Meat Protein Issues and Outlook

NOPA 80th Annual Meeting

February 10, 2009

Presentation Outline

- Global Meat Production & Trade
- US Total Meat/Poultry Situation
- US Pork Industry Situation and Outlook
- US Cattle and Dairy Industry Situation/Outlook
- US Broiler Industry Challenges and Outlook
- Things to Watch Out For
- Implications to Soybean Industry

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Global Meat and Poultry Outlook

Global Meat/Poultry Production (000mt cwe)

	2007	2008	2009	%	2010	%
Beef	59.0	59.3	58.8	-0.8	58.0	-1.4
Pork	94.7	96.7	97.0	+0.3	97.0	0.0
Poultry	73.3	77.3	76.5	-1.0	77.0	+0.7
Total	227.0	233.3	232.3	-0.4	232.0	-0.1

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Global Meat and Poultry Outlook

Global Meat/Poultry Trade (000mt cwe)

	2007	2008	2009	%	2010	%
Beef	7.72	7.73	7.87	+1.8	7.90	+0.4
Pork	5.16	6.18	6.00	-2.9	6.15	+2.5
Poultry	7.91	8.76	8.50	-3.0	8.75	+2.9
Total	20.8	22.7	22.4	-1.3	22.8	+1.8

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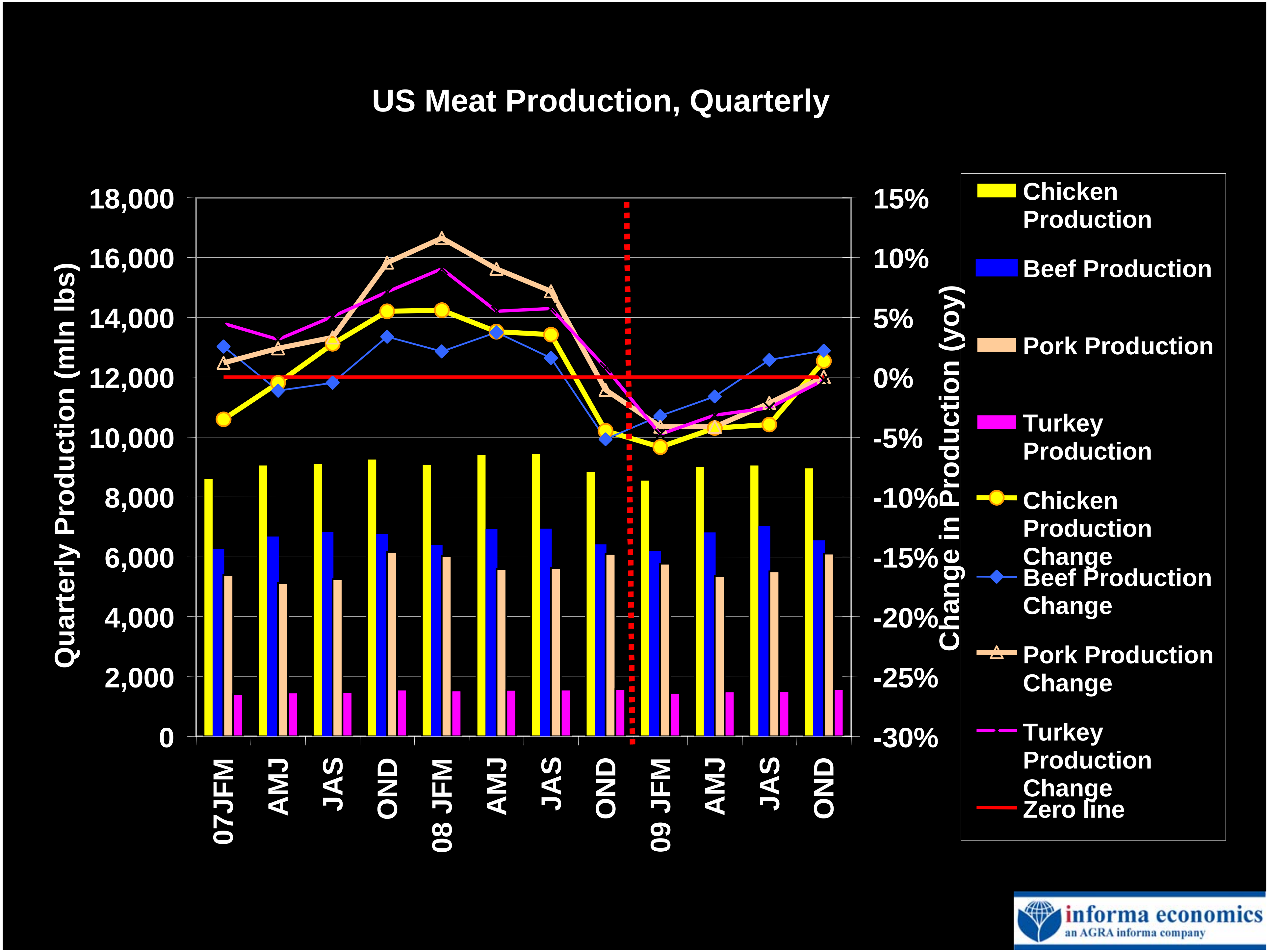
US Meat & Poultry-State of Affairs

- 2008 was a year of financial stress in meat sector
- Sharply higher feed costs pushed COP's up
- Strong dollar reduced US export competitiveness
- Large meat & poultry supplies pressured sales prices
- Economic meltdown reduced global meat demand
- US recession reduced US meat demand
- Food Service Sector in US contracting



US Meat Production, Quarterly
Quarterly Production (mln lbs)
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
15%
10%
5%
0%
-5%
-10%
-15%
-20%
-25%
-30%
Change in Production (yoy)
07JFM
AMJ
JAS
OND
08 JFM
AMJ
JAS
OND
09 JFM
AMJ
JAS
OND
Chicken Production
Beef Production
Pork Production
Turkey Production
Chicken Production Change
Beef Production Change
Pork Production Change
Turkey Production Change
Zero line
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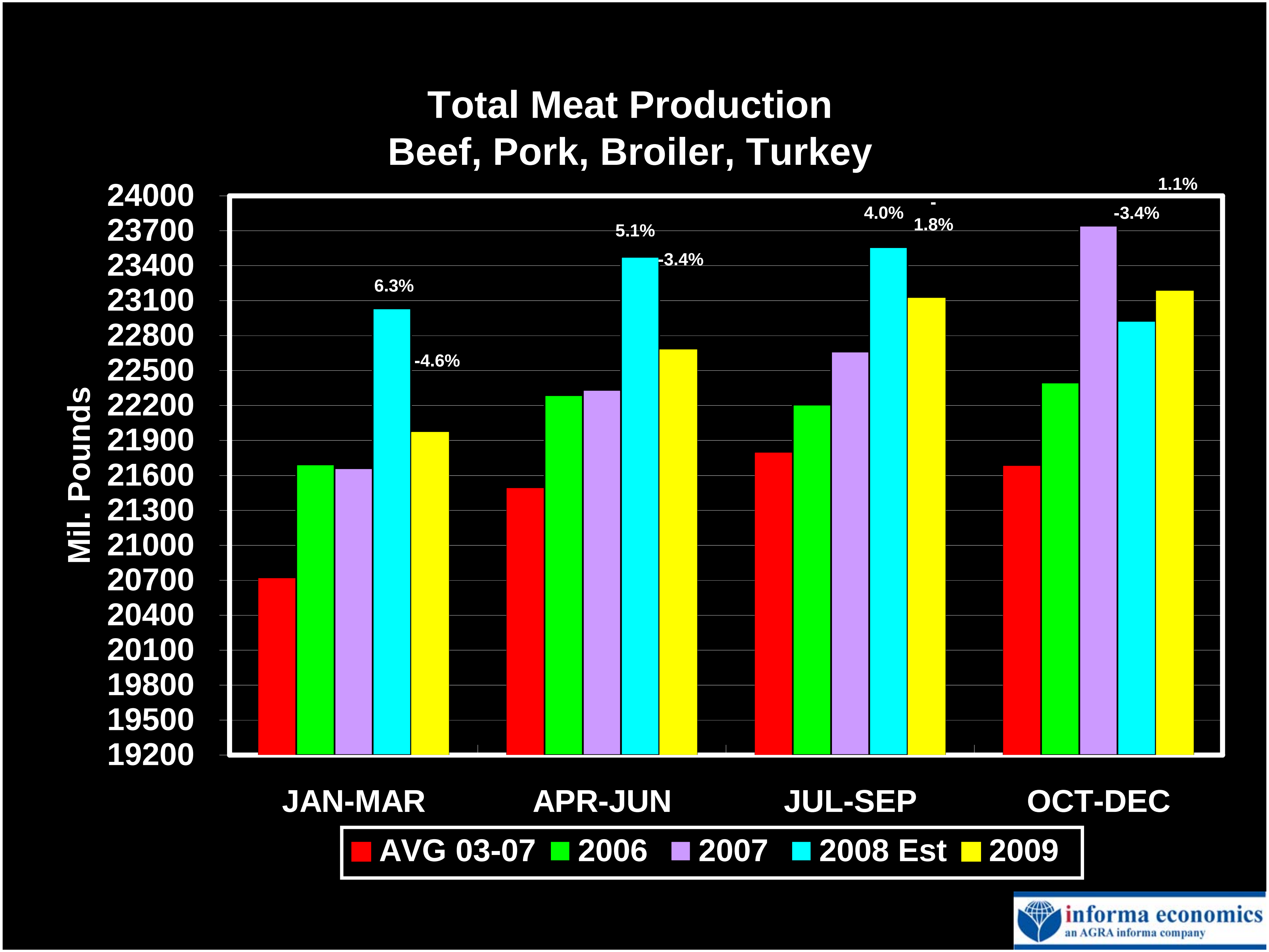

Total Meat Production
Beef, Pork, Broiler, Turkey
Mil. Pounds
24000
23700
23400
23100
22800
22500
22200
21900
21600
21300
21000
20700
20400
20100
19800
19500
19200
6.3%
-4.6%
5.1%
-3.4%
4.0%
-
1.8%
-3.4%
1.1%
JAN-MAR
APR-JUN
JUL-SEP
OCT-DEC
AVG 03-07
2006
2007
2008 Est
2009
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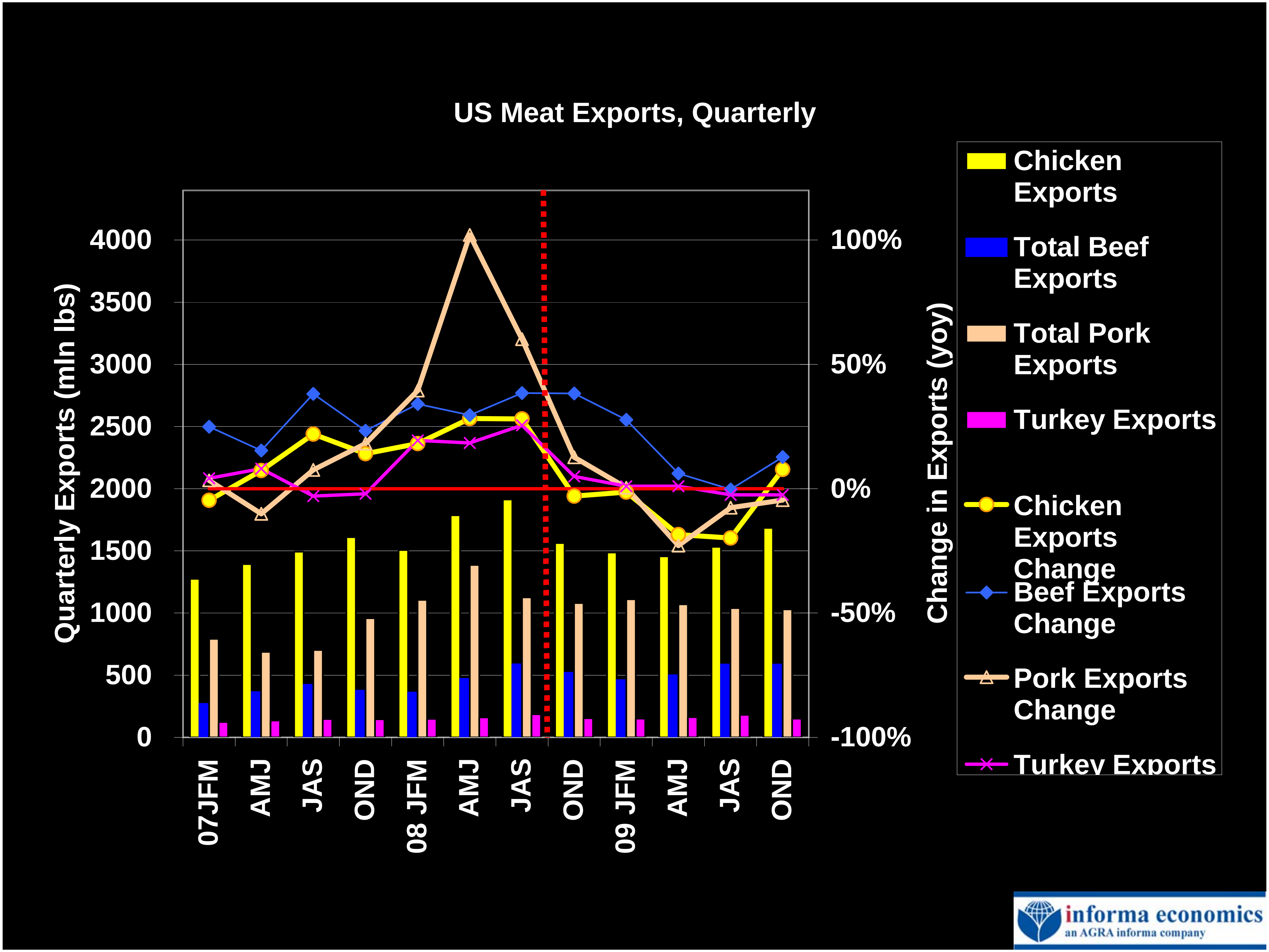

US Meat Exports, Quarterly
Quarterly Exports (mln lbs)
Change in Exports (yoy)
4000
3500
3000
2500
2000
1500
1000
500
0
100%
50%
0%
-50%
-100%
07 JFM
AMJ
JAS
OND
08 JFM
AMJ
JAS
OND
09 JFM
AMJ
JAS
OND
Chicken Exports
Total Beef Exports
Total Pork Exports
Turkey Exports
Chicken Exports Change
Beef Exports Change
Pork Exports Change
Turkey Exports
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US Pork Industry Situation and Outlook

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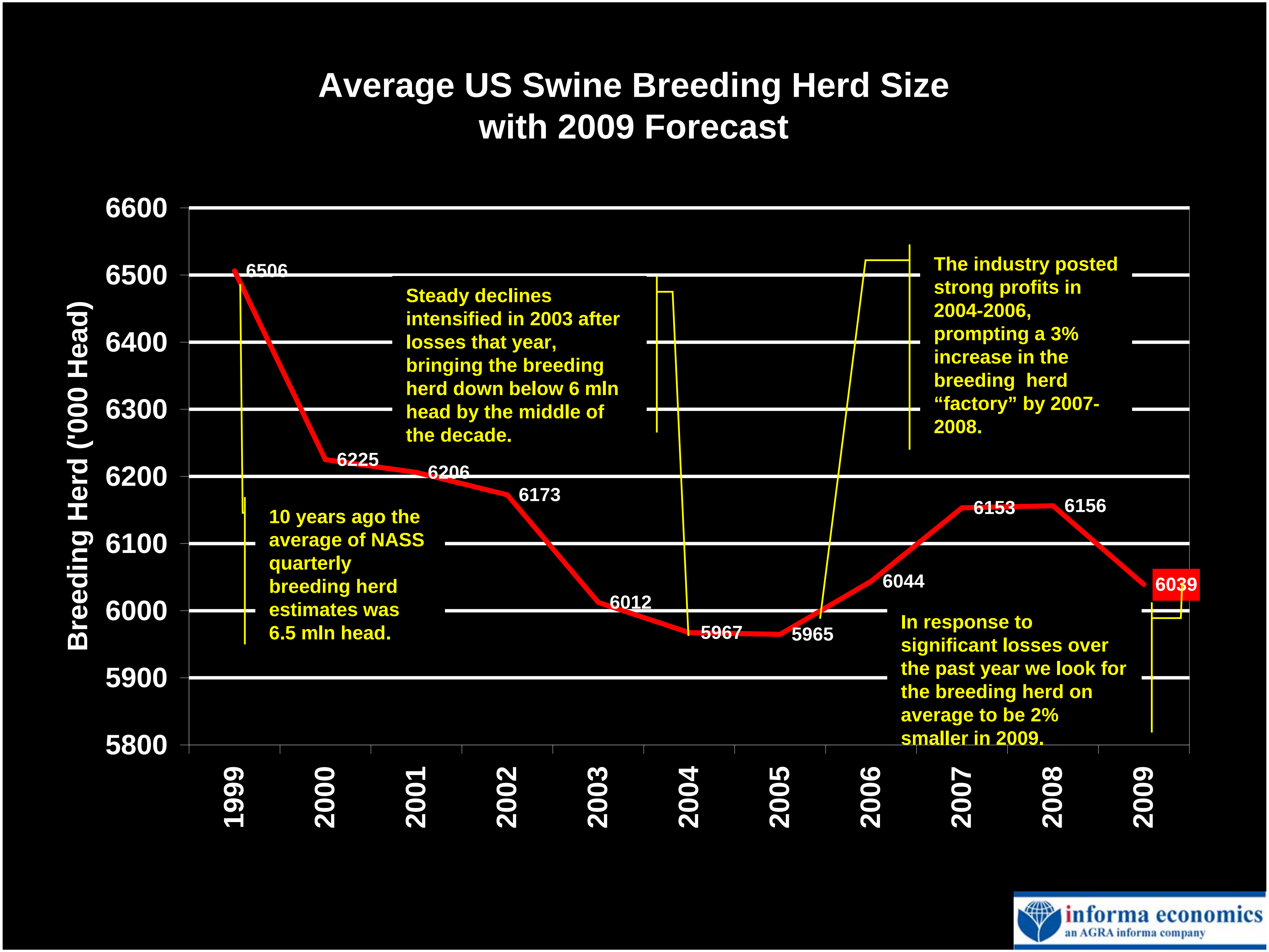

