
# A LIVESTOCK SECTOR CROSSROADS

2014 Agricultural Symposium – Structural Transitions in Global Agriculture

Dhamu Thamodaran
Executive Vice President &
Chief Commodity Hedging Officer

July 15, 2014

# CHALLENGES AND OPPORTUNITIES FACING U.S. LIVESTOCK INDUSTRY

CHALLENGES:

- Declining domestic per capital consumption
- Export driven growth
  - True market access
  - Political uncertainty
  - Macro currency policies
- Volatile commodity situation
  - Inputs and Outputs
- Competition – World is catching up in efficiency
- Current production practices are under attack

OPPORTUNITIEIS:

- Growing oversees demands:  Asia and South America
  - Population and income growth

Smithfield

# DECLINING PER CAPITA CONSUMPTION AND INCREASED DEPENDENCE ON EXPORTS

1) Per Capita Consumption Trend

| Per Capita Consumption (Lbs) | 1994 | 2004 | 2014 |
|---|---|---|---|
| Pork | 67.7 | 66.4 | 60.7 |
| Beef | 96.6 | 95.4 | 76.1 |
| Chicken | 78.6 | 98.5 | 97.4 |
| Total | 242.9 | 260.3 | 234.2 |

→ Growth in demand is coming from exports

2) Share of Production Exported

| | 1994 | 2004 | 2014 |
|---|---|---|---|
| Pork | 3.1% | 10.6% | 21.3% |
| Beef | 6.5% | 1.9% | 10.2% |
| Chicken | 12.1% | 14.2% | 19.8% |
| Total | 7.6% | 9.4% | 17.4% |

Smithfield

# CURRENT PROTEIN SITUATION

- Record high prices
- Moderate supply reduction
- Is protein demand curve too inelastic?
- or Shift in demand curve?
- or BOTH?

Smithfield

# CURRENT PROTEIN SITUATION
## --- PRICE INFLATION

| Price (cents/lb) | Current | Year Ago | % Change |
|---|---|---|---|
| Pork Cutout | $ 134.20 | $ 106.11 | 26.5% |
| Boxed Beef | $ 248.12 | $ 197.70 | 25.5% |
| Chicken Breast | $ 201.80 | $ 180.60 | 11.7% |

| Production YTD (million lbs) | 2014 | 2013 | % Change |
|---|---|---|---|
| Pork | 11,306 | 11,292 | 0.1% |
| Beef | 11,983 | 12,584 | -4.8% |
| Chicken | 16,792 | 16,884 | -0.5% |
| Total | 40,081 | 40,760 | -1.7% |

| Exports YTD (million lbs) | 2014 | 2013 | % Change | % of Production |
|---|---|---|---|---|
| Pork | 2,088 | 1,909 | 9.4% | 23.2% |
| Beef | 748 | 693 | 7.9% | 10.2% |
| Chicken | 2,964 | 2,935 | 1.0% | 19.4% |
| Total | 5,800 | 5,537 | 4.7% | |

Smithfield

# A LIVESTOCK SECTOR CROSSROADS

2014 Agricultural Symposium – Structural Transitions in Global Agriculture