

PDIC conference

How did it happen?

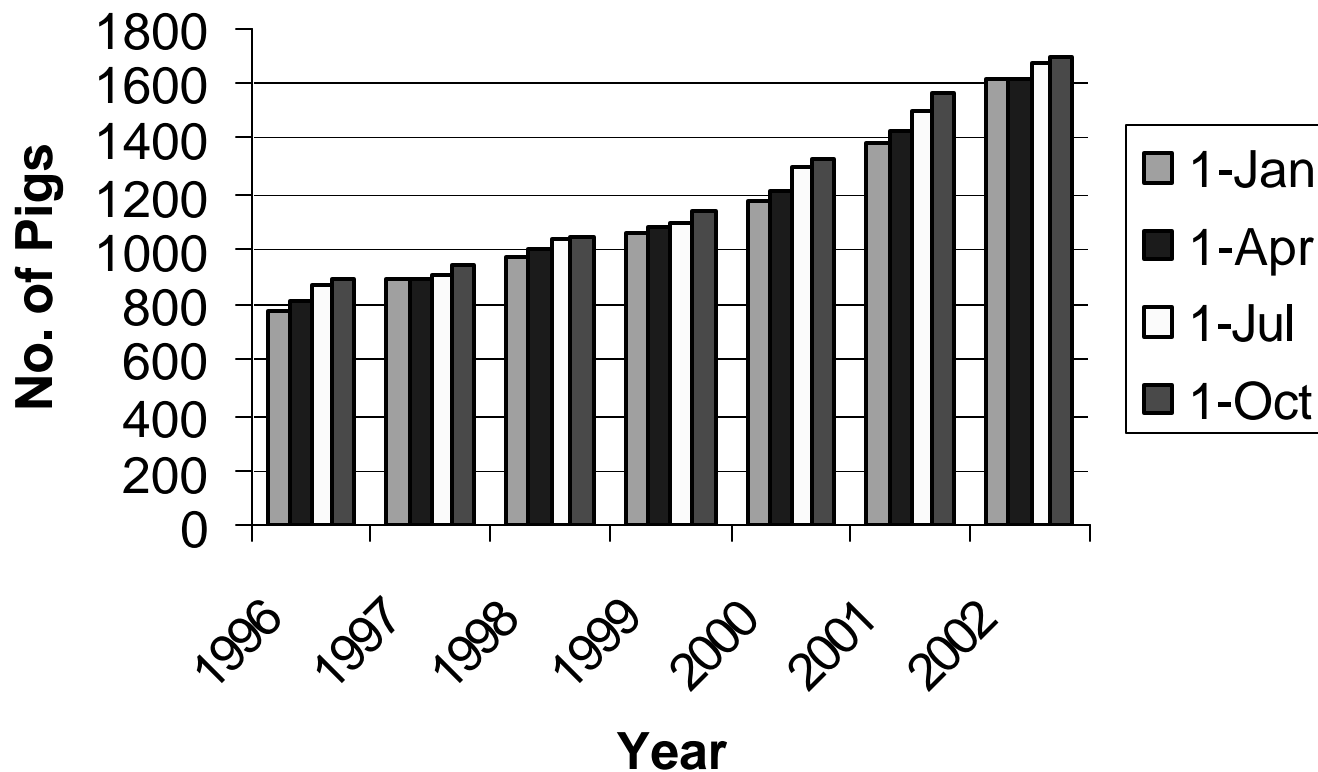
Marcel Hacault

