

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

10th Annual Meeting

Presented and prepared by the:
Staff of LHHP

August 29, 2013

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
Renee Virlee, CPA
Jan Holden

Washington Office

Grant Wubben, CPA
Philip Morris, CPA
Dave Black, CPA

Grundy Center Office

Blaine Moats, CPA

Y/E 12/31/12 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>			2.58	2.58	2.71	2.71
	<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	\$ 5.91	\$ 5.40	\$ 3.27	\$ 2.48	\$ 5.41	\$ 4.44
Facilities	6.38	5.20	4.90	3.71	7.15	5.54
Other Expenses	2.11	1.50	1.44	1.09	2.19	1.62
Subtotal cost normally borne by contractor	14.40	12.10	9.61	7.28	14.75	11.60
Feed cost	17.26	16.21	41.19	40.09	45.93	44.41
Genetics	3.75	2.35			1.46	0.91
Vet/Med	3.92	2.90	1.08	0.93	2.56	2.00
General and Administrative	1.38	0.70	0.66	0.19	1.16	0.45
Interest Expense - non facility	0.35	0.15	0.86	-	0.96	0.06
Estimated 12 Months Ending 12/31/12	\$ 41.06	\$ 34.41	\$ 53.40	\$ 48.49	\$ 66.82	\$ 59.43
Breakeven Carcass Price Needed @ 75% Yield, y/e 12/31/12					\$ 89.09	\$ 79.24

Average Corn Cost \$ 6.92 / Bu, Increase by \$ 0.22/bu. from the 2011 cost of \$6.70/bu.

Average Bean Meal \$ 425/ Ton Increase by \$ 106/ton from the 2011 cost of \$319/ton

2012 Observations

- Rate of change between Average Producers & top 10% Producers 3 year average, Difference in whole herd carcass \ Cwt. breakeven between the 50th to 90th in 2010 was \$7.35/ Cwt. , in 2011 went to \$11.97, In 2012 lowered to \$9.85/Cwt.

Compare 2012 to 2011

- Breed to Wean Cost per Pig Weaned 103% & 113% respectively
 - 50th Percentile Cost per Pig Weaned up \$ 1.28 to \$ 41.06
 - 90th Percentile Cost per Pig Weaned up \$ 3.87 to \$ 34.41
- Wean to Finish Cost per Cwt. of Gain 108% & 111% respectively
 - 50th Percentile Cost per Cwt. of Gain up \$ 4.06 to \$ 53.40
 - 90th Percentile Cost per Cwt. of Gain up \$ 4.73 to \$ 48.49
- Whole Herd Cost per Cwt. Pork Sold 107% & 111% respectively
 - 50th Percentile Cost per Cwt. Sold up \$ 4.53 to \$ 66.82/Cwt.
 - 90th Percentile Cost per Cwt. Sold up \$ 6.12to \$ 59.43/Cwt.

LHHP 2012 Benchmark Process

- Summer 2012 - define estimated benchmark for the year 2012
 - 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 - continue

- August Review of First Draft of 2012 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.
- August meeting

How the Benchmarks Add Up,

The Math 90th percentile example

Cost/weaned pig @ 13 lbs.

$$= \$34.41 / (1 - \text{death loss, } 4\%)$$

$$= \$34.41 / .96 = \underline{\underline{\$35.84}}$$

+

Cost/CWT. of Gain

Market Weight 271 pounds

271 - 13 = 258 pounds of gain

258 / 100 = 2.58 CWT. of Gain

$$= \$48.49 * 2.58 = \underline{\underline{\$125.10}}$$

Cost of a weaned pig sold

$$\$35.84 + \text{Cost of Gain } \$125.10$$

$$= \underline{\underline{\$160.94}}$$

Divided by CWT. sold

$$271 / 100 = 2.71 \text{ CWT. Sold}$$

$$\$160.94 / 2.71$$

$$= \sim \underline{\underline{\$59.39}} \text{ (rounding)} \underline{\underline{\$59.43}}$$

Cost/CWT. Pork Sold

90th percentile

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, 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: Detail

- ➔ Average cost to produce wean pig: \$38.37, hi/low \$38.36
 - ➔ Farms: 17 + 1 contractor
 - ➔ Range: \$ 33.25 to \$43.59
 - ➔ Spread: \$10.34 per pig, hi/low \$8.13
- ➔ Labor/Fac/Other: Range \$ 10.56 to \$18.63 hi/low \$ 13.15
- ➔ Genetics: Range \$ 2.13 to \$ 4.91 hi/low \$ 3.41
- ➔ Feed: Range \$ 13.78 to \$ 20.03 hi/low \$ 16.41
- ➔ Veterinary: Range \$ 1.71 to \$ 6.42 hi/low \$ 3.45
- ➔ Of the 7 herds with costs lower than the average of \$38.37, 4 < 2,000 & 3 > 2,000 sows

Comparative Cost of Production for 2012

Breed to Wean Units

Cost per Pig Produced – Complete Equivalent

	* 2012 Average less than 2,000 sows	*2012 Average greater than 2,000 sows	Benchmark – 50 th Percentile	Benchmark – 90 th Percentile
Expenses:				
Personnel	6.27	5.45	5.91	5.40
Facilities	4.72	6.38	6.38	5.20
Other Operating	1.99	1.74	2.11	1.50
Total of Labor, Facilities, and Other Costs Normally borne by Contractors	12.98	13.57	14.40	12.10
Genetics	3.40	3.44	3.75	2.35
Feed	16.23	16.68	17.26	16.21
Veterinary/Medicine	3.80	3.27	3.92	2.90
Total Cost of Production before Administrative & Finance	36.42	37.28	39.33	33.56
Administrative	1.42	.89	1.38	.70
Total Cost of Production before Finance	37.83	38.13	40.71	34.26
Interest – non-facility	.41	.44	.35	.15
Total Cost of Production (per pig) *	38.25	38.47	41.06	35.41

