What Next?

Dennis DiPietre, Ph.D.
KnowledgeVentures, LLC
USA

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!
PEDv

A Significant Reduction of Supply
Slowing of New Cases is Not the Same as Recovery
Supply Impacts
PEDv Productivity Hit Causes P/L Declines to 2009 Levels

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

<table>
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<th>3 months ending Feb.</th>
<th>500-999</th>
<th>1,000-1,999</th>
<th>2,000-4,999</th>
<th>5,000+</th>
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<tr>
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<td>8.2</td>
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<tr>
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<td>2005</td>
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<td>2014</td>
<td>8.5</td>
<td>8.9</td>
<td>9.5</td>
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</tbody>
</table>

Source: CARD, ISU and USDA

FIVE Years Productivity Gains Lost (but already recovered!)
Price and Cost Impacts
Live Hog Price/CWT
Monthly Avg 2004-2014
Corn Price/Bu and Live Hog Price/CWT
2004-2014
Monthly Estimated Returns, Farrow to Finish (ISU)
2004-2014

Total profit (loss), $/hd

Sources: USDA AMS and Iowa State University
Market Weights
Update on US Weekly Average Live Weight, Carcass Price and Temperature Changes

Avg Week Temp F

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

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

Level of Hog/Corn Ratio Traditionally Associated with an Expansion Signal

Sources: USDA AMS and Iowa State University, Pig333.com
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US Hogs Kept for Breeding (Dec 1 USDA, Million Head)

Hog Corn Ratio

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

Hog Corn Ratio

Hogs Keep for Breeding (USDA), 000,000

SEPT 1

2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014*

Hog Corn Ratio

2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014*

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

Hog Corn Ratio

Hogs Keep for Breeding (USDA), 000,000
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
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
New Outbreaks in Lithuania
And along the Polish border

Source: Lisa Beckton, DVM, PORK
RISK Factors

DENSITY OF LOW BIO-SECURITY PIG OPERATIONS

DENSITY OF WILD BOAR POPULATIONS

Source: The PigSite.com

Source: Agroregeneration.blogspot.com
Let’s Expand into the New Global Opportunities Armed with a New Vigilance

Along a Rational Path Matching Net Export Growth