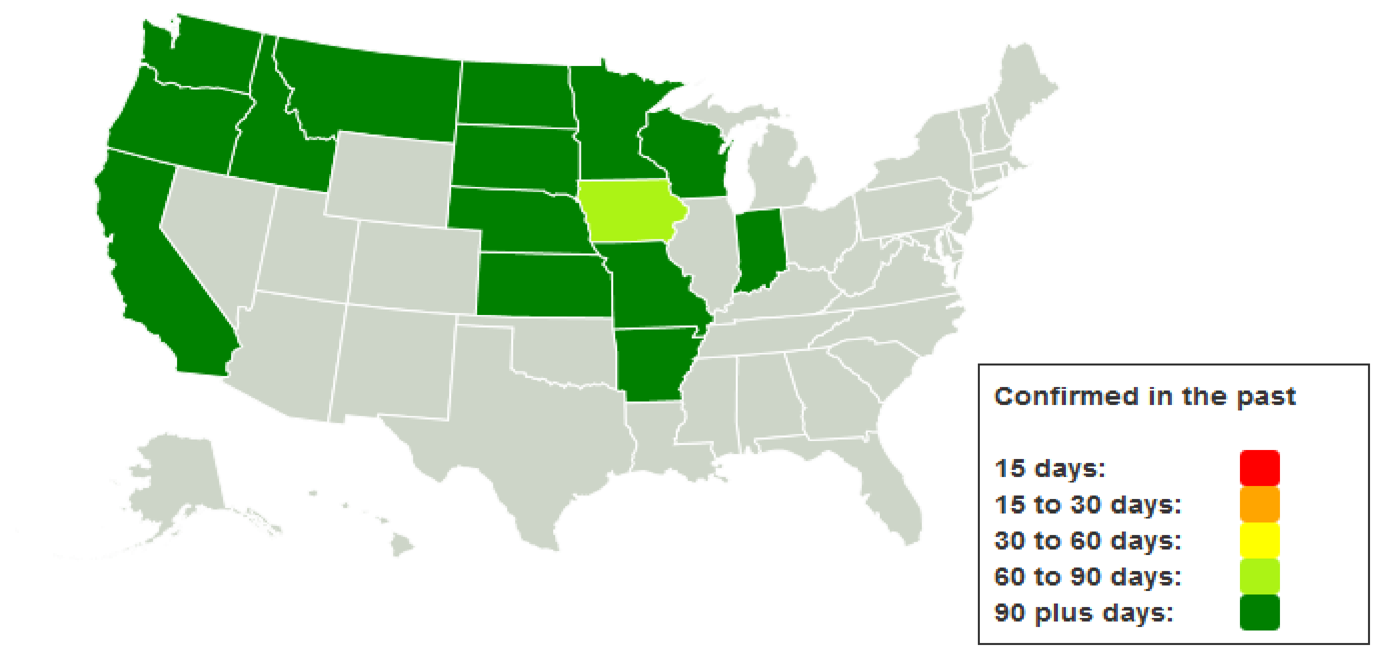
China Pork 2016 per Brett Stuart (a SMART guy!)

- Profits now US$90+/head
  - Corn still above US$9/bu
  - Expansion will occur
- Overall imports and U.S. pork shipments may be underwhelming
  - Prices are not equivalent to the GAP
  - Chinese demand has fallen
  - Government support for pork imports is weak
- KEY ISSUE – Food price inflation!!!

Cattle and beef expectations/assumptions. . .

- Profits + Pastures = GROWTH – FINALLY!
- Some output growth in 2016 – calf crop, higher heifer and cow slaughter compared to very low rates this year, higher weights
- Fed cattle under tremendous pressure from large long-fed supplies – FINALLY taking their toll!
- Feeders pressured by feds – went below $180 but have bounced back to mid-$190s
- Cows under seasonal pressure but will get back to $100 or so
- Question: Long-term impacts of VERY HIGH prices?

Update on Avian Influenza Findings
Poultry Findings Confirmed by USDA's National Veterinary Services Laboratories



223 Detections Reported	**48,091,293** Birds Affected
12/19/14 First Detection Reported	**6/17/15** Last Detection Reported

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North American Migratory Bird Flyways
Source: US Fish and Wildlife Service

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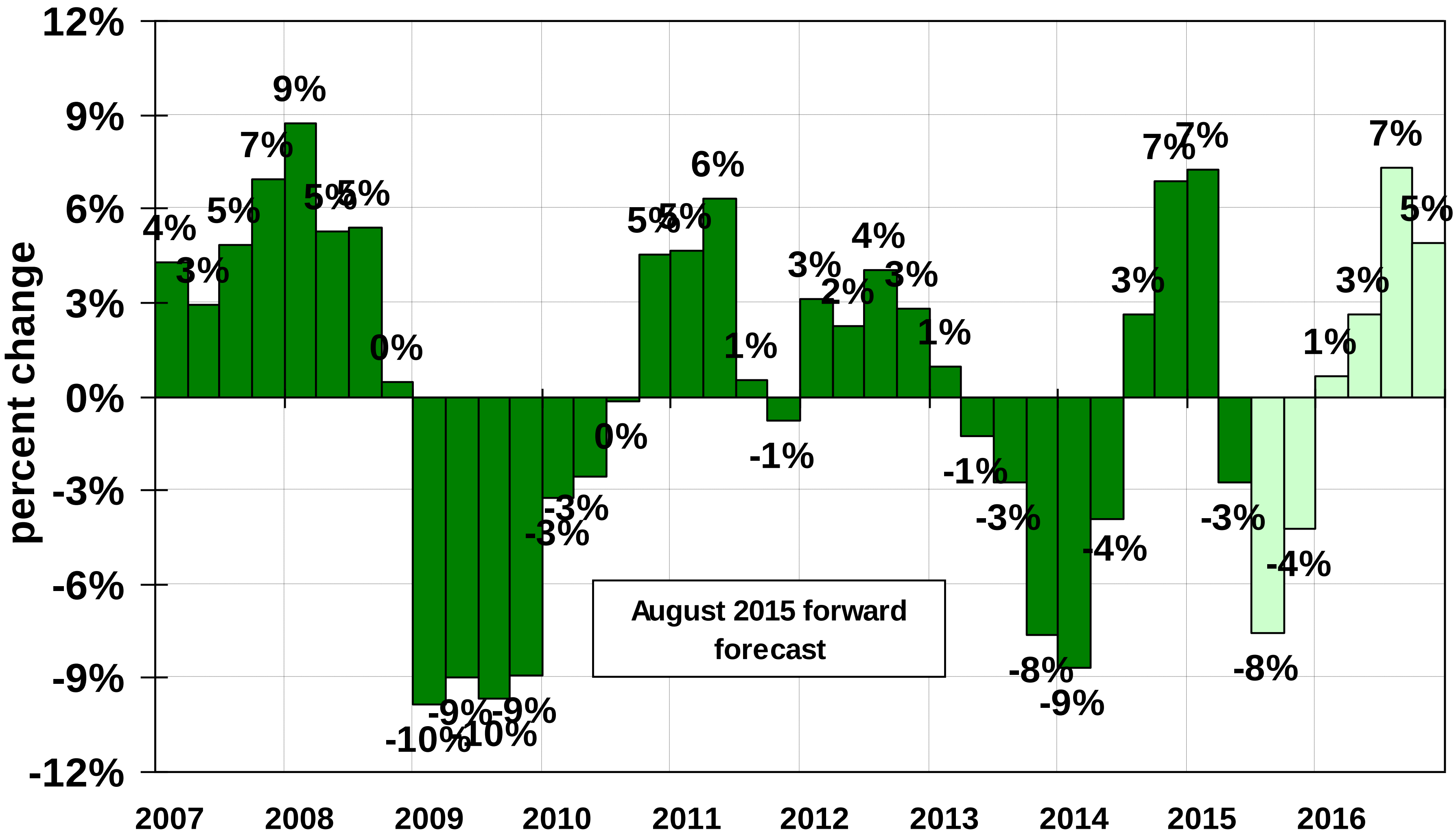
Quarterly RTC Turkey Production

