

PORK PRODUCTION VERSUS CONSUMER DEMANDS

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INTRODUCTION

The Canadian pork industry has been challenged for the last three years. Producer margins have been negative during the last three years. This crisis is not limited to pork producers; processor margins have been largely negative for the past three years.

The crisis is due to the convergence of different factors:

- The rapid rise of the Canadian dollar.
- Rapid rise of input costs – notably feed grains.
- Production increase all around the world.
- The lack of processor competitiveness in Canada.

In global terms, Canada is a relatively small player ranking sixth in terms of pork production behind China, EU-27, US, Brazil and Russia. But Canada's industry is considerably more dependent on the export market with our reliance growing from 35.4% of production exported in 1999 to 55.8% in 2007.

Furthermore, USDA estimates the 2007 Canadian pig crop at 31,832 million head with 10,032 million (31.53%) exported to US as early wean, feeder and slaughter hogs (Ron Plain, Global Price and Production Forecast, Banff Pork Seminar 2009). Of total production, the needs for Canadian customers are not more than 9.6356 million, which means around 70% of pigs born in Canada are produced for export markets.

Our industry is very dependent on Canadian exchange rate and export market.

With the production cost we have in Canada, what can we do to build a long term competitive industry?

Do you know what the customer wants and can we produce it at the best price?

DIFFERENT MARKET TRENDS: NICHE TERMS AND ATTRIBUTES

Niche Terms and Attributes – What Do They Really Mean?

Some of the niche terminology used to describe alternative or specialty meat product attributes

today are better understood than others. Some terms have consistent meaning from person to person. Others may mean different things to different people.

Labelling requirements can be broad. So if you're looking for specific niche attributes, check the label to see if they're listed. That, along with a basic understanding of USDA production/labelling requirements, will help you get what you're looking for.

Some of the popular attributes in the market today include:

Locally Grown – One of the more easily understood terms and without USDA guidelines attached, although what defines “local” may vary from one person to another. For some it may represent a drive to a farmer’s market, for others it may be a broader geographic region. The reasons why people support locally grown products (i.e. keep money in the community, know where food comes from, support agriculture) may influence their definition.

Free Range – Also referred to as “pasture raised, free roaming, and raised outdoors.” The USDA standard to make this claim for pork is that hogs have had continuous access to pasture for at least 80% of their production cycle.

No Antibiotics Used, Raised without Antibiotics – “No antibiotics added” on the label means that the animals were raised without using antibiotics and that documentation has been provided to USDA demonstrating this.

Natural – Pork products that meet compliance with USDA Natural Standards which means the product contains no artificial ingredients or added color and is only minimally processed. The label must explain the use of the term natural (such as no added colorings or artificial ingredients; minimally processed).

Naturally Raised – There is currently no USDA standard for making a “naturally raised” claim on pork products, and definitions may vary from one naturally raised pork product to another. Attributes that may contribute to a hog being “naturally raised” might include raised without antibiotics, growth promotants or animal by-products in the feed, use of deep straw bedding, raised outdoors, etc. These attributes will likely be stated on packaging or in marketing materials.

Organic – Pork products that meet compliance with USDA Organic Standards. This involves an entire process in which synthetic inputs into all phases of animal production, meat processing and handling are prohibited. Labelling rules have been established by the USDA for products claiming to be organic and include four categories.



100% organic – Products produced exclusively using organic methods as defined by the USDA. Can carry the USDA organic certification seal.



Organic – 95% or greater of the ingredients (by weight, excluding water and salt) are organically produced with the remaining five percent of ingredients on the National List of Allowed Synthetic and Prohibited Non-Synthetic Substances. Can carry the USDA organic certification seal.

Made with organic – 70-95% of the ingredients are organically produced and would be displayed on the principle display panel as “Made with organic [specific ingredient(s)].”

