



December 2, 2009

Dear President, Secretary, Councillor & Alternate:

Please find enclosed the November 10-11, 2009 Policy Day Summary. These notes are a compilation of what was heard and the final statements of the round table discussions that were presented to the attendees. This is not a verbatim account of everything that was said during the two day event.

Day two includes the summary of the county presentations made on the Financial Protection Plan, Electoral Reform and Strategic Plan.

Also enclosed is the Prairie Swine Centre Report Card for 2008.

Best Regards,

A handwritten signature in black ink, appearing to read "Keith Robbins", with a long horizontal flourish extending to the right.

Keith Robbins, Director Communications and Consumer Marketing
Ontario Pork

Ontario Pork Policy Day Meeting November 10th and 11th, 2009

November 10th, 2009

Welcome and Introductory Remarks – Wilma Jeffray

Update on Work Done since September 22nd Meeting on Key Strategies 1-5 – Mary-Ann Hendrikx

- Overview of points of focus for 1st five key strategies, noting that county consultations, etc have been factored into these plans
- Review of September 22nd vote to focus on these issues
- OMAFRA involvement – meetings that have taken place, dollars being accessed
- Help to exiting and remaining producers: Planning for the Future Workshops, EI benefits
- Help for farm upgrading, safety and biosecurity and traceability measures: traceability funding for pilots and on-farm tools
- Initiatives to grow our domestic market: Foodland Ontario, Canadian Label marketing program, consumer education, alternatives to seasoned pork, niche markets
- Initiatives to renew our industry through new product development and address market preferences: facilitate sow slaughter facility in Ontario, ground pork product, consumer demand for pulled pork, marbled pork project, explore consumer signals for nitrate free and natural processed pork alternatives
- Establish an improved industry value chain forum: improve competitive position, save costs and share information, sounding board to address consumer issues with chain partners, OPIC will continue to perform an important role

Questions for discussion:

- 1) All aspects of the industry should be our focus – including food service and end consumers.
- 2) What elements of the plan are most important for you?
- 3) What other elements should Ontario Pork look at?

Summary of Group Discussion on Key Strategies 1-5

The following issues were common among the tables:

- Value Chain Coordination is essential
 - o Involvement from processors, producers, retailers, government
 - o Topics: Product innovation – meal solutions
- More advertising/consumer education/promotions of Ontario pork is needed
- Require an aggressive campaign to get the domestic market back
 - o Labeling of Ontario/Canadian product
 - o Ensure there are Regulations that prevent imported pork from entering Ontario unless it is raised to the standards of Ontario production
- National coordination of research would be more cost-effective
- Some support to develop an Ontario-based price

- Some support for a swine Risk Management Program

Update on Work Done Since September 22nd on Key Strategy 6 – Steve Illick, Ken McEwan

- Timeline of events since September 22nd: federal program details, meetings with Perth County Pork Producers Political Action Committee and Grassroots pork producers, investigated options to restrict imports from out-of-country and out-of-province, meeting with OFA to develop coalition of commodity groups to demand level playing field with Quebec
- Aim to discuss pros and cons on RMP today
- Provincial Ask: Government wants us to speak with one voice
- List of RMP Considerations, such as government receptivity, producer resolutions

Ken McEwan

- Overview: background, RMP for Grains and Oilseeds, ASRA program, Ontario program for pork producers, pros and cons
- Review of Canadian hog exports and interprovincial movement of slaughter hogs
- Ontario production versus Ontario slaughter figures
- Overview of Grains and Oilseeds RMP: in place three years, cost of production based, Ontario funding but no Federal funding
- ASRA program
- RMP examples for Ontario hogs
- Government concerns for RMP: cost, eligibility, economic impact to economy, trade implications [commodity specific, injury to U.S. market, trickle through to pork?], production versus slaughter/consumption
- Pros: economic spinoff to economy, payment cap limits government cost, industry income more stable, guaranteed supply of Ontario product, producer commitment thru premiums, program easier to understand, less criticism from diversified farms (AgriStability)
- Cons: cost to government, risk of trade challenge, additional cost (producer premiums), likely need to further downsize industry, if industry grows – government cap, time lag – increases to COP, less pressure on suppliers to reduce input prices
- What is acceptable level of risk?

