

What Next?

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K-State Swine Day
Manhattan, KS
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Our Economic Current Situation as an Industry

- Record Profits
- Strong Domestic Demand
- Strong and Likely Increasing Export Demand
- Record Animal Weights
- More Than Adequate (Currently) Slaughter Capacity
- Low Cost Feed
- Low Cost Fuel
- Low Inflation and Low Interest Rates

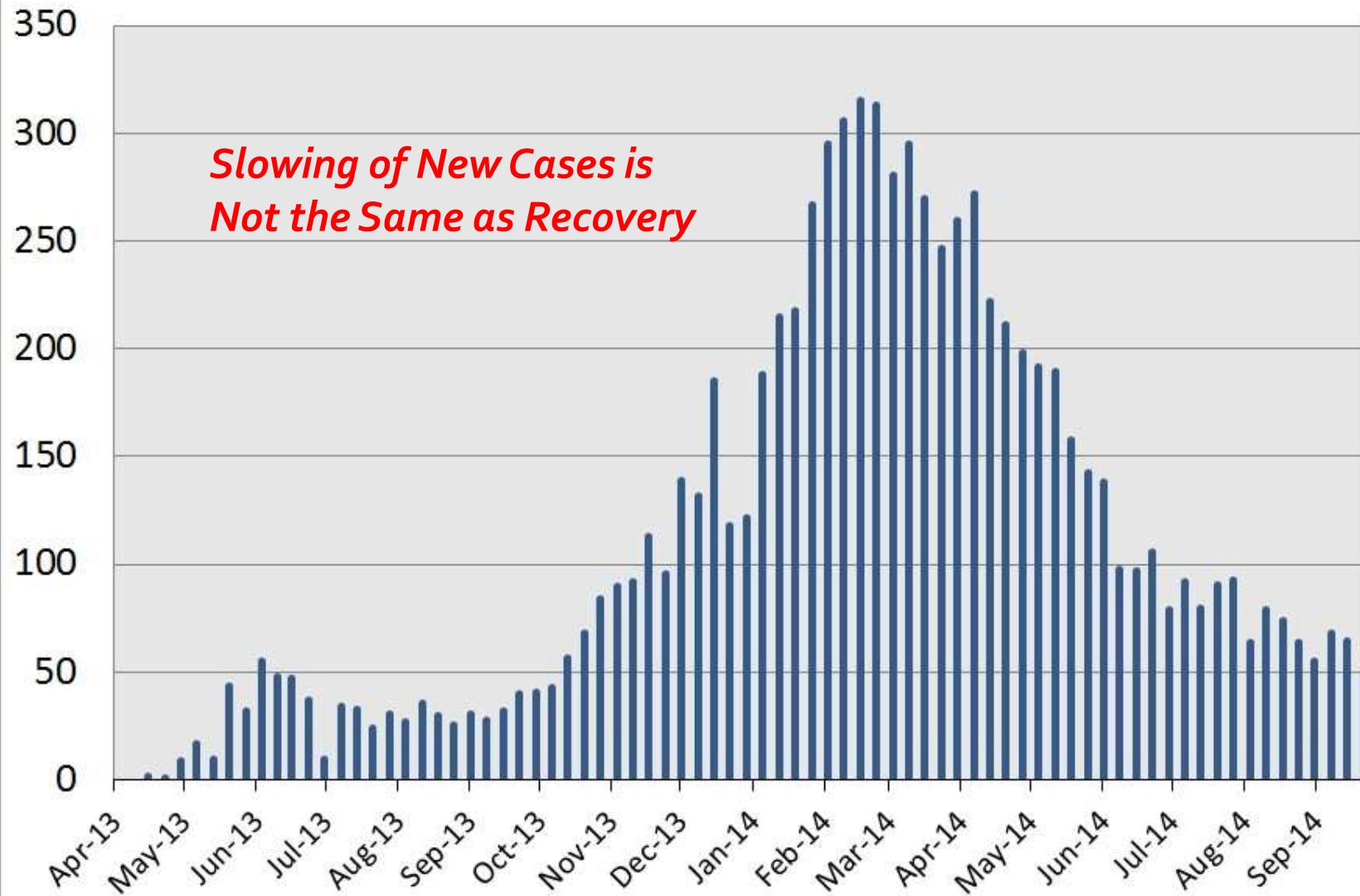
How Did We Get Here?

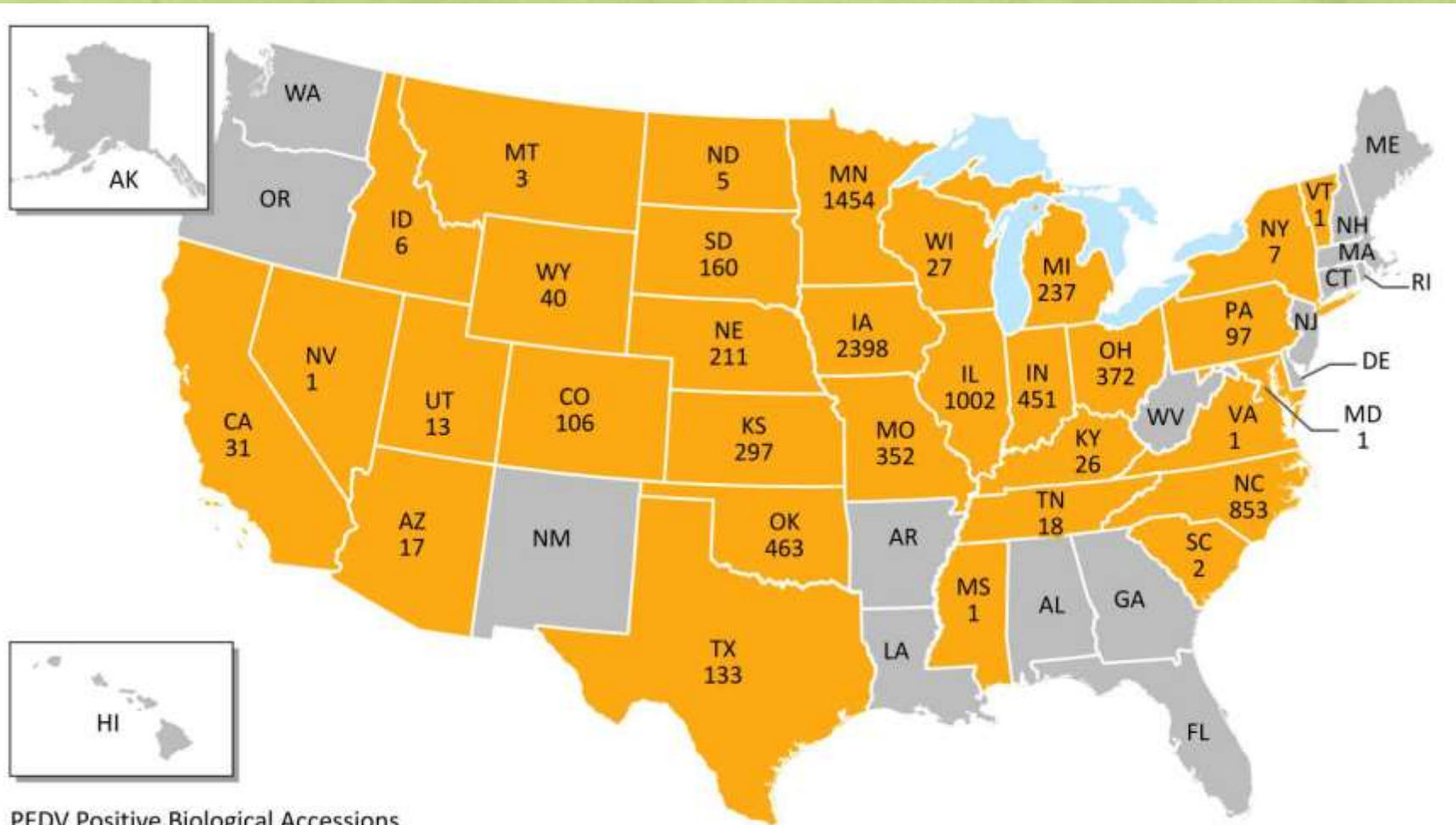
The Inevitable Question on Every Journey!

PED_v

A Significant Reduction of Supply

New PEDv Case Reports by Week





PEDV Positive Biological Accessions
 Created: November 14, 2014

Positive Accessions with No State Recorded: 91

Supply Impacts

PEDv Productivity Hit Causes P/L Declines to 2009 Levels

**FIVE Years Productivity Gains Lost
(but already recovered!)**

3 months ending Feb.	500-999	1,000-1,999	2,000-4,999	5,000+
2000	8.2	8.5	8.7	8.9
2001	8.2	8.5	8.7	8.9
2002	8.3	8.6	8.7	8.9
2003	8.2	8.7	8.8	8.9
2004	8.2	8.6	8.7	9.0
2005	8.3	8.8	8.9	9.0
2006	8.3	8.8	9.0	9.1
2007	8.4	8.8	9.0	9.2
2008	8.4	8.8	9.2	9.3
2009	8.4	9.0	9.4	9.5
2010	8.5	9.2	9.6	9.7
2011	8.8	9.3	9.7	9.9
2012	8.8	9.2	9.8	10.0
2013	8.9	9.4	9.9	10.1
2014	8.5	8.9	9.5	9.6

