

# CANADIAN PORK COUNCIL

## ANNUAL REPORT - 2012

Winter 2012-13

## Improving Business with Tools and Trade

*There are various elements at play in the operation and sale of Canadian pork, including trade with foreign countries and solid business risk management tools in use at the farm. Here's an update on what happened in these areas in 2012, and what's ahead in 2013 and beyond.*

### **Trade deals: Japan, Korea, EU and TPP**

Trade advocacy remains a crucially important part of the Canadian Pork Council's (CPC) activities.

The United States and Japan remain our top two export markets in terms of value; however, Russia and China are increasingly close behind.

In 2012, the CPC, in collaboration with Canada Pork International (CPI) and the Canadian Meat Council, continued advocacy work on a comprehensive economic and trade agreement between Canada and the European Union (EU). Negotiations are in the critical last stage with important sessions held in November and December. The EU has a large and affluent population that enjoys eating pork products. CPC believes we can compete in this market, yet this is the only remaining important market for pork products in the world that our country is effectively shut out of. CPC is anxious to change that.

Throughout the negotiations, CPC has advocated for resolution to both tariff and non-tariff barriers which currently prevent us from having meaningful access for our pork to the EU.

Meanwhile, there have been important efforts to complete the Canada-Korea negotiations. Canada is the only significant pork supplier to South Korea without a free trade agreement to assure future access. We're doing our best to resolve that.

The first round of free trade negotiations with Japan took place at the beginning of December. As is the case with the Canada-EU discussions, the CPC is keenly interested in seeing Canada achieve a deal before its competitors, instead of playing catch-up as is the case for Korea.

And, CPC is contributing to the trade negotiations of the Trans-Pacific Partnership (TPP), a group discussing a major trade agreement among Canada, Australia, Brunei, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam. The December TPP meetings in New Zealand were the first in which Canada participated and the current intent is to see negotiations completed this year.

Negotiations for trade agreements with India, Costa Rica and Ukraine continue as well, while Canada also considers whether to engage in free trade talks with China.

### **United States Country of Origin Labelling**

Canada has been very successful in challenging the US country of origin labelling (COOL) law as it applies to meat from live animals

born outside of the U.S. An arbitrator appointed by the World Trade Organization (WTO) determined late in 2012 that the US has until May 23, 2013 to adopt an implementing measure that satisfies Canada which will bring the U.S. into compliance with the WTO panel decision.

Could there be retaliation? If the U.S. fails to comply with the WTO decision, there could be and the CPC is prepared.

### **Canadian Pork International**

CPI is focused on differentiation of the Canadian pork industry and Canadian pork. The group has identified priority markets, supports bilateral and multilateral trade negotiations and is focused on technical non-tariff barriers in those markets.

*continued on page 6*



*photo courtesy of Farm and Food Care Ontario*

## Chairman's Report: Hindsight and Foresight Create CPC Vision



CPC hereby presents its very first annual report. For a recognized and respected organization such as ours, it seems perfectly right and relevant that we present our achievements to our many members across the country. I have the privilege of signing this first message from the chair, and I want to say how proud I am to represent Canada's hog producers.

We face complex issues and major challenges. Yet despite the tough times we have seen in the past few years, I still believe that we have the best job in the world. Our national organization, the CPC, is devoted to finding solutions to improve working conditions for all producers. More often than not, the producers have been the ones to pay the price in these difficult years.

Without a doubt, my first year has been filled with activities and much adjustment. First, we saw grain prices skyrocket as a result of the drought in the United States. Then, production costs remained higher than our revenues. The temporary loss of the piglet market and changing rules regarding exports have also continued to affect our businesses.

### Looking ahead

The CPC is looking ahead with a firm desire to meet its members' expectations, provide the leadership that is expected of us and take on a dynamic role on the domestic and international markets.

The CPC's leadership must extend beyond Canada's borders, both in North America and around the world. The annual meetings of representatives of North America's pork-producing countries are the CPC's opportunity to highlight the role it plays in tangible areas - like food safety - through concrete initiatives.

At the international level, the Government of Canada's efforts to negotiate free trade agreements with the European Union, and even South Korea, to increase Canadian pork exports and ensure benefits along the entire value chain should be noted. The CPC will continue to help drive these negotiations forward for our sector.

It is clear that the continuous improvement of our industry is a constant concern for our organization. We must stay close to consumers and work to establish even closer ties. That is the key to gaining recognition for the work we do to meet their expectations.

