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U.S. COMMERCE DEPARTMENT PRELIMINARY FINDING
ON SUBSIDIES TO CANADIAN LIVE SWINE AND
FRESH, CHILLED AND FROZEN PORK

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

On March 27 the Commerce Department announced that federal and provincial stabilization payments, as well as certain other government programs, provide subsidies in the amount of 5.3¢ per lb. (Cdn.) to Canadian exports of live swine and fresh, chilled and frozen pork products. As a result, Canadian live swine and pork will be subject to a bonding requirement by U.S. Customs to cover this preliminary countervail liability. The specific rate of 5.3¢ per lb. converts to approximately 7-8% ad valorem for live swine and 4-5% for major pork cuts.

Minister Kelleher commented that, "I am very 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. We will have to study carefully the Commerce finding to see on what basis it has reached this subsidy determination.

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

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Minister Kelleher went on to note that this preliminary determination of subsidy could be modified or reduced when it is finalized. If significant subsidies are found in the final determination due by June 10, the U.S. International Trade Commission will decide by July 25 whether Canadian imports have caused material injury to the U.S. industry and, if no injury is found, the case would be terminated. However, until finalized, Canadian exporters of live swine and pork will be required to post bonds to cover the provisional duty liability. Minister Kelleher said, "there is no doubt that this interim finding will cause serious disruption to a major Canadian export to the U.S of vital importance to many of 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. While there are a number of federal and provincial programs under review, the main issue is 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 constitute a benefit to pork production.

In conclusion, Minister Kelleher indicated that Federal Officials will be meeting with the Provinces and the Canadian industry in Ottawa shortly to consider Canada's response to this preliminary determination. Minister Kelleher stated that "we are determined, with the continued co-operation of the Provinces and the Canadian industry, to turn back this serious threat to two vital Canadian exports".