Questions for Discussion:

- 1) RMP brings consideration of 2 key matters:
 - a. The need for some sort of production discipline
 - b. Heightened risk of trade action on live hogs and to a lesser extent pork
- 2) "I am interested in pursuing RMP for the Ontario hog industry IF..." (discuss any conditions)
- 3) "I am not in favour of pursuing RMP for the Ontario hog industry"

Summary of Group Discussion on Key Strategy 6

- Three tables were unanimously in favour of a government swine risk management program with some qualifications, nine tables had mixed support/could not reach a consensus on the RMP issue.
- Some producers were concerned about the potential for WTO or trade action retaliation. Others were concerned that an RMP program would lead to a 'slow death' of the industry.
- Producers also expressed concern over the impact of the initiative on processor viability or concentration.
- In order for an RMP program to be effective, many producers felt that Ontario production would need to shrink to match processing capacity. This would reduce exports to the U.S. and thereby reduce the threat of a trade action.
- Producers indicated that the program should be created at equal benefit levels to ASRA in order to level the playing field between Ontario and Quebec.
- Some producers worried about the time to get a government agreement and indicated that dollars are needed now due to the time that would be needed to create an RMP program.
- Producers suggested that a cap be placed on how much one producer can access from an RMP program.

November 11th, 2009 - Welcome and Introductory Remarks – Wilma Jeffray

- OFA coalition – level playing field needs to be defined by the commodity groups
- Introduction of Tom McLaren, government relations lobbyist for Ontario Pork and summary of yesterday

Review of Outcomes from Previous Day

- Basic agreement on the overall direction of 5 points – 'own the Ontario market', 'push Ontario label aggressively'
- Pursue funding for more aggressive promotion, labeling and advertising
- Work with chain partners including retail and food service to develop new products base on the solid understanding of consumers
- Work to ensure producer gets a larger share of the consumer purchase value

- Agreement regarding consumer issues with seasoned pork and more natural alternatives to processed pork additives and nitrates
- Pursue CQA and traceability funding, but find ways to level the playing field with other jurisdictions to meet Ontario standards so that it is not just an increased cost of Ontario producers
- Consider new consumer education initiatives
- Most tables had no consensus or questioning support regarding RMP
- Benefit levels have to be higher to secure producer support given structural risks to the industry
- Premium levels versus benefit and CAIS impact concerns
- Producers want greater federal involvement – RMP needs to mirror levels of ASRA
- Issues of concern: Impact on processors, processor concentration, retaining export option for some producers, details of production limits required and how to manage issues like new entrants and time to get government agreement
- Recommendation: work with coalition to get government going in right direction and then work on terms that are beneficial to producers including a ‘kick start’ advance or retroactive payment

Financial Protection Plan – Charlie Lalonde

- Concept of swine financial protection program
- Why now: industry priority, market uncertainty, default history, other ag sectors benefit from similar programs
- Work to date: defines benefits, proposes program structure options and clarifies costs
- Benefits: licensing standards for markets and processors (financial responsibility), regulates a firm timeline for payment to producers, provides timely payment in event of a processor or marketer default
- Actuarial study considered various implementation and cost options (completed in June 2009)
- Packers & Stockyards: same objective to ensure producer payment for livestock, U.S. government regularly monitor registered packers and dealers trust accounts, compliance rate in 2008 at 80%, recoveries on defaults not high
- Industry statistics overview: 2,800 producers marketing over 4 million hogs, 40% of producers market less than 500 hogs per year, daily marketings 15 – 20,000 hogs, one day’s transaction value \$2-3 million
- Actuarial study results: initial fund investment of \$3 million, grow fund to sustainable level of \$5 million, premiums in range of 3-7.5 cents per hog, coverage at 100%, licensing requirements, 5 day payment cycle
- Proposed program principles: every producer pays the same premium, competitive advantage to Ontario, processor/marketer applicant pays cost of license (\$100 to \$250), must not be cost prohibitive
- Administration costs: *OMAFRA* covers financial responsibility assessment, investigative and legal costs at licensing and claim adjudication, formal MOU established with commodity org., *Licensee* pays for license application costs, compliance cost associated with financial responsibility,

Producers pay for licensing administration, fund administration, estimate of 2-3 cents per hog and included in premium estimates in the actuarial study

- Program class recommendations: market hogs first, each new class will require an order-in-council recommended by the Minister
- Pre-loading the fund: leads to lower premiums, actuary study provided scenarios, keeping premiums low yet achieve sustainability
- Licensing: process must be efficient, robust and cost effective, all processors and marketers require licensing, custom slaughter processors are excluded by the definition of a 'sale', application process managed by OMAFRA
- Application requirement: self declaration of business activity, banker's confirmation of business activity, submission of financial information to have financial responsibility assessed, pay license fee based on cost of issuing a license, licensor may require the assignment of financial security as a condition of licensing, need to talk to small processors on their mandatory participation in the program
- Timeline: payment timelines average 5 days with some much higher, 92% of producers receive payments through electronic fund transfers to their bank accounts
- How it works: all market hog producers are included, all processors and marketers are licensed on the basis of financial responsibility, producer pays a premium on a 'per hog sold' basis and receive coverage at a pre-determined level, processor collects premiums and remits to the fund, a financial production board manage the fund
- Example of default
- Next steps: consult with producers and obtain endorsement, OP Board engage Ministry in discussions of a need for a plan, continue discussions with large and small processors, continue discussions with other livestock representative groups, finalize an OP recommended plan

Questions for Consideration:

- 1) Are you supportive of the development of a swine financial protection program?
- 2) Do you agree with a phased-in approach – e.g. Developing market hog plan first and then feeder pigs, breeding stock and sows?
- 3) What would you support as a premium per hog for this program with the range being 3 to 7.5 cents/market hog?