To this end, we must be proactive in our communications and marketing. First, we must establish a solid communication plan to share and promote the outstanding work done by our producers across the country. It is also becoming vital that we monitor social media in a world where news travel extremely fast. Our critics know how to use these outlets and take advantage of them to disseminate information that is often negative or outright false.

Thanks to concrete actions and promising initiatives like the national marketing project with Canada Pork International (CPI) as part of a producer/processor partnership, 2013 should yield positive results.

Other matters that will keep us busy in the coming year include our participation in the joint working group with Canadian Minister of Agriculture and Agri-Food, Gerry Ritz, for the renewal of the Growing Forward 2 program. We are also working on a project to establish a national tax on imported pork products.

A number of issues will call for vigilance and proactivity, including those involving the review of the Code of Practice for animal care. The results of the committee's study should be released in 2013, along with the expected recommendations.

Environmental issues also remain a major concern. Although some studies show that the Canadian pork industry's carbon footprint is one of the best in the world, we must keep up the excellent work being done. At both the provincial and national level, it is encouraging to have a new generation of producers and leaders. This is a unique opportunity to renew our methods and make way for new ideas. They breathe life into our vision for the future of our industry. Let's support them and help them succeed.

Finally, this annual review would not be complete without paying tribute to the work and determination of the CPC's administrators, staff members and provincial associations. To us all, I wish a great new year worthy of the remarkable work we do each and every day!

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## CPC Programs Update

*In addition to policy work, the CPC runs core programs that serve the industry. From CQA to animal care and traceability, these initiatives knit together to create the foundation in which we raise our animals. A change in one creates ripples that reach all programs. Here's an update on what's happening in each of these areas.*

### Canadian Quality Assurance Program (CQA)

The CQA program was launched in 1998 and has become a cornerstone for the sector, setting national standards and a means to demonstrating what producers do on-farm. In 2012, the requirements of the Animal Care Assessment (ACA) were included in the CQA program, such that CQA now stands for food safety and animal care. By now, everyone has demonstrated compliance with animal-care standards, either through self-assessment or as part of the full validation of CQA.

In order to keep the program current, a full review is underway, first examining the HACCP model on which the food safety elements of the program are based and then examining global standards for food safety under the Global Food Safety Initiative (GFSI). The guiding principles in the review are to make CQA clearer and simpler to implement and monitor.

The animal-care elements will be revised upon completion of the Code of Practice.

### Code of Practice

As you may be aware, the Code of Practice for care and handling of pigs is being updated, and this process is nearly finished. It was CPC that requested the code be updated, and the National Farm Animal Care Council (NFACC) is leading the process.

A draft of the new code is expected this year. The document will be published by NFACC followed by a 60-day public comment period. All stakeholders and the general public will be invited to comment on the updated code and its implications.

The code updates deal with issues like sow housing, space allowance and routine procedures -- changes that could have a financial impact on Canadian hog farmers.

Prior to the release of the updated code for public comment, CPC will complete an economic analysis to determine the impact of the changes.

We'll be working with CPC members to ensure the voice of the Canadian hog farmer is heard during this comment period.

Following the comment period, the Code Development Committee will review the comments, determine if any changes are needed to the draft document and finalize the code. The new code will then be printed and circulated.

Once the Code of Practice is completed, the CPC will update the Animal Care Assessment elements within the CQA.

### Animal Care

Animal care is a global issue and the CPC will continue to monitor animal welfare issues, both at home and around the world.

Globally, European directives regarding sow housing come into effect this year. We continue to monitor the work of the United Nation's Food and Agriculture Organization (FAO) and the World Organisation for Animal Health (OIE); happenings related to hog production in the U.S.; and the work as it relates to the Global Food Safety Initiative (GFSI).

Here at home, CPC maintains work with the NFACC and the Agriculture Issues Pilot. CPC was also part of the Canadian Food Inspection Agency (CFIA) delegation to the OIE.

### National Check-Off

By March, CPC expects to release a draft report on the structure and mandate of a national agency to collect a levy on imported hogs, pork and pork products. The levy would provide funds to support and develop markets, do generic promotion and research in the industry.

CPC is working with an outside consultant to determine the feasibility of this, and has already been holding a national dialogue with members. As provincial legislation now stands, levy collection is allowed on each animal marketed. Those funds are used for national and provincial research and promotion.

After the draft report is released, CPC members will decide if the industry should apply to the Farm Products Council of Canada (FPCC) to create the agency, and if it will have the authority to charge a national levy. The FPCC supervises agencies to ensure they operate within their mandates.