Manitoba Pork Council

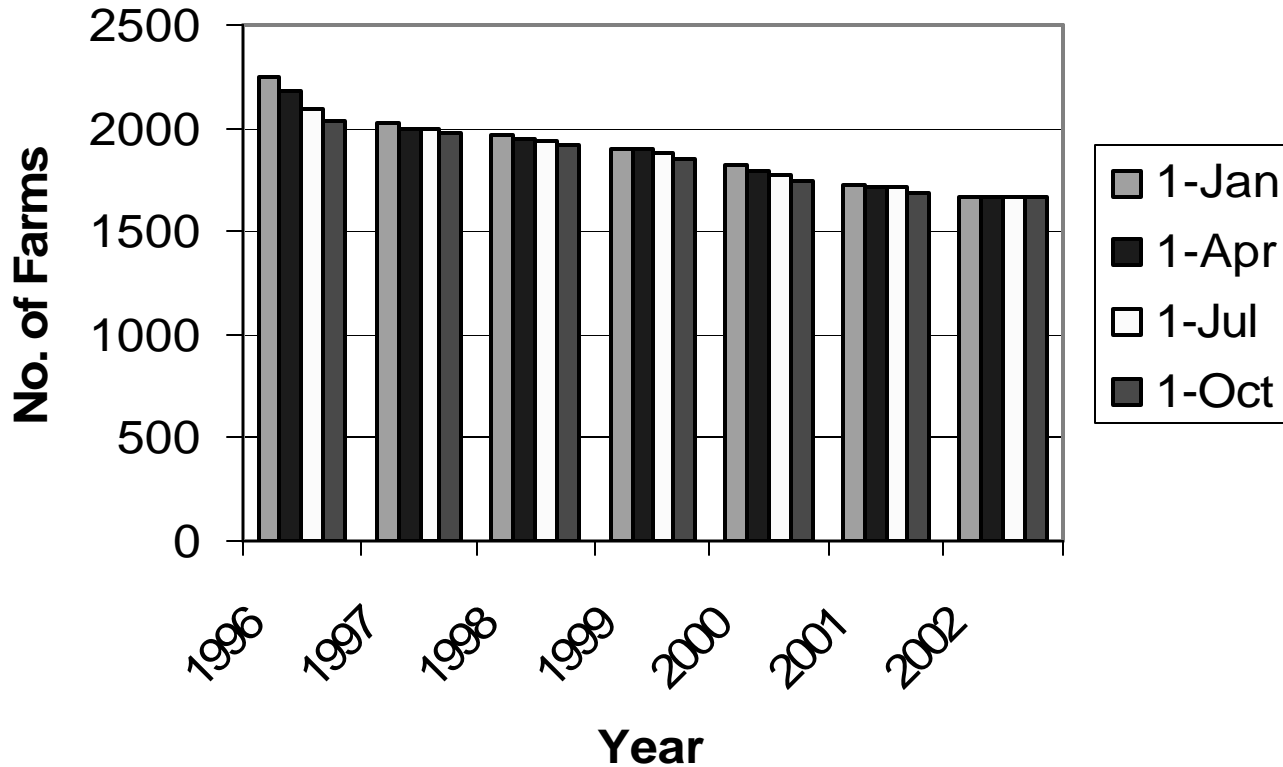
April 25, 2003



