

**Evolving Comparative
Advantage of NAFTA
Countries in Livestock: Hogs**

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Feed supply

- Surplus or deficit
 - Basis (export or import)
 - Security of supply
- Access to food and fuel processing by-products
- Competition from other uses such as biofuels
- Acceptance of GMO grains and oilseeds
- Regulatory (e.g., licensing of new varieties)
- Phytosanitary regime impacts on alternatives
- Research motivations (role that grain exports play)

Animal Health and Food Safety

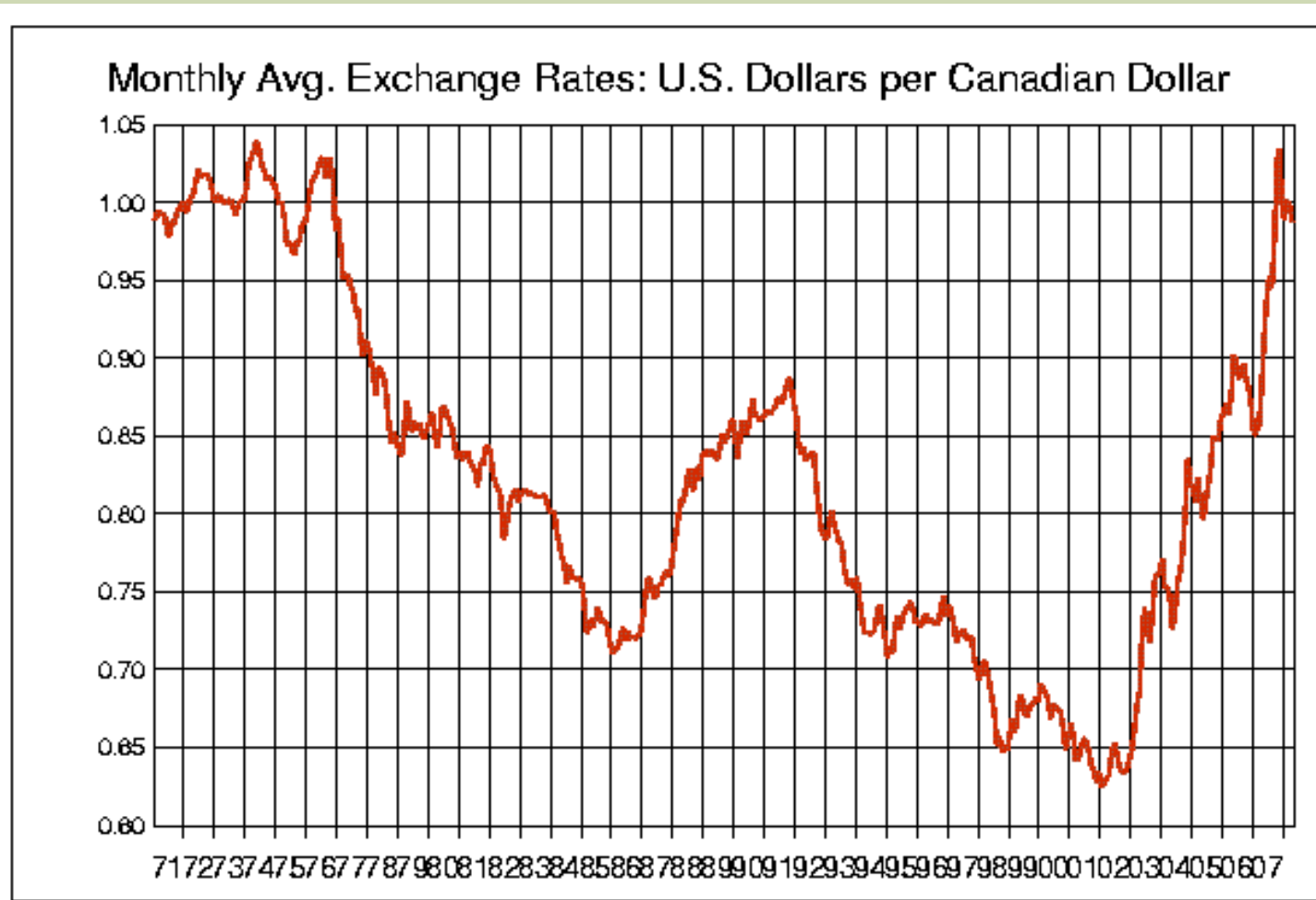
- Credibility of agriculture and food regulatory system
- Capability to create zones in the event of a foreign animal disease outbreak
- Number of bordering countries and animal health status of those countries
- Veterinary infrastructure
- Performance of veterinary drug and vaccine approval system
- Veterinary training (private practitioners as well as regulatory veterinarians)

