



March 7, 2011

The Right Honourable Stephen Harper, P.C., M.P.  
Prime Minister of Canada  
Langevin Building  
80 Wellington Street  
Ottawa, ON K1A 0A2

Dear Prime Minister:

Canadian pork producers, processors and exporters urgently need your help to bring closure to Free Trade agreement negotiations with the Republic of Korea (Korea). Please be assured that we appreciate your government's past and current efforts to stand up for Canada in international markets. We welcome too the establishment of the Canada-Korea foundation. We trust that it will develop an agricultural focus. The negotiations with Korea, which held so much promise, have been stuck in neutral for more than two years. Meantime, Korea has concluded agreements with other trading partners and our position is rapidly eroding.

We appreciate that Canada is seeking a high quality agreement with no arbitrary deadline. Perhaps the automotive industry has time to wait. We do not. Our third biggest export market is at risk. We do not need more process, we need action.

Other pending free trade agreements such as the Canada-Colombia FTA, the Canada-E.U. FTA, a Canada-India FTA and a Canada-Ukraine FTA have much potential. Korea, however, is crucially important to us. Without free access to the Korean market on terms similar to those which Korea has negotiated with our competitors, Canadian pork will not only lose out on very attractive growth opportunities in excess of \$300 million a year, but our current exports to this very attractive market will be in jeopardy.

As you are no doubt aware Canadian hog producers are coming off several years of disastrous results. We certainly appreciate everything your Government has done for us to help hog producers to cope and adapt to these bad times.

The strong dollar and high feed costs continue to be very problematic for us and access to the U.S. market has been impaired by the U.S. Mandatory Country of Origin Labelling regulations. Canadian hog producers and pork processors are very export dependent. We need all the market access we can get. And we cannot afford to give up any that we have.

To suggest that the negotiations with Korea are on the back burner is an understatement. They have been in a coma for two years. Canada is the second largest exporter of pork to Korea. Our

best year was 2007 when exports were 65,734 tonnes valued at \$127,574,674. In 2010, we exported 55,162 tonnes worth \$99,440,695. These exports and the jobs they support are at risk.

Korea has negotiated FTAs with Chile and the European Union. Both are important competitors for Canada. The Korea-United States Free Trade Agreement should receive Congressional approval in the next few months.

The U.S. is the largest exporter of pork to Korea. U.S. exports in 2010 were 80,000 tonnes. The American Meat Institute predicts that Korea-United States FTA will lead to annual exports of 600,000 tonnes – twice exports to Japan and more than 7 times current exports to Korea.

Iowa State University economist Dermot Hayes, predicted that by the end of the FTA phase-in period, total U.S. pork exports to Korea will be worth \$870 million. Conservatively calculated, the FTA will generate an additional \$687 million in U.S. pork exports and would cause live U.S. hog prices to be \$10 higher per animal, when fully implemented, than would be the case if the U.S. lost an export market of this size. This increase in live hog prices would be realized even if both Canada and the E.U. implement FTAs with South Korea. Korea alone will absorb 5 percent of total U.S. pork production. When fully implemented, the FTA will create more than 9,000 new jobs because of increased pork exports alone.

Korea's current tariffs on imported Canadian pork are quite high at 25% for frozen pork and 22.5% for chilled product. The frozen pork tariff under the Korea-United States FTA will be eliminated by 2015. The tariffs protecting the much more lucrative chilled pork market will be phased out over 10 years.

It is this high value added chilled pork market that Canada so badly needs to expand our exports.

Important Korean customers have been booking future contracts with U.S. suppliers in anticipation of the Korea-United States FTA being approved. Because the free trade negotiations between Canada and Korea are stalled there is no such basis for booking future business with Canada.

The Korean market is very price sensitive. A tariff advantage of just a few points will shift business. For example, Chile concluded its FTA with Korea in 2004. Chile's exports of frozen pork have tripled in quantity since their FTA with Korea went into effect. Chile is now the number three supplier to Korea.

We are concerned about being in the position with Korea that our U.S. competitors claim they could be with Canada having ratified an FTA with Colombia before the U.S. does. They are pulling out all the stops to catch up. Washington has the size and clout to do this – our concern is that if we lose the Korean market, there will be no way to recover it.

Without FTA access, Canadian pork will quickly lose its existing position in Korea. This damage will be compounded by an inability to supply increased Korean demand due to the recent discovery of Foot and Mouth Disease and famine in North Korea. Korea needs our pork to meet

these structural and emergency problems. But, we will not be able to compete when others have better tariff access.

We do not want to get caught up in strategic standoffs with other Canadian stakeholders who may be advocating that Canada NOT sign a free trade agreement with Korea. Canada has important industries that can successfully compete to supply this important increasingly affluent market of 49 million Koreans. Clearly there is an urgent need to get back to the table and to secure for Canadian pork producers and processors the improved access which we have been waiting for since 2004. A successful Canada-Korea FTA has been and is the most important element in the FTA program for the pork sector.

There is a better and more pragmatic approach to help conclude these negotiations with Korea than each side waiting for the other to move. The problem areas for Canadian industries could be carved out and set aside for further discussion and negotiations within the context of the Ministerial consultation mechanisms of a Canada-Korea FTA. Mexico has used this prudent and effective approach to advantage in its own FTA negotiations.

There exists now a major window of opportunity for Canadian pork exports to Korea. It is not a very long term opportunity and if the window slams shut, the problems besetting Canadian hog producers, pork processors and exporters will continue and will be seriously exacerbated. Without free trade we will be on the outside looking in as American, Chilean and European competitors take away our important market share.

President Obama was very actively involved in obtaining closure on the Korea-United States FTA negotiations. We have been knocking on doors and talking to everyone who will listen to us for several years about the importance of closure with Korea.

We normally would not bring this issue to you, Prime Minister. We have no choice. We need your help – we need the completion of these negotiations to become a matter of high priority.

We cannot rely on hopes of a successful Doha Round or global market growth to provide the markets we need so badly. Hope is not a sound business strategy.

Please instruct your negotiators to arrange to resume negotiations with Korea and to harvest everything possible as matter of urgency and to establish a new mechanism to resolve outstanding issues as quickly as possible.

Sincerely,



Jurgen Preugschas  
Chair, Canadian Pork Council

Edouard Asnong  
Chair, Canada Pork International

Brian Read  
President, Canadian Meat Council