Response to Colin Carter presentation

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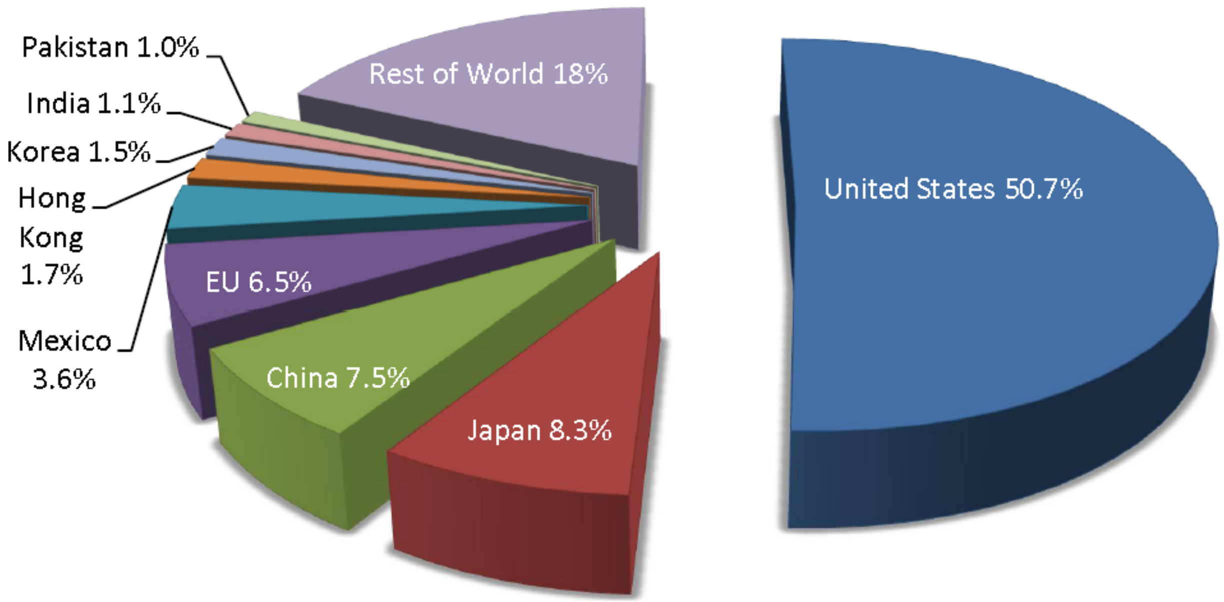
Jan. 25, 2013

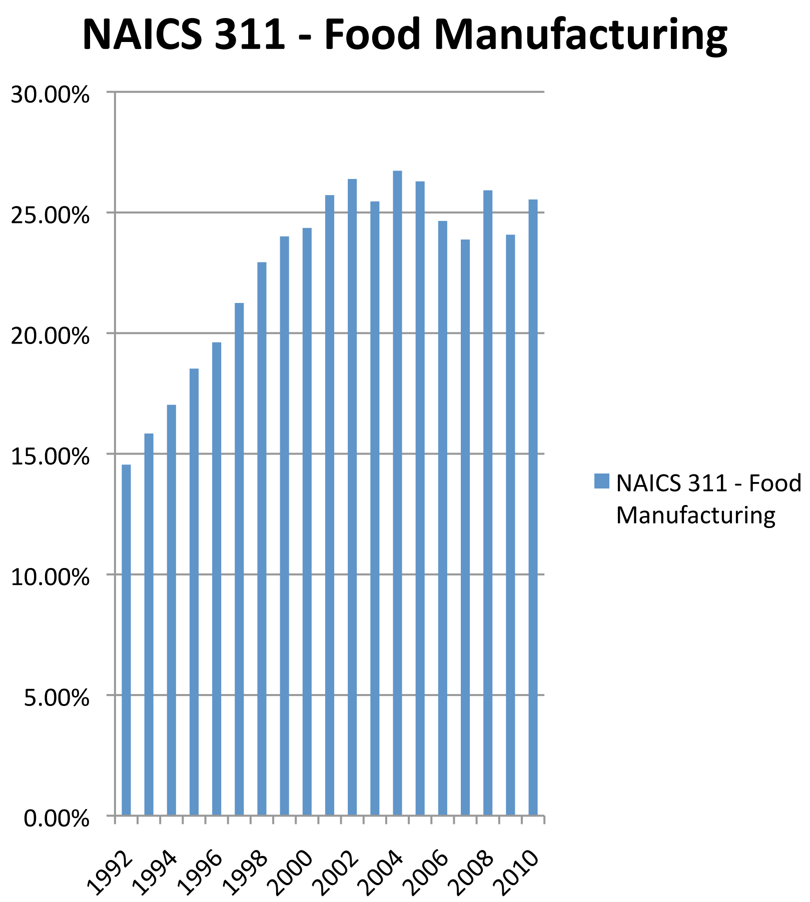
As Colin has so well shown almost all growth is in emerging markets but Canada appears to be lagging the transition