Average US Swine Breeding Herd Size
with 2009 Forecast
Breeding Herd ('000 Head)
6600
6500
6400
6300
6200
6100
6000
5900
5800
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
6506
6225
6206
6173
6012
5967
5965
6044
6153
6156
6039
Steady declines intensified in 2003 after losses that year, bringing the breeding herd down below 6 mln head by the middle of the decade.
The industry posted strong profits in 2004-2006, prompting a 3% increase in the breeding herd "factory" by 2007-2008.
10 years ago the average of NASS quarterly breeding herd estimates was 6.5 mln head.
In response to significant losses over the past year we look for the breeding herd on average to be 2% smaller in 2009.
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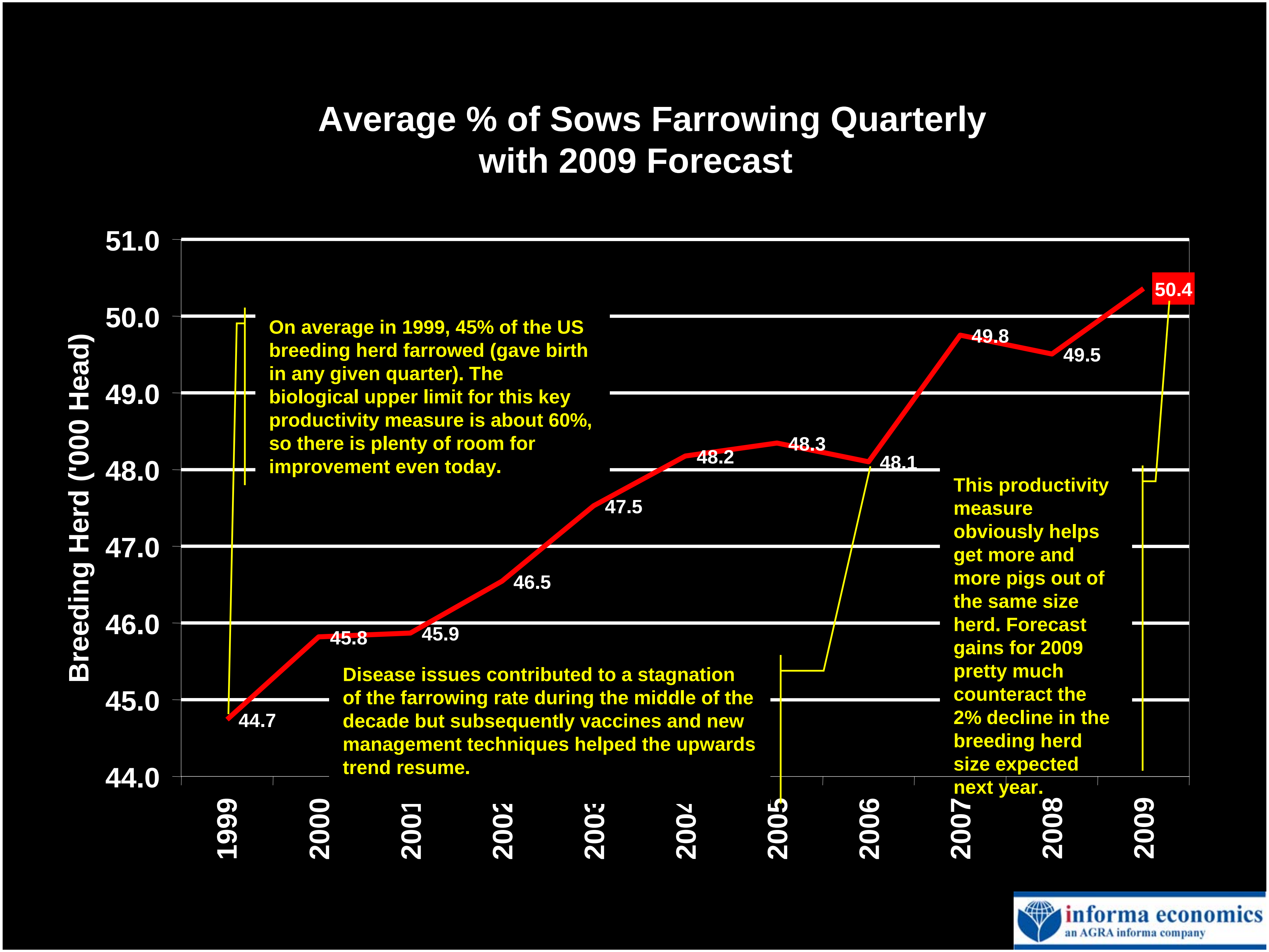
Average % of Sows Farrowing Quarterly
with 2009 Forecast
Breeding Herd ('000 Head)
51.0
50.0
49.0
48.0
47.0
46.0
45.0
44.0
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
44.7
45.8
45.9
46.5
47.5
48.2
48.3
48.1
49.8
49.5
50.4
On average in 1999, 45% of the US breeding herd farrowed (gave birth in any given quarter). The biological upper limit for this key productivity measure is about 60%, so there is plenty of room for improvement even today.
Disease issues contributed to a stagnation of the farrowing rate during the middle of the decade but subsequently vaccines and new management techniques helped the upwards trend resume.
This productivity measure obviously helps get more and more pigs out of the same size herd. Forecast gains for 2009 pretty much counteract the 2% decline in the breeding herd size expected next year.
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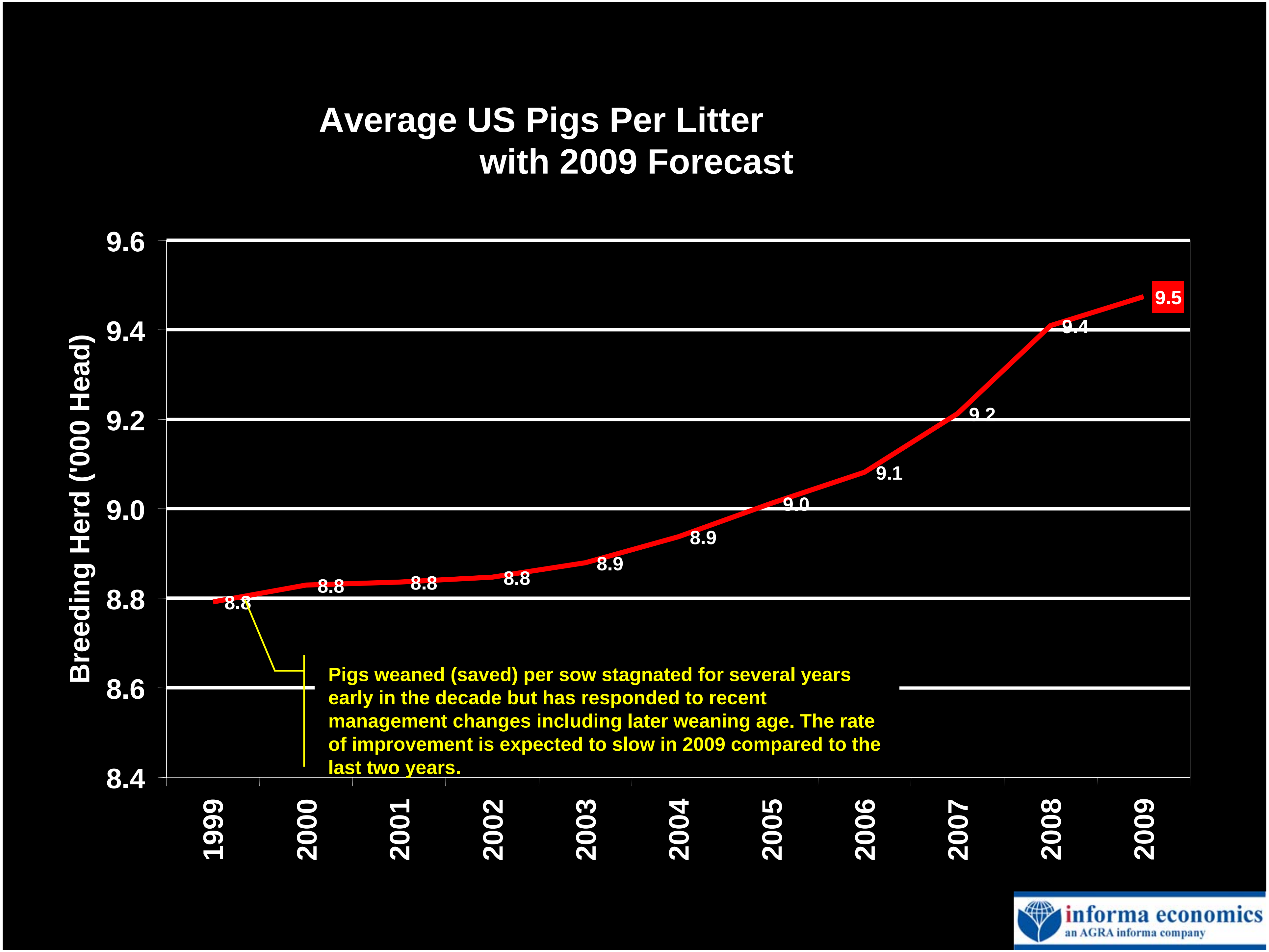

Average US Pigs Per Litter
with 2009 Forecast
Breeding Herd ('000 Head)
9.6
9.4
9.2
9.0
8.8
8.6
8.4
8.8
8.8
8.8
8.8
8.9
8.9
9.0
9.1
9.2
9.4
9.5
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
Pigs weaned (saved) per sow stagnated for several years early in the decade but has responded to recent management changes including later weaning age. The rate of improvement is expected to slow in 2009 compared to the last two years.
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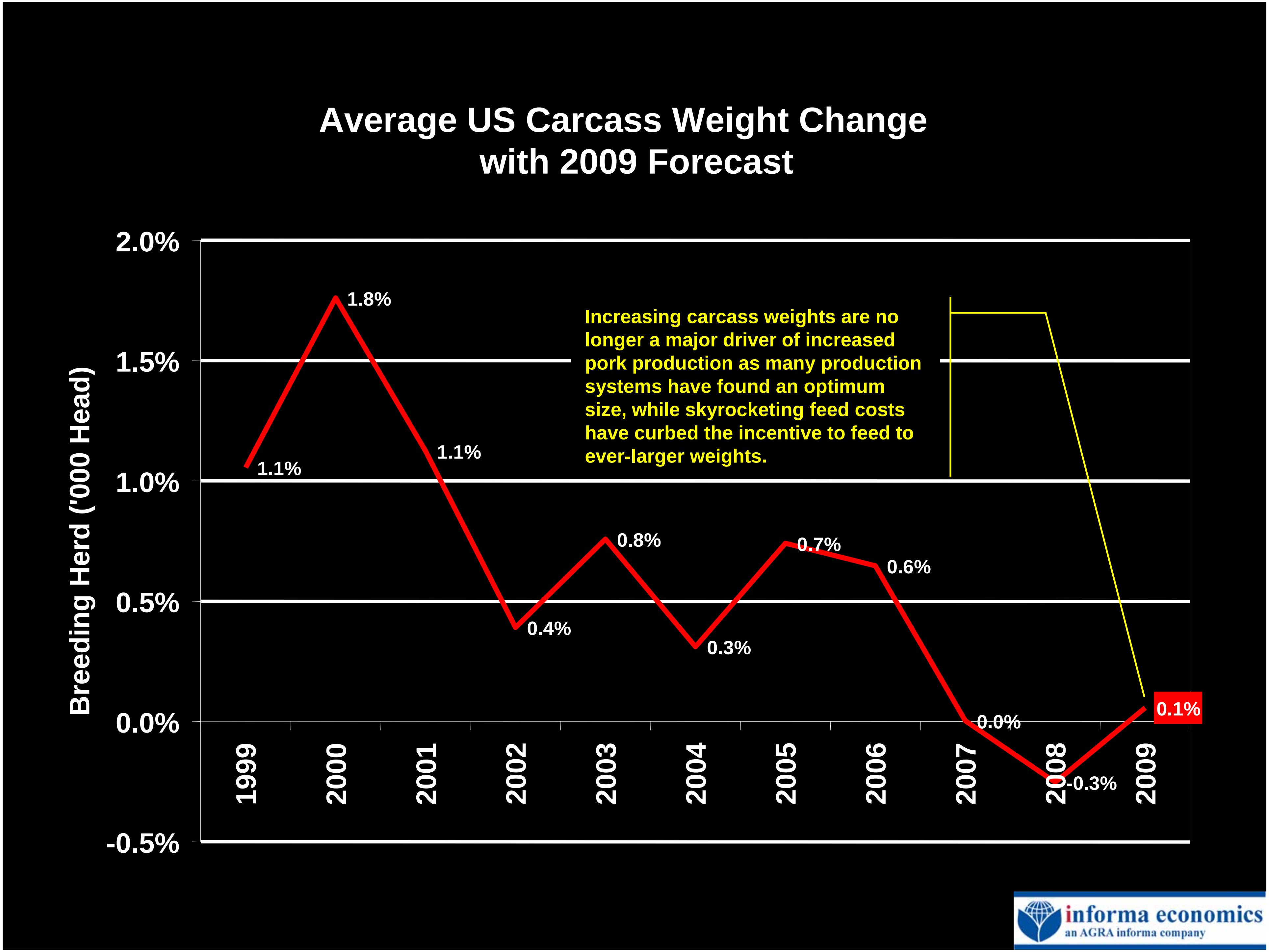

Average US Carcass Weight Change
with 2009 Forecast
2.0%
1.5%
1.0%
0.5%
0.0%
-0.5%
Breeding Herd ('000 Head)
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
1.1%
1.8%
1.1%
0.4%
0.8%
0.3%
0.7%
0.6%
0.0%
-0.3%
0.1%
Increasing carcass weights are no longer a major driver of increased pork production as many production systems have found an optimum size, while skyrocketing feed costs have curbed the incentive to feed to ever-larger weights.
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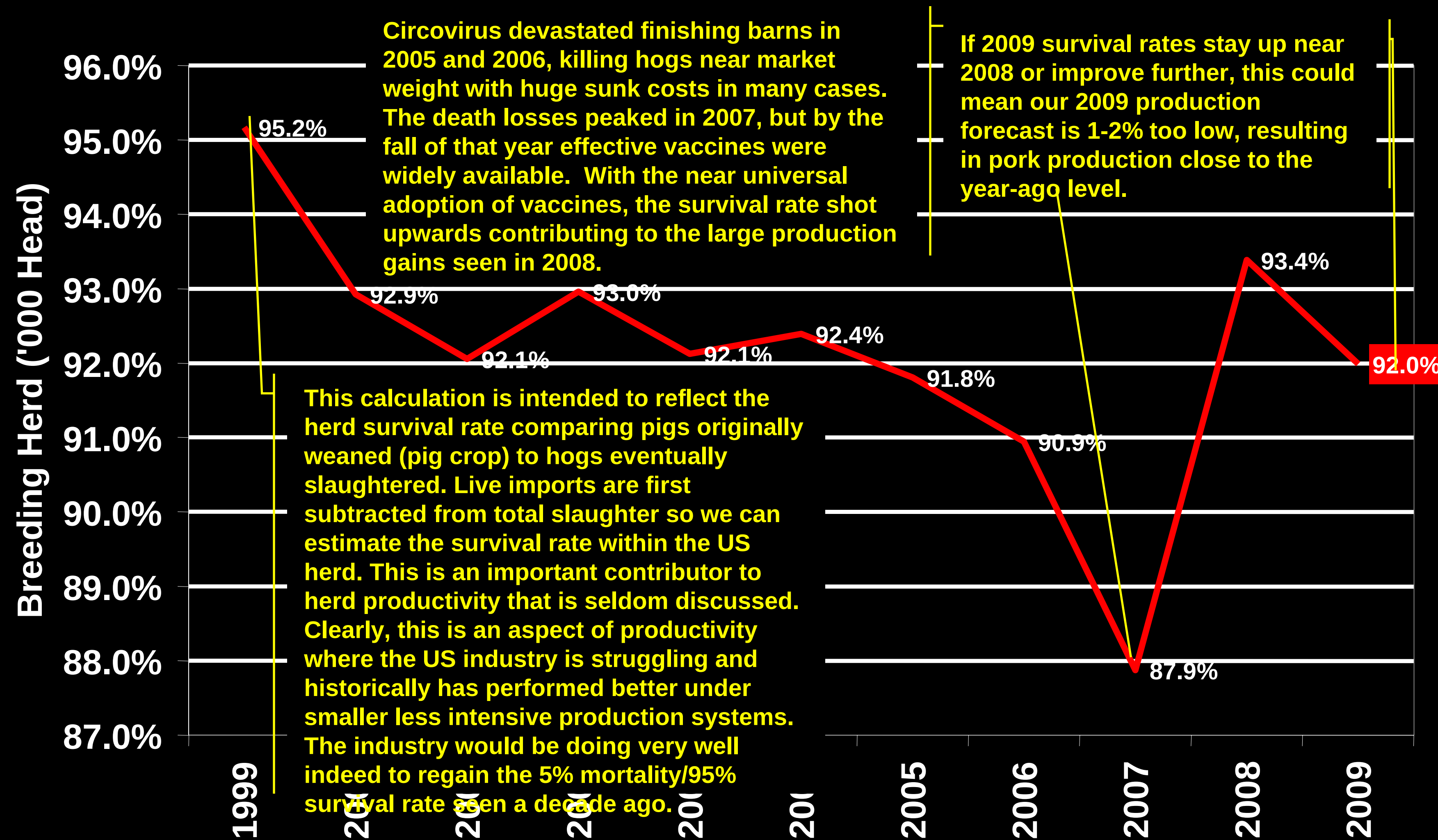
US Pigs Slaughtered/Pigs Weaned (Survival Rate) with 2009 Forecast



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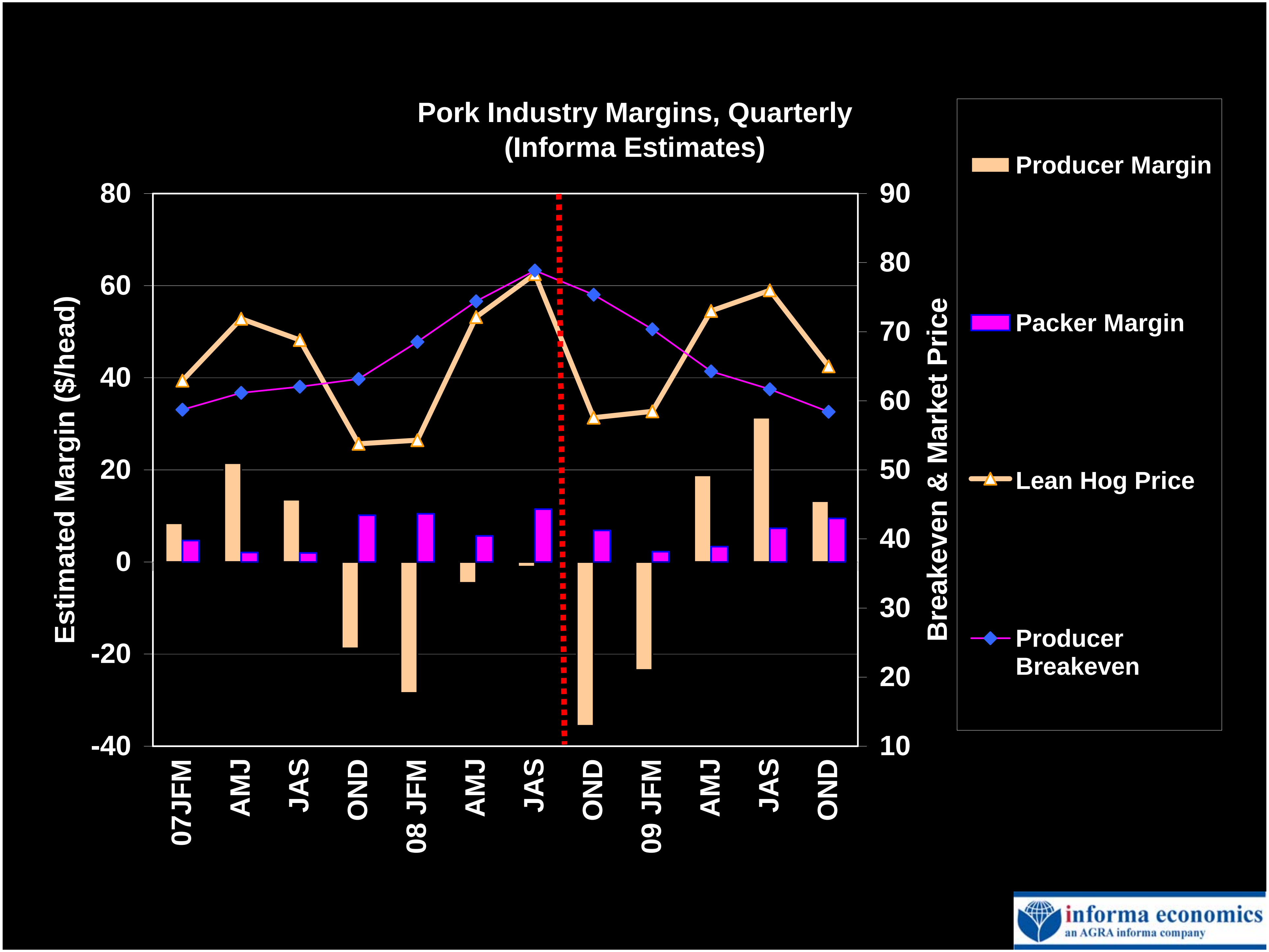

Pork Industry Margins, Quarterly
(Informa Estimates)
Estimated Margin ($/head)
Breakeven & Market Price
80
60
40
20
0
-20
-40
90
80
70
60
50
40
30
20
10
07JFM
AMJ
JAS
OND
08 JFM
AMJ
JAS
OND
09 JFM
AMJ
JAS
OND
Producer Margin
Packer Margin
Lean Hog Price
Producer Breakeven
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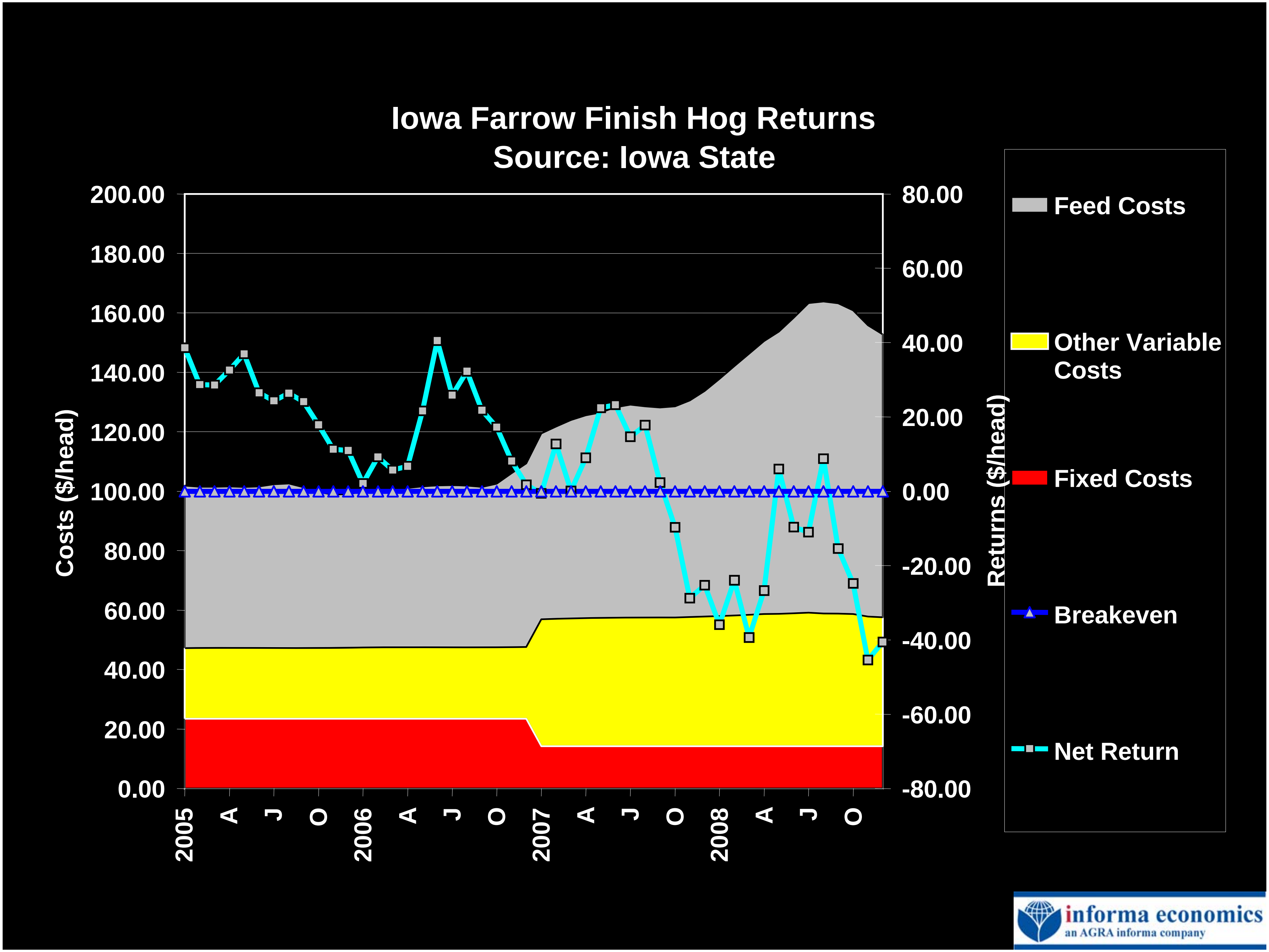

