



Canadian Pork Council
Conseil canadien du porc

Evolution of the CPC Transition Plan and Update on Federal Government Response

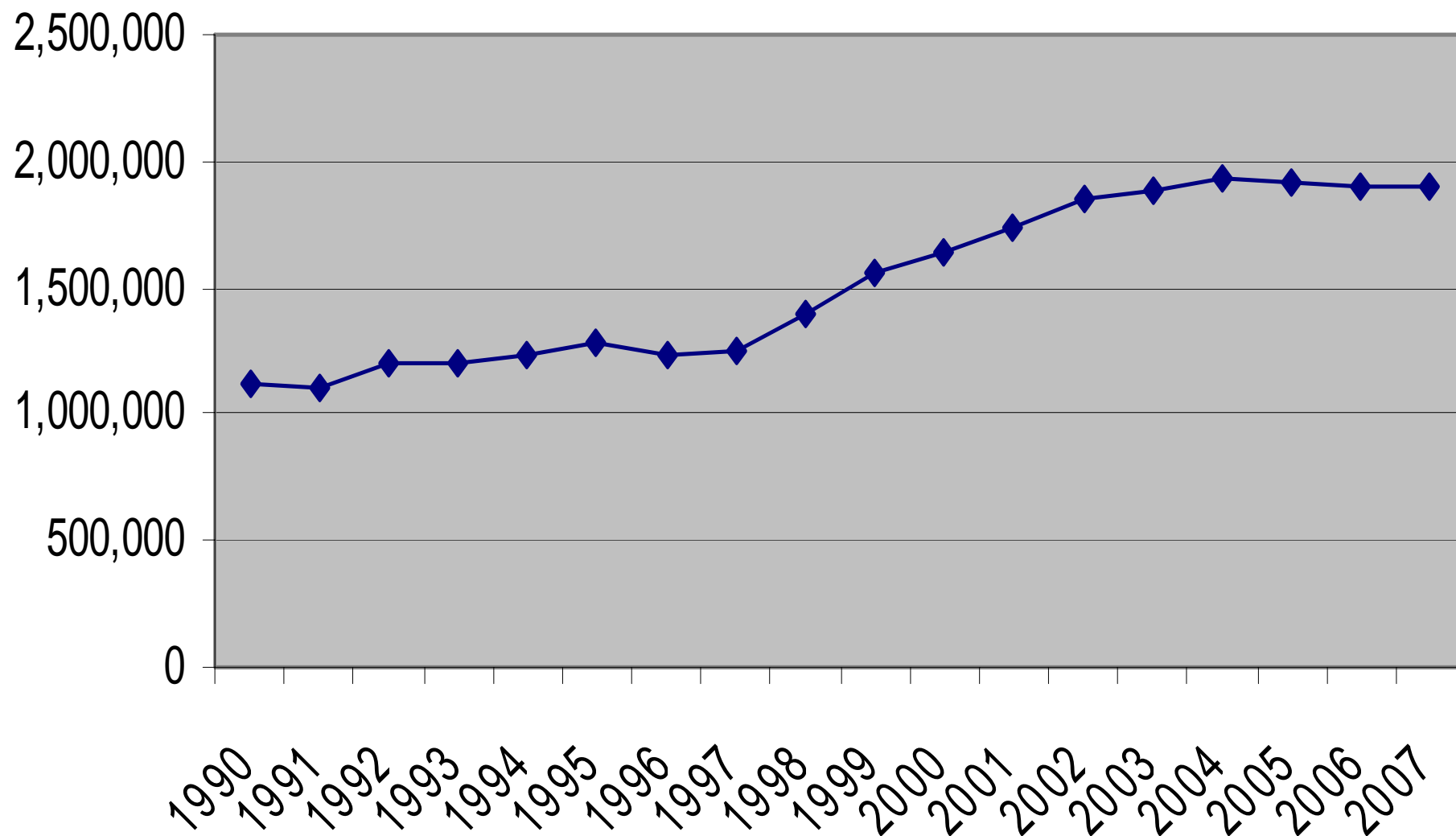
Martin Rice, Executive Director

www.cpc-ccp.com

Situation as of June, 2009

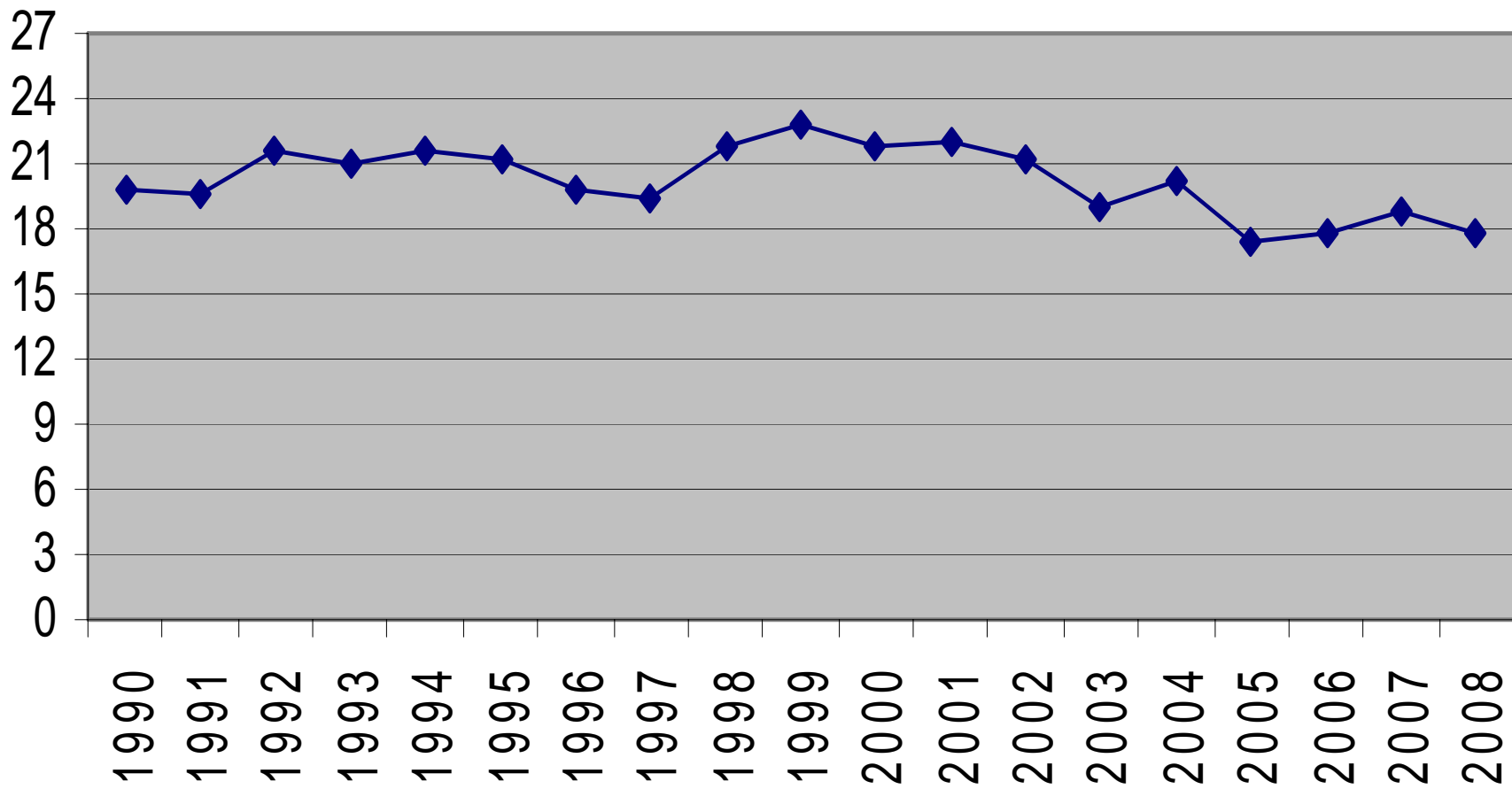
- 1. Canadian industry still reeling from cumulative impacts of high dollar, COOL, economic downturn, circovirus. To that has been added H1N1.**
- 2. After considerable debate and analysis, CPC formally requested cash payment of \$30 per hog marketed in 2008 (approximately \$800 million).**
- 3. No traction with either government or official opposition for such an ad hoc payment. Lots of questions but no answers.**
- 4. Move to transition plan track.**