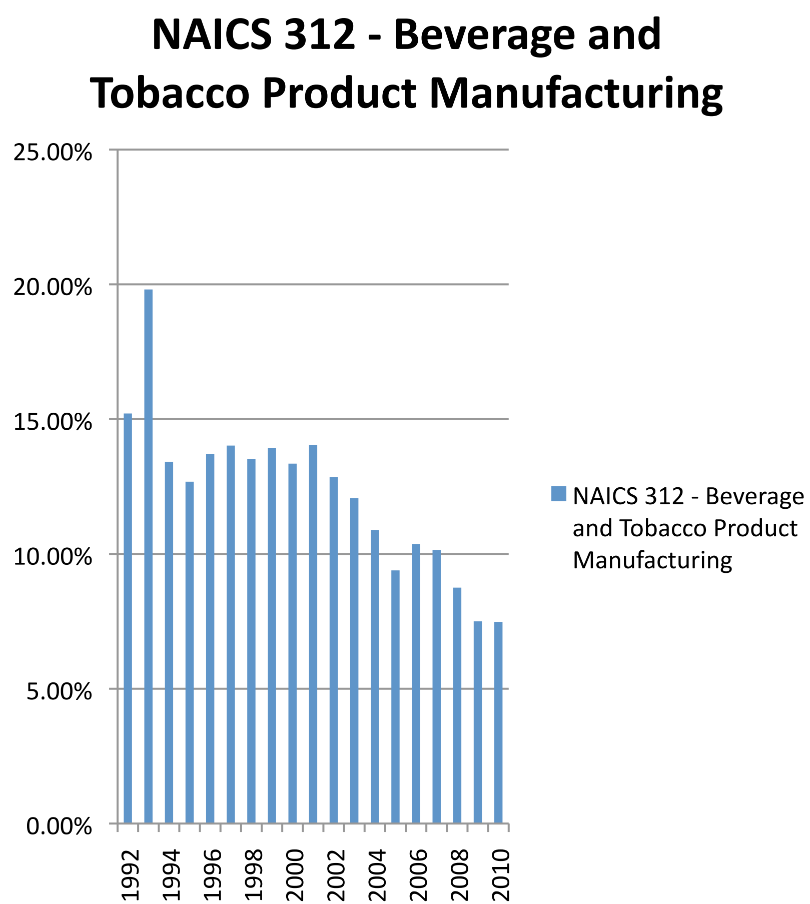
Canadian agri-food exports by major market, 2010



Source: AAFC, Canadian Agri-food and Seafood Exports by Country, 2011

Our export Intensity is dropping in both primary agricultural processing and processed food and beverage

