



# **PUB HEARING**

**Maple Leaf Foods**

**August 22<sup>nd</sup>, 2019**

**Morgan Curran-Blaney – VP, Manufacturing - Fresh Pork**



## COMPANY OVERVIEW

Maple Leaf Foods is Canada's leading consumer packaged meats company. We have operations across Canada and export our products to 20 global markets including the US, Mexico, and Asia.

- In the province of Manitoba Maple Leaf has:
  - 5 feed mills (and over 100 barns)
  - A prepared meats facility
  - The largest primary processing plant in Canada
  - A regional office
- Employees approximately 4,000 people – representing almost 1/3 of our workforce.
- Represent approximately \$753MM in direct economic benefits (sales, salaries, and taxes) and \$1.25B in indirect economic benefits.



# **Brandon Plant**

**Located 200 kilometers (124 miles)**

**West of Winnipeg**

**Facility covers 60,386 square meters (650,000 Sq ft)**

**on 1.3 square kilometers (320 acres)**

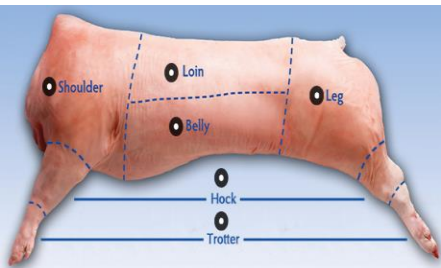
**Capacity to process 18,000 pigs a day**

**Commenced Operations August 1999**

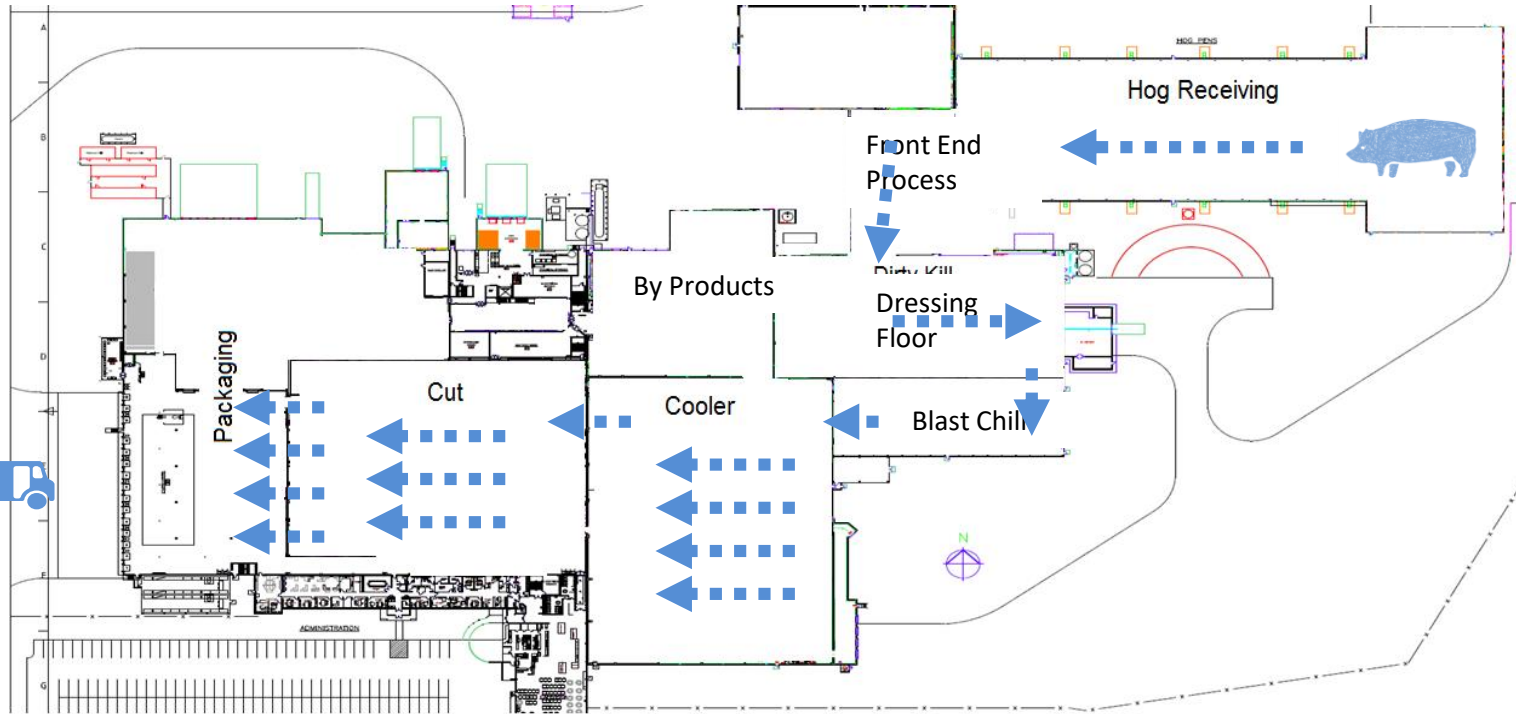




## Our Business



- **The pork industry is a global, commodity driven, free-market industry. Our pricing is based off the USDA market index, used to derive the base price of the meat.**
- **Our opportunity to increase our margins is to move cuts from their primal (bone-in) states into further converted/value added (usually boneless) products.**
- **One of our biggest advantages is our ability to produce chilled pork for the Japanese market. This is a labour and energy intensive product requiring a very controlled cooling program.**



