

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

9th Annual Meeting
Presented and prepared by the:
Staff of LHHP

June 7, 2012

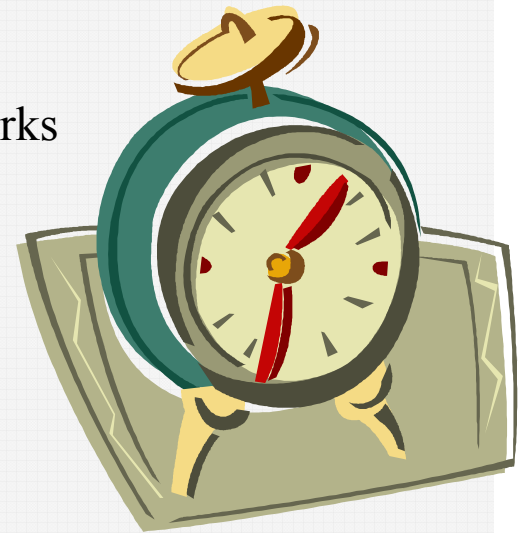
Schedule: Managing Volatility

10:00 Registration

10:30 Cost of production and comparative benchmarks
– John McNutt & Mark Penningroth

11:30 Multi year trends – John McNutt

12:00 Adjourn



LHHP Pork Industry Team

Consulting – Tax – Audit – Management Information

Tipton Office

Mark Penningroth, CPA
Jim Jorgensen, CPA
John McNutt, MBA
Mitch Richman, Accountant
Jim Reeve, Accountant
Dave Borne, CPA
Sheila Spickermann, CPA
Renee Virlee, CPA
Jan Holden

Washington Office

Grant Wubbena, CPA
Philip Morris, CPA
Dave Black, CPA

Grundy Center Office

Blaine Moats, CPA
Josh Sherer, CPA

Y/E 12/31/11 Benchmarks - 50th & 90th Percentile 6/5/12

	Breed to Wean		Wean to Finish		Whole Herd		Whole Herd	
	\$/pig Weaned	\$/pig Weaned	\$/cwt Produced	\$/cwt Produced	\$/cwt Sold	\$/cwt Sold	\$/pig Sold	\$/pig Sold
<i>CWT Gain - CWT Sold</i>			2.61	2.61	2.74	2.74		
	<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>		<i>Total Cost / Pig to Market w/ Death Loss Observed</i>	
	50th Percentile	90th Percentile	50th Percentile	90th Percentile	50th Percentile	90th Percentile	50th Percentile	90th Percentile
Labor	\$ 5.91	\$ 5.40	\$ 3.57	\$ 2.55	\$ 5.67	\$ 4.49	\$ 15.53	\$ 12.29
Facilities	6.38	5.20	5.35	3.83	7.55	5.63	20.68	15.41
Other Expenses	1.76	1.00	1.58	1.13	2.18	1.45	5.96	3.98
Subtotal cost normally borne by contractor	14.04	11.60	10.50	7.51	15.40	11.57	42.17	31.68
Feed cost	17.38	14.89	36.23	35.26	41.19	39.25	112.80	107.47
Genetics	3.00	0.65			1.15	0.25	3.16	0.68
Vet/Med	3.77	2.70	1.15	0.80	2.55	1.79	6.98	4.89
General and Administrative	1.38	0.70	0.65	0.19	1.15	0.45	3.15	1.23
Interest Expense - non facility	0.21	-	0.81	-	0.85	-	2.32	-
Estimated 12 Months Ending 12/31/11	\$ 39.78	\$ 30.54	\$ 49.34	\$ 43.76	\$ 62.29	\$ 53.31	\$ 170.58	\$ 145.95

Breakeven Carcass Price Needed @ 75% Yield, y/e 12/31/11	\$ 83.05	\$ 71.08
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Adjustment for Year End - Due to Change in Corn & SBM Prices

12 Months ending was 9/30/11	\$ 39.61	\$ 33.00	\$ 49.00	\$ 43.43	\$ 61.92	\$ 53.90	\$ 169.57	\$ 147.57
12 Months ending was 3/31/12	\$ 39.69	\$ 33.07	\$ 49.15	\$ 43.58	\$ 62.06	\$ 54.05	\$ 169.95	\$ 147.97

Average Corn Cost \$ 6.70 / Bu, Increase by \$ 2.58/bu. from the 2010 cost of \$4.12/bu.

Average Bean Meal \$ 319 / Ton Increase by \$ 20/ton from the 2010 cost of \$299/ton

2011 Observations

- Average Producers losing ground to top 10% Producers, Difference in whole herd carcass \ Cwt. breakeven between the 50th to 90th in 2010 was \$7.35/ Cwt. , in 2011 it is \$11.97
- Whole Herd Cost per Cwt. Pork Sold 122% & 117% respectively
 - 50th Percentile Cost per Cwt. Sold up \$11.17 to \$62.29/Cwt.
 - 90th Percentile Cost per Cwt. Sold up \$ 7.70 to \$53.31/Cwt.
- Breed to Wean Cost per Pig Weaned 119% & 108% respectively
 - 50th Percentile Cost per Pig Weaned up \$6.25 to \$39.78
 - 90th Percentile Cost per Pig Weaned up \$2.38 to \$30.54
- Wean to Finish Cost per Cwt. of Gain 123% & 120% respectively
 - 50th Percentile Cost per Cwt. of Gain up \$ 9.32 to \$49.34
 - 90th Percentile Cost per Cwt. of Gain up \$ 7.16 to \$43.76

LHHP 2011 Benchmark Process

- June 2011 - define estimated benchmark for the year 2011
 - Based on prior year and actual and estimated feed prices for SE Iowa,
 - Weekly quotes through May
 - Feedstuff reported prices and local elevator
 - Apply estimate purchasing efficiency 90% of average weekly posted price
 - Estimate for balance of year – estimated based on price trends and future quotes
 - Update September 30 and December 31 to actual weekly price
 - Review sales data for market hogs and market sows
 - Market weights, genetic costs adjustments

Process - continue

- April Review of First Draft of 2011 Benchmarks
 - Internal LHHP staff
 - Reviewed by 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.
- Late May/June additional review
- June meeting

How the Benchmarks Add Up

Cost/weaned pig @ 13 lbs.

$$= \$30.54 / (1 - \text{death loss, } 4\%)$$

$$= \$30.54 / .96 = \underline{\underline{\$31.81}}$$

+

Cost/CWT. of Gain

Market Weight 274 pounds

274 - 13 = 261 pounds of gain

261 / 100 = 2.61 CWT. of Gain

$$= \$43.78 * 2.61 = \underline{\underline{\$114.27}}$$

Cost of a weaned pig sold

$$\$31.81 + \text{Cost of Gain } \$114.21$$

$$= \underline{\underline{\$146.08}}$$

Divided by CWT. sold

$$274 / 100 = 2.74 \text{ CWT. Sold}$$

$$= \$146.08 / 2.74$$

$$= \underline{\underline{\sim \$53.31}} \text{ (rounding)}$$

Cost/CWT. Pork Sold

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

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, 11% facilities, 3% other, 78% 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: Detail

