Ontario Farmer

RM plan seen as survival key ; The proposals would set a floor price covering the COP as well as manage supply

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Byline: BY JIM ROMAHN
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Interest in a risk management program that will require some form of management of production is growing rapidly in Ontario's hog-farming community, judging by testimony at the appeals tribunal hearings on the future of pork marketing.

A number of producers have testified that the whole industry will collapse unless something is done, and soon.

It's in that context that they are keenly interested in the recent deal that was struck in Quebec and in adopting something similar in Ontario.

Quebec's deal immediately increased the price of hogs, a point that led Don Cohoe of Quality Packers to clarify comments he made earlier during the tribunal hearings and reported in the last issue ofOntario Farmer.

Cohoe said Quebec was seriously undercutting the price of Ontario hogs -by as much as $15 per hog 15 years ago, gradually diminishing to about $2 or $3 a hog just before the new marketing agreement was implemented.

Ontario and Quebec are both now pricing hogs based on formulas that track U.S. prices and, although there are a few different wrinkles between the two provincial marketing boards, the prices now are roughly the same.

The risk management proposals, which remain vague, are to set a floor price that will cover the cost of production, to form a roundtable of producers, packers and retailers to be a supply chain that can manage supplies and marketing, all under the supervision of the Ontario Farm Product Marketing Commission.

Under cross-examination, the witnesses have insisted that this is not supply management, but managed supply. But when Russ Danbrook, speaking for Perth County Hog Producers Association, was quizzed about why managing supplies and setting a floor price is not supply management, he conceded it might be.

Cohoe in his cross examination has questioned whether the Quebec system can survive.

Kevin Grier of the George Morris Centre, testifying on behalf of Conestoga Meats Ltd. and the Progessive Pork Producers Co-op Inc., said the proposals can't work because imports can't be restricted, retailers can't be compelled to discriminate in favour of Ontario pork and it's not possible to restrict production without incurring trade sanctions.

In fact, Grier said it's not possible to achieve a significantly higher price for Ontario hogs, even with a Canada-wide marketing board with monopoly marketing powers. He said the Canadian price will always be the general U.S. price, minus the cost of getting Canadian hogs to U.S. packing plants.

That, he said, is because Canada exports about 60 per cent of its pork production, either as hogs or as pork.

Several farmers have said they fear the Quebec system will bring more Quebec pork into the Ontario market, specifically via supermarkets controlled by Metro Inc. That includes the former A&P stores and Food Basics.

Under the Quebec agreement, the retailers are committed to Quebec-producer pork and Metro Inc.'head office is in Quebec.

GRANT LOVE, president of Huron County Pork Producers Association, testified that about 440 members there have voted in favour of retaining single-desk marketing powers for the Ontario Pork Producers Marketing Board.

Teresa deWetering said she feels the pork board has "completely let down producers on marketing."

"The situation has degenerated to where it was 30 years ago, only worse," she said.

She also spoke on behalf of beginning farmers who so far have been unable to get all the support they want from a provincial support program for 2007.

Danbrook said that those who are pushing the risk management program have been told by the Perth County member of the Ontario legislature that they will need to implement management of supply to get government support for their request.

That means "it's imperative that somebody has the right to see how that's managed," he said, "and Ontario Pork is in the best position to do that."

It would require additional marketing powers from the province, he said. Danbrook has held elected positions with the pork board since 1990, but is no longer a producer.

Both he and Love testified that producer sentiment is changing, moving towards retaining single-desk marketing powers at the pork board in order to implement a risk management program.

But later James Reesor, testifying on behalf of his RWF Farms Ltd., Paragon Farms Ltd. and Synergy Swine Ltd., said single-desk marketing does more harm than good for producers.

He said the future is more secure if farmers can work directly with processors and without any marketing board interference in their relationships. He said that stimulates innovation, the introduction of new products, marketing efficiencies and improved quality.

He said it costs about $200 million to build a new packing plant, and if he were that investor, he would want to know who the suppliers will be and would want some form of commitment from them.

He said testimony from Conestoga Packers and Quality Meat Packers indicates relationships with the marketing board have often been strained, and marketing conditions have changed as the membership of the board of directors has changed. He said that's not conducive to a commitment by investors.

Reesor said he fears there might come a time when there are no major hog packers left in the province and said that risk is greater if the pork board has monopoly marketing powers.

Cohoe said the new Quebec agreement commits Quebec hogs first to Quebec processors, which keeps Ontario packers out. Grier said the majority of Quebec hogs are owned by the packing plants there, which is a key difference between hog production in Ontario from Quebec.

Cohoe said Quebec packers can and do contract with Ontario producers and the Ontario board sometimes sells hogs to Quebec packers, including Pool Plus contract hogs. The Ontario board can and does sell to U.S. packers.

That, said Cohoe, "puts Ontario packers in a box" and they can't easily import hogs from the U.S. because disease-prevention protocols.

As a result, he said the packers are anxious to line up supplies via contracts. They will either ensure their hog supplies via contracts or by owning hogs on farms, he said.

"These are simply economic realities of the marketplace, not threats," Cohoe said.

BOB HUNSBERGER of Conestoga Meats said under questioning that he wants Ontario Pork completely out of marketing the hogs coming to Conestoga -an end to its monopoly powers over market hogs and its oversight on producer-packer contracts.

Cohoe testified that it took years to negotiate contract terms for hogs to be produced without antibiotics or any animal byproducts in rations, even with appeals to Ontario Pork's board of directors and the Ontario Farm Products Marketing Commission.

He had several standoffs with former pork board general manager Jack Slibar. He said relations now are better, but he worries about the future.

Pork board lawyer Sean Foran took Cohoe through that contract's terms during cross-examination, and established that the dispute eventually boiled down to the pork board's desire to act as mediator in the event of contract disputes.

Cohoe said Slibar wanted the right to arbitrate even if farmers had no complaints.

He would not agree and sought negotiations that would involve the whole processing industry because he felt what Slibar was demanding would form a precedent. He was unable to get the negotiations moved over to the Hog Industry Advisory Committee, or to the Ontario Farm Products Marketing Commission and at one point asked to speak directly to Ontario Pork's board of directors.

Foran noted the issue has been resolved. Cohoe said "it was dropped. We're all on a roller coaster together now," Cohoe said of the Ontario hog industry. "We don't know if the track will end, or if it will go up again."