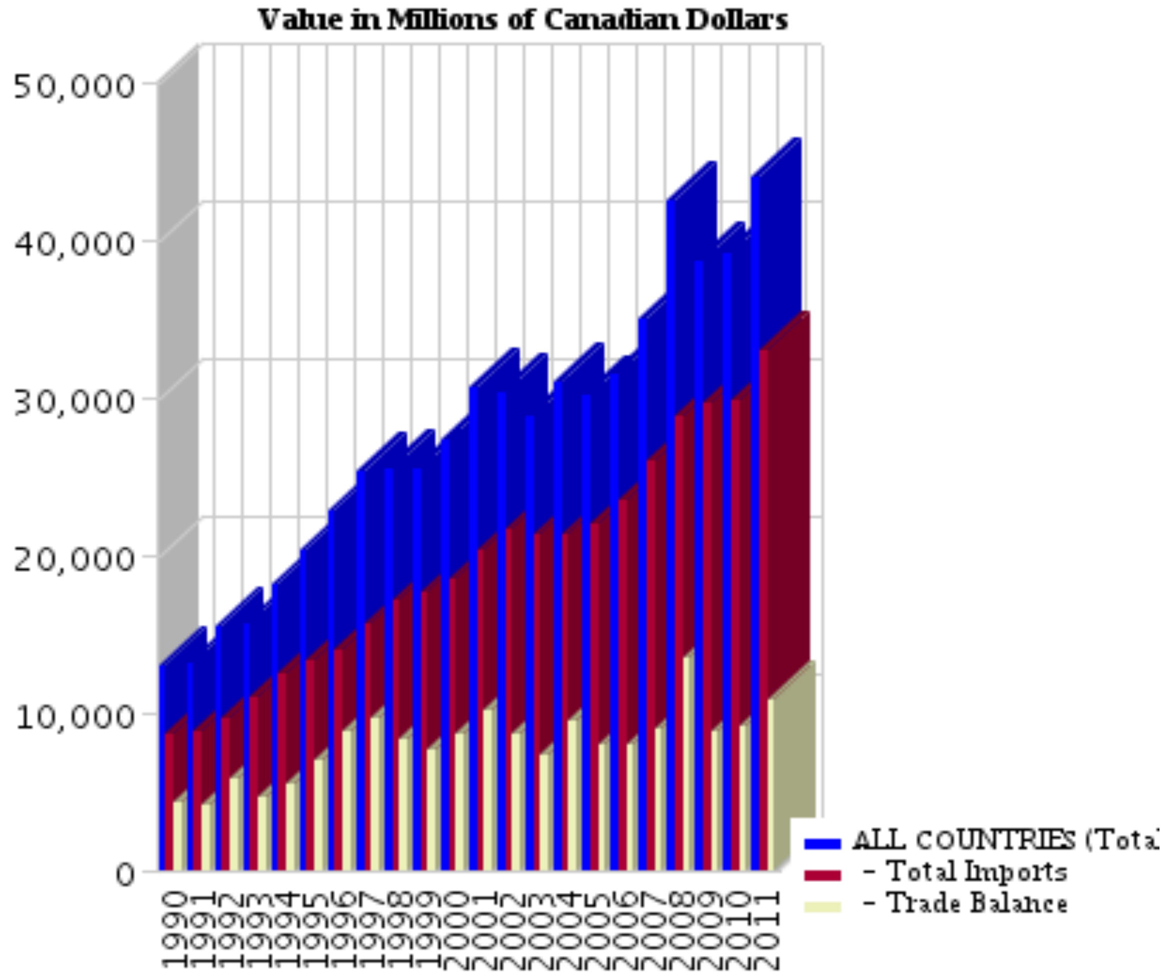




CAPI is partnering with industry, institutions and governments to develop a powerful diagnostic leading to bold ideas for resurgence

Canadian Agri-Food

I - LIVE ANIMALS AND ANIMAL PRODUCTS
II - VEGETABLE PRODUCTS
III - FATS, OILS, THEIR CLEAVAGE PRODUCTS AND WAXES
IV - FOOD PRODUCTS, BEVERAGES, SPIRITS, VINEGAR AND TOBACCO PRODUCTS

