

Latta, Harris, Hanon & Penningroth L.L.P.
Pork Production
Cost of Production & Benchmarking Standards
Report

11th Annual Meeting

Presented and prepared by the:
Staff of LHHP

August 28, 2014

LHHP Pork Industry Team

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LHHP Benchmarks & Comparative – What it is and What it is not

- Is a confidential peer group
- Is not a contest – no bragging rights
- Is managerial accounting
 - Is information that managers can use to make decisions
 - How competitive are we
 - Where do we look to make improvement
 - Is not perfect, includes estimates and assumptions, (90% of the way is better than 100% of nothing achieved)

Participation in LHHP

Comparative - Requirements

- Accrual financial information by stage of growth, production data provided
- Full access by LHHP staff to needed information
- Grant Permission
- Participants from 6 states

LHHP 2013 Benchmark Process

- Summer 2013 - define estimated benchmark for the year 2013
 - Based on prior year and actual and estimated feed prices for SE Iowa,
 - Weekly quotes
 - Feedstuff reported prices and local elevator
 - Apply estimate purchasing efficiency 90% of average weekly posted price for wean to finish
- Review sales data for market hogs and market sows
 - Market weights, genetic costs adjustments
- Review data base

Process - continued

- August Review of First Draft of 2013 Benchmarks
 - Internal LHHP staff
 - Consult with Industry Experts like Dr. Joe Connor, Carthage Vet & Mark Greenwood, Agstar
- Compare benchmarks with client's accrual data
- Refine benchmarks based on observed data
 - 50th & 90th percentile, do they make sense.
- August meeting

Y/E 12/31/13 ESTIMATED Benchmarks - 50th & 90th Percentile

	Breed to Wean		Wean to Finish		Whole Herd	
	<i>\$/pig Weaned</i>	<i>\$/pig Weaned</i>	<i>\$/cwt Produced</i>	<i>\$/cwt Produced</i>	<i>\$/cwt Sold</i>	<i>\$/cwt Sold</i>
<i>CWT Gain - CWT Sold</i>			2.57	2.57	2.70	2.70
<i>Cost to Produce Wean Pig</i>			<i>Cost to Add Gain Per Cwt of Gain, W-F</i>		<i>Total Cost / Pig to Market Per Cwt of Pork Sold</i>	
	50th Percentile	90th Percentile	50th Percentile	90th Percentile	50th Percentile	90th Percentile
Labor	\$ 6.31	\$ 5.85	\$ 3.45	\$ 2.59	\$ 5.74	\$ 4.72
Facilities	6.38	5.20	5.27	4.13	7.50	5.94
Other Expenses	2.41	1.75	1.93	1.22	2.78	1.84
Subtotal cost normally borne by contractor	15.10	12.80	10.65	7.94	16.02	12.50
Feed cost	18.42	16.72	38.95	37.91	44.25	42.54
Genetics	2.75	1.35			1.07	0.52
Vet/Med	3.92	2.90	1.49	1.33	2.95	2.39
General and Administrative	1.28	0.60	0.66	0.19	1.13	0.42
Interest Expense - non facility	0.50	0.25	1.07	-	1.22	0.10
Estimated 12 Months Ending 12/31/13	\$ 41.97	\$ 34.62	\$ 52.82	\$ 47.37	\$ 66.64	\$ 58.47

Breakeven Carcass Price Needed @ 75% Yield, y/e 12/31/13	\$ 88.85	\$ 77.96
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Adjustment for Year End - Due to Change in Corn & SBM Prices

12 Months ending was 9/30/13	\$ 42.46	\$ 35.06	\$ 53.80	\$ 48.33	\$ 67.77	\$ 59.56
12 Months ending was 3/31/14	\$ 41.01	\$ 33.75	\$ 50.89	\$ 45.47	\$ 64.42	\$ 56.33

Average Estimated Corn Cost \$ 6.53 / Bu, decrease by \$ 0.39/bu. from the 2012 cost of \$6.92/bu.

Average Estimated Bean Meal \$ 469/ Ton Up by \$44/ton from the 2012 cost of \$425/ton

How the Benchmarks Add Up,

90th Percentile Example

Cost of weaned pig

@ 13 lbs.

$$= \$34.62 / (1 - \text{death loss, } 4\%)$$

$$= \$34.62 / .96 = \underline{\underline{\$36.06}}$$

Cost. of Gain

Market Weight 270 pounds

270 - 13 = 257 pounds of gain

257 / 100 = 2.57 CWT. of Gain

$$= \$47.37 * 2.57 = \underline{\underline{\$121.74}}$$

Cost of a weaned pig sold

$$\$36.06 + \text{Cost of Gain } \$121.74$$

$$= \underline{\underline{\$157.80}}$$

Divided by CWT. sold

$$270 / 100 = 2.70 \text{ CWT. Sold}$$

$$\$157.80 / 2.70$$

$$= \sim \underline{\underline{\$58.44}} \text{ (rounding)} \underline{\underline{\$58.47}}$$

Cost/CWT. Pork Sold

90th percentile

2013 Benchmark Observations

- Rate of change between Average Producers & top 10% Producers 4 year average, Difference in whole herd carcass \ Cwt. breakeven between the 50th to 90th in 2010 it was \$7.35/ Cwt., 2011 it was \$11.97, 2012 it lowered to \$9.85/Cwt and 2013 it lowered again to \$8.17.

Comparing 2013 to 2012

- Breed to Wean Cost per Pig Weaned 102% & 101% respectively
 - 50th Percentile Cost per Pig Weaned up \$ 0.91 to \$ 41.97
 - 90th Percentile Cost per Pig Weaned up \$ 0.21 to \$ 34.62
- Wean to Finish Cost per Cwt. of Gain 99% & 98% respectively
 - 50th Percentile Cost per Cwt. of Gain down \$.58 to \$ 52.82
 - 90th Percentile Cost per Cwt. of Gain down \$ 1.12 to \$ 47.37
- Whole Herd Cost per Cwt. Pork Sold 100% & 98% respectively
 - 50th Percentile Cost per Cwt. Sold down \$ 0.18 to \$ 66.64/Cwt.
 - 90th Percentile Cost per Cwt. Sold down \$ 0.96 to \$ 58.47/Cwt.

Comparative Cost of Production

Breed to Wean Units

Report Method

- Inventory change is in the divisor
- Divisor is “Pigs Produced – Complete Equivalent”
- Costs are presented in a LHHP modified “NPPC Financial Standard” format
 - Facilities, labor and other operating reported as “Cost Normally Borne By Contractor”. This allows comparability between farms.
 - Genetics include semen, breeding supplies, royalties, sow depreciation, (gain) loss on sale or death. Breeding stock development costs are capitalized.
 - Example of allocation of capitalized cost; 6% labor, 9% facilities, 3% other, 80% feed, & 2% vet
 - Feed includes grind, mix and delivery
 - Other costs may be adjusted to add a standard charge of \$10/Ton
- Totals are presented before general and administrative & before finance
- Marketing costs are treated as deductions from revenue
- The reported average columns may not total, the reported metrics are averages

Breed To Wean:

71,000 + sows, 1.77 million pigs, Avg. 23.92 pigs/sows/year

→ Average cost to produce wean pig: \$38.40

→ Farms: 17 + 1 contractor

→ Range: \$ 28.33 to \$43.37

→ Spread: \$15.04 *2012 it was \$10.34 per pig*

→ Labor/Facilities/Other: Range \$ 10.23 to \$20.00

→ Genetics: Range \$ 0.59 to \$ 4.60

→ Feed: Range \$ 12.31 to \$ 20.41

→ Veterinary: Range \$ 0.88 to \$ 6.00

→ Of the 9 herds with costs lower than the average of \$38.40, 2 < 2,000 & 7 > 2,000 sows