Supply and disposition of food in Canada -- Pork Production (tonnes)

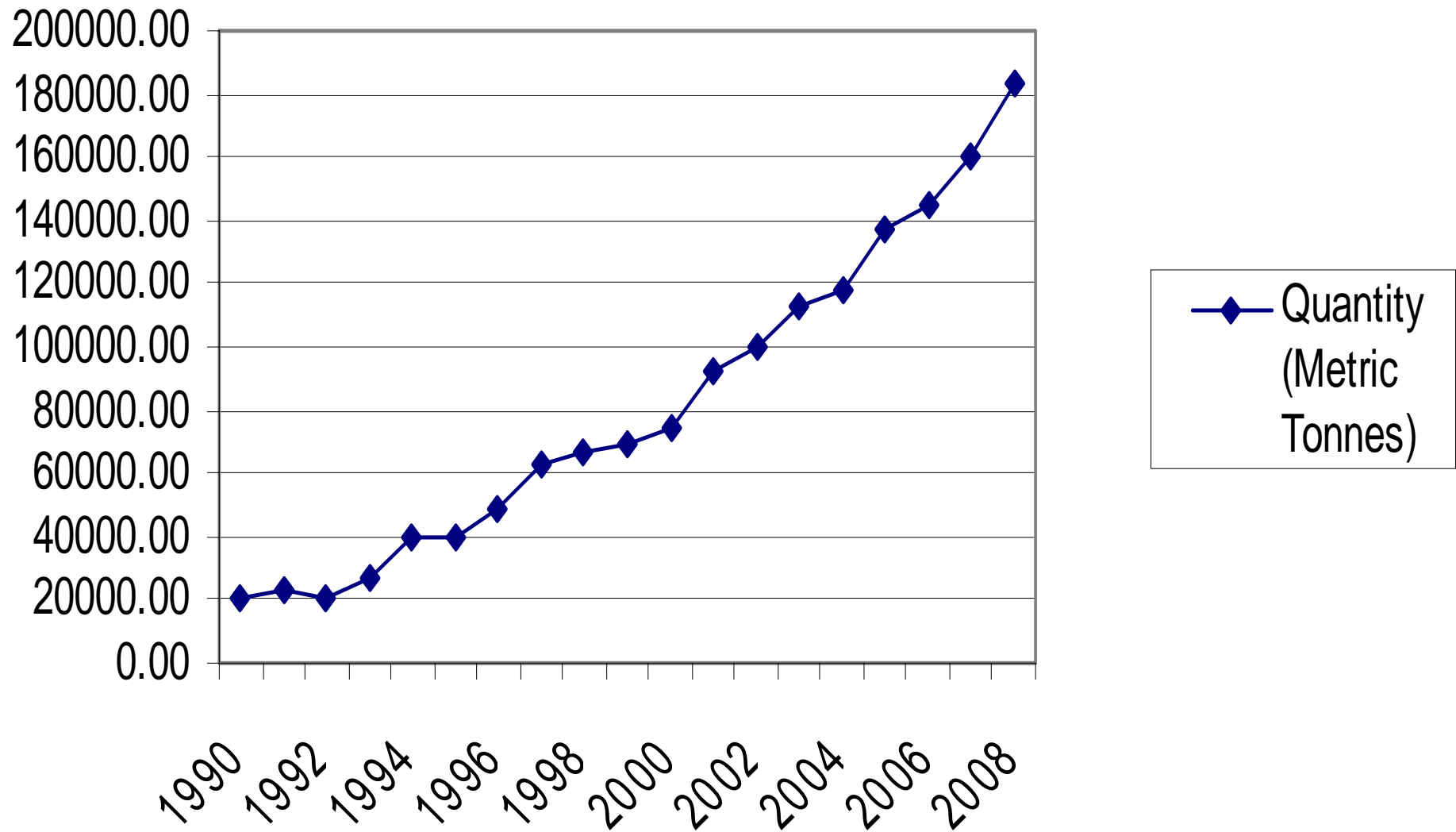


Per Capita Disappearance of Pork in Canada

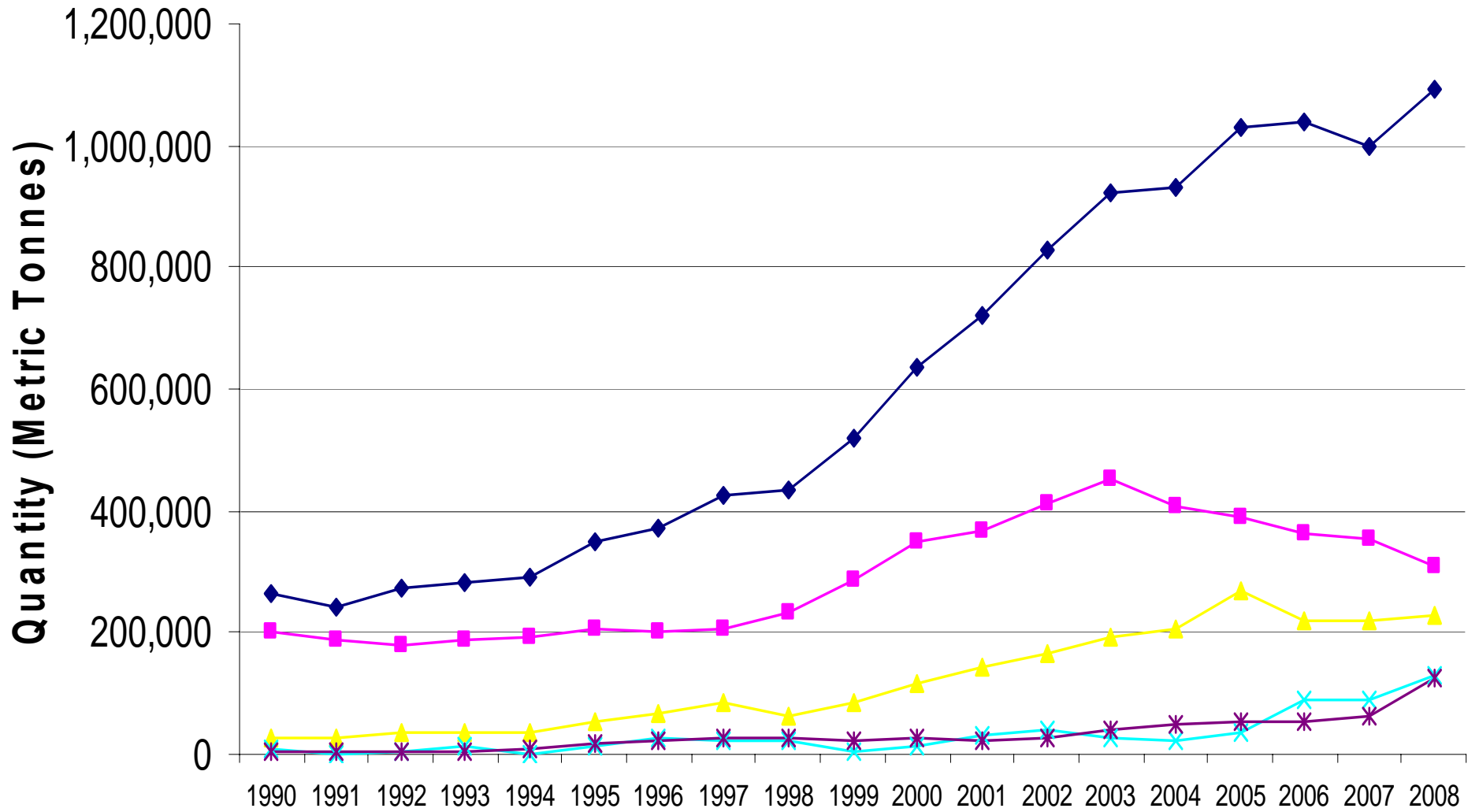
—◆— Kilograms/year



Total Pork Imports from all Countries



Exports to All Countries