USDA



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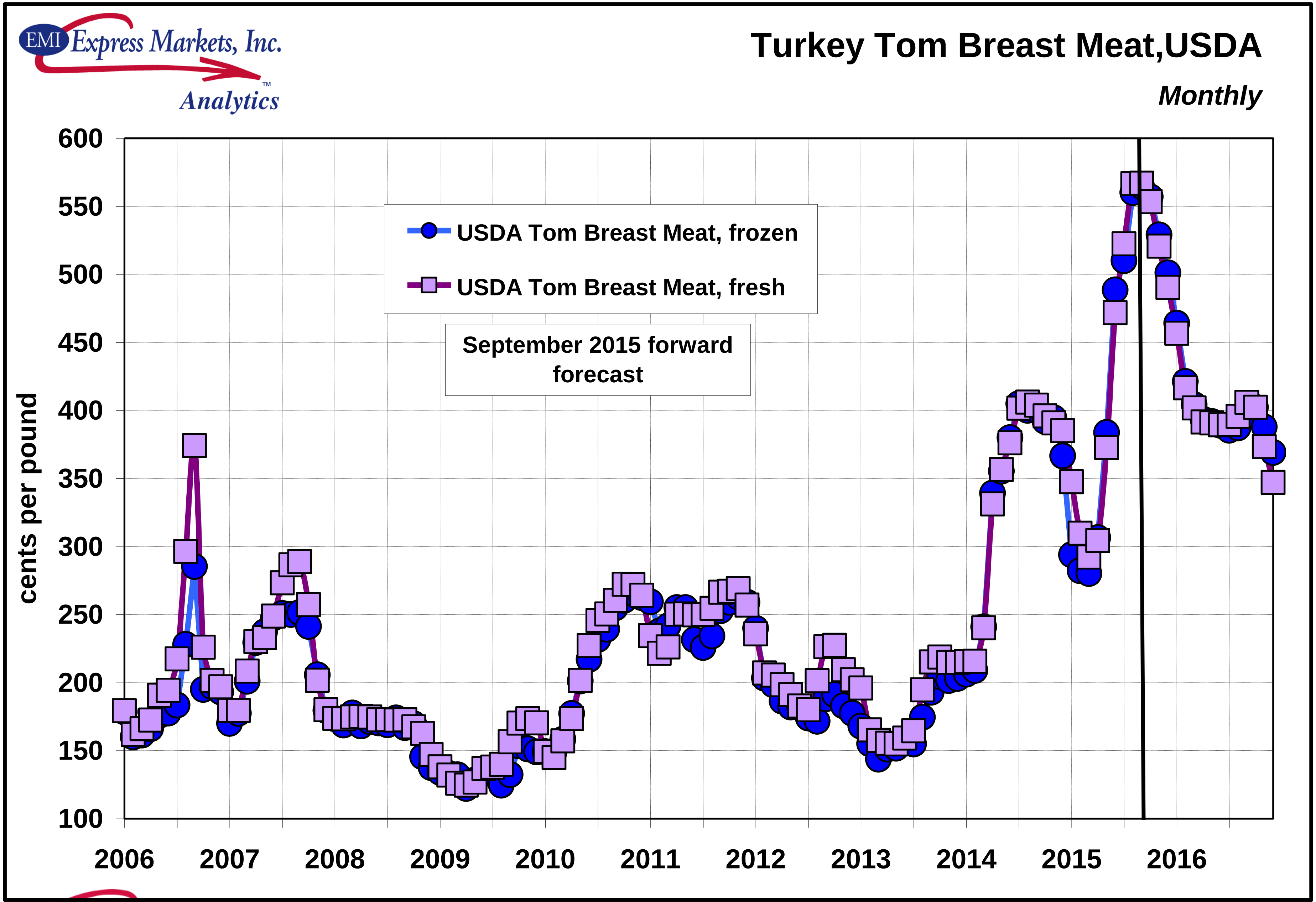
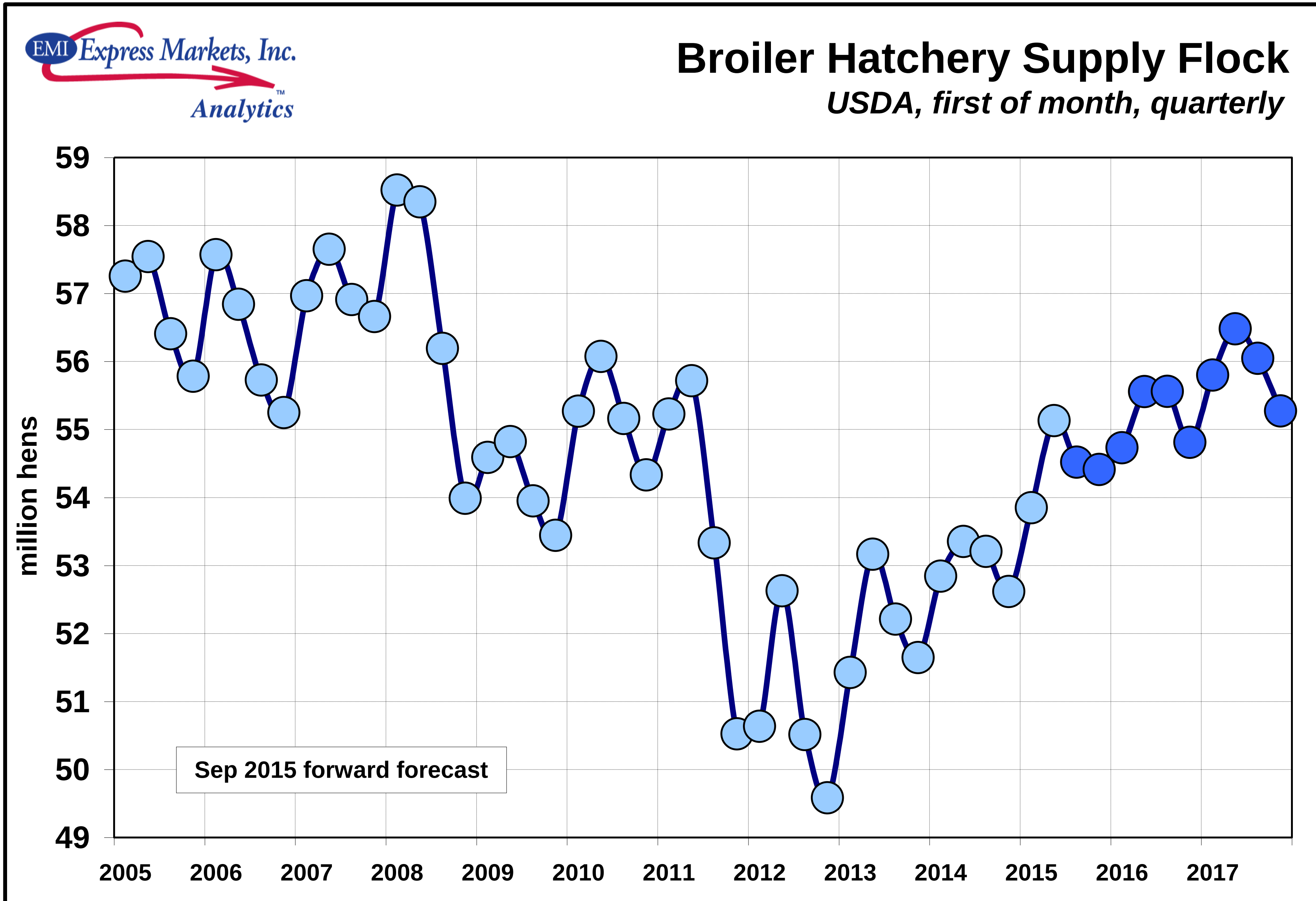

Turkey Tom Breast Meat,USDA
Monthly
cents per pound
600
550
500
450
400
350
300
250
200
150
100
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
USDA Tom Breast Meat, frozen
USDA Tom Breast Meat, fresh
September 2015 forward forecast



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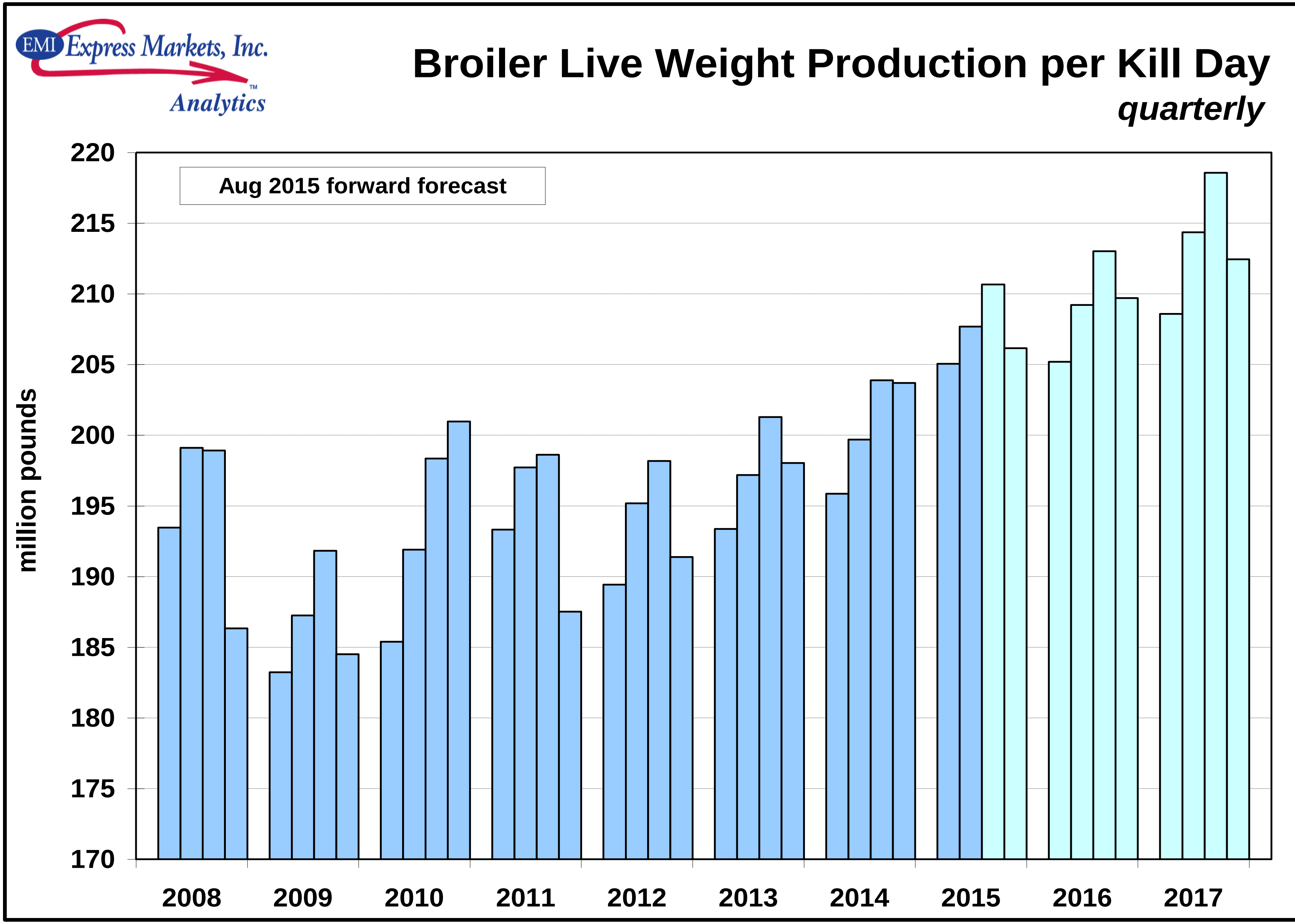
Broiler Hatchery Supply Flock
USDA, first of month, quarterly
million hens
59
58
57
56
55
54
53
52
51
50
49
Sep 2015 forward forecast
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017



