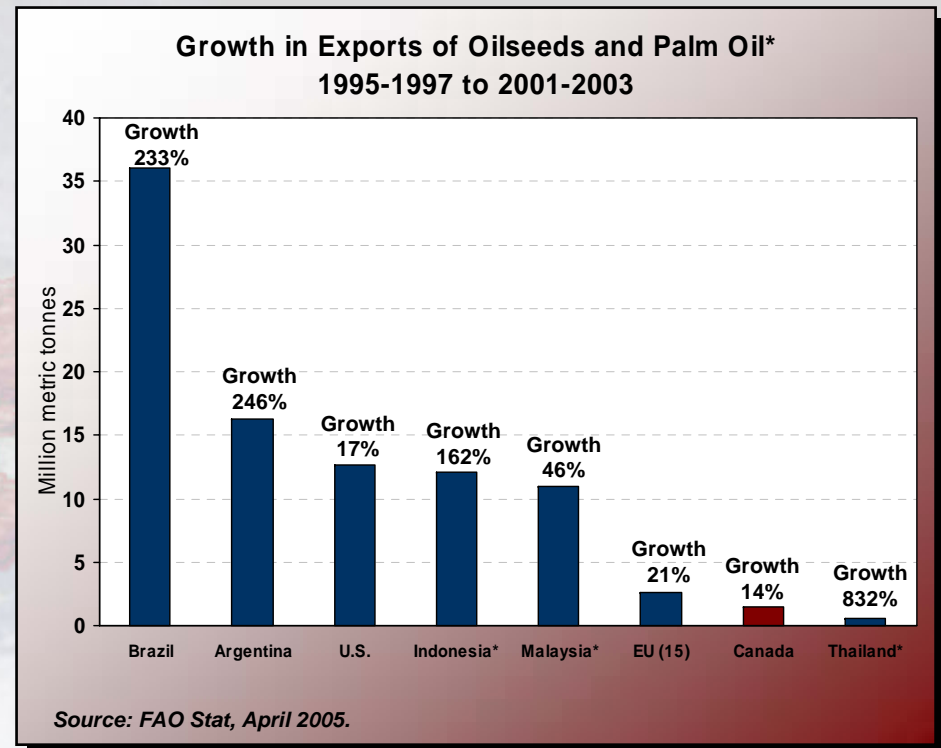
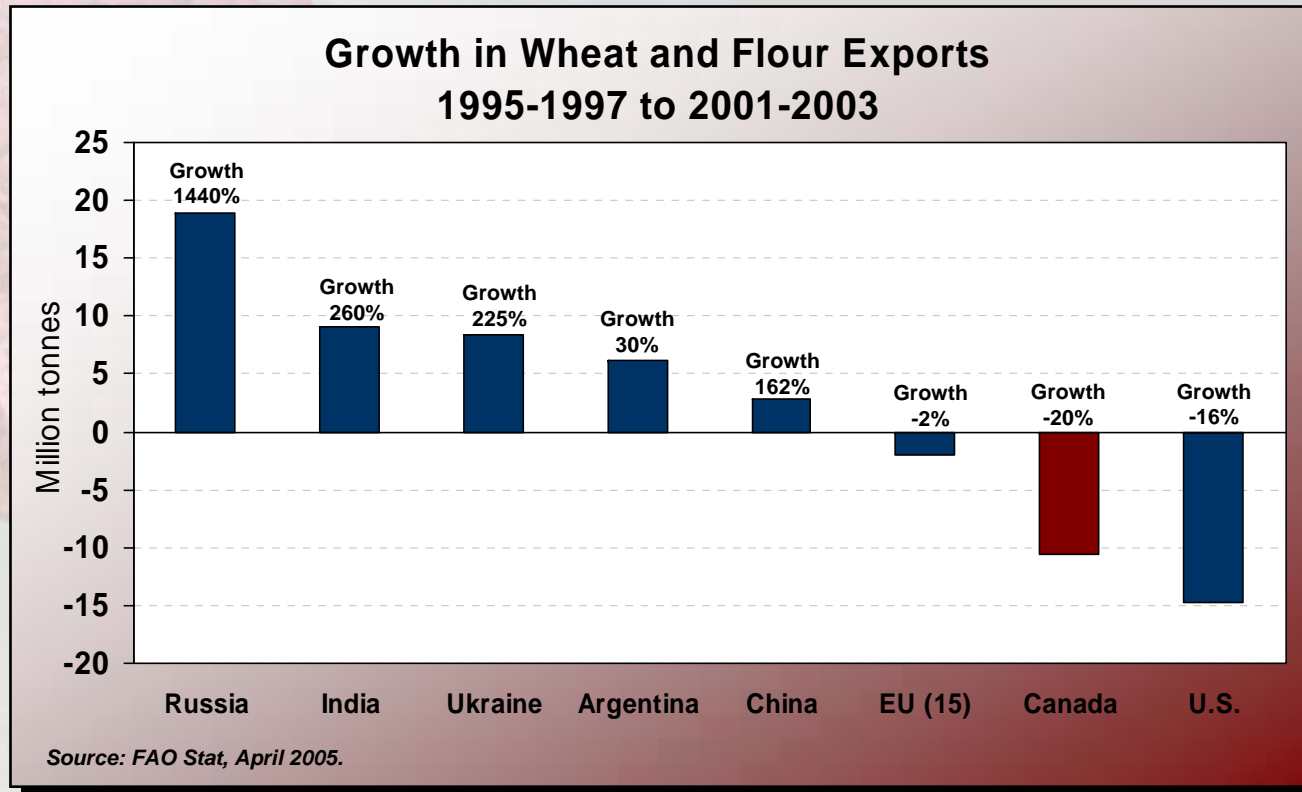


