

On the Banning of Meat and Bone Meal in Ontario Swine Rations

A CFFO Advisory

1. Introduction

The banning of meat and bone meal (MBM) in rations for Ontario slaughter hogs has raised some significant issues for members of the Christian Farmers Federation of Ontario¹.

2. Initial Concerns

The members of CFFO's Pork Producers Committee reacted with concern to the announcement last year: *"that effective March 1st, 2004, hogs marketed for slaughter by Ontario producers must be meat and bone meal free from birth."*

It raised a number of immediate questions for us:

1. Will all the participants in the pork value chain implement the new standard consistently?
2. Are processors committed to MBM free pork for 100% of product lines? Will they, for example, stop sourcing hogs from jurisdictions that are not MBM free (Quebec)?
3. What assurances do producers have that their efforts to provide MBM free pork will be compensated and not undermined by others in the pork value chain?

3. Deepening Concerns

Since then the concerns have both deepened and shifted:

1. Is differentiation between pork value chains a good thing?
2. Have our consumers asked for MBM-free pork?
3. What about producer choice?
4. Are value chains being treated as supply chains?
5. Is there still a market for generic pork?
6. What role has market concentration played in this development?
7. What is the appropriate role of science in these issues?
8. What do these developments say about the role of Ontario Pork?

These questions do not arise out of any reluctance to implement the proposed MBM ban. CFFO members have examined the broader implications of the ban. We have concluded that there are a number of reasons for reconsidering the ban.

4. Differentiation in Pork Value Chains

It is our assumption that the decision to take MBM out of rations of all hogs marketed for slaughter was in part a response to the slaughter capacity of Maple Leaf Pork -- 45,000 pigs per week. Had a much smaller processor of 5,000 or 10,000 pigs per week proposed to

¹ CFFO's Pork Producers Committee has prepared this document. This is a CFFO member think tank that meets about six times per year to discuss current issues in the pork sector. CFFO is an accredited general farm organization with about 4,500 members involved in all commodities and known for its commitment to the family farm and stewardship. Visit www.christianfarmers.org for details.

differentiate a value chain based on MBM-free rations or another production factor such as “free range” pork those involved would simply have been allowed to work at developing their value chain. The issues for the sector as a whole would not have been so obvious and they may well have been ignored in the press of all the other issues that need attention. The size of Maple Leaf Pork’s market share raised the question: Is differentiation between pork value chains a good thing?

We recognize that effective participation in today’s marketplace often requires differentiation. We are not aware that consumers have asked for MBM-free pork and doubt that it warrants the development of a differentiated value chain. Nevertheless, we accept that differentiation as a concept is a worthwhile marketing tool and it is OK for participants in the pork sector to try to develop value chains.

However, this kind of differentiation brings into focus questions about the structure of value chains, producers’ participation in them and the role of Ontario Pork. Are processors attempting to reduce a value chain to a supply chain? Can farmers be forced to participate? Should Ontario Pork support differentiated value chains, encourage them or try to manage them in any fashion?

5. Producer Choice

We are skeptical about a value chain based on MBM-free rations earning a consumer premium. That does not mean that processors should not be allowed to try. Perhaps MBM-free along with a number of other factors can develop a premium brand over time. The key issue for us is: Should producers be forced to participate in the effort? We say, “No.”

Our primary reason for saying no is producer choice. We know that taking MBM out of rations will add costs. We think the likelihood of earning a consumer premium is slim. Participation should be voluntary for all producers, including those with contracts to deliver to a specific processor. Processors should renegotiate all contracts under these circumstances. Some farmers may be willing to sign onto this endeavour without financial guarantees. Many of us are not.

How this circumstance is handled sets a precedent. We could face many unilateral decisions by the processing sector in search of branding or market share. For example, Maple Leaf Pork is promoting a new identification system based on DNA tests. This too could be a useful factor in developing a premium brand. Our participation should be voluntary and contract changes negotiated. Processors should have an expectation that they will need to pay producers more to win their participation.