Risk Management / Government Subsidies

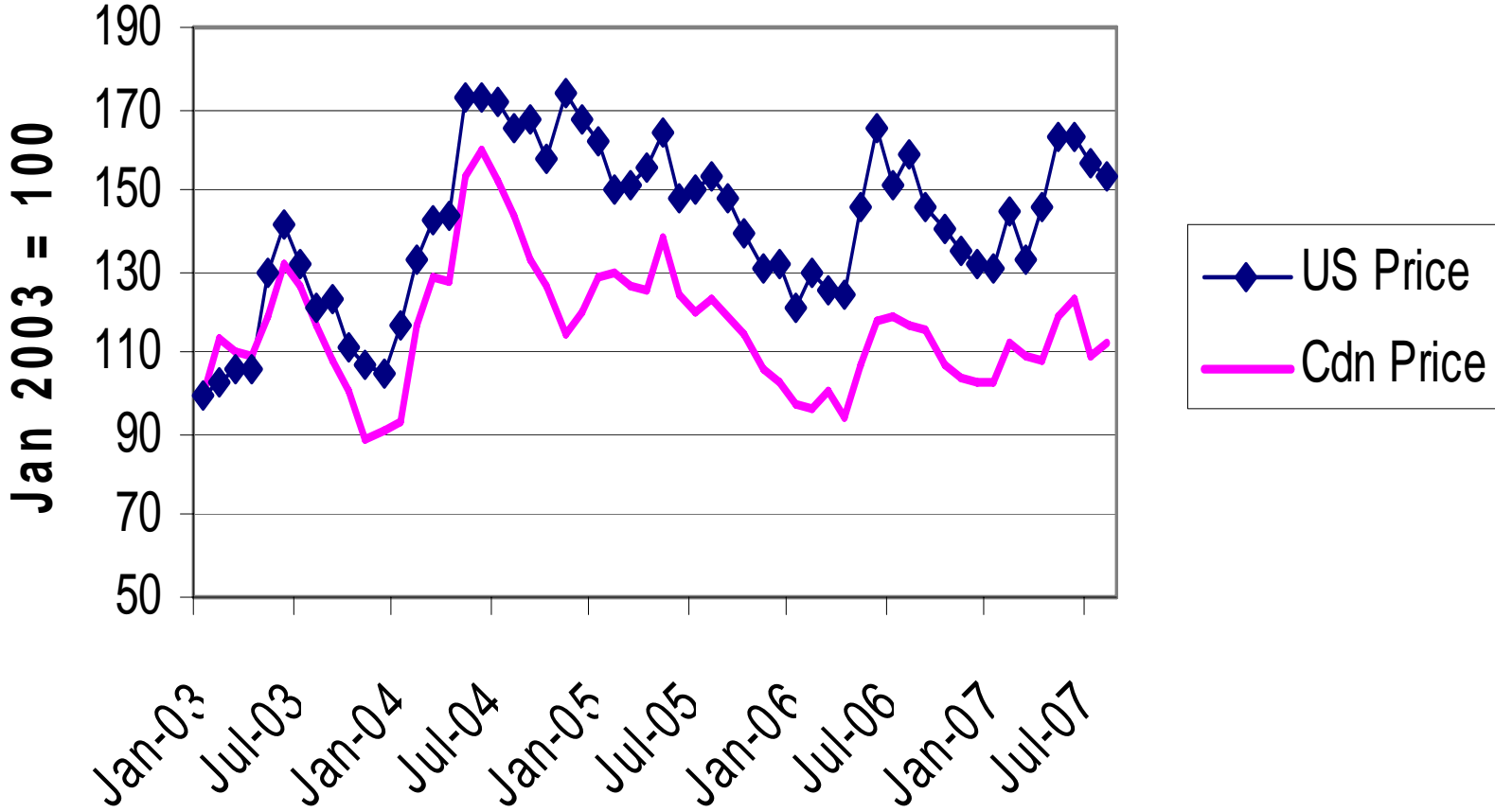
- Subsidy environment
 - Degree of neutrality in government policy between livestock and grain
 - Grain sector is a disproportionate beneficiary of US farm subsidies, while in Canada, is whole farm
- Availability of forward contracting, futures and options markets

Exchange Rates

- How rapidly currency changes is as important as magnitude of change



Canada/U.S. Price Comparison



Competitiveness Circumstances

- Opportunities to achieve economies of scale
 - Social acceptance of large farms
 - Land area to utilize manure
 - Environmental considerations
- Access to new products (e.g., vaccines) and genetics
- Acceptance of new technologies (e.g., genetically modified crops, animals)
- Legal system (IP protection)
- Labour (supply, foreign workers programs, training)
- Industry organization (ability to organize and self-deliver quality assurance, traceability, etc.)
- Country's GHG commitments (down the road)

Some Rough Guesses on How Regions Fare

	N.Am	S.Am	EUR	ASIA	OCEA
Feed Supply	+1	+2	-1	-2	0
Animal Health and Food Safety	+1	-1	+1	-2	+2
Risk Management & Gov't Support	+1	-1	+1	+1	0
Competitiveness Circumstances	0	+1	-1	-2	+1