Integration can help us respond to growing competitive pressures from overseas

- New economic powers overseas are forcing change
- In grain and oilseeds, overseas producers are gaining market share
 - And are positioned to do it in horticulture and meat



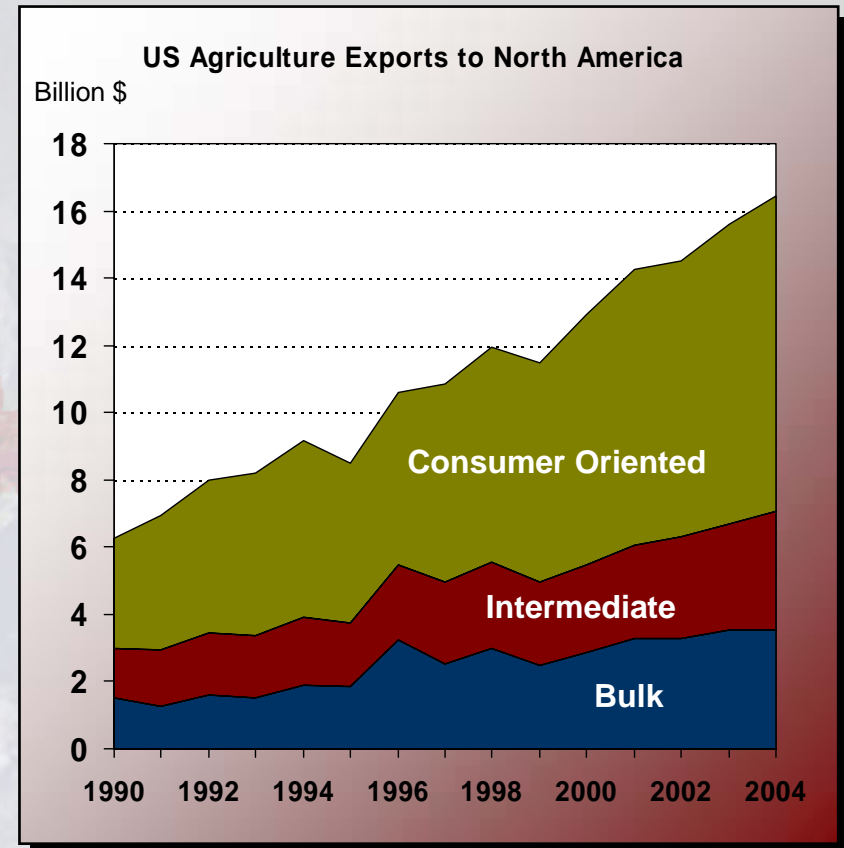
Integration can help us respond to growing competitive pressures from overseas



North American integration has expanded export opportunities in all three countries

- Following trade agreements, agriculture exports destined to North American market have increased significantly
- Between 1990 and 2004, exports to NAFTA partners
 - increased 162% for U.S.
 - increased 266% for Canada
 - Increased 141% for Mexico*

*Mexico: 1990–2003 to the U.S. only.