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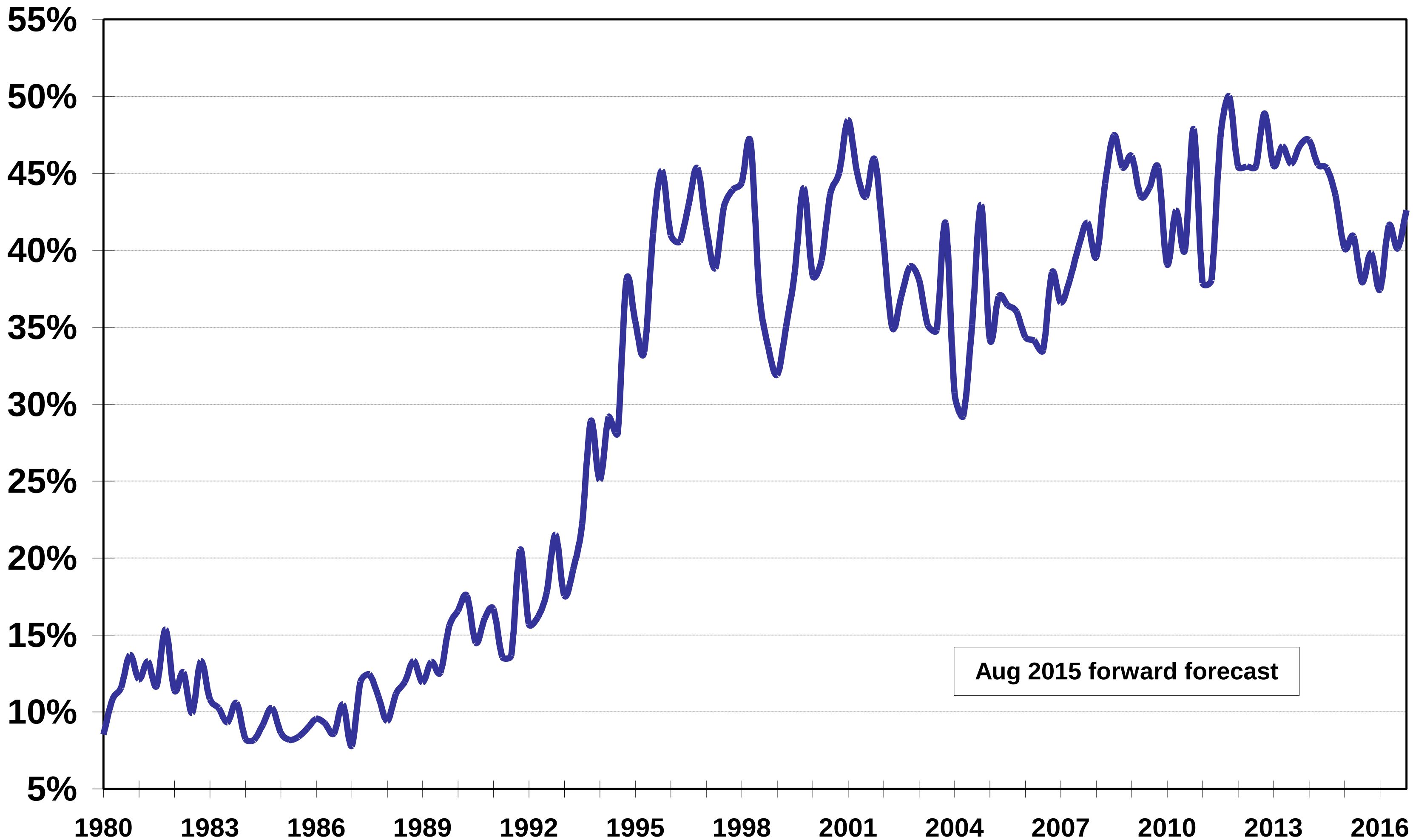
Percent of US Broiler Dark Meat Exported



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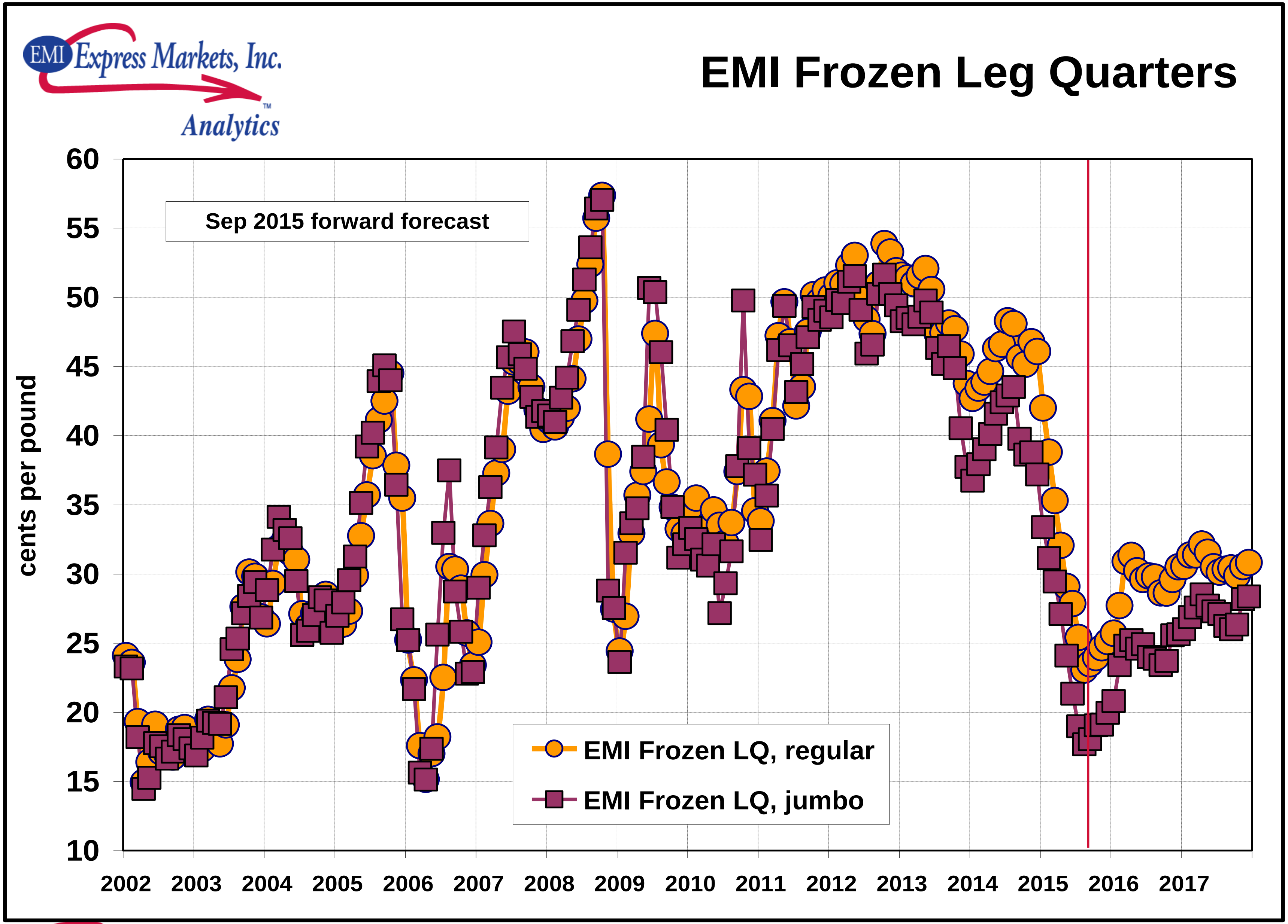