* Average Columns May Not Total – Metrics are Averages

Comparative Cost of Production

Breed to Wean Units Compare 2012 to 2011

Cost per Pig Produced – Complete Equivalent

	* Average less than 2,000 sows 2012	* Average greater than 2,000 sows 2012	Average less than 2,000 sows 2011	Average greater than 2,000 sows 2011
Expenses:				
Personnel	6.27	5.45	6.08	5.21
Facilities	4.76	6.38	4.76	5.97
Other Operating	1.99	1.74	1.94	1.49
Total of Labor, Facilities, and Other Costs Normally borne by Contractors	12.98	13.57	12.78	12.68
Genetics	3.40	3.44	2.67	2.55
Feed	16.23	16.68	14.51	14.64
Veterinary/Medicine	3.80	3.27	3.57	2.56
Total Cost of Production before Administrative & Finance	36.42	37.28	33.52	32.58
Administrative	1.42	.89	1.32	0.94
Total Cost of Production before Finance	37.83	38.13	34.84	33.50
Interest – non-facility	.41	.44	.24	.27
Total Cost of Production (per pig) *	38.25	38.47	35.06	33.71

\$ 0.22/PIG

\$1.35/PIG

* Average Columns May Not Total – Metrics are Averages

Comparative Cost of Production

Breed to Wean Units Compare 2012 to 2011

Cost per Sow

		Year to year change	* Average greater than 2,000 sows 2012	Year to year change	* Average less than 2,000 sows 2011	* Average greater than 2,000 sows 2011
	<i>Pigs/Sow/Year</i>					
Expenses:	23.41	-0.19	24.07	-0.32	23.60	24.39
Personnel	145.55		130.18		142.98	125.52
Facilities	109.69		150.83		112.15	141.98
Other Operating	47.19		43.12		46.06	35.68
Total of Labor, Facilities, and Other Costs Normally borne by Contractors	302.43		324.13		301.19	303.18
Genetics	78.63		81.15		62.60	58.97
Feed	377.02		387.30		342.50	345.13
Veterinary/Medicine	87.91		75.10		82.57	60.45
Total Cost of Production before Administrative & Finance	845.99		869.87		788.86	765.78
Administrative	33.33		21.56		31.10	22.99
Total Cost of Production before Finance	879.31		890.15		819.95	787.82
Interest – non-facility	9.01		10.90		5.57	6.32
Total Cost per sow *	888.32	+\$63	898.62	+\$106	824.91	792.74

* Average Columns May Not Total – Metrics are Averages

\$10.30/SOW

\$32.17/SOW 14

2012 Comparative - Breed to Wean Units
Cost per Pig Produced Complete Equivalent

Number of Sows in Comparison	67,857
Number of Weaned Pigs	1,626,284
	23.97

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	C	5.22	5.26	2.13	12.61	3.33	13.78	2.05	31.77	1.22	0.26	33.25
> 2000	F	5.32	3.80	1.44	10.56	3.54	15.51	2.28	31.89	2.13	0.28	34.30
90th Percentile		5.40	5.20	1.50	12.10	2.35	16.21	2.90	33.56	0.70	0.15	34.41
> 2000	J	5.05	4.62	1.52	11.19	2.29	17.00	3.84	34.31	0.17	-	34.48
< 2000	E	6.67	4.55	1.78	13.00	2.81	14.78	3.00	33.60	1.54	0.02	35.15
< 2000	I	6.69	4.74	2.80	14.23	2.13	15.95	2.25	34.57	1.04	0.23	35.84
> 2000	P	6.68	7.54	1.07	15.29	4.07	14.52	2.14	36.02	0.58	0.27	36.87
Average - 1/2 Standard Devia		5.42	4.82	1.46	12.50	2.98	15.54	2.86	35.53	0.82	0.02	36.92
< 2000	Q	6.48	5.64	0.44	12.55	3.99	15.42	2.89	34.84	0.41	1.89	37.14
> 2000	K	6.22	5.55	0.72	12.48	3.33	18.93	3.78	38.53	0.16	-	38.69
Average		5.80	5.73	1.99	13.52	3.42	16.47	3.52	37.00	1.17	0.28	38.44
< 2000	L	5.37	4.86	2.45	12.68	4.10	15.65	4.14	36.58	2.01	0.18	38.76
> 2000	N	4.89	10.75	1.60	17.24	3.78	16.02	1.71	38.76	0.36	0.33	39.45
< 2000	A	6.02	4.43	2.59	13.04	3.16	17.06	4.75	38.01	1.62	0.17	39.80
> 2000	M	5.18	6.43	1.57	13.18	2.26	18.14	4.76	38.33	1.49	0.03	39.85
> 2000	O	4.89	7.65	1.99	14.54	4.91	15.90	3.99	39.34	0.11	0.68	40.12
Average +1/2 Standard Devia		6.17	6.64	2.53	14.54	3.86	17.39	4.18	38.48	1.51	0.53	39.97
> 2000	B	5.47	5.24	1.17	11.88	2.13	20.03	4.68	38.71	1.52	0.09	40.32
50th Percentile		5.91	6.38	2.11	14.39	3.75	17.26	3.92	39.32	1.38	0.35	41.05
> 2000	G	5.38	7.99	5.26	18.63	4.67	14.06	2.27	39.63	1.17	1.36	42.16
< 2000	D	6.74	4.35	1.85	12.93	4.37	18.30	4.89	40.50	1.86	0.07	42.43
< 2000	H	6.96	3.94	1.92	12.83	3.29	18.93	6.42	41.47	1.66	0.47	43.59