Comparative Cost of Production for 2013

Breed to Wean Units

Cost per Pig Produced – Complete Equivalent

	* 2013 Average less than 2,000 sows	*2013 Average greater than 2,000 sows	Benchmark – 50 th Percentile	Benchmark – 90 th Percentile
Expenses:				
Personnel	6.61	5.37	6.31	5.85
Facilities	4.74	5.97	6.38	5.20
Other Operating	2.27	1.70	2.41	1.75
Total of Labor, Facilities, and Other Costs Normally borne by Contractors	13.62	13.04	15.10	12.80
Genetics	2.48	2.18	2.75	1.35
Feed	18.44	16.91	18.42	16.72
Veterinary/Medicine	3.94	3.25	3.92	2.90
Total Cost of Production before Administrative & Finance	38.47	35.78	40.19	33.77
Administrative	1.53	1.03	1.28	.60
Total Cost of Production before Finance	40.01	36.79	41.47	34.37
Interest – non-facility	.29	.26	.50	.25
Total Cost of Production (per pig) *	40.29	37.07	41.97	34.62

* Average Columns May Not Total – Metrics are Averages

Comparative Cost of Production

Breed to Wean Units Compare 2013 to 2012

Cost per Pig Produced – Complete Equivalent

	* Average less than 2,000 sows 2013	* Average greater than 2,000 sows 2013	Average less than 2,000 sows 2012	Average greater than 2,000 sows 2012
Expenses:				
Personnel	6.61	5.36	6.27	5.45
Facilities	4.74	5.97	4.76	6.38
Other Operating	2.27	1.70	1.99	1.74
Total of Labor, Facilities, and Other Costs Normally borne by Contractors	13.62	13.04	12.98	13.57
Genetics	2.48	2.18	3.40	3.44
Feed	18.44	16.91	16.23	16.68
Veterinary/Medicine	3.94	3.25	3.80	3.27
Total Cost of Production before Administrative & Finance	38.47	35.78	36.42	37.28
Administrative	1.53	1.03	1.42	.89
Total Cost of Production before Finance	40.01	36.79	37.83	38.13
Interest – non-facility	.29	.26	.41	.44
Total Cost of Production (per pig) *	40.29	37.07	38.25	38.47

* Average Columns May Not Total – Metrics are Averages

\$3.22 / PIG

\$ 0.22 / PIG

13

Comparative Cost of Production

Breed to Wean Units Compare 2013 to 2012

Cost per Sow

	* Average less than 2,000 sows 2013	Year to year change	* Average greater than 2,000 sows 2013	Year to year change	* Average less than 2,000 sows 2012	* Average greater than 2,000 sows 2012
	<i>Pigs/Sow/Year</i>					
Expenses:	23.77	+0.36 102%	25.09	+1.02 104%	23.41	24.07
Personnel	157.45	108%	130.44	100%	145.55	130.18
Facilities	113.05	103%	145.77	97%	109.69	150.83
Other Operating	53.54	113%	42.33	98%	47.19	43.12
Total of Labor, Facilities, and Other Costs Normally borne by Contractors	324.04		318.54		302.43	324.13
Genetics	60.43	77%	52.55	65%	78.63	81.15
Feed	438.57	116%	401.30	104%	377.02	387.30
Veterinary/Medicine	93.37	106%	76.28	102%	87.91	75.10
Total Cost of Production before Administrative & Finance	916.40		855.57		845.99	869.87
Administrative	36.23	109%	25.36	118%	33.33	21.56
Total Cost of Production before Finance	952.63		880.23		879.31	890.15
Interest – non-facility	6.75	75%	6.42	59%	9.01	10.90
Total Cost per sow *	959.38	108%	887.29	99%	888.32	898.62

* Average Columns May Not Total – Metrics are Averages

\$71.06 / Sow Difference

\$10.30/Sow

2013 Comparative - Breed to Wean Units
Cost per Pig Produced Complete Equivalent

Number of Sows in Comparison	71,159
Number of Weaned Pigs	1,772,992
	23.92 p/s/y avg/farm

Sorted By:

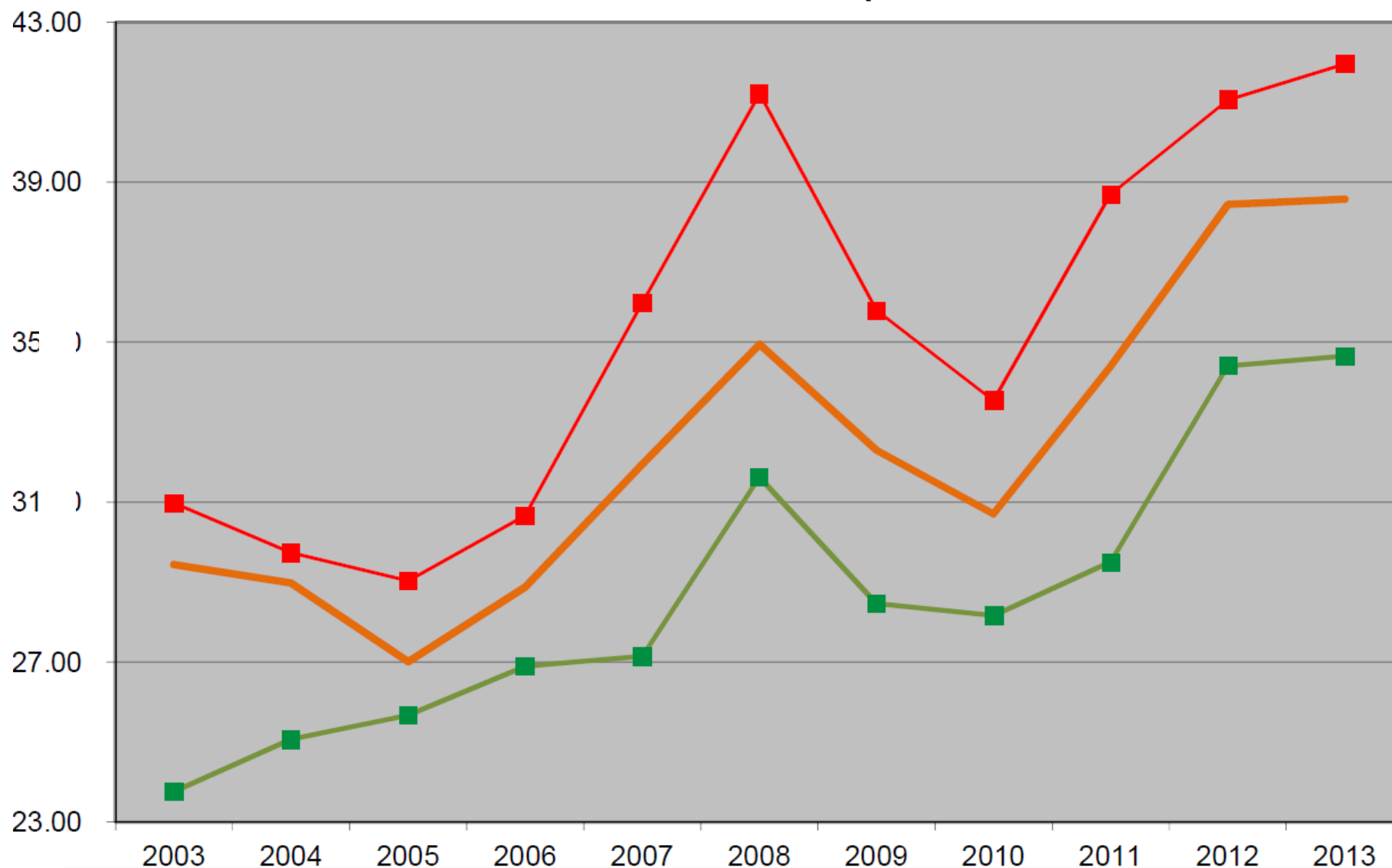
Sow Herd Size	Farm Code	Total Personnel	Total Facilities	Total Other	Cost borne by Contractor	Total Genetics	Total Feed	Total Vet	Total b4 G& A & Interest	Total G&A	Total Interest	Total Cost of Production
> 2000	N	5.73	6.21	0.97	12.91	0.59	12.31	1.77	27.58	0.42	0.33	28.33
> 2000	O	6.35	5.83	1.28	13.46	2.33	15.30	0.88	31.97	0.64	-	32.61
90th Percentile		5.85	5.20	1.75	12.80	1.35	16.72	2.90	33.77	0.60	0.15	34.62
< 2000	R	7.54	5.06	1.10	13.70	3.22	15.92	1.67	34.52	0.58	0.32	35.42
> 2000	P	4.70	4.17	1.36	10.23	4.60	16.71	3.08	34.63	1.75	0.06	36.44
Average →+1/2 Standard Devia		5.36	4.59	1.33	12.10	1.80	16.41	2.85	35.16	0.87	0.14	36.44
> 2000	M	5.55	7.01	2.19	14.75	1.78	15.44	4.15	36.13	0.10	0.60	36.82
> 2000	I	6.33	5.11	0.45	11.90	1.45	18.73	4.69	36.76	0.12	-	36.89
< 2000	D	6.85	4.14	1.69	12.67	2.32	17.56	3.64	36.19	1.57	-	37.76
> 2000	H	5.60	3.90	2.45	11.95	2.09	19.66	3.92	37.62	0.23	0.33	38.18
> 2000	B	4.86	4.98	1.08	10.92	1.88	19.29	4.58	36.68	1.53	0.04	38.25
Average		5.85	5.49	1.92	13.27	2.30	17.54	3.53	36.89	1.22	0.27	38.40
> 2000	L	3.99	10.68	1.00	15.67	2.31	16.86	1.95	36.78	2.23	0.42	39.53
< 2000	F	6.91	3.24	1.86	12.01	1.63	18.25	6.00	37.88	1.77	0.34	39.99
> 2000	K	5.22	5.84	1.53	12.58	1.45	20.41	4.24	38.68	1.55	0.06	40.29
Average - 1/2 Standard Devia		6.34	6.39	2.51	14.44	2.80	18.67	4.21	38.62	1.57	0.40	40.36
< 2000	C	6.16	4.27	2.27	12.69	2.69	19.23	3.91	38.52	1.83	0.54	40.89
50th Percentile		6.31	6.38	2.41	15.10	2.75	18.42	3.92	40.19	1.28	0.50	41.97
< 2000	A	5.41	5.05	2.73	13.19	2.51	19.94	5.01	40.64	1.65	0.08	42.38
< 2000	G	7.60	6.08	3.22	16.90	1.26	19.51	3.01	40.68	1.36	0.39	42.42
< 2000	J	5.79	5.34	3.05	14.19	3.71	18.66	4.34	40.89	1.96	0.33	43.18
> 2000	E	6.19	8.39	5.42	20.00	3.30	14.35	3.27	40.92	1.47	0.98	43.37

