

Selling Pork in the Global Marketplace

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▪ Introduction

It is an honour to have the opportunity to address such a distinguished audience and discuss a topic, which is becoming more and more relevant to all of the Canadian pork industry stakeholders. But before I discuss selling Canadian pork on world pork markets, I will introduce my organization and its involvement in this specific sector of activity.

▪ Canada Pork International

Established in 1991, Canada Pork International (CPI) is a joint initiative of the Canadian Meat Council, which represents federally registered meat packing and processing plants and whose membership also includes trading houses, and of the Canadian Pork Council, the national hog producers association, whose membership is comprised of provincial organizations such as Alberta Pork, Sask Pork, and the Manitoba Pork Council in the West and of the sister provincial organizations in the East.

CPI is usually described as the export market development agency of the Canadian pork industry and its specific mission is to promote our industry internationally. It has been mandated primarily to seek a better access on world markets for Canadian pork products

CPI's mandate includes working with the Canadian Government to resolve market access issues; providing the Canadian pork industry with timely and accurate information on export market conditions and foreign import requirements; and finally to implement the generic promotional efforts of the industry, which also implies promoting the international acceptance of Canadian pork-based processed and value-added products. CPI does not get involved in product sales as that function is clearly the responsibility of the

packers, processors and trading houses. The role of CPI is to help facilitate their marketing.

▪ **Canada is World Leader in Pork Exports**

The Canadian pork industry's achievements on world markets are no longer Canada's best kept secret and are more and more often acknowledged as a true success story. The growth of Canadian pork exports, especially in the last five years, has been quite remarkable (Table 1). In 1996, they amounted to 374,494 tonnes, while in 1999 they exceeded 519,000 tonnes. At the end of August 2000, they were up by nearly 25% over the previous year. It is estimated that total Canadian pork exports in 2000 were worth around \$1.8 billion.

Table 1. Canadian pork exports.

Year	Tonnes
1990	264,735
1991	242,315
1992	273,858
1993	278,465
1994	288,974
1995	349,175
1996	374,494
1997	423,242
1998	433,023
1999	519,600
2000, projected	620,000

Source – Statistics Canada

What is less known, is that in 1999 Canada became the largest world pork exporting country, tied with Denmark, if the intra-EU trade is not included.

The Canadian pork industry is still expanding and this will directly translate into increased exports since pork consumption in Canada is very unlikely to increase at the same rate. In its Medium Term Policy Baseline published in September 2000, Agriculture and Agri-Food Canada forecast that Canadian exports will reach 742,000 tonnes in 2001 and exceed 900,000 tonnes in 2004.

This means that nearly half of the Canadian pork production will be exported and if we add the more than 3 million live hogs exported to the United States, more than 50% of the total Canadian hog production will be disposed of outside the country.

Unlike beef, where more than 30% of the total world pork production is traded on world markets, the world pork trade is estimated at around 3 million tonnes per year and barely represents 5% of the total world pork production. With only 1.9% of the total world production, Canada currently holds around 20.5% of the world pork trade. Altogether, Canada, the United States and the European Union account for more than 70% of the export movement.

In the last three years Canadian pork products have been shipped to more than 120 countries. The US market now represents less than 50% of our total exports, although it accounted for nearly 85% in 1990. Sales to the US have increased since 1990, but our exports to other markets have increased even faster.

■ **How did Canada become a top pork exporter?**

How is it that a country that was a net importer in 1976, and that at the end of the 80's faced countervail actions by the United States, has become such a powerhouse? In effect, those same countervail actions acted as a wake up call for the industry. As an industry, the U.S. trade actions against Canadian hogs and pork caused the industry to realize how vulnerable it was to be so dependent on one major market. Producers and packers agreed that there was a need to work together to diversify their markets and lessen the importance of the US markets in overall exports. Thus Canada Pork International was created. CPI focuses on the non-US markets in a clear attempt to diversify our export sales and reduce our dependency on the not always "friendly" country to the south.

Two other events have also had a significant impact on the Canadian pork industry and its ability to supply and access more markets. First, the elimination of the Western Grain Transportation Assistance Program explains the rapid expansion of the industry especially in Western Canada. Also as important, the conclusion of the Uruguay Round, which allowed Canada to have access to a number of markets that were previously either closed or difficult to access.

However, I am not sure that I would have been able to tell you the same story today if the industry, packers and producers alike, had not made a conscious decision of becoming more export focussed. There has been a noticeable change in attitude towards exports during the last decade and all of the

stakeholders in the industry must be commended for it. They no longer look at the export markets as being an outlet for their production surpluses. In fact, most now view the major export markets as being part of their normal distribution mix.

Canadian stakeholders are now listening to their foreign customers and have developed products that better suit their needs. Most packers now produce cuts that you will never see in a Canadian store; be it single ribbed bellies for Asia or boneless middles for Australia. Packers are now equipped to produce chilled pork with a minimum guaranteed shelf life of 55 days, if not longer.

In turn, foreign markets have significantly influenced the industry. The fact that our plants are now HACCP-approved and that producers are now implementing the HACCP-based Canadian Quality Assurance Program at farm level, is the most obvious example of this. But there are numerous other examples of production techniques and procedures throughout the production chain that have either been or are in the process of being modified or improved. There is now a steady line of communication between the producers and the packers to address those issues. It is still not perfect, but it is a definite improvement over what existed a few years back.

The considerable advantages that Canada possesses in pork production, be the relatively low costs of production, its excellent health status, the high quality of our pork stimulated by an incentive based grading system, have also contributed to convince major players to make very large investments in production and packing facilities, mostly in the Prairies. It has been well publicized that these facilities have been set up to primarily service growing export markets.