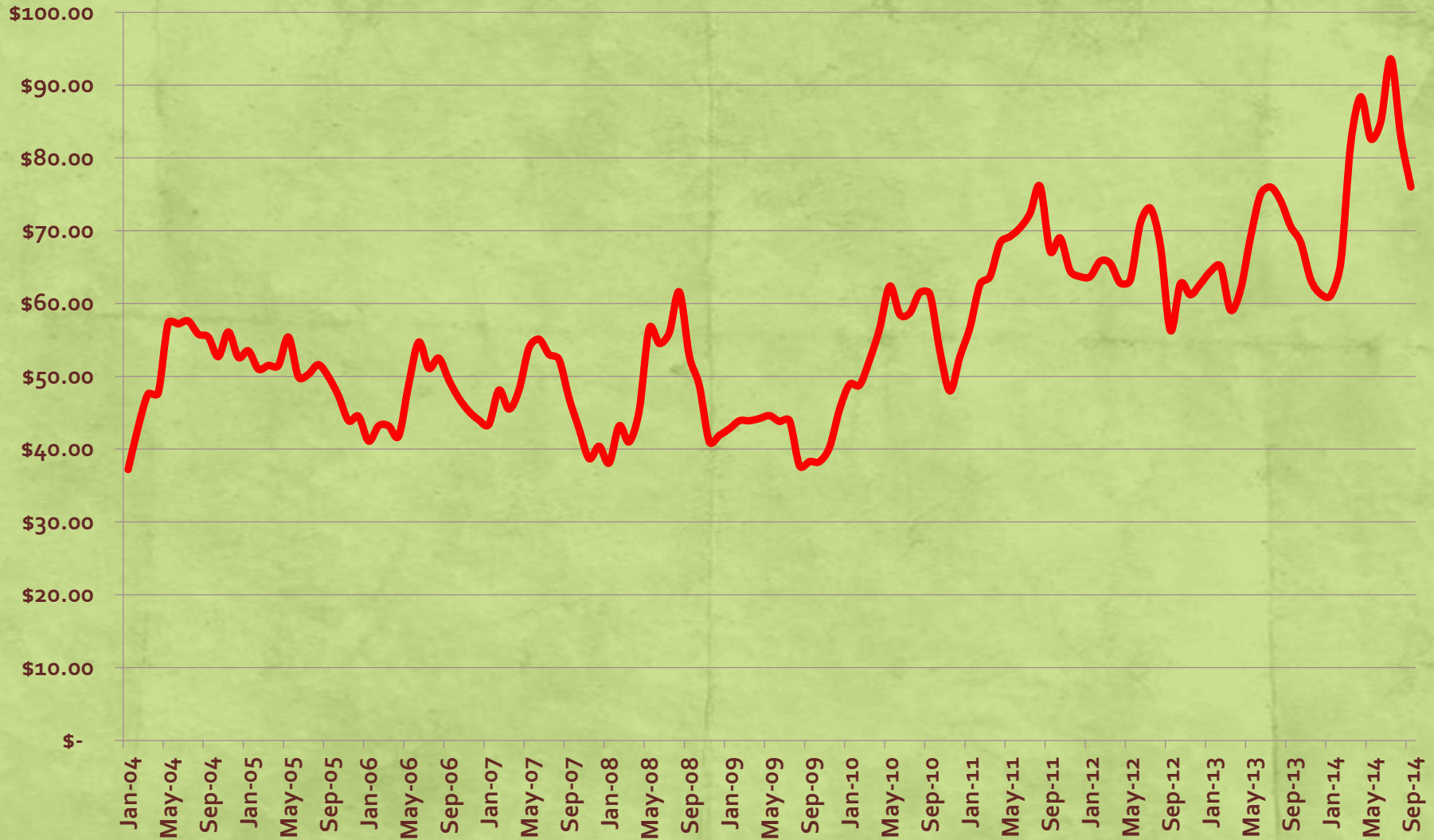
Table 1. Pigs per Litter by Sow Herd Size of Operation, three months ending February 2000 through three months ending February 2014