2013 Comparative - Breed to Wean Units
Additional Information

Farm Code	Pigs per Sow per Year Reported	Pigs per Sow per Year Divisor	Avg Cost Bushel of Corn	Avg Cost Ton of SBM	Use a Consulting DVM	At what stage are pigs vaccinated	Use Internal Multiplication	Is PIC the Primary Genetic Source?	Replacement weight at time of purchase	Ownership in a Grandparent Herd?	Ownership in a boar stud?	Managed by a Third Party?
A	24.96	24.46	\$6.69	\$ 451	Yes	Both	Yes	No		No	No	Yes
B	25.00	23.97	\$6.58	\$ 458	Yes	Both	Yes	No		No	No	Yes
C	23.28	22.83	\$6.84	\$ 497	Yes	Both	Yes	No		No	No	Yes
D	25.50	24.00	\$7.07	\$ 533	Yes	Both	No	Yes	12	No	No	Yes
E	28.10	28.16	\$5.89	\$ 447	Yes	Both	No	Yes		Yes	Yes	No
F	23.65	22.95	\$7.49	\$ 476	Yes	Both	Yes	No		No	No	Yes
G	26.40	20.39	\$6.27	\$ 450	Yes	Pre Wean	Yes	Yes		No	No	No
H		22.18			Yes	Pre-Wean	No	No		No	No	No
I	26.63	21.84	\$6.31	\$ 455	Yes	Pre-Wean	No	Yes	217	No	No	No
J	25.35	25.45	\$7.48	\$ 465	Yes	Both	No	No	15	No	No	Yes
K	23.02	21.92	\$6.18	\$ 460	Yes	Both	Yes	No		No	No	Yes
L	26.30	24.46			Yes	Both	No	Yes	240	No	No	No
M	24.81	21.92	\$6.42	\$ 448	Yes	Pre-Wean	Yes	No		No	No	Yes
N	26.50	26.20	\$5.95	\$ 485	Yes	Both	Yes	Yes		Yes	Yes	No
O		25.79										
P		23.11								No	No	
AV	25.35	23.73	\$ 6.60	\$ 469								

Breed to Wean 11 Year History

B-W 50th vs. 90th Percentile Compare with Observed



2013 Observations on Sow Sales

- Avg. lbs sold: 485#, no change, range 2013 446-506, (*2012 430-529 pounds*)
- Avg. value cwt: \$59.70, (*2012 \$48.00*) range 2013 \$51.50 to \$ 64.10, (*2012 \$40.80 to \$52.30*)
- Avg. value per head: 2013 **\$289** (*2012 \$233*)
- Range \$229 to \$317 per sow
- Variance high to low per sow: 2013 **\$189**, (*2012 \$101, 2011 \$33, 2010 \$97, 2009 \$81*)

Comparative Cost of Production

Wean to Finish Units

Report Method

- Divisor is “Pounds Produced”
- Inventory change is in the divisor
- Genetic cost not included. Calculation is cost to add a pound of gain.
- Purchase pig pounds are accounted for as an adjustment to pounds produced
- Contract fees are allocated by percentage:
 - Example 34% labor, 51% facilities and 15% other. To allow comparability between farms.
- Costs are presented in a LHHP modified “NPPC Financial Standard” format.
 - Facilities, labor and other reported as “Cost Normally Borne By Contractor”. This allows comparability between farms.
 - Feed includes grind, mix and delivery
 - Other cost may be adjusted to add a standard charge of \$10/Ton
 - Example of allocation: 18% labor, 75% facilities, 7% other operating
- Totals are presented before general and administrative & before finance
- Marketing costs are treated as deductions from revenue
- The reported average columns may not total, the reported metrics are averages

Wean to Finish:

~ 419,700,000 million pounds produced , ~ 1.55 million pigs,
Average 270 pounds of gain per pig

- Average cost to add 100 lbs. of gain: \$ 49.49
 - Farms: 16
 - Range: \$ 43.06 to \$ 52.60 per cwt.
 - Spread: \$ 9.54/cwt. ~ \$25.75/pig
 - 2012 spread \$12.28/cwt. ~ \$ 32 per pig (- **\$6.25** from 2012)
- Labor/Facilities/Other: Range \$ 6.24 to \$ 11.37
- Feed: Range \$ 34.46 to \$ 43.15
- Veterinary: Range \$ 0.10 to \$ 2.96
- The 7 herds under the average \$ 49.49 3 produce > 100,000 cwt. and 4 produce < 100,000 cwt.
100,000 CWT = 10,000,000 pounds gain = ~37,000 pigs

Comparative Cost of Production for 2013

Wean to Finish Units

Cost per CWT Produced

100,000 CWT = 10 Million Pounds

*** 2013 Average
less than
100,000 CWT**

***2013 Average
greater than
100,000 CWT**

**Benchmark –
50th Percentile**

**Benchmark – 90th
Percentile**

Expenses:

Personnel	2.75	2.92	3.45	2.59
Facilities	4.48	3.83	5.27	4.13
Other Operating	1.18	1.57	1.93	1.22
Total of Labor, Facilities, and Other Costs Normally borne by Contractors	8.42	8.32	10.65	7.94
Genetics				
Feed	38.70	39.50	38.95	37.91
Veterinary/Medicine	1.37	1.07	1.49	1.33
Total Cost of Production before Administrative & Finance	48.48	48.89	51.09	47.18
Administrative	.44	.56	.66	.19
Total Cost of Production before Finance	48.92	49.44	51.75	47.37
Interest – non-facility	.31	.48	1.07	0.00
Total Cost of Production (per pig) *	49.23	49.92	52.82	47.37

* Average Columns May Not Total – Metrics are Averages

Comparative Cost of Production Wean to Finish Units Cost Per Hundred Weight Of Gain