Iowa Farrow Finish Hog Returns
Source: Iowa State
200.00
180.00
160.00
140.00
120.00
100.00
80.00
60.00
40.00
20.00
0.00
Costs ($/head)
80.00
60.00
40.00
20.00
0.00
-20.00
-40.00
-60.00
-80.00
Returns ($/head)
2005
A
J
O
2006
A
J
O
2007
A
J
O
2008
A
J
O
Feed Costs
Other Variable Costs
Fixed Costs
Breakeven
Net Return
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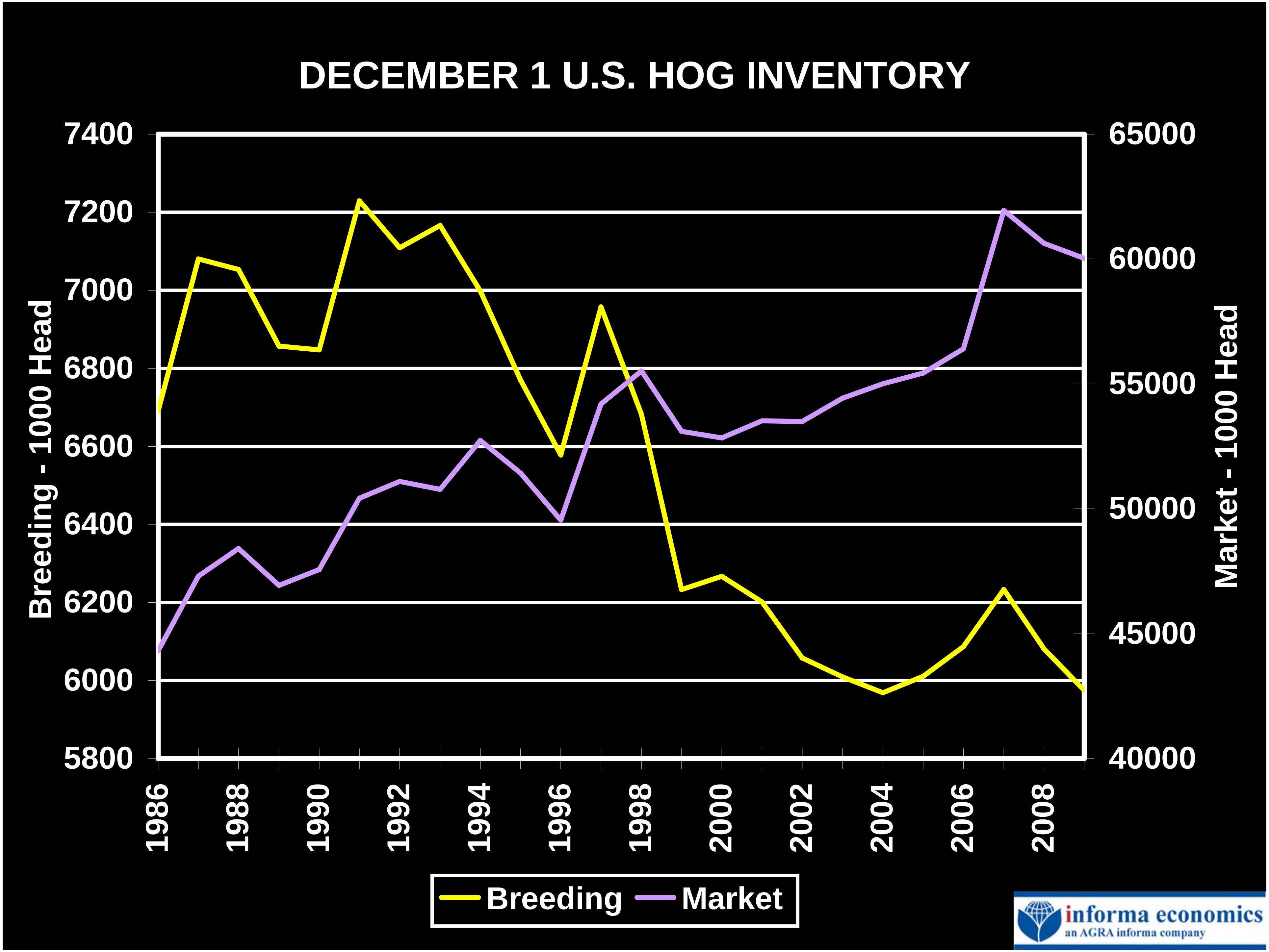

DECEMBER 1 U.S. HOG INVENTORY
7400
7200
7000
6800
6600
6400
6200
6000
5800
Breeding - 1000 Head
65000
60000
55000
50000
45000
40000
Market - 1000 Head
1986
1988
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
Breeding
Market
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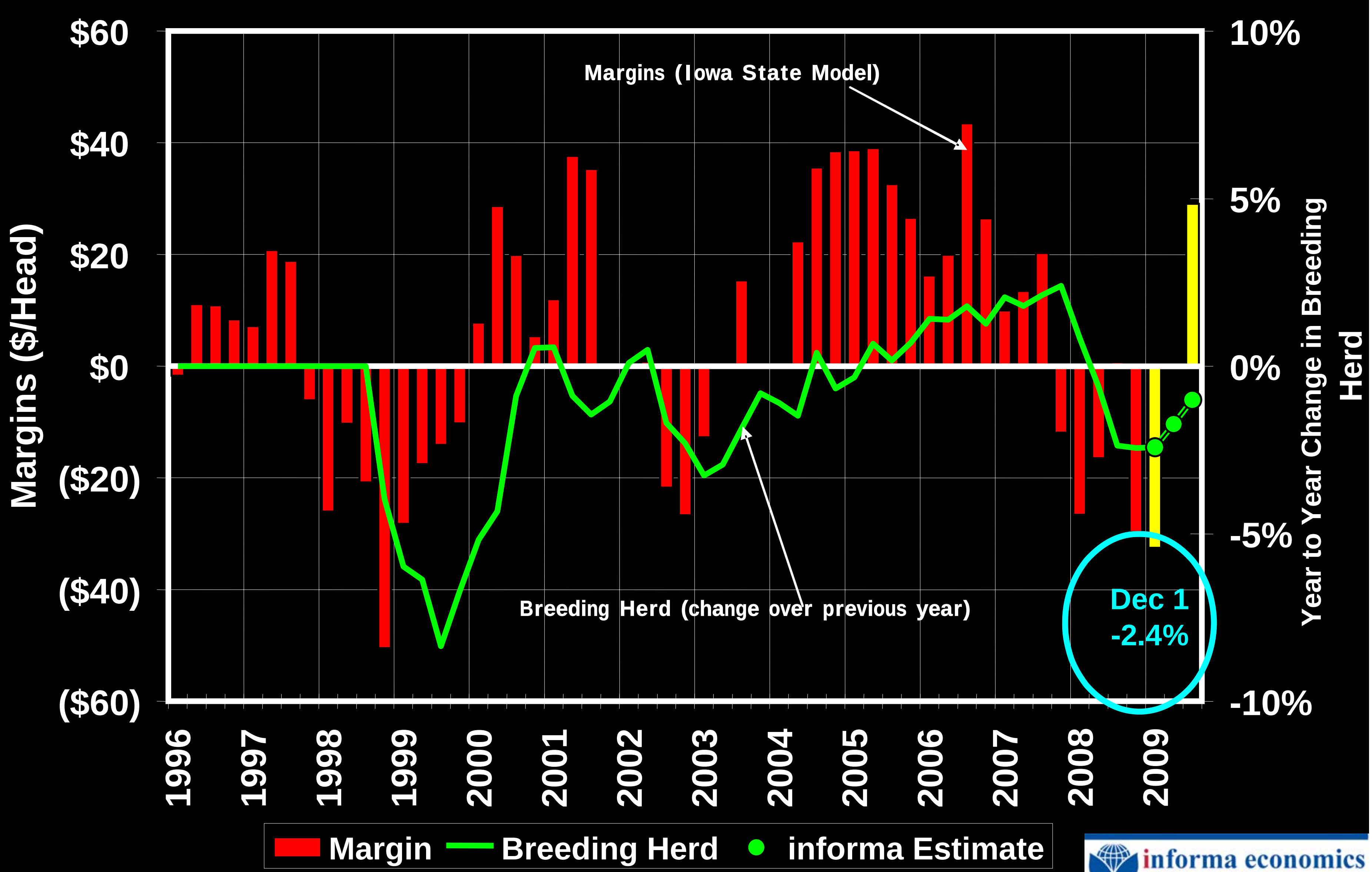
Breeding Herd Vs Farrow-Finish Margins--Hogs
Quarterly, 1996-2009F



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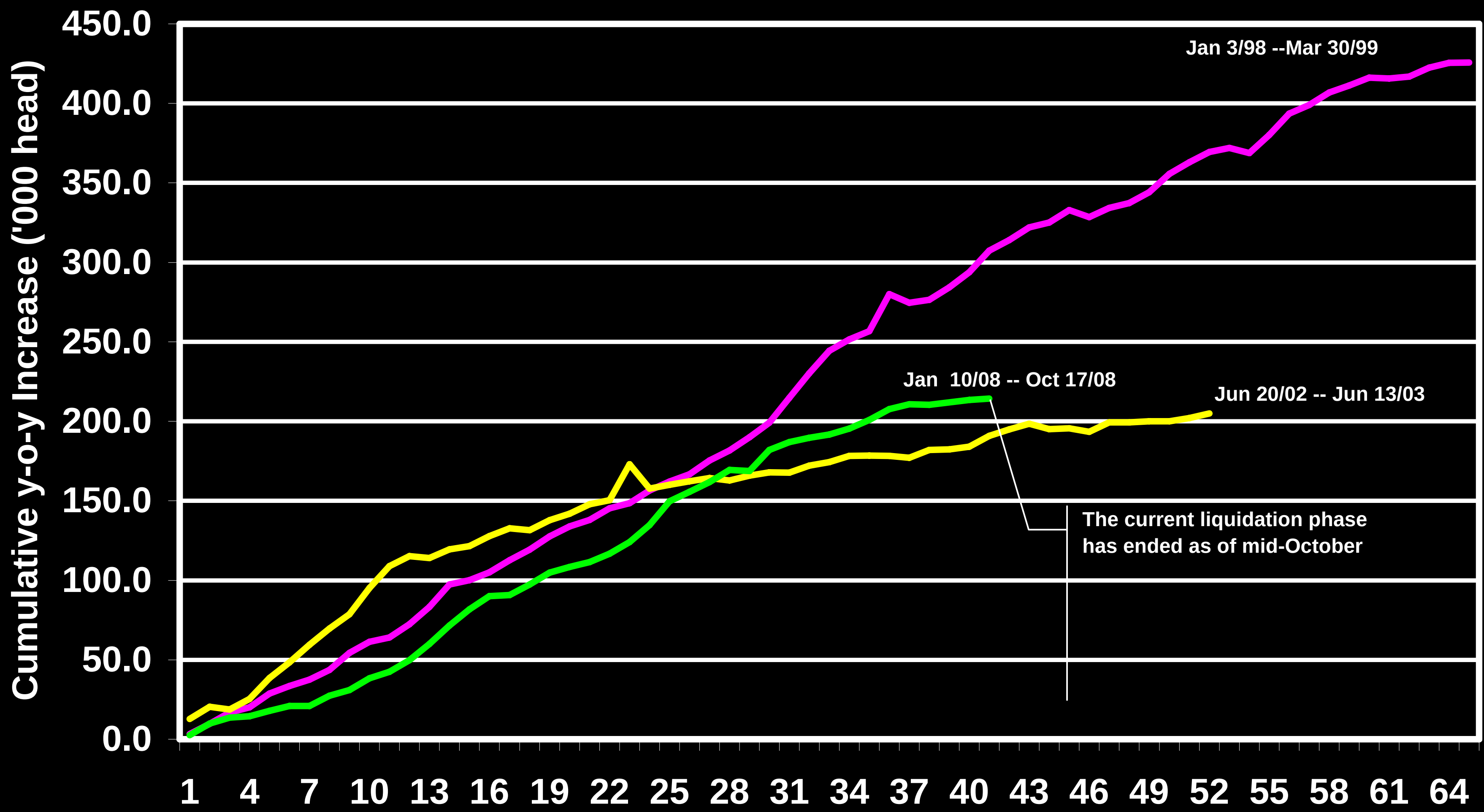
Weekly Sow Liquidation in Recent Cycles
(cumulative sow slaughter increase over previous year)



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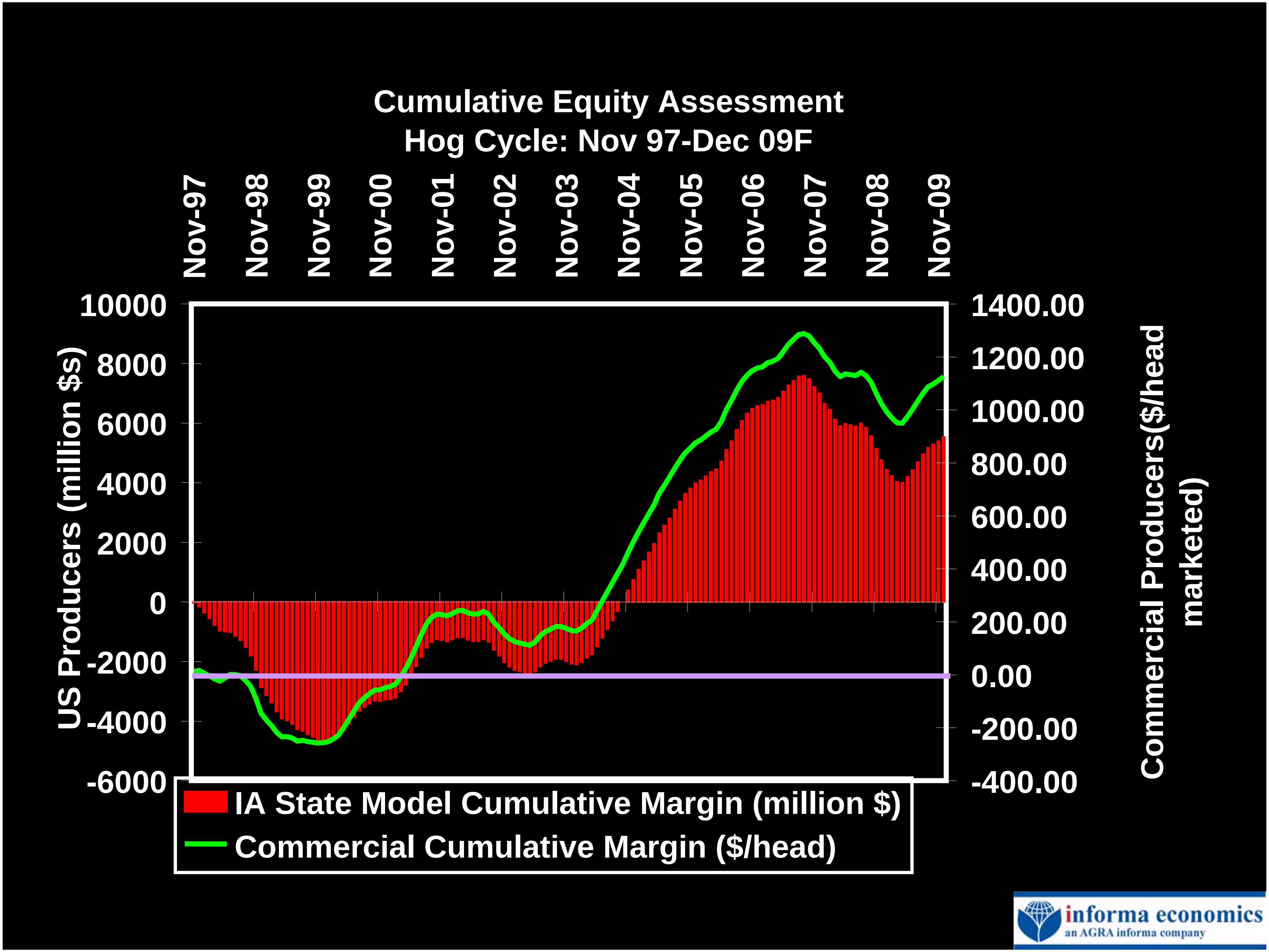

Cumulative Equity Assessment
Hog Cycle: Nov 97-Dec 09F
Nov-97
Nov-98
Nov-99
Nov-00
Nov-01
Nov-02
Nov-03
Nov-04
Nov-05
Nov-06
Nov-07
Nov-08
Nov-09
10000
8000
6000
4000
2000
0
-2000
-4000
-6000
US Producers (million $s)
1400.00
1200.00
1000.00
800.00
600.00
400.00
200.00
0.00
-200.00
-400.00
Commercial Producers($/head marketed)
IA State Model Cumulative Margin (million $)
Commercial Cumulative Margin ($/head)
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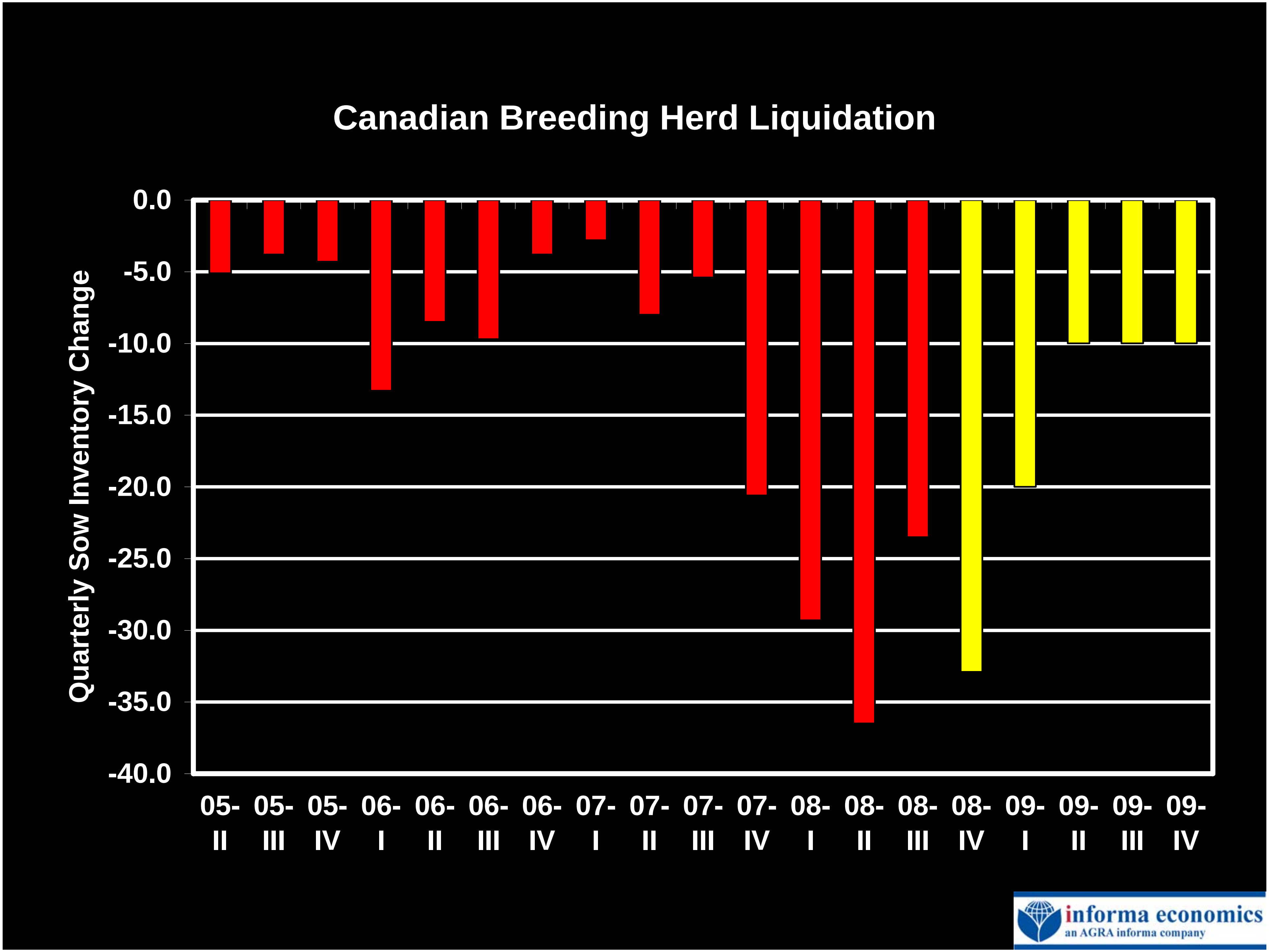
Canadian Breeding Herd Liquidation
Quarterly Sow Inventory Change
0.0
-5.0
-10.0
-15.0
-20.0
-25.0
-30.0
-35.0
-40.0
05-II
05-III
05-IV
06-I
06-II
06-III
06-IV
07-I
07-II
07-III
07-IV
08-I
08-II
08-III
08-IV
09-I
09-II
09-III
09-IV
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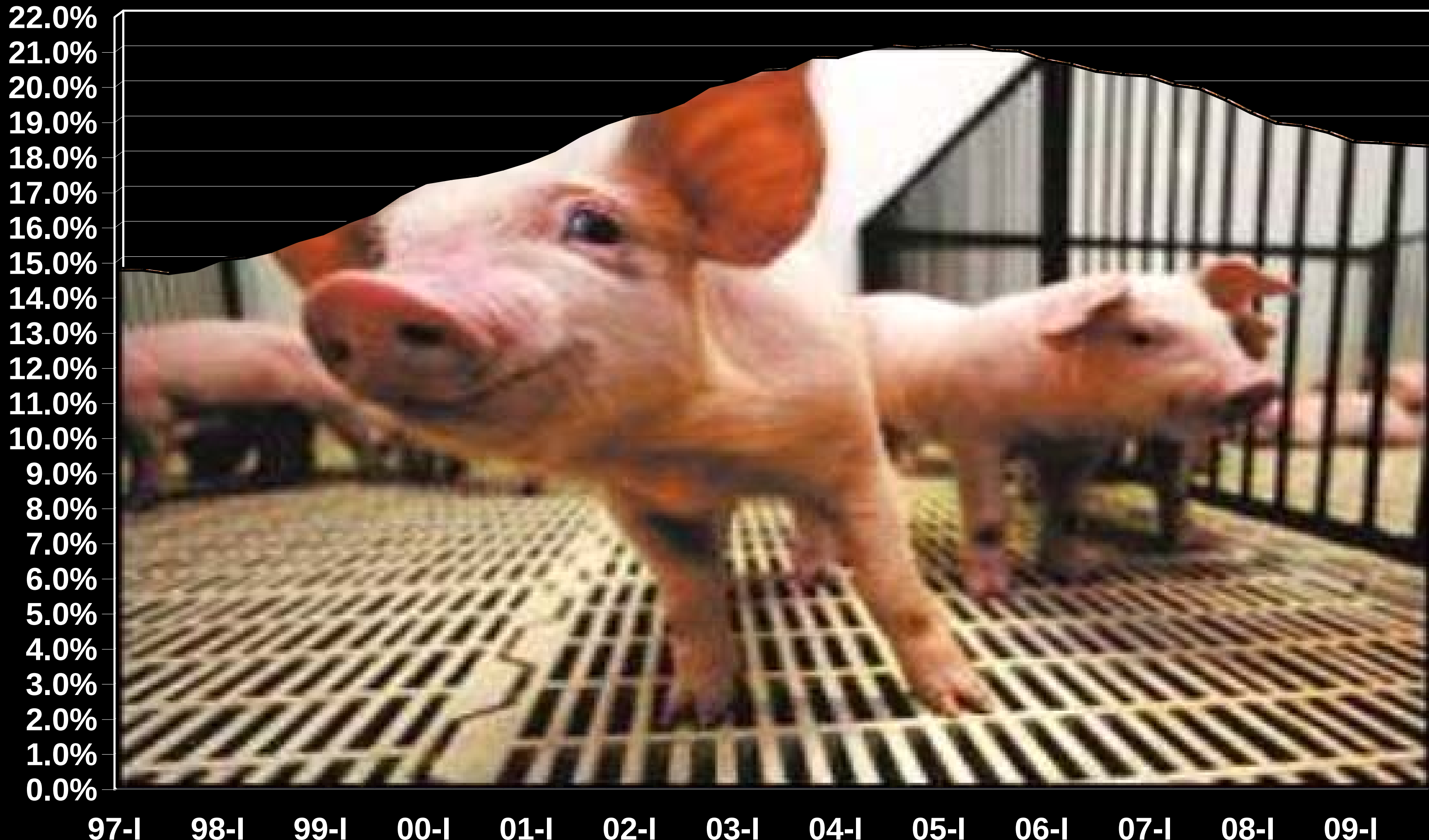
Canadian Share of N.American Swine Breeding Herd



