Progress on Our Value Creation Plan

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In 2011, we made significant progress on the implementation of our value creation plan. Some of these initiatives delivered early contributions to earnings, most notably two plant closures in prepared meats and ongoing changes to simplify our prepared meats portfolio of products, which in turn reduced manufacturing costs.

Expanding Prepared Meats Margins – This was achieved through both pricing and improvements in our product mix. In 2011, we implemented price increases across our product portfolio to manage the impact of higher raw material costs, and we improved the effectiveness of trade spending. We also benefited from very successful innovation that increased our market shares, driven by products that are branded and result in a higher margin mix.

Commissioning a World-Class Bakery – A large contributor to lowering overhead costs and achieving margin targets is the closure of three sub-scale bakeries and consolidation of production into our new scale bakery in Hamilton, Ontario. The new bakery was commissioned on time and on budget in 2011. Two of the smaller bakeries closed in the first quarter of 2012, with the third scheduled for closure in early 2013. While this project resulted in approximately $6.1 million in duplicative overhead costs in 2011, these costs will decline to less than $4 million in 2012.

Achieving Scale Efficiencies in Prepared Meats – The consolidation of our prepared meats network is the single largest contributor to our margin and profit growth. Last year involved extensive planning to support the detailed costing and phasing of the network transformation. The result was Board approval of $560 million in strategic capital to expand three facilities and construct a new state-of-the-art prepared meats facility. We got an early start on these changes with the closure of two plants – one in the east and one in the west – which contributed to our financial results in 2011. By the end of 2014, a further six plants and four distribution facilities will close, with production and distribution consolidated into four scale manufacturing facilities and two distribution centres.

OUR NEW SCALE BAKERY IN HAMILTON, ONTARIO WAS COMMISSIONED ON TIME AND ON BUDGET IN 2011. CONSOLIDATING PRODUCTION INTO THIS STATE–OF–THE–ART FACILITY WILL LOWER OVERHEAD COSTS AND DRIVE EBITDA MARGIN IMPROVEMENT.

Completing Our Fresh Pork Restructuring – We completed the restructuring of this business with the sale of our pork processing facility in Ontario. This reduced the number of hogs we process annually by approximately two million, with processing now concentrated in our world-class facility in Brandon. This new business model has made our fresh pork operations consistently more profitable and competitive on a North American scale.

Simplifying Our Prepared Meats Product Mix – In 2010, we had thousands of unique products (SKUs) in our prepared meats business, many with imperceptible differences. In 2011, we focused on streamlining our bacon, wieners and sliced meat categories and eliminated or standardized over 1,000 SKUs. This first phase of "Simplify" contributed materially to our operating earnings. We are seeing longer runs and fewer changeovers in our plant processes as well as lower raw material and packaging costs. Our customers and consumers also benefit from better category management and simpler, more organized and attractive product displays. We will continue this initiative through 2012 and 2013.

Implementing SAP – We are over 60% through consolidating more than 40 legacy systems and disparate business processes into one integrated operating platform. In 2011, we completed 19 "go-lives". In 2012, the primary focus is on implementing SAP in our prepared meats, fresh prepared foods and rendering operations. We are also beginning to mine the business intelligence provided by this integrated, real-time system to enhance how we manage our businesses. The major tangible cost reduction opportunity with an integrated systems platform is the transition to a shared services organization, enabling the consolidation of disparate back-office centres into one central organization beginning in 2013.

Our value creation plan has been developed to vastly increase productivity in our supply chain – taking out costs and increasing efficiency, all of which is within our control. It requires closing a further six sub-scale plants and four distribution centres and consolidating production into larger, modern facilities where we can realize the benefits of scale and world-class technologies. We expect production volume per plant to increase by over 2.5 times and production per employee to increase over 1.6 times.

60%

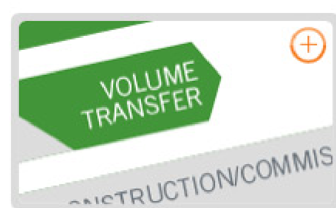
through implementing SAP

>1,000 products

standardized or rationalized in our prepared meats business, reducing costs and complexity

Productivity

We expect production volume per plant to increase by ›2.5x and production per employee to increase by ›1.6x.



Value Creation Plan

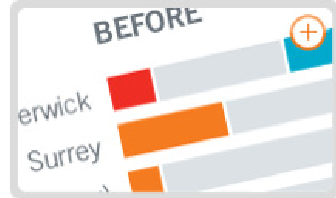
DELIVERING HIGHER LEVELS OF PROFITABILITY IS DIRECTLY TIED TO ESTABLISHING A HIGHLY EFFICIENT, LOW COST SUPPLY CHAIN. WE WILL REALIZE SAVINGS FROM MULTIPLE SOURCES EVERY YEAR UNTIL THESE IMPROVEMENTS ARE COMPLETED BY 2015.

We expect 60% of the savings to come from the following areas:

- Enhanced throughput and productivity from scale and technologies
- Improved product yield, waste reduction and packaging
- Lower total overhead, including labour, overhead and shipping costs

The balance of the improvements will come from reduced packaging and raw material costs, increased distribution and storage efficiencies and lower sales, general and administrative (SG&A) expenses.

We are confident that the improved productivity and lower costs resulting from our plan initiatives will drive increased earnings.



Volumes Aggregated into Centres of Excellence

Key Margin Drivers