and changing clothes before they even go into the facility is quite common," Derrer said.

Danville hog farmer David Hardin, who markets about 11,000 pigs per year, says he's protecting his livestock by screening visitors to the farm to ensure they haven't been out of the country recently. He says he also told employees to be aware of who they're around when off the farm and avoid people who are coughing and sneezing.

While swine flu's impact on the economy remains to be seen, pork producers and economists worry the impact in the foreign market will be more dramatic than at home.

"This particular outbreak has generated fears both in the domestic marketplace as well as the export marketplace," says Mike Platt, executive director of Indiana Pork Producers Association. "So the industry itself has taken a significant hit economically, which is certainly unfortunate because there is no transmission of the virus in any food products whatsoever."

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Canada relaunches challenge to food label rules

Thursday, May 7, 2009

CBC News

Canada has asked the World Trade Organization to restart formal consultations with Washington about a U.S. country-of-origin meat-labelling law that International Trade Minister Stockwell Day says is devastating the Canadian livestock industry.

The law is aimed at helping consumers protect their health by avoiding foods from countries experiencing food-borne illnesses. (CBC)

If the 60-day consultation period between Canada and the U.S. fails to resolve the dispute surrounding the law, known as COOL (for country of origin labelling), Canada can then launch a trade complaint with WTO.

"We are concerned with the approach the United States is taking to implement COOL and the negative impact it is having on our exporters," said Day.

"Recent instructions from the U.S. Secretary of Agriculture encouraging the U.S. industry to use very strict labelling practices have removed the flexibility previously envisioned in the legislation and this affects the ability of our cattle and hog exporters to compete fairly in the U.S. market."

Day advised Ron Kirk, the top U.S. trade representative, of the move last month.

The legislation, which was implemented in the U.S. on an interim basis in September and became full law in March, requires meat processed in the U.S. but made from Canadian livestock to be labelled as Canadian rather than simply North American as has been the case to date.

Canadian producers say that U.S. meat packers, which buy most of Canada's meat, are reluctant to segregate livestock and prepare different labels and will instead stop buying Canadian meat.

Representatives of the Canadian cattle industry estimate cattle exports to the U.S. have dropped by 25 per cent and live hog exports are down by 40 per cent in the first three months of this year, compared to the same period last year. The law has also created a glut of meat on store shelves in Canada, meaning lower prices for producers.

Canada initially requested WTO consultations with the U.S. in December, but suspended the request after Washington revised the legislation to make it more flexible.

However, before it became law in March, U.S. Agriculture Secretary Tom Vilsack asked U.S. meat packers to go beyond those rules and identify products as being from Canada or Mexico.

The legislation requires country-of-origin labelling on beef, pork, lamb, chicken, goat meat, wild and farm-raised fish and shellfish, perishable agricultural commodities, peanuts, pecans, ginseng and macadamia nuts.

Canada challenges U.S. meat labeling at WTO

Thu May 7, 2009 11:01am EDT

OTTAWA (Reuters) - Canada took action against the United States at the World Trade Organization on Thursday over a U.S. meat labeling law that Canadian producers say has hurt their hog and cattle sales.

Ottawa requested a further round of consultations, a formal step that will enable it to request a WTO dispute settlement panel after 60 days if talks with the United States do not resolve its concerns.

The issue is over a new rule that forces U.S. meat packers to include the country of origin on their product labels. Canada had requested WTO consultations last year but then suspended its action after Washington revised the final version to make it more flexible.

But before the law went into effect on March 16, U.S. Agriculture Secretary Tom Vilsack warned meat packers he would rewrite it unless they voluntarily made labels more explicit.

"Recent instructions from the U.S. secretary of agriculture encouraging U.S. industry to use very strict labeling practices have removed the flexibility previously envisioned in the legislation and will affect the ability of our cattle and hog exporters to compete fairly in the U.S. market," Canadian Trade Minister Stockwell Day said.

Ironically, as it was announcing its trade action against Washington, Ottawa was issuing a joint statement with the United States and Mexico expressing concern over import bans by other nations on pigs and pork products because of H1N1 flu concerns, also called swine flu.

The three NAFTA countries threatened to take all appropriate measures to fight what they consider unjustified restrictions on pork and swine trade.