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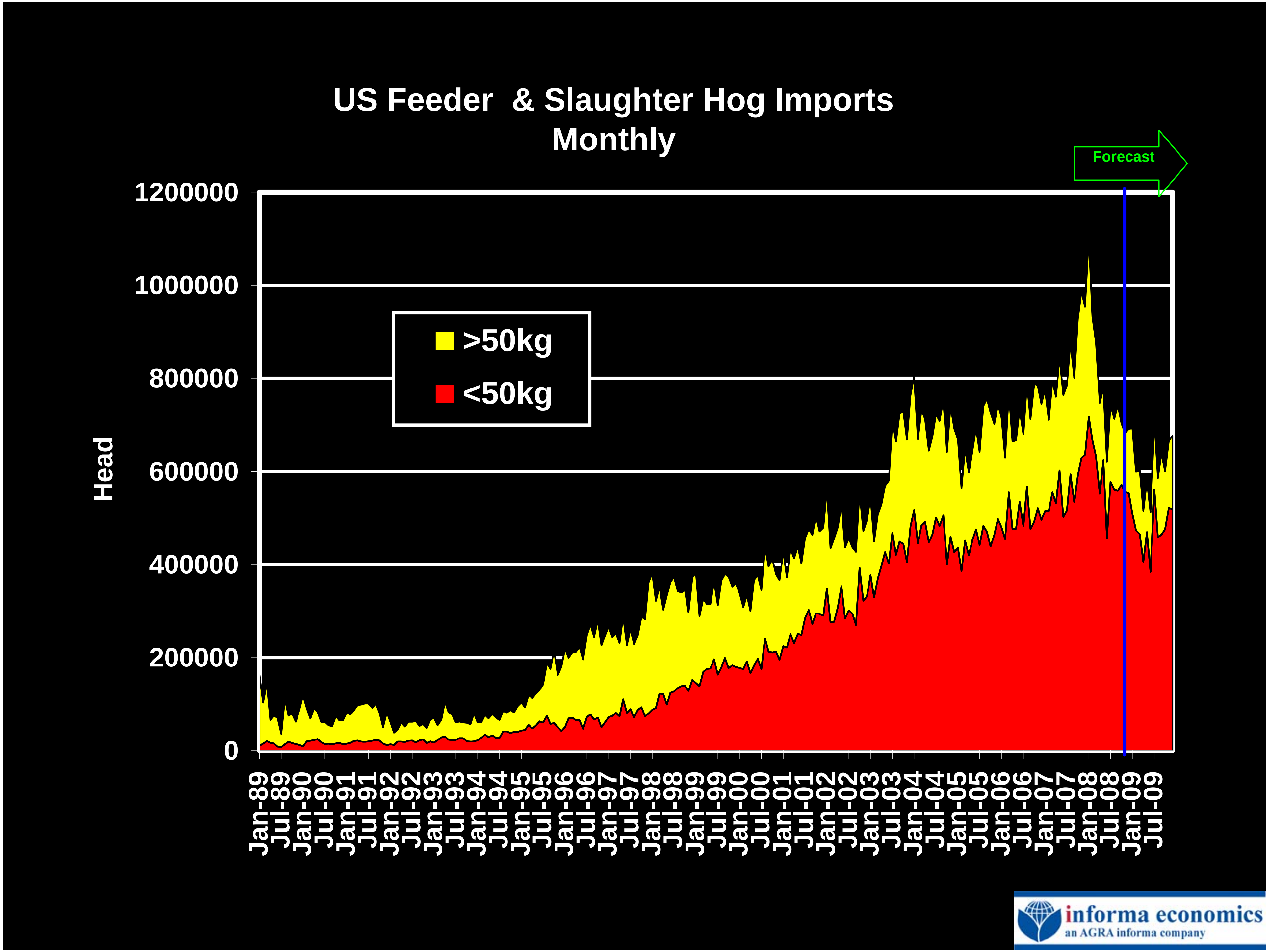
US Feeder & Slaughter Hog Imports
Monthly
Forecast
1200000
1000000
800000
600000
400000
200000
0
Head
>50kg
<50kg
Jan-89
Jul-89
Jan-90
Jul-90
Jan-91
Jul-91
Jan-92
Jul-92
Jan-93
Jul-93
Jan-94
Jul-94
Jan-95
Jul-95
Jan-96
Jul-96
Jan-97
Jul-97
Jan-98
Jul-98
Jan-99
Jul-99
Jan-00
Jul-00
Jan-01
Jul-01
Jan-02
Jul-02
Jan-03
Jul-03
Jan-04
Jul-04
Jan-05
Jul-05
Jan-06
Jul-06
Jan-07
Jul-07
Jan-08
Jul-08
Jan-09
Jul-09
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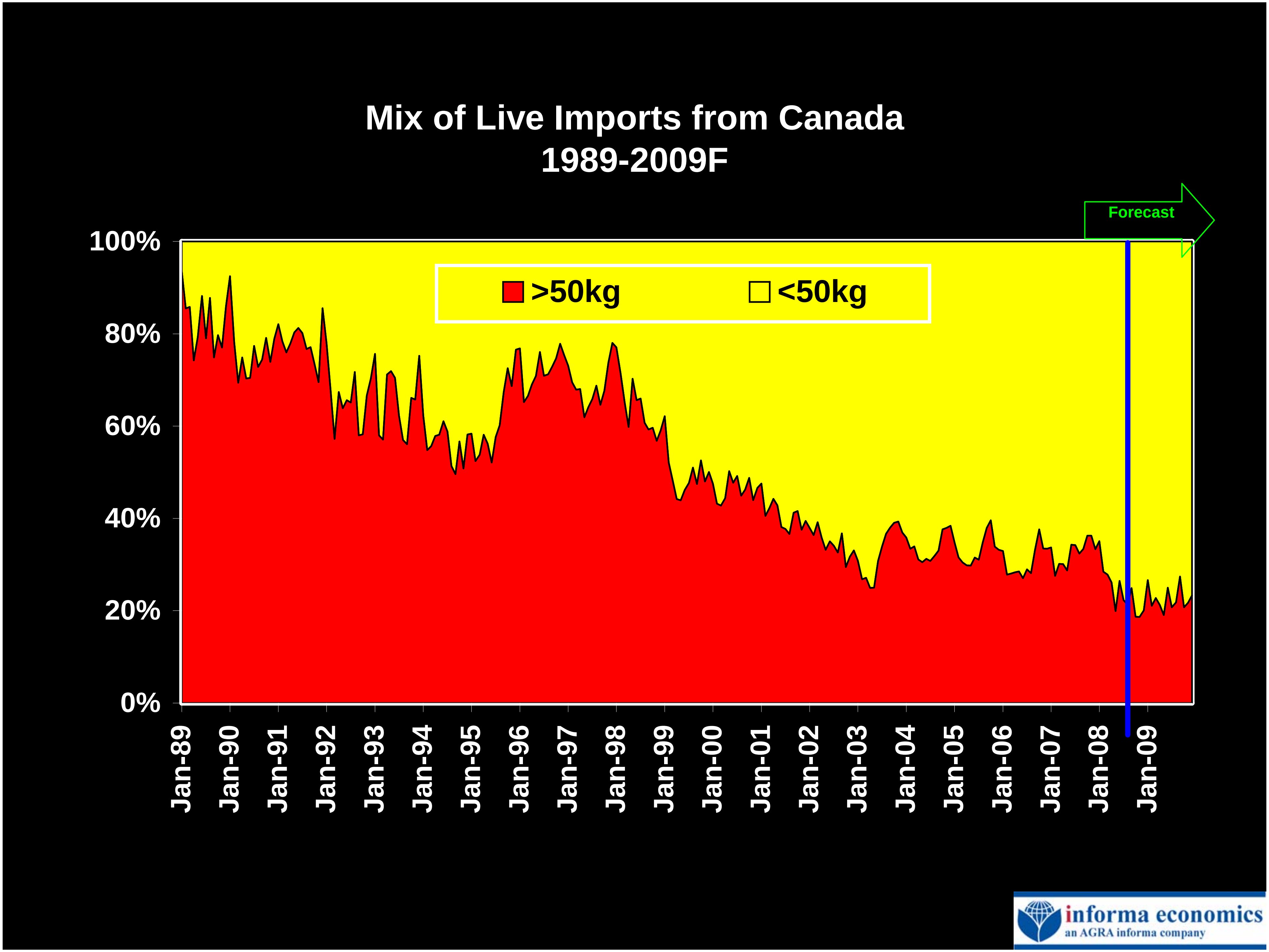

Mix of Live Imports from Canada
1989-2009F
Forecast
>50kg
<50kg
100%
80%
60%
40%
20%
0%
Jan-89
Jan-90
Jan-91
Jan-92
Jan-93
Jan-94
Jan-95
Jan-96
Jan-97
Jan-98
Jan-99
Jan-00
Jan-01
Jan-02
Jan-03
Jan-04
Jan-05
Jan-06
Jan-07
Jan-08
Jan-09
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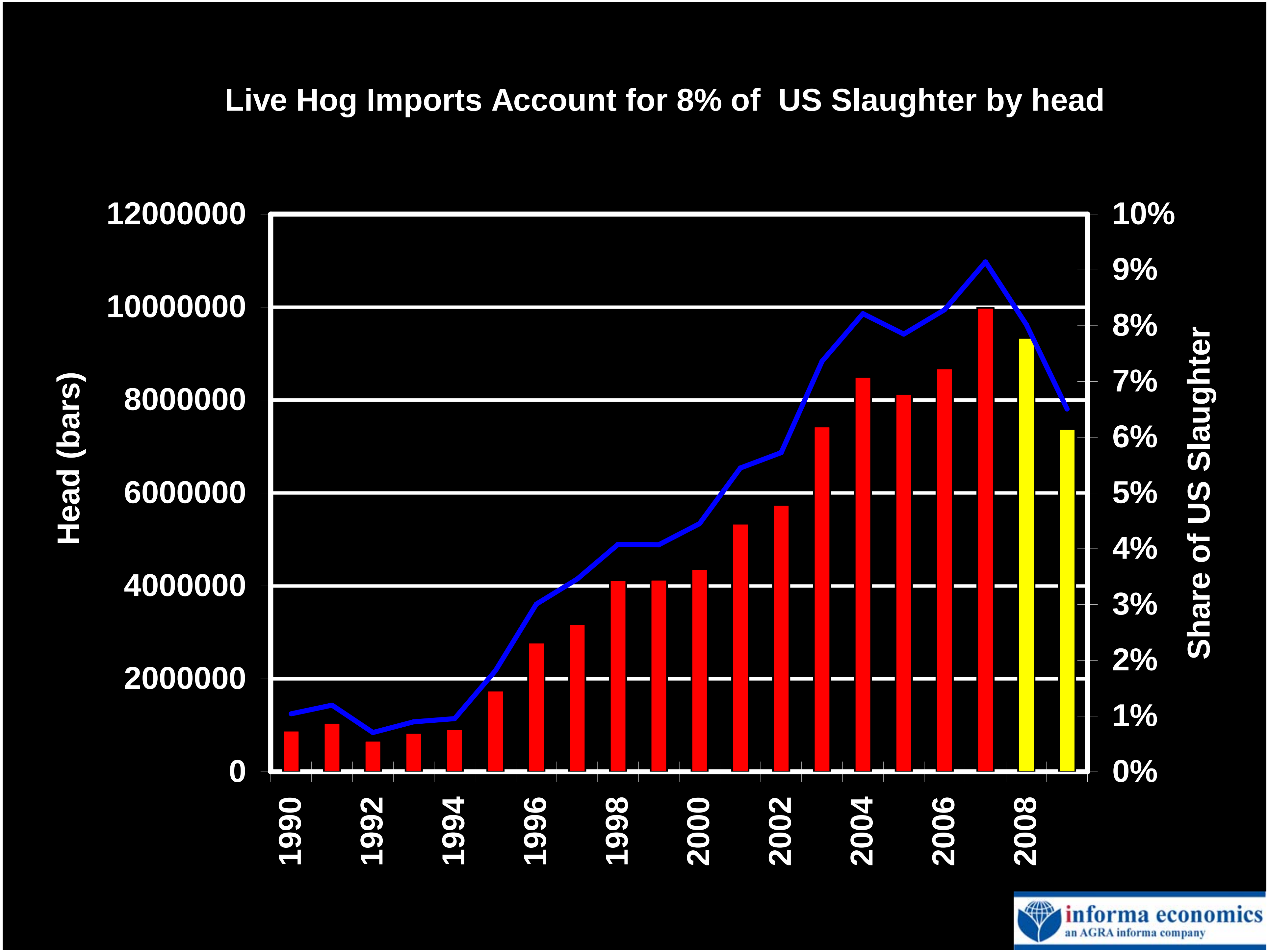

Live Hog Imports Account for 8% of US Slaughter by head
12000000
10000000
8000000
6000000
4000000
2000000
0
Head (bars)
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
Share of US Slaughter
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
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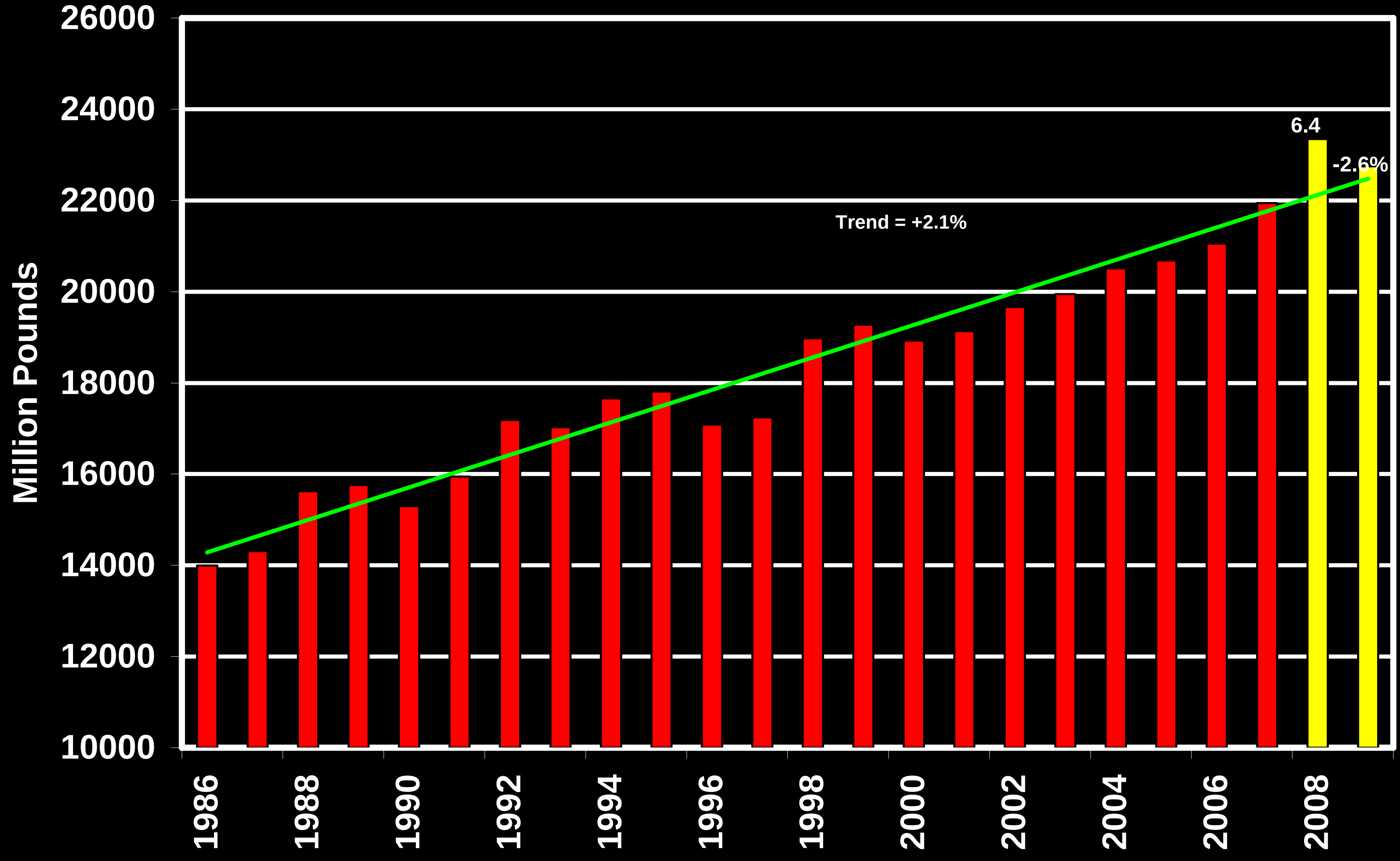
US Pork Production, Annual



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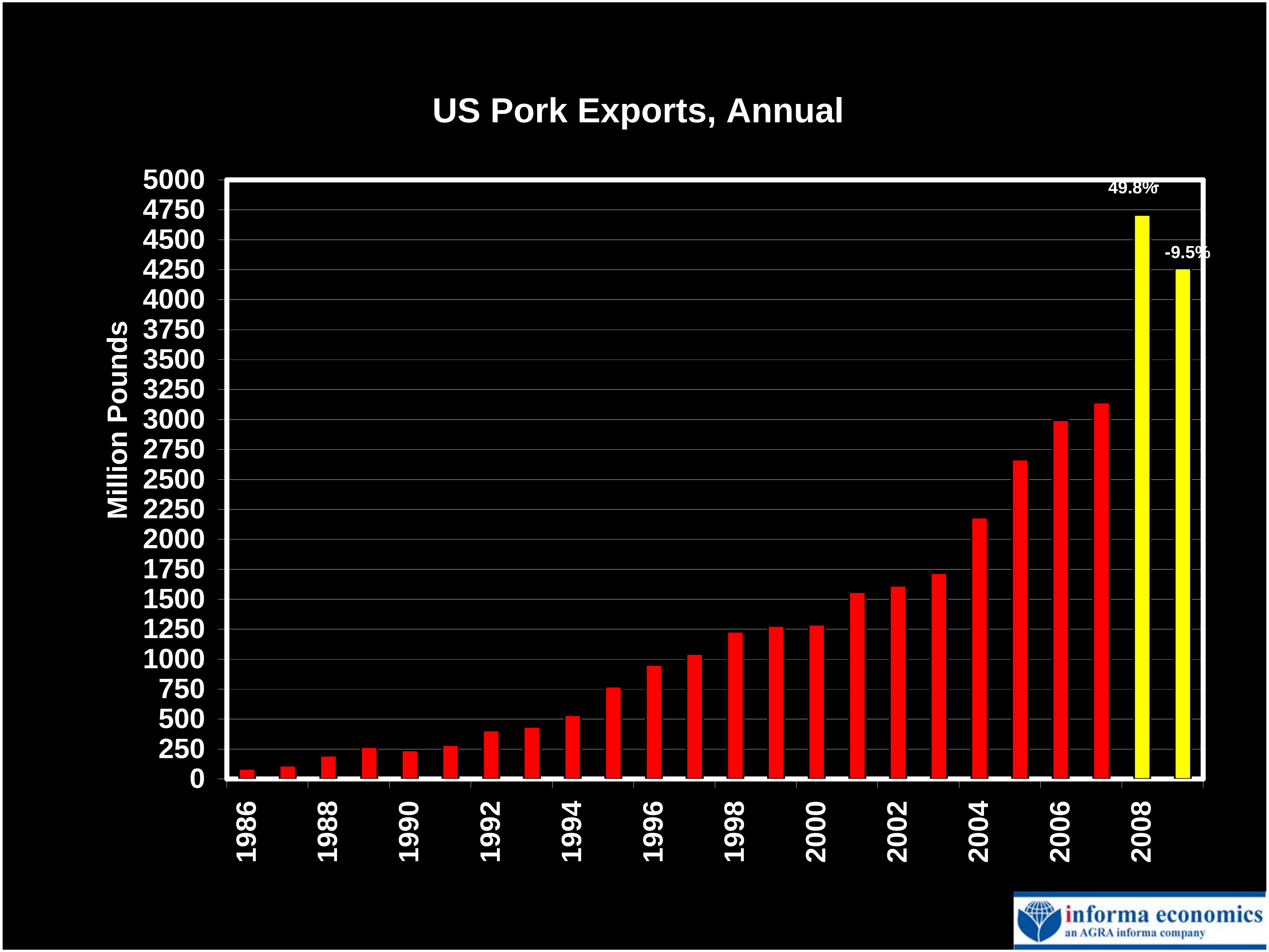
US Pork Exports, Annual
Million Pounds
5000
4750
4500
4250
4000
3750
3500
3250
3000
2750
2500
2250
2000
1750
1500
1250
1000
750
500
250
0
1986
1988
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
49.8%
-9.5%
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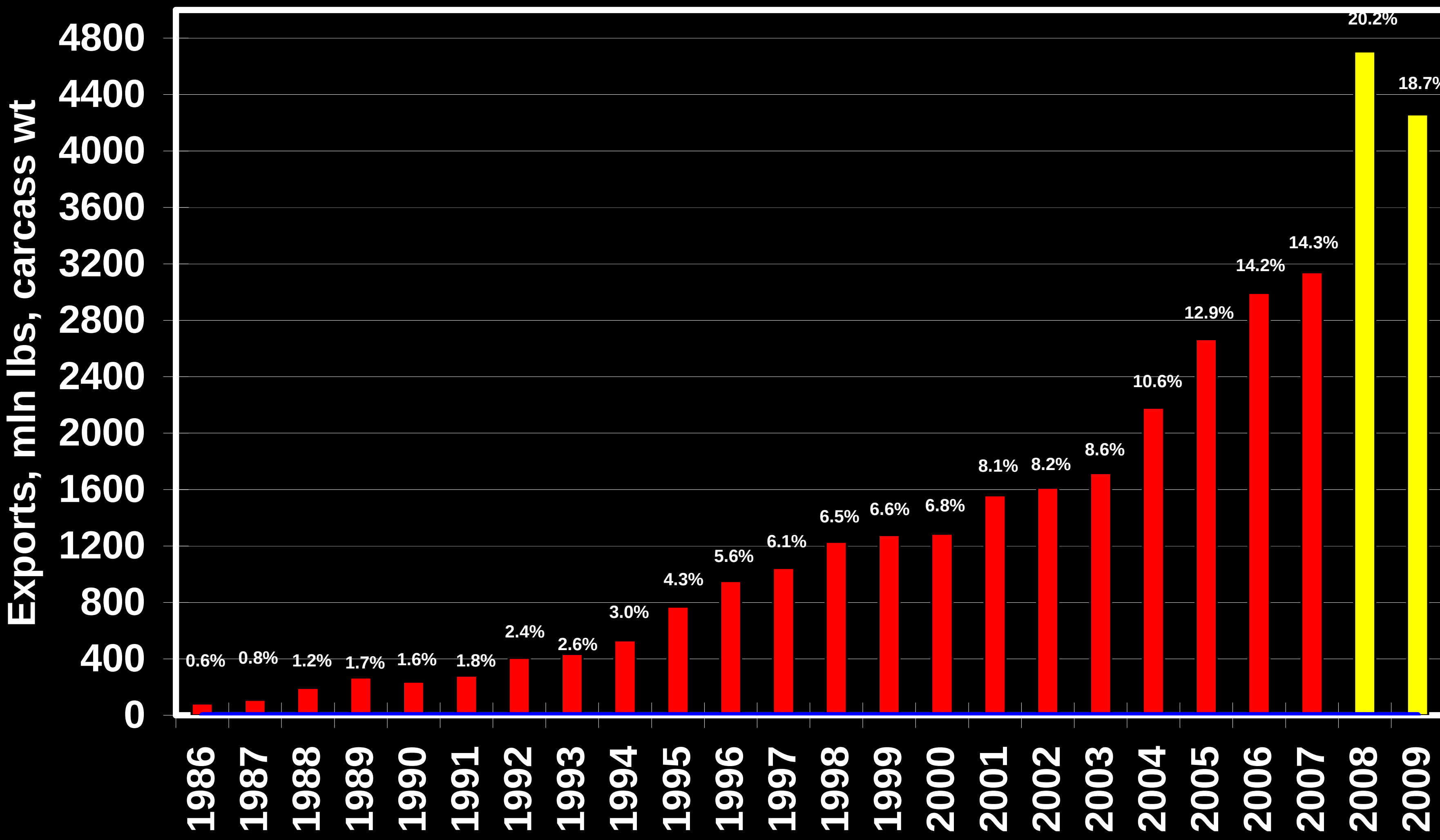
Total US Pork Exports and % of Pork Production



