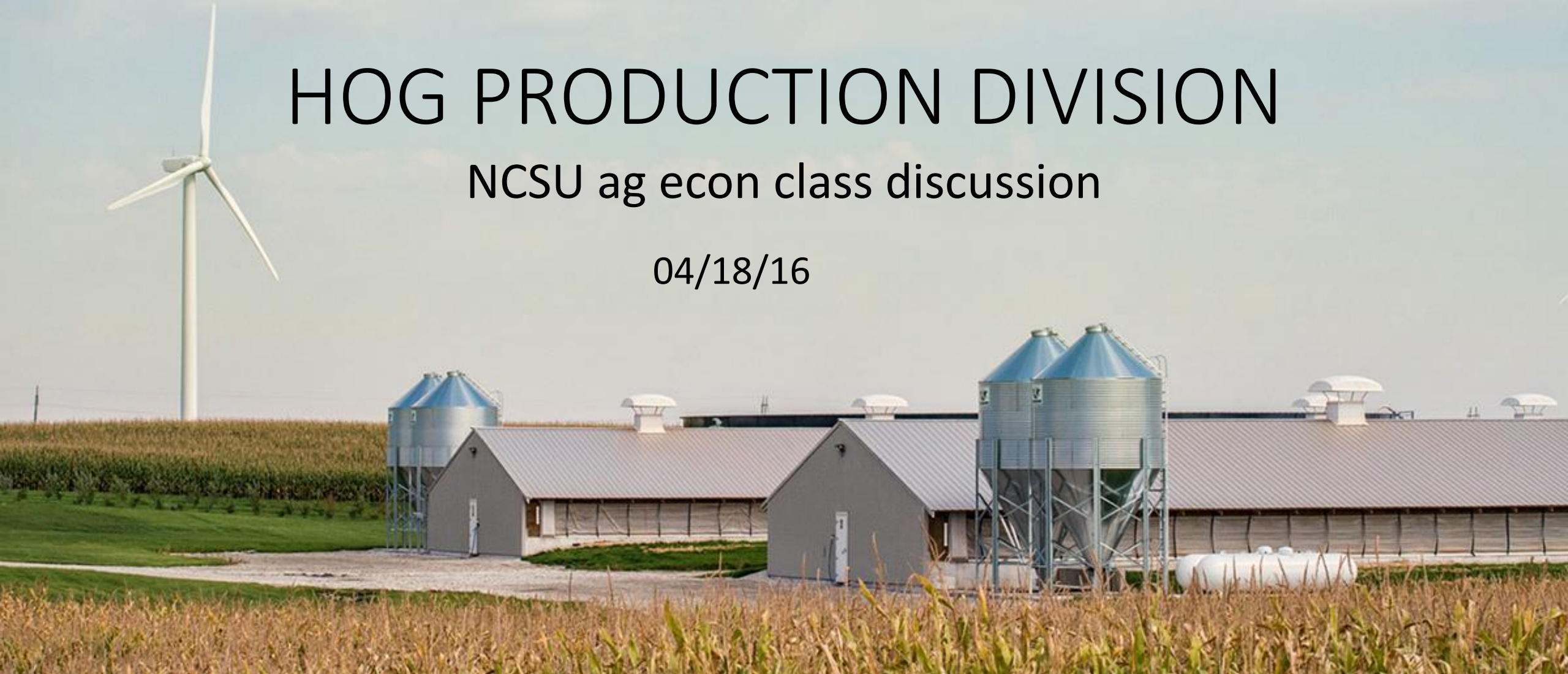


Smithfield. *Good food. Responsibly.*[®]

HOG PRODUCTION DIVISION

NCSU ag econ class discussion

04/18/16



Today's Topics

- Who are we?
- Intro to Smithfield
- Market news – Corn, Wheat, and Soybeans
- Life as a grain originator for Smithfield Grain
- Differentiating from the competition
- Intern program

Josh Goode

who are we?

- Grain Origination Manger – Southern Region & Ohio
- Kansas State – undergrad (Ag Business)
- Worked with Smithfield for 3 years (Interned with MBgrain in 2014 summer cohort)
- Bagged 3M bushels in Laurinburg during 2014 internship
- Live in Wilmington, NC
- Moved from Kansas to North Carolina



Taylor Cowan

who are we?

- Grain Originator
- Northeast Region
 - Elevators in Hobbsville and Elizabeth City, NC
 - Feed mill in Creswell, NC
- NCSU - undergrad (Ag Business Management & Economics)
- Graduated Spring 2017
- Took this class two years ago
- Live in Williamston, NC



Intro to Smithfield

- WH Group (China) purchased Smithfield in 2013.
- \$15B global food company, headquartered in Smithfield, VA
- World's largest pork processor and hog producer.
- 48,000 employees across all divisions.
- Vertically integrated business. Genetics, farms, feed manufacturing, processing, packaging, distribution.
- 15M hogs produced /year (~50K to market /day).