2012 Comparative - Breed to Wean Units
Additional Information

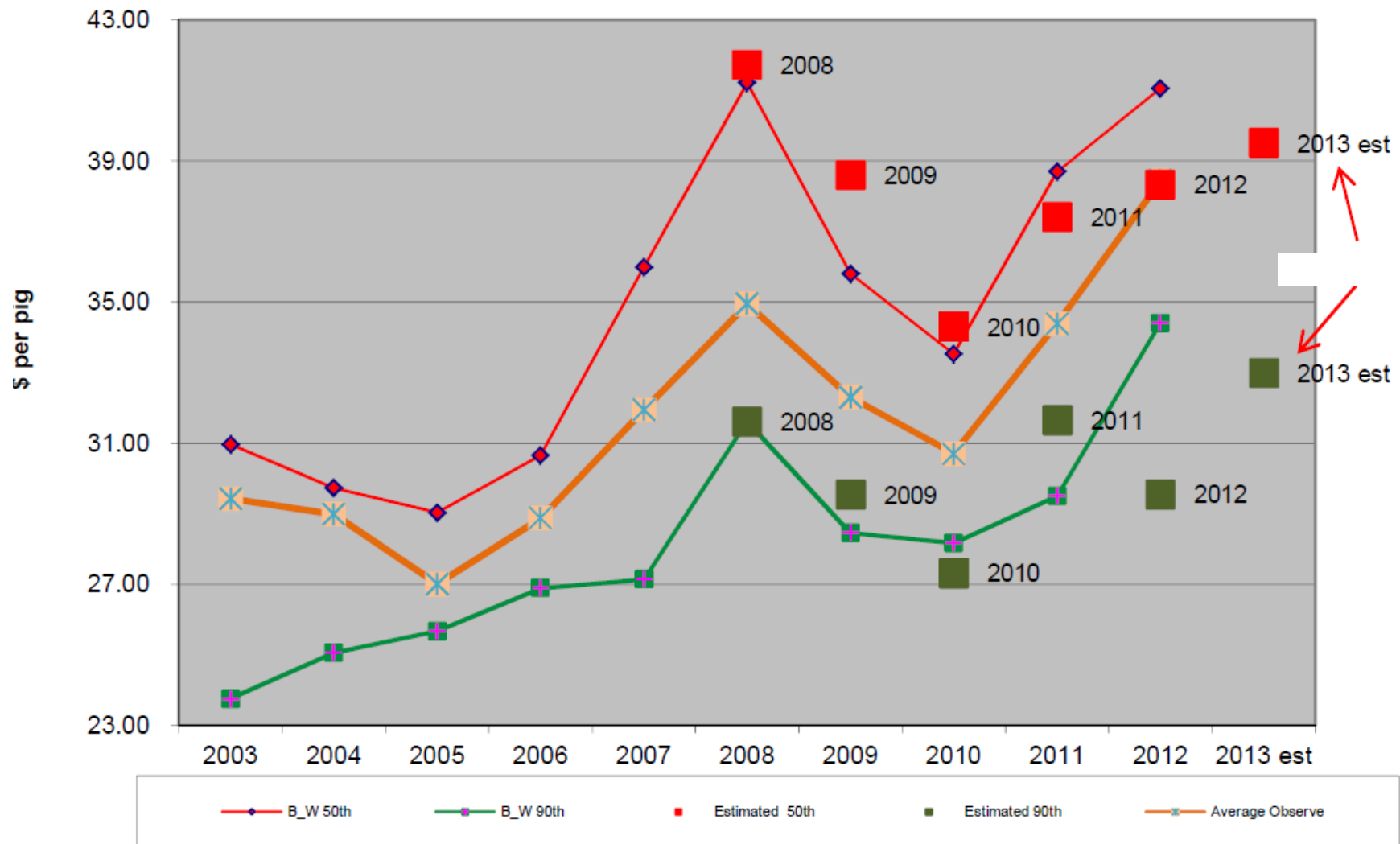
Farm Code	Pigs per Sow per Year Reported	Pigs per Sow per Year Divisor	Avg Cost Bushel of Corn	Avg Cost Ton of SBM	Use a Consulting DVM	At what stage are pigs vaccinated	Use Internal Multiplication	Is PIC the Primary Genetic Source?	Replacement weight at time of purchase	Ownership in a Grandparent Herd?	Ownership in a boar stud?	Managed by a Third Party?
C	23.40	22.46	\$6.08	\$ 381	Yes	Post Wean	No	No	250	No	No	No
F	25.70	24.89	\$6.44	\$ 423	Yes	Both	No	No	234	No	No	No
J					Yes	Pre-Wean	No	No		No	No	No
E	25.70	24.25	\$7.03	\$ 321	Yes	Both	No	Yes	12	No	No	Yes
I	26.40	25.24	\$7.14	\$ 436	Yes	Pre Wean	Yes	Yes		No	No	No
p	24.50	22.88	\$6.76	\$ 407	Yes	Both	Yes	Yes		Yes	Yes	No
Q	20.20	20.75	\$5.93	\$ 325	Yes	Both	Yes	No		No	No	No
K	26.37	22.71	\$6.79	\$ 337	Yes	Pre-Wean	No	Yes	234	No	No	No
L	25.58	25.86	\$6.40	\$ 408	Yes	Both	No	No	15	No	No	Yes
N	26.30	22.79	\$6.66	\$ 356	Yes	Both	No	Yes	240	No	No	No
A	22.85	23.10	\$6.28	\$ 390	Yes	Both	Yes	No		No	No	Yes
M	20.97	21.09	\$6.61	\$ 361	Yes	Both	Yes	No		No	No	Yes
O	23.06	21.13	\$6.33	\$ 389	Yes	Pre-Wean	Yes	No		No	No	Yes
B	22.14	21.23	\$6.52	\$ 433	Yes	Both	Yes	No		No	No	Yes
G	27.90	28.14	\$5.93	\$ 365	Yes	Both	No	Yes		Yes	Yes	No
D	22.37	22.20			Yes	Both	Yes	No		No	No	Yes
H	22.14	22.21	\$7.09	\$ 410	Yes	Both	Yes	No		No	No	Yes

2012 Observations on Sow Sales

- Avg. lbs sold: 485#, up 6#, range 2012 430-529, (*2011 471-588 pounds*)
- Avg. value cwt: \$48.00, (*2011 \$52.70*) range 2012 \$40.80 to \$52.30, (*2011 \$47.00 to \$55.80*)
- Avg. value per head: 2012 \$233 (*2011 \$253*)
- Range \$175 to \$276 per sow
- Variance high to low per sow: 2012 \$101, \$28 (*2011 \$33, 2010 \$97, 2009 \$81*)

Breed to Wean 10 Year History

B-W 50th vs. 90th Percentile



Spread 7.21 4.67 3.36 3.77 8.84 9.59 7.34 5.37 9.19 6.65 6.53 *predicated*

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: \$ 52.04
 - Farms: 13
 - Range: \$ 47.33 to \$ 59.61 per cwt.
 - Spread: \$ 12.28/cwt. ~ \$32/pig
 - 2011 spread \$9.64/cwt. ~ \$ 25 per pig (+ \$7.00 over 2011)
- Labor/Facilities/Other: Range \$ 6.15 to \$ 11.93
- Feed: Range \$ 36.62 to \$ 48.21
- Veterinary: Range \$ 0.21 to \$ 2.19
- The 6 herds under the average \$ 52.04 3 produce > 500k cwt. and 3 produce < 500 K cwt.