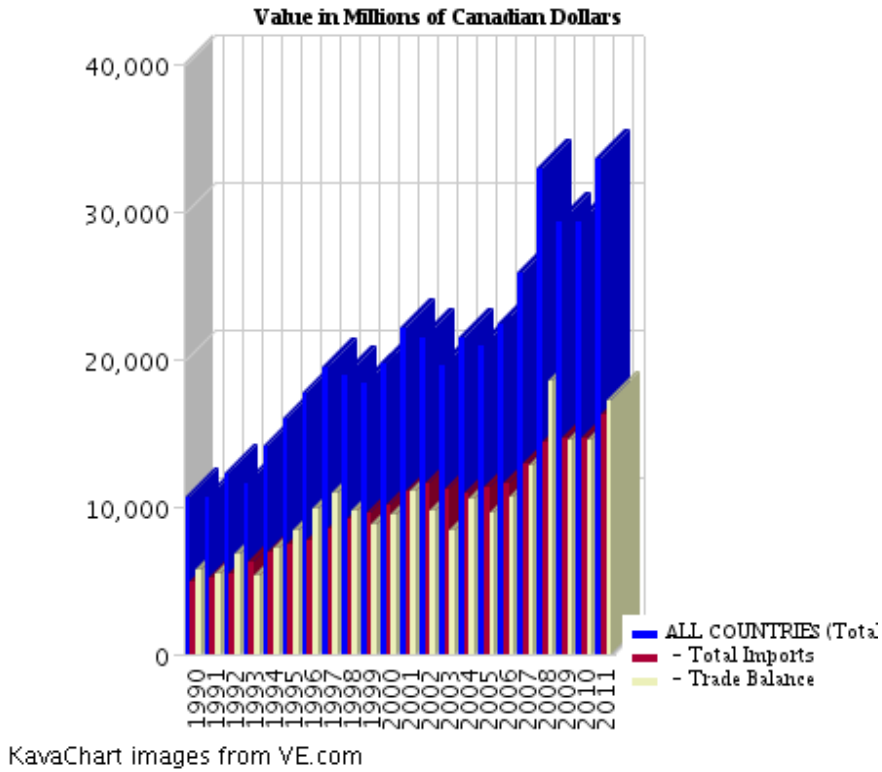


KavaChart images from VE.com

Is Canada positioned/positioning itself to be primarily a commodity or value-added supplier?

