

*Positioning Your Operation For  
Future Success*

## *Agenda*

- Overview of AgStar
- AgStar's Current View of the U.S Pork Industry
- Benchmark information – understanding your competition.
- What do you need to do to be successful going forward.
- Challenges and opportunities for the Pork Industry
- Observations of running a pig company
- Q&A

## *AgStar Profile*

- Part of the Farm Credit system
- \$8B in assets
- 30+ different product and services
- Nationally recognized in swine and ethanol
- AgStar has lending relationships with 70% of the top 30 largest pork companies in the US
- 40% of our top 20 hold positions are with swine clients
- Managed swine volume is over \$2 billion

## *Investment in the Swine Industry*

- Kent Bang is on the NPPC Board
- Steve Malakowsky – Pork Alliance Board
- I am on Swine Health Information Comm. Board
- Investment in Pork Action Group, SDSU, MN Pork and others
- I would say we are all in on pork!

## *U.S Swine Industry Observation*

- Plenty of pigs coming due to new packer plants.
- The next 3-5 years will we look more like the broiler industry? More vertically integrated.
- The Midwest along with Indiana, Ohio will see growth in productions due to plants.
- Cheaper feed and packing plants will continue to drive production to these locations.

## *US Swine Industry Observation*

- Contract grower space demand will still continue to grow – under 4,800 will be desirable due to pig flow.
- Nurseries are making a come back due to managing labor & health
- Larger sow units – 2500 (5000 if you can get the permit) or larger will be desired – pig flow is the reason.  
(Partnering with others to get a flow – Pipestone – Carthage model will grow)

## *Costs to Build*

- WTM > \$300 a space
- FTM - \$280
- Nursery - \$180 - \$200
- Hard to cash flow unless it is a 15 year loan or you have another barn already
- Many crop farmers have interest in building barns – they will be interviewed to make sure they have the desire to be quality growers
- Sow Space is greater than \$2000

# *Swine Industry Financial Snapshot*



## *Swine Database*

- All over the U.S.
- Many different production models
- Over 20% of the U.S. pork industry
- Sales to all the processors in the U.S.
- 2010 – Q3 2015 results

## *Swine Database*

	Q3 2015	2014	2013	2012	2011
Owner Equity	76%	63%	51%	53%	53%
WC/Sow*	\$1,314	\$1,209	\$868	\$983	\$869
Fixed Debt/Sow	\$572	\$549	\$586	\$620	\$640
Op. Debt/Pig	\$17	\$59	\$45	\$65	\$52
P/L Per Hd	\$23.48	\$39.14	(\$2.80)	\$8.84	\$22.95

