

NEWS RELEASE



Feeding the world

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Olymel announces the permanent closure of the Vallée-Jonction hog slaughtering and cutting plant in Beauce

St-Hyacinthe, Friday, April 14, 2023 – Olymel's management regretfully announces the definitive closure of its hog slaughtering, cutting and deboning plant in Vallée-Jonction, in the Beauce region. The decision was necessary to stop losses in the fresh pork sector, which have amounted to more than \$400 million over the past two years and are jeopardizing the entire company's profitability.

"After carefully examining the difficult situation in the fresh pork sector and searching for the best way out of this crisis, it has become clear that closing one of Olymel's four slaughtering, cutting and deboning plants in Quebec was inevitable. However, no executive ever takes such a decision lightly. The first thing that comes to mind is the impact on employees and their families, on suppliers, including Beauce pork producers, and on the entire community in which the plant has operated for many years. Olymel management's decision to close the Vallée-Jonction plant was not region-based. It was the result of a careful analysis that focused first and foremost on the operational capabilities of each of the four slaughtering, cutting and deboning plants owned by Olymel in Quebec. Closing a plant was necessary to reduce our slaughter capacity and review our business model in order to optimize it, and our analysis ultimately revealed the limitations of the Vallée-Jonction plant, given the steady decline in the available workforce and the condition of the facilities, which would require investing tens of millions of dollars in renovations," said Yanick Gervais, President and CEO of Olymel.

JOB CUTS, CLOSURE SCHEDULE AND RELOCATION

Unfortunately, this decision involves the layoff of 994 employees, including 911 union members (CSN) and 83 managers. Employees were informed of this decision during meetings held at the plant and will also receive a personalized letter.

Given the nature of the Vallée-Jonction plant's activities, and in order to facilitate the processing of the remaining hogs and thus meet producer demand in Beauce and other regions, the facility's closure should take place over a period of more than 8 months. As a first step, the evening shift involving 443 production employees will be abolished in mid-September. The day shift, which consists of 468 other production employees, should continue depending on supply and labour availability until the plant ceases operations completely on December 22, 2023. The number of weeks of notice given to complete the layoff of employees will exceed the requirements of the Quebec Act respecting labour standards.

A DIFFICULT DECISION

For over two years, the pandemic, the labour shortage, the instability of export markets and the increase in raw material costs, among other factors, have created unprecedented negative conditions that have hit the pork industry hard and resulted in losses, which still have a major impact on Olymel. As a result, the company's management has taken numerous steps to optimize its operations. Over the past two years, the company has announced the reorganization of its operations, the reassignment of its workforce to value-added activities, task efficiency improvement efforts, the closure of certain sites, the sale of assets and a reduction in hog purchases of more than two million in Quebec and Ontario, all in the hopes of reducing its exposure to the risks in this sector and putting an end to mounting losses.



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“ On behalf of our owners and all my colleagues on the Olymel executive team, I would like to express our deep gratitude to all Vallée-Jonction plant employees from all departments who, since 1991, have worked to keep the plant running smoothly and make our products stand out. I would also like to thank the plant’s suppliers, the local authorities and the entire Vallée-Jonction community, who have consistently supported the company for more than 30 years,” continued Mr. Gervais.

Olymel’s management is confident that through its repositioning in the fresh pork sector, which includes three modern hog slaughtering, cutting and deboning plants in Saint-Esprit (Lanaudière), Yamachiche (Mauricie) and Ange-Gardien (Montérégie-West), the company will be in a better position to reach the slaughter capacity that has been already adjusted from 140,000 to 81,000 hogs per week. All three plants are located in areas with better recruitment opportunities. Olymel must find a better balance between the available workforce and the company’s slaughter capacity in order to assure the sustainability of the fresh pork sector.

A NEW BUYER-PRODUCER AGREEMENT THAT BENEFITS THE PORK INDUSTRY

“Today’s announcement also comes as a new agreement between buyer-processors and hog producers is being established. Over the next three years, a new agreement will govern the business relationship between these two parties. Since September 2022, the negotiations led by former Finance Minister Raymond Bachand have paid off. Both processors and producers have suffered from the consequences of the worst economic situation in our industry. In these difficult times, it is important to remember the efforts made by both sides to support the sector, such as facilitating the processing of remaining hogs and making financial arrangements to reduce price pressures. The details of this agreement should be announced shortly. This new agreement combined with Olymel’s major reorganization of the fresh pork sector should enable the Quebec pork industry to make a fresh start through a transition plan satisfactory to all those involved,” concluded Yanick Gervais.

RELOCATION OF EMPLOYEES

Olymel will soon be offering employees the option to sign up for a voluntary relocation program for staff that want to continue working for the company at another Olymel location. The hog slaughtering and cutting plants located in Yamachiche, Saint-Esprit, Ange-Gardien, Princeville and Sherrington, as well as the pork further processing plant in Saint-Henri-de-Lévis on the south shore of Québec City, will be part of the relocation plan. A reclassification committee will also be set up, in collaboration with Emploi Québec, to support employees who wish to pursue a new career path.

The Olymel plant in Vallée-Jonction also has 122 temporary foreign workers on staff. Olymel has taken steps with federal and provincial authorities to allow these workers to apply for relocation to another Olymel establishment.

THE FUTURE OF THE FACILITIES

Olymel’s management has not yet made any decision as to the Vallée-Jonction plant’s future. The company will take the time needed to assess all of its options and to consider any proposals from interested parties.

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