Summary of County Roundtable Presentations on a Financial Protection Plan

- 11 districts supported the development of a swine financial protection program. 1 district did not reach a consensus on this issue. This district indicated they liked the system as it is now but would support an FPP if it was a broad program covering all hogs.
- 10 districts supported a phased-in approach for an FPP. 1 district disagreed with the phased-in approach and 1 district could not reach a consensus on this issue.
- Districts were mixed on their support for premium levels. 1 district supported a 10 cent per hog premium (with processors and producers contributing), 1 district supported a 5 cent per hog

premium, 4 districts supported a 3 cent per hog premium, and 2 districts suggested there should be no premium. 4 districts could not reach a consensus or did not respond on premium levels.

- Some districts suggested that there should be producer choice in enrollment of an FPP. For example, it was noted that Conestoga producers do not need this plan.
 - Districts indicated that government support is essential for the fund.
 - Pre-loading the fund was considered to be important. It was suggested that Ontario Pork put in \$3 million to pre-load the fund.
 - It was suggested that a high premium be put in place initially and then reduced when the fund reaches a higher level.
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Electoral Reform – Beth Clark

- Overview of the proposed model, based on feedback from AGM
- Presentation of table with new breakdown of councillors
- Next steps: new election protocols established, amend Ontario Pork by-laws, County Grant policy, County amalgamation policy, all counties need to review their constitutions

Questions for Consideration:

- 1) Do you support a county model permitting a minimum of 1 delegate per county?
- 2) Do you support a county model with 4 zones with board representation as outlined (zone 1 & 2 – each 3 Directors, zone 3 – 2 directors, and zone 4 – 1 director)?
- 3) If so, do you prefer a county model based on 80 or 100 delegates (using 2008 producer and hog statistic would result in 89 or 108 delegates respectively)?
- 4) Do you support county elections every year or every 3rd year?
- 5) Do you support each producer being entitled to a second vote?

Summary of County Roundtable Presentations on Electoral Structure

- 11 districts supported 1 delegate per county. 1 district did not support 1 delegate per county and expressed concerns that representation would be decreased.
- 11 districts supported 4 zones. 1 district could not reach a consensus on this issue.
- 3 districts supported a model based on 80 delegates and 7 districts supported a model based on 100 delegates. 1 district did not agree on a reduction in delegates and 1 district did not reach a consensus.
- 5 districts supported elections every third year. 6 districts also supported elections every year. 1 district did not provide a response on this issue.
- 4 districts supported each producer being entitled to a second vote. 2 districts disagreed with each producer being entitled to a second vote. 3 districts were neutral on the concept of a second vote and 3 districts did not reach a consensus.

- There was some concern that producer representation would be decreased.
 - It was noted that if there are no pigs in a certain county, that county should not have a delegate.
 - Many producers want to ensure there are enough alternates.
 - It was suggested that directors from one zone should not all be from the same county.
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Ontario Pork Strategic Plan – Wilma

- Overview of vision and mission
- Review of four strategies that are the foundation of the Strategic Plan: information, forum, innovation, advocacy
 - o Overview of initiatives and tactics that support these strategies

Questions for Discussion:

- 1) Are you supportive of the above proposed direction?
- 2) Do you believe that this suggested strategy has all the elements it needs – are there any important omissions or changes needed? What are the strengths and weaknesses of the proposed policy? Are there any groups of producers that have been left out or need special consideration under the policy?
- 3) What implementation conditions or limitations, if any, would you want to impose on this policy as it is being implemented?

Summary of County Roundtable Presentations on Strategic Plan

- There was general consensus on the Strategic Plan as presented.
 - Some districts encouraged Ontario Pork to move ahead with the Plan noting that there is the potential to talk about the issues at length without making significant progress.
 - It was suggested that work on taking back the domestic market be a priority.
 - There was some concern over a shift to F.O.B. pricing.
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Update on Federal Transition Program – Curtiss

- Review of Press Release that was sent out
- Overview of process and how bids were put forward
- Second tender delayed until December 9th to accommodate the volume of bids