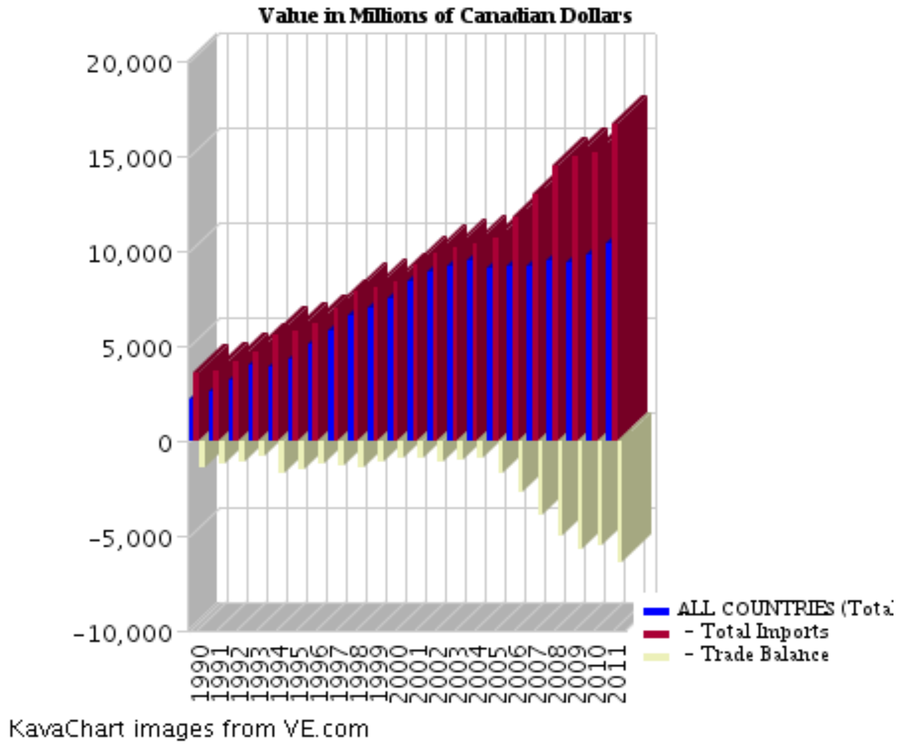
Raw Product & Primary Processing

I - LIVE ANIMALS AND ANIMAL PRODUCTS
II - VEGETABLE PRODUCTS
III - FATS, OILS, THEIR CLEAVAGE PRODUCTS AND WAXES



Further Processed Food & Beverage

IV - FOOD PRODUCTS, BEVERAGES, SPIRITS, VINEGAR AND TOBACCO PRODUCTS



Primary agriculture raw materials and primary processed product versus processed food, beverage and tobacco

Canada's beef trade balance with the US ($value)

$1.4 billion (2002).

vs.

$42 million (2011).

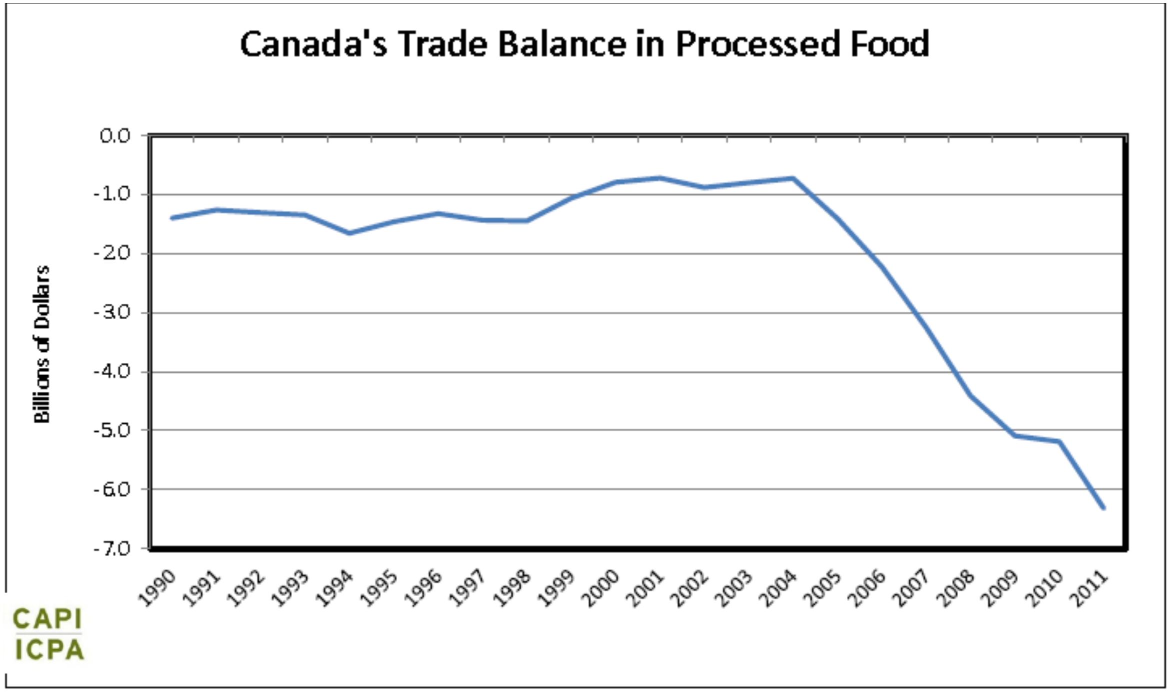
If we see ourselves as a commodity supplier, our historic position is not the basis for future success. We're not the low cost supplier in proteins. That said, due to land-mass and production efficiency, coping with climate change, etc., we still have advantages which should not be underestimated.