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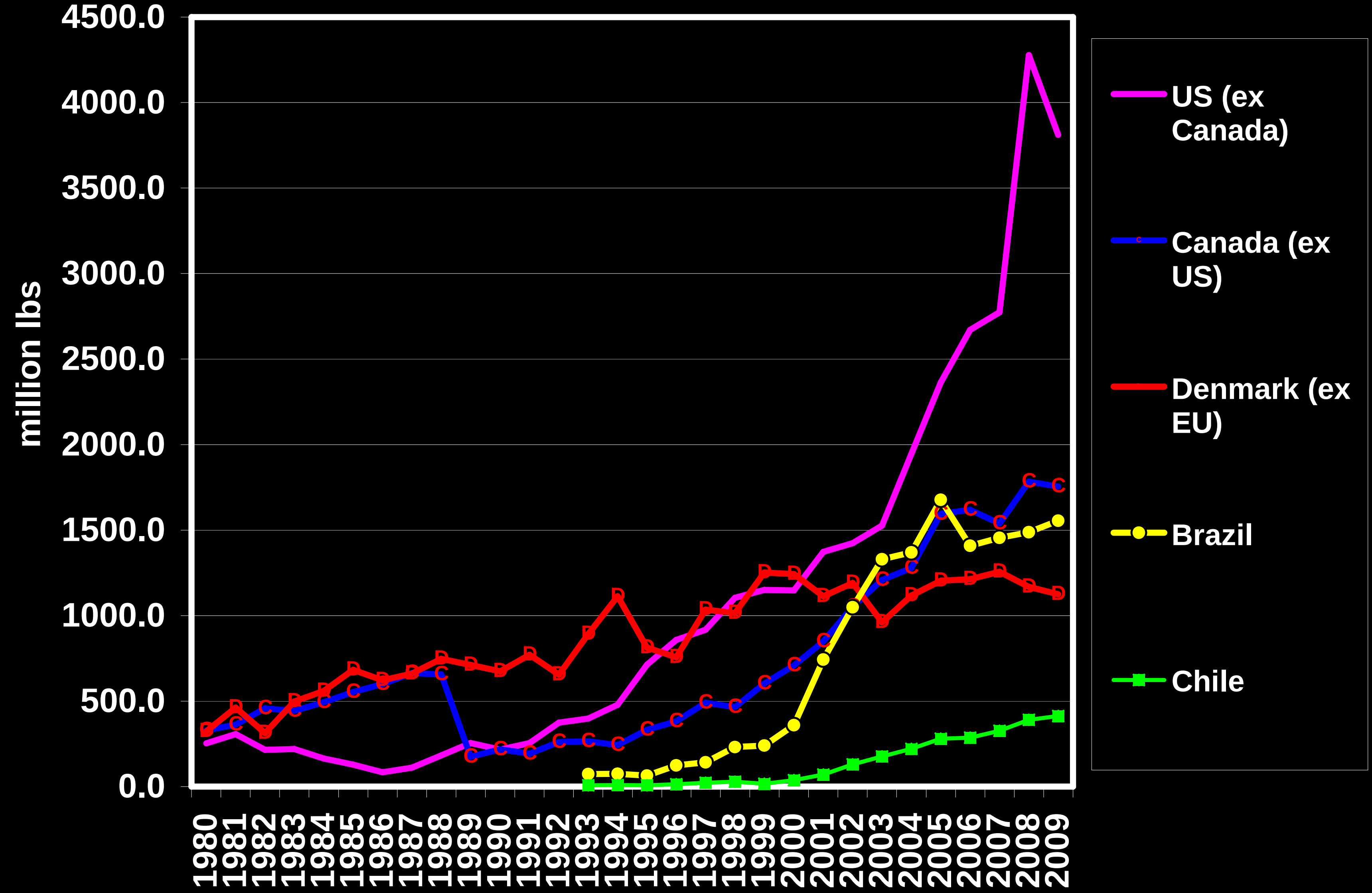
Major Global Pork Exporters, with 2008/09 Forecasts



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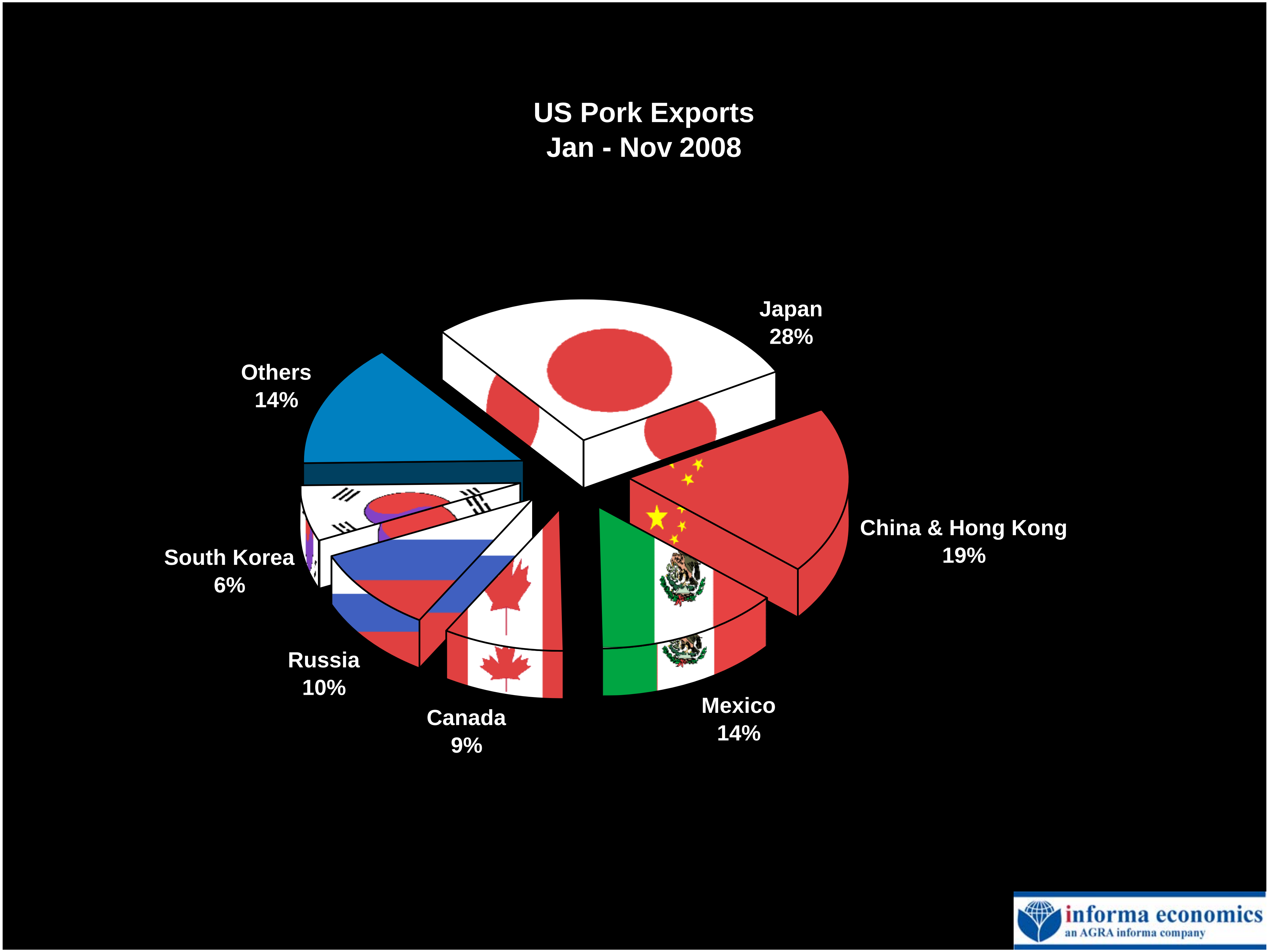
US Pork Exports
Jan - Nov 2008
Japan
28%
China & Hong Kong
19%
Mexico
14%
Canada
9%
Russia
10%
South Korea
6%
Others
14%
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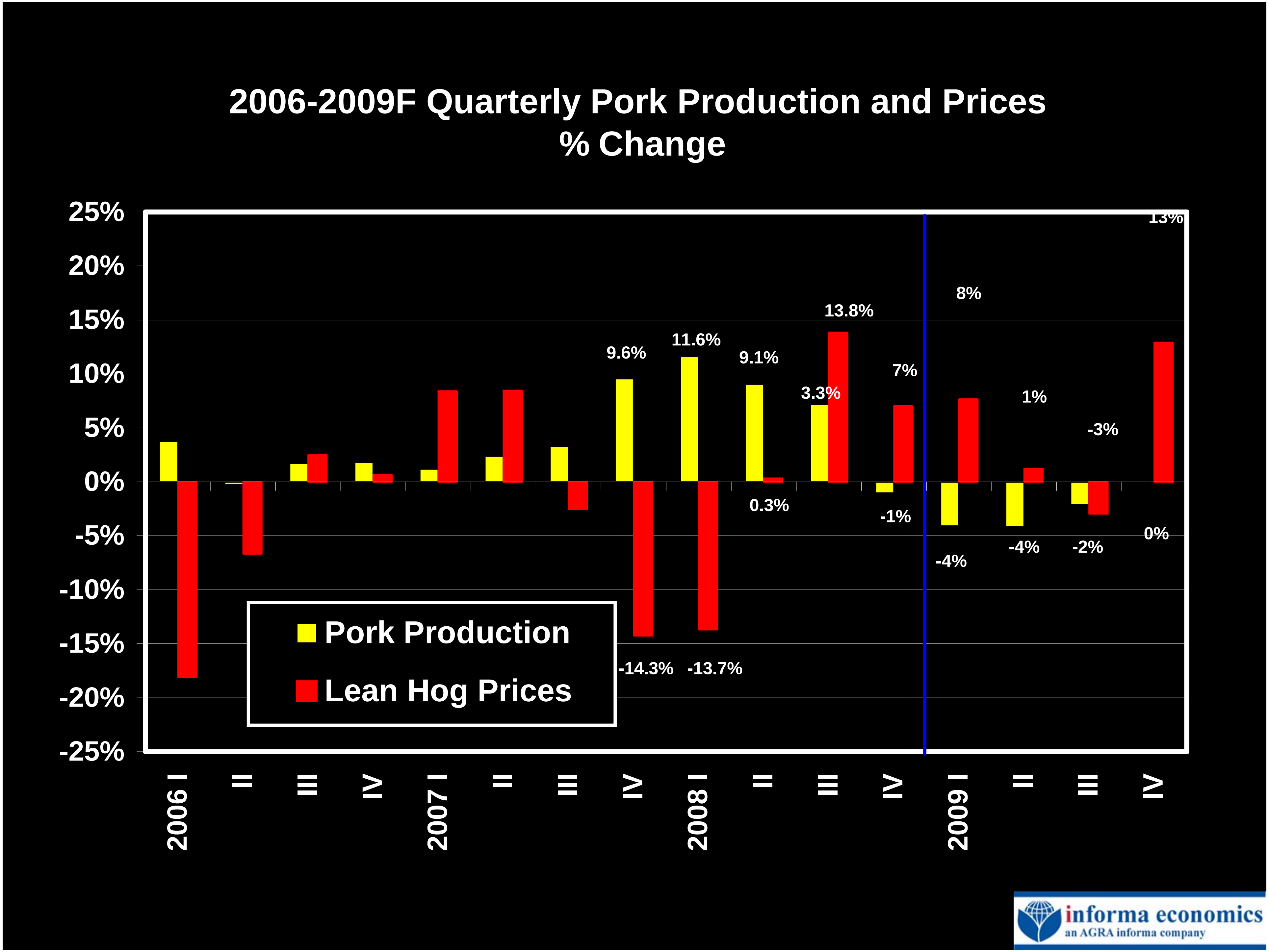
2006-2009F Quarterly Pork Production and Prices
% Change
25%
20%
15%
10%
5%
0%
-5%
-10%
-15%
-20%
-25%
9.6%
11.6%
9.1%
13.8%
3.3%
7%
8%
1%
-3%
13%
0.3%
-1%
-4%
-4%
-2%
0%
-14.3%
-13.7%
Pork Production
Lean Hog Prices
2006 I
II
III
IV
2007 I
II
III
IV
2008 I
II
III
IV
2009 I
II
III
IV
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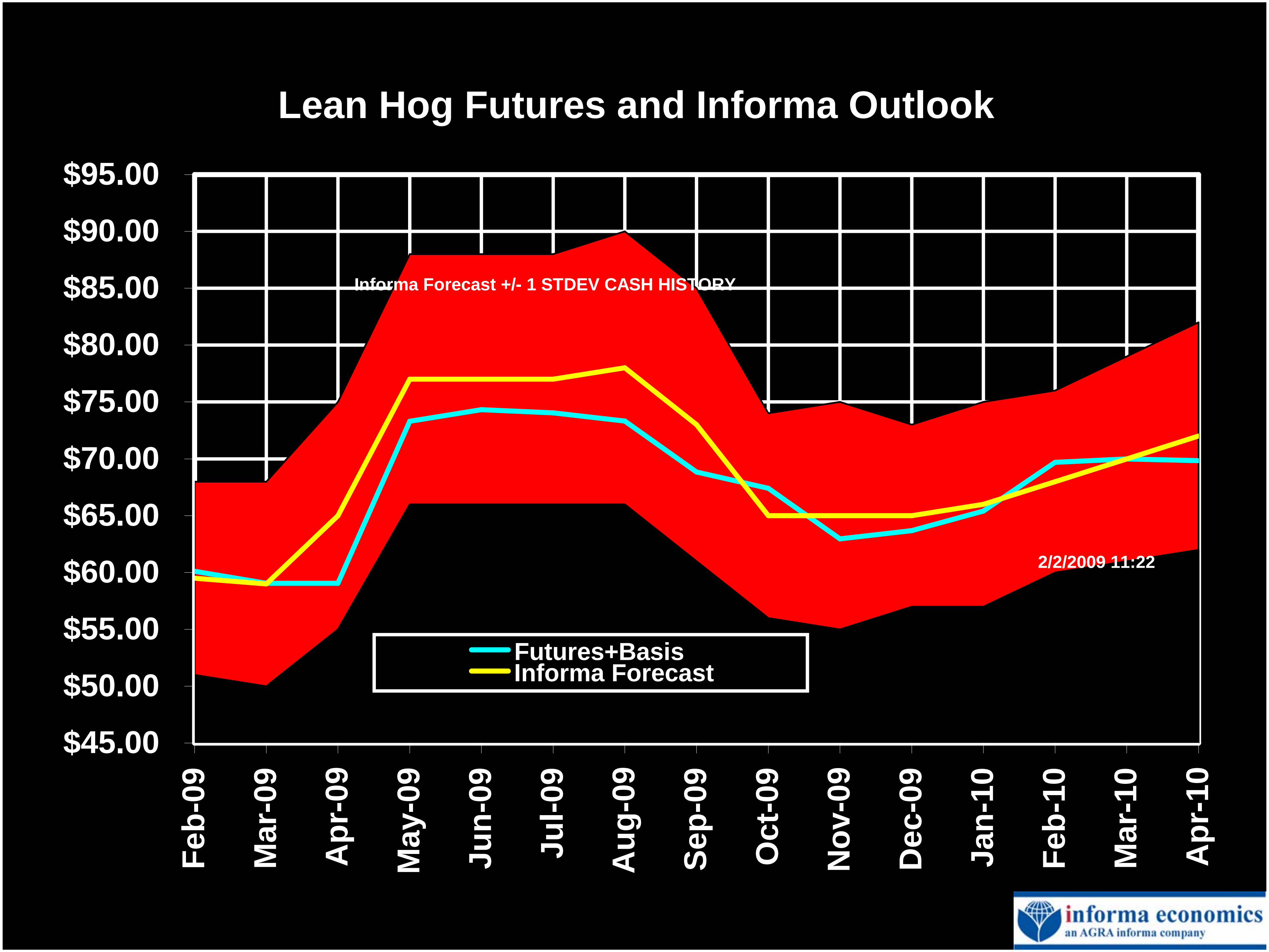
Lean Hog Futures and Informa Outlook
$95.00
$90.00
$85.00
$80.00
$75.00
$70.00
$65.00
$60.00
$55.00
$50.00
$45.00
Informa Forecast +/- 1 STDEV CASH HISTORY
2/2/2009 11:22
Futures+Basis
Informa Forecast
Feb-09
Mar-09
Apr-09
May-09
Jun-09
Jul-09
Aug-09
Sep-09
Oct-09
Nov-09
Dec-09
Jan-10
Feb-10
Mar-10
Apr-10
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US Pork Sector Outlook

- US breeding herd off 2-3% suggesting reduced #'s
- Industry productivity is up which is partially offsetting
- Imports of market ready hogs from Canada are down
- Imports of feeder pigs are off reducing feed demand
- US pork exports down which is big negative
- Domestic demand for pork is modest at best
- US industry needs board + prices to regain profits
- Feed costs should decline but uncertainty prevails
- Further consolidation of production to continue

