

Producer Perspective on New Packing Plants & Industry Outlook

Jeff S Petree, Wiechman Pig Company

Ron Prestage, Prestage Farms



Current Situation

- Product Demand

- 2016 red meat production up 4% or 1,943,600,000 lbs.
 - Increase of nearly 6 lbs. per person in U.S.
- Beef up 6% or 1,514,100,000
 - Increase of 4.66 lbs. per person in U.S.
- Pork up 2% or 437,300,000 lbs.
 - Increase of 1.35 lbs. per person in U.S.
- Pork Carcass Cutout Value down only 0.5%!
- Bottom line, great demand for pork!



Current Situation

- Hog Production
 - Total inventory up 4% or 2,581,000 head.
 - Market hog inventory up 5% or 2,493,000 head.
 - Breeding Herd up 1% or 88,000 sows.
 - Sep – Nov '16 pig crop up 5% or up 1,485,000 head.
 - Record 10.63 pigs saved / litter.
 - Farrowing Intentions up 1 % vs. 2016 & 3 – 5% vs. 2015.
 - Dec-Feb 17 & Mar-May 17.
 - The industry can increase production.

Current Situation

• Processing

- Daily Barrow & Gilt Slaughter Capacity of approximately 430,000 – 440,000 head per day.
- Weekly capacity of nearly 2,500,000 head.
- Packer Gross Margin up 57.5%!
 - Nearly \$30.00 per head.
 - Approximately \$3,375,000,000 gross margin vs. \$2,100,000,000 in 2015.
- Signals a need for more slaughter capacity.





Therefore, Five New Plants!

- Seaboard-Triumph, Sioux City, IA
 - 10,000 head / shift
 - Start August 2017
- Clemens Group, Coldwater, MI
 - 10,000 head / shift
 - Start September 2017
- Prestage Farms, Wright Co., IA
 - 10,000 head / shift
 - Start January 2019
- Moon Ridge Foods, Pleasant Hope, MO
 - 2,500 head / shift
 - Started October 2016
- Prime Pork, Windom, MN
 - 4,000 head / shift
 - Start May 2017
- Sixth Plant?



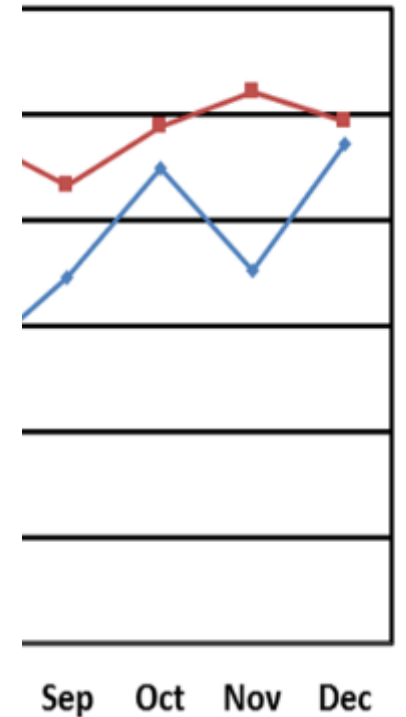


Impact

- Additional sla capacity of ab 10,000,000 h€ 8.5%.
 - Potential for double shift 15.4%.



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Producer Impact?

- Long Term Marketing Agreement Opportunities?
- Contract Grower Opportunities?
- Contract Farrowing Opportunities?
- Market Movement-Create Opportunities or Threats?
- Your Thoughts?

Questions or Comments?



Jeff S. Petree
Corporate Procurement
573/355-8716