- ➔ Average cost to produce wean pig: \$34.38
 - ➔ Farms: 18 + 1 contractor
 - ➔ Range: \$ 28.23 to \$41.66
 - ➔ Spread: \$13.43 per pig
- ➔ Labor/Fac/Other: Range \$ 10.18 to \$15.61
- ➔ Genetics: Range \$.93 to \$ 4.70
- ➔ Feed: Range \$ 9.80 to \$ 17.71
- ➔ Veterinary: Range \$ 1.48 to \$ 6.42
- ➔ Of the 10 herds with costs lower than the average of \$34.38, 5 < 2,000 & 5 > 2,000 sows

Comparative Cost of Production for 2011

Breed to Wean Units

Cost per Pig Produced – Complete Equivalent

	* 2011 Average less than 2,000 sows	*2011 Average greater than 2,000 sows	Benchmark – 50 th Percentile	Benchmark – 90 th Percentile
Expenses:				
Personnel	6.08	5.21	5.91	5.40
Facilities	4.76	5.97	6.38	5.20
Other Operating	1.94	1.49	1.76	1.00
Total of Labor, Facilities, and Other Costs Normally borne by Contractors	12.78	12.68	14.04	11.60
Genetics	2.67	2.55	3.00	.65
Feed	14.51	14.64	17.38	14.89
Veterinary/Medicine	3.57	2.56	3.77	2.70
Total Cost of Production before Administrative & Finance	33.52	32.58	38.19	29.84
Administrative	1.32	.94	1.38	.70
Total Cost of Production before Finance	34.84	33.50	39.57	30.54
Interest – non-facility	.24	.27	.21	
Total Cost of Production (per pig) *	35.06	33.71	39.78	30.54

* Average Columns May Not Total – Metrics are Averages

Comparative Cost of Production

Breed to Wean Units Compare 2011 to 2010

Cost per Pig Produced – Complete Equivalent

	* Average less than 2,000 sows 2011	* Average greater than 2,000 sows 2011	Average less than 2,000 sows 2010	Average greater than 2,000 sows 2010
Expenses:				
Personnel	6.08	5.21	5.61	5.23
Facilities	4.76	5.97	4.71	5.67
Other Operating	1.94	1.49	1.88	1.25
Total of Labor, Facilities, and Other Costs Normally borne by Contractors	12.78	12.68	12.21	12.14
Genetics	2.67	2.55	3.33	2.59
Feed	14.51	14.64	11.45	11.43
Veterinary/Medicine	3.57	2.56	3.28	2.46
Total Cost of Production before Administrative & Finance	33.52	32.58	30.27	28.30
Administrative	1.32	.94	1.59	0.90
Total Cost of Production before Finance	34.84	33.50	31.86	29.14
Interest – non-facility	.24	.27	.25	.43
Total Cost of Production (per pig) *	35.06	33.71	32.08	29.53

\$1.35/PIG

\$2.55/PIG

* Average Columns May Not Total – Metrics are Averages

Comparative Cost of Production

Breed to Wean Units Compare 2011 to 2010

Cost per Sow

		* Average less than 2,000 sows 2011	Year to year change	* Average greater than 2,000 sows 2011	Year to year change	* Average less than 2,000 sows 2010	* Average greater than 2,000 sows 2010
Expenses:	<i>Pigs/Sow/Year</i>	<i>23.60</i>	<i>+1.18</i>	<i>24.39</i>	<i>+1.34</i>	<i>22.42</i>	<i>23.05</i>
Personnel		142.98		125.52		123.95	122.62
Facilities		112.15		141.98		103.95	133.40
Other Operating		46.06		35.68		41.41	29.40
Total of Labor, Facilities, and Other Costs Normally borne by Contractors		301.19		303.18		269.31	285.41
Genetics		62.60		58.97		73.00	48.35
Feed		342.50		345.13		252.64	264.72
Veterinary/Medicine		82.57		60.45		71.24	56.48
Total Cost of Production before Administrative & Finance		788.86		765.78		666.20	652.85
Administrative		31.10		22.99		35.10	21.85
Total Cost of Production before Finance		819.95		787.82		701.30	672.97
Interest – non-facility		5.57		6.32		5.38	9.92
Total Cost per sow *		824.91	<i>+\$119</i>	792.74	<i>+\$111</i>	706.01	681.79

\$32.17/SOW

\$24.22/SOW

J

* Average Columns May Not Total – Metrics are Averages

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2011 Comparative - Breed to Wean Units
Cost per Pig Produced Complete Equivalent

Number of Sows in Comparison	57,129
Number of Weaned Pigs	1,359,749

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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	Q	5.61	6.23	1.16	13.01	1.60	10.89	1.81	27.31	0.52	0.40	28.23
< 2000	G	5.75	4.65	2.16	12.56	2.70	9.80	3.78	28.84	1.20	-	30.04
> 2000	P	6.03	6.13	2.93	15.09	2.14	11.14	1.68	30.04	0.50	-	30.54
90th Percentile		5.40	5.20	1.00	11.60	0.65	14.89	2.70	29.84	0.70	-	30.54
> 2000	F	4.93	3.86	1.46	10.25	2.08	14.42	1.63	28.38	2.13	0.33	30.84
< 2000	I	5.58	4.42	2.71	12.71	1.36	14.54	1.80	30.41	0.81	0.13	31.35
> 2000	B	5.43	4.23	0.52	10.18	0.93	14.78	4.05	29.94	1.71	0.04	31.70
< 2000	C	5.29	5.88	1.71	12.88	2.25	13.39	2.80	31.32	0.38	0.34	32.04
Average - 1/2 Standard Devia		5.29	4.65	1.39	12.03	2.11	13.50	2.38	31.27	0.77	0.16	32.49
< 2000	R	6.37	5.48	0.91	12.76	2.64	15.13	1.48	32.01	0.56	0.30	32.86
< 2000	E	6.63	4.26	1.84	12.72	2.62	13.67	2.57	31.57	1.55	0.08	33.20
> 2000	K	5.17	5.55	1.11	11.83	2.38	16.11	3.01	33.33	0.13	0.02	33.49
Average		5.62	5.40	1.70	12.72	2.61	14.57	3.07	33.05	1.12	0.26	34.38
Average +1/2 Standard Devia		5.96	6.14	2.02	13.42	3.11	15.65	3.76	34.83	1.47	0.36	36.27
> 2000	M	5.13	5.85	1.14	12.12	3.19	16.03	3.79	35.13	1.59	0.03	36.75
< 2000	A	5.78	4.41	2.44	12.63	1.33	16.57	4.40	34.94	1.70	0.20	36.84
> 2000	N	4.55	9.59	1.46	15.61	2.70	15.03	1.70	35.04	1.37	0.44	36.85
> 2000	J	5.12	5.66	1.78	12.55	3.19	17.71	3.25	36.70	0.22	-	36.93
< 2000	L	5.76	5.18	2.25	13.19	4.04	14.51	3.73	35.46	1.99	0.06	37.51
50th Percentile		5.91	6.38	1.76	14.04	3.00	17.38	3.77	38.19	1.38	0.21	39.78
< 2000	D	6.50	4.58	1.47	12.55	4.07	16.00	5.14	37.76	1.99	0.24	39.98
> 2000	O	4.94	8.22	1.70	14.86	4.70	15.68	2.16	37.35	0.12	0.64	38.11
< 2000	H	7.08	3.93	1.98	12.99	3.01	16.94	6.42	39.37	1.70	0.60	41.66
< 2000	S	5.18	4.42	1.66	11.25	NA	NA	NA	NA	NA	NA	NA