CLOSE X

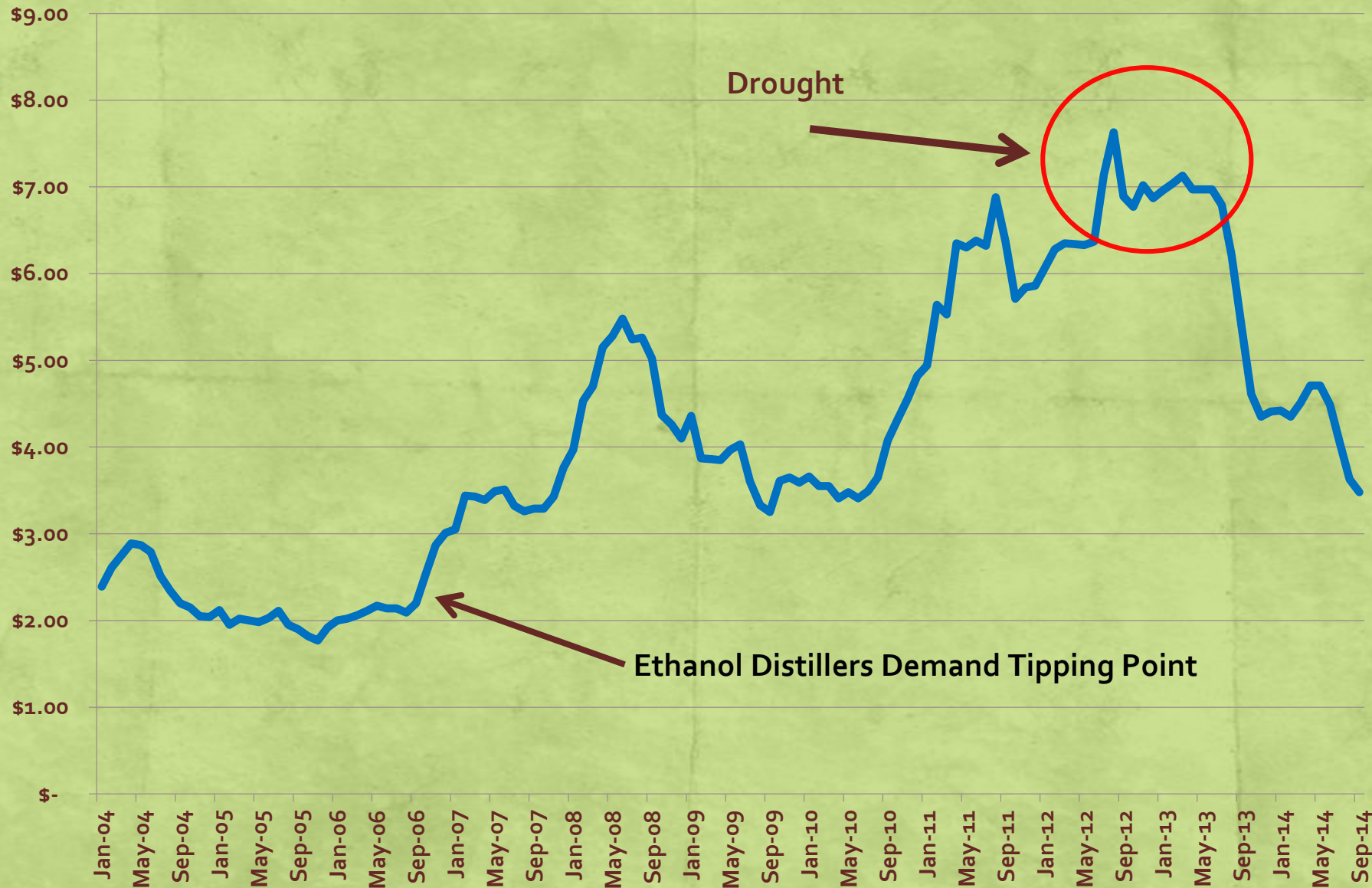
Price and Cost Impacts

Live Hog Price/CWT

Monthly Avg 2004-2014



Corn Price/Bu 2004-2014



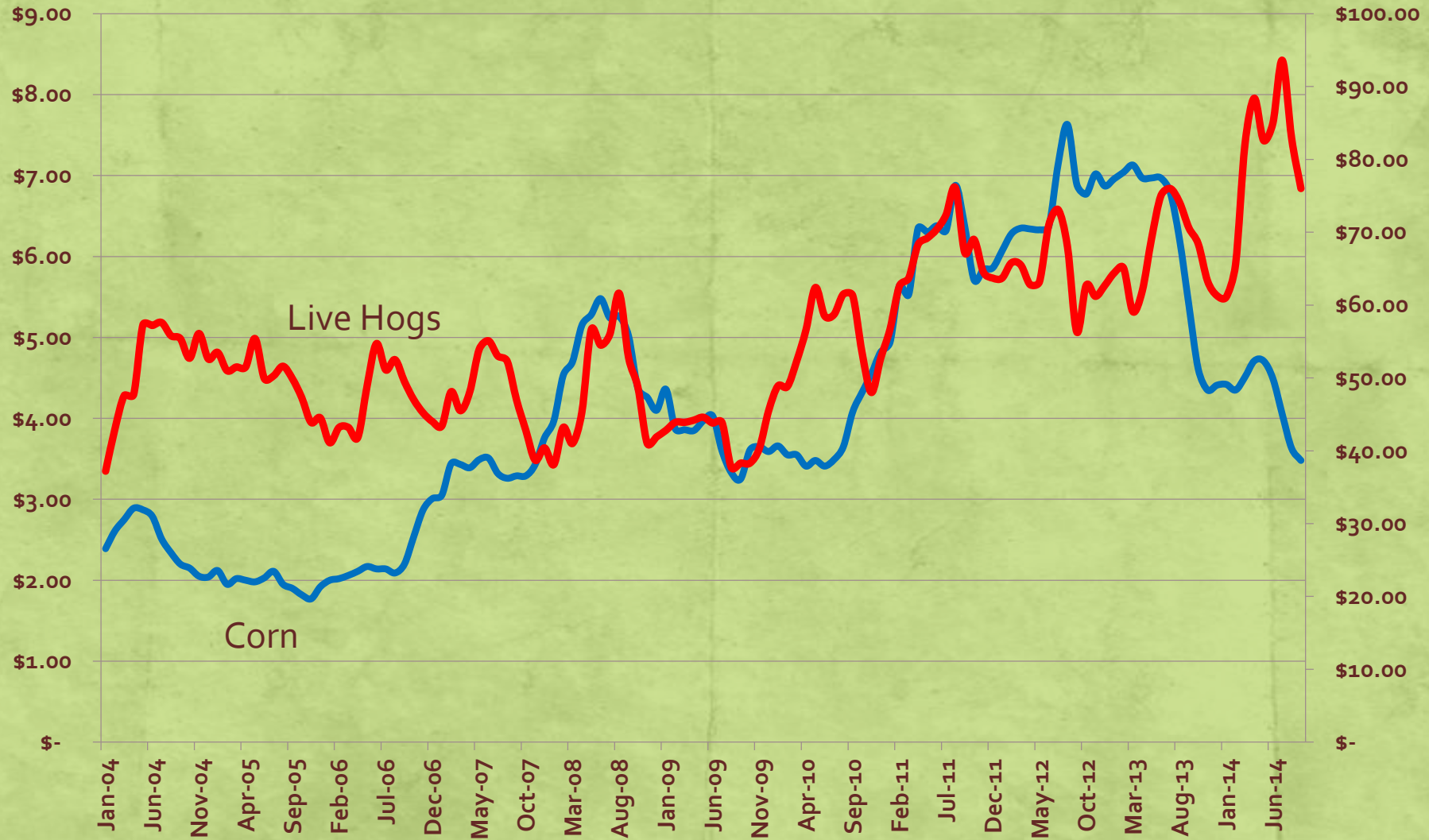
Drought

Ethanol Distillers Demand Tipping Point

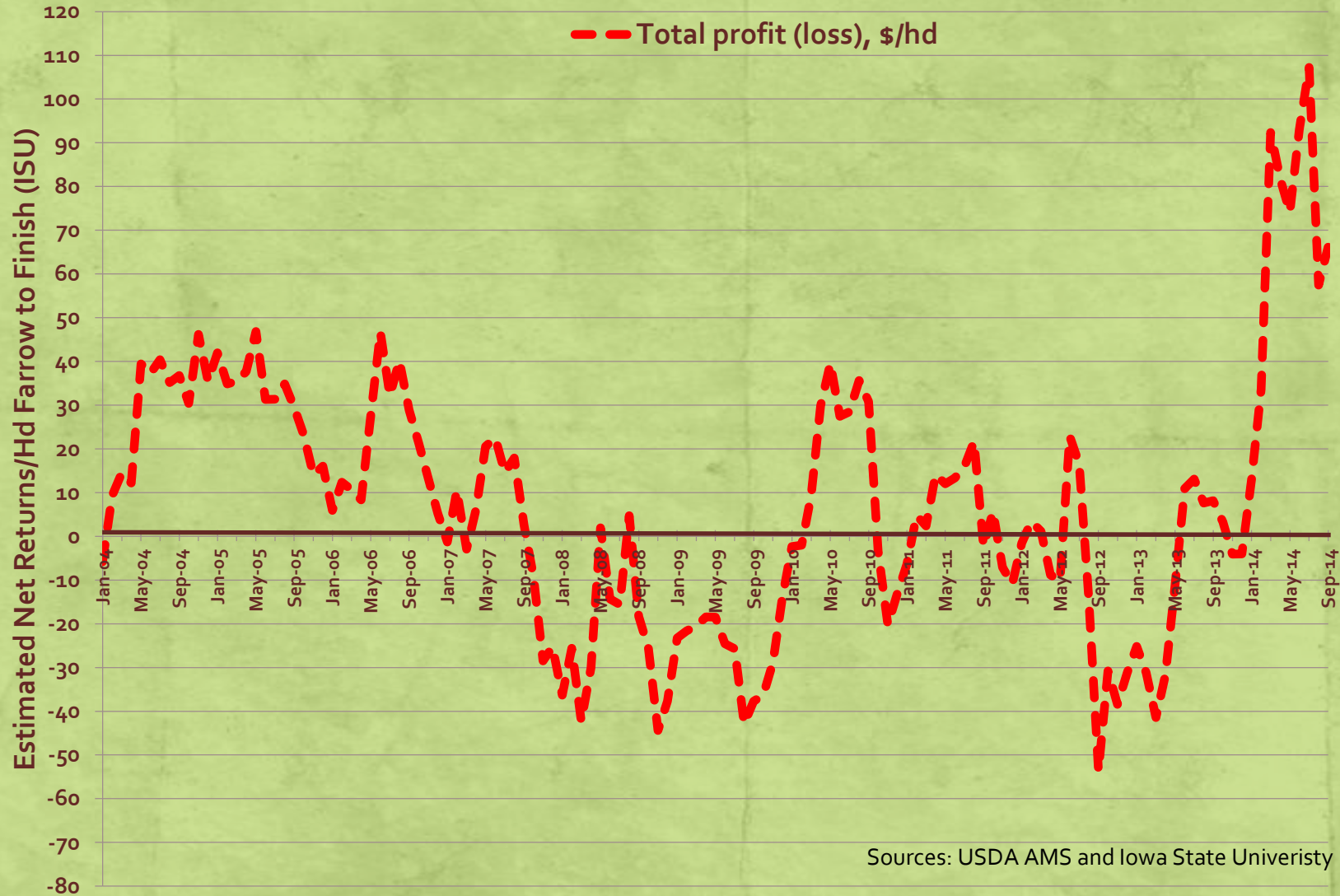
Record Harvest and Upward Demand Trend Collapse to Flat Line

