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U.S. COMMERCE DEPARTMENT DECISION ON SUBSIDIES AFFECTING CANADIAN LIVE SWINE AND FRESH, CHILLED OR FROZEN PORK

The Minister for International Trade, the Honourable James Kelleher, expressed concern today over a U.S. Commerce Department final determination which could result in the imposition of countervailing duties on Canadian imports of live swine and pork.

On June 11 the Commerce Department announced its decision that federal and provincial stabilization payments, as well as certain other government programs, provide subsidies in the amount of 2.6 cents (Cdn.) per pound to Canadian exports of live swine and 3.27 cents (Cdn.) per pound to exports of pork. In addition, a new bonding rate which reflects the most recent data on payments made, has been set at 4.4 cents (Cdn.) per pound on live swine and 5.5 cents (Cdn.) per pound on pork.

Minister Kelleher said: "I am disappointed that the U.S. Commerce Department has made such a finding in respect of our price stabilization programs. The intent of the programs is to provide a degree of income security for farmers without distorting the marketplace.

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The decision that stabilization payments also confer a subsidy on producers of fresh, chilled and frozen pork has important implications for our trade in agricultural products and we will be reviewing this decision closely in the light of U.S. obligations under the GATT".

Mr. Kelleher noted that the U.S. International Trade Commission will decide by July 25 whether Canadian imports have in fact caused material injury to the U.S. industry. However, until then Canadian exporters of live swine and pork will be required to continue to post bonds to cover the provisional duty liability. Minister Kelleher said, "there is no doubt that today's decision will continue to cause serious disruption and financial hardship to our farmers and meat packers".

The U.S. Commerce Department has been investigating a petition by the National Pork Producers Council that the Canadian federal and provincial governments are providing subsidies to producers of hogs and fresh, chilled and frozen pork in Canada and that Canadian exports of such products to the U.S. have materially injured the U.S. industry. The U.S. petitioners are seeking countervailing duties to offset the benefit of these alleged subsidies. The main issue has been whether federal and provincial stabilization payments to live swine producers are countervailable subsidies in the view of the Commerce Department, and whether or not these payments also constituted a benefit to pork production.

The final resolution of this investigation now hinges on the determination by the U.S. International Trade Commission of injury to the U.S. industry. It is the Canadian position that the economic problems of the U.S. industry are caused by market conditions, including the high value of the U.S. dollar, and not Canadian Government programs assisting Canadian live swine producers.