



August 17 2009

Open Letter to Canadian Pork Producers,

On behalf of the Canadian Pork Council, I want to thank you for your efforts over the past several months in response to our requests for your support in lobbying the federal government. Your grassroots efforts were much appreciated and we believe were highly instrumental in successfully telling our story to government representatives.

We understand many details surrounding the program are still outstanding and you no doubt have many questions.

The Canadian Pork Council is working closely with Agriculture and Agri-Food Canada and financial institutions to finalize the details of the Long Term Loan program and the Hog Farm Transition Program with a view to making federal funding available for these initiatives at the earliest opportunity.

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.

The financial situation of individual hog farms falls along a solvency continuum. For some, it's already too late and they are already in receivership. These programs, unfortunately, won't help them. For some, they're so close to that point, the long term loans won't offer any relief, but the Hog Farm Transition Program will.

For those farms with financial statements that won't support a successful application for the loan program, the Hog Farm Transition Program provides an opportunity to exit the hog business, maintain some equity and perhaps not have to leave their homes.

For others, the loans will provide much needed long-term capital to term out short-term debt and reduce the strain on cash flow long enough for the industry to restructure, market prices to improve and return positive margins.

The fundamentals of hog farming in Canada remain strong but the industry is suffering from a number of factors that have lead to serious liquidity issues. The three programs announced will further strengthen those fundamentals, help right-size the industry for future viability and encourage growth in demand.

No one expects these programs to maintain the status quo. We do believe, however, these programs will be very helpful in accomplishing what is needed for the industry to restructure and build a viable hog and pork production industry for the future.

Once again, the Canadian Pork Council thanks you for your efforts to date and for your patience as we work with Agriculture and Agri-Food Canada to establish all many details of these programs. Our goal is to bring the details and the programs to you as quickly as we possibly can. We will keep you fully apprised of developments as they occur.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jurgen Preugschas', with a stylized flourish at the end.

Jurgen Preugschas  
Chair