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2011 Comparative - Breed to Wean Units

Additional Information

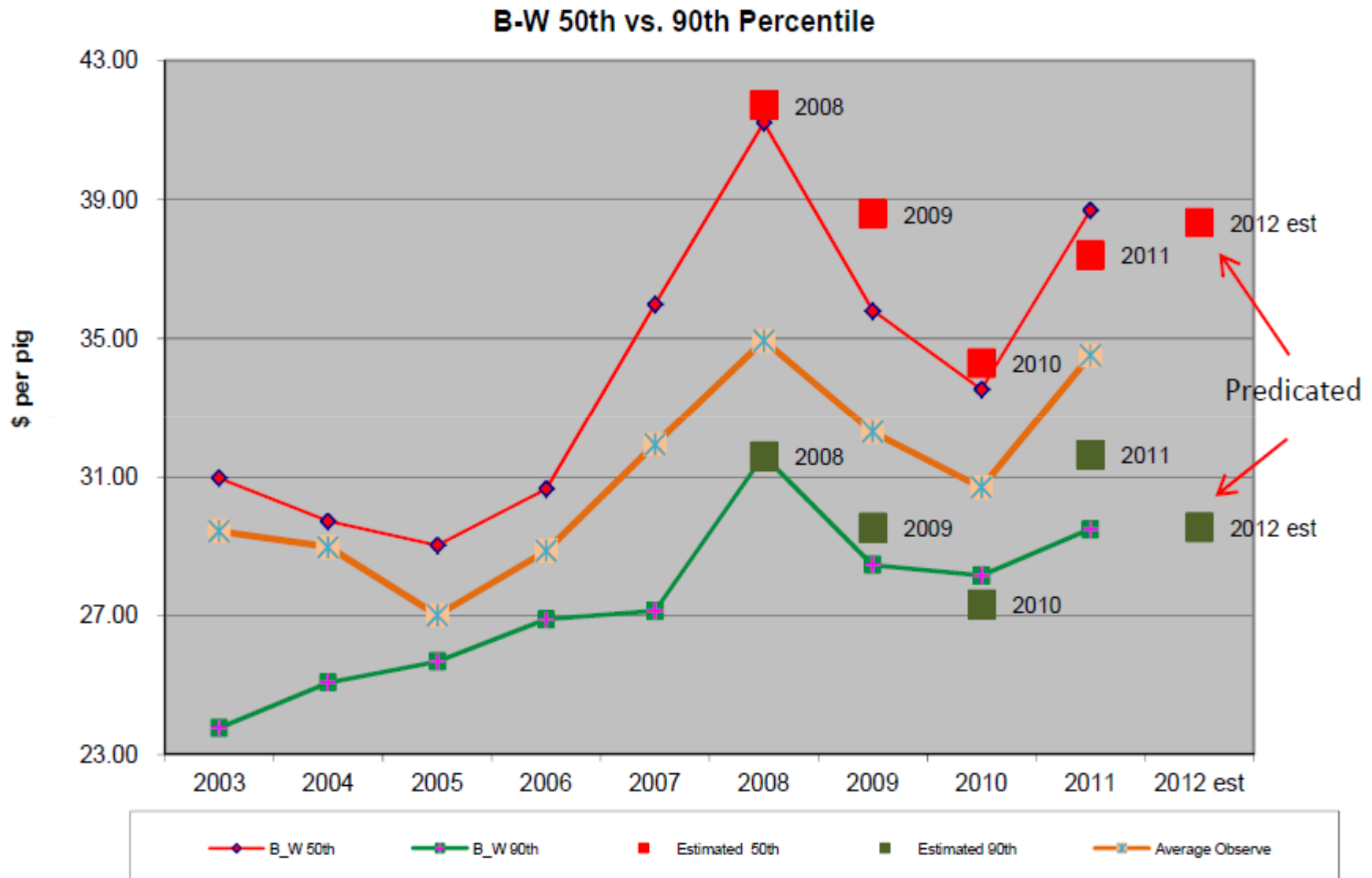
Farm Code	Pigs per Sow per Year Reported	Pigs per Sow per Year Divisor	Avg Cost Bushel of Corn	Avg Cost Ton of SBM	Average Weaning Age	# of Sows per Full Time Equivalent Employee	Use a Consulting DVM	At what stage are pigs vaccinated	Use Internal Multiplication	Is PIC the Primary Genetic Source?	Replacement weight at time of purchase	Ownership in a Grandparent Herd?	Ownership in a boar stud?	Managed by a Third Party?
Q	26.50	24.79	\$6.33	\$ 354			Yes	Both	Yes	Yes		Yes	Yes	No
G	20.20	21.27	\$4.16	\$ 274			Yes	Both	No	No	20	No	No	No
P														No
F	24.90	24.89	\$6.44	\$ 336			Yes	Both	No	No	284	No	No	No
I	26.40	26.54	\$6.70	\$ 316			Yes	Pre Wean	Yes	Yes		No	No	No
B	26.90	26.02	\$4.89	\$ 348			Yes	Both	Yes	No		No	No	Yes
C	22.60	22.31	\$6.59	\$ 282			Yes	Both	No	No	250	No	No	No
R	27.30	23.99	\$6.31	\$ 336			Yes	Both	No	Yes	160	No	No	No
E		24.14	\$5.96	\$ 362			Yes	Post Wean	No	Yes	12	No	No	Yes
K	26.03	23.49	\$5.20	\$ 354			Yes	Pre-Wean	No	Yes	237	No	No	No
M	23.40	21.05	\$5.04	\$ 345			Yes	Both	Yes	No		No	No	Yes
A	24.81	24.01	\$5.80	\$ 371			Yes	Both	Yes	No		No	No	Yes
N		23.25					Yes	Both	No	Yes		No	No	No
J	24.30	24.49	\$6.65	\$ 315			Yes	Pre-Wean	No	No	200	No	No	No
L	24.86	25.87	\$5.65	\$ 369			Yes	Both	No	No	15	No	No	Yes
D		22.88					Yes	Both	Yes	No		No	No	Yes
O	22.76	21.84	\$6.70	\$ 344			Yes	Pre-Wean	Yes	No		No	No	Yes
H	21.79	21.09	\$6.16	\$ 336			Yes	Both	Yes	No		No	No	Yes
S	25.50	28.51	n/a	n/a			Yes	Pre-Wean	No	Yes		No	No	n/a