Corn Price/Bu and Live Hog Price/CWT

2004-2014

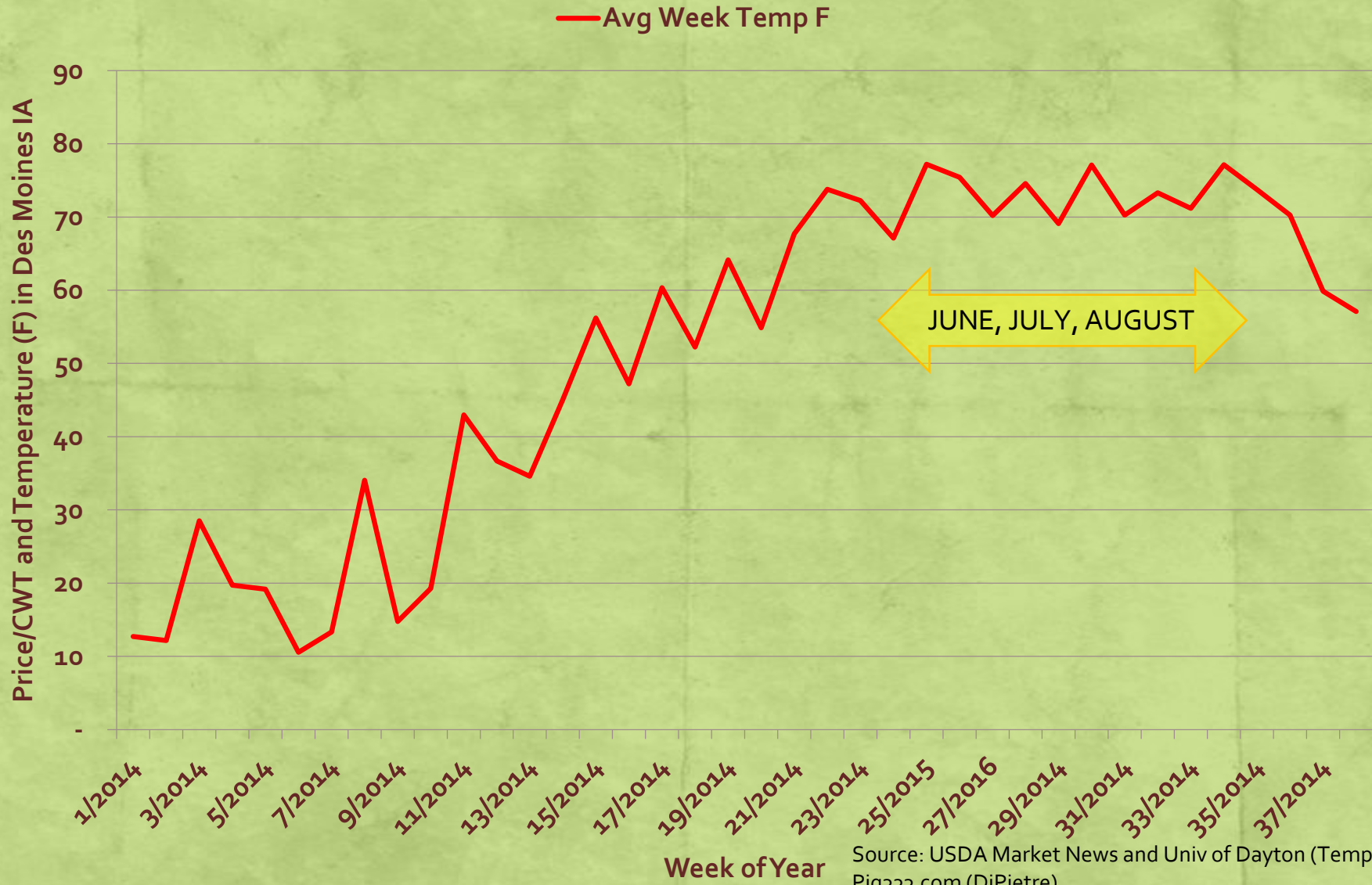


Monthly Estimated Returns, Farrow to Finish (ISU) 2004-2014



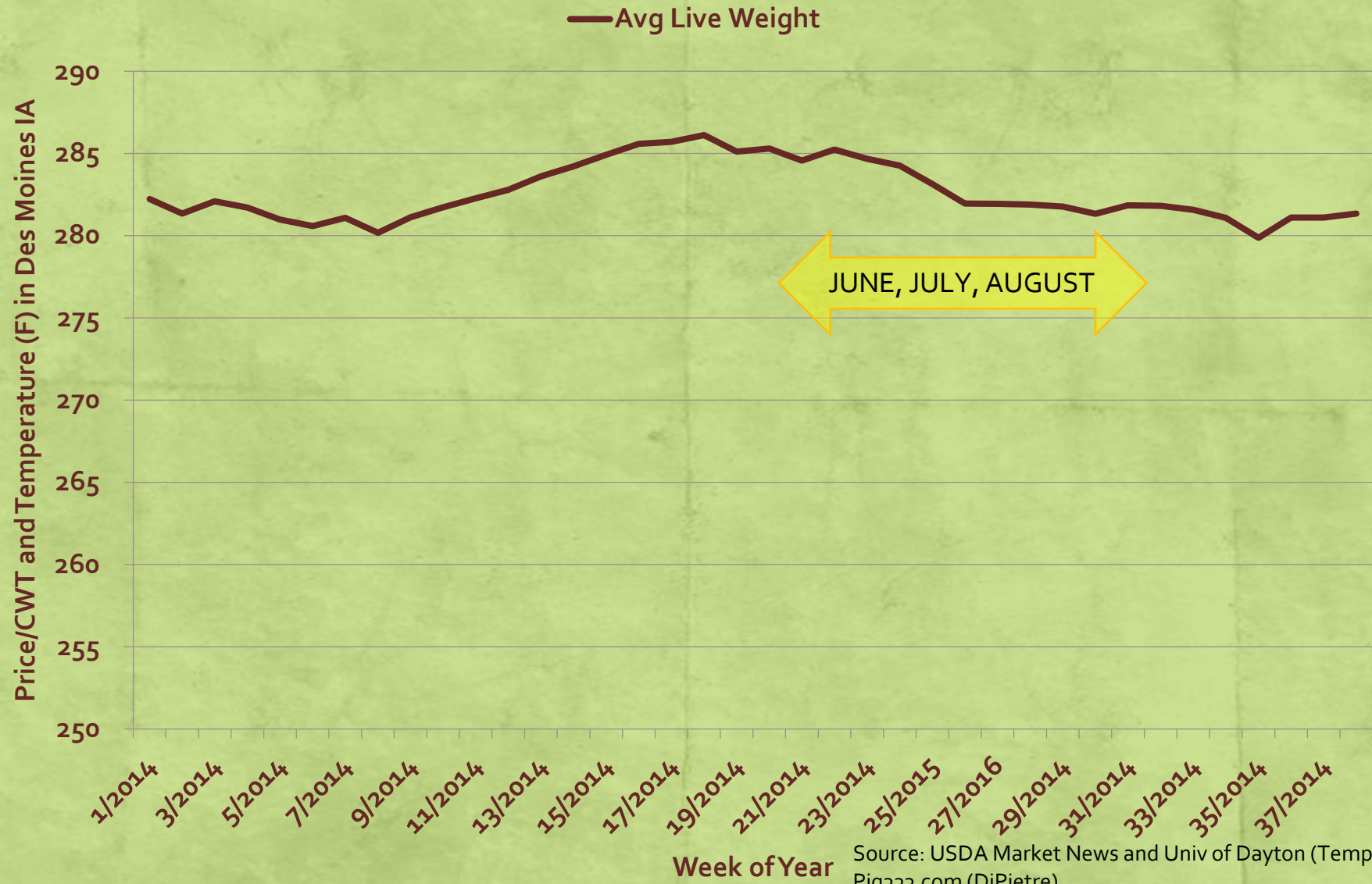
Market Weights

Update on US Weekly Average Live Weight, Carcass Price and Temperature Changes



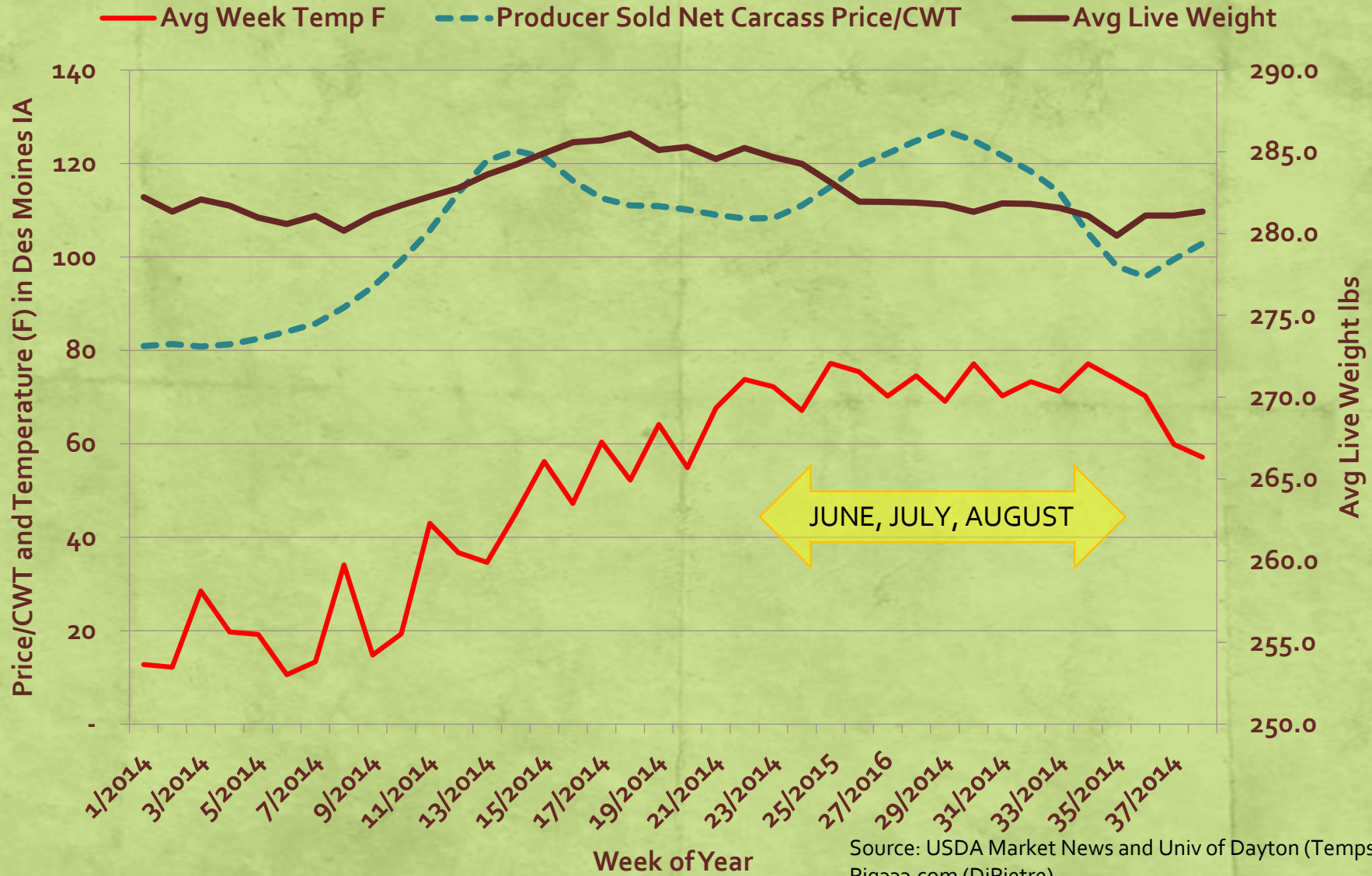
Source: USDA Market News and Univ of Dayton (Temps), Pig333.com (DiPietre)

Update on US Weekly Average Live Weight, Carcass Price and Temperature Changes



Source: USDA Market News and Univ of Dayton (Temps)
Pig333.com (DiPietre)

Update on US Weekly Average Live Weight, Carcass Price and Temperature Changes



JUNE, JULY, AUGUST

Source: USDA Market News and Univ of Dayton (Temps)
Pig333.com (DiPietre)

What's Next

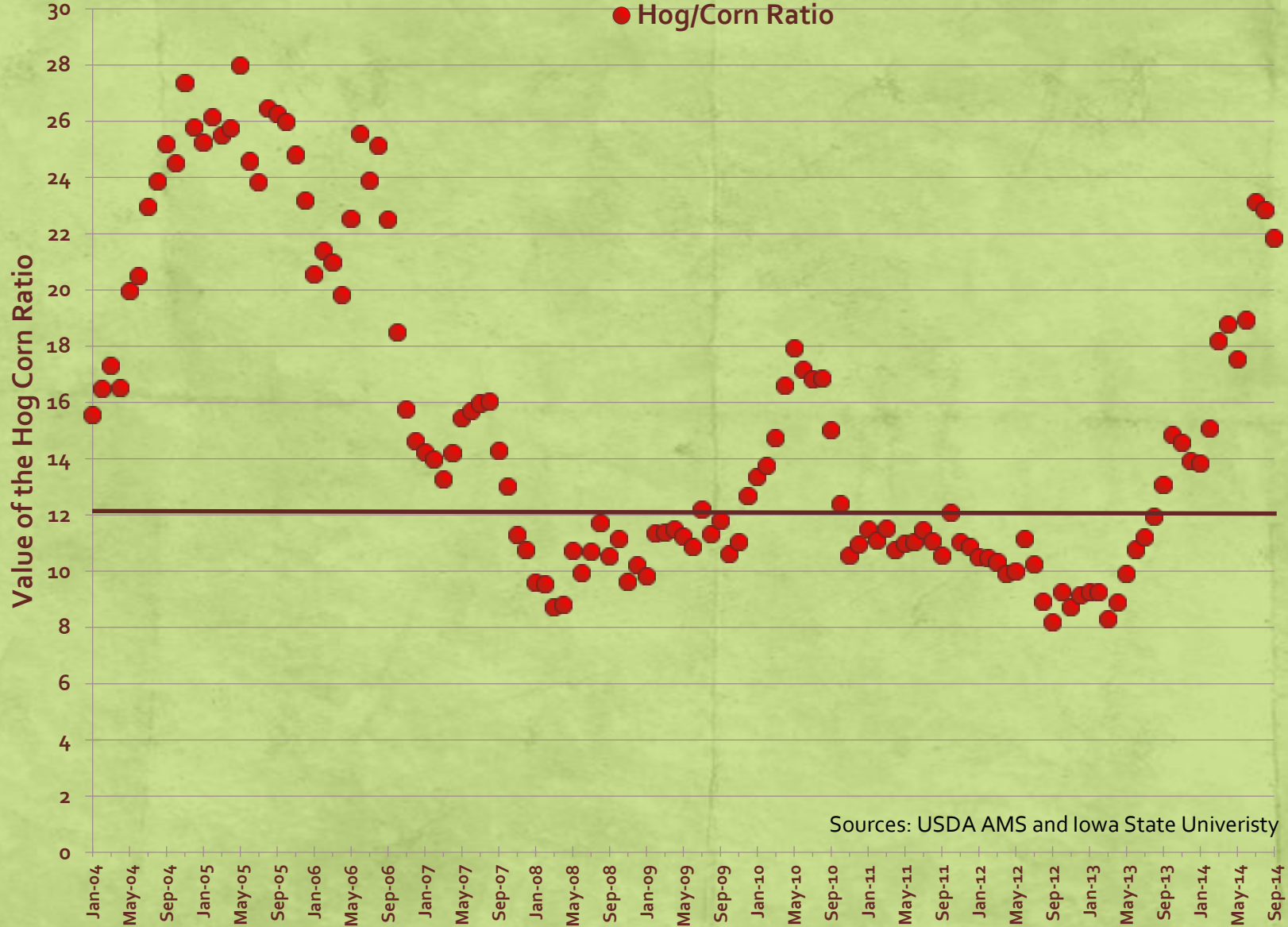
Reviving a 100 Year Old Metric

The Hog/Corn Ratio

- Used for 100+ Years as a Gauge of Likely Producer Action
- Live Weight Price of Hogs/CWT Divided by Bushel Price for Corn
- A Widely Used Metric in Various Forms but Lost Significance in Hogs
- Multiple Impacts on Corn Prices (Ethanol esp.) & Cost Structure Changes
- Expansion Usually Associated with Values Greater Than 18-20