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

**Average
2012***

Average
2011*

**Benchmark – 50th
Percentile
2012**

**Benchmark –
90th Percentile
2012**

* Average Columns May Not Total – Metrics are Averages

Personnel	2.57	2.37	3.27	2.48
Facilities	4.72	4.71	4.90	3.71
Other Operating	1.30	1.25	1.44	1.09
Total of Labor, Facilities, and Other Costs Normally Borne by Contractors	8.59	8.33	9.61	7.28
Genetics	0	0	0	0
Feed	41.02	35.75	41.19	40.09
Veterinary/Medicine	1.04	1.11	1.08	.93
Total Cost of Production before Administrative & Finance	50.66	45.19	51.88	48.30
Administrative	.76	.60	.66	.19
Total Cost of Production before Finance	51.41	45.79	52.54	48.49
Interest	.68	.52	.86	0.0
Total Cost of Production (per cwt) *	52.04	46.31	53.40	48.49

2012 Comparative - Wean To Finish

Cost per CWT of Gain

Number of CWT in Comparison

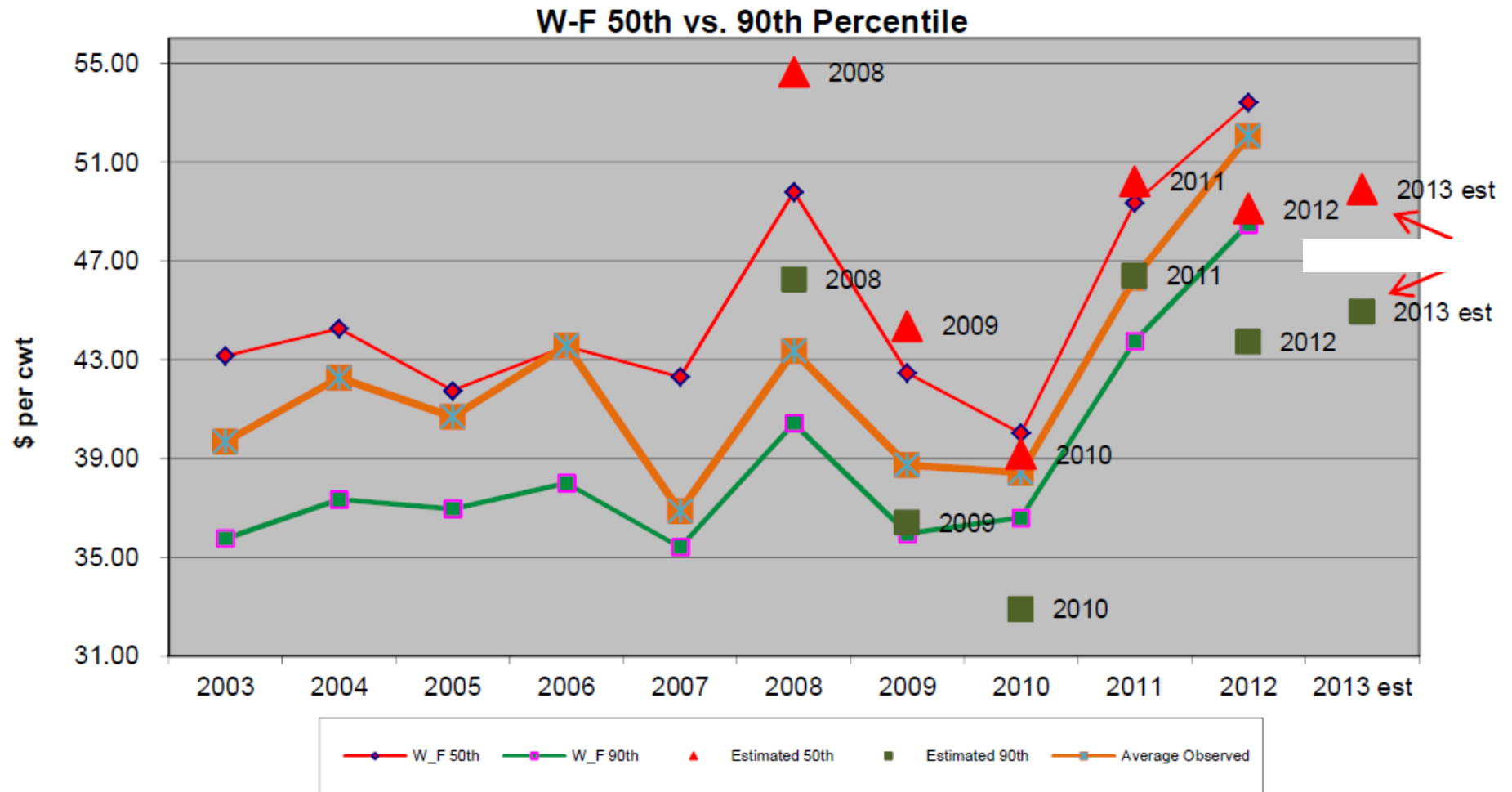
3,735,208

											Sorted By:
> 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	2.32	3.37	1.01	6.71	37.98	2.12	46.81	0.08	0.44	47.33
y	G	3.00	3.52	1.39	7.90	39.00	1.13	48.03	0.55	0.25	48.83
n	K	2.23	5.91	1.27	9.51	37.39	0.68	47.58	0.48	0.11	48.17
90th Percentile		2.48	3.71	1.09	7.28	40.09	0.93	48.30	0.19	-	48.49
n	M	1.47	3.46	1.22	6.15	40.62	2.19	48.96	0.20	-	49.16
n	I	1.87	4.72	1.68	8.28	40.36	0.21	48.85	0.19	0.15	49.19
Average - 1/2 Standard Devia		2.24	3.98	1.06	7.81	39.40	0.72	49.08	0.39	0.47	50.34
y	E	2.22	3.68	2.16	8.07	38.47	0.66	47.20	2.42	0.29	49.91
Average		2.57	4.72	1.30	8.59	41.02	1.04	50.66	0.76	0.68	52.04
n	C	1.79	7.97	2.17	11.93	36.62	1.10	49.65	2.06	0.68	52.39
n	J	1.94	5.78	0.52	8.25	41.74	0.60	50.59	0.71	1.32	52.62
n	A	2.72	6.15	1.09	9.96	39.44	1.68	51.08	0.61	0.97	52.66
Average + 1/2 Standard Devia		2.90	5.46	1.54	9.37	42.64	1.36	52.24	1.13	0.89	53.74
n	F	3.04	4.77	1.50	9.31	42.71	0.96	52.98	0.14	0.05	53.17
50th Percentile		3.27	4.90	1.44	9.61	41.19	1.08	51.88	0.66	0.86	53.40
n	B	3.56	3.03	0.94	7.52	43.80	0.86	52.18	0.93	0.94	54.05
n	L	3.84	6.88	0.42	11.14	44.60	0.92	56.66	0.73	0.96	58.35
n	H	3.32	4.72	1.36	9.40	48.21	0.47	58.08	0.97	0.56	59.61