M

2011 Observations on Sow Sales

- Avg. lbs sold: 479#, up 9#, range
2011 471-588, (2010 423-497 pounds)
- Avg. value cwt: \$52.70, (2010 \$50) range
2011 \$47.00 to \$55.80, (2010 \$40.20 to \$53.60)
- Avg. value per head: 2011 \$253 (2010 \$235)
- Range \$222 to \$276 per sow
- Variance high to low per sow: 2011 \$54,
(2010 \$97, 2009 \$81)

Breed to Wean 9 Year History



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Spread	7.21	4.67	3.36	3.77	8.84	9.59	7.34	5.37	9.19	8.78 <i>predicated</i>
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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: Detail

- Average cost to add 100 lbs. of gain: \$ 46.31
 - Farms: 12
 - Range: \$ 40.08 to \$ 49.72 per cwt.
 - Spread: \$ 9.64/cwt. \$25.16/pig
 - 2010 spread \$8.69/cwt. \$ 22 per pig
- Labor/Facilities/Other: Range \$ 6.13 to \$ 10.14
- Feed: Range \$ 29.33 to \$ 38.76
- Veterinary: Range \$ 0.40 to \$ 3.30
- The 4 herds under the average \$ 46.31 represented all sizes of herds in the sample

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

**Average
2011***

**Average
2010***

**Benchmark – 50th
Percentile**

**Benchmark –
90th Percentile**

* Average Columns May Not Total – Metrics are Averages

Personnel	2.37	2.15	3.57	2.55
Facilities	4.71	4.58	5.35	3.83
Other Operating	1.25	1.42	1.58	1.13
Total of Labor, Facilities, and Other Costs Normally Borne by Contractors	8.33	8.14	10.50	7.51
Genetics	0	0	0	0
Feed	35.75	27.94	36.23	35.26
Veterinary/Medicine	1.11	1.08	1.16	.80
Total Cost of Production before Administrative & Finance	45.19	37.17	47.89	43.57
Administrative	.60	.49	.65	.19
Total Cost of Production before Finance	45.79	37.66	48.53	43.76
Interest	.52	.78	.81	0.0
Total Cost of Production (per cwt) *	46.31	38.43	49.34	43.76

2011 Comparative - Wean To Finish
Cost per CWT of Gain

Number of CWT in Comparison	3,002,377
Number of Pigs	1,130,038

> 500,000 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
y	D	2.12	3.10	0.91	6.13	31.48	1.88	39.49	0.05	0.54	40.08
n	C	1.88	6.16	1.17	9.22	29.33	1.08	39.62	1.46	0.84	41.92
90th Percentile		2.55	3.83	1.13	7.51	35.26	0.80	43.57	0.19	-	43.76
y	E	2.22	3.47	2.01	7.70	33.80	0.67	42.17	1.31	0.39	43.87
Average - 1/2 Standard Devia		2.01	4.04	1.00	7.81	34.19	0.70	43.54	0.36	0.35	44.74
n	F	2.58	4.68	2.06	9.32	34.44	0.81	44.57	0.15	0.12	44.83
Average		2.37	4.71	1.25	8.33	35.75	1.11	45.19	0.60	0.52	46.31
n	H	2.73	4.24	1.25	8.22	36.65	0.40	45.27	0.79	0.99	47.05
n	K	2.54	6.13	1.48	10.15	35.85	0.70	46.68	0.46	0.09	47.24
n	G	2.76	3.36	1.22	7.35	38.03	1.07	46.45	0.23	0.72	47.40
n	J	1.53	7.17	0.49	9.20	37.50	0.42	47.11	0.18	0.23	47.52
Average + 1/2 Standard Devia		2.72	5.39	1.50	8.86	37.30	1.52	46.83	0.85	0.68	47.88
n	A	2.16	5.23	1.20	8.58	36.70	1.01	46.29	0.94	0.91	48.16
n	I	2.78	5.54	0.93	9.25	37.73	1.00	47.97	0.49	0.32	48.78
n	B	3.87	2.98	0.68	7.53	38.76	0.96	47.25	0.95	0.92	49.13
50th Percentile		3.57	5.35	1.58	10.50	36.23	1.15	47.88	0.65	0.81	49.34
n	L	1.24	4.49	1.61	7.33	38.72	3.30	49.35	0.24	0.13	49.72