Monthly Hog Corn Ratio

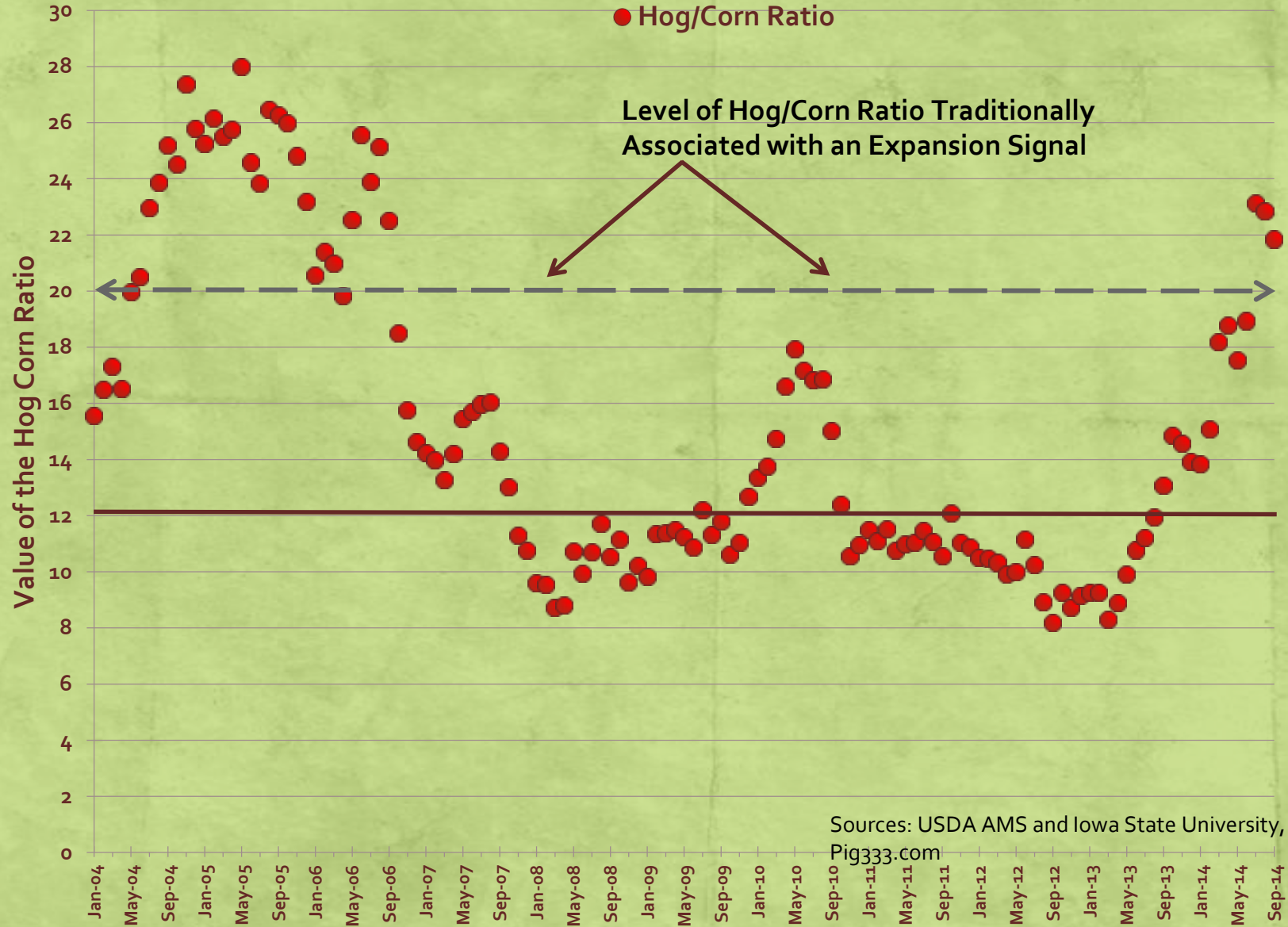
with Associated Live Hog Price/Cwt and Corn Price/Bu



Sources: USDA AMS and Iowa State University

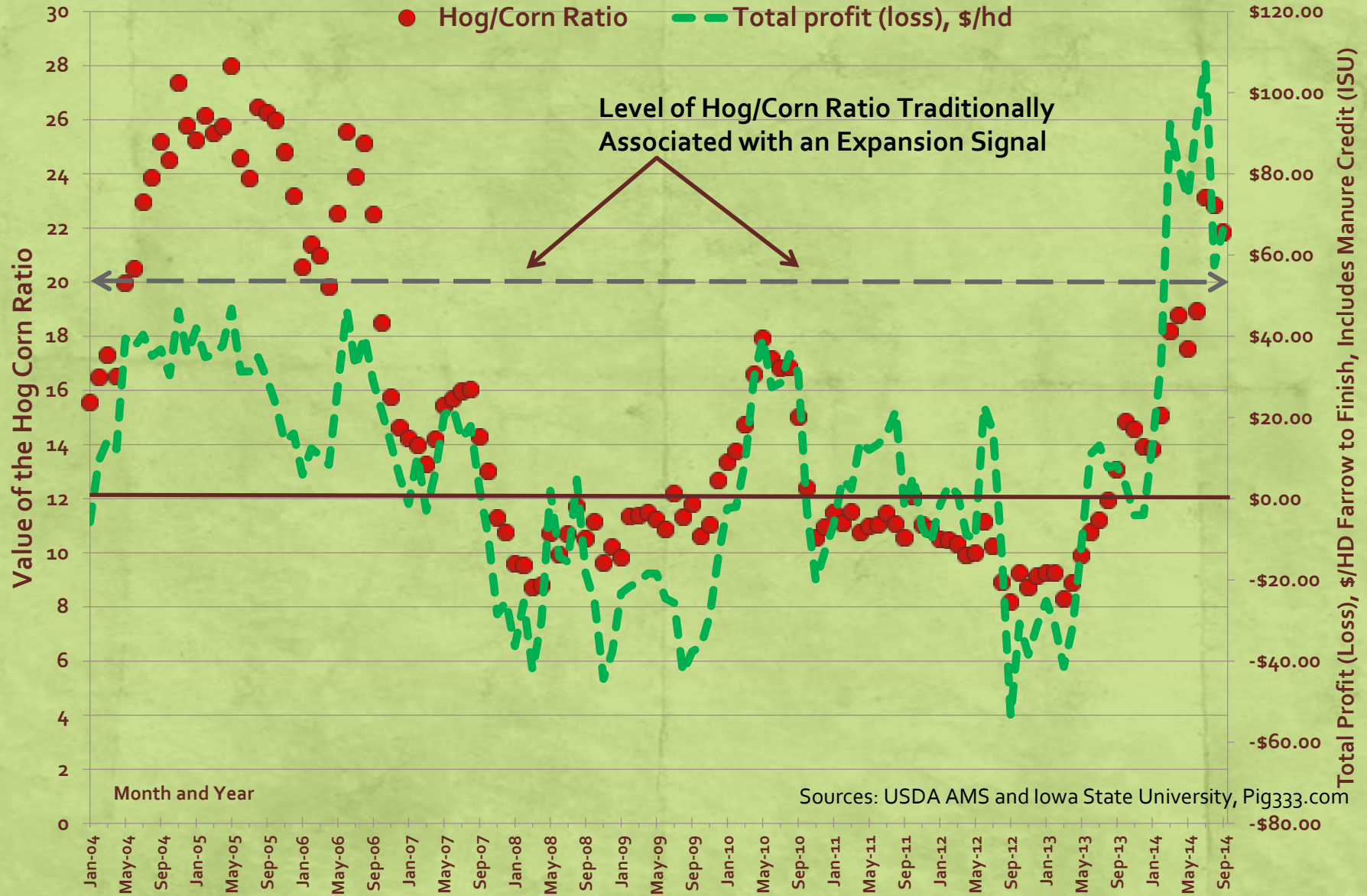
Monthly Hog Corn Ratio

with Associated Live Hog Price/Cwt and Corn Price/Bu



Monthly Hog Corn Ratio

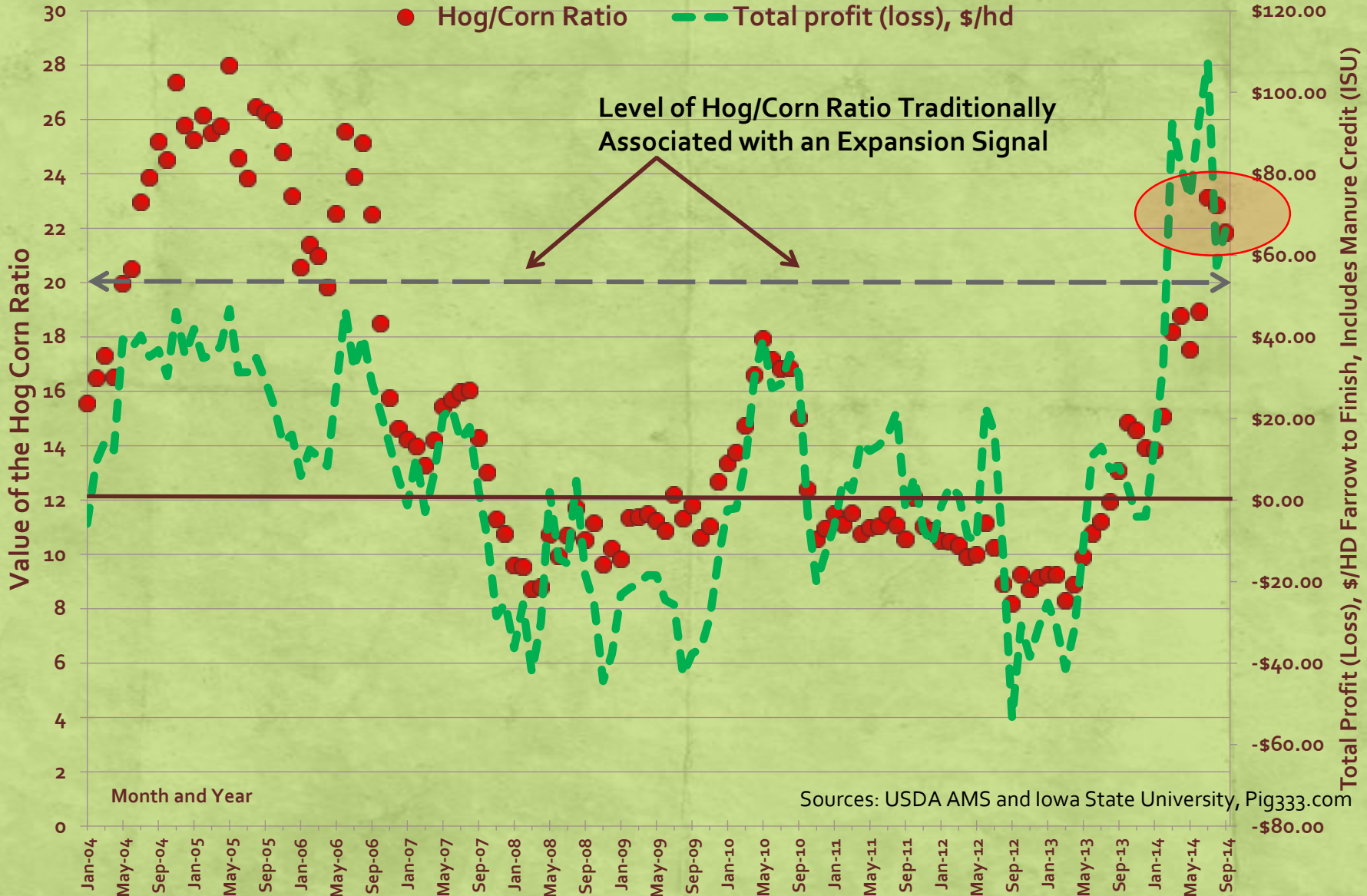
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Sources: USDA AMS and Iowa State University, Pig333.com