Although the World Health Organization has advised keeping animals out of the food supply that are sick or have been found dead, it has also stressed there is no risk of infection from eating or handling pork so long as normal precautions are taken.

The flu restrictions and the country-of-origin labeling rules have created a double whammy for Canada's pork industry.

Day said in a statement that Mexico was also in the process of filing a WTO challenge over the U.S. labeling rule.

In Washington last week, Day said he had notified U.S. Trade Representative Ron Kirk that Canada would proceed with a WTO complaint.

Canada says one concern it has is that meat processors may need to segregate animals according to country of origin, which could generate additional costs and prompt them to choose not to buy Canadian animals or to seek to buy them at a discounted prices.

Canada normally exports about C$4 billion ($3.4 billion) a year of hogs and cattle to the United States.

($1=$1.17 Canadian)

(Reporting by Randall Palmer; editing by Rob Wilson)

The ChronicleHerald.ca

Published: 2009-05-22

U.S. food labelling unfair and uneconomical

By MICHAEL J. ARMSTRONG

WHEN CANADA recently resumed its World Trade Organization challenge of the U.S. Country-Of-Origin Labelling (COOL) laws, we were in effect doing both countries a favour. That's because COOL in its current form is unfair, uneconomical and unjustified. COOL has more to do with protecting U.S. livestock producers than protecting U.S. consumers.

Signed into law last March, COOL affects certain foods that come from a foreign country but are packaged in the U.S.A. If an American packing plant buys hogs from Canada to make pork chops, U.S. grocery stores selling those chops must identify the meat's Canadian origin. In principle, this sounds good.

In practice, however, meat packers don't want the extra work required by COOL, which forces them to track which country the meat in each package comes from. For example, steaks from American cattle must be labelled "Product of the U.S." whereas steaks from Canadian cattle must be labelled "Product of Canada and the U.S." Since Washington forbids general labels such as "Made from U.S. and/or Canadian cattle," packers must change their operating procedures to handle Canadian animals separately from American ones.

U.S. processors are already cutting back on imports. Sales of Canadian cattle and hogs into the U.S. have plunged as more American plants stick to domestic livestock so they simply can label everything "Product of the U.S." So the labelling law is costly because it affects much more than labels. It is harming Canadian producers.

The food-processing industry is integrated across our border, much like automobile manufacturing. Forcing processors to track the "nationality" of livestock disrupts the operation of supply chains. In the midst of a recession, COOL imposes extra costs on the food industry. Thus, COOL is bad economics.

Some suggest COOL makes American food safer, but it doesn't. Even the U.S. National Cattlemen's Beef Association admits COOL "is a marketing tool ... not a food-safety tool." Harmful bacteria have no nationality. The country where a food comes from indicates little about its safety. For instance, the U.S. has a fairly safe food supply, but ongoing recalls of contaminated nuts show that it is not perfect.

COOL does take a tiny step towards better traceability. Ensuring that firms track where their ingredients come from, and where they end up, can be helpful if a product recall is ever needed. But COOL provides little real help for recalls. It might tell an inspector that a contaminated steak came from U.S. cattle, but that won't help the inspector figure out which of the 800,000 U.S. cattle ranches was the contamination's source. So when it comes to Canadian ingredients, linking COOL with food safety is unjustified and misleads American consumers.

Here in Canada, our food labelling laws are much friendlier to imports. Canadian meat packers importing U.S. cattle to make steaks have many options for their package labels, as long as what they write is accurate. They can put "Made in Canada from U.S. cattle" or "Processed in Canada," etc.

This gives Canadian processors flexibility to use a mix of domestic and imported animals. Our laws treat livestock from both countries equally, whereas COOL discourages Canadian exports into the U.S.A. This is simply unfair.

How could Washington fix the problem? The simplest way is to relax COOL, make it "continent-of-origin labelling." Only food ingredients from outside of Canada, Mexico or the U.S. would need special labelling. This would avoid the problem facing American packers and Canadian producers.

Alternatively, America could make COOL even more rigorous. If they truly are motivated by food safety, they need to require traceability of food back to at least the state or province, not just the country. So COOL might become "county-of-origin labelling." Increased detail would certainly eliminate the discriminatory aspects of COOL. If U.S. processors had to track meat products back to a local level, then tracking the country would be easy.