US Dairy and Cattle Industry Situation and Outlook

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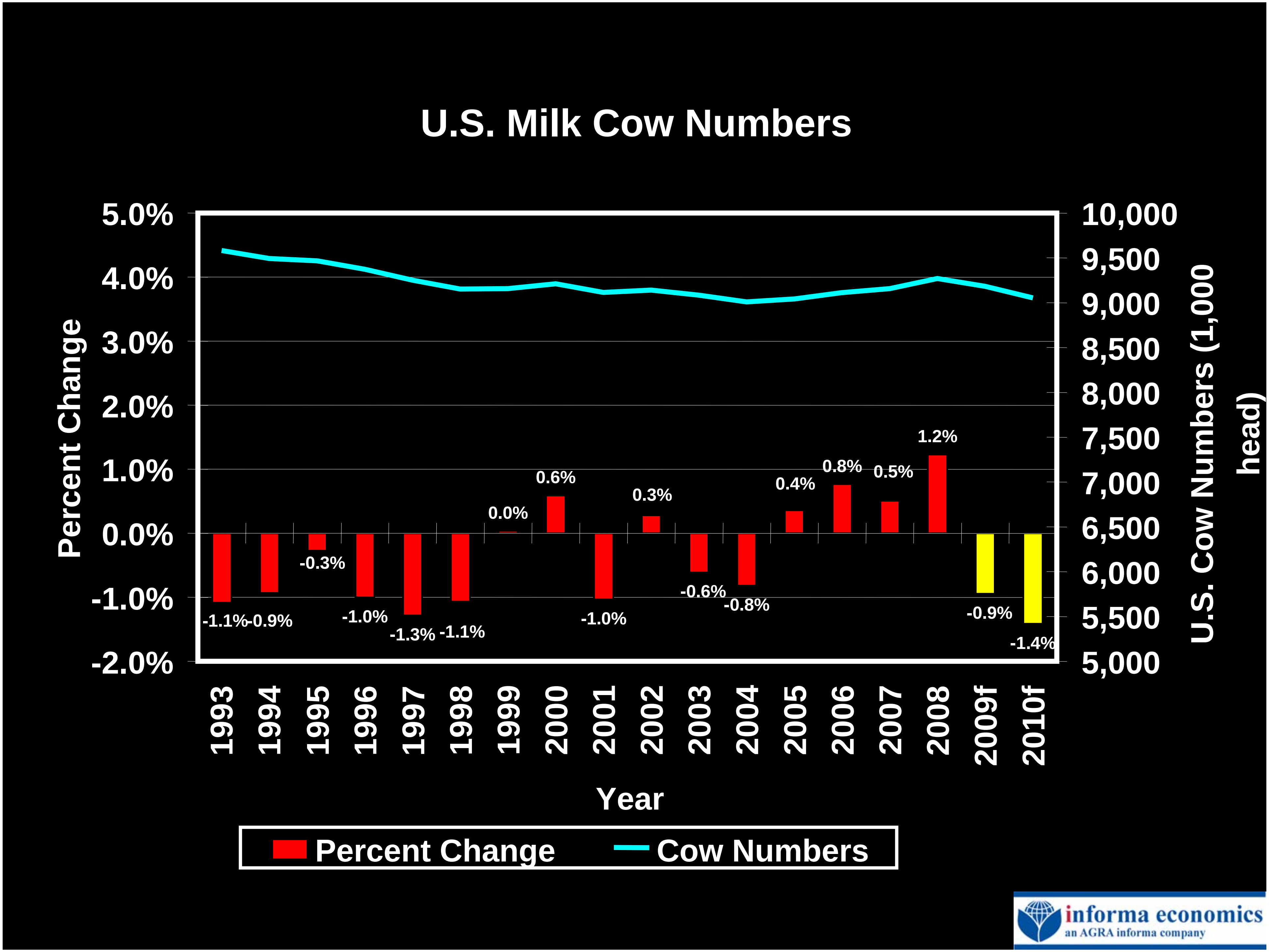
U.S. Milk Cow Numbers
Percent Change
5.0%
4.0%
3.0%
2.0%
1.0%
0.0%
-1.0%
-2.0%
U.S. Cow Numbers (1,000 head)
10,000
9,500
9,000
8,500
8,000
7,500
7,000
6,500
6,000
5,500
5,000
-1.1%
-0.9%
-0.3%
-1.0%
-1.3%
-1.1%
0.0%
0.6%
-1.0%
0.3%
-0.6%
-0.8%
0.4%
0.8%
0.5%
1.2%
-0.9%
-1.4%
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009f
2010f
Year
Percent Change
Cow Numbers
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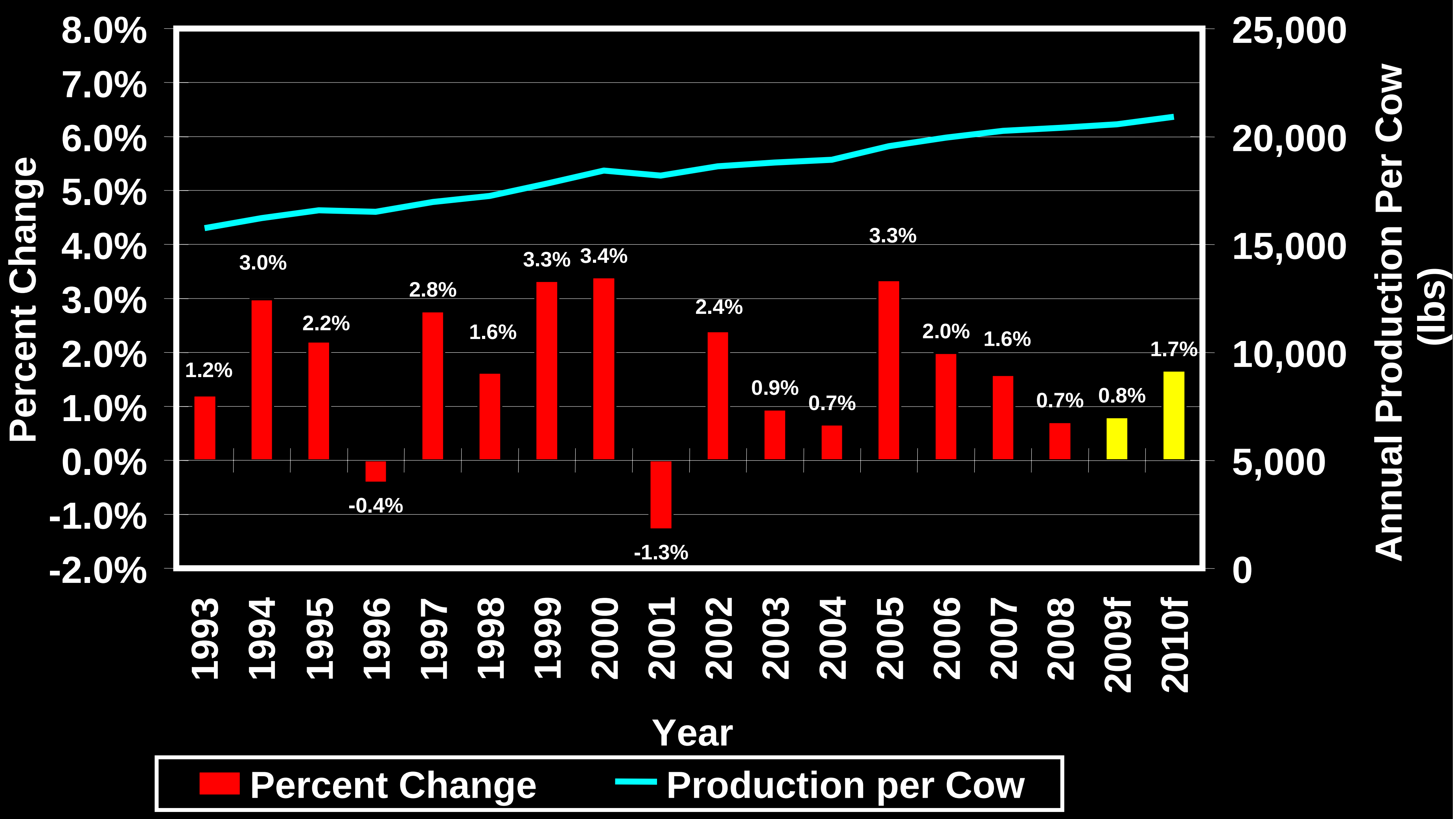
U.S. Milk Production Per Cow



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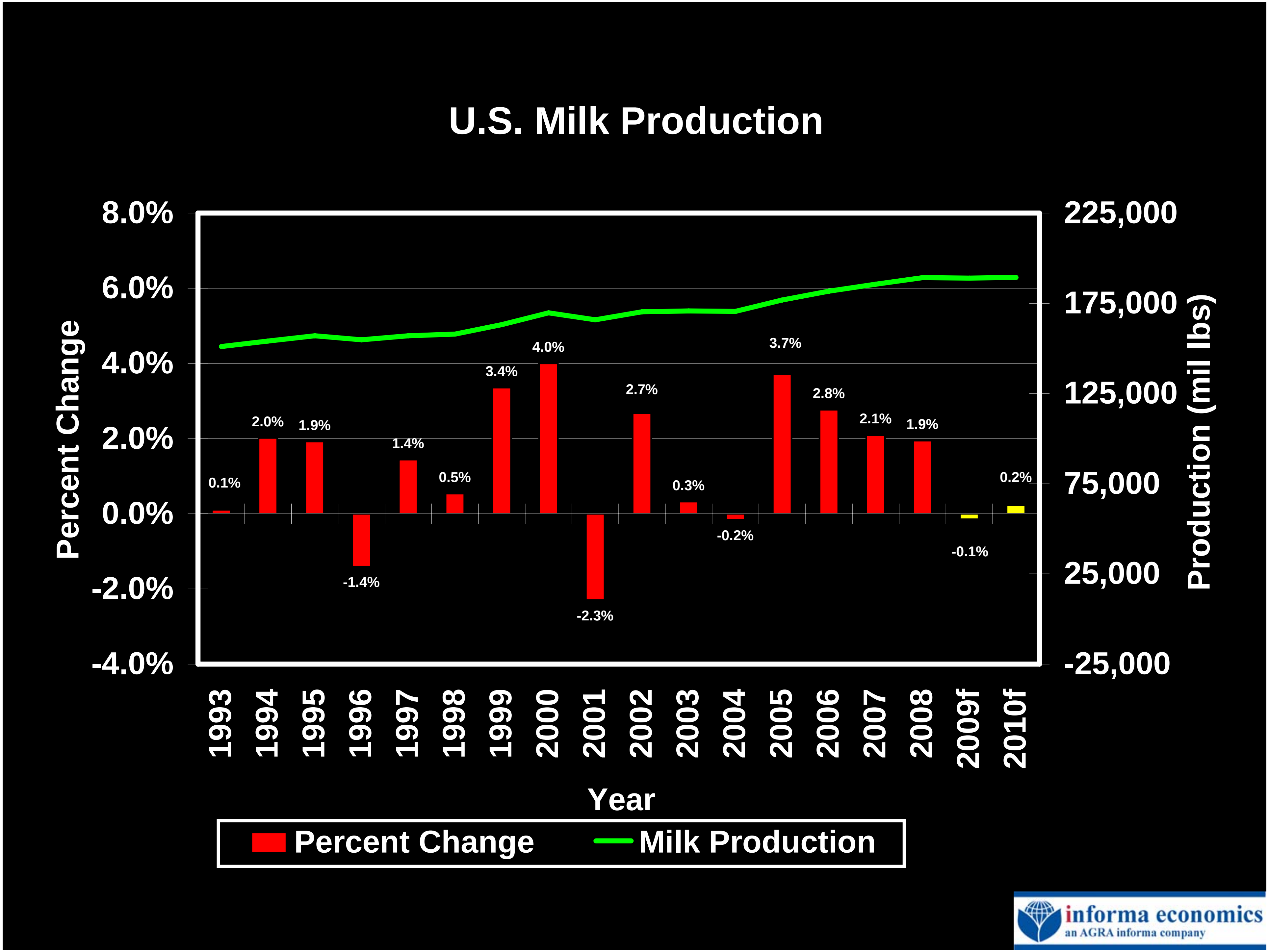

U.S. Milk Production
8.0%
6.0%
4.0%
2.0%
0.0%
-2.0%
-4.0%
Percent Change
225,000
175,000
125,000
75,000
25,000
-25,000
Production (mil lbs)
0.1%
2.0%
1.9%
-1.4%
1.4%
0.5%
3.4%
4.0%
-2.3%
2.7%
0.3%
-0.2%
3.7%
2.8%
2.1%
1.9%
-0.1%
0.2%
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009f
2010f
Year
Percent Change
Milk Production
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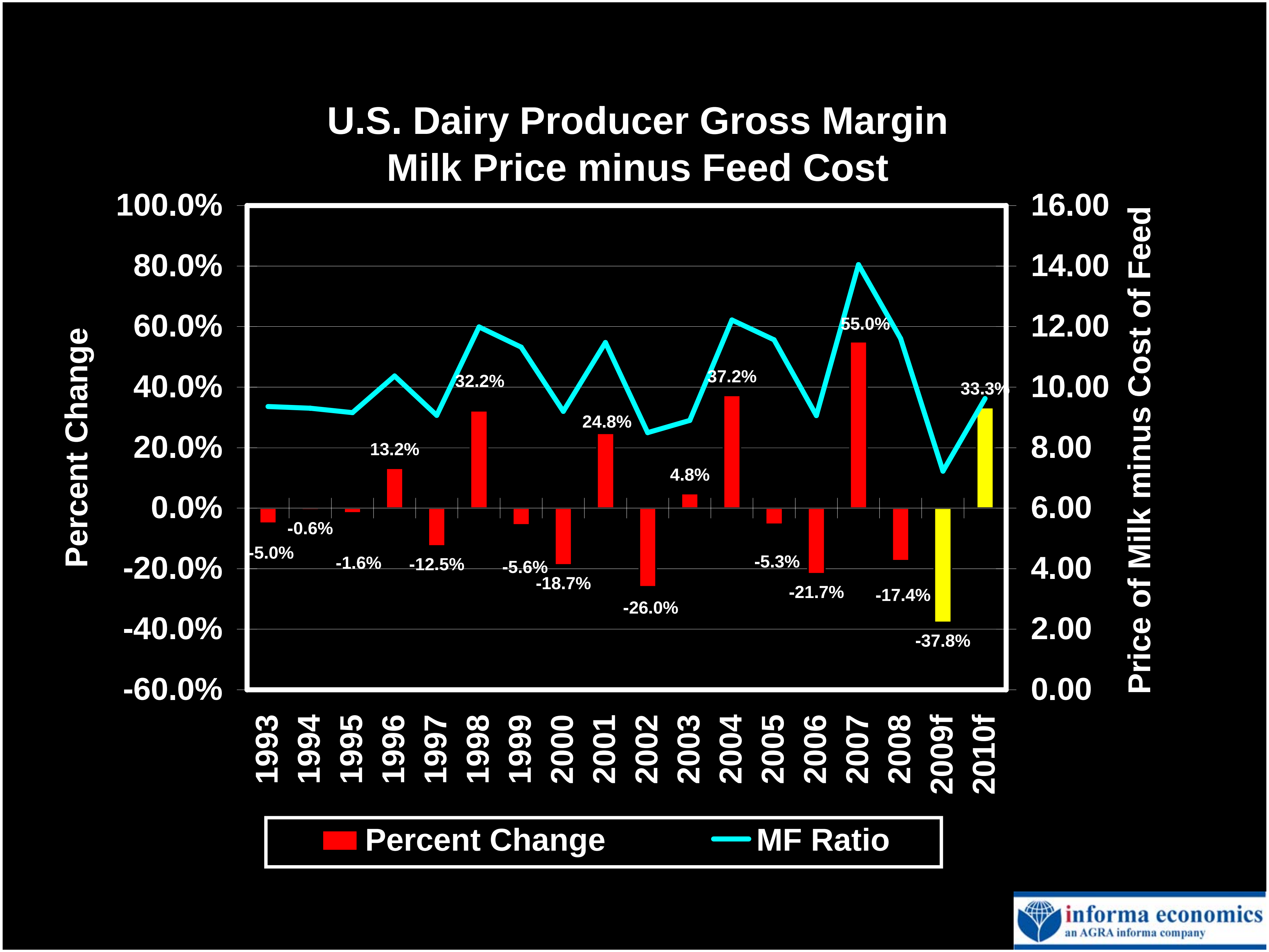

U.S. Dairy Producer Gross Margin
Milk Price minus Feed Cost
Percent Change
Price of Milk minus Cost of Feed
100.0%
80.0%
60.0%
40.0%
20.0%
0.0%
-20.0%
-40.0%
-60.0%
16.00
14.00
12.00
10.00
8.00
6.00
4.00
2.00
0.00
-5.0%
-0.6%
-1.6%
13.2%
-12.5%
32.2%
-5.6%
-18.7%
24.8%
-26.0%
4.8%
37.2%
-5.3%
-21.7%
55.0%
-17.4%
-37.8%
33.3%
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009f
2010f
Percent Change
MF Ratio
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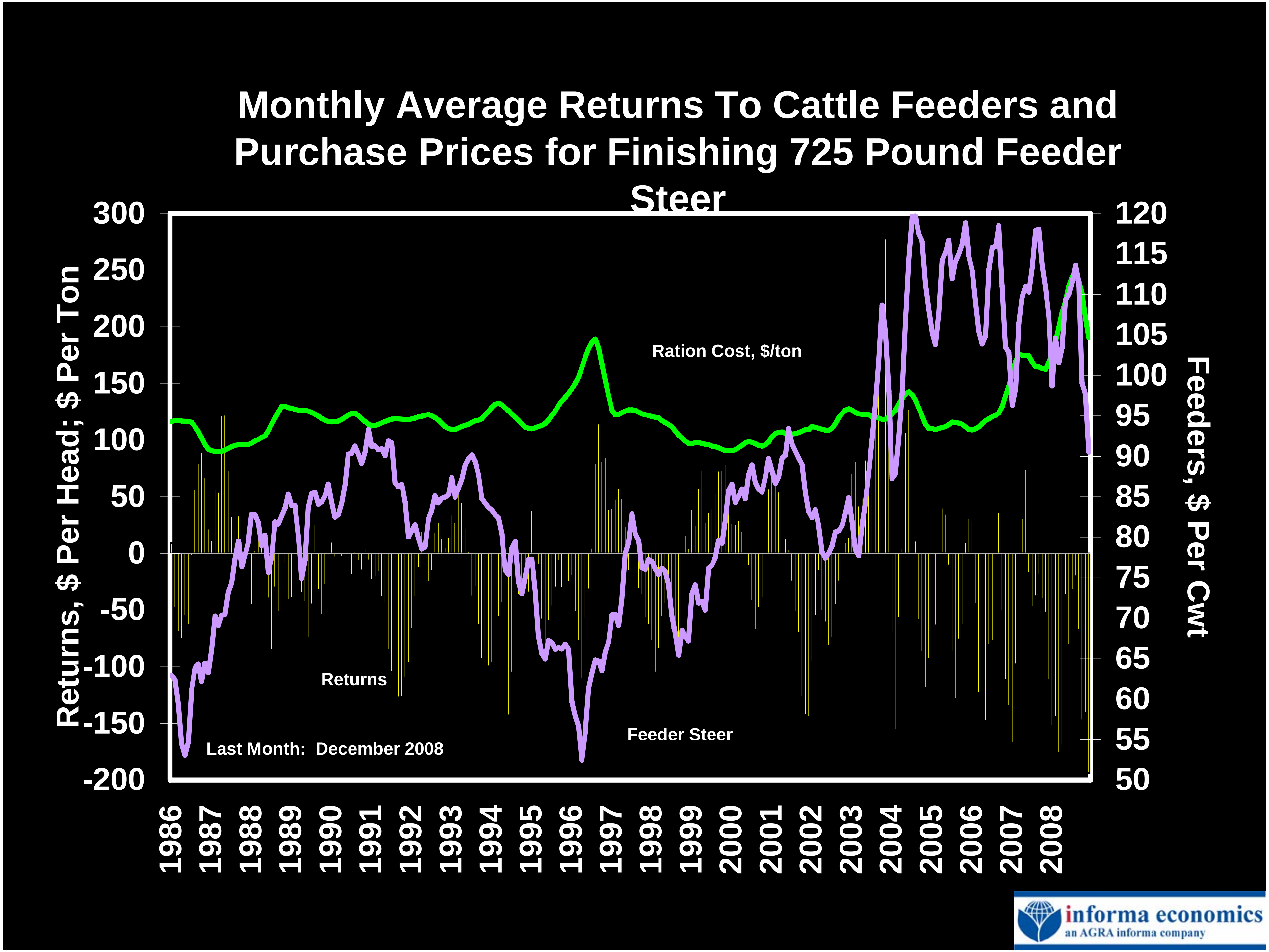
Monthly Average Returns To Cattle Feeders and Purchase Prices for Finishing 725 Pound Feeder Steer
Returns, $ Per Head; $ Per Ton
Feeders, $ Per Cwt
Ration Cost, $/ton
Returns
Feeder Steer
Last Month: December 2008
300
250
200
150
100
50
0
-50
-100
-150
-200
120
115
110
105
100
95
90
85
80
75
70
65
60
55
50
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
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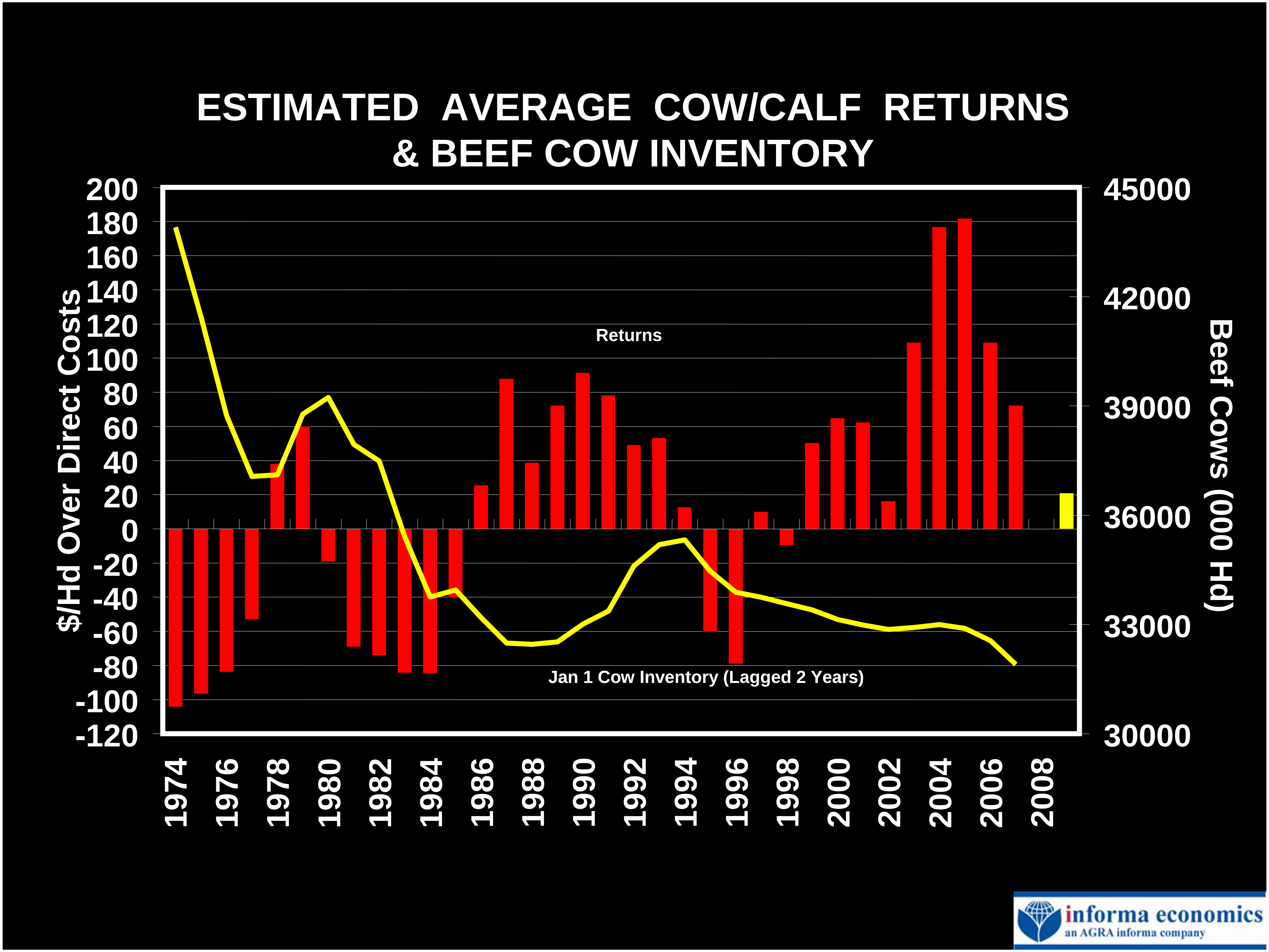