**Average
2013***

**Average
2012***

**Benchmark – 50th
Percentile
2013**

**Benchmark –
90th Percentile
2013**

* Average Columns May Not Total – Metrics are Averages

Personnel	2.75	2.57	3.45	2.59
Facilities	4.48	4.72	5.27	4.13
Other Operating	1.18	1.30	1.93	1.22
Total of Labor, Facilities, and Other Costs Normally Borne by Contractors	8.42	8.59	10.65	7.94
Genetics	0	0	0	0
Feed	38.70	41.02	38.95	37.91
Veterinary/Medicine	1.37	1.04	1.49	1.33
Total Cost of Production before Administrative & Finance	48.48	50.66	51.09	47.18
Administrative	.44	.76	.66	.19
Total Cost of Production before Finance	48.92	51.41	51.75	47.37
Interest	.31	.68	1.07	0.0
Total Cost of Production (per cwt) *	49.23	52.04	52.82	47.37

2013 Comparative - Wean To Finish

Cost per CWT of Gain

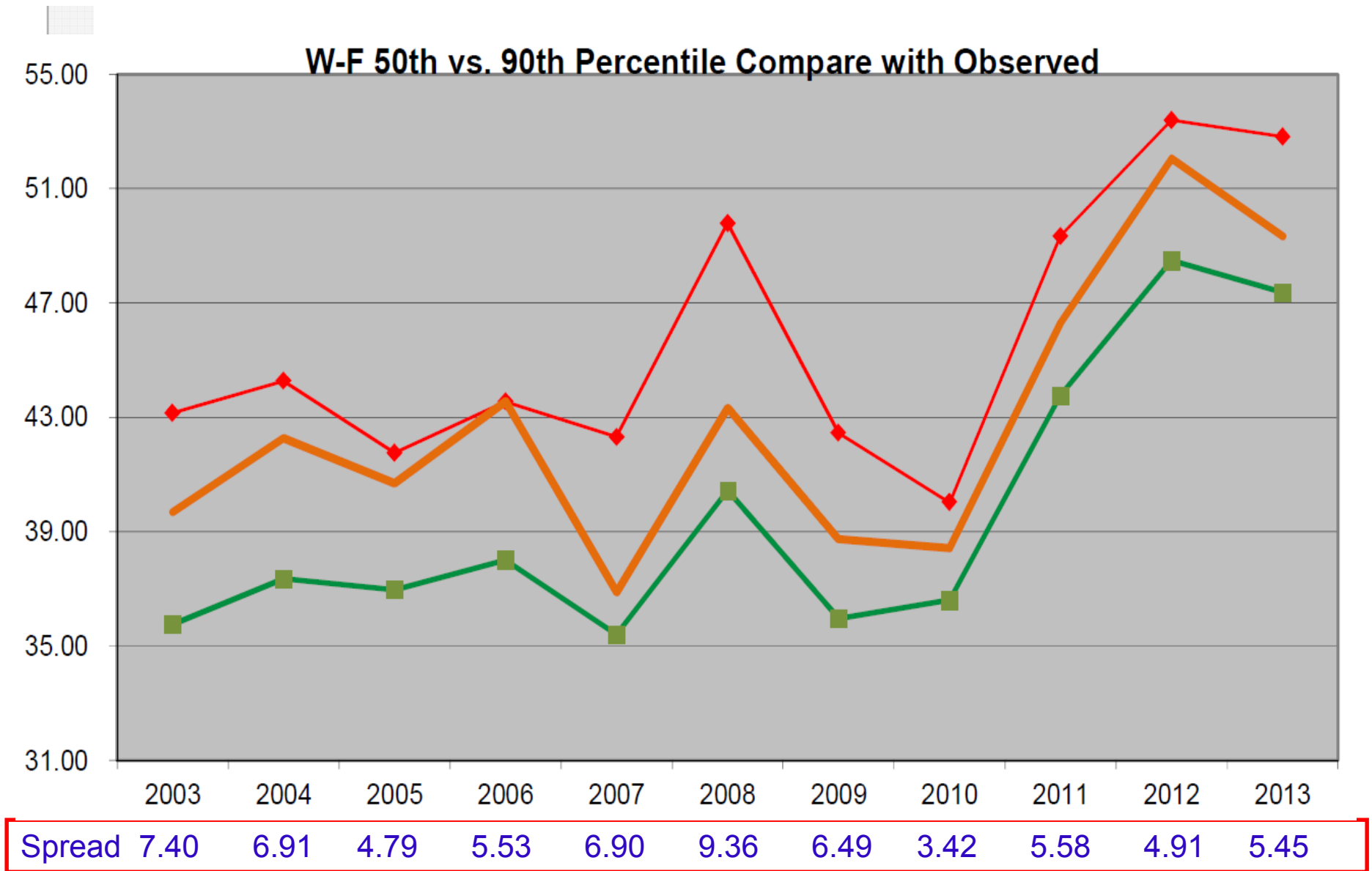
Number of Pigs	1,555,502
Number of CWT in Comparison	4,196,854

											Sorted By:
> 100,000 cwt	Farm Code	Total Personnel	Total Facilities	Total Other	Cost borne by Contractor	Total Feed	Total Vet	Total b4 G&A & Interest	Total G&A	Total Interest	Total Cost of Production
n	K	2.42	3.65	0.94	7.00	34.46	1.11	42.57	0.49	-	43.06
n	N	3.15	3.23	1.22	7.60	35.40	1.25	44.25	0.71	-	44.96
90th Percentile		2.59	4.13	1.22	7.94	37.91	1.33	47.18	0.19	-	47.37
n	M	3.15	3.15	1.23	7.53	38.08	1.60	47.21	0.30	-	47.51
Average + 1/2 Standard Devi		2.55	3.57	1.10	7.65	37.92	0.84	47.32	0.26	0.17	48.19
y	C	2.47	3.48	1.07	7.02	38.72	2.25	47.98	0.10	0.55	48.63
y	G	3.52	3.46	2.44	9.42	38.48	0.10	48.01	0.19	0.81	49.01
n	H	3.63	3.47	1.21	8.32	39.52	0.89	48.72	0.02	0.28	49.02
y	A	3.46	4.71	1.18	9.34	37.77	0.94	48.05	0.49	0.67	49.21
Average		2.82	4.24	1.33	8.38	39.00	1.25	48.63	0.48	0.38	49.49
n	I	2.29	5.09	1.07	8.45	38.34	0.77	47.56	0.57	1.31	49.44
y	F	2.94	3.52	1.38	7.84	40.23	1.08	49.15	0.44	0.34	49.93
Average - 1/2 Standard Devi		3.09	4.91	1.56	9.11	40.08	1.66	49.94	0.70	0.59	50.79
y	D	2.62	4.16	2.18	8.96	38.66	0.96	48.57	1.80	0.35	50.72
n	O	1.59	3.45	1.20	6.24	41.47	2.96	50.67	0.15	-	50.82
n	B	3.09	3.09	1.01	7.20	41.31	0.36	48.46	0.89	1.14	50.90
n	R	2.57	5.19	1.66	9.43	40.26	1.01	50.70	0.55	0.23	51.48
y	E	2.50	3.67	1.15	7.32	43.15	1.09	51.56	0.33	0.16	52.05
n	J	2.45	7.25	1.67	11.37	39.58	0.77	51.72	0.63	0.17	52.52
n	L	3.20	7.22	0.60	11.02	38.56	2.95	52.54	0.06	-	52.60
50th Percentile		3.45	5.27	1.93	10.65	38.95	1.49	51.09	0.66	1.07	52.82