2012 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	2.40		277.0	\$5.32	\$365	Yes	Yes	Yes	No	Yes	Yes	Both	Yes	Yes	\$ 38
G	2.57	\$ 0.1534	283.0	\$6.76	\$407	Yes	Yes	No	No	Yes	Yes	Post wean'	Yes	Yes	\$ 41
K	2.67	\$ 0.1640	273.0	\$7.14	\$436	Yes	Yes	Yes	No	No	Yes	Pre-Wean	Yes	Yes	\$ 40
L	2.55	\$ 0.1544	285.0	\$7.24	\$374	Yes	Yes	Yes	No	No	Yes	Both		No	
E	2.72	\$ 0.1569	276.0	\$6.66	\$356	Yes	Yes	No	Yes	Yes	Yes	Both	Yes	Yes	\$ 42.50
C	2.55	\$ 0.1310	268.0	\$5.00	\$381	Yes	Yes	Yes	No	Yes	Yes	Both	No	No	\$ 41
J	2.65	\$ 0.1501	282.0	\$6.63	\$423	Yes	Yes	No	Yes	Yes	No	Both	No	No	\$ 41
A	2.43	\$ 0.1500	277.0	\$5.53	\$436	Yes	Yes	No	Yes	Yes	Yes	Both	Yes	Yes	\$ 42
F	2.69	\$ 0.1700	276.0	\$6.24	\$407	Yes	Yes	No	Yes	No	Yes	Pre-Wean	Yes	Yes	\$ 41
B	2.67	\$ 0.1642	271.0	\$7.39	\$424	Yes	Yes	Yes	Yes	Yes	Yes	Post Wean	Yes	No	
L	2.93	\$ 0.1600	266.0	\$5.93	\$325	Yes	Yes	NO	Yes	Yes	Yes	Both	No	No	
H						Yes	Yes	Yes	Yes	Yes	Yes	Pre-Wean	No	Yes	

Benchmark Cost - Wean to Finish 10 Year History



Spread	7.40	6.91	4.79	5.53	6.90	9.36	6.49	3.42	5.58	4.91	4.96 estimated
--------	------	------	------	------	------	------	------	------	------	------	----------------

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

Bred to Finish/Whole Herd: Detail

- Average cost to produce a 100 lbs of pork: \$ 62.79
 - Farms: 10
 - Range: \$ 56.55 to \$ 74.28 per cwt
 - Spread: \$ 17.73 or \$ 48.04 per pig at 271 lbs
- Labor/Facilities/Other: Range \$ 9.72 to \$ 15.24
- Feed: Range \$ 39.18 to \$ 51.74
- Veterinary: Range \$ 1.25 to \$ 3.79
- Of the 6 herds who were under the average cost \$62.79, represented herds from 20,000 to more than 250,000 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	5.65	4.44	5.41	4.44
Facilities	6.36	6.26	7.15	5.54
Other Operating	1.95	2.01	2.19	1.62
Total of Labor, Facilities, and Other Costs Normally borne by Contractors	13.97	12.71	14.75	11.60
Genetics	1.11	1.47	1.46	.91
Feed	45.21	43.93	45.93	44.41
Veterinary/Medicine	2.09	1.97	2.56	2.00
Total Cost of Production before Administrative & Finance	62.38	60.09	64.70	58.92
Administrative	.89	1.11	1.16	.45
Total Cost of Production before Finance	63.27	61.20	65.86	59.37
Interest	.78	.33	.96	0.06
Total Cost of Production (per cwt)	64.04	61.53	66.82	59.43

Comparative Cost of Production
Farrow to Finish Units / Whole Herd
Compare 2012 to 2011 Cost Per
Hundred Weight

	Average less than 8 million live lbs sold	Average greater than 8 million live lbs sold	2011 Average less than 8 million live lbs sold	2011 Average greater than 8 million live lbs sold
Expenses:				
Personnel	5.65	4.44	5.76	5.05
Facilities	6.36	6.26	7.09	6.41
Other Operating	1.95	2.01	2.14	1.99
Total of Labor, Facilities, and Other Costs Normally borne by Contractors	13.97	12.71	15.00	13.45
Genetics	1.11	1.47	.44	1.31
Feed	45.21	43.93	40.04	39.31
Veterinary/Medicine	2.09	1.97	2.05	2.23
Death Loss Factor				
Total Cost of Production before Administrative & Finance	62.38	60.09	57.52	56.29
Administrative	.89	1.11	1.11	.93
Total Cost of Production before Finance	63.27	61.20	58.63	57.23
Interest	.78	.33	.33	.57
Total Cost of Production (per cwt)	64.04	61.53	58.96	57.79
	\$2.51, \$6.80/pig		\$1.17, \$3.17/pig	