ESTIMATED AVERAGE COW/CALF RETURNS
& BEEF COW INVENTORY
$/Hd Over Direct Costs
200
180
160
140
120
100
80
60
40
20
0
-20
-40
-60
-80
-100
-120
Beef Cows (000 Hd)
45000
42000
39000
36000
33000
30000
Returns
Jan 1 Cow Inventory (Lagged 2 Years)
1974
1976
1978
1980
1982
1984
1986
1988
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
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JANUARY 1 CATTLE INVENTORY

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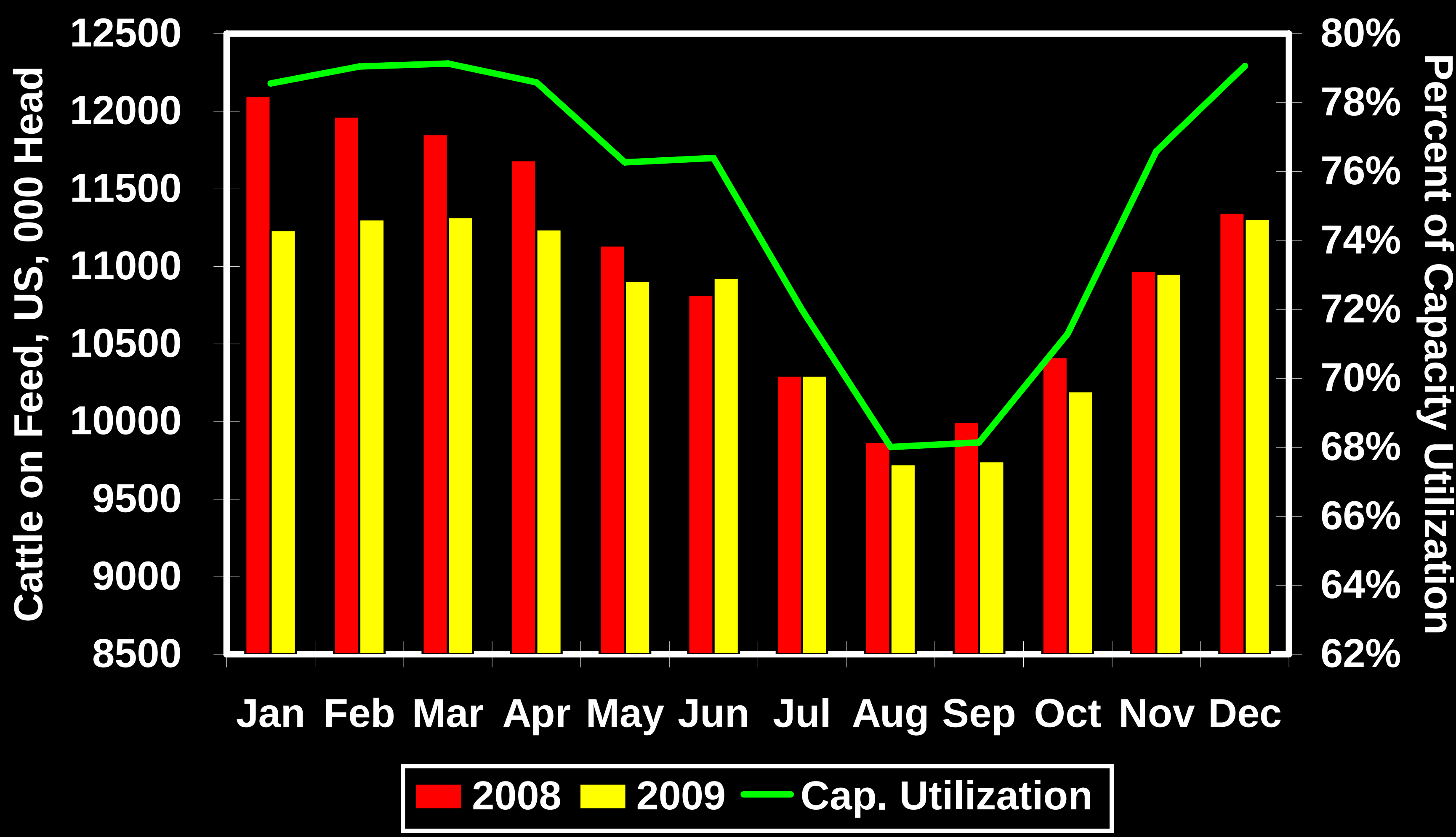
US Feedlot Inventories and Projected 2009 Feedlot Capacity Utilization



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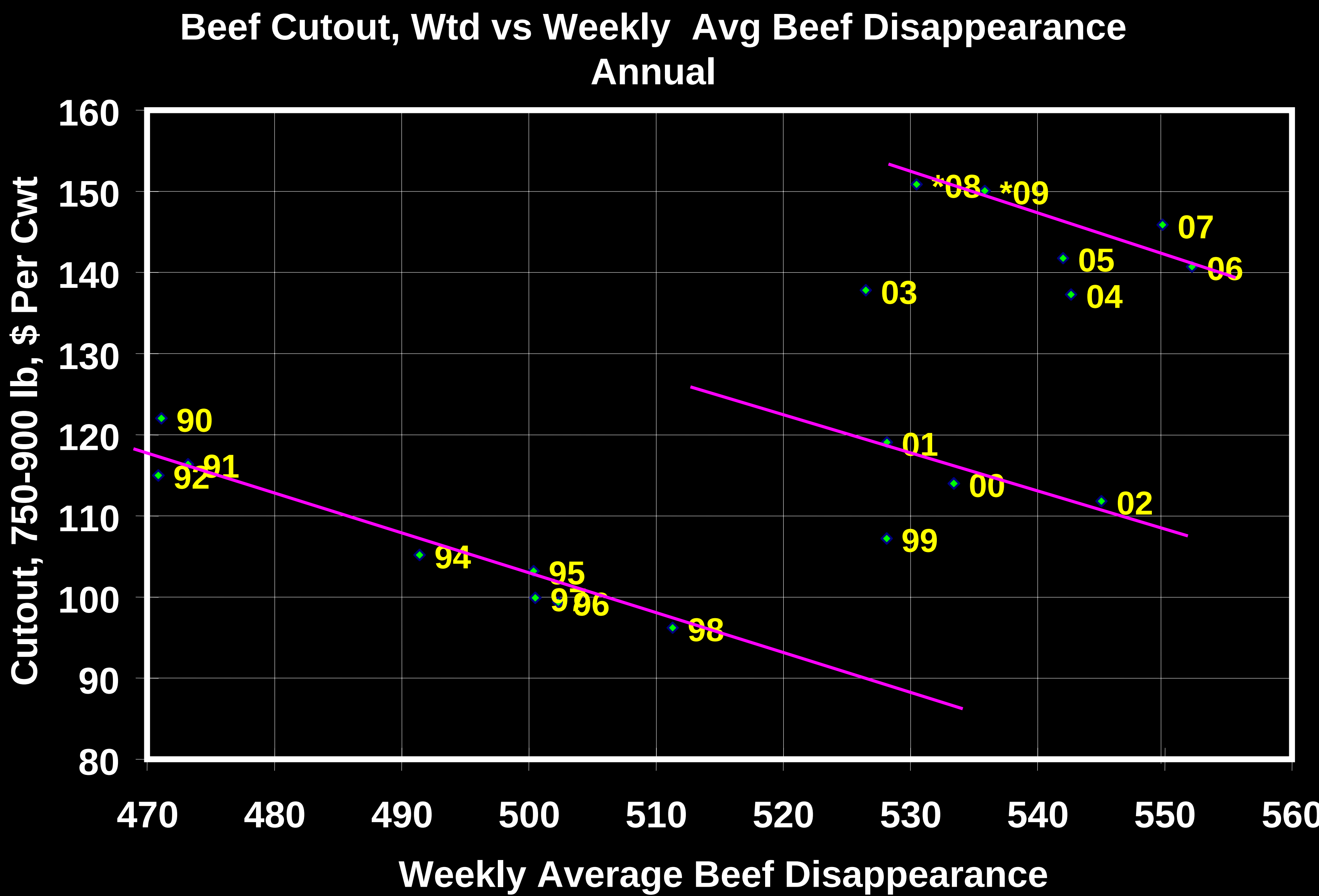

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US Cattle/Dairy Industry

- US cattle industry continues to contract
- Beef cow herd off 2% implying reduced calf crops
- Dairy cow herd will be liquidated next 6-12 months
- Cattle on Feed numbers down 7%
- US cattle slaughter and beef production to decline
- Beef demand vulnerable to further domestic erosion
- Exports should expand due to enhanced access
- Trade remains vulnerable to soft global economics

US Poultry Industry Situation and Outlook

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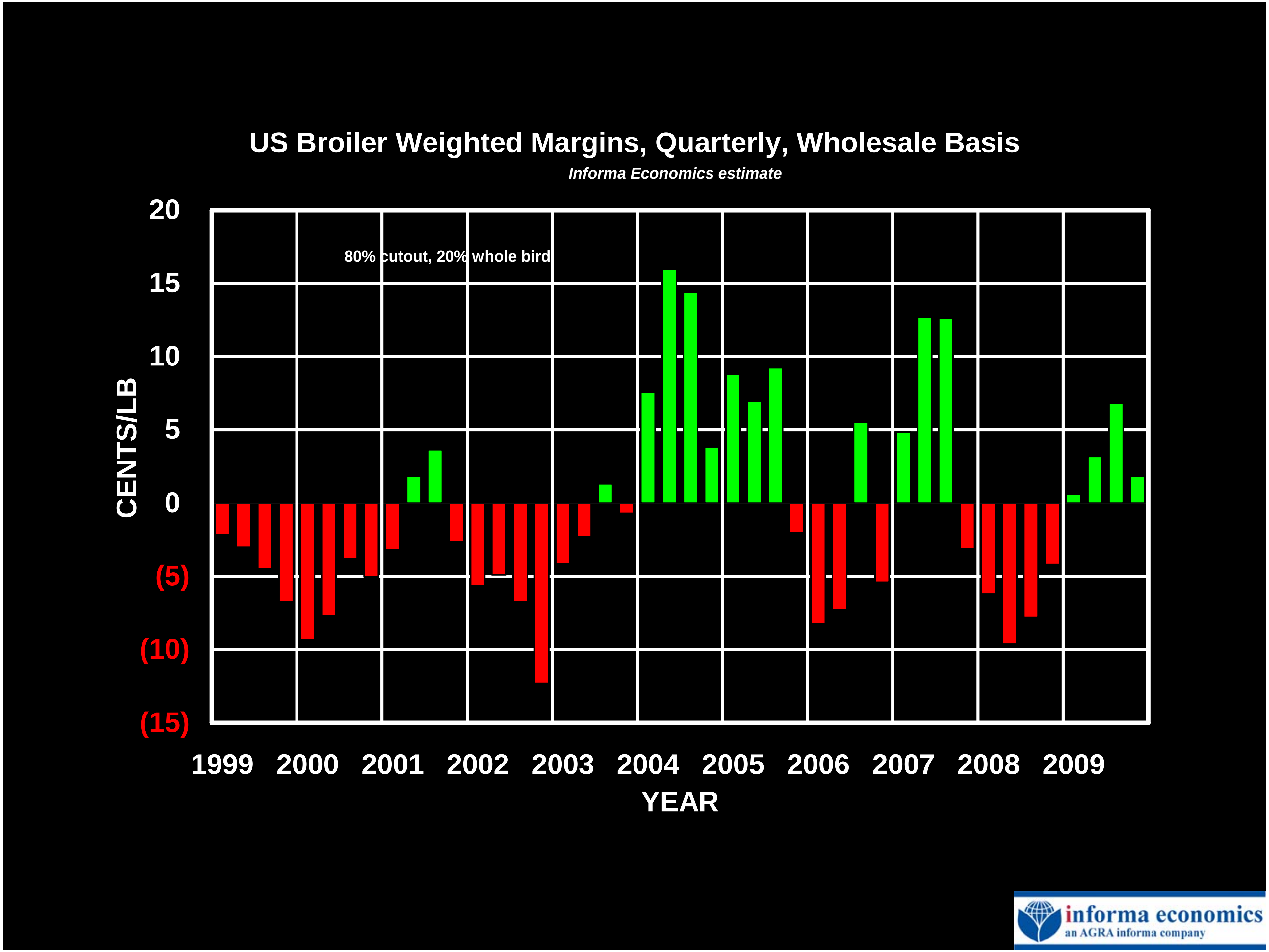
US Broiler Weighted Margins, Quarterly, Wholesale Basis
Informa Economics estimate
80% cutout, 20% whole bird
20
15
10
5
0
(5)
(10)
(15)
CENTS/LB
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
YEAR
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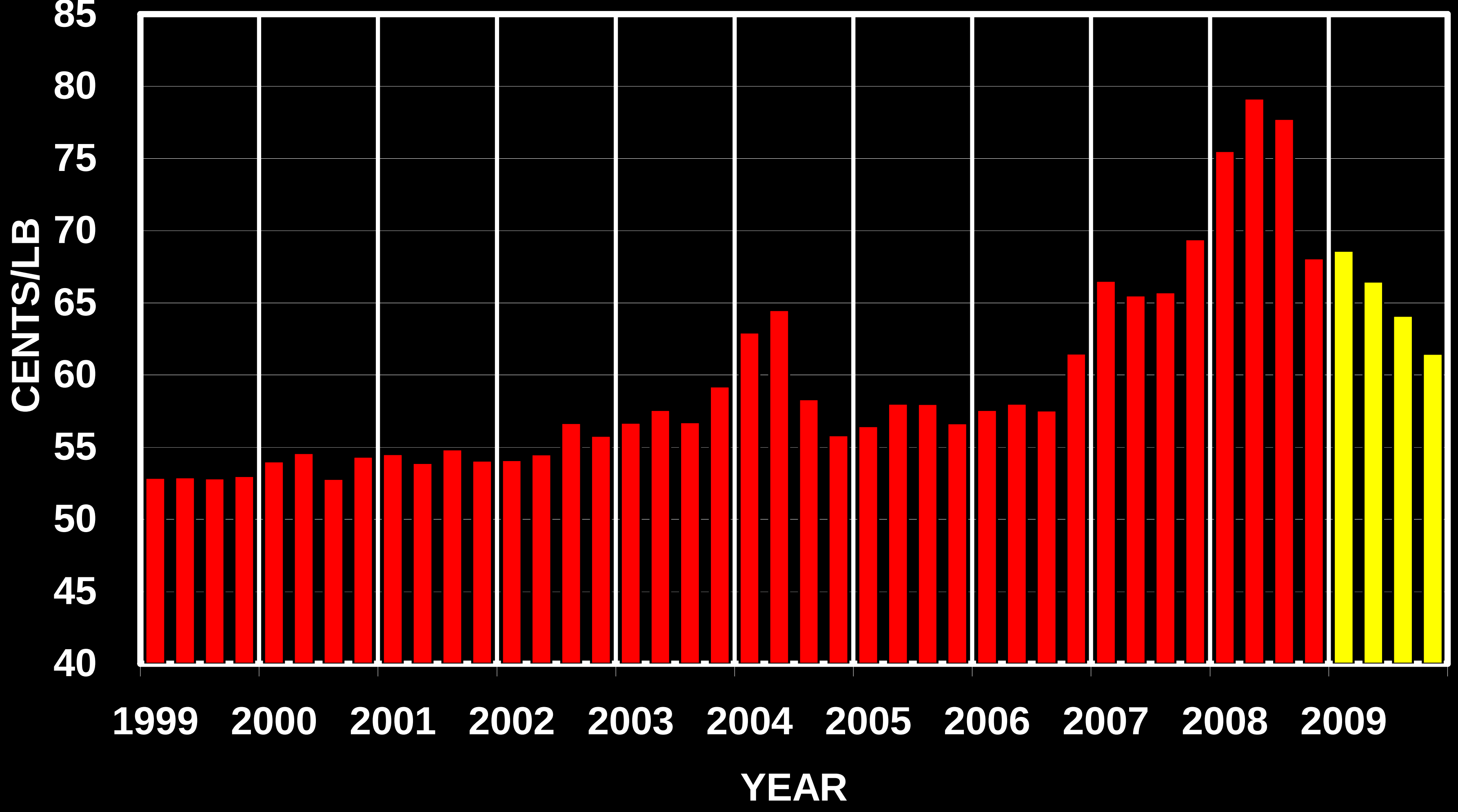
US Whole Broiler Production Costs, Quarterly, Wholesale Basis