2013 Comparative - Wean to Finish
Additional Information

Farm Code	Feed Conversion	Cost per Lb of Feed	Avg Market Weight of Standard Market Hogs	Avg Cost per Bushel of Corn	Avg Cost for the Year per Ton of SBM	Is additional fat added to feed	Are DDG Feed to Hogs	Company owns the Majority of Feed Milling Capacity	Are Kansas State University Rations Utilized	Utilizes 3rd Party Nutritional Advice?	Does the Company use a Consulting DVM	At what stage are pigs vaccinated	Is PIC the Primary Genetic Source?	Does the Company Utilize Contract Producers	Cost or lease new wean to finish space?
A						Yes	Yes	No	Yes	Yes	Yes	Both	Yes	Yes	\$ 42
B	2.60	\$ 0.1530	274	\$ 6.26	\$ 484	Yes	Yes	Yes	Yes	Yes	Yes	Post Wean	Yes	No	
C	2.42	\$ 0.1700	272	\$ 6.12	\$ 445	Yes	Yes	Yes	No	Yes	Yes	Both	Yes	Yes	\$ 38
D	2.72	\$ 0.1569	279	\$ 6.27	\$ 450	Yes	Yes	No	Yes	Yes	Yes	Both	Yes	Yes	\$ 42.50
E	2.54	\$ 0.1575	279	\$ 6.24	\$ 483	Yes	Yes	No	Yes	No	Yes	Pre-Wean	Yes	Yes	\$ 41
F	2.54	\$ 0.1539	284	\$ 5.95	\$ 485	Yes	Yes	No	No	Yes	Yes	Post wean'	Yes	Yes	\$ 42
G						Yes	Yes	Yes	Yes	Yes	Yes	Pre-Wean	No	Yes	\$ 40
H															
I	2.67	\$ 0.1435	279	\$ 5.74	\$ 461	Yes	Yes	No	Yes	Yes	No	Both	No	No	\$ 41
J	2.90	\$ 0.1585	273	\$ 7.14	\$ 436	Yes	Yes	Yes	No	No	Yes	Pre-Wean	Yes	Yes	\$ 40
K	2.79	0.1469	280	\$ 6.00	\$ 437										32.00
L															
M															
N															
O	2.55	\$ 0.1580	288	\$ 4.79	\$ 447	Yes	Yes	Yes	No	No	Yes	Both		No	
	2.64	\$0.1554	279	\$ 6.06	\$ 459										

Benchmark Cost - Wean to Finish 11 Year History



Comparative Cost of Production

Farrow to Finish Units / Whole Herd

Report Method

- Inventory change is adjusted against cost by percentage allocation. Percentage allocation determined by cost allocation prior to addition of inventory change.
- Divisor is “Pounds Sold”
- Purchased (sold) pig cost (credit) are allocated to cost categories by use of a percentage allocation method:
 - 16% facilities, 48% feed, 15% labor, 5% genetics, 9% vet, 4% other, 3% G&A
- Contract fees are allocated by percentage:
 - 38% labor, 48% facilities and 14% other. To allow comparability between farms.
- Costs are presented in a LHHP modified “NPPC Financial Standard” format
 - Facilities, labor and other reported as “Cost Normally Borne By Contractor”. This allows comparability between farms.
 - Genetics (same as Breed to Wean)
 - Feed (same as Wean to Finish)
- Totals are presented before general and administrative & before finance
- Marketing costs are treated as deductions from revenue
- The reported average columns may not total, the reported metrics are averages

Breed to Finish/Whole Herd: (*detail - page 29*)

→ Average cost to produce a 100 lbs of pork: \$ 62.96

→ Farms: 13

→ Range: \$ 56.38 to \$ 69.13 per cwt

→ Spread: \$ 12.75 or \$ 34.55 per pig at 271 lbs

2012 spread \$17.73, \$48 at 271 lbs

→ Labor/Facilities/Other: Range \$ 9.23 to \$ 17.42

→ Feed: Range \$ 42.91 to \$ 48.71

→ Veterinary: Range \$ 1.17 to \$ 4.91

→ Of the 8 herds under the average cost \$62.96,

3 sold < ~29,000 head

5 sold > ~29,000 head

Comparative Cost of Production 2013

Farrow to Finish / Whole Herd

Cost Per Hundred Weight

Expenses:

	Average less than 8 million live lbs sold	Average greater than 8 million live lbs sold	Benchmark – 50 th Percentile	Benchmark – 90 th Percentile
Personnel	5.25	4.81	5.74	4.72
Facilities	7.17	6.00	7.50	5.94
Other Operating	1.91	1.90	2.78	1.84
Total of Labor, Facilities, and Other Costs Normally borne by Contractors	14.33	12.71	16.02	12.50
Genetics	.58	.93	1.07	.52
Feed	44.89	45.65	44.25	42.54
Veterinary/Medicine	2.29	1.99	2.95	2.39
Total Cost of Production before Administrative & Finance	62.09	61.28	64.29	57.95
Administrative	1.01	.90	1.13	.42
Total Cost of Production before Finance	63.10	62.18	65.42	58.37
Interest	.23	.36	1.22	0.10
Total Cost of Production (per cwt)	63.33	62.54	66.64	58.47

Comparative Cost of Production
Farrow to Finish Units / Whole Herd
Compare 2013 to 2012
Cost Per Hundred Weight

Expenses:

	Average less than 8 million live lbs sold	Average greater than 8 million live lbs sold		2012 Average less than 8 million live lbs sold	2012 Average greater than 8 million live lbs sold
Personnel	5.25	4.81		5.65	4.44
Facilities	7.17	6.00		6.36	6.26
Other Operating	1.91	1.90		1.95	2.01
Total of Labor, Facilities, and Other Costs Normally borne by Contractors	14.33	12.71	1.62	13.97	12.71
Genetics	.58	.93		1.11	1.47
Feed	44.89	45.65		45.21	43.93
Veterinary/Medicine	2.29	1.99	0.30	2.09	1.97
Death Loss Factor					
Total Cost of Production before Administrative & Finance	62.09	61.28		62.38	60.09
Administrative	1.01	.90		.89	1.11
Total Cost of Production before Finance	63.10	62.18		63.27	61.20
Interest	.23	.36		.78	.33
Total Cost of Production (per cwt)	63.33	62.54		64.04	61.53
	\$0.72, \$2.13/pig			\$2.51, \$6.80/pig	