Monthly Hog Corn Ratio

with Associated Live Hog Price/Cwt and Corn Price/Bu



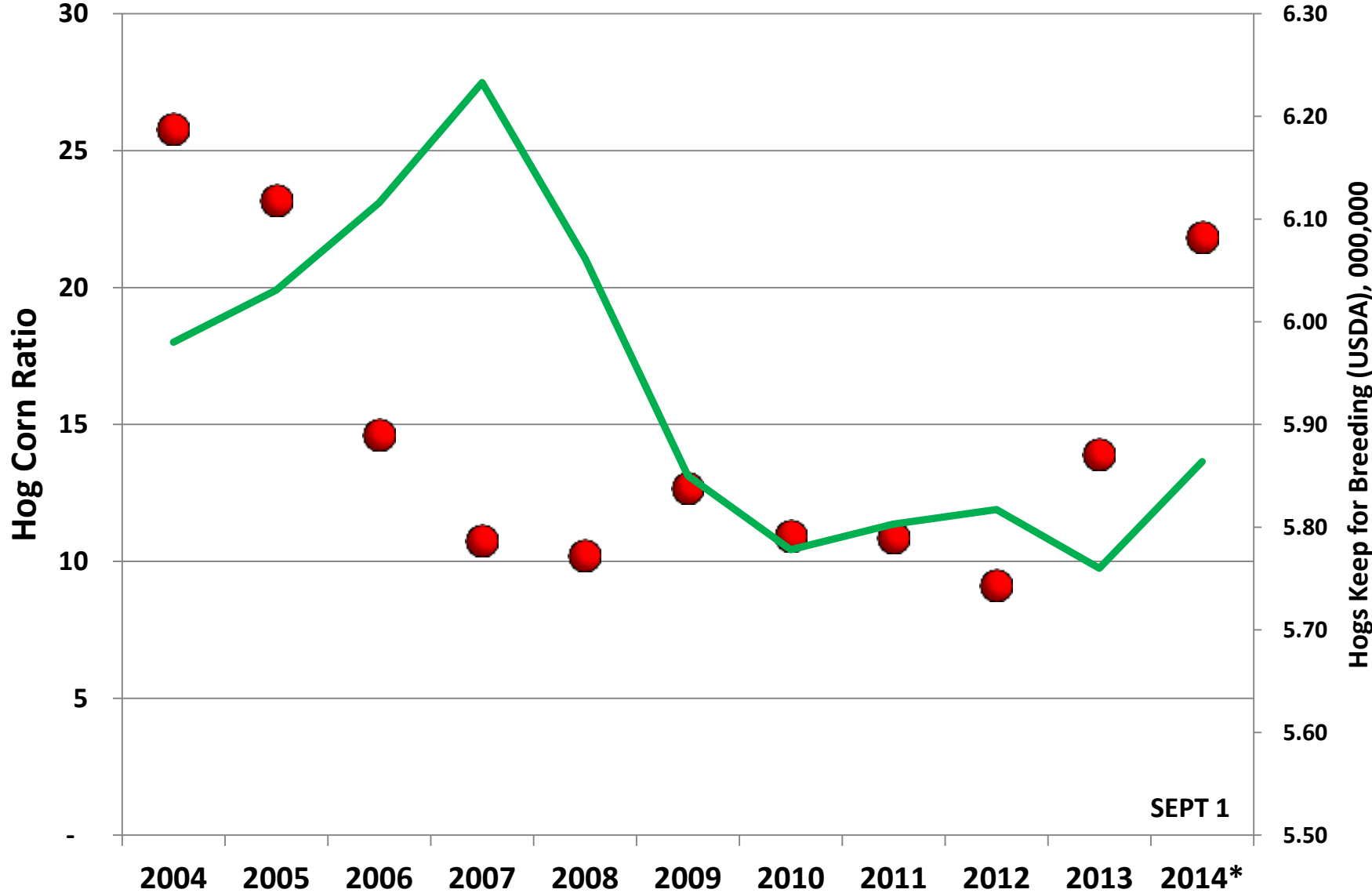
Sources: USDA AMS and Iowa State University, Pig333.com

US Hogs Kept for Breeding (Dec 1 USDA, Million Head)

