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national farmers union
In Union Is Strength

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**An open letter to
Hon. Clay Serby
Saskatchewan Minister of Agriculture
Via Fax: (306) 787-0630**

Dear Minister Serby:

CBC has reported that the provincial government intends to provide financial assistance to hog producers. The National Farmers Union would welcome any assistance to this province's family farm hog producers.

Family farm hog producers have been battered by low and volatile prices, disadvantaged by the loss of their single-desk selling agency, and squeezed by powerful vertically-integrated corporate packers/producers.

The NFU would have concerns, however, if the provincial government intends to use taxpayers' money to support corporate hog mega-barns. In order to understand what your government might be proposing, we ask the following questions:

- A. The government of Saskatchewan has a substantial ownership stake in one of the province's biggest hog producers: Big Sky Farms Inc. Big Sky is expanding production: building a \$32 million, 5,000 sow, 120,000-hog-per-year mega-barn complex in Porcupine Plain. Big Sky plans to increase its production to 2 million hogs per year by 2008. If the current hog price downturn is related to overproduction, is it proper for the government to invest in increased production that may drive prices down for all farmers? And, is it proper for the provincial government to use public money to bail out expansionist corporate producers?
- B. The government's Crown Investments Corporation paid \$15 million for a 40% equity stake in Big Sky. Also, the Saskatchewan Government put additional money into Big Sky through Crown Capital Partners Inc. (the government's Crown Investment Corporation owns Haro Financial Corporation which, in turn, owns Crown Life and Crown Capital Partners). In addition, it appears that the Saskatchewan Government Growth Fund and the Saskatchewan Opportunities Corporation have made investments in Big Sky. The Fraser Institute lists Big Sky as a "Crown Corporation." It is unclear if there is any significant investment in Big Sky that does not come from the government or government-related funds. Can you please provide details of the ownership structure

of Big Sky and the government's investments in that company? In addition, has the provincial government guaranteed any loans for Big Sky or other hog producers?

- C. Smithfield Foods Inc. (the world's largest vertically-integrated packer/producer), through its subsidiary Mitchell's Gourmet Foods Inc., has also invested in Big Sky. Big Sky has a long-term supply contract with Smithfield/Mitchell's. Is it in the best interests of independent, family farm hog producers for their government to assist Smithfield in expanding its supplies in this way?
- D. Under your proposed support program for hog producers, what portion of the money would go to large, corporate-linked producers such as Big Sky, Quadra, and Heartland and what portion would go to family farm hog producers?
- E. Has the government of Saskatchewan received an expert opinion regarding whether either its current investment in hog production or any proposed financial help to the hog industry might trigger a U.S. countervailing tariff?
- F. In January 1999, the province enacted a Short Term Hog Loan Program. The Program provided loans of \$40 per hog and \$10 per weanling to hog producers to help them deal with low prices in 1998/99. All of those loans are to be repaid by March 2003. What percentage of those loans does the province expect will be repaid? What percentage of loans were taken by large producers (more than 10,000 hogs)? What percentage of Program participants are still in production?
- G. The provincial government has consistently, and rightly, stated that aid to farmers is primarily a federal responsibility. Will the province ensure that the federal government puts in the majority of any money needed to help this province's hog producers?
- H. In 1997, the government of Saskatchewan unilaterally terminated hog farmers' single-desk selling agency. That year, 2,900 farms in Saskatchewan reported hog production. This year, less than 1,200 farms raise hogs. Production has shifted to corporate-owned mega-barns. In light of your government's advocacy of farm diversification, would you agree that the end of single-desk hog marketing has hurt this province's farmers?

The needs and interests of family-farm hog producers and vertically-integrated corporate producers are dramatically different. For instance, if the price of hogs falls, the income of a family farm producer falls accordingly. But for a vertically-integrated corporate producer, a decrease in hog production margins is offset by an increase in packing plant margins—because these packer/producers are getting their hogs cheaper at the packing plant (NFU research shows that during the last hog price downturn, 1998-99, packers recorded record profits). Further, large producers enjoy benefits—trucking subsidies, long-term supply contracts, the ability to import U.S. corn, and feed-cost payments—not readily available to

independent, family farm producers. The economic pain of this price downturn is falling predominantly—perhaps exclusively—on independent, family farm hog producers.

The NFU recommends that the provincial government provide capped, targeted aid to family farm hog producers and that the provincial government urge the federal government to provide similar assistance.

For Big Sky and similar mega-barn producers, we suggest that you encourage them to approach their packer-partners and ask those corporations to provide assistance from the increased profits that packers can expect to earn.

In addition to short-term financial support, family farm hog producers need structural reforms to the hog production and packing system in Saskatchewan that can help stabilize the sector in the long term. To this end, it is essential that the government re-introduce single-desk selling for hogs. Single-desk selling would ensure price transparency and give independent producers increased power in the marketplace.

We thank you for your time. We look forward to the answers to the questions we have raised and to better understanding the swiftly-changing structure of pork production in Saskatchewan.

Sincerely,

Original signed by Harmon, Boehm, and Dyck

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