2013 Comparative - Breed to Finish

Cost per CWT Pork Sold

Number of CWT in Comparison	2,667,984
Number of Pigs Marketed	966,612

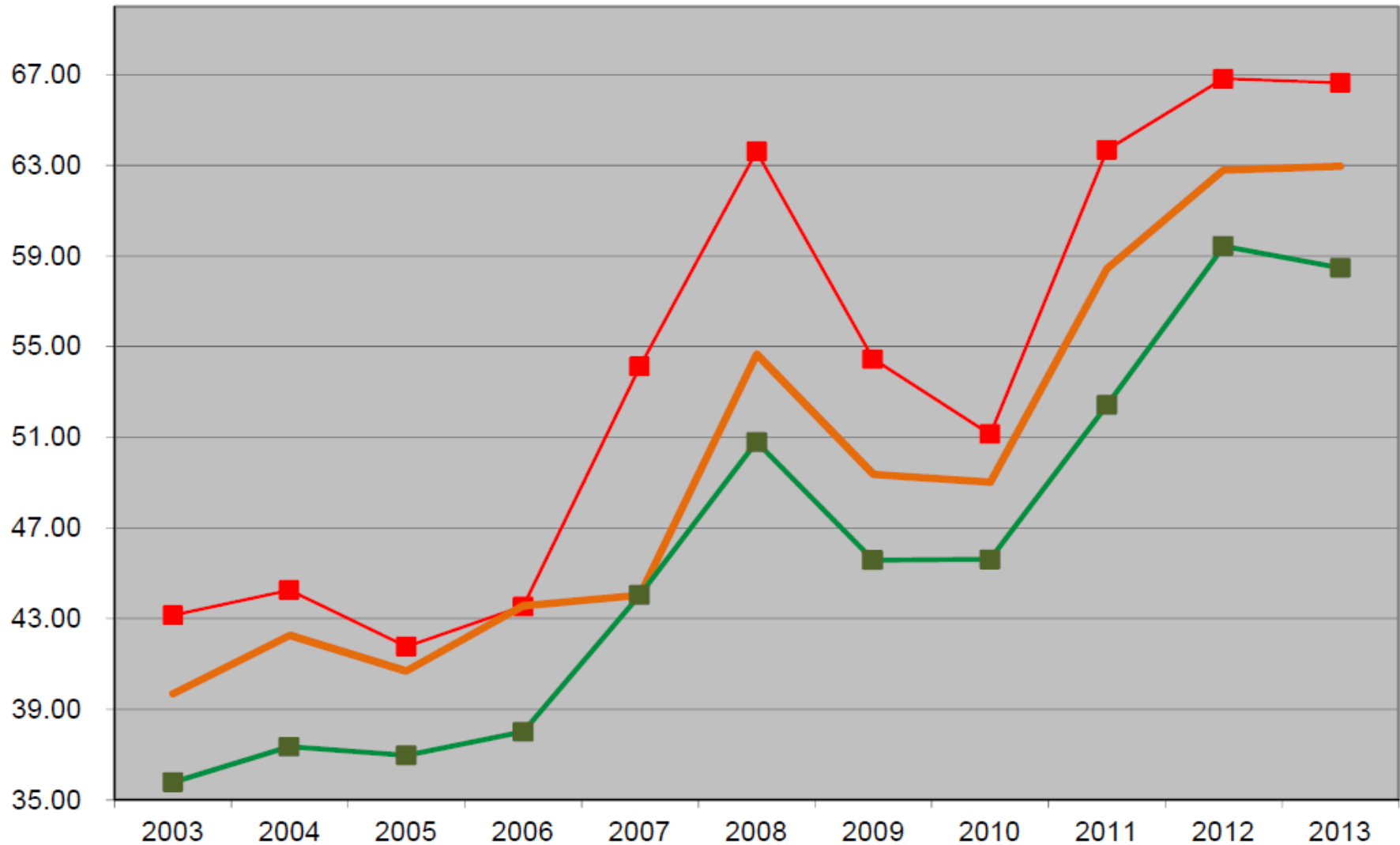
												Sorted By:
CWT Sold	Farm Code	Total Personnel	Total Facilities	Total Other	Cost borne by Contractor	Total Genetics	Total Feed	Total Vet	Total b4 G& A & Interest	Total G&A	Total Interest	Total Cost of Production
<8mil	E	3.01	4.39	1.83	9.23	0.57	43.47	2.66	55.93	0.42	0.03	56.38
>8mil	I	4.31	4.30	1.32	9.93	0.40	44.86	2.28	57.47	0.34	0.14	57.95
90th Percentile		4.72	5.94	1.84	12.50	0.52	42.54	2.39	57.95	0.42	0.10	58.47
>8mil	A	4.02	7.12	1.75	12.89	0.84	43.11	2.38	59.22	0.40	0.41	60.04
>8mil	L	4.14	4.91	0.82	9.86	1.12	46.76	2.28	60.01	0.38	-	60.39
Average + 1/2 Standard Deviation		4.37	5.63	1.46	12.10	0.48	44.49	1.65	59.70	0.54	0.20	60.86
<8mil	B	7.08	5.36	3.47	15.91	(0.43)	42.91	1.17	59.56	1.23	0.27	61.06
<8mil	K	5.17	7.21	0.47	12.85	0.20	44.38	1.45	58.87	2.49	0.14	61.50
>8mil	H	3.90	5.13	2.26	11.29	1.40	45.52	2.18	60.39	1.02	0.34	61.75
>8mil	G	5.45	6.21	1.80	13.46	0.26	45.52	1.83	61.07	0.62	0.48	62.17
Average		4.99	6.54	1.90	13.43	0.77	45.39	2.12	61.72	0.95	0.30	62.96
<8mil	C	5.62	6.96	2.08	14.66	1.23	45.93	1.69	63.51	0.78	0.36	64.65
Average - 1/2 Standard Deviation		5.66	7.44	2.36	14.82	1.06	46.10	2.60	63.61	1.36	0.39	64.94
>8mil	F	4.23	8.52	2.57	15.31	0.96	45.07	1.75	63.09	2.73	0.52	66.34
50th Percentile		5.74	7.50	2.78	16.02	1.07	44.25	2.95	64.29	1.13	1.22	66.64
<8mil	D	5.20	9.39	2.83	17.42	0.46	46.27	1.86	66.02	1.12	0.31	67.44
<8mil	J	5.41	9.70	0.80	15.91	1.47	46.36	4.91	68.65	0.01	0.25	68.91
>8mil	M	7.61	5.80	2.82	16.24	1.53	48.71	1.21	67.70	0.79	0.64	69.13

Comparative - Breed to Finish
Additional Information 2013

Farm Code	Pigs per Sow per Year Reported	Feed Conversion	Avg Feed Cost/lb	Avg Market Weight of Standard Market Hogs	Avg Cost per Bushel of Corn	Avg Cost for the Year per Ton of SBM	Company owns the Majority of Feed Milling Capacity	Are Kansas State University Rations Utilized	Does the Company use a Consulting DVM	At what stage are pigs vaccinated	Use Internal Multiplication	Is PIC the Primary Genetic Source?	Ownership in a Grandparent Herd?	Ownership in a boar stud?	Does the Company Utilize Contract Producers	Need to pay for new wean to finish space?	
A	24.43	2.63	\$ 0.1524	276	\$ 5.88	\$ 445	Yes	No	Yes	Yes	Both	No	Yes	No	No	Yes	\$ 31.5 with out labor
B	22.50	3.04	\$ 0.1438	277	\$ 6.00	\$ 468	Yes	No	Yes	Yes	Pre Wean	Yes	Yes	No	No	No	
C	26.60	2.76	\$ 0.1600	278	\$ 6.72	\$ 425	Yes	No	no	Yes	Both	No	Yes	No	No	Yes	
D	26.40	2.90	\$ 0.1585	279	\$ 6.27	\$ 450	Yes	No	No	Yes	Pre Wean	Yes	Yes	No	No	Yes	\$ 40
E		2.55	#####	288	\$ 4.79	\$ 448	Yes	No	No	Yes	Both	NO	No	No	No	No	
F							No	Yes	Yes	Yes	Both	No	Yes	No	No	Yes	\$ 42.5
G	26.50	2.54	\$ 0.1539	284	\$ 5.95	\$ 485	No	No	Yes	Yes	Both	Yes	Yes	Yes	Yes	Yes	\$ 41
H							No	No	Yes	Yes	Both	No	No	No	No	No	
I	26.63	2.54	\$ 0.1575	279	\$ 6.42	\$ 486	No	Yes	No	Yes	Pre-Wean	No	Yes	No	No	Yes	\$ 41
J																	
K																	
L																	
M																	
AV	25.51	2.71	\$ 0.1549	280	\$ 6.00	\$ 458											

Benchmark Cost Breed to Finish Cost per CWT Sold

Whole Herd 50th vs. 90th Percentile Compare With Observed



Spread	7.39	6.91	4.79	5.53	10.08	12.81	8.86	5.51	11.26	7.39	8.17
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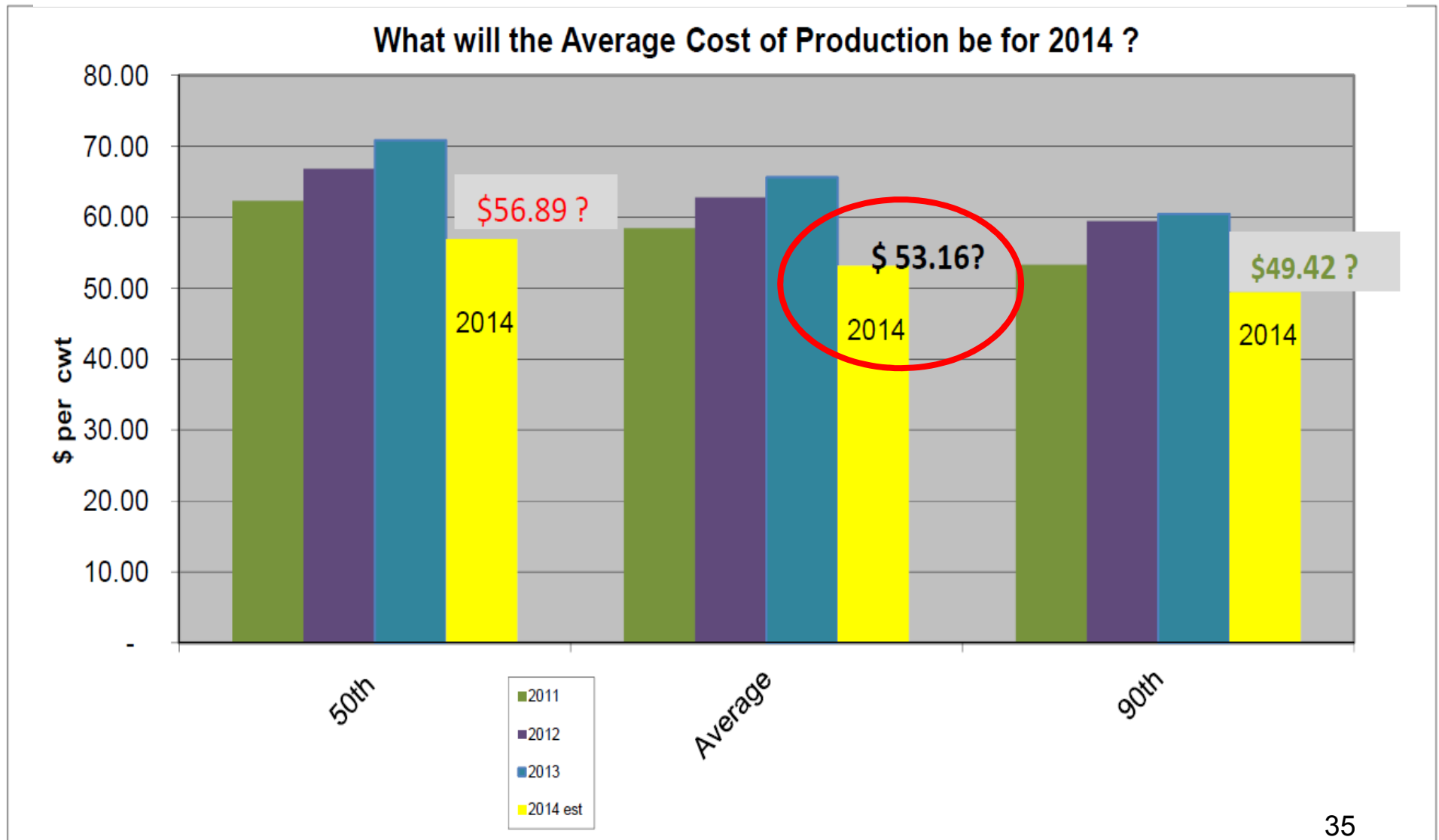
2013 Observations on Market Sales