◆ TOTAL: ■ United States ▲ Japan × Former USSR/Russia * China + Hong Kong

Trade: Canadian Pork Exports 2008 Ranked by Volume and Value

	Volume (% of total)	Value (% of total)
USA	28.06	30.45
Japan	21.07	31.33
Russia	11.85	10.51
Hong Kong	8.04	4.51
South Korea	5.90	5.07
Mexico	3.93	2.20
Australia	3.33	4.23
Philippines	3.40	1.68
China	3.25	1.72
TOTAL	1,094,544 tonnes	\$2.74 billion

Canadian exports are diversified

Increased diversification of export markets

- 1995: 52 markets
- 2008: over 100 markets

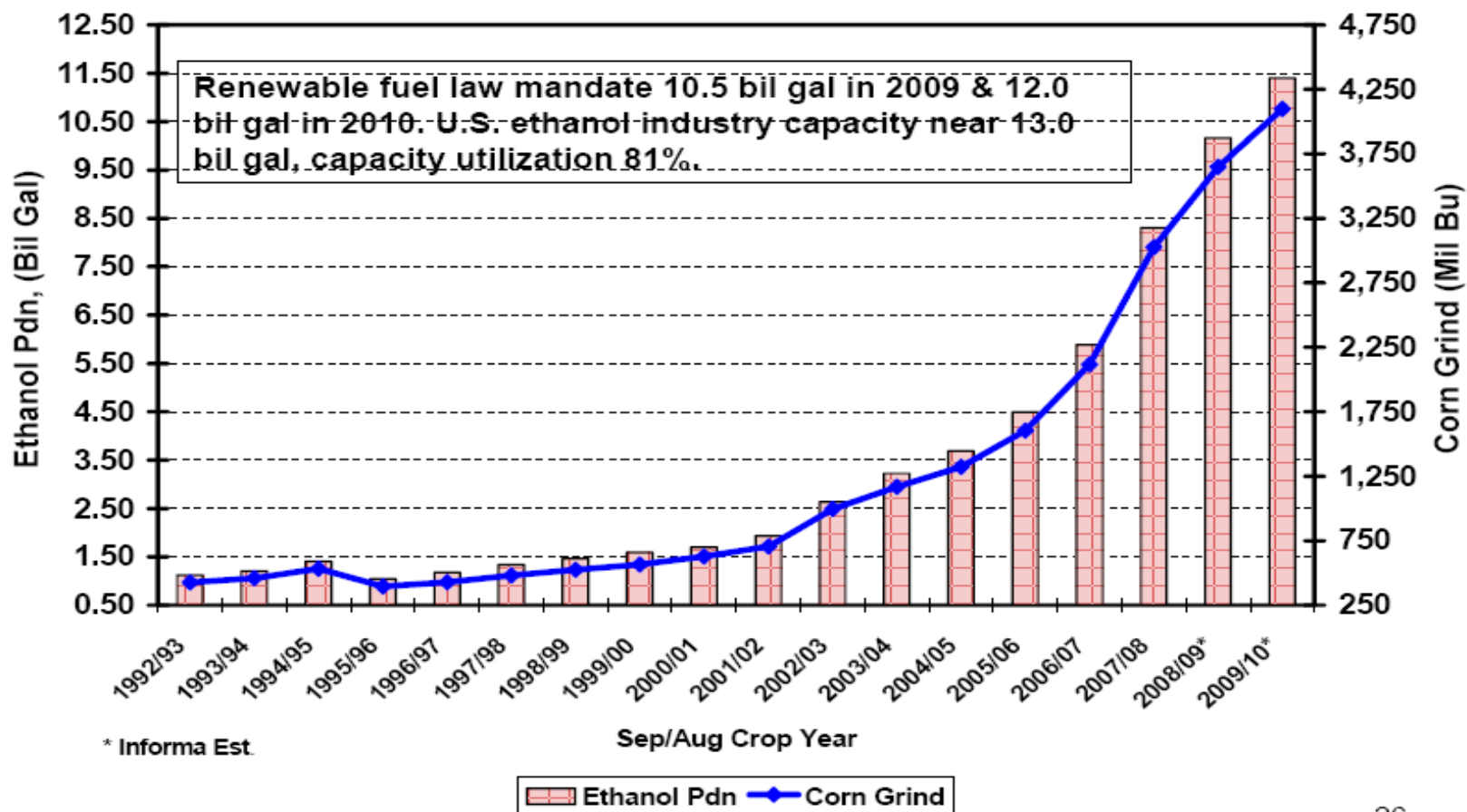
Reduced dependence on U.S. (for pork exports)