We are each other's most important suppliers and customers

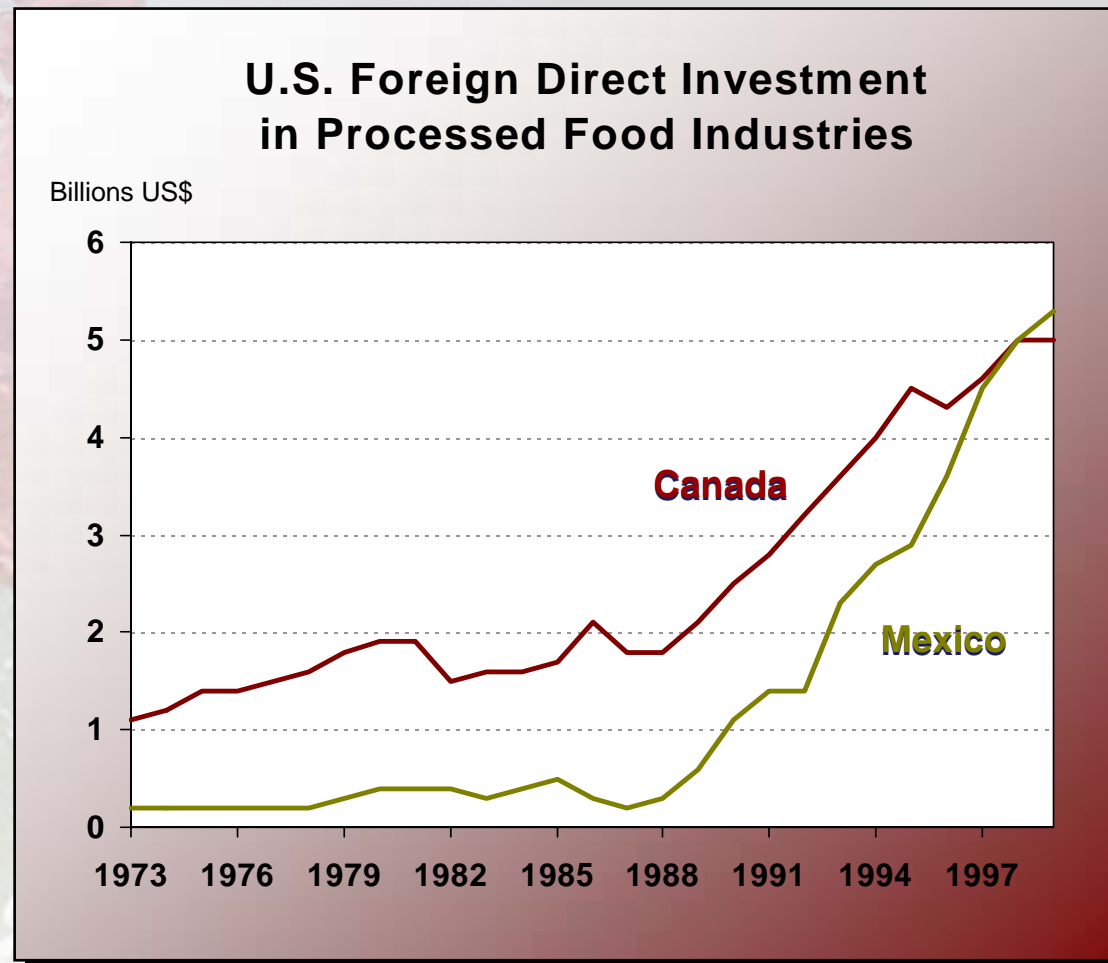
- **Our industries are more inter-dependent than ever before**
 - **The rest of North America is most important market for each of us**

Agriculture and Food Exports to Rest of North America

| Average 2000-2004 | US\$B | Market Ranking | % of Total Exports |
|------------------------------|--------------|---------------------------|-------------------------------|
| Canada | 13.7 | 1 st | 67% |
| U.S. | 17.1 | 1 st | 29% |
| Mexico | 7.1 | 1 st | 85% |

Note: 2000-04 avg., with the exception of Mexico, 2000-03 avg.

All Supported by long-term investments to realize gains from integrated market



Source: Bureau of Economic Analysis, USDA, ERS.

Not managing border risk means giving up benefits from integration

- Prior to BSE, cattle and beef sector had made a very successful shift to integration
- But border closure rendered integrated structure non-operable
- Result is de-integration
 - Processing is shifting from U.S. to Canada
 - Canada is exporting only meat
 - Temporary or permanent?