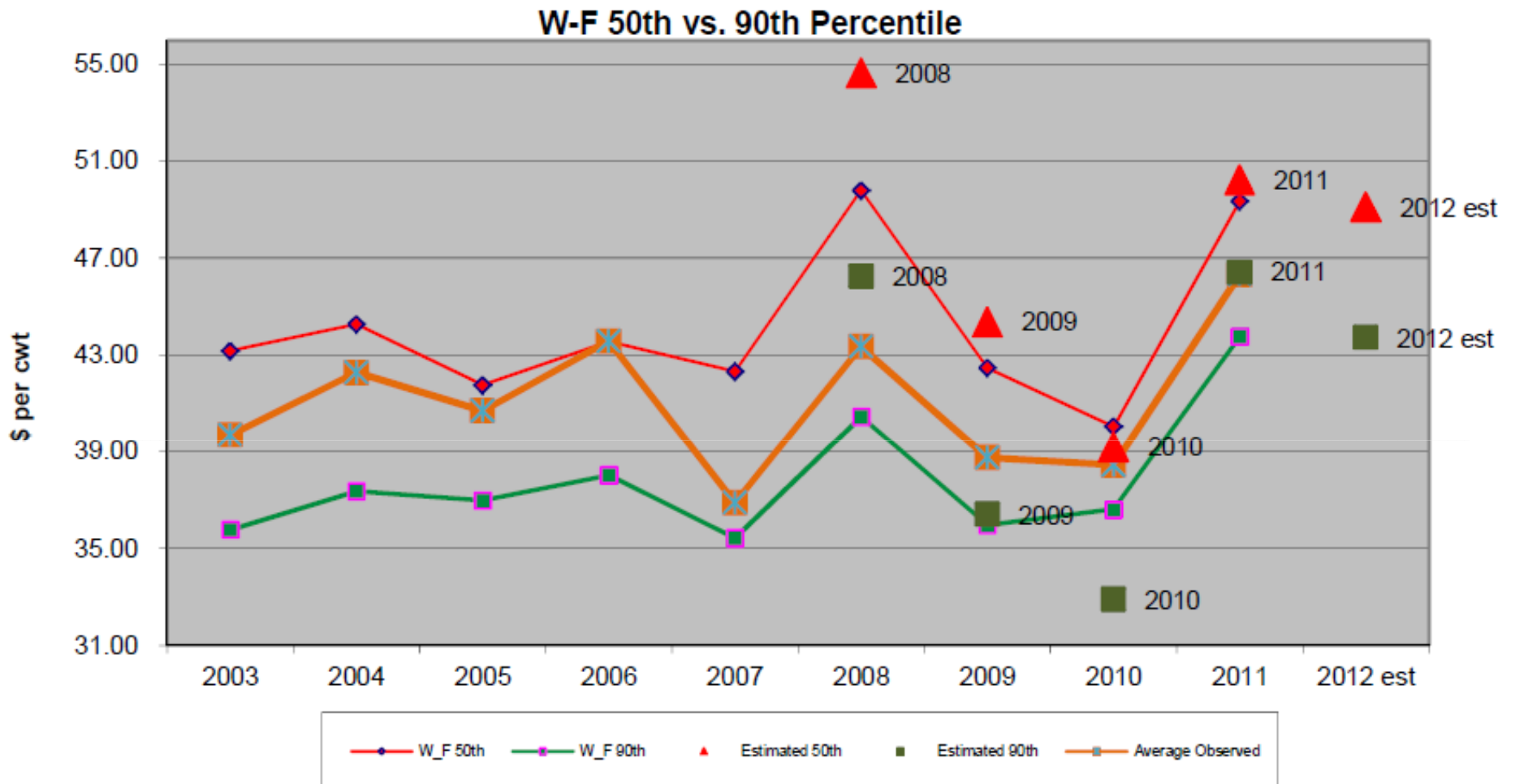
2011 Comparative - Wean to Finish

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?
D	2.44	\$ 0.1500	273.0	\$5.35	\$355	Yes	Yes	Yes	No	Yes	Yes	Both	Yes	Yes	\$ 38
C	2.45	\$ 0.1175	272.0	\$5.00	\$282	Yes	Yes	Yes	No	Yes	Yes	Both	No	No	\$ 40
E															
F	2.74	\$ 0.1591	275.0	\$5.23	\$353	No	Yes	No	Yes	No	Yes	Pre-Wean	Yes	Yes	\$ 41
H						Yes	Yes	Yes	Yes	Yes	Yes	Pre-Wean	No	Yes	\$ 40
K	2.46	\$ 0.1479	272.0	\$6.70	\$316	Yes	Yes	Yes	No	No	Yes	Pre-Wean	Yes	Yes	\$ 40
G	2.69	\$ 0.1350	291.0	\$6.33	\$354	Yes	Yes	No	No	Yes	Yes	Both	Yes	Yes	\$ 41
J	2.72	\$ 0.1343	282.0	\$6.53	\$346	Yes	Yes	No	Yes	Yes	No	Both	No	No	\$ 41
A	2.47	\$ 0.1400	278.0	\$5.03	\$340	Yes	Yes	No	Yes	No	Yes	Post-Wean	Yes	Yes	\$ 42
I	2.75	\$ 0.1400	274.0	\$6.31	\$336	Yes	Yes	Yes	No	Yes	Yes	Both	Yes	Yes	
B	2.59	\$ 0.1507	275.0	\$7.00	\$350	Yes	Yes	Yes	Yes	Yes	Yes	Post Wean	Yes	No	
L	2.64	\$ 0.1420	285.0	\$5.90	\$340	Yes	Yes	Yes	No	No	Yes	Both		No	

M

Benchmark Cost - Wean to Finish 9 Year History



Spread	7.40	6.91	4.79	5.53	6.90	9.36	6.49	3.42	5.58	5.38 estimated
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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:
 - Example: 17% facilities, 46% feed, 15% labor, 6% genetics, 9% vet, 4% other, 3% G&A
- Contract fees are allocated by percentage:
 - Example 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

Bred to Finish/Whole Herd: Detail

- Average cost to produce a 100 lbs of pork: \$ 58.69
 - Farms: 12
 - Range: \$ 55.20 to \$ 61.52 per cwt
 - Spread: \$ 6.32 or \$ 17.32 per pig at 274 lbs
- Labor/Facilities/Other: Range \$ 12.19 to \$ 17.77
- Feed: Range \$ 37.24 to \$ 42.30
- Veterinary: Range \$ 1.27 to \$ 4.67
- Of the 6 herds who were under the average cost \$58.69, represented herds from 20,000 to more than 200,000 pigs of annual production

Comparative Cost of Production Farrow to Finish / Whole Herd

Cost Per Hundred Weight

	Average less than 8 million live lbs sold	Average greater than 8 million live lbs sold	Benchmark – 50 th Percentile	Benchmark – 90 th Percentile
Expenses:				
Personnel	5.76	5.05	5.67	4.49
Facilities	7.09	6.41	7.55	5.63
Other Operating	2.14	1.99	2.18	1.45
Total of Labor, Facilities, and Other Costs Normally borne by Contractors	15.00	13.45	15.40	11.57
Genetics	.44	1.31	1.15	.25
Feed	40.04	39.31	41.19	39.25
Veterinary/Medicine	2.05	2.23	2.55	1.79
Total Cost of Production before Administrative & Finance	57.52	56.29	60.29	52.86
Administrative	1.11	.93	1.15	.45
Total Cost of Production before Finance	58.63	57.23	61.44	53.31
Interest	.33	.57	.85	
Total Cost of Production (per cwt)	58.96	57.79	62.29	53.31

Comparative Cost of Production
Farrow to Finish Units / Whole Herd
Compare 2011 to 2010 Cost Per
Hundred Weight

	Average less than 8 million live lbs sold	Average greater than 8 million live lbs sold	2010 Average less than 8 million live lbs sold	2010 Average greater than 8 million live lbs sold
Expenses:				
Personnel	5.76	5.05	5.25	4.23
Facilities	7.09	6.41	7.02	7.01
Other Operating	2.14	1.99	1.78	1.87
Total of Labor, Facilities, and Other Costs Normally borne by Contractors	15.00	13.45	14.05	13.11
Genetics	.44	1.31	1.00	1.11
Feed	40.04	39.31	30.58	30.46
Veterinary/Medicine	2.05	2.23	2.04	1.92
Death Loss Factor				
Total Cost of Production before Administrative & Finance	57.52	56.29	47.68	46.59
Administrative	1.11	.93	1.33	.66
Total Cost of Production before Finance	58.63	57.23	48.81	47.26
Interest	.33	.57	.92	.81
Total Cost of Production (per cwt)	58.96	57.79	49.73	48.07

1.17, 3.20/pig

1.66, 4.54/pig

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2011 Comparative - Breed to Finish
Cost per CWT Pork Sold