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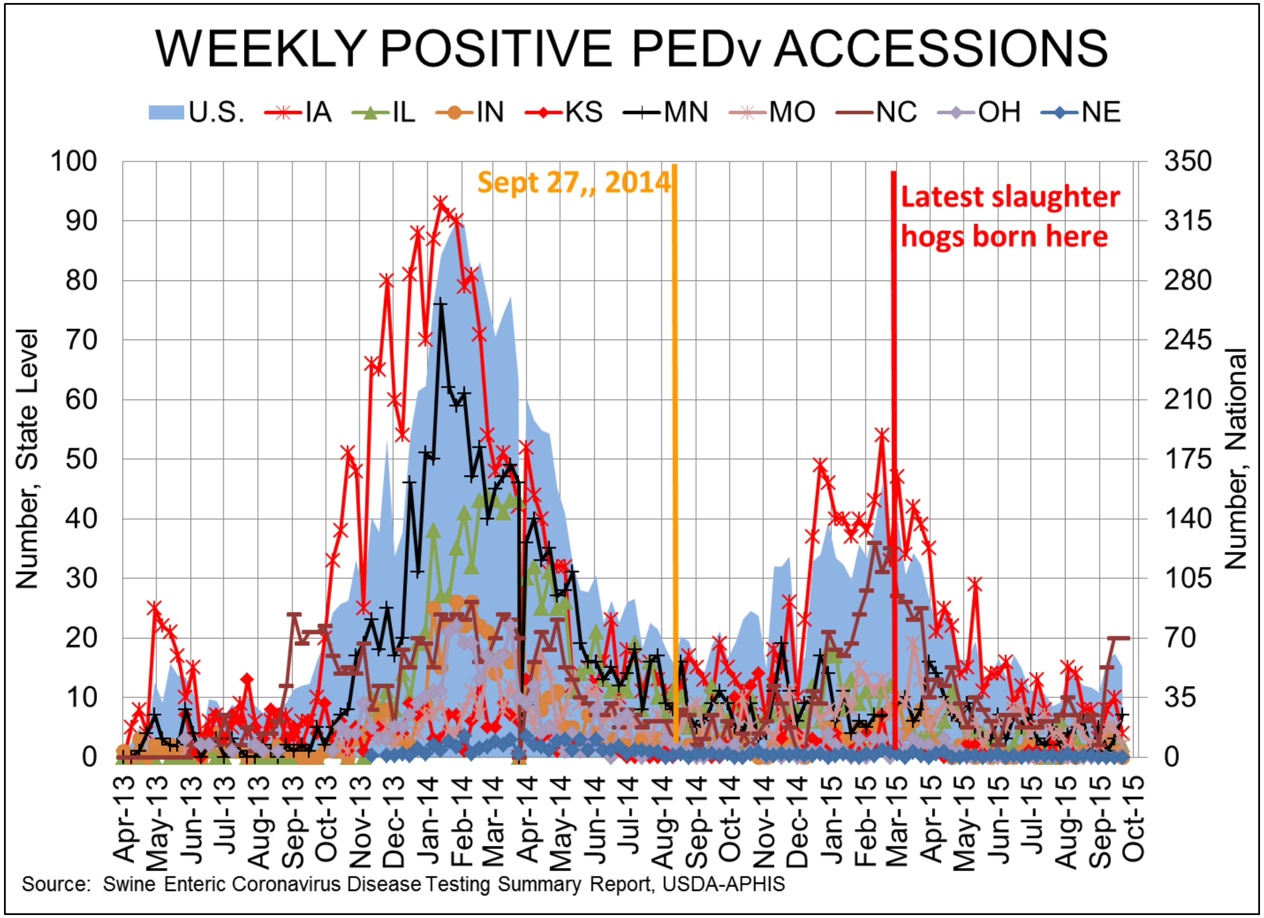
EMI Frozen Leg Quarters
Sep 2015 forward forecast
cents per pound
60
55
50
45
40
35
30
25
20
15
10
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
EMI Frozen LQ, regular
EMI Frozen LQ, jumbo

Hogs & pork: Key issue is far fewer PEDv accessions



- '14-'15 high wk. of 3/15 at 161 vs. 291 last year
- Surge last weeks – confirmed cases

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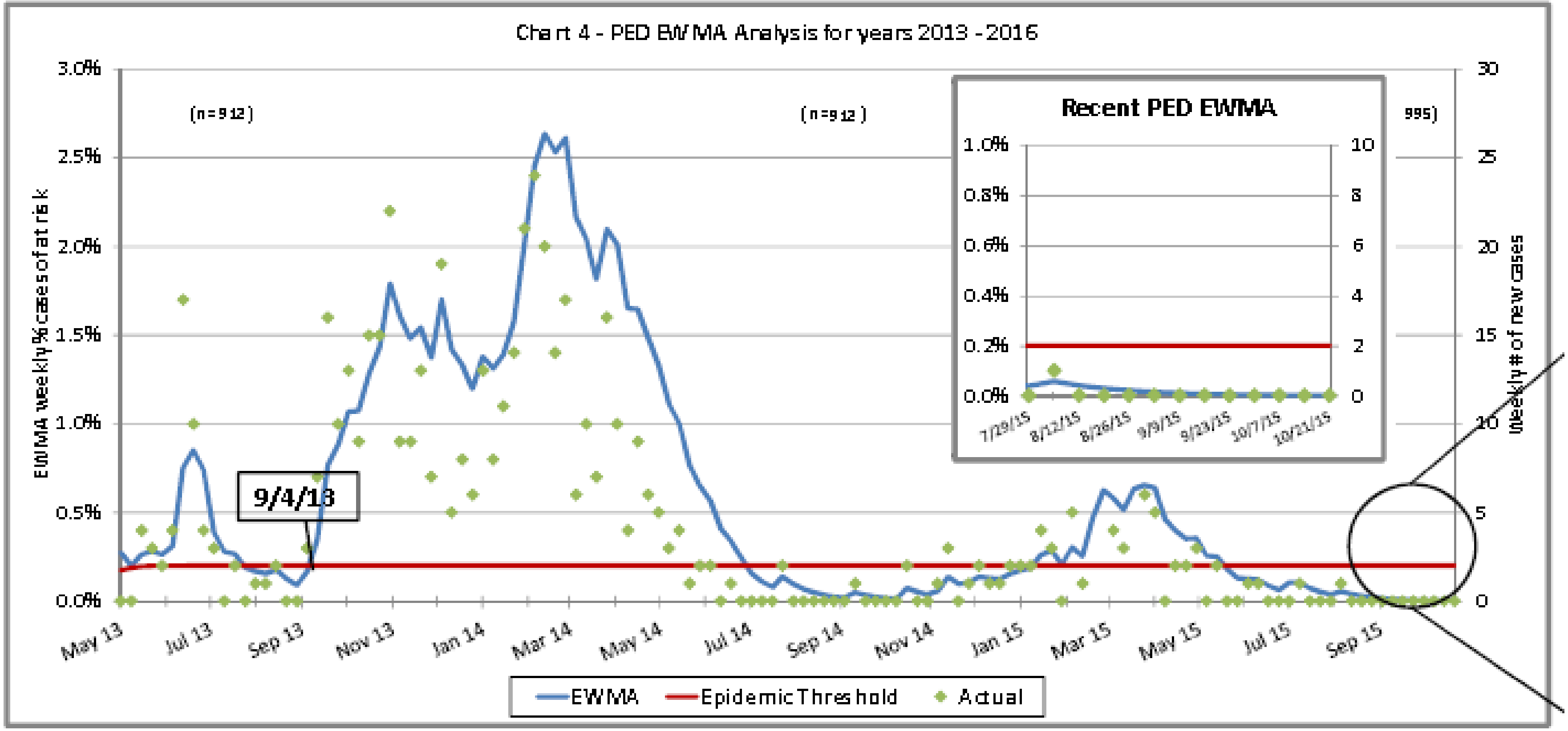
More important: Few sow herd breaks



- Data from 995 sow farm, 24 of 26 large systems reporting, 2.528 mil. sows!
- Worst weeks in '15: 9 sow herds broke in two weeks in late February
- Anecdotal: MUCH smaller piglet losses even on farms that broke this year!

Sept H&P report was much as expected - neutral. . .

. . . Still large front-end supplies, '16 much like '15

USDA QUARTERLY HOGS & PIGS REPORT

September 25, 2015

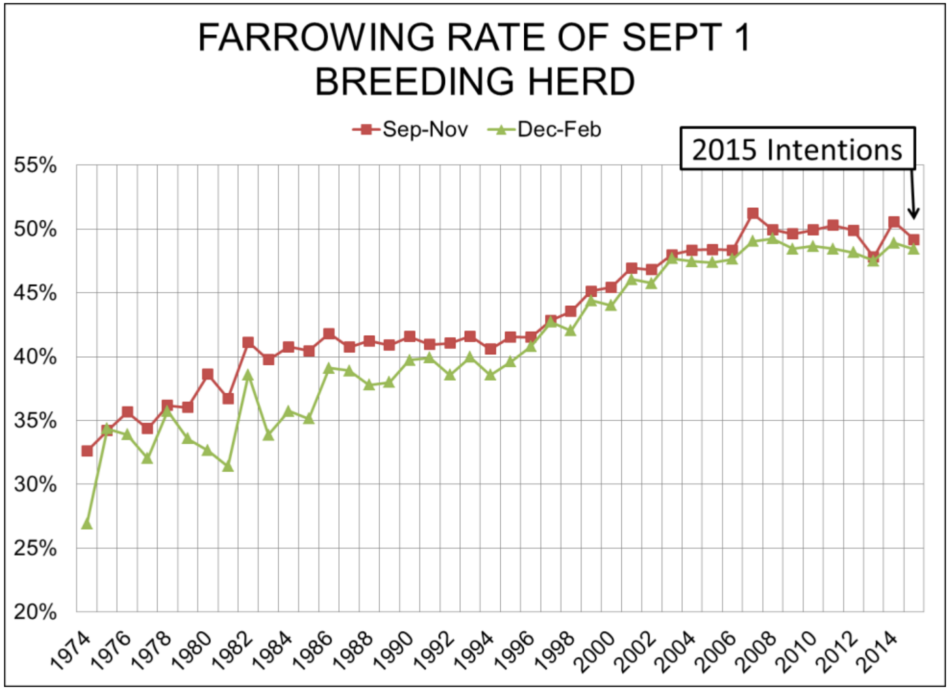
Category	2014	2015	'15 as Pct of '14	Pre-Report Est's[1]	Actual minus Est.
Inventories on September 1					
All hogs and pigs	65,979	68,395	103.7	103.6	0.1
Kept for breeding	5,929	5,986	**101.0**	100.3	**0.7**
Kept for marketing	60,059	62,410	103.9	103.9	0.0
Under 50 lbs.	20,390	20,291	99.5	100.2	**-0.7**
50-119 lbs.	17,458	17,986	103.0	103.2	**-0.2**
120-179 lbs.	12,112	13,080	**108.0**	106.6	1.4
180 lbs. and over	10,098	11,053	**109.5**	109.7	-0.2
Farrowings					
Jun-Aug sows farrowed	2,991	2,944	**98.4**	98.1	0.3
Sep-Nov Intentions	2,994	2,920	**97.5**	97.2	**0.3**
Dec-Feb Intentions	2,895	2,875	**99.3**	99.1	**0.2**
Jun-Aug Pig Crop	30,402	30,585	**100.6**	100.4	**0.2**
Jun-Aug pigs saved per litter	10.16	10.39	102.3	102.4	-0.1