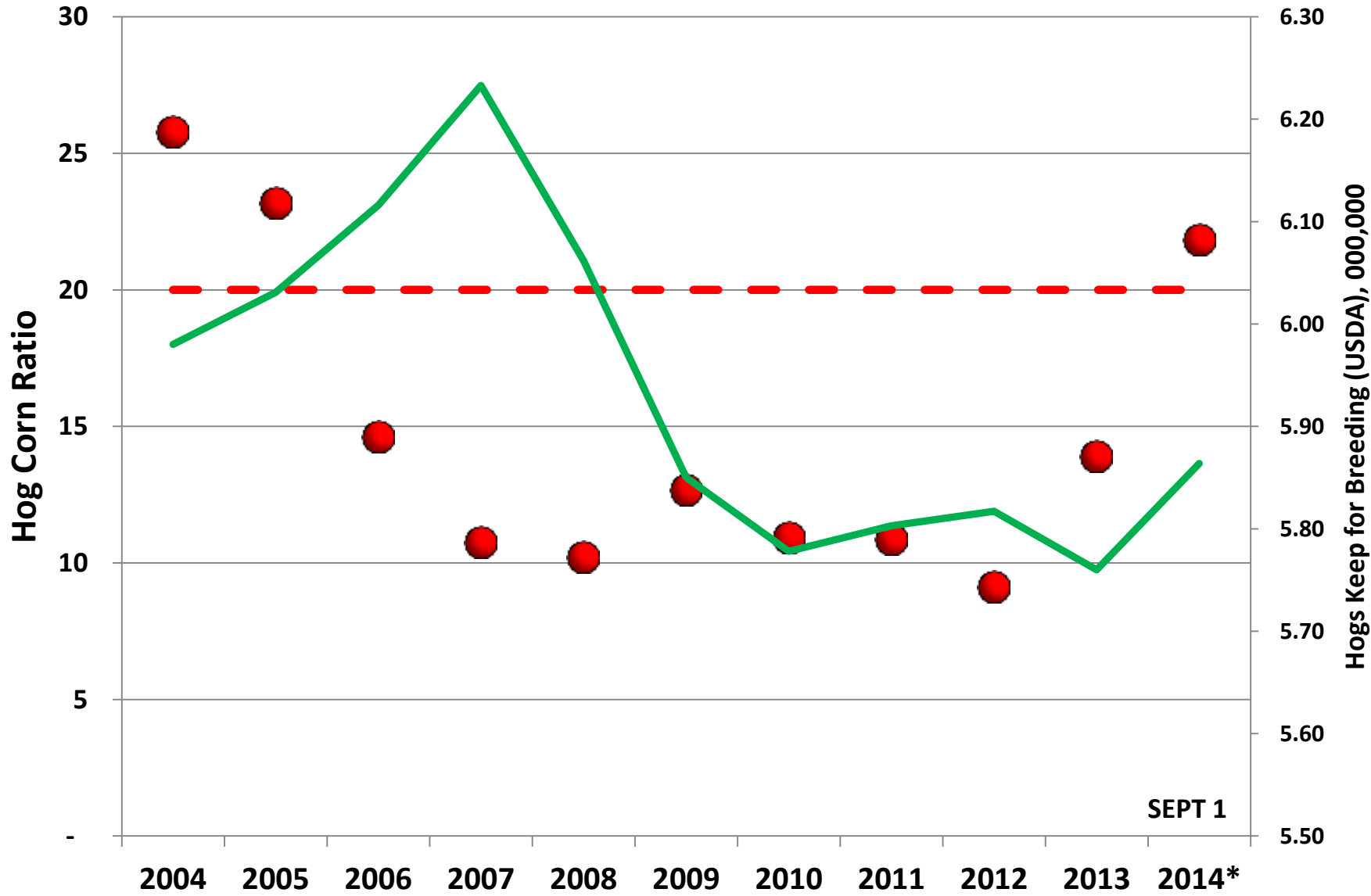


USDA, Hogs and Pigs Report

**US Hogs Kept for Breeding (Dec 1 USDA, Million Head) and
Corresponding Dec 1 Hog/Corn Ratio Value**



**US Hogs Kept for Breeding (Dec 1 USDA, Million Head) and
Corresponding Dec 1 Hog/Corn Ratio Value**



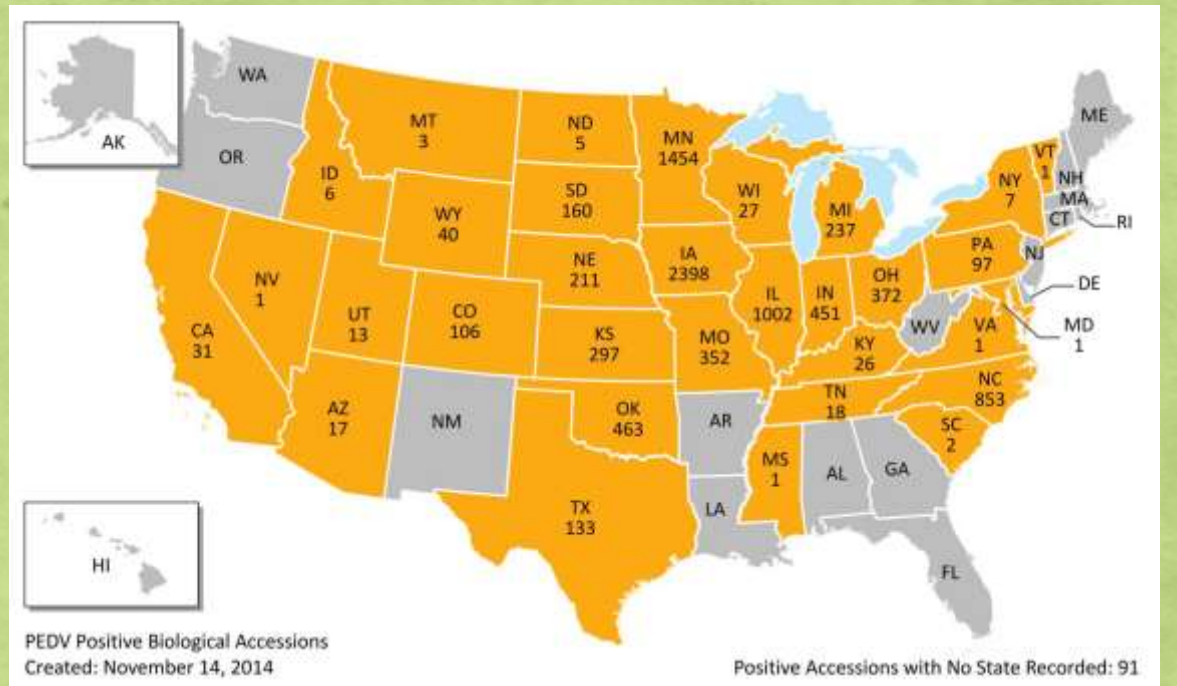
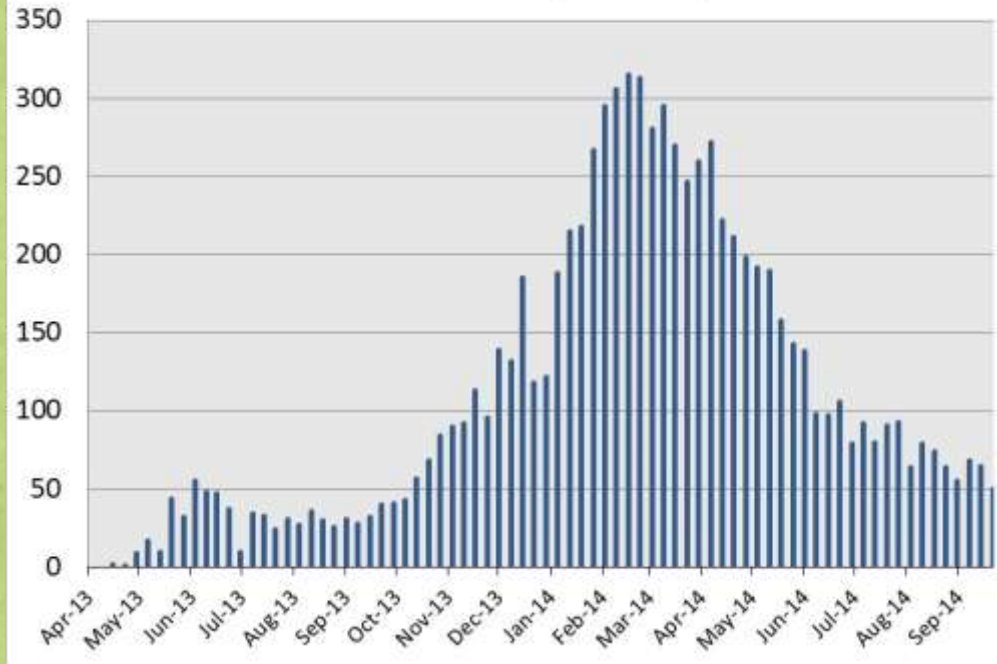
SEPT 1

Some Thoughts Going Forward

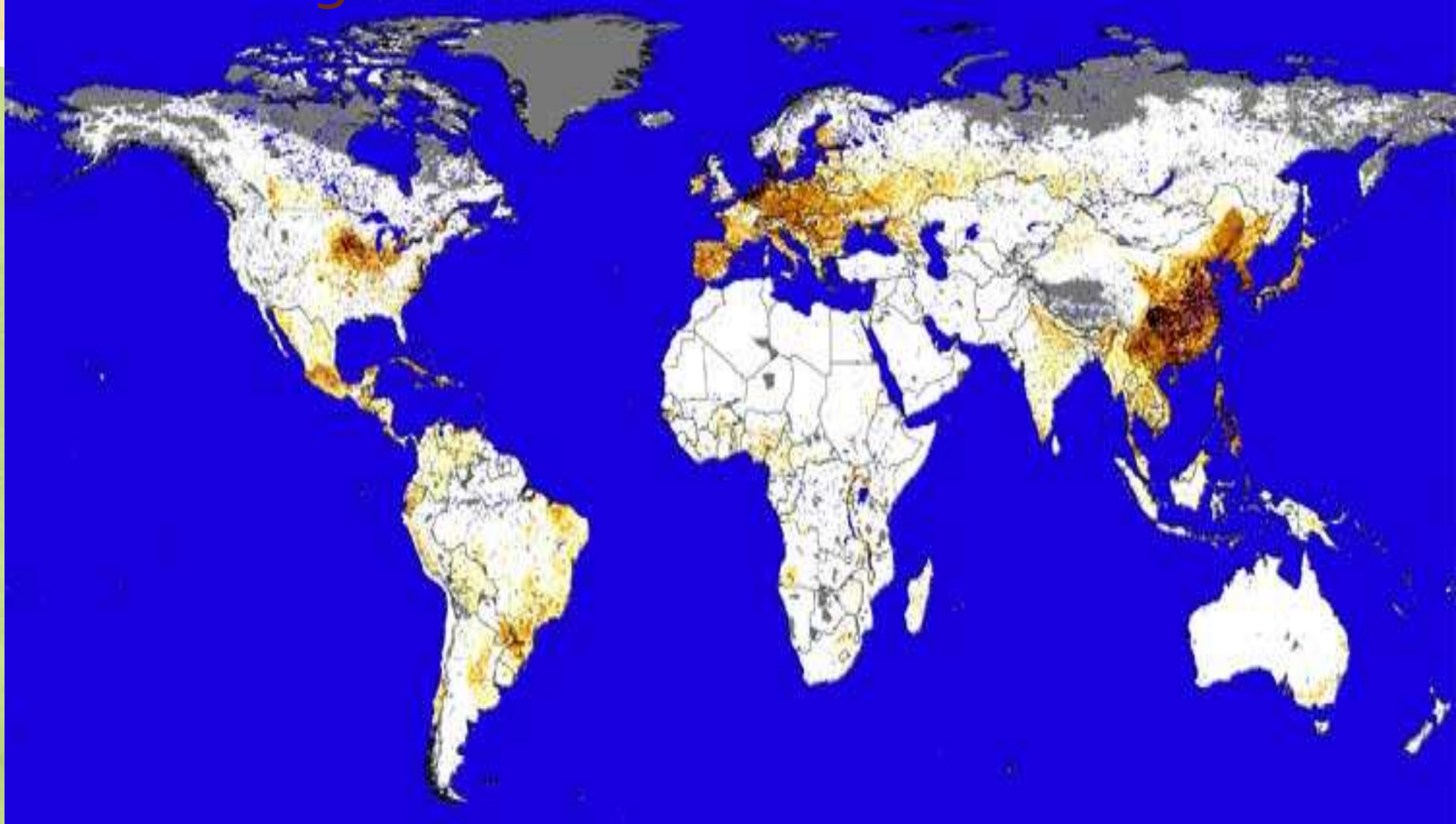
We Have Re-Discovered the
Critical Vulnerability
of the US Opportunity
to Export Stopping Diseases

Increases in Global Sales and Share are 90% of the Future
Opportunity in the Next 20 Years for the US Swine Industry