Number of CWT in Comparison	2,395,117
Number of Pigs Marketed	880,166

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
90th Percentile		4.49	5.63	1.45	11.57	0.25	39.25	1.79	52.86	0.45	-	53.31
>8mil	G	6.21	6.05	2.36	14.61	0.99	37.24	1.30	54.14	0.53	0.54	55.20
>8mil	J	4.58	6.82	2.38	13.78	0.99	39.12	2.00	55.90	0.23	0.14	56.26
<8mil	C	5.65	6.60	1.30	13.54	1.02	39.98	1.50	56.04	0.67	0.42	57.13
<8mil	D	4.82	7.54	2.53	14.89	0.58	39.80	1.42	56.69	0.78	0.15	57.61
Average - 1/2 Standard Deviation		4.84	6.33	1.60	13.52	0.47	38.79	1.68	56.33	0.76	0.31	57.74
<8mil	B	7.27	5.73	3.85	16.85	(0.88)	38.88	1.27	56.13	1.44	0.46	58.02
>8mil	H	5.01	5.83	1.73	12.57	0.63	42.30	1.78	57.29	0.43	0.88	58.60
Average		5.42	6.91	2.03	14.36	0.87	39.61	2.20	57.05	1.07	0.57	58.69
>8mil	K	5.01	6.70	1.73	13.44	2.66	37.33	3.54	56.96	1.78	0.44	59.19
Average + 1/2 Standard Deviation		5.99	7.49	2.47	15.19	1.27	40.44	2.73	57.77	1.39	0.83	59.64
>8mil	A	4.46	6.64	1.75	12.85	1.27	40.56	2.50	57.18	1.68	0.84	59.70
<8mil	E	4.90	9.58	0.25	14.73	0.52	40.71	1.95	57.92	2.17	0.12	60.21
<8mil	I	7.89	7.32	2.56	17.77	0.91	38.61	1.49	58.78	0.73	0.69	60.20
<8mil	F	4.05	5.76	2.37	12.19	0.47	42.25	4.67	59.57	0.85	0.18	60.61
<8mil	L	5.13	8.36	1.57	15.06	1.31	38.58	3.00	57.95	1.58	1.99	61.52
50th Percentile		5.67	7.55	2.18	15.40	1.15	41.19	2.55	60.29	1.15	0.85	62.29

2011 Comparative - Breed to Finish
Additional Information

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	Is additional fat added to feed	Average Std Market Selling Price per live cwt.	Are DDG Feed to Hogs	What is the average pounds of DDG fed/ton
G										
J	2.74	\$ 0.1591	275	\$ 5.23	\$ 353	No	Yes	200.00		
C	27.30	2.75	\$ 0.1400	274	\$ 6.31	\$ 336	Yes	Yes		
D	26.40	2.46	\$ 0.1479	272	\$ 6.70	\$ 316	Yes	Yes	300.00	
B	21.20	2.89	\$ 0.1640	268	\$ 5.82	\$ 344	Yes	Yes	300.00	
H	26.50	2.69	\$ 0.1350	291	\$ 6.33	\$ 354	Yes	Yes	Varies	
K										
A	24.45	2.58	\$ 0.1440	263	\$ 6.22	\$ 337	Yes	\$48.52	Yes	\$300.00
E										
I										
F	2.64	\$ 0.1420	285	\$ 5.90	\$ 340	Yes	\$48.52	Yes	\$300.00	
L			274	\$ 6.68		Yes	Yes			

Continued On
Next Page

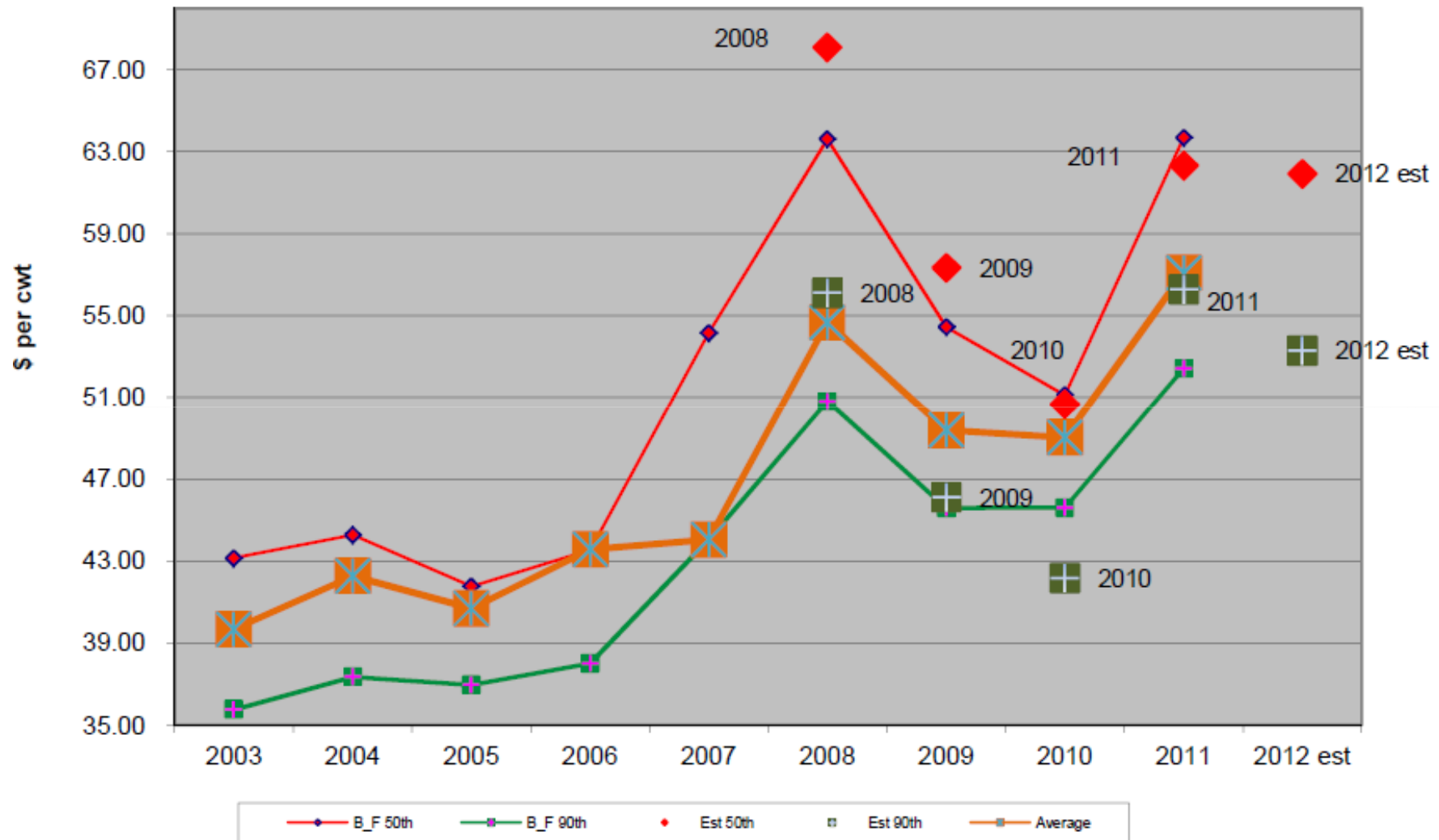
Farm Code	Company owns the Majority of Feed Milling Capacity	Are Kansas State University Rations Utilized	Utilizes 3rd Party Nutritional Advice?	Does the Company use a Consulting DVM	At what stage are pigs vaccinated	Use Internal Multiplication	Is PIC the Primary Genetic Source?	If not who is the Primary Genetic Supplier	Replacement weight at time of purchase	Ownership in a Grandparent Herd?	Ownership in a boar stud?	Managed by a Third Party?	Does the Company Utilize Contract Producers	Need to pay for new wean to finish space?
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G														
J	No	Yes	No	Yes	Pre-Wean	No	Yes		N/A	No	No	No	Yes	\$ 41
C	Yes	No	Yes	Yes	Both	No	Yes	Premier		No	No	No	Yes	
D	Yes	No	No	Yes	Pre Wean	Yes	Yes	n/a		No	No	No	Yes	\$ 40
B	Yes	No	Yes	Yes	Pre Wean	Yes	Yes	n/a	N/A	No	No	No	No	
H	No	No	Yes	Yes	Both	Yes	Yes			Yes	Yes	No	Yes	\$ 41
K							No							
A	Yes	No	Yes	Yes	Both	NO	Yes			No	No			\$ 32
E														
I														
F	Yes	No	No	Yes	Both			n/a		No	No	No	No	
L		No	Yes	Yes						No	No	Yes	No	

M

Benchmark Cost Breed to Finish Cost per CWT Sold

Whole Herd 50th vs. 90th Percentile



Spread 7.39 6.91 4.79 5.53 10.08 12.81 8.86 5.51 11.26 8.64 est.