*Thousand head ** Thousand Litters

[1]Source: Urner Barry

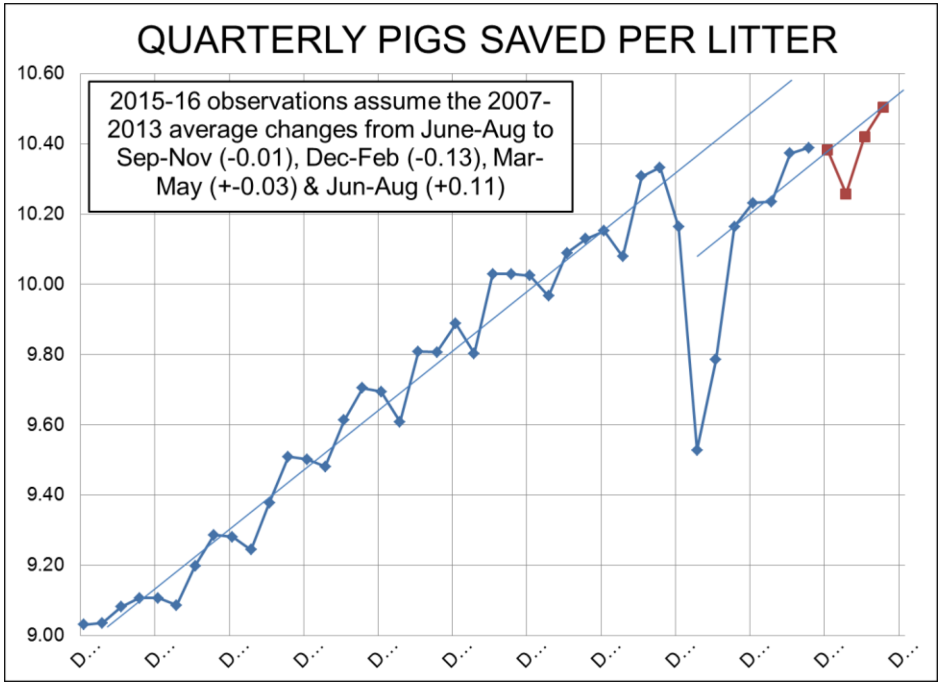
Are the farrowing intentions reasonable?

- Recall that June intentions were VERY low – due to high numbers LAST YEAR
- 2015 Sep-Nov farrowing RATE is slightly below historical levels – omitting '13 and '14
- Dec-Feb rate is VERY close to historicals
- We think the NUMBERS are reasonable – with Sep-Nov perhaps a bit low



And what about litter sizes?

- June-Aug was RECORD HIGH again!
- Litter growth is back on (or at least near!) the 2%/yr growth trend \
- Normal seasonal – Sep-Nov and Dec-Feb will be lower
- Mar-May and Jun-Aug will likely be record highs
- What will PEDv do this winter???



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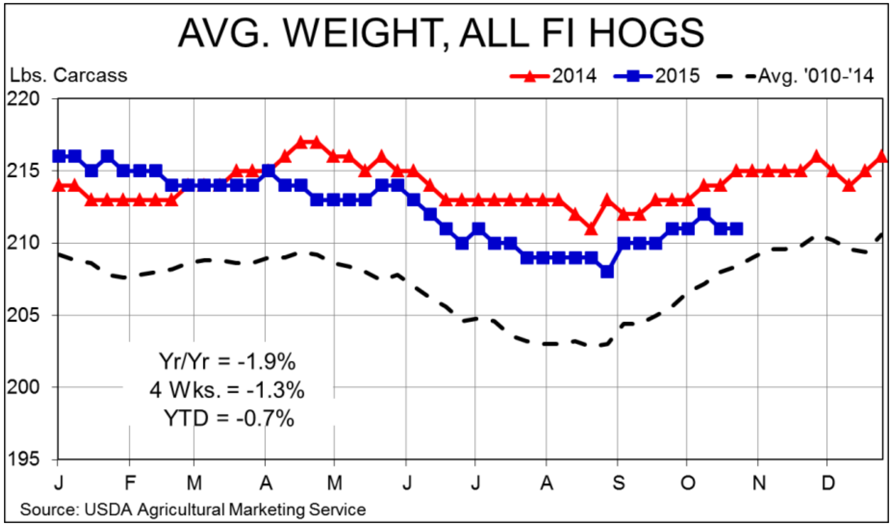
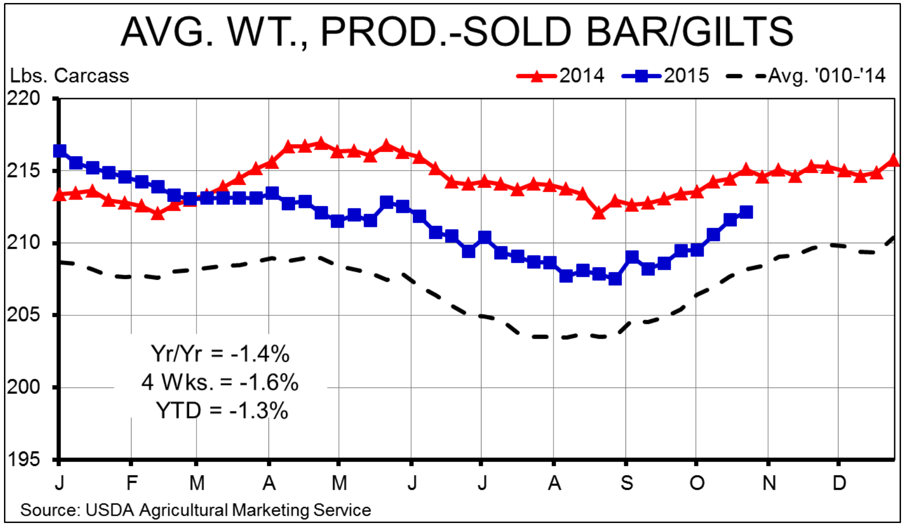
Weights: Lower than in '15, rising seasonally . . .

. . . Until past 2 weeks – will we get to '14 levels?





- Weight reduction vs. year ago was a big reason for higher-than-expected slaughter in Q1-- ~2/3 of total Q1 change
- Weights were 212.2 last week -- +2.8# in 3 weeks
- Took 2.2% off prod in Q3, will take 1 to 1.5% off in Q4

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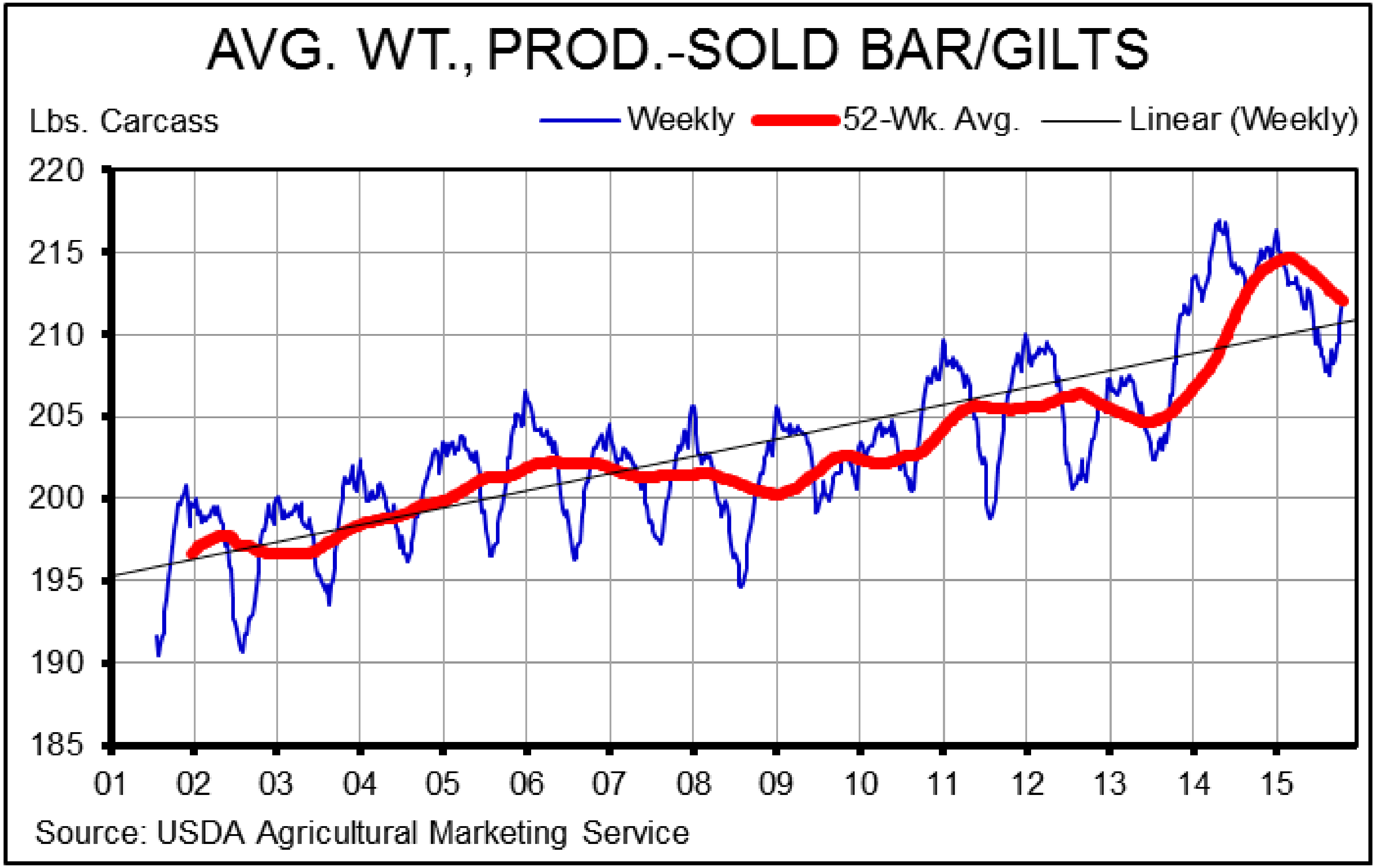
History helps keep weights in context . . .