▪ **What does Canada need to stay ahead?**

Now that Canada is a world leading exporter, that its industry has developed the right mind set for exports and is price and quality competitive, it would be far too easy to claim that we have made it and that the next century will be Canada's century when it comes to pork production. Well maybe we made it, but will we be able to maintain that position? We must always strive to meet or exceed the customers' expectations to remain a valued supplier. I am certain of one thing - if the Canadian pork industry becomes complacent, it will as quickly lose that leading position. There are a number of challenges that need to be addressed in the near to long term future. Failure to do so will seriously threaten everything that the industry has worked so hard to achieve.

When I first saw the proposed program of this seminar, I was pleased to see that it addressed a good number of these challenging issues. I will attempt to

give you my perception of what issues the Canadian pork industry will need to address in order to meet the growing expectations of the foreign customers; which in due time are likely to become the expectations of the Canadian consumers as well.

Food safety, respect for the environment and animal welfare are issues that are becoming increasingly important to consumers.

Following a number of incidents, be the mad cow disease in Europe, the dioxin scandal in Belgium or several food and water poisoning outbreaks all around the world, consumers are losing confidence in public inspection services and are requiring the food industry to provide more and more guarantees that the food it produces is safe. As an export focussed industry, this is an issue that cannot be ignored. In that regard, what are the specific areas that the Canadian pork industry will be required to be more attentive to?

Food-borne pathogens are the first ones that come to mind. More and more countries are now requiring that imported pork be free from specific pathogens, especially salmonella. In that case, shipments are either tested before leaving the country or at destination. Some countries like Sweden and Denmark have even implemented salmonella eradication programs. Are we prepared to go that far in Canada? In the near future, it is conceivable that in many more countries the absence of specific micro-organisms will become an import requirement. Will we be able to provide some kind of guarantees and in order to do so, do we know what is the prevalence of pathogens in our herds and ways to lower it?

Increased microbial resistance to antibiotics has led many consumers to question the use of antibiotics as growth promoters, although the abuse of antibiotics in human medicine may have more to do with it. Nevertheless, we are now confronted with a situation where our major competitor - Denmark - has stopped using several of these products and is starting to use this issue in some markets as a marketing tool. Preliminary Danish results seem to indicate that there is some loss in productivity. In that case, are we willing to follow suit or do we wish to take a different course of action?

For exporters, drug and heavy metal residues are also of concern. Product approval and tolerance levels could vary considerably between two countries. Occasionally foreign inspection services find some Canadian pork shipments unacceptable because they found the presence of drugs that are not approved in that country or in levels that are higher than their tolerance. In many cases these shipments would have been found acceptable for distribution in Canada because they met Canadian standards. International bodies are working to harmonize national standards, but it is a slow process.

Finally, one food safety related issue that cannot be overlooked is Genetically Modified Organisms (GMOs). When the issue first arose, some Japanese buyers started to seek some assurance that Canadian pork had not been fed with GMO feed. Although it is not currently an issue, who knows when it will resurface and what impact it could have? The topic in Session III of this year's Banff Pork Seminar, *Will we use Genetically-modified Products in the Pork Industry?*, is very current and important.

When it comes to food safety, we often hear that traceability could be an effective way to reassure consumers. There is no doubt in my mind that this concept, if properly implemented, will achieve that result. However, does everybody have the same definition and understanding of what it involves and how it could translate into uniform national standards? If not, how could you expect CPI and its members to convey the right message to our foreign buyers, end-users and consumers?

Respect for the environment is not really a big issue when it comes to exporting pork. However, as a significant and growing domestic issue, it could have an impact on our ability to produce pork. In fact, it is becoming the largest limiting factor to production expansion. It is encouraging that there is a tremendous amount of work being conducted throughout the country to find acceptable solutions to a variety of environmentally related problems.

Another issue that has the potential to influence the future trade environment is animal welfare. The European Union has made it very clear that they will insist that animal welfare be discussed during the next round of multilateral negotiations. They would like their standards to become a trade requirement for those that wish to export to them. Of course, we will ask our government to resist any attempt to have unjustified measures become new trade barriers. However, can we fight it outright knowing that in a recent pork producer commissioned survey, conducted by the Angus Reid Group, animal care and food safety were the two top concerns of the Canadian public throughout the country?

Finally, over the years Canada's excellent animal health has allowed our industry to access a very large number of foreign markets. This is maybe our most valuable asset when it comes to international trade. In the last few years we have seen the pork industry of some of our competitors, Taiwan being the best example, completely devastated by an outbreak of highly infectious diseases, like Foot-and-Mouth Disease and Swine Fever. No country can consider itself as being completely protected and accidents do occur. In Canada, do we do enough to minimize the risks? Are we well prepared to handle any outbreak and will we be able to minimize its impact on our international trade? Could we afford not being able to export for any considerable length of time?

▪ **Conclusion**

In conclusion, I have to admit that I have raised a lot of questions to which I can not provide an answer, as there may not yet be an answer. However the most important point is that, although the Canadian pork industry has proven that it can achieve great results, there is still a lot of work ahead of us. However, we are as well positioned and equipped as any of our competitors to successfully address the many challenges facing the Canadian pork industry in the near future. The key to our future success will be to maintain the collaborative spirit and the teamwork that has characterized the industry so far. My most sincere wish is that the Canadian pork industry will still be able to tell the world in 2004, at the World Meat Congress in Winnipeg, that it is still a force to be reckoned with and that it will do everything possible to remain the world's largest pork exporter.