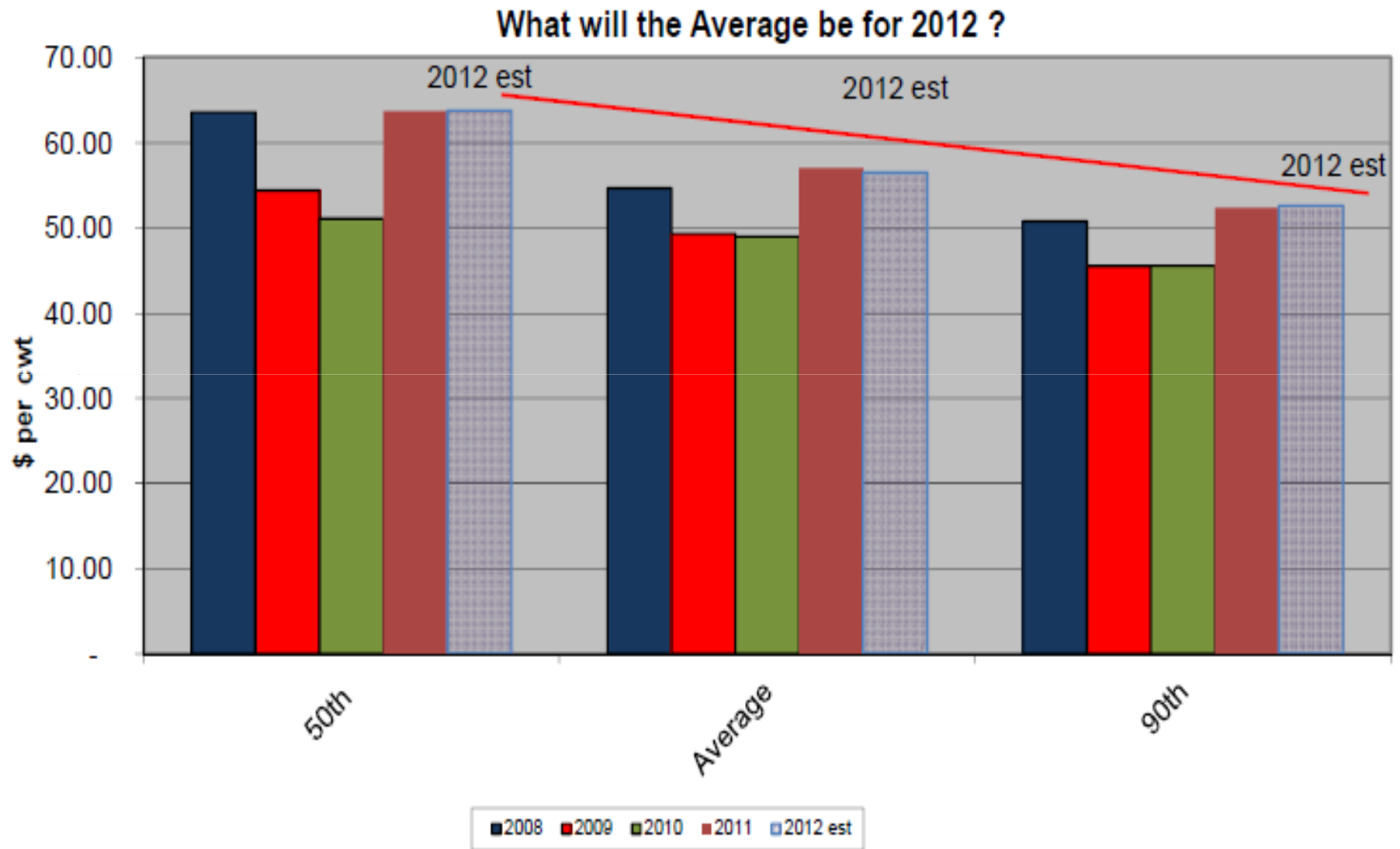
2011 Observations on Market Sales

- Average market weight: 274 lbs, (*up 4# 2010*)
- Average value per cwt: \$ 65.82, (*\$ 11.42 up over 2010*)
- Average value per head: \$ 180, (*\$ 33 up over 2010, \$67 increase last 2 years*)
- Average weight of off value: 177 lbs (*12 # more 2010*)
- Average value of “off value” per head \$ 42.44
(*up \$8.75/cwt. or \$15.48/hd*)
- Percentage “off valued” 2.7% , (*Down 0.7%*)
 - Range 1.4% - 4.4%

Observation on Profit Margins

- Average net revenue per head: \$180
 - net \$65.82 per CWT
 - Range \$ 160 to \$ 187 , spread \$ 27 per head
 - Market weight range 266 to 283
- 50th percentile cost \$171 per head
 - Average Potential Profit per head \$ 9
- 90th percentile cost \$146 per head
 - Average Potential Profit per head \$ 33
- Spread Potential: \$52/pig sold
 - \$ 41 profit to a (\$ 11) loss per head

Total B-F COP, What will the cost be for 2012?



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

	Breed to Wean		Wean to Finish		Whole Herd		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>\$/pig Sold</i>	<i>\$/pig Sold</i>
<i>CWT Gain - CWT Sold</i>			2.61	2.61	2.74	2.74		
<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>		<i>Total Cost / Pig to Market w/ Death Loss Observed</i>	
	50th Percentile	90th Percentile	50th Percentile	90th Percentile	50th Percentile	90th Percentile	50th Percentile	90th Percentile
Labor	\$ 5.91	\$ 5.40	\$ 3.57	\$ 2.55	\$ 5.67	\$ 4.49	\$ 15.53	\$ 12.29
Facilities	6.38	5.20	5.35	3.83	7.55	5.63	20.68	15.41
Other Expenses	1.76	1.00	1.58	1.13	2.18	1.45	5.96	3.98
Subtotal cost normally borne by contractor	14.04	11.60	10.50	7.51	15.40	11.57	42.17	31.68
Feed cost	17.23	14.39	36.21	35.23	41.11	39.03	112.58	106.89
Genetics	2.50	0.85			0.96	0.32	2.63	0.89
Vet/Med	3.92	2.90	0.95	0.80	2.41	1.86	6.61	5.10
General and Administrative	1.38	0.70	0.65	0.19	1.15	0.45	3.15	1.23
Interest Expense - non facility	0.35	0.15	0.80	-	0.90	0.06	2.46	0.16
Estimated 12 Months Ending 12/31/11	\$ 39.42	\$ 30.59	\$ 49.11	\$ 43.73	\$ 61.93	\$ 53.29	\$ 169.60	\$ 145.95
Breakeven Carcass Price Needed @ 75% Yield, y/e 12/31/11					\$ 82.57	\$ 71.05		

Average Corn Cost \$ 6.25 / Bu, Decrease by \$ 0.45/bu. from the 2011 cost of \$6.70/bu.