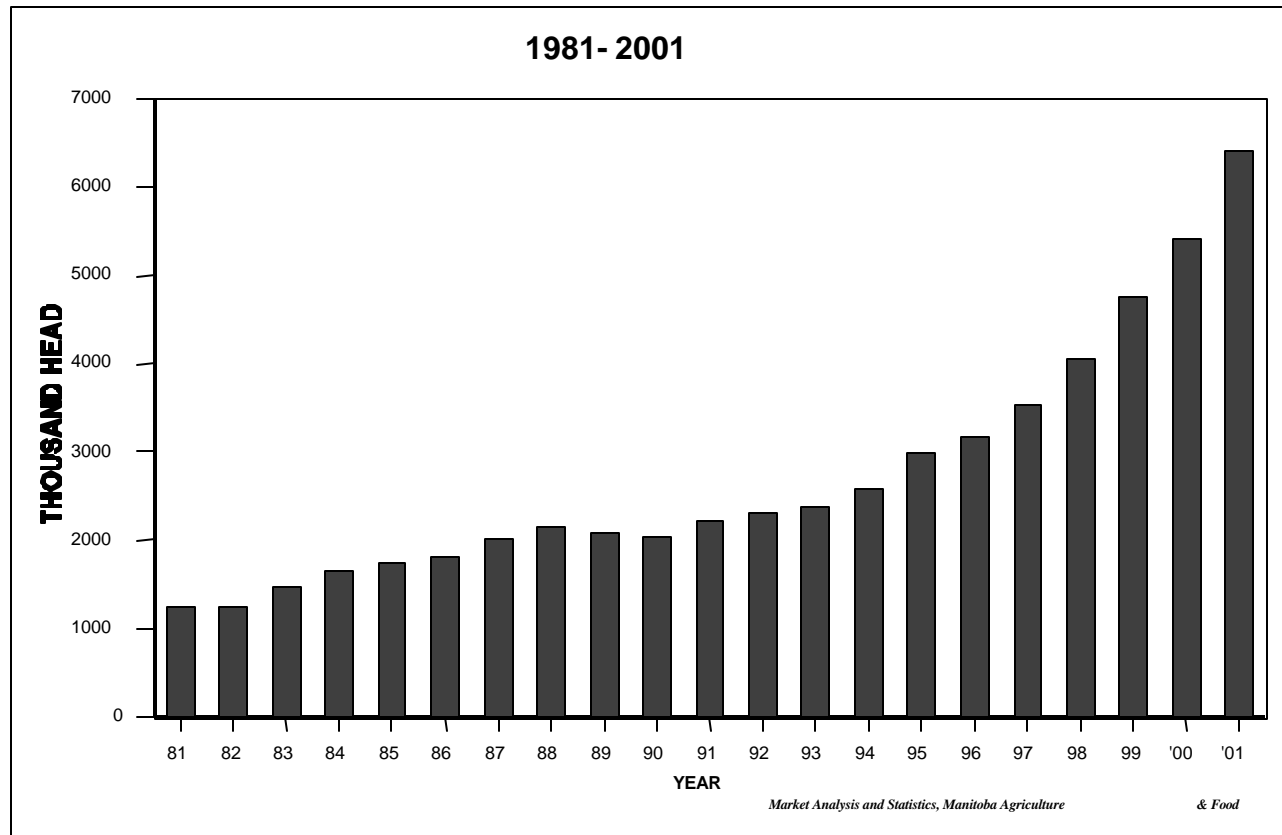
Average Number of Pigs Per Farm in Manitoba