2012 Comparative - Breed to Finish

Cost per CWT Pork Sold

Number of CWT in Comparison	2,261,626
Number of Pigs Marketed	818,018

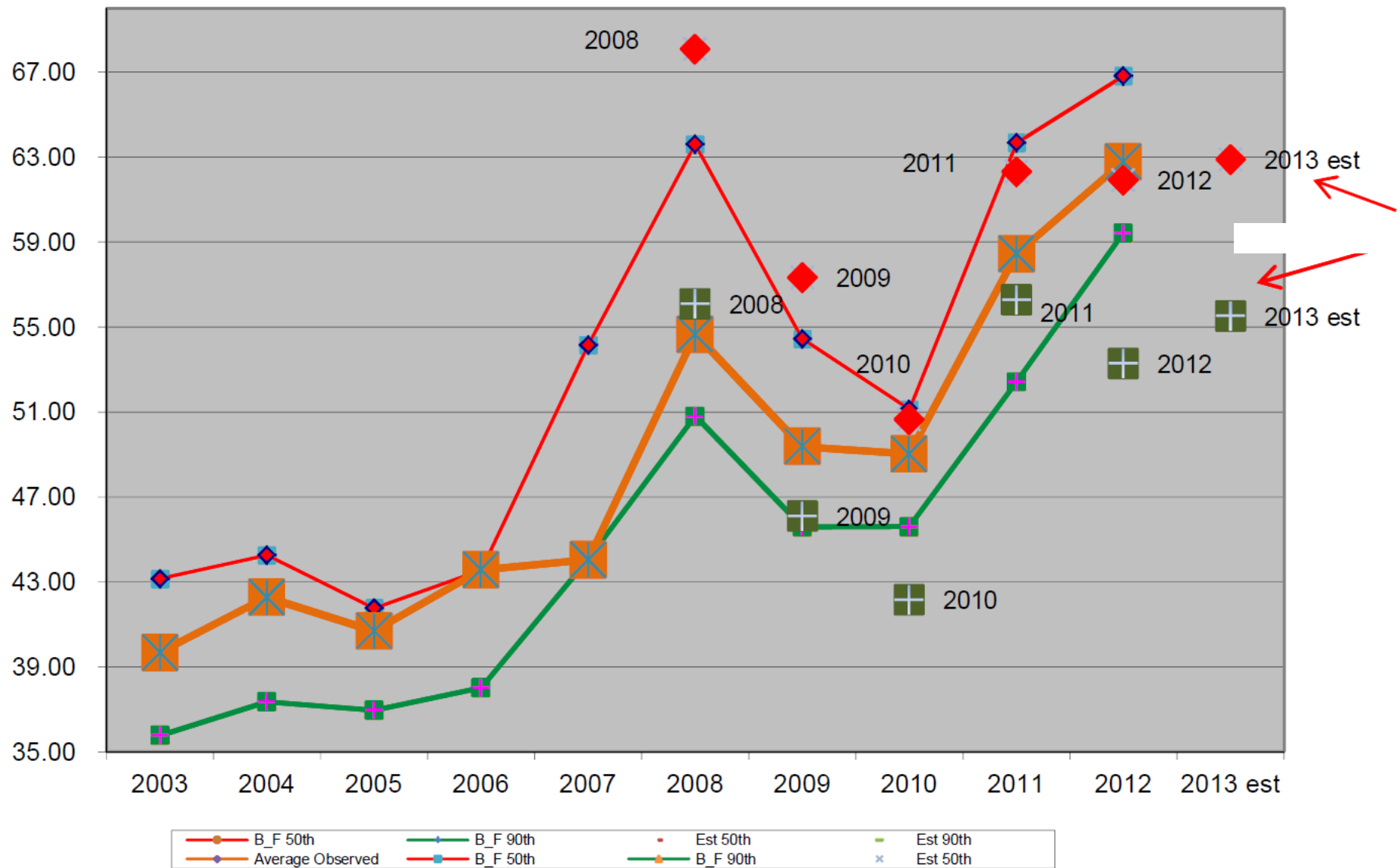
Sorted By:

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
>8mil	H	3.70	4.29	1.73	9.72	1.69	41.92	1.84	55.17	1.05	0.33	56.55
<8mil	C	5.36	7.23	1.54	14.13	1.46	39.18	1.59	56.36	0.85	0.22	57.43
90th Percentile		4.44	5.54	1.62	11.60	0.91	44.41	2.00	58.92	0.45	0.06	59.43
Average - 1/2 Standard Deviation		4.57	5.70	1.70	12.47	1.04	43.30	1.63	59.71	0.70	0.48	61.26
>8mil	F	3.97	7.64	2.61	14.23	1.51	41.46	1.29	58.49	2.34	0.40	61.22
>8mil	I	4.98	6.14	1.65	12.77	1.11	45.12	2.20	61.20	0.12	0.05	61.37
<8mil	D	4.91	7.59	2.30	14.80	0.81	43.34	1.52	60.47	0.87	0.21	61.55
>8mil	G	5.38	6.20	1.77	13.34	1.45	44.16	1.89	60.84	0.76	0.35	61.94
Average		5.05	6.31	1.98	13.34	1.29	44.57	2.03	61.23	1.00	0.55	62.79
<8mil	E	4.34	4.94	2.09	11.37	1.07	46.17	3.79	62.40	0.75	0.07	63.23
<8mil	B	6.79	5.14	3.31	15.24	0.13	45.61	1.25	62.23	1.30	0.19	63.73
Average + 1/2 Standard Deviation		5.52	6.93	2.26	14.21	1.54	45.84	2.44	62.75	1.30	0.63	64.31
>8mil	A	4.16	7.03	2.29	13.48	1.61	46.99	2.66	64.74	1.29	0.52	66.55
50th Percentile		5.41	7.15	2.19	14.75	1.46	45.93	2.56	64.70	1.16	0.96	66.82
<8mil	J	6.86	6.92	0.52	14.31	2.05	51.74	2.31	70.41	0.69	3.19	74.28

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	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?	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?
H						No	No	Yes	Yes	Both	No	No	No	No	No		
C	24.70	2.80	\$ 0.1440	276	\$ 6.38	\$ 331	Yes	No	no	Yes	Both	No	Yes	No	No	Yes	
F	26.30	2.72	\$ 0.1569	276	\$ 6.66	\$ 356	No	Yes	Yes	Yes	Both	No	Yes	No	No	Yes	\$ 42.5
I		2.69	\$ 0.1700	276	\$ 6.24	\$ 407	No	Yes	No	Yes	Pre-Wean	No	Yes	No	No	Yes	\$ 41
D	26.40	2.67	\$ 0.1640	273	\$ 7.14	\$ 436	Yes	No	No	Yes	Pre Wean	Yes	Yes	No	No	Yes	\$ 40
G	24.50	2.57	\$ 0.1534	283	\$ 6.76	\$ 407	No	No	Yes	Yes	Both	Yes	Yes	Yes	Yes	Yes	\$ 41
E		2.55	\$ 0.1544	285	\$ 7.24	\$ 374	Yes	No	No	Yes	Both	NO	No	No	No	No	
B	22.60	2.99	\$ 0.1489	260	\$ 7.05	\$ 377	Yes	No	Yes	Yes	Pre Wean	Yes	Yes	No	No	No	
A	25.61	2.74	\$ 0.1595	276	\$ 6.87	\$ 372	Yes	No	Yes	Yes	Both	No	Yes	No	No	Yes	\$ 31.5 with out labor
J	20.20	2.93	\$ 0.1600	266	\$ 5.93	\$ 325	No	Yes	Yes	Yes	Both	No	No	No	No	No	