Increased detail would also improve traceability, and thus make food recalls faster. Think of the peanut recalls that began in January. Four months later, new products were still turning up on the recall lists. Evidently, some firms don't track their ingredients very well.

COOL is bad economics, hurts America's neighbours, and does little for U.S. consumers. Canada is right to press President Barack Obama to make a "change we can believe in" for this law.

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=DJ More US Hog Producers Expected To Exit From Ongoing Losses

8:23 AM, May 27, 2009

By Curt Thacker

Of DOW JONES NEWSWIRES

KANSAS CITY (Dow Jones)--Another round of herd liquidation and permanent closure of some hog operations is expected over the next 90 to 120 days due to ongoing losses.

Many producers, especially those not normally utilizing risk management tools like hedging of the hogs and inputs such as grain, have been losing money for the past 20 months. With equity running short or already depleted, some are exiting on their own while others are finding it difficult to get the funding they need to stay in business, according to analysts and livestock dealers.

The failure of the market to turn higher in May amid the late-April outbreaks of H1N1 influenza, initially called swine flu, has been "a back breaker" for many producers. This is especially true for mid-size and smaller independent operators, said a veteran livestock dealer in the western corn belt.

"Producers needed to make a profit from late spring through the summer in order to rebuild some equity before the fall downturn in prices," he said. "That doesn't appear to be in the cards now with export sales down and hog prices that are well below breakeven levels."

Chicago Mercantile Exchange lean hog futures Tuesday closed at 65.55 cents per pound, down 610 points, or 8.5%, from the close of April 24 just ahead of reports about the H1N1 outbreaks. That decline in futures amounts to about $12.25 a head.

Declining cash hog prices haven't been the only concern.

Chris Hurt, agricultural economist at Purdue University, said in his latest market outlook that while the hog industry focus has been on H1N1 over the past month, rising feed prices have been a growing threat to profitability as well. "From April 24 to May 22, July corn futures rose by $0.45 per bushel and July soybean meal futures by $57 per ton," he said. "On April 24, hog producers were losing about $5 per head. Now, that number is about $25 per head."

The number of producers that will leave the business is uncertain, but some analysts, livestock dealers and brokers that do business with them have predicted the percentage of those planning to exit could be well into the double digits. Ken Jolliffe, analyst with Bump Investor Services in Cedar Rapids, Iowa, estimates that from 15% to 20% of the independent producers in his region are seriously considering exiting the hog business. "It seems everyday I'm hearing about [another producer] not restocking buildings or an individual just cleaning out and saying that's it," Jolliffe said.

Mike Zuzolo, analyst with Risk Management Commodities Inc. in Lafayette, Ind., said as many as 50% of the farrow-to-finish and wean-to-finish operators in his region may be considering getting out.

Rich Nelson, director of research with Allendale Inc. in McHenry, Ill., predicts a 5% liquidation from 2008 levels for the small and medium producer segments for a loss of 1% in the overall breeding herd. He also expects that bankers may force some producers out of the hog business by the end of June, which could result in light liquidation from August through December.

Analysts said there are three factors that producers are weighing in making a decision about whether to exit or stay. One reason is their age, the second reason is expectations for grain and soymeal prices in the near-term, and the third is whether they have enough equity left to remain afloat should margins be negative through the winter.

The number of hogs represented by the mid-size to smaller operations is fewer than in the last few liquidation phases because many of the smaller hog farms shut down production after losing lots of money in 1998 and 1999. The financial problems, however, are not limited to just theses sectors; all size operations may be facing problems if they have not utilized price protection measures, analysts said.

-By Curt Thacker, Dow Jones Newswires; 913-322-5178;

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From Canadian Business magazine, June 15, 2009

Trade protectionism

Trade: Pig-bitin' mad

While some countries, such as China, ban imported hogs for fear of swine flu, the United States seems to be doing it for other reasons altogether.

By Rachel Pulfer

Prices of fully grown hogs for export dropped $10 a head the week ending May 1, as panic over swine flu prompted some countries — including China — to ban North American pork. But it's not just swine flu that's got Canada's pig farmers steamed. While U.S., Canadian and Mexican officials were busy decrying the evils of trade barriers elsewhere, it would appear the United States has been quietly building a few new ones of its own.