Average Bean Meal \$ 379 / Ton Increase by \$ 60/ton from the 2011 cost of \$319/ton

Multi Year Comparative

Breed to Wean 4 Year Average

4 year Comparative - Breed to Wean Units

Average Cost per Pig Produced Complete Equivalent, 2008,2009,2010,2011

Larger Sow Herds > 1850

ID	Average of p/s/y	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 Interest	Average of total
I	25.60	5.09	4.53	2.58	12.19	1.87	11.29	1.41	26.76	0.80	0.22	27.78
F	23.69	4.88	4.00	1.43	10.31	2.69	11.98	1.35	26.32	2.16	0.33	28.81
90th Percentile		5.02	5.24	1.39	11.65	2.34	12.05	2.52	28.56	0.93	0.21	29.70
G	22.25	5.19	5.04	1.56	11.79	4.56	10.39	2.53	29.27	1.17	-	30.43
Average - 1/2 Standard Deviat		5.12	4.58	1.22	11.71	2.08	12.17	2.29	29.38	0.80	0.17	30.71
C	20.77	4.22	6.36	1.56	12.14	3.80	11.02	2.14	29.10	1.17	0.58	30.85
K	23.61	4.56	6.07	0.56	11.19	3.76	13.22	2.97	31.13	0.13	0.13	31.40
E	23.23	6.08	4.96	1.75	12.78	4.06	12.46	1.93	31.22	1.54	0.11	32.87
B	23.89	5.70	4.70	0.30	10.70	2.58	14.00	3.79	31.07	1.68	0.19	32.94
Average Observed		5.56	5.46	1.42	12.44	3.50	12.76	2.79	31.55	1.20	0.35	33.08
J	21.28	5.15	5.91	1.11	12.18	4.54	13.68	2.98	33.38	0.22	0.30	33.90
M	23.44	5.25	6.61	0.71	12.57	2.66	13.52	3.51	32.26	1.57	0.29	34.11
Average +1/2 Standard Deviat		5.88	6.09	2.02	13.20	3.25	13.85	3.62	32.87	1.52	0.40	34.37
L	25.18	5.80	5.30	1.74	12.84	4.11	12.46	3.10	32.51	1.98	0.13	34.62
N	24.13	4.16	9.23	1.20	14.59	4.05	13.43	1.70	33.76	1.22	0.52	35.51
A	23.21	6.00	4.18	2.00	12.18	2.59	14.64	4.14	33.54	1.66	0.33	35.53
D	23.39	6.18	4.11	1.12	11.41	4.10	13.72	4.49	33.71	1.97	0.24	35.91
50th Percentile		5.61	6.71	1.95	14.27	4.23	14.17	3.28	35.95	1.25	0.39	37.58
H	21.08	6.87	4.12	1.91	12.89	3.06	14.45	5.45	35.85	1.81	0.32	37.98

Wean to Finish 4 Year Averages

Wean to Finish Comparative

4 years average , 2008,2009,2010,2011

Greater than 400,000 CWT Sold

ID	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
90th Percentile	2.08	4.39	1.01	7.48	-	30.20	0.82	38.50	0.27	0.33	39.10
C	1.74	6.25	0.92	8.91	-	27.87	0.85	37.62	1.21	0.68	39.51
D	1.32	4.35	0.60	6.27	-	30.93	1.74	38.94	0.07	0.63	39.64
F	2.54	4.85	1.25	8.64	-	30.66	0.55	39.84	0.07	0.30	40.20
Avg - 1/2 Standard Deviation	1.67	4.46	0.95	7.73	-	29.93	0.70	39.23	0.29	0.45	40.41
E	1.77	4.47	1.91	8.15	-	30.75	0.99	39.90	1.05	0.53	41.47
Average Observation	2.07	5.00	1.23	8.29	-	31.15	1.16	40.59	0.50	0.61	41.70
B	3.64	2.94	0.94	7.51	-	31.84	0.87	40.22	0.82	1.07	42.11
Avg + 1/2 Standard Deviation	2.46	5.54	1.50	8.85	-	32.37	1.61	41.96	0.71	0.76	42.99
A	2.33	5.53	1.07	8.93	-	32.16	1.12	42.21	0.55	0.55	43.32
L	1.17	5.17	1.59	7.91	-	32.66	3.38	43.95	0.23	0.19	44.38
50th Percentile	2.87	6.25	1.41	10.53	-	32.19	1.02	43.74	0.75	0.91	45.40

J

Breed to Finish 4 Year Average

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Comparative - Breed to Finish 4 year average - Ranked by Average Total Cost per CWT. Pork Sold
Years,2008,2009,2010,2011

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
90th Percentile		3.92	6.22	1.50	11.63	0.91	33.52	1.75	47.82	0.62	0.39	48.83
<8mil	B	6.52	5.51	2.50	14.53	0.31	31.49	1.20	47.52	1.27	0.59	49.38
>8mil	J	4.06	6.61	1.46	12.13	1.51	33.62	1.67	48.93	0.10	0.49	49.52
<8mil	E	4.07	8.57	0.72	13.36	1.09	32.39	1.53	48.38	2.03	0.15	50.56
Average - 1/2 Standard Deviation												51.08
<8mil	D	3.89	7.81	2.71	14.41	0.65	34.01	1.20	50.26	0.80	0.30	51.35
<8mil	H	5.34	7.04	1.44	13.82	1.08	34.48	1.67	51.04	0.52	0.75	52.32
>8mil	I	6.96	6.05	1.73	14.73	0.84	34.45	1.23	51.24	0.48	0.91	52.63
Average		4.74	7.41	1.91	14.07	1.28	34.00	1.98	51.28	0.94	0.67	52.87
>8mil	G	5.66	6.85	2.48	14.98	1.65	34.20	1.63	52.46	0.48	0.72	53.65
>8mil	F	4.00	6.19	2.18	12.37	1.00	34.94	4.59	52.89	0.85	0.25	53.99
Average + 1/2 Standard Deviation												54.66
<8mil	C	5.10	7.93	1.21	14.23	1.96	35.97	1.77	53.92	0.64	0.47	55.04
>8mil	A	4.69	7.79	2.29	14.77	1.65	33.69	2.23	52.34	2.06	0.83	55.22
50th Percentile		4.92	8.57	2.10	15.59	1.65	36.15	2.25	55.65	1.20	1.02	57.87

J

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