**61%**

**Increase to Centra's  
portion of Natural Gas in  
Brandon due to Balancing  
Fees**



# Challenges

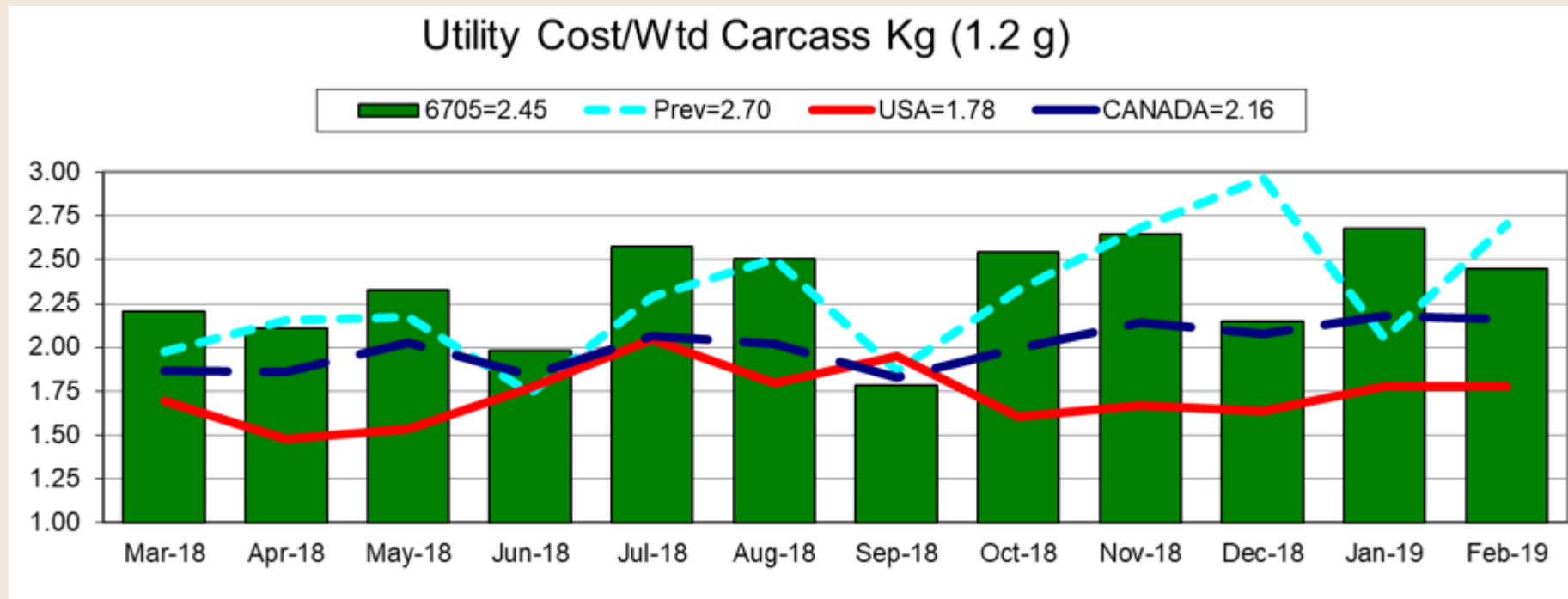


## Natural Gas

- Natural gas represents a significant utility cost in Maple Leaf – approximately \$3.26MM annually.
- Natural gas is primarily used to heat process water for the sanitation, sterilization, and de-hairing steps.
- While the usage these are steady state processes they are vulnerable to disruptions from break down and road closures.
- Global competition in the pork markets creates many challenges to Canadian companies, one of the few advantages of being located in Manitoba is the electricity and natural gas rates.
- Even with this favourable rate we still have one of the highest utility costs amongst North American packers.



# Agri-Stats Comparison



The Maple Leaf Brandon plant has some of the highest utility costs per kilogram against in the industry.





# Impact of Rate Increases

**Canada exports 63.6% of its pork production!<sup>1</sup>**

## The International Pork Market

- We operate in a commodity based market where cost increases are not able to be fully passed on.
- Market volatility due to the recent trade disputes creates headwinds that are challenging to overcome.
- Canada has lost market access into China;
  - Represents a significant financial hardship to the entire industry as well as the challenge of finding other markets to channel product into;
  - Currently the U.S., while under tariffs, is able to ship pork into China at increasing market prices.
- Canadian pork is priced at a premium (due to quality) compared to US pork.
  - Market feedback is we are at the inflection point between pricing and quality – many importers in our other markets are switching to US product.
- This is a time to support, not introduce further penalties to the agri-food sector.





## Impact of Rate Increases



### Maple Leaf Foods

- The issues that cause disruptions in supply are typically not known in advance and are not in our control;
  - Breakdowns
  - Hog (Supplier) shortages
  - Road closures
- These events often require us to have to work a Saturday overtime shift to process our weekly commitment to producers. Under Centra's proposal this would penalize us twice.
- We operate under a zero based budgeting scheme – any additional cost to the system must be found within the system.
  - Short term; the impact will likely be felt in discretionary spend, employee headcount, reduced capital spending, and community donations.
  - Long term; look at pulling back the work done in Brandon and/or look more competitive markets expand our further value added businesses.



## Partnership



### Moving Forward Together

- Maple Leaf has always had a positive working relationship with MB Hydro and Centra.
- Have worked diligently with BP to provide accurate forecasts for volumes and will continue to do so in the future.
- We understand the need for accuracy and the impact to Centra.
- We appreciate the opportunity to present our concerns with the proposed rate structure.