- Average market weight: 277 lbs, *(up 1# 2012)*
- Average value per cwt: \$ 67.42, *(\$ 2.23 up from 2012)*
- Average value per head: \$ 187, *(up \$7.00 from 2012)*
- Average weight of off value: 157 lbs. *(down 12# from 2012)*
- Average value of “off value” per head \$ 66
(up \$0.79/cwt. /down 12 # or less \$4.00 per hd from 2012)
- Percentage “off valued” 3.3% , *(down 0.1%)*
 - Range 1.6% - 4.5%

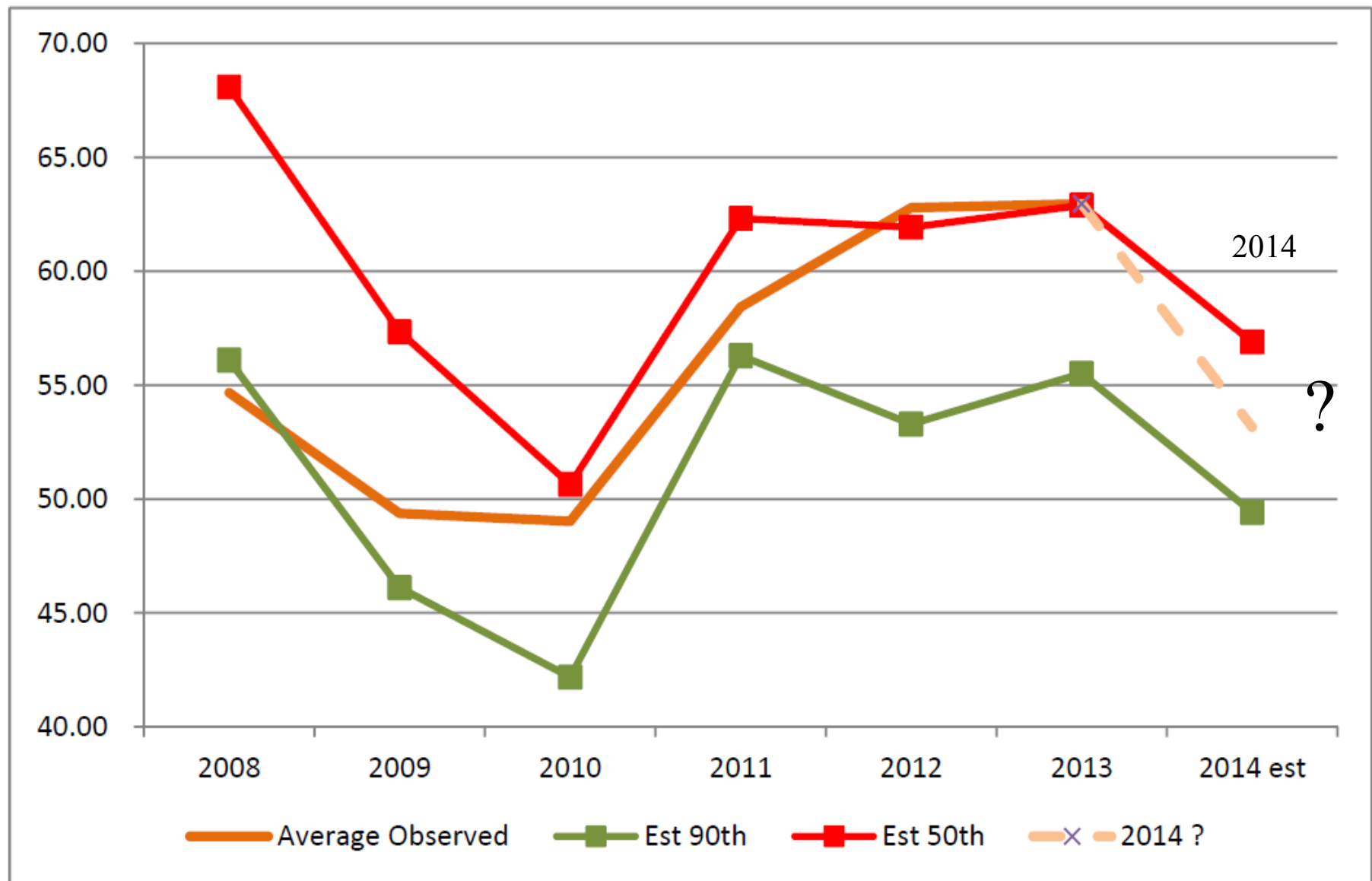
Observation on Profit Margins

- Average net revenue per head: \$183
(2012, \$177, \$64.72 per CWT Sold)
 - Net \$66.97 per CWT
 - Range \$ 170 to \$ 189 , spread \$ 19 per head (2012 \$10)
 - Market weight range 270 to 282 (2012 270 to 280)
- 50th percentile cost \$180 per head
 - Average Potential Profit per head \$ **3.00** Gain
- 90th percentile cost \$158 per head
 - Average Potential Profit per head \$ **25.00**
- Spread Potential @ average revenue & 90th percentile cost = \$22/pig sold (2012 \$28/pigs sold)

— Total B-F COP, What is the estimated cost for 2014?



Future Estimated Benchmarks Compare to Observed



Y/E 12/31/14 ESTIMATED Benchmarks - 50th & 90th Percentile

	Breed to Wean		Wean to Finish		Whole Herd	
	\$/pig Weaned	\$/pig Weaned	\$/cwt Produced	\$/cwt Produced	\$/cwt Sold	\$/cwt Sold
<i>CWT Gain - CWT Sold</i>			2.67	2.67	2.80	2.80
<i>Cost to Produce Wean Pig</i>			<i>Cost to Add Gain Per Cwt of Gain, W-F</i>		<i>Total Cost / Pig to Market Per Cwt of Pork Sold</i>	
	50th Percentile	90th Percentile	50th Percentile	90th Percentile	50th Percentile	90th Percentile
Labor	\$ 6.31	\$ 5.85	\$ 3.31	\$ 2.49	\$ 5.53	\$ 4.55
Facilities	6.38	5.20	5.06	3.97	7.23	5.72
Other Expenses	2.41	1.75	1.86	1.17	2.68	1.77
Subtotal cost normally borne by contractor	15.09	12.80	10.23	7.63	15.44	12.04
Feed cost	14.70	13.34	31.55	30.74	35.61	34.27
Genetics	2.25	0.85			0.85	0.32
Vet/Med	3.92	2.90	1.44	1.28	2.84	2.30
General and Administrative	1.28	0.60	0.64	0.19	1.09	0.40
Interest Expense - non facility	0.50	0.25	0.92	-	1.06	0.09
Estimated 12 Months Ending 12/31/14	\$ 37.74	\$ 30.74	\$ 44.78	\$ 39.84	\$ 56.89	\$ 49.42
Breakeven Carcass Price Needed @ 75% Yield, y/e 12/31/14					\$ 75.85	\$ 65.89

Adjustment for Year End - Due to Change in Corn & SBM Prices

Average Estimated Corn Cost \$ 4.25 / Bu, decrease by \$ 2.28/bu. from the 2013 cost of \$6.53/bu.

