• “Public opinion in this country is everything. Whoever can change public opinion can change the government”. Abraham Lincoln

• “A democracy is no more than mob rule, where 51% of the people may take away the rights of the other 49%”. Thomas Jefferson
Clemens Food Group Packing Plant

- Clemens Food Group – Hatfield, Pennsylvania
- New plant near Coldwater Michigan
- Due for completion late 2017 and employ 800 people
- Eight family farms invested in the plant, three from Ohio.
- +Country View Family Farms
- 10,000 head per day, first shift
What does this mean for Ohio?

• Sow farm expansion underway (+20,000 over 2 years)
• 100 – 150 new 2400 head finishing barns
• Each 2,400 head sow unit built in the state of Ohio would consume roughly **574,000** bushels of corn and **113,000** bushels of beans a year. (Farrow to Finish)
• Building investments?
Location – Ohio Pork Council Assessment Guidelines

• Approved by the Board of Directors January 2016
• Assessment takes a number of factors into account
  – Neighbor relations and location of neighbors
  – Environmental impact
  – Biosecurity concerns with existing swine farms
  – Location of proposed site was not parceled off to avoid the ODA permitting process.
  – Contact the Ohio Pork Council for more information: 614-882-5887
USDA Pig Crop Report – 09/30/2016

- Breeding inventory in the U.S. largest since 2008
- Total Inventory for Ohio – 2.6 million hogs
- Total breeding inventory for Ohio – 190,000
  - +20,000 from December 2014

- USDA Pig Crop Report – September 1975
  - Total inventory for Ohio – 1.65 million hogs
  - Total breeding inventory for Ohio – 256,000 (1968 – 348,000)

Source: Chris Hurt, Purdue University
Estimated Hog Profit Per Head

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit Per Head</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>$27</td>
</tr>
<tr>
<td>7</td>
<td>$8</td>
</tr>
<tr>
<td>8</td>
<td>$14</td>
</tr>
<tr>
<td>9</td>
<td>$14</td>
</tr>
<tr>
<td>10</td>
<td>-$17</td>
</tr>
<tr>
<td>11</td>
<td>-$24</td>
</tr>
<tr>
<td>12</td>
<td>-$33</td>
</tr>
<tr>
<td>13</td>
<td>-$33</td>
</tr>
<tr>
<td>14</td>
<td>$53</td>
</tr>
<tr>
<td>15</td>
<td>-$10</td>
</tr>
<tr>
<td>16</td>
<td>-$16</td>
</tr>
</tbody>
</table>

Note: Estimated hog profit per head varies from $27 to $53, with some months experiencing losses ranging from -$33 to -$24.
How much capacity growth and WHEN?

<table>
<thead>
<tr>
<th>U.S PACKING CAPACITY UNDER CONSTRUCTION</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Fall 2016</strong></td>
</tr>
<tr>
<td><strong>Fall 2017</strong></td>
</tr>
<tr>
<td><strong>Fall 2018</strong></td>
</tr>
<tr>
<td>Daily Hd</td>
</tr>
<tr>
<td>Pleasant Hope, MO</td>
</tr>
<tr>
<td>Windom, MN</td>
</tr>
<tr>
<td>Sioux City, IA</td>
</tr>
<tr>
<td>Coldwater, MI</td>
</tr>
<tr>
<td>Prestage Plant*</td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Head per week</td>
</tr>
<tr>
<td>Pct of ’15 avg = 2.195 mil.</td>
</tr>
</tbody>
</table>

*Timing of this plant is in doubt. It may not be on line until 2019.

Source: Dr. Steve Meyer, National Hog Farmer, July 20, 2016

The growth in contract production

<table>
<thead>
<tr>
<th>Census of Ag USDA</th>
<th>% of pigs in contract inventory</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>33.8%</td>
</tr>
<tr>
<td>2007</td>
<td>39.0%</td>
</tr>
<tr>
<td>2012</td>
<td>41.1%</td>
</tr>
</tbody>
</table>
### 2012 Census of Ag, Dec 1 Inventory