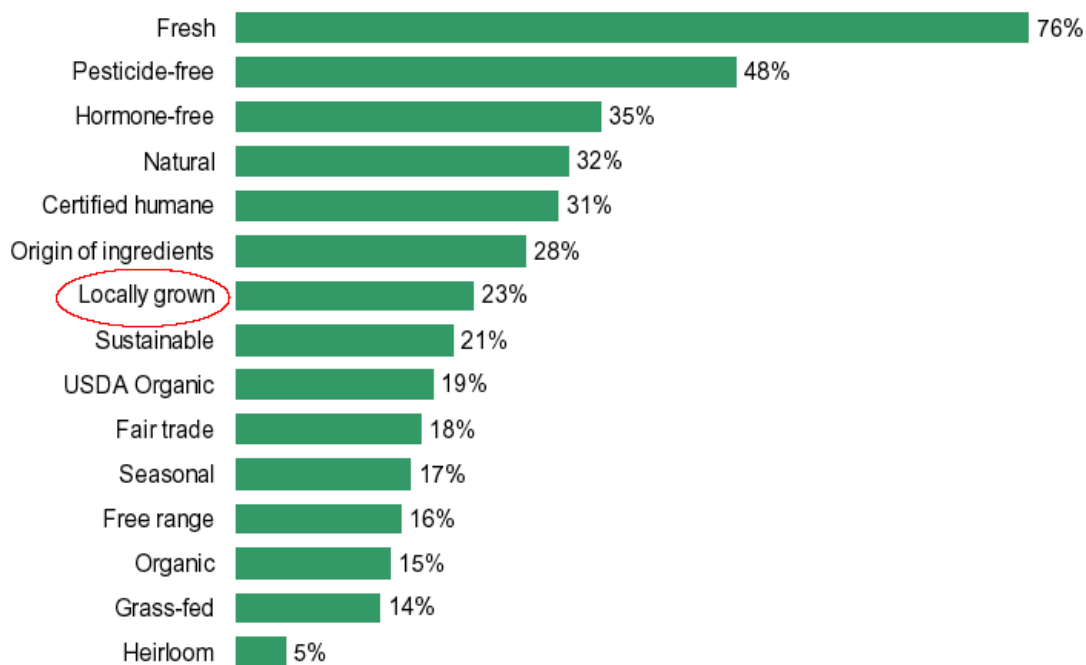
Less than 70% organic – These products have the option to include “X% organic” on the information panel and only need to list organic ingredients on the ingredient statement.

For more information on the National Organic Program:
www.ams.usda.gov/nop/indexNet.htm

Breed Specific – Just as there are breed-specific beef products like Certified Angus Beef, there are breed-specific pork products. Sometimes referred to as heirloom or heritage breeds, examples in the marketplace today include Berkshire (also known as Kurobuta meaning “black pig”), Duroc, and Tamworth.

Figure 1. How important are the following labels/phrases when selecting foods and beverages? (The Hartman Group Inc. study)

Natural and Certified humane overtakes in terms of importance when making a product purchase.



WHAT CAN WE DO AS AN INDUSTRY TO SUPPLY THOSE MARKET TRENDS?

There are 2 ways we can do to get out of the actual crisis is to reduce our cost of production and add value to our products.

DUBRETON MODEL OF PRODUCTION

Breton Foods Canada has developed during the last 20 years an integrated approach. Breton Foods Canada is first a pork producer who invests in R & D to build a sustainable model where we reduce cost of production and develop value-added products.

A presentation slide titled "duBreton at a glance" with a background image of green corn stalks. The slide lists the corporate profile of duBreton, a division of Aliments Breton Foods Canada. The text is white on a dark green background, with one bullet point highlighted in orange.

duBreton at a glance

Corporate Profile

- duBreton, a division of Aliments Breton Foods Canada
- A family company founded in 1944
- A fully integrated company
- Head office in St-Bernard, Quebec, Canada
- Over 1,000 employees
- **The largest organic and natural pork producer and processor in North America**
- A producer, not just a marketer
- One of the most technologically advanced pork processing systems in North America
- Food division: 3 plants
- Main product categories: niche pork, prepared meals and deli meats
- More than 2.8 million pounds / week - fresh pork

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Our products

A cut above for consistent pork quality

- Wide variety of niche pork products tailored to customer specifications
- Strict quality controls are adhered to achieve consistent quality products:
 - Control over hog feed
 - Breeds chosen for flavor and longevity
 - Precision meat trimming in ultramodern facilities
- The result?
Pork renowned for its flavor, juiciness and tenderness



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What We are Doing to Reduce the Cost of Production?

Through our genetic division, Genetiporc, we have developed genetics lines that are more prolific, faster growing and more efficient for feed conversion. But also because of our close relationship with the processing plant all our lines have to meet the standards for meat quality.

Genetiporc has the biggest portfolio of pure breed line and can adapt their products depending on the market place. Genetiporc has developed over the years the largest pureline portfolio in the industry. Each breed has its own strengths and we believe that we must understand them to best utilize them. First, quality basic ingredients are always important in the success of any recipe, and our genetic team has understood that perfectly. Among other things, Genetiporc's pureline portfolio is the ingredient of our successful genetic program.



Industry health leader

In the early 80's, health was not a concern for genetic suppliers. Mass vaccinations were common and there was almost no information available on the costs incurred by diseases. It was only after Genetiporc was founded in 1984 and provided the first assessments on the economic impact of major diseases on swine production that the industry began to seriously examine the problem.

Genetiporc's health program has been designed to minimize production cost for commercial farms. Creating and maintaining a production network free of primary diseases and their associated economic impact has guided Genetiporc's efforts since its very foundation. The rigorous application of strict biosecurity measures constitutes a fundamental priority. Genetiporc's team has developed a biosecurity "reflex" that has become second nature.