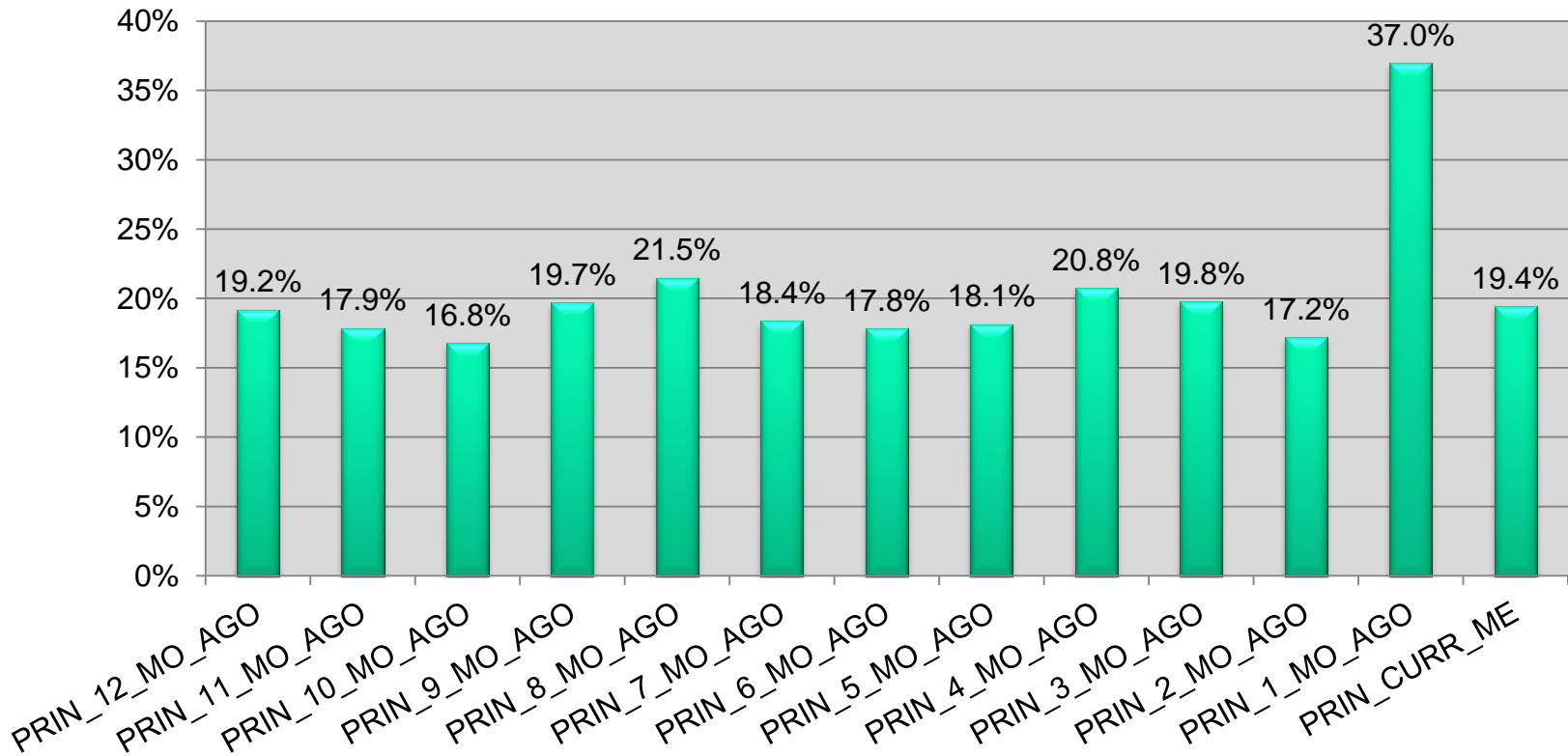
## *Traits of Successful Swine Systems*

- Many large systems are over 28 PSY
- Mortality WTM <6%
- Cost of production YTD- the best are under \$72 CWT carcass
- Going forward it will push to close to \$67 CWT carcass depending on feed
- Lets talk about debt structure and how deals are structured

## *Debt Structure*

- Pretty simple
- Real estate term, real estate revolver and operating lines.
- Give the client as much flexibility as possible
- Opportunity to acquire and grow fast if they want
- Opportunity to manage risk

### Swine Revolving Principal as % of Peak



## *Traits of Successful Swine Systems*

- Very strong financially across the board
- Maybe the strongest ever
- Some will be competing for farmland
- Some producers are investing in new packing plants
- They will deploy capital to generate the best ROI – don't spend money on things you might not need!

## *Opportunities for Pork*

- Largest consumed protein in the world
- Population will double by 2050
- The US swine industry is the best in the world (production and infrastructure)
- More opportunity for greater efficiencies to gain greater market share (think chicken)
- Great collaboration amongst the peers to be better

## *Mentors and Coaches*





## *Traits of Successful Companies*

- Passion for their profession
- Willing to compare notes with their peers on best practices
- You don't always win but you learn from the process
- Always striving to improve to better (themselves and others)

## *Challenges for the Pork Industry*

- People (talent to attract for the farm and corporate)
- Undercover videos – that will skew any form of animal production to put you out of business – if you get one does it disrupt your supply chain?
- A lack of any understanding by the general public of pork production.
- Brand preservation of food companies – how do you comply with what they are saying. This could be an opportunity and a challenge.

## *Challenges for the Pork Industry*

- Antibiotic use
- Government regulations
- Immigration reform



*The Time I Spent  
On Your Side*

## *Helping Out*



## *Observations of Running A Pig Company*

- You have no idea until you actually do it.
- Where is the best use of your time?
- You need to spend time in the field but also you need to run the business.
- Where are your biggest areas that you need improve?
- Managing margins is critical to long term survival.
- Spending capital – where can you get your greatest return?
- Never assume you ever have it figured out – the wolf is always at the door.
- People is the number 1 key to success – this drives production.

## *Thoughts on Running A Pig Operation*

- Walking the floor or facility – being visible
- First thing I looked at was the HR report -without people it is hard to get good production.
- Culture of the workplace – why should they work here?
- Conditions of the workplace – how do you keep people coming back?
- What are you doing to mentor the next generation of leaders?
- Meeting with production partners
- Transparency
- Accountability
- *Real* Appreciation and recognition
- Perception is reality

## *Closing Thoughts*

- Pork Industry has some of the best business people in all of Agriculture
- The challenges are great – somebody is always trying to tell you how to run your business.
- The opportunity is equally great – the US pork industry is the world at what we do.
- Strive to get better in every aspect of your business - you have no choice in order to survive.
- Ultimately this is all up to you and your business.



*Thank You!*