

PREMIUM PORK CANADA - FACING THE FUTURE

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SUMMARY

Premium Pork is the fastest growing pork producer in Canada. Its focus is on excellence in pork production and on meeting customer demand for large quantities of consistent, high quality pork products at a competitive price. Risk management is a key component of its strategy to achieve long-term stability. It is committed to further growth of its business, which is likely to include production of branded pork products.

THE ORGANIZATION

Premium Pork was initiated in 1997 as an integrated swine business founded on partnerships and alliances. The organization is committed to producing the highest quality pork by using the most effective, up-to-date production methods in an environmentally conscious manner.

Since its initiation, it has grown to include twelve 2500 sow units, six 1500 sow units, an AI boar stud, and has more than 300,000 pigs on feed. Most pigs are finished in Iowa and some in Indiana, in a 50/50 partnership with Prairie States Management. It is anticipated that another eleven 2500 sow units will be added to the system over the next two years.

STRATEGIES FOR SUCCESS

Premium Pork recognizes that its employees are the key to its success. Training and education, access to advanced production technologies, good pig genetics, a comprehensive bonus system, family, and community involvement all contribute to a highly motivated and successful staff.

Its strategy for further growth is based on industry trends, including increased consumer awareness about food safety, animal welfare and the environment, the consumer's changing need for different types of pork products, and consolidation of the packing and retail industry.

Means to address these industry trends include innovation, diversity in pork production strategies and pork products, achieving high production standards, and involvement in the industry. Premium Pork is continually exploring alternative manure management technologies, such as AMMTO, and wetlands, as well as open penning for gestating sows, to accommodate animal welfare and environmental concerns. Nutrient management plans are developed for all sites. We are pursuing HACCP approval and compliance with ISO 14001. Biosecurity is a high priority for Premium Pork, involving perimeter fencing and restricted

access to the facilities, tight protocols for entry of people and delivery of animals, feed and other materials. Premium Pork is actively involved in the Ontario Pork Industry Council, Ontario Pork Congress, and the Ontario Farm Animal Council.

We feel that packers want to form alliances with large production systems that can provide consistent quality and efficient quantities of uniform product. Since no expansion is expected in Ontario and US packing capacity, market price will be driven by supply of consistent quality hogs and versus shackle space demand. The current industry expansion will cause a downturn in market price in late 2002 and 2003, which we are preparing for by production and sales contracts.