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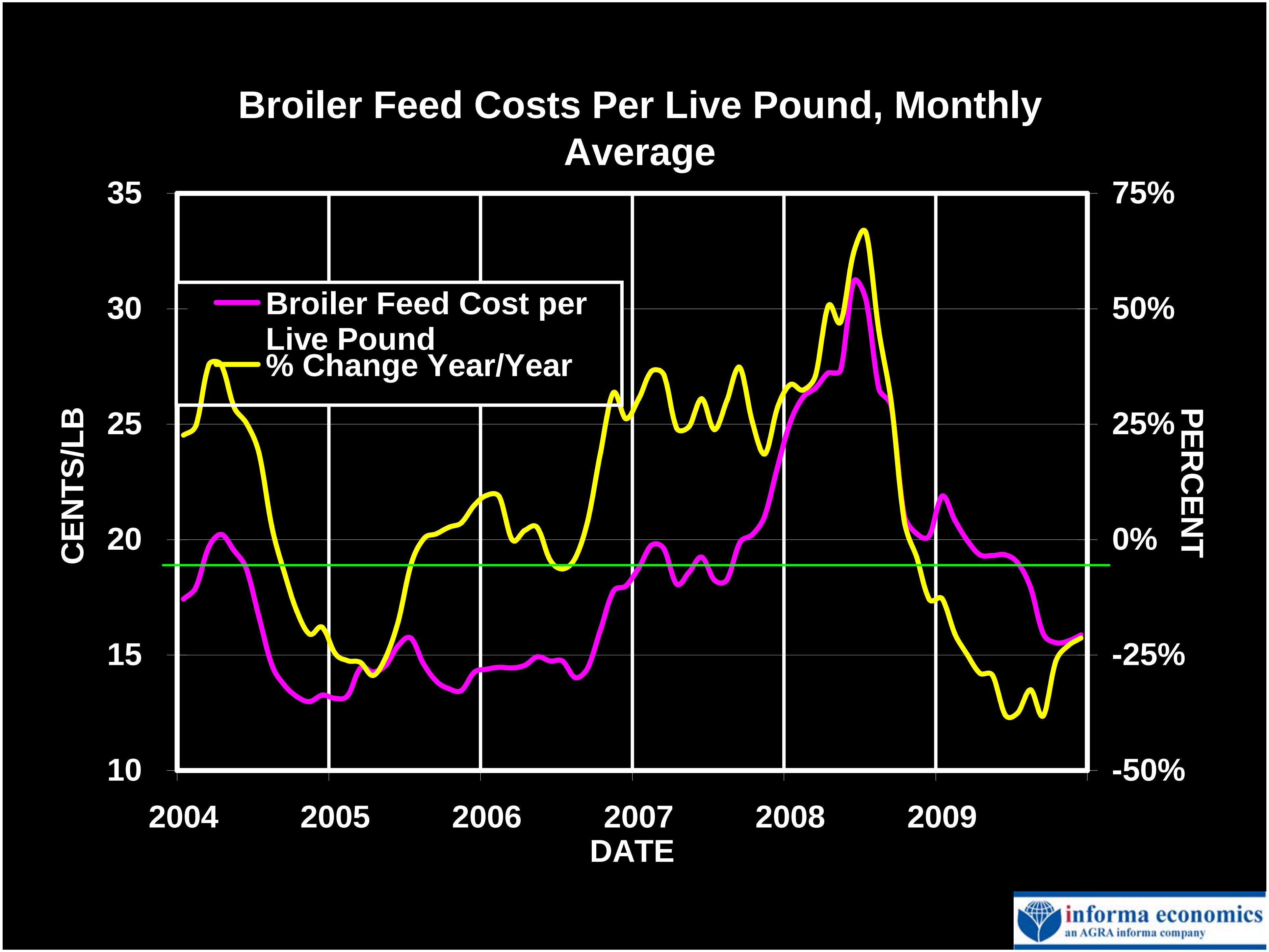
Broiler Feed Costs Per Live Pound, Monthly Average
Broiler Feed Cost per Live Pound
% Change Year/Year
35
30
25
20
15
10
75%
50%
25%
0%
-25%
-50%
CENTS/LB
PERCENT
2004
2005
2006
2007
2008
2009
DATE
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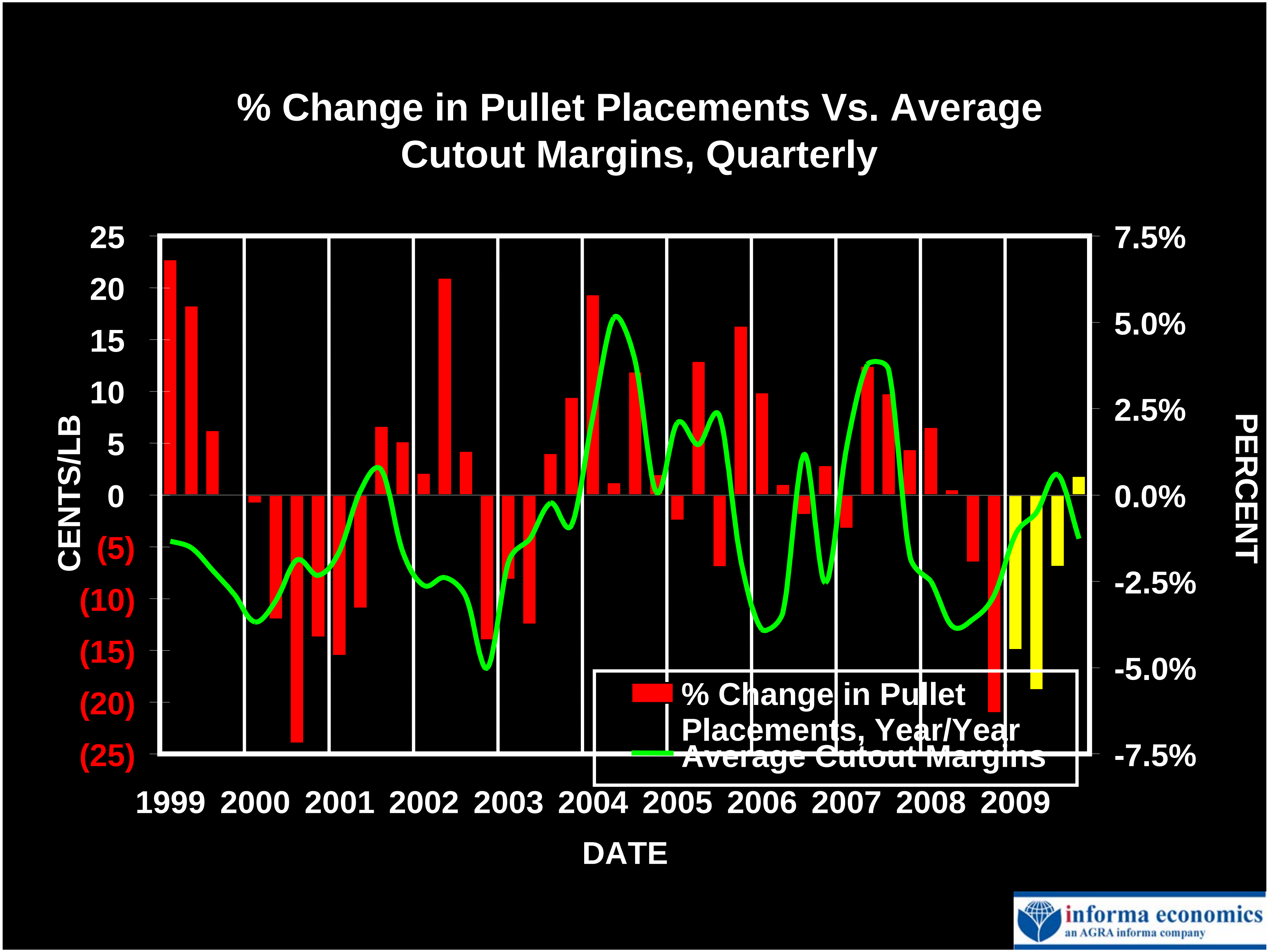
% Change in Pullet Placements Vs. Average Cutout Margins, Quarterly
25
20
15
10
5
0
(5)
(10)
(15)
(20)
(25)
CENTS/LB
7.5%
5.0%
2.5%
0.0%
-2.5%
-5.0%
-7.5%
PERCENT
1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009
DATE
% Change in Pullet Placements, Year/Year
Average Cutout Margins
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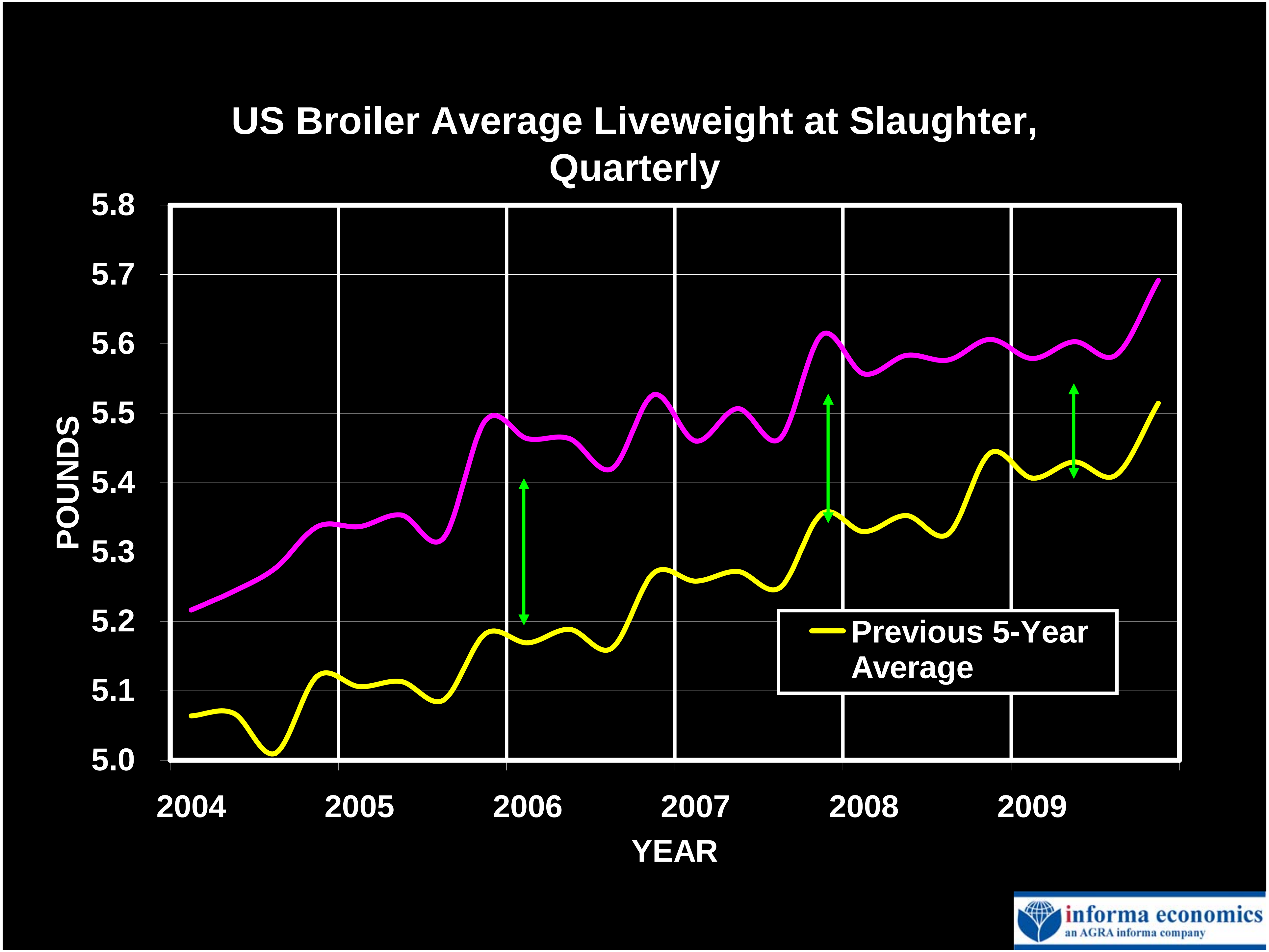
US Broiler Average Liveweight at Slaughter, Quarterly
5.8
5.7
5.6
5.5
5.4
5.3
5.2
5.1
5.0
POUNDS
Previous 5-Year Average
2004
2005
2006
2007
2008
2009
YEAR
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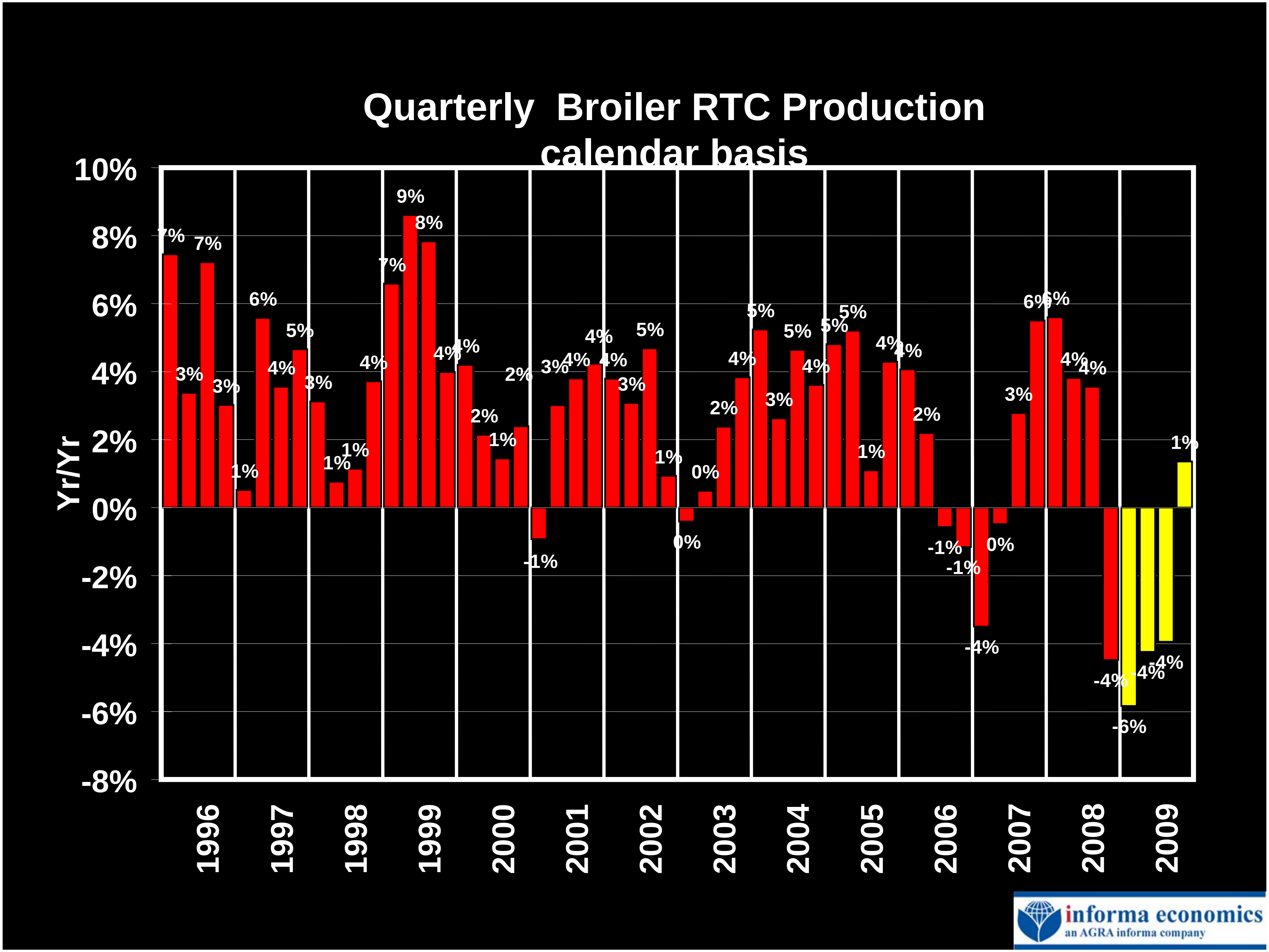

Quarterly Broiler RTC Production
calendar basis
Yr/Yr
10%
8%
6%
4%
2%
0%
-2%
-4%
-6%
-8%
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
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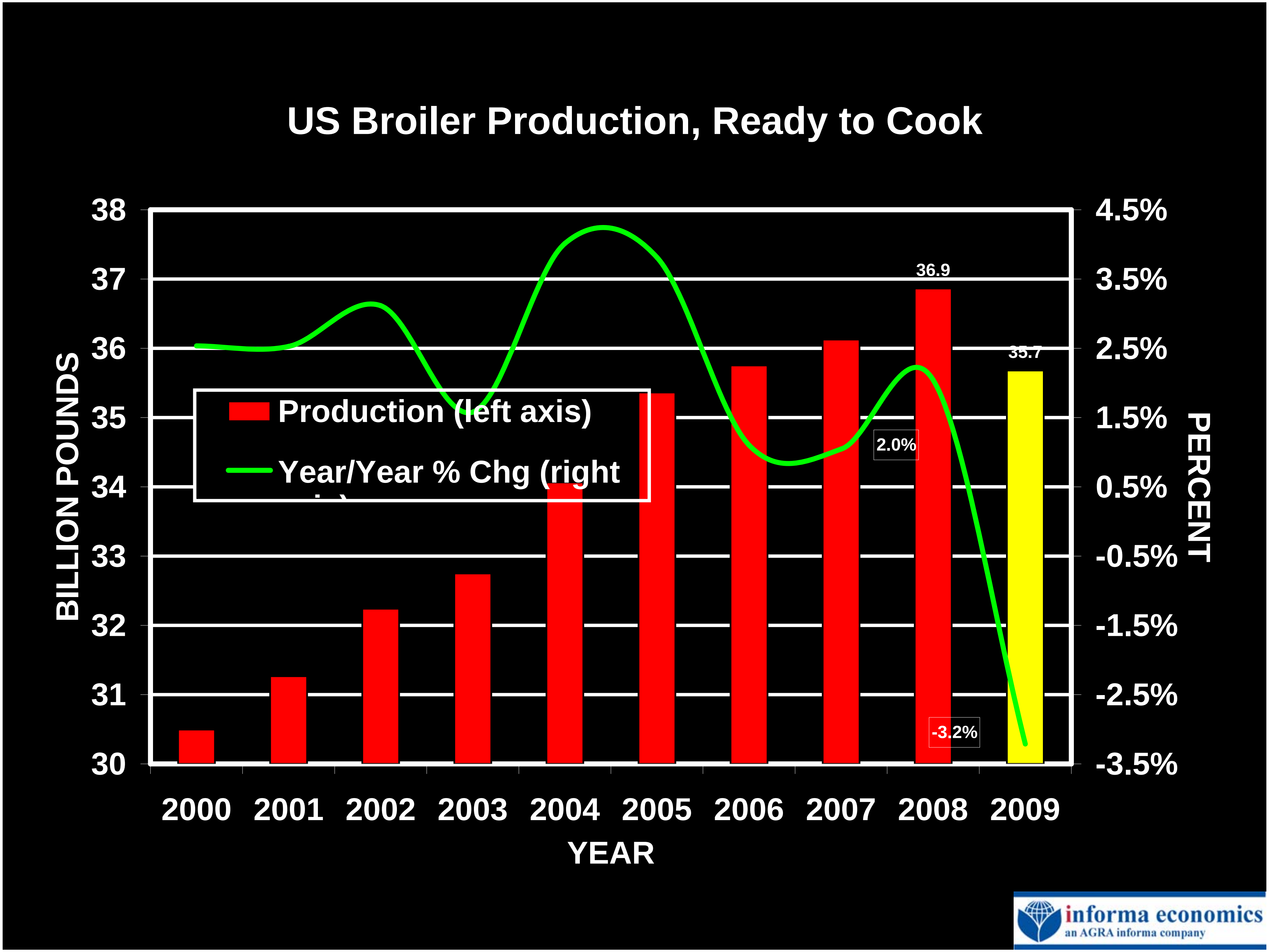
US Broiler Production, Ready to Cook
BILLION POUNDS
38
37
36
35
34
33
32
31
30
4.5%
3.5%
2.5%
1.5%
0.5%
-0.5%
-1.5%
-2.5%
-3.5%
PERCENT
Production (left axis)
Year/Year % Chg (right axis)
36.9
35.7
2.0%
-3.2%
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
YEAR
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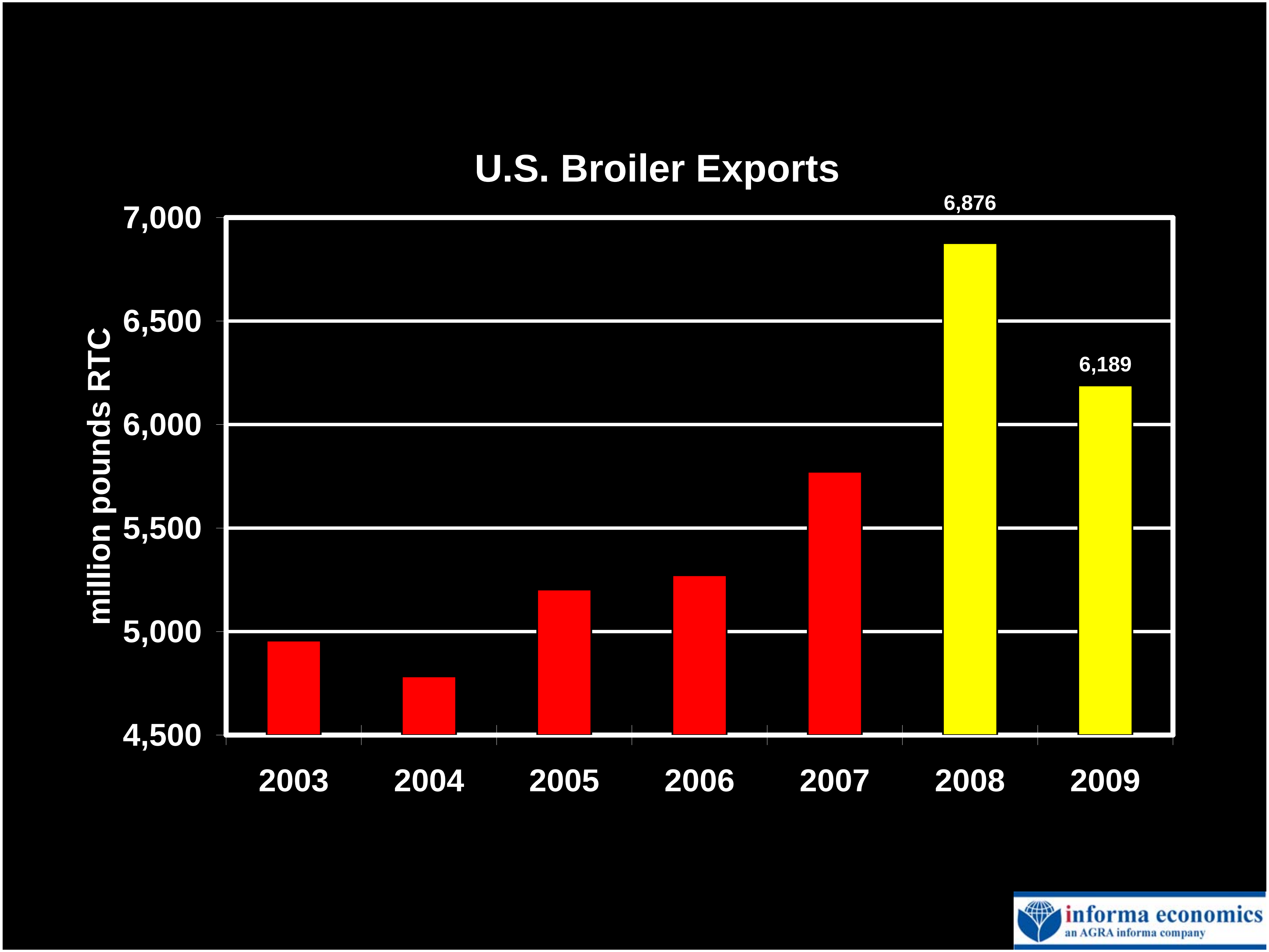
U.S. Broiler Exports
million pounds RTC
7,000
6,500
6,000
5,500
5,000
4,500
6,876
6,189
2003
2004
2005
2006
2007
2008
2009
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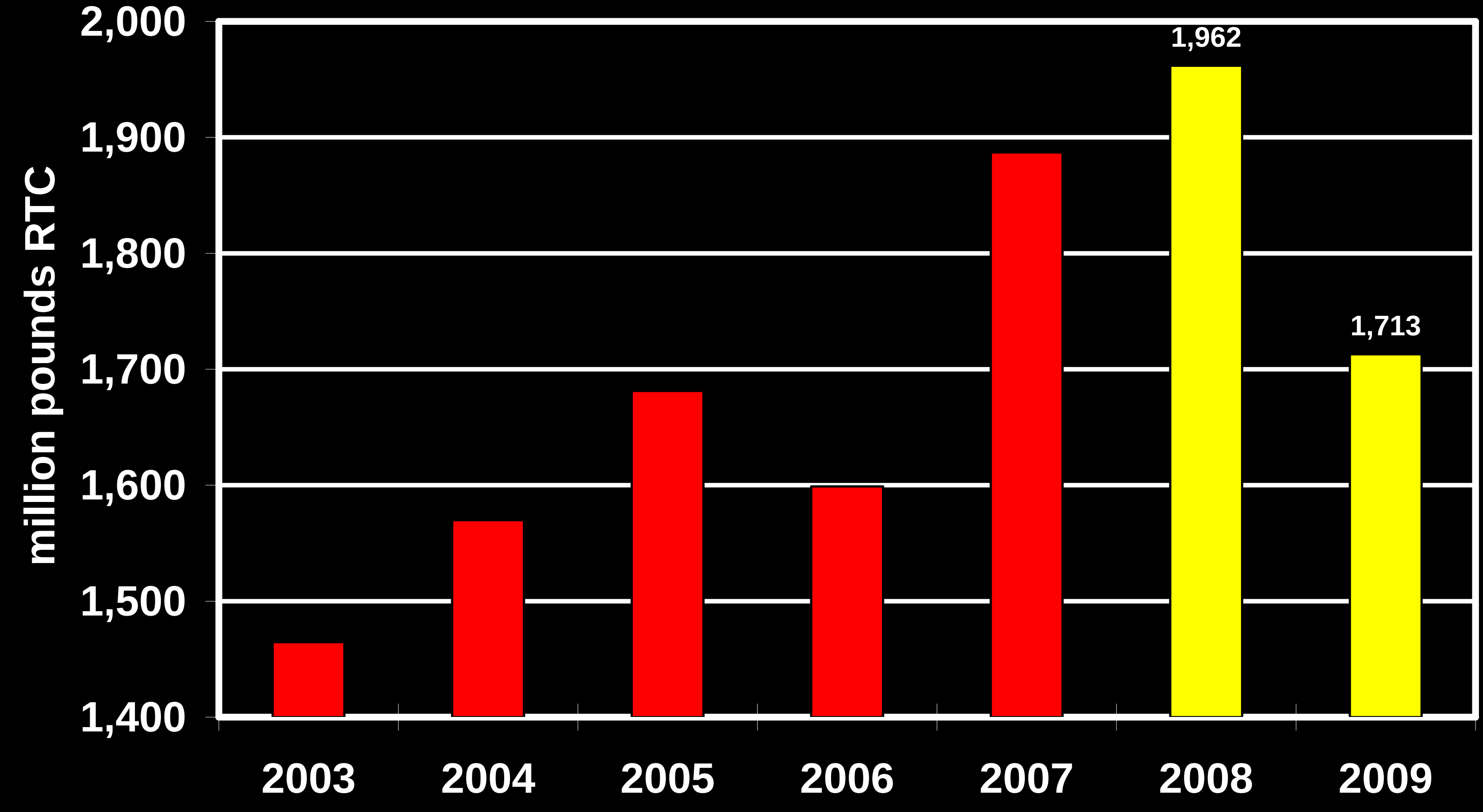
U.S. Broiler Exports to Russia



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US Broiler Industry Outlook

- Broiler sector had a negative margin year in 2008
- Production down as a result of the financial squeeze
- Cost structure is still high with upside risk
- Export programs at risk to declining volumes
- US recession should be + for domestic sales
- Recovery in output possible by late year into 2010
- Economic recovery key to renewed demand growth

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Meat Industry Challenges

- MCOOL
- Packer Ownership Legislation
- Trade Developments and Market Access
- Financial Healing
- Food Safety & Animal Welfare
- DEMAND- Domestic and Export

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Implications for US Soybean Sector

- Contracting protein consuming animal units
- US meat and poultry producers will push for additional productivity gains
- Production efficiency implies more efficient use of inputs
- Global animal units will experience disruption in growth patterns
- Exports of beans/meal could be impacted