<table>
<thead>
<tr>
<th>State</th>
<th>Total Pigs</th>
<th>Independent</th>
<th>Integrator</th>
<th>Contract Grower</th>
<th>% contract grower</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iowa</td>
<td>20,455,666</td>
<td>9,861,429</td>
<td>791,364</td>
<td>9,803,873</td>
<td>47.9%</td>
</tr>
<tr>
<td>N Carolina</td>
<td>8,901,434</td>
<td>1,066,752</td>
<td>2,058,828</td>
<td>5,775,854</td>
<td>64.9%</td>
</tr>
<tr>
<td>Minnesota</td>
<td>7,606,785</td>
<td>4,578,222</td>
<td>190,122</td>
<td>2,838,441</td>
<td>37.3%</td>
</tr>
<tr>
<td>Illinois</td>
<td>4,630,796</td>
<td>3,359,986</td>
<td>86,829</td>
<td>1,183,981</td>
<td>25.6%</td>
</tr>
<tr>
<td>Indiana</td>
<td>3,729,765</td>
<td>1,936,662</td>
<td>107,294</td>
<td>1,703,396</td>
<td>45.7%</td>
</tr>
<tr>
<td>Nebraska</td>
<td>2,984,412</td>
<td>2,117,706</td>
<td>262,031</td>
<td>612,839</td>
<td>20.5%</td>
</tr>
<tr>
<td>Missouri</td>
<td>2,774,597</td>
<td>1,640,427</td>
<td>7,819</td>
<td>1,126,351</td>
<td>40.6%</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>2,304,740</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Ohio</td>
<td>2,058,503</td>
<td>744,532</td>
<td>67,210</td>
<td>1,246,761</td>
<td>60.6%</td>
</tr>
<tr>
<td>Kansas</td>
<td>1,886,197</td>
<td>738,146</td>
<td>833,191</td>
<td>314,860</td>
<td>16.7%</td>
</tr>
<tr>
<td>S Dakota</td>
<td>1,191,162</td>
<td>1,041,180</td>
<td>-</td>
<td>149,982</td>
<td>12.6%</td>
</tr>
<tr>
<td>US</td>
<td>66,026,785</td>
<td>33,222,821</td>
<td>5,656,355</td>
<td>27,147,609</td>
<td>41.1%</td>
</tr>
</tbody>
</table>

### % contract grower

<table>
<thead>
<tr>
<th>State</th>
<th>% contract grower</th>
</tr>
</thead>
<tbody>
<tr>
<td>N Carolina</td>
<td>64.9%</td>
</tr>
<tr>
<td>Ohio</td>
<td>60.6%</td>
</tr>
<tr>
<td>Iowa</td>
<td>47.9%</td>
</tr>
<tr>
<td>Indiana</td>
<td>45.7%</td>
</tr>
<tr>
<td>Missouri</td>
<td>40.6%</td>
</tr>
<tr>
<td>Minn</td>
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<tr>
<td>Illinois</td>
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<tr>
<td>Oklahoma</td>
<td>NA</td>
</tr>
<tr>
<td>US</td>
<td>41.1%</td>
</tr>
</tbody>
</table>
Typical Contracts

- Wean-Finish
- Nursery
- Grow-Finish
Typical Life of Contracts

- **1990’s**
  - 7 year contract
    - $110/space curtain finisher
    - $80/space nursery
- **2000-2005**
  - 10 year contract
- **2005+**
  - 12-15 year contracts most common on new construction
    - $225-240/space tunnel
    - $180-200/space nursery

Payments

- **Nursery** – 3 ft²/pig pen space
  - $30-34/pig space/yr  $32 most common in Midwest
- **Grow-Fin** – 7.2 ft²/pig pen space
  - $34-38/pig space/yr  $36 most common in Midwest
  - Starting to see a move to 7.5 ft²/pig – no change in $
- **Wean-Fin** – 7.2 ft²/pig pen space
  - $38-42/pig space/yr  $40-42 most common
  - Double stock bonus
What about energy bills?
Northern Iowa – Southern Minnesota

• What’s Normal
  – Nursery
    • 1-1.2 kWh/space/month
    • 2.2 gal propane/space/yr

• What’s Normal
  – Wean-Finish
    • Propane
      – Tunnel - <2.5 gal/space/yr
      – Curtain - <3 gal/space/yr
    • Electric
      – Tunnel – 3.0 kWh/space/month
      – Curtain – 2.0 kWh/space/month
  – Grow-Finish
    • <0.5 gal propane/space/yr
2 – 2400 G/F Barns + Nursery
(New in 2006 - Ohio)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repairs</td>
<td>14,960.70</td>
<td>22,587.15</td>
<td>10,976.04</td>
<td>22,034.16</td>
<td>15,075.12</td>
</tr>
<tr>
<td>Payroll</td>
<td>15,982.50</td>
<td>14,831.00</td>
<td>16,722.92</td>
<td>16,081.26</td>
<td>16,234.04</td>
</tr>
<tr>
<td>Propane (Barn#2 &amp; Nur)</td>
<td>9,600.00</td>
<td>10,600.00</td>
<td>10,250.00</td>
<td>15,536.00</td>
<td>10,069.00</td>
</tr>
<tr>
<td>Electric (Barn#2 &amp; Nur)</td>
<td>17,130.68</td>
<td>18,518.80</td>
<td>17,941.70</td>
<td>17,515.58</td>
<td>17,120.27</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>57,673.88</strong></td>
<td><strong>66,583.95</strong></td>
<td><strong>55,890.66</strong></td>
<td><strong>71,167.00</strong></td>
<td><strong>58,525.43</strong></td>
</tr>
</tbody>
</table>