Benchmark Cost Breed to Finish Cost per CWT Sold



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

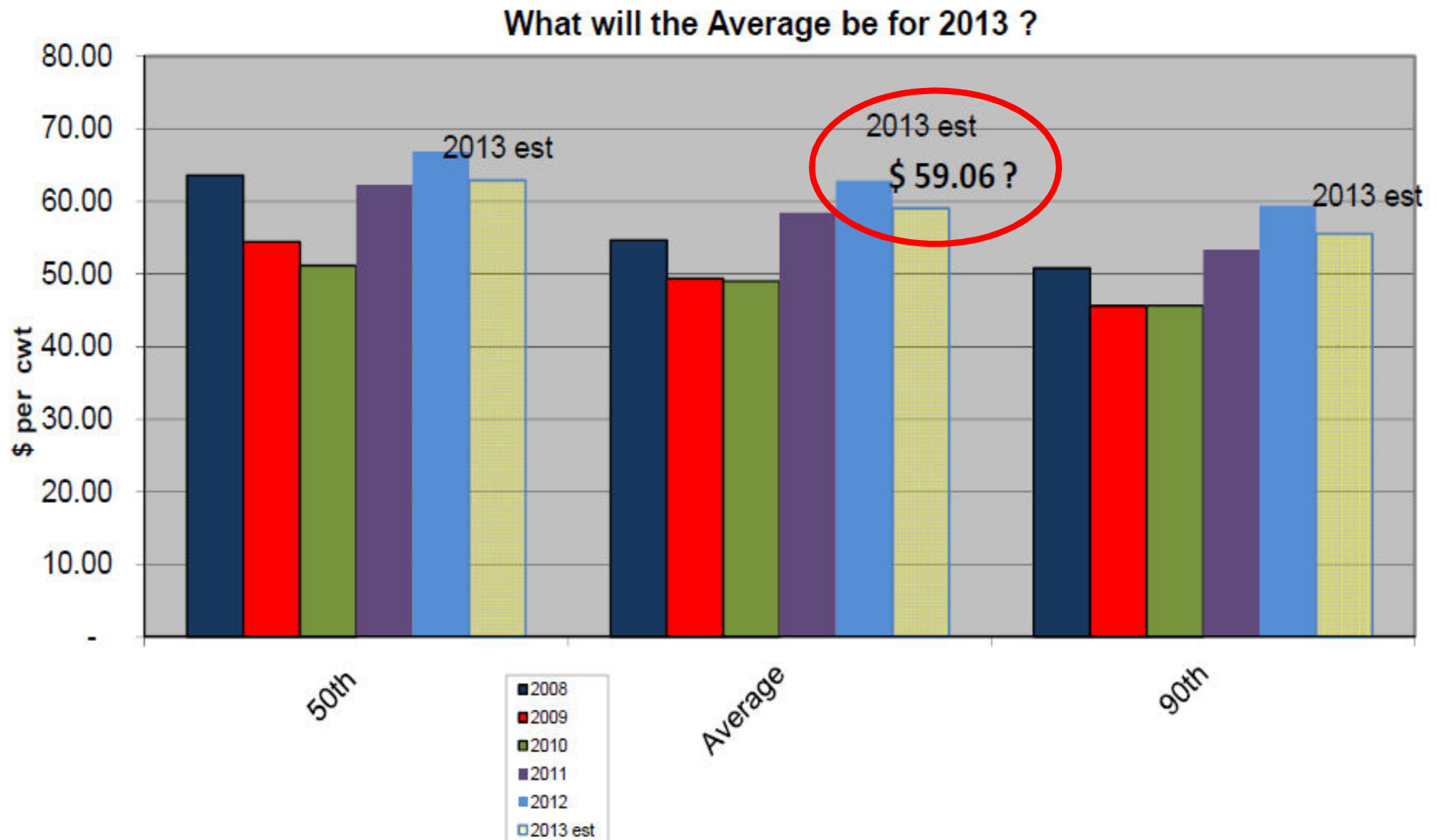
2012 Observations on Market Sales

- Average market weight: 276 lbs, *(up 2# 2011)*
- Average value per cwt: \$ 65.19, *(\$ 0.63 down from 2011)*
- Average value per head: \$ 180, *(down \$3.00 from 2011)*
- Average weight of off value: 169 lbs. *(down 8# from 2011)*
- Average value of “off value” per head \$ 41.28
(down \$1.16/cwt. or a total of \$5.00 per hd from 2011)
- Percentage “off valued” 3.4% , *(up 0.6%)*
 - Range 1.8% - 4.5%

Observation on Profit Margins

- Average net revenue per head: \$177
(2011, \$180)
 - Net \$64.72 per CWT
 - Range \$ 170 to \$ 180 , spread \$ 10 per head (2011 \$27)
 - Market weight range 270 to 280
- 50th percentile cost \$181 per head
 - Average Potential Profit per head \$ -9.00 Loss
- 90th percentile cost \$161 per head
 - Average Potential Profit per head \$19.00
- Spread Potential: \$28/pig sold
\$ 19 profit to a (\$ 9) loss per head

— Total B-F COP, What is the estimated cost for 2013?