. . . 2016: Lower in Q1, steady Q2& Q3, higher in Q4



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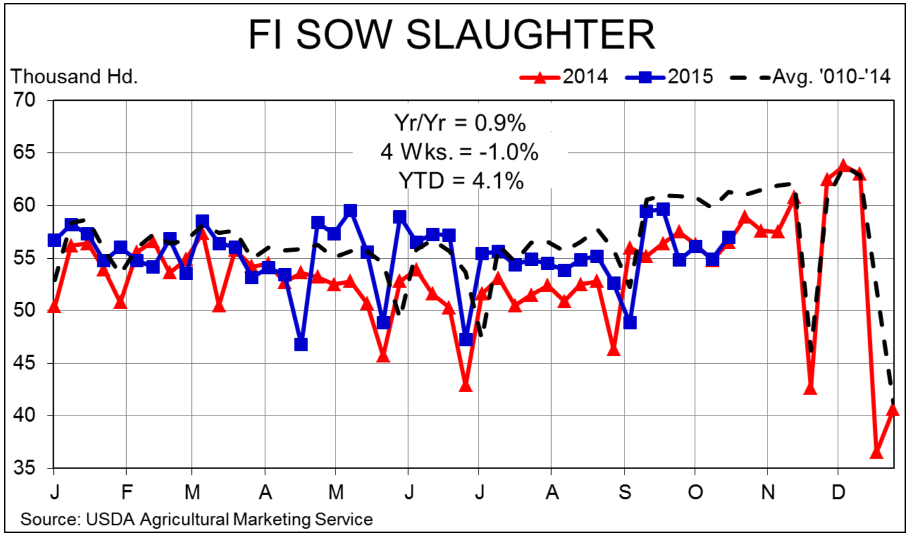
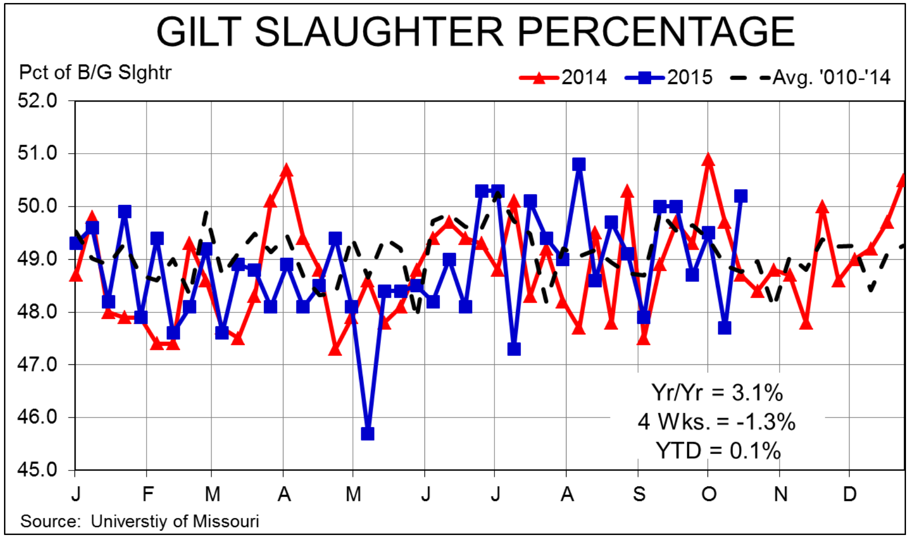
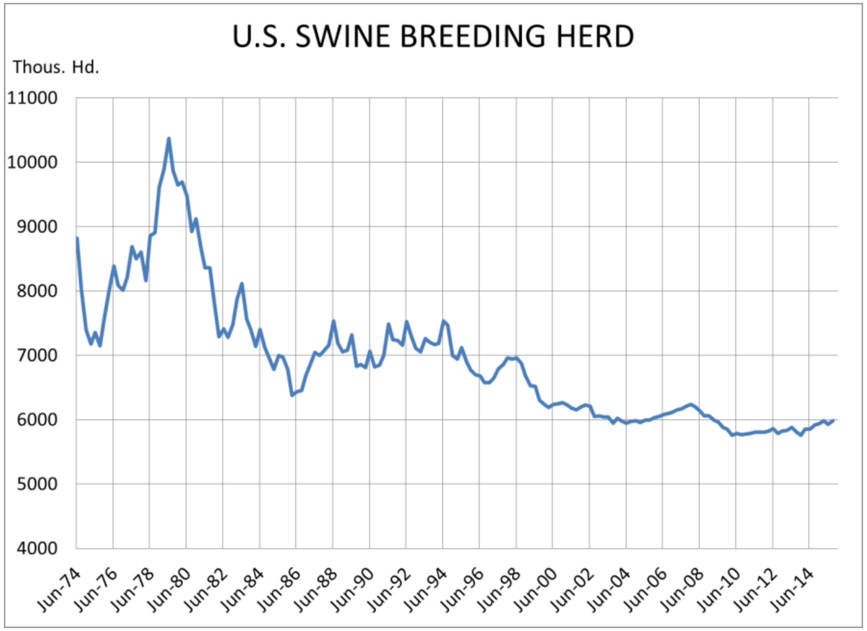
Female slaughter has kept BH growth small







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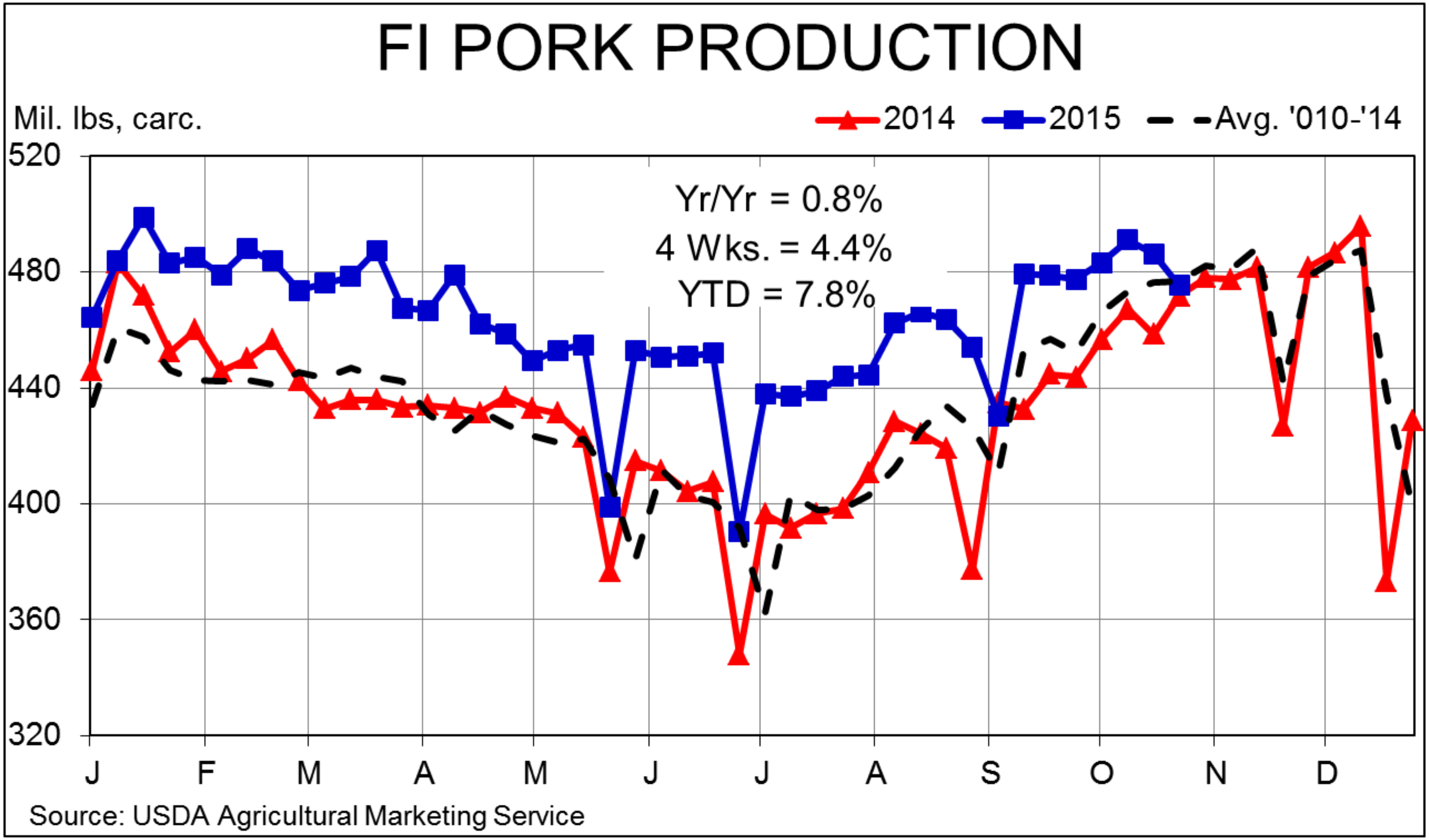
‘15 is up 7.8% YTD but last week was up <1% . . .

