PHOTO BY MARTIN SCHWALBE

LEFT:
Ken McEwan

ASRA a key factor in Quebec's pork success story

That's apparent from a study examining the effects of the province's agricultural stabilization program, which has cushioned Quebec producers against the price squeeze

BY KATE PROCTER

With Ontario pork producers battling to remain in business, researchers have started to look eastward at their colleagues in Quebec. Ken McEwan and research associate Randy Duffy have been studying the Assurance Stabilisation des Revenus Agricoles (ASRA) program in order to determine how it has affected Ontario producers.

"The expansion of the Quebec pork industry has been a huge success story. The low-slung safety net has made a huge contribution to this success," says McEwan, production economics and agribusiness researcher with the University of Guelph, Ridgetown Campus.

McEwan has studied a number of statistics relating to the program to determine if ASRA has caused an unlevel playing field to evolve. He has looked at estimated cost of production, net returns, wholesale price of pork, interprovincial trade and market price over time.

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The program, which has been in place since 1978, has been expanded over the years to include more commodities and has provided income stabilization to most non-supply managed sectors in times of financial need, explains McEwan.

ASRA uses a cost of production formula, which has resulted in considerable debate regarding what is included or excluded. It allows value for a farm operator's labour at an industrial wage rate. Payments to pork producers, since this program covers other commodities, are triggered when the Quebec price for live hogs falls below the support price and the producer receives the difference.

The program was intended to be revenue neutral with producer contributions expected to come close to matching government payout. However, this has not proven to be the case. "There have been substantial contributions from the Quebec government over time," says McEwan. "Over hundreds of millions of dollars worth," to the pork industry.

While the entire Quebec supply chain has gained from the program, producers have benefitted the most, says McEwan. "Money has trickled out to the swine sector for the past two to three decades," he adds. There is also evidence to show the Quebec processing industry has been able to take advantage by slightly under-bidding the fair market value for hogs.

As market prices have continued to remain low for Ontario producers, the issue of Quebec farm support has become highlighted. McEwan has found that the average market price in Quebec has been $2.41 per one hundred kilograms lower than in Ontario for the period from June 8, 2000 to Oct. 17, 2009.

The program has brought stability to producers over the past decade. The total number of producers and total production in Quebec has seen fewer dramatic changes than the industry in other parts of the country. In addition, the net farm income from 2001 to 2007 on hog and pig farms in Quebec was higher with a lower level of assets, which translates to higher return on investment.

"It is really tough to get at this issue because Ontario trades live animals to Quebec and gets pork back," says McEwan. At times, Ontario has benefitted from Quebec's slaughter capacity. This makes it difficult to determine if Ontario receives a net benefit from the system.

However, it is in Ontario's interest for Quebec to lower the safety net so that the producers there must respond to appropriate market signals like everyone else, he adds. P

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