The next step will be another round of dialogue to establish structure and mandate of the national agency. So far, the CPC staff have explored the potential to have a structure based on the cattle industry's Canadian Beef Cattle Research, Market Development and Promotion Agency. The board of directors for the agency may include producers, processors and pork or pork product importers.

If Canadian hog producers decide to proceed with setting up this agency, CPC acknowledges there will be obstacles. CPC will need a legal interpretation of what can be achieved and establish various timelines for full implementation. As well, the CPC board will have to find the most cost-effective way to collect a levy.

Ultimately, it will be up to the producers to decide how the organization proceeds.

At the same time, CPC has taken a comprehensive approach to the idea of provincial swine levies for national initiatives.

Our strategic plan, *Building a Durable Future in the Canadian Hog Industry*, established in 2011, revealed that CPC work plans aligned with other producer-supported national initiatives, like swine health, research and market development.

## CPC Programs Update *continued from page 3*

Yet the end of Growing Forward 1 and the pending implementation of GF2 means all partners felt the financial impact. As a result, CPC created a national stakeholder group, which included CPC members.

The group's recommendations to the board were adopted last April for presentation to provincial member organizations.

Some recommendations included additional national collections of 4.25% this year to cover domestic marketing, the Canadian Swine Health Board, PigTrace and Canada Pork International. Subsequently, after hearing your feedback, and in light of the economic situation in the pork industry, the CPC board decided in mid-summer to revise the recommendation to retain a new one cent each for the CSHB and CPI domestic marketing, matching CMC funding, plus commit to pooling research funds through SIP. All other increases were deferred.

As of the late fall, conditions for national adoption were almost, but not quite, fully met.

### Traceability

The PigTrace traceability system is well along the path of becoming reality.

This CPC initiative, which is encouraged and financially assisted by the federal government, creates national capability to trace back the origins of hog or pork during a disease outbreak or food safety incident.

The CPC's PigTrace Canada program is intended to reduce the impacts of a disease outbreak or food safety issue. When fully operational, the system will have a significant database and reporting capability, collecting swine movement information. In the case of a disease outbreak or food safety issue, the matter should be quickly contained, reducing the related negative impacts to the pork sector. The chief components will include tag management, an online interface that will support user account management and premises information.

Part 1 publication was released last July, allowing for comments on the proposed amendment to be made before the system becomes law. CPC and the CFIA held joint information sessions for industry during the discussion period, and CFIA received submissions from 28 organizations and individuals, many from within the CPC membership. The regulations are expected to be finalized by mid-July 2013, and they will come into effect in the summer of 2014.

Since April 2012, PigTrace has refined its database, and it is now ready for its first public release. We continue to work on technology enhancements. CPC wants to ensure PigTrace is user-friendly and we're working on refining file uploads and automated system reporting, exploring mobile interfaces and considering touchtone phone reporting.

In the event of a food safety emergency, PigTrace will localize the impact and limit the possible financial devastation that could result if markets are closed to Canadian hogs and pork.

### Nutrition

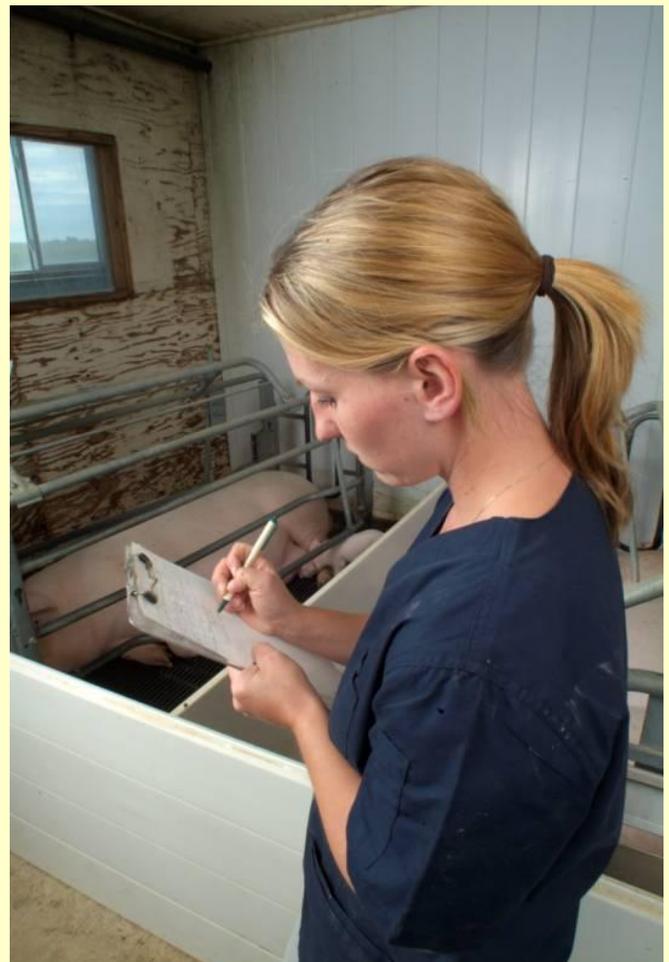
CPC's board of directors and staff continue to work to improve the attitude towards Canadian pork.