Average Estimated Bean Meal \$ 462/ Ton Down by \$5/ton from the 2013 cost of \$467/ton

Multi Year Comparative

Breed to Wean 5 Year Average

Breed to Wean Comparative

5 years average, ranked by 5 year average cost of Production

Years 2009,2010,2011,2012,2013

> 1700 Head of Sows

												SORT	
ID	Average P/S/Y	Average of Personnel	Average of Facilities	Average of Other	Average of contractor	Average of Genetics	Average of Feed	Average of Vet	Average of sub total	Average of G&A	Average of Interest	Average of total	
90th Percentile		5.24	5.13	1.52	11.89	1.99	13.70	2.65	30.24	0.17	0.81	31.24	
G	1,300	24.68	5.92	4.76	2.84	13.51	1.65	14.05	1.97	31.18	0.25	0.98	32.40
I	3,422	23.09	5.24	5.65	0.65	11.54	2.56	15.48	3.52	33.10	0.03	0.13	33.27
D	1,275	23.43	6.19	4.88	1.75	12.82	3.81	12.92	31.70	2.14	1.54	0.09	33.32
H	4,686	22.12	5.28	4.96	1.59	11.83	3.38	15.51	3.42	34.14	0.22	0.21	34.56
B	2,750	23.81	5.36	4.65	0.63	10.64	2.01	16.41	4.04	33.10	0.12	1.64	34.87
Average Observation		23.63	5.61	5.44	1.70	12.74	2.92	14.48	3.14	33.39	0.31	1.20	34.88
M	2,875	21.81	5.04	7.55	1.81	14.40	3.64	14.74	3.03	35.80	0.67	0.11	36.57
K	3,200	22.37	5.24	6.28	1.07	12.59	2.23	16.16	3.91	34.88	0.15	1.55	36.58
L	8,455	23.94	4.35	9.82	1.26	15.44	3.51	14.40	1.78	35.13	0.44	1.27	36.86
J	1,370	25.47	5.75	5.23	2.18	13.16	4.03	14.39	3.58	35.16	0.17	1.99	37.32
A	1,315	23.54	5.80	4.49	2.37	12.66	2.55	16.49	4.57	36.27	0.22	1.66	38.15
50th Percentile		5.76	6.41	2.15	14.31	3.53	15.41	3.49	36.73	0.39	1.30	38.43	
C	1,285	23.11	6.31	4.10	1.48	11.89	3.72	16.24	4.62	36.46	0.25	1.92	38.63
F	1,730	21.92	6.85	3.84	2.02	12.71	2.43	16.15	5.85	37.15	0.38	1.74	39.26

Wean to Finish 4 Year Averages

Wean to Finish Comparative

4 years average 2010,2011,2012,2013

Greater than 400,000 CWT Sold

	Average of Personel	Average of Facilities	Average of Other	Average of contractor	Average of Genetics	Average of Feed	Average of Vet	Average of sub total	Average of G&A	Average of Interet	Average of total
C	3.47	2.10	0.93	6.50		34.09	1.97	42.55	0.08	0.59	43.21
b90	3.87	2.54	1.14	7.56		35.22	0.96	43.73	0.18	0.15	44.06
D	3.95	2.22	2.12	8.29		34.61	0.74	43.64	1.69	0.46	45.79
F	3.63	2.72	1.27	7.63		36.41	0.98	45.02	0.36	0.50	45.89
AV	4.55	2.48	1.32	8.34		35.91	1.13	45.37	0.58	0.59	46.53
E	4.40	2.70	1.45	8.55		37.17	0.89	46.61	0.17	0.15	46.93
A	5.35	2.79	1.21	9.34		35.08	1.14	45.55	0.59	0.84	46.99
G	4.31	2.87	1.97	9.14		37.06	0.29	46.49	0.52	0.88	47.88
B	2.99	3.55	0.90	7.44		38.21	0.72	46.27	0.88	1.05	48.20
O	4.17	1.35	1.42	6.93		38.28	3.01	48.22	0.22	0.12	48.56
b50	5.03	3.34	1.58	9.95		36.23	1.17	47.35	0.66	0.89	48.90

Breed to Finish 4 Year Average

Breed to Finish Comparative

4 years average, ranked by 4 year average cost of Production

Years 2010,2011,2012,2013

> 8,000,000 lbs

Average & Benchmarks for the 5 year period											SORT
ID	Average of Personnel	Average of Facilities	Average of Other	Average of Contractor	Average of Genetics	Average of Feed	Average of Vet	Average of Sub total	Average of G&A	Average of Interest	Average of Total
b90	4.46	5.60	1.73	11.79	0.62	39.08	2.03	53.52	0.48	0.20	54.21
I	4.46	5.99	1.60	12.05	0.79	40.17	2.11	55.12	0.20	0.14	55.46
H	4.16	5.34	1.88	11.37	2.12	38.71	2.42	54.61	1.19	0.45	56.25
AV	5.17	6.78	1.96	13.91	0.92	38.83	2.09	55.71	0.98	0.51	57.21
B	7.06	5.40	3.20	15.66	(0.31)	39.14	1.19	55.68	1.30	0.39	57.37
C	5.27	7.08	1.56	13.90	1.25	39.52	1.65	56.32	0.75	0.40	57.47
G	5.19	6.09	1.65	12.92	0.73	40.88	1.78	56.31	0.55	0.68	57.53
F	5.02	7.06	2.48	14.55	1.19	38.45	1.45	55.63	1.50	0.63	57.75
E	3.86	5.30	2.07	11.23	0.81	41.29	3.98	57.31	0.74	0.18	58.23
D	4.80	7.91	2.63	15.34	0.61	40.31	1.48	57.74	0.88	0.21	58.82
A	4.32	7.09	1.98	13.38	1.33	41.29	2.38	58.39	1.27	0.64	60.30
b50	5.41	7.19	2.40	15.00	1.25	40.71	2.60	59.56	1.16	1.00	61.72

Bred to Wean 6 Year Averages

Contractor Costs

Breed to Wean Comparative Contractor Costs

6 years average, ranked by 6 year average cost of Production

Years 2008,2009,2010,2011,2012,2013

> 1700 Head of Sows

SORT												
ID	Average P/S/Y	Average of Personnel	Average of Facilities	Average of Other	Average of contractor	Average of Genetics	Average of Feed	Average of Vet	Average of sub total	Average of G&A	Average of Interest	Average of total
Q	5,733	26.59	5.08	4.18	1.37	10.62						
B	2,750	23.46	5.52	4.84	0.58	10.94						
I	3,395	23.17	5.13	5.82	0.57	11.52						
C	1,283	23.10	6.27	4.18	1.43	11.88						
90th Percentile		5.22	5.23	1.47	11.92							
H	4,514	22.02	5.21	5.36	1.40	11.97						
s-.5	23.22	5.24	4.65	1.32	11.99							
A	1,308	23.54	5.91	4.37	2.22	12.49						
M	3,200	22.79	5.23	6.45	0.99	12.67						
F	1,750	21.58	6.89	3.94	1.90	12.73						
Average Observation	23.63	5.63	5.52	1.60	12.75							
D	1,275	23.53	6.30	4.76	1.74	12.80						
J	1,367	25.34	5.73	5.24	2.08	13.04						
G	1,300	24.67	5.77	4.82	2.72	13.32						
s+.5	25.21	6.04	6.32	2.28	13.85							
50th Percentile		5.78	6.60	2.05	14.43							
L	8,395	23.96	4.25	9.72	1.24	15.21						

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