**Average/Year**

- Repairs: 16,877.04
- Payroll: 15,970.34
- Propane: 11,211.00
- Electric: 17,645.41

**Average/Barn**

- Barn #1, #2, & Nursery: 5625.68
- Barn #1, #2, & Nursery: 5323.44
- Barn #2 & Nursery: 8888.35

2 – 2400 G/F Barns + Nursery
(New in 2006 - Ohio)
2 – 2400 G/F Barns + Nursery
(New in 2006 - Ohio)

• Notes:
  • Electric between Finish Barn and Nursery are within 5% of each other every year
  • Propane for Nursery is about 6,000 gallon per year and about 1,000 gallon per year for either Finisher
  • Payroll includes labor for loading 15,600 finished hogs, moving of 15,600 pigs from Nursery to Finisher and washing of buildings for one year. **Does not include any labor for owners for chores or loading**
  • Insurance $2330.00 (2 Finishers) - $1525 Nursery (Full replacement for 15 years after construction)

Who Wants Pig Barns?

• **Grain Farmers!**
  – Nitrogen $0.35/lb
  – Phosphorus $0.45/lb P₂O₅
  – Potash $0.49/lb K₂O

• 50-35-25 analysis per 1000 gal manure typical
  – Does the contract specify drinker type – nipple drinkers increase volume

• $0.0125-0.015/gal to inject
  – $40-45/a @ 3000 gal/a

• Benefit (2014-15)
  – $7-9/pig space net/yr from NPK wean-finish
  – $10-12/pig space net/yr from NPK grow-finish
  – Corn on corn yield increase often 5-10 bu/a
Who Wants Pig Barns?

• Youth returning to agriculture

Risks

• Pig Owner
  – Contract grower goes bankrupt
  – Contract grower is a bad grower
    • Refuses to heat barn correctly
    • Doesn’t properly clean between turns
    • Improper dead pig disposal becomes a health risk

• Contract Grower
  – Pig owner goes bankrupt
  – Barn sits empty – no manure produced
  – Company employee’s overuse propane due to errors in controller settings
  – Death loss due to negligence or ventilation failure
Sort and Load Responsibilities

- Who identifies market ready pigs?
- If producer – does the contract define sort loss?
- If sort loss penalty in contract – what is the standard and penalty?

Questions to Ask

- What about vaccination labor?
  - In grow-finish generally paid extra
  - Part of nursery labor (1x injection)
- What about injection labor in sickness?
  - Generally paid by pig owner
- Who pays for injection equipment?
Questions to Ask

• What are the dead pig disposal requirements?
  – Records on mortality

• What are the daily/weekly/monthly record requirements?

• Who is responsible for feed orders?
  – If grower installs bin scales, pig owner orders feed
  – Scale cost shared 50/50?

• Who pays for bin vacuum if there is feed in bin at close out?

• What is the guaranteed minimum open days between turns?
  – 4 typical for grow-finish

• Who is responsible for ventilation controller settings?

• Is grower required to be on-site during supervisor visits?
Questions to Ask

• Who grades pigs at arrival and determines rejects?

Questions to Ask

• Does it cash flow without the bonus?

• If there is a bonus – basis for computation?
  – Feed conversion
    • Is it adjusted for ingredients?
    • 12 wk peer group comparison?

  – Daily Gain
    • 12 wk peer group comparison?
    • Regional group comparison

  – Sort Loss
    • How is sort loss determined?
    • Is the payment schedule defined in the contract?
Contract Renewal

- 6 month notice or automatic renewal?
- How long is automatic for?
- What about renovation requirements?

Financing

- Are cash flow projections based on actual history of other sites in the system?
- Has pig owner already lined up lending agency or does grower locate lender?
What about inventory variances?

- Inventory errors are common
- When does grower become responsible for payment of missing (?) pigs?

Start-up Payments

- When do you get the first check on new construction?
- How is first payment determined?
- What if barn is ready but no pigs?
- What if pigs but barn not ready?
Payment Terms

• 4 weeks, monthly, quarterly or ?

• Paid to?
  – Grower
  – Co-pay to grower and lender

Home Use Pigs

• 1 free pig per grower barn per year selected from last sale group from barn

• Buy 1 pig per turn @ $0.30/lb live wt

• Other
The End – Any Questions?

There’s a way to do it better - find it.

-Thomas A. Edison