CAPI ICPA

Why we require beneficial access to key markets
Beef export Markets vs. Domestic

	Market	$ Value	Lb/Hd	$/HD	Market	$ Value	Lb/Hd	$/HD
Short Ribs	***Korea***	$2.50	10	$25.00	***US/Canada***	$ 0.80	10	$ 8.00
Navels	***Japan***	$2.50	20	$50.00	***US/Canada***	$ 1.00	20	$ 20.00
Finger Meat	***Korea***	$2.80	1	$2.80	***US/Canada***	$ 0.80	1	$ 0.80
Digital Muscle	***Taiwan***	$2.40	1	$2.40	***US/Canada***	$ 1.80	1	$ 1.80
Liver	***Russia/Egypt***	$0.60	13	$7.80	***US/Canada***	$ 0.12	13	$ 1.56
Oxliips	***Mexico***	$1.60	1.5	$2.40	***US/Canada***	$ 0.15	1.5	$ 0.23
Tongue	***Japan***	$6.50	3	$19.50	***US/Canada***	$ 0.10	3	$ 0.30
				$109.90				$ 32.69

Source Cargill



Deficit in 2011: $6.3 billion. Source: The Canadian Agri-Food Policy Institute, November 2012

If a value-added supplier, we are not structured for future success. We do some primary processing (canola, French fries) but we retain a commodity mentality (beef) and our structures prevent fully taking advantage of opportunity (dairy). Plus, our processing data reveals serious issues overall with our performance (record and rising trade deficit).

Where to from here?

- CAPI is leading a national discussion to identify our advantages and find strategic ways to nurture them to raise our export position and encourage adding value particularly in emerging markets.
- We are bringing powerful analytics, the best thinking leading to national dialogues to develop bold ideas for resurgence - leadership, investment, innovation, regulation, beneficial market access, collaboration, and much more.

“If you don’t have a competitive advantage, don’t compete.”- *Jack Welch*

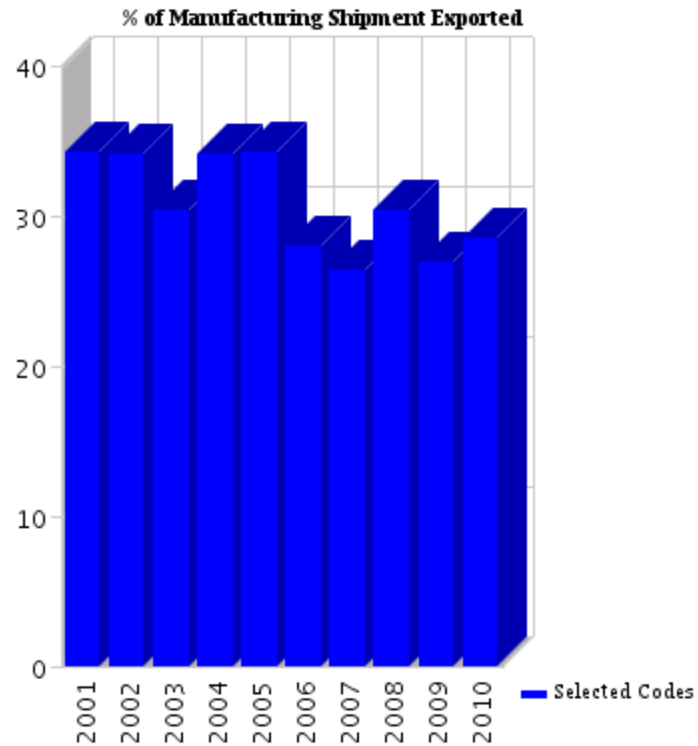
“One gets paid only for strengths;

Peter Drucker, management writer (1909–2005), *Managing in Turbulent Times* (1980)

What should be our competitive advantage in global markets?

