



News release
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Délimax-Montpak group announces agreement in principle to acquire assets of Écolait

(Saint-Hyacinthe, November 16, 2017) – Délimax-Montpak, an industry leader and North America’s foremost veal and lamb processing company, today announced that it has reached an agreement in principle to acquire the assets of Écolait. Under the agreement, Écolait’s veal production and processing operations in Quebec will continue. The assets include a slaughtering and processing plant with more than 200 employees in La Plaine, Quebec, along with seven corporate farms. In combination, almost another 70 affiliated family farms supply livestock to the processing facility.

The transaction will increase Délimax-Montpak’s production and processing capacity by nearly 50%. The Écolait assets will be added to the group’s \$25 million investment program targeting improved food safety and animal welfare, begun in 2010. The total value of the transaction announced today is an estimated \$50 million.

“It had become clear that major changes were needed in our industry segment,” said Fabien Fontaine, President and Chief Executive Officer of Délimax-Montpak Group. “In recent years, government cutbacks to farm credit programs, transatlantic trade deals, and the changes requested to our farming practices have severely weakened the financial capacity of Quebec’s veal production and processing companies,” he added.

Two years ago, the Financière Agricole du Quebec slashed farm credit programs for milk-fed veal, and has severely restricted its contribution to the remaining programs (AGRI) available to large companies like Délimax-Montpak. Moreover, under the Canada–EU Trade Agreement, European veal producers can now export their products to Canada without paying the nearly 30% customs duties to which they were previously subjected. Those exporters are also not governed by the same rules on the use of certain products. In addition, for the past 20 years, the European calf-farming industry has benefited from generous subsidies that have enabled it to enhance its farming infrastructures.

“Our intention to keep Écolait’s assets and expertise in Quebec will allow the veal sector in the province, and in the rest of Canada, to remain competitive internationally,” Mr. Fontaine concluded. “We will be able to continue offering distinctive, prime-quality veal

and lamb products in the North American market that meets the need of today's and future consumers. The two companies' combined know-how will drive synergy that will undoubtedly contribute to the development of the Quebec agri-food industry.”

Délimax-Montpak group and his US partner, Catelli Brothers, will together now benefit their customers from more than 35 years of expertise in livestock production and 50 years in processing and marketing. Their priorities will still remain to service their valued customers with quality meat and the best service. Headed by three brothers—Alexandre, Donald and Fabien Fontaine—the group, along with its subsidiaries, is North America's leading veal and lamb producer and processor. Following this transaction, the company owns 100 corporate farms, works with nearly 270 affiliated farms, has over 1,000 employees, operates processing plants in Canada and the United States, and has combined revenues of some \$425 million. The group's customers include some of the largest food distribution and sales companies in North America.

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