Hands-on approach

Buying breeding stock with exceptional health status:

- Facilitates the animal quarantine process
- Prevents the introduction of new pathogens
- Prevents the introduction of new strains of an existing pathogen into the herd

Maintaining a herd's exceptional health status:

- Enhances feed conversion ability and growth rates
- Reduces expenses for medication and care
- Streamlines work processes and decreases task time
- Increases percentage of marketed pigs

Unparalleled health status

- Rigorous biosecurity protocols
- PRRS & Mycoplasma naïve network for over 20 years

Integrated R&D

As an integrated group, "we do what we sell".

The company's vertical integration ensures that development is aligned with the increasingly specific needs of consumers and producers. We use ties between nutrition, production, genetics and slaughtering at Genetiporc to capture value at each step of the production chain.

Be the more efficient pork producer.

Genetiporc will always keep exploring new ways to make improvements at every level of the production chain. By doing this, Genetiporc is representing the most efficient option for the producer.

Integrated company benefits

Partnership in genetics

Exchange germplasm and technology with large innovative breeding companies worldwide Through strategic business partnerships Genetiporc is giving access to its customer to the best worldwide genetics available in the industry.

Develop common product adapted to customer needs

Leverage strengths from each company and build a more efficient unparalleled product for the customer.

Value added products

Our products

















Zero deviation from our quality standards

Guaranteed Meat Quality

pH	5.6 – 5.9
Color	3 - 4
Pale, Soft, Exudative	none
Dark, Firm, Dry	none
Marbling	2 - 3

The result?

Pork renowned for its flavor, juiciness and tenderness

COLOR - Texture - Exudation					
					
PSE Pale pinkish gray, very Soft and Exudative. Undesirable appearance and excessive shrinkage.	R/FN Reddish pink, Firm and Non-exudative. This ideal quality has desirable color, firmness and water-holding capacity.	DDF Dark purplish red, very Firm and Dry. Firm and sticky surface, high water-holding capacity.			
Color Standards - Minolta L* values use D65 daylight light source					
					
1.0 Pale pinkish gray 61*	2.0 Grayish pink 55*	3.0 Reddish pink 49*	4.0 Dark reddish pink 43*	5.0 Purplish red 37*	6.0 Dark purplish red 31*
Marbling Standards - Marbling scores correspond to intramuscular lipid content					
					
1.0	2.0	3.0	4.0		
					
5.0	6.0	7.0			

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Our programs

Exceeding expectations

FEATURES	ORGANIC duBreton	NATURAL duBreton (U.S.) CERTIFIED HUMANE	NATURAL duBreton (Canada) ABF-VF	NATURAL USDA	CONVENTIONAL
Organic feeds, GMO free	✓	-	-	-	-
Outdoor access for animals	✓	-	-	-	-
Loose sow housing	✓	✓	-	-	-
Controlled animal welfare (farms, transportation & processing plant)	✓	✓	✓	-	-
Rendered animal by-products in feed	Never ever	Never ever	Never ever	✓	✓
Subtherapeutic antibiotics	Never ever	Never ever	Never ever	✓	✓
Therapeutic antibiotics	Never ever	Never ever	Never ever	✓	✓
Monitoring for antibiotic residues	✓	✓	✓	-	-
Deep bedding	✓	✓	-	-	-
Third-party certification	✓	✓	✓	-	-
Minimal processing	✓	✓	✓	✓	Yes & No
No preservatives	✓	✓	✓	✓	Yes & No

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Our programs (organics)

Because it's safe meat

- GMO-free feed
- Third party certification ensures the integrity of our organic system
- Small family farm
- Animals have outdoor access
- No growth promoter
- No antibiotic
- More space in gestation and loose housing
- More space in lactation
- Raising conditions that respect the animals natural behavior
- Environmental responsibility
(to minimize all forms of pollution that may result from agricultural practices)

Why eat organic pork?



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Our programs

NATURAL DUBRETON US CERTIFIED HUMANE

- Third party certification ensures the integrity of our organic system.
- Annual inspection and internal audit
- Small family farm
- No growth promoter
- No hormone
- No antibiotic
- More space in gestation and loose housing (32 sq.ft vs 14 sq. ft)
- More space in lactation (6 x 8 vs 5 x 7 in conventional)
- Weaning at minimum of 28 days of age
- 2/3 Solid floor on total space for each animal
- Animals are bedded at every stage of production
- Raising conditions that respect the animals natural behavior



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Our programs

NATURAL DUBRETON CANADA ABF

- Third party certification ensures the integrity of our organic system.
- Annual inspection and internal audit
- No growth promoter
- No hormone
- No antibiotic
- No animal by-product



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Modern facilities

State-of-the-art pork processing plant overview

Rivière-du-Loup, Quebec

Traceability Program

...at the farm: Hogs identified with tattooed numbers

...at the slaughterhouse: Classification, identification, and cutting of carcasses

- Receiving slip with tattooed numbers
- Classification of carcasses per program
- Individual identification of carcasses (reference to tattooed number and chip in the hook)
- Traceability based on time of processing (day, time, producer)
- Identification of cuts to be taken to market, with reference to carcasses



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duBreton at a glance

Selected List of duBreton Customers, as of



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