The latest wave of American protectionist legislation is — no surprises here — part of the 2008 Farm Bill. The law, nicknamed COOL, for "country-of-origin labelling," requires meat packers and processors in the United States to identify the origin of the pigs and cattle they buy. Martin Rice, executive director of the Canadian Pork Council, based in Ottawa, says since September 2008, when COOL was implemented, the market for fully grown Canadian pigs in the States — worth $2.4 million a week — has effectively disappeared. And pork producers are not alone. Those ranching cattle for processing in the U.S. are also crying foul over the law. John Masswohl of the Canadian Cattlemen's Association says that between September 2008 and this March, COOL cost the industry about $90 per head of cattle sold — a total of more than $1 million a day.

Why have these markets died? According to Rice, Canadian pigs represent 9% of what U.S. packers sell. Separating out that small amount, Rice explains, presents more cost and hassles than most U.S. processors are willing to take on.

A letter the Pork Council sent on to Canadian Business from John Morrell & Co., a Sioux Falls, S.D., pork processor, confirms that company is no longer buying Canadian hogs. The letter's signatory, Sheldon Clark, says the Pork Council is right that the market has frozen, but would not say why. But the Pork Council charges U.S. processors froze out Canadian pigs following an open letter to the meat-processing industry from secretary of agriculture Tom Vilsack, just before the current version of COOL came into force on March 16. It indicated that should processors not comply, Vilsack would consider further modifications to the rule. Canadian industry associations say that is a threat to make voluntary compliance mandatory.

The meat producers' cross-border beefs have found sympathetic ears in high places. While in the U.S. in late April, Minister of International Trade Stockwell Day informed U.S. Trade Representative Ron Kirk that Canada is now requesting formal consultations on the issue — a precursor to tabling a complaint at the World Trade Organization. Mexico is doing the same. Nefeterius McPherson, a spokesperson for the USTR in Wasington, would not comment on Vilsack's letter, but says the United States received the requests for consultations on May 7. Should it accept them, all parties will consult over the next 60 days and attempt an agreement.

If none is forthcoming, the issue goes before the WTO. And that may be the first of several challenges. According to Day, Canada has been exempted from a number of situations under Buy American where free trade provisions should logically apply. "We're simply asking that that would be rolled back," he said.

Free trade advocates might point out that 7.1 million American jobs depend directly on trade with Canada — roughly double the number the Obama administration has claimed will be generated by the American Recovery and Reinvestment Act. But when politics is this involved in an economy, logic tends not to apply.

THE WALL STREET JOURNAL.
WSJ.com
JULY 16, 2009

Tyson to Sell 5 Hog Farms as Pork Demand Wanes

By LAUREN ETTER

Tyson Foods Inc. said it will sell five hog farms and reduce its sow herd by nearly 30%, citing "high grain costs, lack of available capital and a reduction in pork demand."

The hog industry has been struggling for the past two years with poor demand. Pork sales took a further hit in the wake of the outbreak this year of H1N1 influenza, which was commonly dubbed swine flu even though the disease can't be contracted through the consumption of pork. Pork exports in May fell 36% from a year earlier, according to the U.S. Agriculture Department.

Tyson, based in Springdale, Ark., said it will reduce its sow herd by 20,000 head from 70,000 as it sells five farms in Arkansas and Missouri. The company will eliminate 76 jobs in those two states plus Oklahoma.

Tyson -- whose products include glazed ham, beef pot roast and chicken breast tenders -- didn't disclose the price for the farms or the buyer but said the buyer has no plans to use the property for hog production.

The sow slaughter will occur over 10 weeks, the company said. The additional sows going to market aren't likely to have a big impact on pork prices since the industry already slaughters about 65,000 sows a week, according to Rich Nelson, research director at commodity-research company Allendale Inc. in Chicago. "There's not going to be a mountain of pork hitting us," he said.

Many of the hogs that Tyson processes are purchased from independent hog operators. The live hogs from Tyson's Pork Group account for less than 1% of the total number of hogs processed by the company.

"While this is a difficult process, we believe it's necessary as we navigate through the challenging conditions facing the pork industry," a Tyson spokesman said.

