

Protein Value Chain Reorganization General Questions & Answers

CUSTOMERS:

Is Maple Leaf still in the fresh pork business?

Yes. This strategy is about adding value in both fresh and further processed meats. Optimizing the value of our fresh pork products within a balanced, optimized model is fundamental to our success. Adding value to fresh meat will be a major focus of the new strategy, including such fresh products as boneless loins, tenderloins, ribs, back ribs and butts.

What is a “balanced and optimized model”?

It is a model in which we are selling all parts of the pig or chicken profitably, compared with today where we may be slaughtering to sell one profitable cut or in some cases, selling the cuts completely into commodity markets.

Where will you focus growth?

We will significantly invest in our value added fresh and further processes meats and meals business, including investments in scale plants and a step-change in our innovation programs to bring exciting new categories to our customers and consumers.

Will Maple Leaf continue to support its differentiation initiatives such as its needle free programs, MBM free, DNA traceability, etc.?

Our goal is to maximize the profitability of fresh pork sold into external markets and we will determine whether these programs fit with our overall business strategy over time.

Will you continue to produce pork to meet specifications of our Japanese customers?

Our Japanese customers will continue to be very important to us. Japan provides a significant value-added market for our fresh pork today and meeting our customers' specifications will continue to be a requirement.

What is required to align and size the fresh pork operations? Will Maple Leaf be decreasing the number of hogs processed annually?

We expect to decrease the number of hogs processed annually from the current seven million to between four million to five million. Most of our plants have highly profitable components of their business, and important customer relationships. Any manufacturing changes will be based on very detailed analysis as we move forward with implementation of the strategy. We expect it will take three years to substantially complete the reorganization.

What do you mean by “aligning” your manufacturing operations within the new model?

Aligned means that from an organizational and manufacturing perspective we are focused and structured to support our new strategy.

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How soon will all fresh pork products be processed at the Brandon plant?

Our goal is to commission a full second shift at the Brandon plant by the end of 2009.

What is the future of the Berwick, Nova Scotia plant?

The Berwick plant does both primary and secondary processing, and also provides raw materials for further processing at our Moncton plant. Any manufacturing changes in Berwick will be based on very detailed analysis as we move forward to ensure we continue to meet the needs of our valued customers. Ultimately, we expect to meet our future fresh pork requirements through a single manufacturing facility in Brandon, supported by a double shift expansion. Over time, we will seek to optimize the full value and potential of our other operations.

What is the future of the Lethbridge, Alberta plant?

The Lethbridge plant currently supplies important customer relationships in Japan and other international markets, and servicing our Japanese customers will continue to be extremely important within a balanced, optimized model. Any manufacturing changes at Lethbridge will be based on very detailed analysis as we move forward to ensure we continue to meet the needs of our valued customers. Ultimately, we expect to meet our future fresh pork requirements through a single manufacturing facility in Brandon, supported by a double shift expansion. Over time, we will seek to optimize the full value and potential of our other operations.

What is the future of the Burlington, Ontario plant?

Ultimately, we expect to meet our future fresh pork requirements through a single manufacturing facility in Brandon, supported by a double shift expansion. Our Burlington plant is a very important part of our current business, supporting valued customer relationships. Any manufacturing changes in Burlington will be based on detailed analysis as we move forward to implement the strategy. The Burlington facility is the largest processing plant in Ontario and a very important business to the province and the industry, and over time we will identify the best option to realize its value and full potential.

What do we mean by “optimizing the value” of future non-core businesses?

Our preferred option is to sell them based on fair market value.

What is the future of the Marion Street, Winnipeg plant?

We do not yet have a detailed strategy and timelines for integrating our Winnipeg operations into a second shift in Brandon. We expect we would wind down our operations at Marion Street to coincide with a second shift expansion at Brandon, providing seamless service to our customers. When we know more around the timing of a second shift at Brandon and the implications for Marion Street, we will tell our customers well in advance. Our goal is to secure alternative employment for our employees at other Maple Leaf operations, including Warman Road, which will have expanded labour requirements.

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What happens to the Warman Road plant once Brandon expands to a full kill/cut facility?

As the Company reorganizes its protein businesses, it expects to meet its fresh pork requirements from a single plant in Brandon. Brandon is not expected to expand to a full double shifted kill/cut facility until the end of 2009. Warman Road is a highly modern and efficient plant, and our goal is to ultimately transition this plant to another type of value-added manufacturing operation.

When will Maple Leaf go to a double shift operation in Brandon?

It will take upwards of a year to complete the design, engineering and construction of the wastewater treatment plant and expansions at the pork processing plant. This means we could expect to transition to a second shift operation starting in late 2007 or early 2008 and reach a full double shift operation by the end of 2009.

What is the role of the animal nutrition business in the new model?

The focus of our feed operations will be to support our hog production operations by providing feed that meets our quality specifications and allows us to establish a highly competitive cost structure. We expect to retain one or two feed mills that are required to meet our future hog production requirements, eventually integrating these into our hog production business. Maple Leaf Animal Nutrition has excellent assets supported by some of the best people in the industry. We will identify the best growth opportunities for the other components of this business that are not aligned to our new model, to ensure we maximize their value and realize their full potential.

How does this affect your poultry business?

The strategy applies equally to both pork and poultry but our poultry operations are more significantly aligned to this model already. We will continue to focus growth in value-added poultry products such as *Prime Naturally* and expanding our line of pre-cooked and further processed products.

PRODUCERS:

Will Maple Leaf honour existing contracts?

Yes. Maple Leaf will honour its contracts and continue to be a significant buyer of hogs.

Will Maple Leaf renew my contract when it expires?

We will renew contracts based on our primary processing requirements. We will keep producers well informed of changes that may affect the status of future contracts.

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When will we know the future of the fresh pork processing plants?

Our goal is to optimize the value of operations that do not support our new strategy over the next three years. We will communicate with our producers well in advance of changes that affect these operations. Our preferred option is to sell these plants based on receiving fair market value.

How soon before we see a reduction in the number of hogs you purchase?

We are implementing our manufacturing changes over the next three years, up till the end of 2009. We will keep you informed well in advance of implementing any changes that may affect our producers.

Will you be sourcing additional hogs for Brandon?

Initially we expect to largely meet our requirements through sourcing from our current network, although we will be purchasing some additional hogs. Our requirements will expand in a fully commissioned double shift.

As a *Signature Plus* producer will I continue to buy feed from Shur-Gain /Landmark?

There will be no change at this time. We will be pursuing opportunities to maximize the value of our feed business not required to meet our future hog production requirements. We will keep our feed customers well informed of any future changes.

How soon will Maple Leaf divest of its non-core feed business?

We have no definitive timeline. We will complete our transition to the new business model in three years.

How much control will Maple Leaf have on its supply through ESI hogs?

We expect our level of hog ownership will remain relatively consistent, only we will own 100% of significantly fewer hogs. Our EHO today is roughly 22%.

Does this mean Maple Leaf is divesting its hog and pork production interests outside Manitoba?

Ultimately, we expect to transition our pork processing to Brandon and expect to concentrate the majority of our hog production operations in Manitoba due to the proximity to the Brandon facility, but we have no specific timeline.