In the long-term, producer choice means changes in value chains driven by processors need to be paid for by processors at a number of levels: the education, the new technology needed, the more sophisticated management practices and the additional operating costs.

6. Value Chain Versus Supply Chain

There are additional reasons for saying no. In this instance, Maple Leaf Pork has treated the pork value chain like a supply chain that it owns. This is unacceptable in a sector that is made

up of dynamic entrepreneurs. For us, it has confirmed questions about the role and merits of the contracts that have emerged in the sector. It appears that contracts can be used to erode the role of farmers in the value chain. This incident has highlighted the fact that the marketplace clout of various players in the pork value chain need to be rebalanced. CFFO is interested in exploring ways, legislation included, to protect farmers' financial and management interests when they make contractual arrangements with others in the food chain.

7. Mixed Messages and New Costs

We note that Shurgain Feeds is promoting a dry sow supplement made up of all kinds of protein sources, including meat meal (Maxum LE 20% Sow Supplement 400). It is being promoted for both dry and nursing sows and was developed by Maple Leaf Agresearch. Farms that participate in the MBM-free branding for slaughter hogs but have sows on this supplement will be sending a mixed message that we cannot expect consumers to understand or appreciate.

The promotion and existence of this product (Maxum LE 20% Sow Supplement 400) creates practical problems for the MBM-free brand. On farms where weaning happens at 4 weeks, piglets are likely to take an interest in the sow's feed and nibble. On farms with mixmills or scales and on farrow to finish enterprises the possibility of cross contamination between sow feed and feeder hog feed is an issue.

Banning MBM from slaughter hog rations will have an impact on the dead stock and offal sectors. This will translate into higher costs for dead stock management and more risk of environmental short cuts. Also, without a competitor, soybean meal prices will be higher than normal.

These problems add to our reluctance to be part of a mandatory MBM-free agenda.

8. Branded Versus Generic Pork

We accept that consumers of food do not always make their purchases based on nutrition or value for money. Sizzle and hype, trust and a farmer's face on it, all play a significant role. Whereas farm production is rooted in sound management practices and good science, branding strategies are more likely to be based on focus groups and consumer surveys. Changing farm management practices and reducing the importance of good science in response to what could be a fad poses high risks for the long-term public appreciation of on-farm practices. The practices involved in the production of bulk undifferentiated commodities must be sound. No management or science case has been made for the removal of MBM from pork rations. Removing MBM may provide a market opportunity – this processor initiative may demonstrate market relevance. But a branding agenda is not a good basis for a complete ban on MBM in pork rations. Our clear preference is for Ontario Pork to retreat from the ban on MBM in the rations of all hogs marketed for slaughter. For those interested in producing generic pork, the use of MBM remains a sound management practice and good science continues to support its use.

9. Differentiated Markets and the Role of Ontario Pork

Ontario Pork's decision to get involved with a ban on MBM in the rations of slaughter hogs raises questions about the role of Ontario Pork in the marketplace over the long-term. Getting drawn in was well intentioned – find a way for pork producers to be compensated for such an initiative. But it raises many more questions as noted above. For CFFO members, this issue has identified a number of areas in which Ontario Pork needs options to serve producers.

- Protect producer choice when others in a value chain want to make unilateral changes.
- Support the development of differentiated value chains, including the creation of alternative pools geared to unique value chains.
- Develop insight about producer involvement in value chains and the opportunities for participating in the benefits. Just participation does not guarantee that premiums paid by consumers will filter back to producers.
- Do more than take note of the fact that some parts of the food chain have become concentrated in a few hands. The market clout that this concentration creates needs to be balanced if we are to maintain a dynamic and entrepreneurial farm sector.

10. Conclusions

CFFO members expect processors to prove that there is more money available from consumers if slaughter hogs are MBM-free. Do not let them order compliance based on existing contracts – protect choice. CFFO pork producers will eagerly change if they are paid to make the change.

*Adopted
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Pork Producers Committee
Christian Farmers Federation of Ontario*