



Canadian Pork Council
Conseil canadien du porc

Monday, August 17, 2009

Dear Editor,

When you say hog producers will struggle with a tough decision, you are absolutely right. (Ottawa offers \$75 million to hog farmers to leave industry – August 15, 2009). But thanks to the federal government's comprehensive restructuring plan, many producers will at least have an opportunity to make some decisions rather than wait for them to be made for them.

Without the government-backed long term loans, it wouldn't be long before the decision would no longer be theirs to make. Some farms were getting perilously close to having to declare bankruptcy or having their financial institutions begin foreclosure proceedings. Now, hog producers have some options.

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, those 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. That's not in anyone's interests. We believe the government's recently-announced 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.

Sincerely yours,

Jurgen Preugschas, Chair
Canadian Pork Council