The ways in which we do that varies and includes: supporting research projects on unique health advantages of pork, continued work with Health Canada to review cooking temperatures for whole cuts of pork to harmonize with the American recommendations, discussing food skills initiatives with Health Canada and renewing the complementary Health Check licensing agreement. The nutrition resource, Healthy Choices for Optimal Health, was reprinted upon request by the provincial organizations.

Networking is also critical for movement on this front and it's necessary to build and maintain links with the scientific community. CPC is a member of, and involved with:

- the Food Directorate's Food Expert Advisory Committee
- Network on Healthy Eating
- Canadian Meat Science Association
- Canadian Nutrition Society
- Nutrient Rich Food Alliance
- Canadian Federation of Dietetic Research
- the Canadian Obesity Network's Calorie Count Roundtable

CPC supported the 2012 International Congress of Meat Science and Technology. A staff member also chairs the International Meat Secretariat's Human Nutrition and Health Committee.



*photo courtesy of Farm and Food Care Ontario*

## GF2: Mid- to Long-Term Initiatives

The Growing Forward 2 (GF2) policy was released by Agriculture and Agri-Food Canada in mid-December; however, details are still needed. GF2 creates an atmosphere for bilateral agreements between governments, which need to be in place by April 1, 2013, when the current Growing Forward expires.

The CPC has been actively involved with the federal government on GF2, putting forward a vision for the Canadian pork industry. Specific requests were made in the fall, as outlined below, addressing refinements to the current Growing Forward.

### Swine Innovation Porc

Swine Innovation Porc draws Canada's best scientists together on critical production and product issues. Their goal is to make game-changer discoveries through innovative research and, overall, find ways for Canadian hog producers to reduce costs. Market research, nutrition, animal welfare, reproduction, environment, animal health, food safety and discovery remain priorities for Swine Innovation Porc.



*photo courtesy of Farm and Food Care Ontario*

The co-ordinated partnership has been effective. CPC has requested that the federal government funding for Swine Innovation Porc continue under GF2. As well, CPC has suggested a specialized cost-sharing agreement with industry. We continue to work through this process of maintaining the work of Swine Innovation Porc.

### PigTrace

CPC is also looking to GF2 for principal funding with the PigTrace Canada program.

PigTrace Canada is intended to reduce the impact of a disease outbreak or food safety issues affecting the pork sector. The program will collect information on swine movement that would be used to quickly contain disease outbreaks or food safety issues. Fast action will reduce related negative impacts to the pork sector as a whole.



*photo courtesy of Farm and Food Care Ontario*

## Other CPC Activities in 2012

### Communications

The communications department continues to put out the word about Canadian pork. In 2012, 20 press statements were released through a media distribution service, internal distribution lists to board of directors, provincial general managers and communications staff. The topics of the releases included press statements on trade (COOL, TPP and the European Union); policy on the availability of feed and ethanol; administration regarding traceability and animal care.

A communications review was done in 2012 with the goal of improving reach. It was also an opportunity to meet with members and understand expectations. In the future, the communications staff will attempt to work within its current budget to establish a multi-year communications strategy, while outsourcing may increase. We will also focus on increasing the frequency of communications activities in a format helpful to members.

### Fall 2012 Hog Crisis

From meeting with Agriculture and Agri-Food Minister Gerry Ritz to gathering regular updates from provincial chairs and members across the country, the CPC chair and vice-chairs were diligent in trying to deal with this crisis.