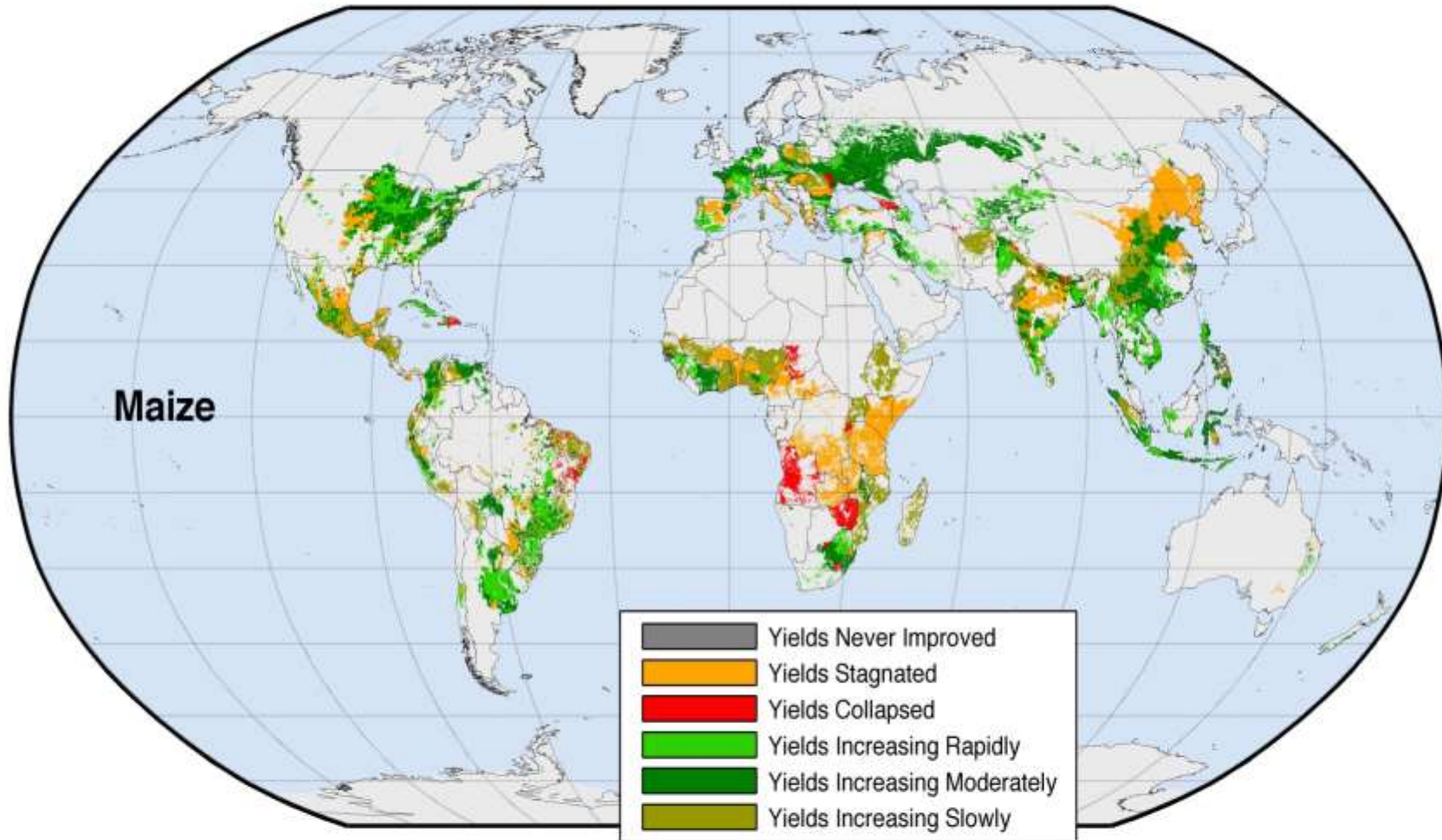
New PEDv Case Reports by Week



Where Pigs are Produced in the World

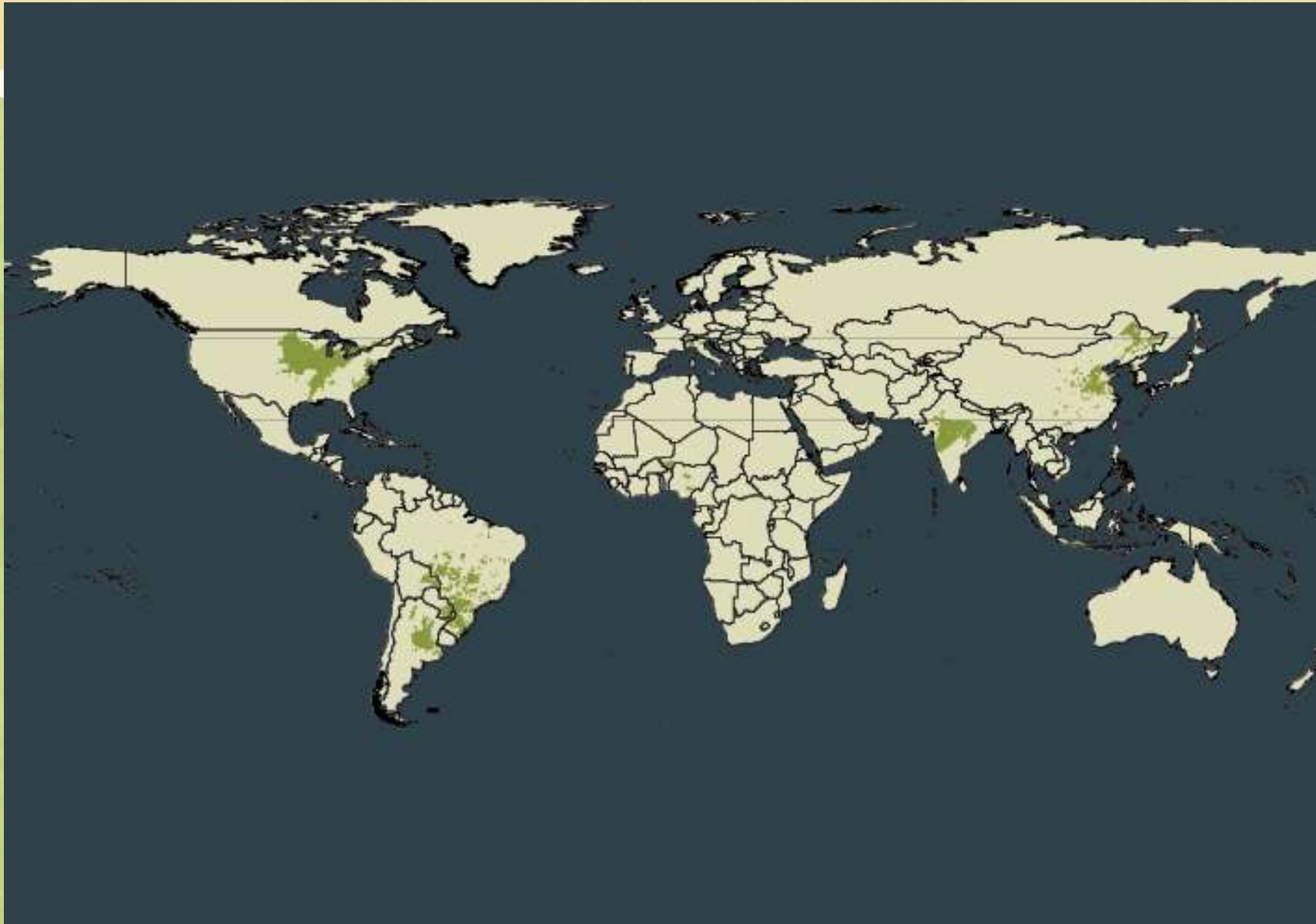


Where Research and Private Investment is Raising Corn Yields to Support Increased Production of Swine



Rate of Change of Corn Yields Worldwide

World Soybean Production



US Has the Key Future Advantage in Global Production of Pork

Conclusion

By Far and Away, a Prosperous Future for Pork Producers Requires Growing Net Exports

Export Stopping Disease is the Ultimate Set Back for US Pork

African swine fever threatens US\$150-billion global pig industry



African Swine Fever 1 Jan 2010 - 29 Feb 2012

Iceland

Sweden

Norway

Finland

*New Outbreaks in Lithuania
And along the Polish border*

Denmark

Ireland

United Kingdom

Poland

Belarus

Germany

Ukraine

Kazakhstan

France

Austria

Romania

Spain

Italy

Uzbekistan

Kyrgyzstan

Portugal

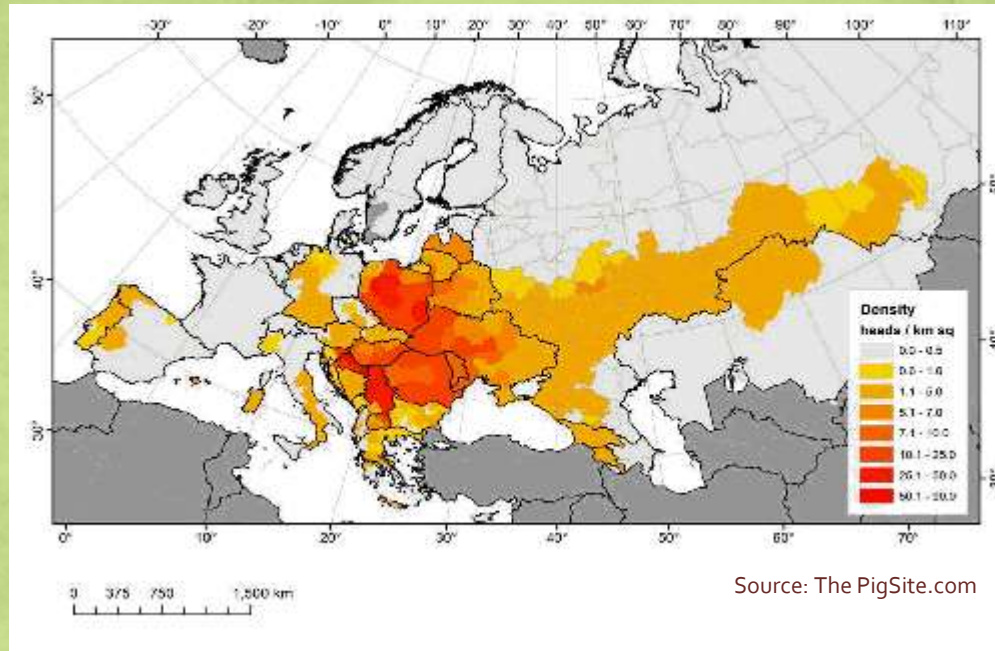
Greece

Turkey

Turkmenistan

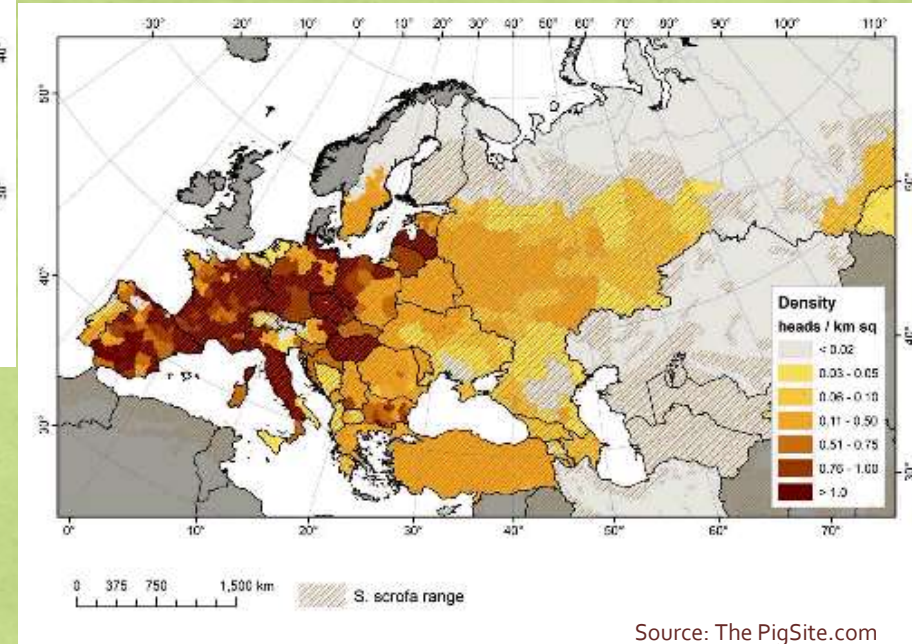


DENSITY OF LOW BIO-SECURITY PIG OPERATIONS



RISK Factors

DENSITY OF WILD BOAR POPULATIONS



DENSITY OF WILD BOAR POPULATIONS



Let's Expand into the New Global Opportunities Armed with a New Vigilance

Along a Rational Path Matching Net Export Growth