



## Hog Industry Loan Loss Reserve Program

### What is the Hog Industry Loan Loss Reserve Program?

The Hog Industry Loan Loss Reserve Program (HILLRP) can help you lower your monthly loan payments by providing loan guarantees that help hog farmers get better loan terms over longer periods of time. It's not meant to add more debt to your business, but to spread your short-term debt payments over a longer period of time. By freeing up some cash at the end of the month, you can focus your attention on your immediate business needs, or use some of that money to make your farm more efficient and profitable. See below for some concrete examples of how this program can benefit hog producers.

The Government of Canada believes that farmers should have options and tools to make their farms profitable and that is why we are willing to share the risk with financial institutions in consolidating short-term debt into long-term loans to eligible hog producers.

### Am I eligible?

Individuals, partnerships, limited partnerships, corporations, joint ventures, body corporates and trusts that operate a hog operation in Canada and are not benefiting from the Hog Farm Transition Program can apply for a loan under the HILLRP. To apply, contact a financial institution and provide them with a business plan that shows how your farm would profit from this type of financial restructuring. Shop around and visit several financial institutions to get the best terms and rates for your business. The application deadline is March 1, 2010.

If, after visiting several financial institutions, you decide that this is not the direction you would like to take, you may want to participate in the **Hog Farm Transition Program**. It would allow you to tender bids in exchange for setting aside all your hog production for at least three years. Visit the Canadian Pork Council's web site ([www.cpc-ccp.com](http://www.cpc-ccp.com)) for the most up-to-date information and registration forms.

## How does the Hog Industry Loan Loss Reserve Program work?

Here are a couple of examples for illustration purposes only. All numbers used are notional and specific terms for your loan would need to be negotiated with your lender.

### Example 1

Robert and Anne are farrow-to-finish producers in Manitoba. They had short-term loans (amortization of 5 years or less) totalling \$800,000 and were finding it tough to keep up with their day-to-day operational costs. With monthly loan payments of approximately \$15,466 (at a 6% interest rate), Robert and Anne were falling behind on their bills. They knew that if they could reduce their monthly loan payments, they could work out a business plan to get their operations back on track. They were able to benefit from the Hog Industry Loan Loss Reserve Program by renegotiating their current loan with their bank and were given two options. By spreading out their short-term debt over 10 years, they could bring their monthly payments down to \$8,485; or they could spread it over 15 years, making their monthly payments \$6,326, at a 5% interest rate. Not having their money tied up in loan repayments, Robert and Anne were able to use the extra cash to get caught up on their diesel and feed bills, and start implementing their plan to make their farm profitable again. Although these loans are approved at the discretion of each financial institution, the Government of Canada guarantees part of the loan, under the Hog Industry Loan Loss Reserve Program. This reduces the risk for financial institutions and allows for better loan terms.

### Example 2

Jean is a wean-to-grow producer in Quebec and has received a \$400,000 hog advance under the 2008-2009 Advance Payments Program (APP) that is due on September 30, 2010. With interest, Jean is looking at a cash outflow of approximately \$421,000 by the end of the year. Jean approached four financial institutions, was rejected by one, and got offers from the rest – one of which had very attractive terms. Through the Hog Industry Loan Loss Reserve Program, Jean could repay his APP advance by spreading his repayments over 10 years, bringing his monthly payments down to \$4,242; or over 15 years, reducing monthly payments to \$3,163, at a 5% interest rate. Jean will also be able to reapply for a regular advance under the APP program where the first \$100,000 is interest free.

## Where can I get more information?

Detailed information, a list of participating financial institutions, and tips on what to include in your business plan can be found on AAFC's website.

## The application deadline is March 1, 2010.

For more information, please contact your financial institution or contact us:

Website: [agr.gc.ca/HILLRP](http://agr.gc.ca/HILLRP)  
Email: [HILLRP@agr.gc.ca](mailto:HILLRP@agr.gc.ca)  
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