. . .Forecasts: Q4 up 3.7%, H1-’16 Unchg’d



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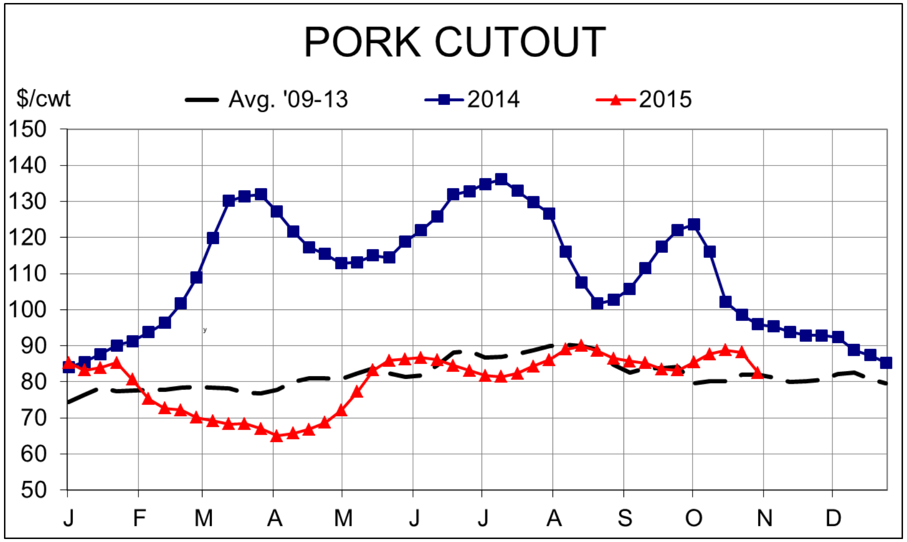
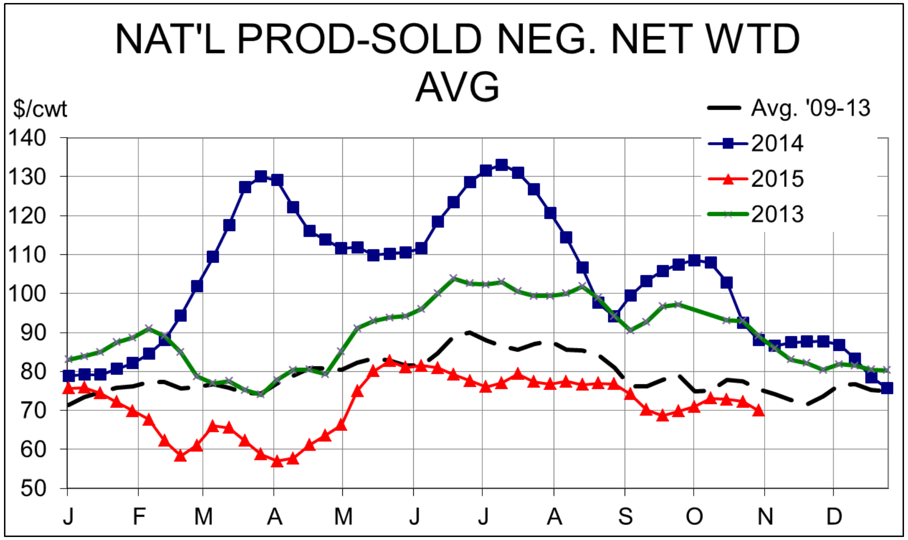
Cutout: a nice counterseasonal until last week . . .

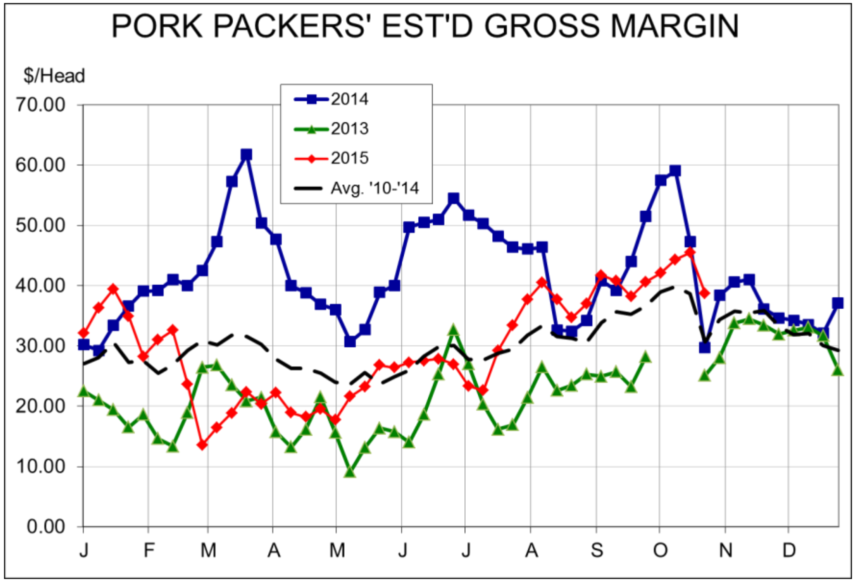
. . . Large cutout-hog spread – by products!

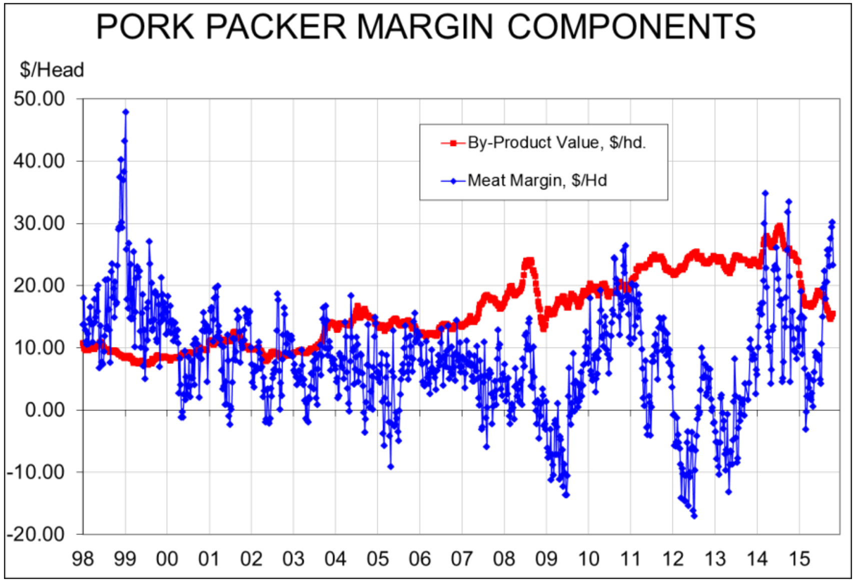


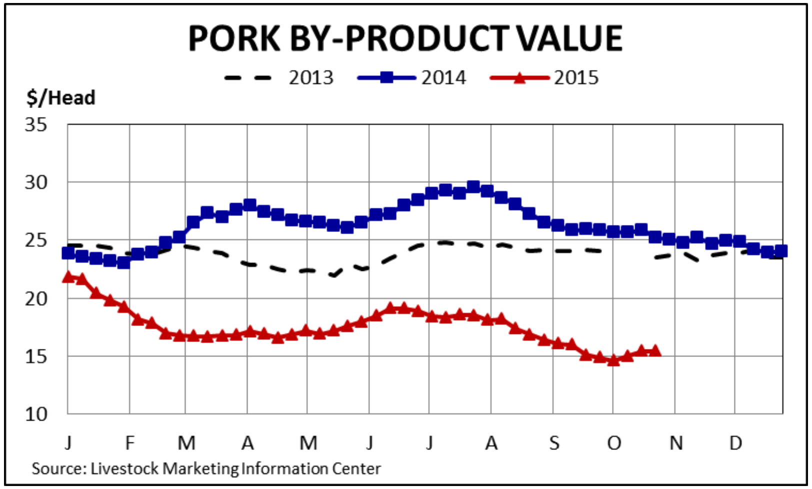


Pork packer margins struggled thru June . . .

. . But have recovered well, drop values have risen







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Slaughter forecasts from Sept H&P

September 2015 Hogs & Pigs -- Commercial Slaughter Forecasts											
		Mizzou		ISU		LMIC		EMI		ACTUAL	
		Mil. Hd	% Chnge	Mil. Hd	% Chnge	Mil. Hd	% Chnge	Mil. Hd	% Chnge	Mil. Hd	% Chnge
2013	Year									112.124	-1.0%
2014	Q1									27.134	-2.6%
	Q2									25.574	-4.5%
	Q3									25.554	-7.6%
	Q4									28.617	-4.0%
	Year									106.879	-4.7%
2015	Q1	27.571	1.6%	27.650	1.9%	27.398	1.0%	27.405	1.0%	28.723	5.9%
	Q2	27.238	6.5%	27.185	6.3%	27.358	7.0%	27.236	6.5%	27.848	8.9%
	Q3	28.266	10.6%	27.839	8.9%	27.779	8.7%	28.442	11.3%	28.497	11.5%
	Q4			30.506	6.6%	30.400	6.2%	30.098	5.2%		
	Year*			115.574	8.1%	115.272	7.9%	115.166	7.8%		
2016	Q1			29.211	1.7%	29.117	1.4%	28.800	0.3%		
	Q2			27.737	-0.4%	27.491	-1.3%	27.598	-0.9%		
	Q3			28.297	-0.7%	28.065	-1.5%	28.892	1.4%		