Number of Pig Farms in Manitoba



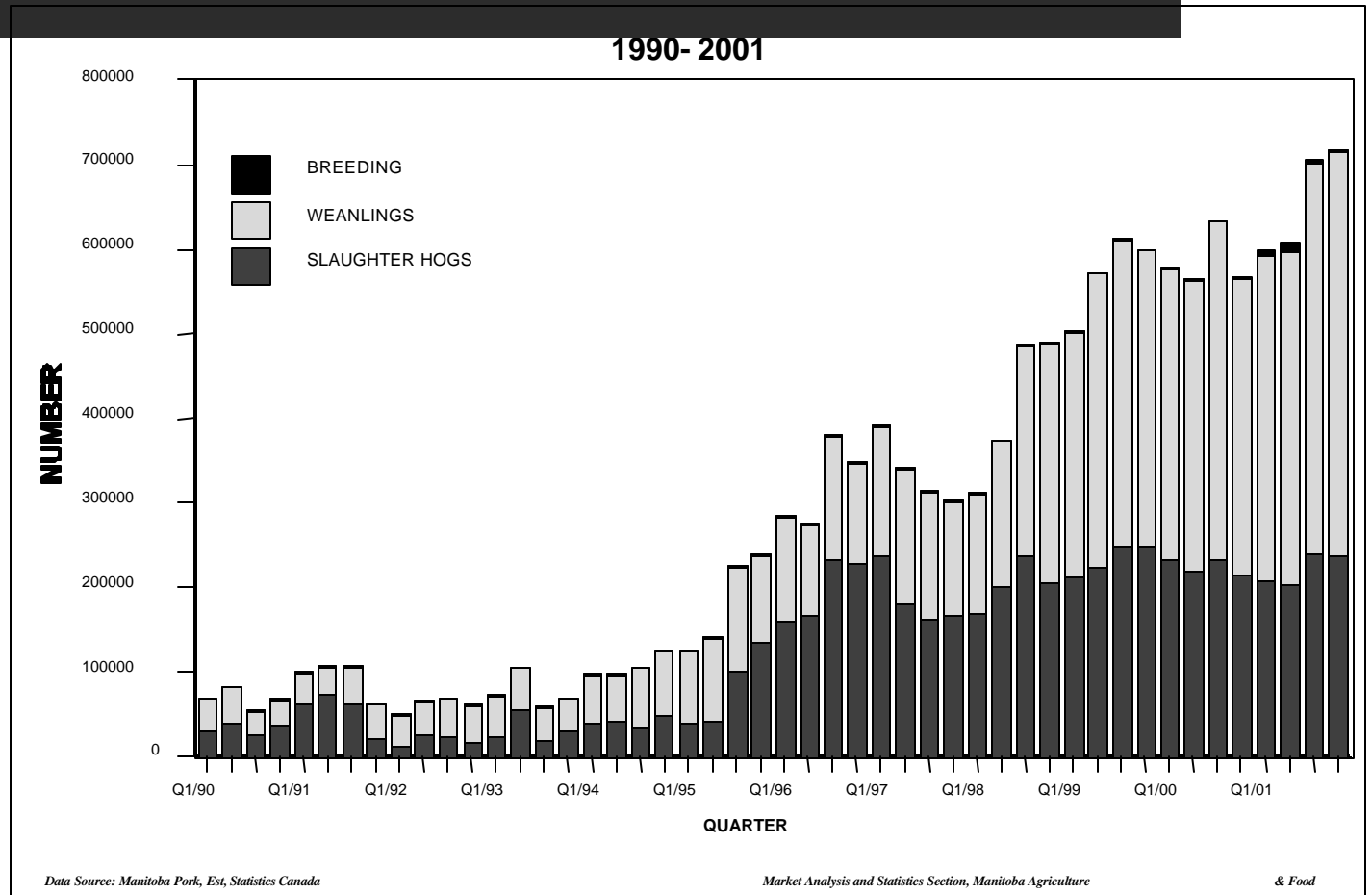
Manitoba Hog Production



Production

- 6.5 M pigs marketed (▲ 7.8%)
- 3.60 M hogs - MB origin slaughter (▲ 5.4%)
- 1.95 M weanlings exported
- 0.93 M hogs exported

Manitoba Hog Exports To USA By Quarter



Manitoba Processing

- Maple Leaf Foods Brandon 45,000 hogs/wk
- Maple Leaf Foods Wpg 17,500 hogs/wk
- Springhill Farms 20,000
- Max capacity ~ 6 million currently 4.7M
- 85% supply contracts

Manitoba Growth

- Weanling production
- Uncertain approval process
- Feed grain supply
- Cold weather, less disease
- COOL

Reliance on U.S.A.

- Soy, corn
- Equipment
- Surplus hogs
- Price discovery
- Weaner market
- Smithfields ownership in Sask Mitchell's
- U.S. investment in Manitoba barns
- Canadian investment in U.S. finisher contracts

How did it happen?

- Asleep at the switch
- Canada exports are 6-7% of U.S. market
- Little trans-border movement of hogs
- Production contracts in N.D. for MPL Brandon
- Strong demand for Canadian quality isoweans not met by U.S. suppliers

Traceability

- Is happening as we speak.
- MPL DNA project-market access
- Farm and animal ID- FAD, Food safety, animal welfare and environment.
- Goal should be to add value or to gain/retain market access.

The future with COOL

- Market advantage to poultry
- Less transparent pricing in Canada
- Larger U.S. packer interests in Canada
- More U.S. hogs imported to Canada
- Less market hogs exported to U.S.
- More Canadian pork replacing U.S. pork in exports
- Building on “Canada” brand in APF
- More case ready product

COOL Future cont'd

- Closure/reassigning of some U.S. plants relying on Cdn sources to maintain efficiencies
- Supply chain adjustments
- Forced integration of farmers into supply chains
- Segregation of product stream for food service trade and processed food items
- Liability implications of Product of Canada, raised and slaughtered in U.S. label