Write to Lauren Etter at lauren.etter@wsj.com

Swine flu dashes hopes of hog farmers

Last Updated: Friday, July 24, 2009 | 4:30 PM AT **Comments8Recommend*0***
CBC News

Hog farmers who were hoping for a rebound after years of poor prices have seen prices drop even further, and they are blaming bad publicity from the H1N1 swine flu virus.


There are only about 30 hog farmers left on P.E.I. CBC)

Prices for the month of June were 15 per cent lower than last June, and they were below the cost of production last year. Despite the fact there is no chance of contracting flu by eating pork, hog farmers believe people are avoiding the meat because of that fear.

"The H1N1 virus has undermined any potential for near future gains. The situation on farms right now is, the best terminology I could use, is that it's desperate," Tim Seeber, executive director of the P.E.I. Hog Commodity Marketing Board, told CBC News Friday.

"If there is nothing forthcoming from the federal government or the provincial governments in the very near future, then there is going to be a lot of farm closures and people being forced to close their operations and likely lose everything."

Seeber said there are only about 30 hog producers left on Prince Edward Island. There were 400 in 2002.

The situation is bad across the country, but Seeber said Island farmers feel the impact of a poor market first because of the higher cost of production.

He does not expect to see any improvement in price before next year.

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Stomp firms in receivership

Companies hit hard by depressed hog market; millions owed to creditors

BY JOANNE PAULSON, THE STARPHOENIX JULY 30, 2009

Stomp Pork's main inventory has been sold off, in the wake of depressed hog prices, a high Canadian dollar and the effects of a virus characterized as swine flu in the media, according to court documents.

Two Stomp companies, Stomp Pork Farm Ltd. and Stomp Pork Farm USA Inc., went into receivership earlier this summer, owing millions of dollars to creditors including the National Bank of Canada and Farm Credit Canada.

The sale of Stomp inventory was approved by a judge in June. Earlier this month, a court order directed the receiver, Ernst & Young Inc., to pay the National Bank $2.7 million out of the proceeds of selling off Stomp pigs to G&D Pork of Sheldon, Iowa.

The receiver will take $77,434 for fees and disbursements, and pay other creditors as it sees fit.

But the companies owed the National Bank $14.5 million, plus interest and legal costs, according to documents filed in Saskatoon Court of Queen's Bench. National Bank proceeded with a receivership application when it became apparent that Stomp would be unable to feed its stock.

Receivership documents show Farm Credit Canada is also owed $18.6 million, and an agent for an asset pool mortgage is owed $7.8 million. There are at least four other creditors, who are owed unknown amounts.

The Stomp companies had about $400,000 on hand, but required $250,000 for employee payroll and $80,000 to pay Cargill for feed deliveries to Canadian operations.

In addition, the Stomp USA arm owed Deluxe Feeds of Sheldon, Iowa, $1.2 million US for feed and $400,000 US for a margin loss on a corn and soybean hedging contract. Stomp sent its weanling pigs to the United States for finishing, or grown to slaughter weight.

Stomp USA pigs would consume about $425,000 to $450,000 worth of feed in one week. Other looming bills included barn rent to 50 U.S. contract grower barns, where Stomp had 130,000 pigs. Two barns were in South Dakota, one was in Minnesota and 47 were in Iowa.

"National Bank is gravely concerned that the debtors are on the brink of financial collapse and will, without the support and intervention of insolvency professionals, very quickly be placed in a position where they are unable to provide feed and care for the pigs owned by them," says the application.

The receiver dealt with the inventory, but not the land and building holdings of Stomp Pork Farm and Stomp USA.

Two other Stomp companies were not part of the receivership proceedings: Stomp Pork Farm 2008 and Titan Ventures.

Stomp Pork is owned by Ivan Stomp, who operated hog barns across Saskatchewan.

The downward path began in March 2008, when Stomp Pork Farms Ltd. originally filed for bankruptcy protection.

Pork producers are losing money on every animal sold, in a market damaged by country of origin labelling (COOL) laws in the United States, high feed prices, a strong Canadian dollar and the H1N1 virus.

Neither Stomp nor the company's lawyer, who is away, could be reached for comment.

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