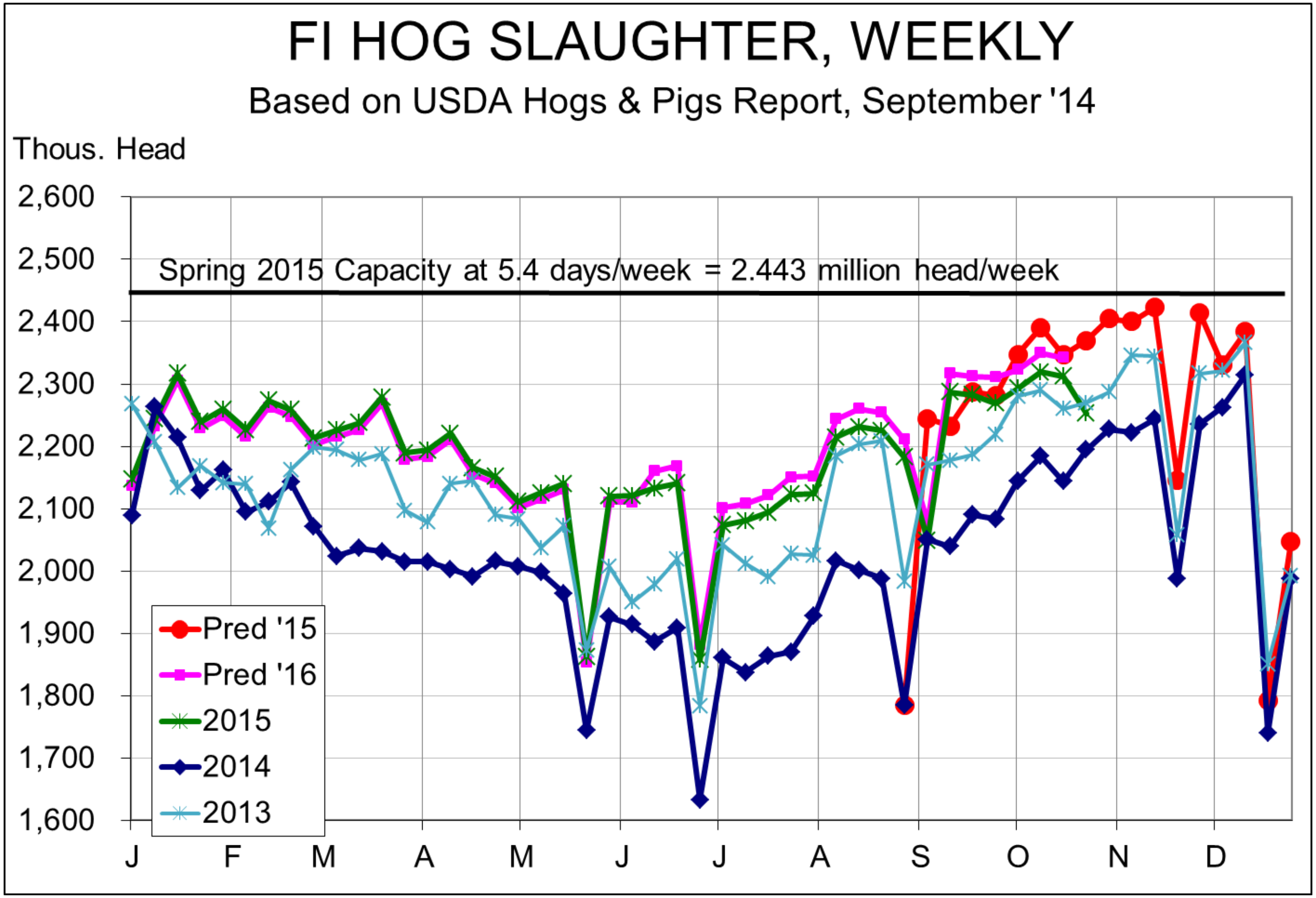
Red figures are analysts' last FORECAST for the given quarter (Q1 done in Dec, Q2 done in Mar, etc.) 6/29/15

Blue figures are estimated using USDA data

*Annual total uses actuals to-date plus forecasts for the rest of the year.

Yr/yr gains are getting smaller . . .

. . . And capacity should be easily sufficient in Q4



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Price forecasts – a good year to come

September 2015 Hogs & Pigs -- Price Forecasts

		Mizzou	ISU	LMIC	EMI	CME
		Producer-Sold Net Price, All Methods	Ia-Mn Producer-Sold Neg'd Base	National Wtd Avg. Base Price	National Net Neg'd Price, Wtd. Avg.	CME Lean Hog Futures/Index
2013	**Year**	**89.56**	**86.70**	**87.16**	**89.21**	**89.23**
2014	**Q1**	**93.10**	**91.38**	**91.34**	**93.80**	**94.91**
	Q2	**113.54**	**112.25**	**111.61**	**116.83**	**117.48**
	Q3	**111.84**	**108.51**	**109.63**	**114.25**	**115.70**
	Q4	**91.83**	**90.40**	**90.08**	**91.41**	**91.85**
	Year	**102.23**	**100.64**	**100.31**	**102.95**	**104.99**
2015	**Q1**	**70.40**	**67.91**	**68.67**	**66.03**	**68.59**
	Q2	**75.77**	**72.66**	**73.56**	**73.22**	**74.36**
	Q3	**76.91**	**73.85**	**74.60**	**74.92**	**77.02**
	Q4		**66 - 71**	**64 - 66**	**69 - 71**	**66.66**
	Year	**67 - 70**	**70 - 71**	**70 - 71**	**71 - 72**	**71.66**
2016	**Q1**		**68 - 73**	**64 - 67**	**68 - 72**	**61.98**
	Q2		**74 - 79**	**73 - 77**	**74 - 79**	**71.73**
	Q3		**73 - 78**	**74 - 79**	**74 - 79**	**75.19**

Blue figures are estimated using USDA data

11/3/15

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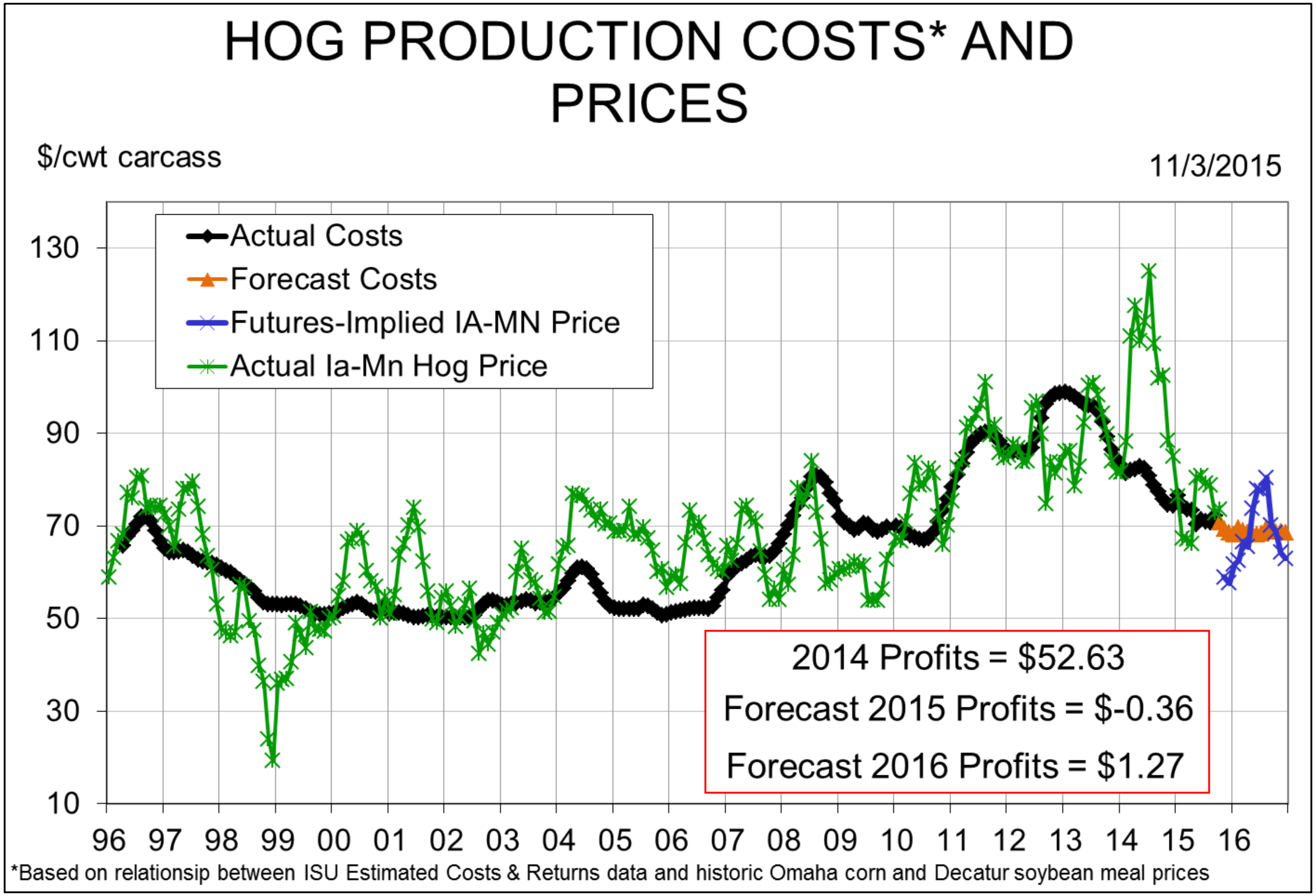
Last week's selloff has taken '15 back to B/E. . .

. . . And dropped '16 profits by nearly $8/hd.



Hog and pork summary

- Domestic demand growth has slowed – stay > zero?
- Export demand is recovering and will gain, yr/yr, vs. ‘14 for the rest of ‘15 – Likely finish at +2 to +4%
- Breeding herd is growing SLOWLY -- +60k from June to Sept, +230k since Dec ‘13 low
  - Plenty of equity and borrowing capacity
  - Some “pent up” expansion???
- Q1 to Q3-’16 look good for producers at present
- Still some risk for Q4-’16 with hog numbers & pork supplies up 2 to 4%
- Packing capacity tight next fall – new plants in ‘17

Risks

- MCOOL retaliatory tariffs – likely! How big?
- Major export disruption – small prob, HUGE impact
- PEDv impact this winter – immunity levels???
- HPAI – will it get in SE US broiler areas this fall? Will it have any market impact? Will it be negative or positive?
- Slower demand growth or – GASP – lower demand?
    - Domestic: Will positive preferences continue?
    - Exports: World economy, strong $U.S.
- How much expansion in pigs and chicken?

Questions and Discussion?