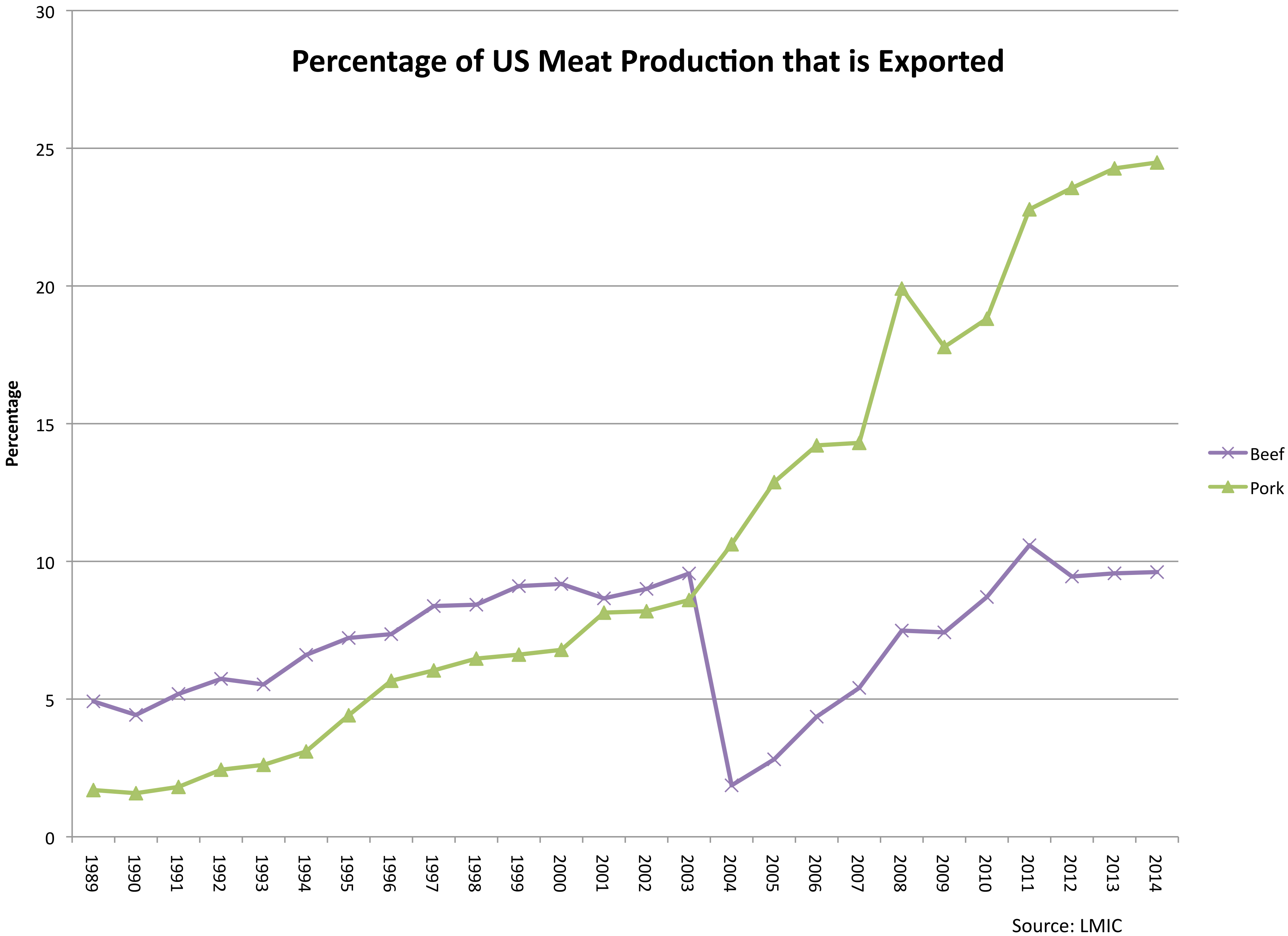
- EXTRA SLIDES only for Questions

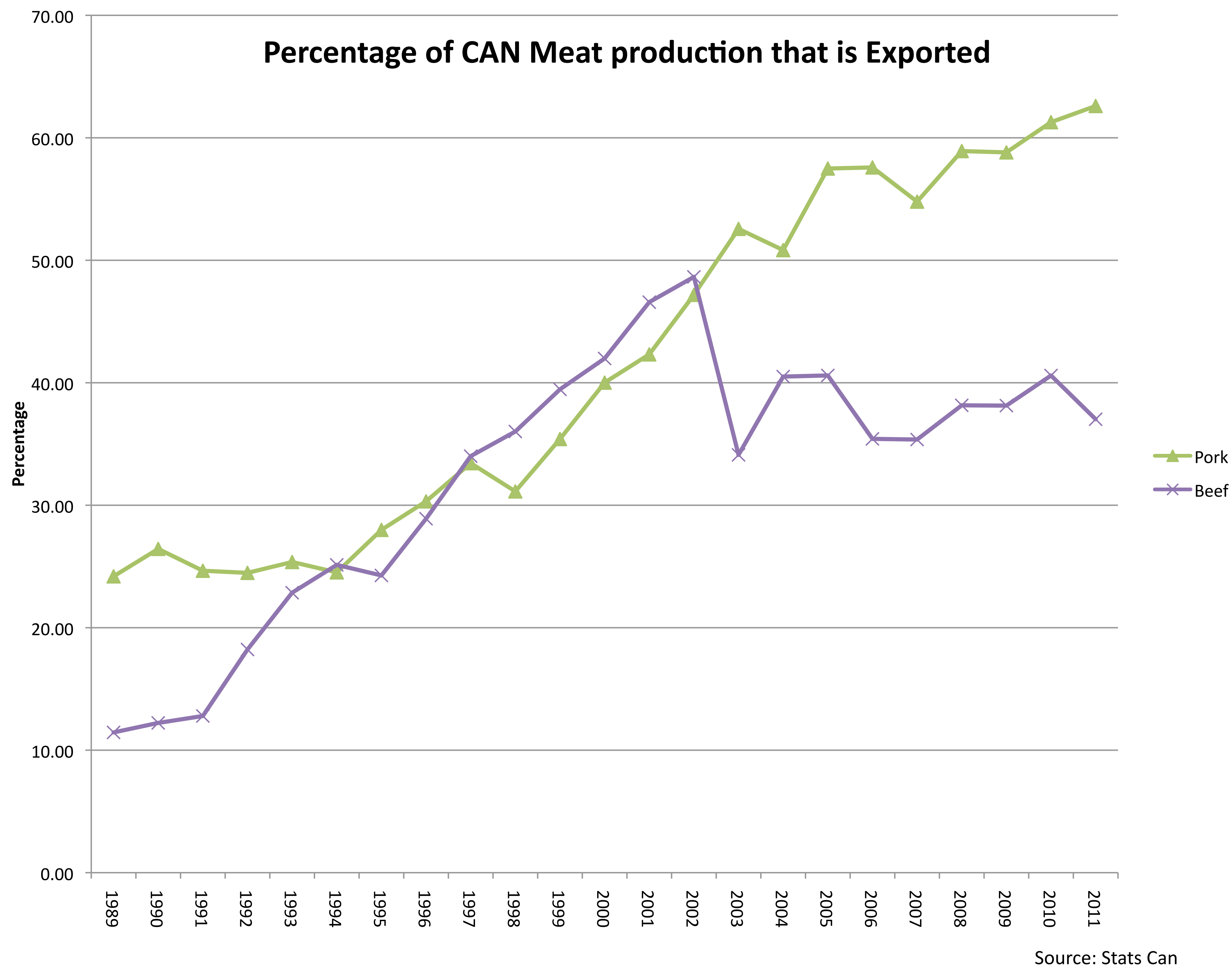
Export intensity Canadian meat industry is falling



KavaChart images from VE.com

NAICS 311610 - Animal Slaughtering and Processing
NAICS 311611 - Animal (except Poultry) Slaughtering
NAICS 311614 - Rendering and Meat Processing from Carcasses


Percentage of US Meat Production that is Exported
Percentage
30
25
20
15
10
5
0
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
Beef
Pork
Source: LMIC



Percentage of CAN Meat production that is Exported
Percentage
70.00
60.00
50.00
40.00
30.00
20.00
10.00
0.00
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
Pork
Beef
Source: Stats Can