- 1990: 74.9% (by volume)
- 1995: 58.6%
- 2008: 28.1%

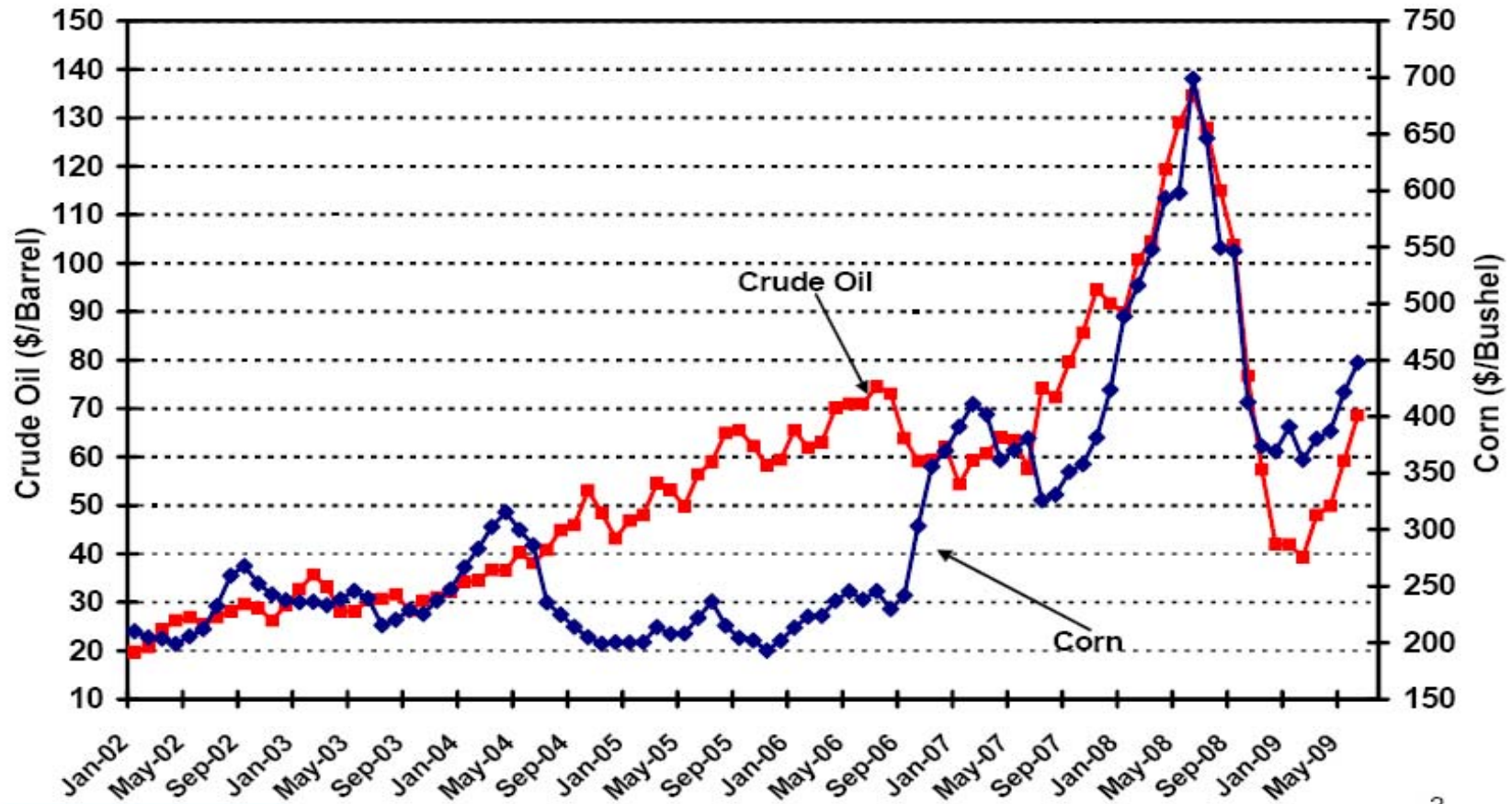
Still, top markets are the focus

- 75% of Canadian pork exports go to top five countries based on volume
- 82% based on value (U.S., Japan, Russia, S. Korea, Hong Kong)