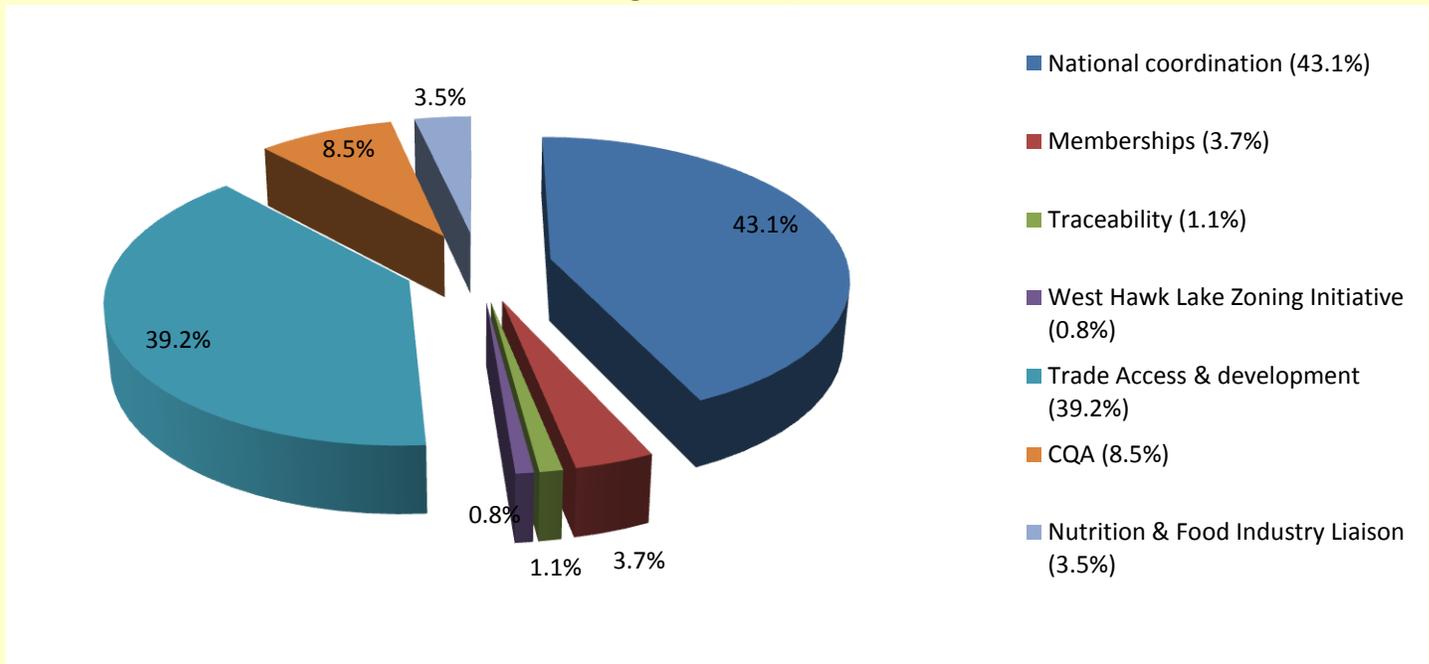
CPC used statistics and probability studies and information to demonstrate the situation on Canadian hog farms due specifically to the North American drought.

## The Financial Picture

In 2012, the CPC had a budget of approximately \$3 million to support national activities. This budget was based on a levy of 13.5 cents per market hog and 3 cents for export pigs. The chart below provides a breakdown of where producer levies are focused at a national level for this year.

Two of the largest budget expenditures this year are expected to support national co-ordination (43.1%) and trade access and development (39.2%). The national co-ordination budget supports CPC's board of directors' meetings and activities, travel, office operations and staff. The trade access and development budget supports CPI and its international marketing efforts and CPC's activities associated with maintaining market access and increasing trade.

### 2013 Budgeted Expenditures



## Improving Business with Tools and Trade *continued from page 1*

CPI works with its partners, including government, to remove logistical barriers to exports, especially when it comes to export certification and transportation logistics.

CPI is continuing to work on forming a domestic marketing initiative. That includes the CPC and domestic packers. Through this, CPI would develop and implement a long-term business plan and a detailed annual operating plan, including a national market development approach designed to drive an uptake in Canadian pork through retail and food services.

### Business Risk Management Tool

Risk management is a fundamental cornerstone in any business venture that has volatility in revenue and costs. The past years have been extremely challenging for Canadian hog producers and there is a need to have strong approaches to risk management.

Traditional approaches to risk management have rested with federal and provincial programs. CPC continues our work to ensure these programs remain relevant to hog producers, and to ensure equitable access to all programs. At the same time, new tools are needed. Efforts to make it easier for producers to hedge prices and margins are underway, as well as examining opportunities for production insurance.