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>			2.58	2.58	2.71	2.71
<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	\$ 5.91	\$ 5.40	\$ 3.27	\$ 2.48	\$ 5.41	\$ 4.44
Facilities	6.38	5.20	4.90	3.71	7.15	5.54
Other Expenses	2.11	1.50	1.44	1.09	2.19	1.62
Subtotal cost normally borne by contractor	14.39	12.10	9.61	7.28	14.75	11.60
Feed cost	15.72	14.78	37.55	36.55	41.87	40.49
Genetics	3.75	2.35			1.46	0.91
Vet/Med	3.92	2.90	1.08	0.93	2.56	2.00
General and Administrative	1.38	0.70	0.66	0.19	1.16	0.45
Interest Expense - non facility	0.35	0.15	1.01	-	1.10	0.06
Estimated 12 Months Ending 12/31/12	\$ 39.51	\$ 32.98	\$ 49.91	\$ 44.95	\$ 62.90	\$ 55.51
Breakeven Carcass Price Needed @ 75% Yield, y/e 12/31/12					\$ 83.87	\$ 74.01

Average Corn Cost \$ 6.15 / Bu, decrease by \$ 0.77/bu. from the 2012 cost of \$6.92/bu.

Average Bean Meal \$ 419/ Ton Decrease by \$ 73/ton from the 2012 cost of \$492/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 2008,2009,2010,2011,2012

> 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
I	25.53	5.41	4.57	2.62	12.60	1.92	12.22	28.32	1.57	0.85	0.22	29.39
F	24.05	4.97	3.96	1.43	10.36	2.86	12.68	27.44	1.53	2.15	0.32	29.91
		5.10	5.23	1.41	11.74	2.34	12.88	29.56	2.59	0.88	0.20	30.64
C	21.10	4.42	6.14	1.67	12.24	3.71	11.57	29.63	2.12	1.18	0.52	31.33
K	23.43	4.89	5.96	0.59	11.45	3.67	14.36	32.61	3.13	0.14	0.11	32.85
E	23.43	6.19	4.88	1.75	12.82	3.81	12.92	31.70	2.14	1.54	0.09	33.32
J	21.99	5.13	5.65	1.19	11.98	4.09	14.35	33.56	3.15	0.21	0.24	34.01
		5.61	5.52	1.53	12.65	3.48	13.50	32.64	2.93	1.20	0.33	34.15
B	23.36	5.65	4.81	0.47	10.94	2.49	15.21	32.59	3.97	1.64	0.17	34.41
M	22.97	5.24	6.57	0.88	12.69	2.58	14.44	33.47	3.76	1.55	0.24	35.26
L	25.31	5.72	5.21	1.88	12.81	4.11	13.10	33.32	3.30	1.99	0.14	35.45
N	23.86	4.30	9.53	1.28	15.12	3.99	13.95	34.76	1.70	1.05	0.48	36.30
A	23.19	6.01	4.23	2.12	12.35	2.70	15.12	34.43	4.26	1.65	0.30	36.39
D	23.16	6.29	4.16	1.26	11.71	4.15	14.64	35.07	4.57	1.95	0.20	37.22
		5.67	6.65	1.98	14.29	4.13	14.79	36.62	3.41	1.27	0.38	38.28
H	21.30	6.89	4.08	1.91	12.88	3.11	15.34	36.97	5.64	1.78	0.35	39.10

Wean to Finish 4 Year Averages

Wean to Finish Comparative

4 years average 2009,2010,2011,2012

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
D	1.87	3.57	0.84	6.28	-	31.89	1.79	39.96	0.07	0.58	40.61
b90	2.36	4.00	1.06	7.42	-	32.39	0.86	40.67	0.23	0.22	41.11
c	1.75	6.52	1.25	9.52	-	29.04	0.94	39.49	1.47	0.76	41.72
E	1.99	3.96	2.07	8.02	-	32.37	0.78	41.17	1.42	0.49	43.07
F	2.75	4.66	1.44	8.85	-	33.45	0.72	43.02	0.10	0.20	43.31
AV	2.30	4.69	1.31	8.30	-	33.25	1.13	42.68	0.58	0.64	43.88
G	2.65	3.67	1.24	7.55		35.14	0.95	43.65	0.33	0.56	44.54
B	3.62	2.89	0.89	7.39	-	34.64	0.85	42.88	0.86	1.08	44.82
A	2.37	5.39	1.07	8.83	-	33.47	1.19	43.48	0.61	0.74	44.83
M	1.24	4.52	1.63	7.39	-	34.40	3.09	44.88	0.24	0.17	45.28
b50	3.16	5.43	1.42	10.00	-	33.69	1.05	44.74	0.70	0.86	46.30
H	2.65	4.59	1.81	9.05		36.58	0.35	45.98	0.63	0.90	47.50

Breed to Finish 5 Year Average

Breed to Finish Comparative

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

Years 2008,2009,2010,2011,2012

> 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
90th Percentile	3.91	6.19	1.54	11.64	1.08	34.81	1.81	49.33	0.62	0.41	50.36
I	4.24	6.52	1.49	12.26	1.43	35.92	1.78	51.38	0.11	0.40	51.89
B	6.57	5.43	2.66	14.67	0.27	34.31	1.21	50.46	1.27	0.51	52.25
D	4.10	7.77	2.63	14.49	0.68	35.87	1.26	52.30	0.81	0.28	53.39
Average	4.82	7.34	1.93	14.09	1.23	34.64	1.99	51.91	0.95	0.65	53.49
G	5.35	6.87	1.51	13.72	1.15	36.42	1.71	53.00	0.57	0.67	54.24
F	5.32	7.01	2.51	14.83	1.62	35.65	1.56	53.66	0.85	0.65	55.17
C	5.15	7.79	1.28	14.21	1.86	36.61	1.73	54.41	0.68	0.42	55.51
G	4.06	5.94	2.16	12.17	1.01	37.19	4.43	54.79	0.83	0.22	55.84
A	4.58	7.64	2.29	14.51	1.64	36.35	2.32	54.82	1.90	0.77	57.49
50th Percentile	5.02	8.29	2.12	15.42	1.61	38.11	2.31	57.46	1.19	1.01	59.66

J

Latta, Harris, Hanon & Penningroth, L.L.P. Offices

**2730 Naples Avenue SW, Suite 101
Iowa City, Iowa 52240
319-358-0520**

**116 W. Main Street
Washington, Iowa 52353
319-653-6684**

**1201 North Avenue
Tipton, Iowa 52772
563-886-2187**

**3037 Center Point Rd NE
Cedar Rapids, Iowa 52402
319-366-2163**

**626 G Ave
Grundy Center, Iowa 50638
319-824-5221**

Our firm website: www.lattaharris.com

Or E-mail

markpenningroth@lattaharris.com

jmcnutt@lattaharris.com