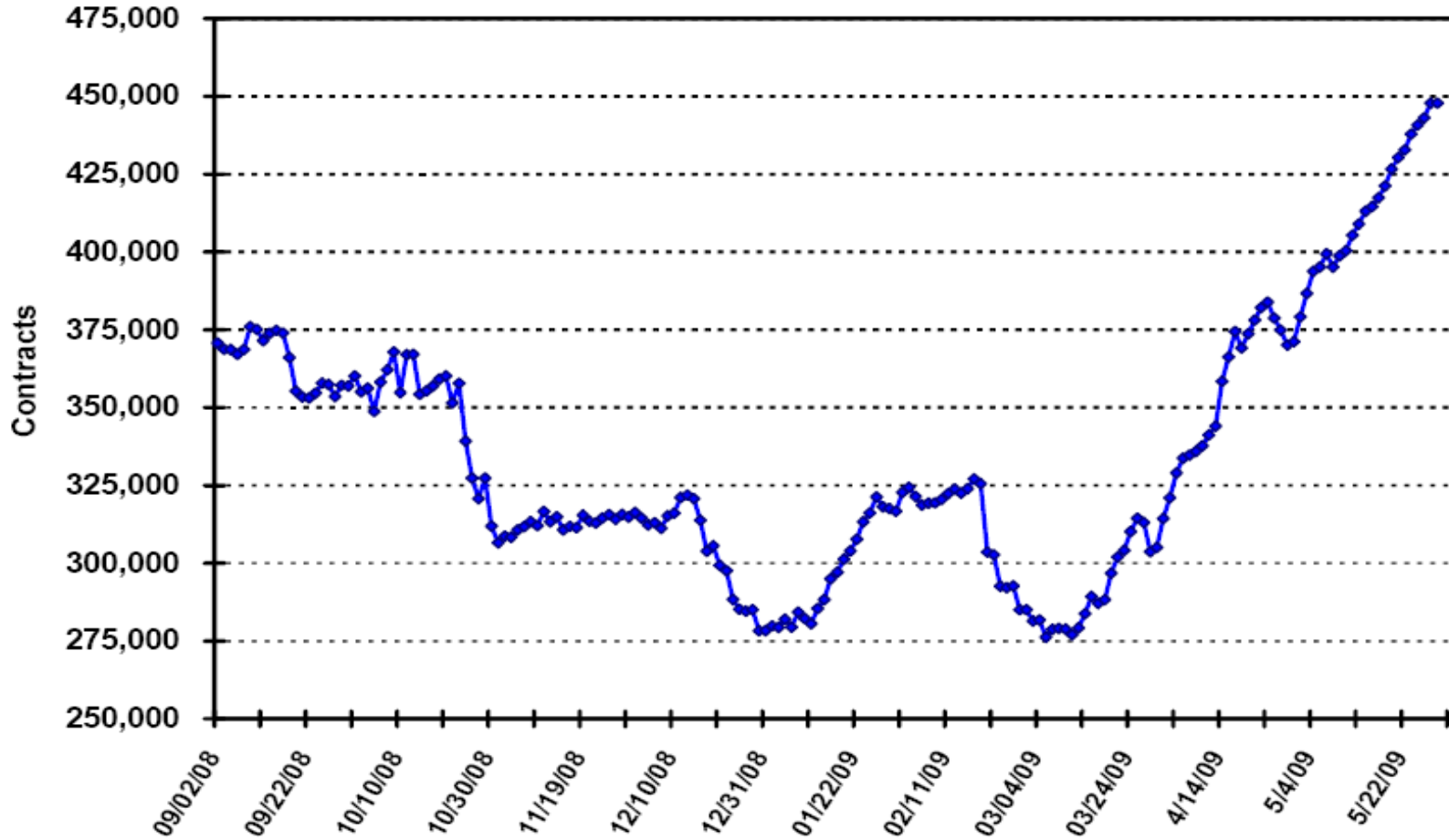
Corn Grind for Ethanol Production



Nearby Crude Oil Futures vs Nearby Corn Futures January 2002 - June 2009



Soybean Futures Open Interest



CPC Challenged to Paint a Picture for Longer Term

- **With outlooks for higher C\$, competition from biofuels for feed inputs, downward correction in expectations for China, Russia and other new big export markets, where does the Canadian industry think it can be a few years from now.**

▶▶ Transition Target

Anticipated industry situation in 2014:

- Domestic disappearance of Canadian produced pork at 730,000 tonnes, an improvement of 150,000 tonnes from 2008 (combination of import replacement and increased domestic consumption)
- Export of 4 million live hogs to the US – a reduction of 5.3 million from 2008
- Total pork exports of 1 million tonnes of which only 20% will be to the US
- Total domestic slaughter of 21.5 million – a reduction of 0.2 million from 2008
- A reduction in total production from 31 million in 2008 to 25.5 million pigs
- Domestic market share of 88% compared with 75% in 2008

The Current Situation

Hog farmers are currently losing approximately \$40 on every hog that is sold. Input costs are rising, prices are continuing to decline, and total farm debt ratios are escalating. Farmers today are likely in one of three categories:

- Those that would exit if there was a way to avoid total personal catastrophe
- Those that are barely managing to operate on farms that were not already heavily capitalized during the past decade; and
- Those that will take advantage of the transition period by acquiring additional cheaper assets and increase their scale.

CPC Ask

The Canadian Pork Council asked Minister Ritz and the federal government to:

- **Approve a special H1N1 Recovery Plan Loan;**
- **Agree to adjustments to the Advance Payments Program emergency advances; and**
- **Establish a Hog Farm Transition Payment Program.**

Federal Response

What we know today is:

Long-term loans with government-backed credit that financial institutions can offer to allow viable hog operations to restructure their businesses. These long-term loans will be provided at market rates. Producers with sound business plans will be able to access short-term credit for operating costs such as feed and payroll.

A Hog Farm Transition Program to allow producers to tender bids for the amount of funding they need to transition out of the hog industry and cease hog production for at least three years. This program will invest up to \$75 million to gradually reduce production and oversupply issues.

An International Pork Marketing Fund of \$17 million for market research, promotion and access initiatives to find new customers for Canadian pork products.

Thank you.

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