Smithfield *Good food. Responsibly.®*

Intro to Smithfield and MBgrain



U.S. Brands



Smithfield

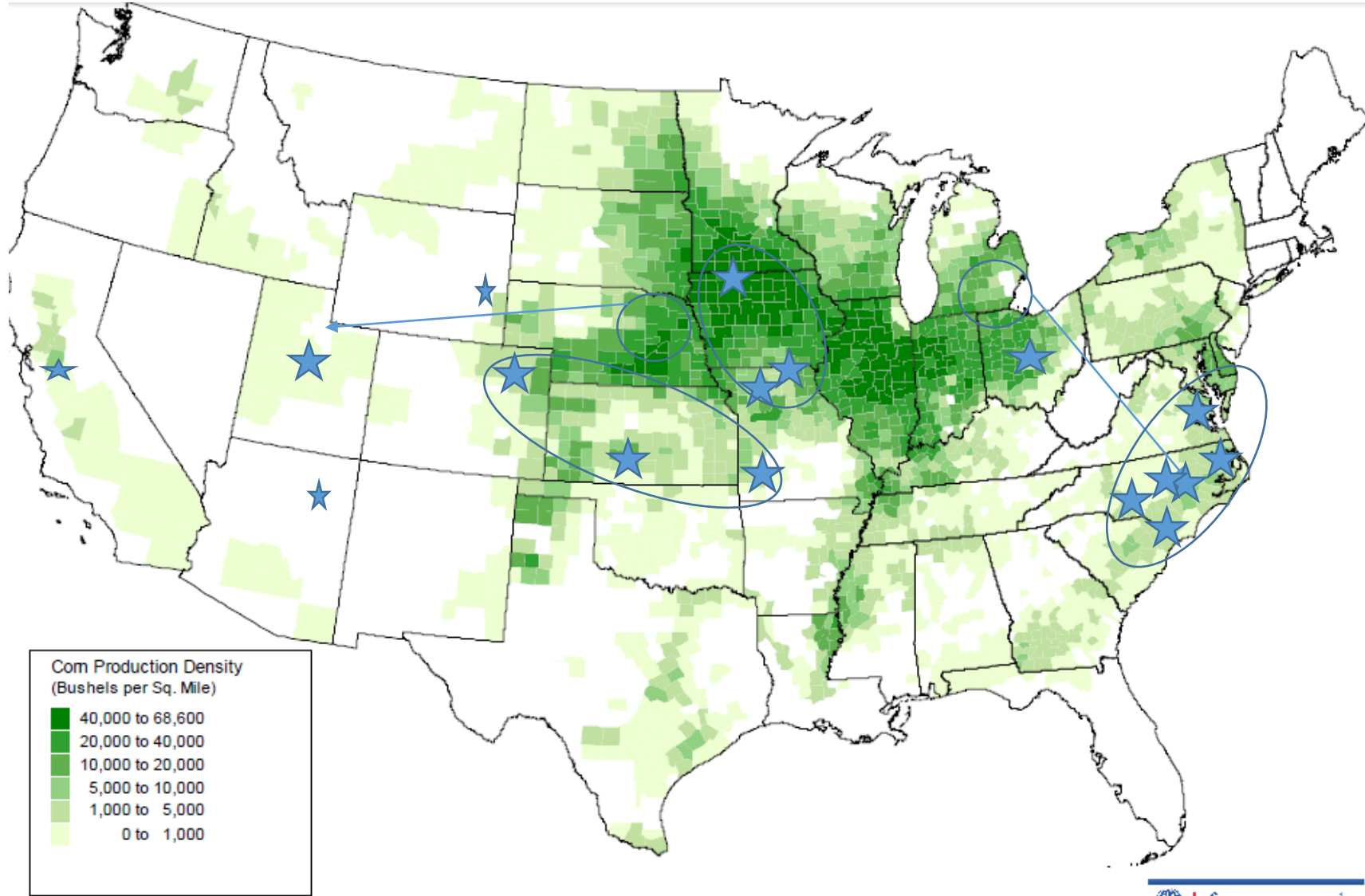


Intro to Smithfield Grain

- Based out of Rose Hill, NC.
- Responsible for sourcing all ingredients delivered to Smithfield feed mills across the US.
- Use ~120M bushels (corn/wheat/milo) /year.
- Grain supplied locally and imported (rail or vessel).
- Goal is to supply quality grain/ingredients at low cost to keep hog business competitive.
- 70% of cost of raising a hog is from grain.

Smithfield.
GRAIN

Smithfield Grain – where we trade



35 buying stations across the United States

Based on this information, where would you grow hogs?



Smithfield local grain pile in Yuma, Colorado

Bagging corn in Nevada, Missouri



**Grain bags full of corn and wheat in
Waverly, Virginia**



07/22/2012 02:33

Grain ship unloading at
Wilmington port





Corn/Wheat/Soybean – US and Local news



Smithfield.
GRAIN

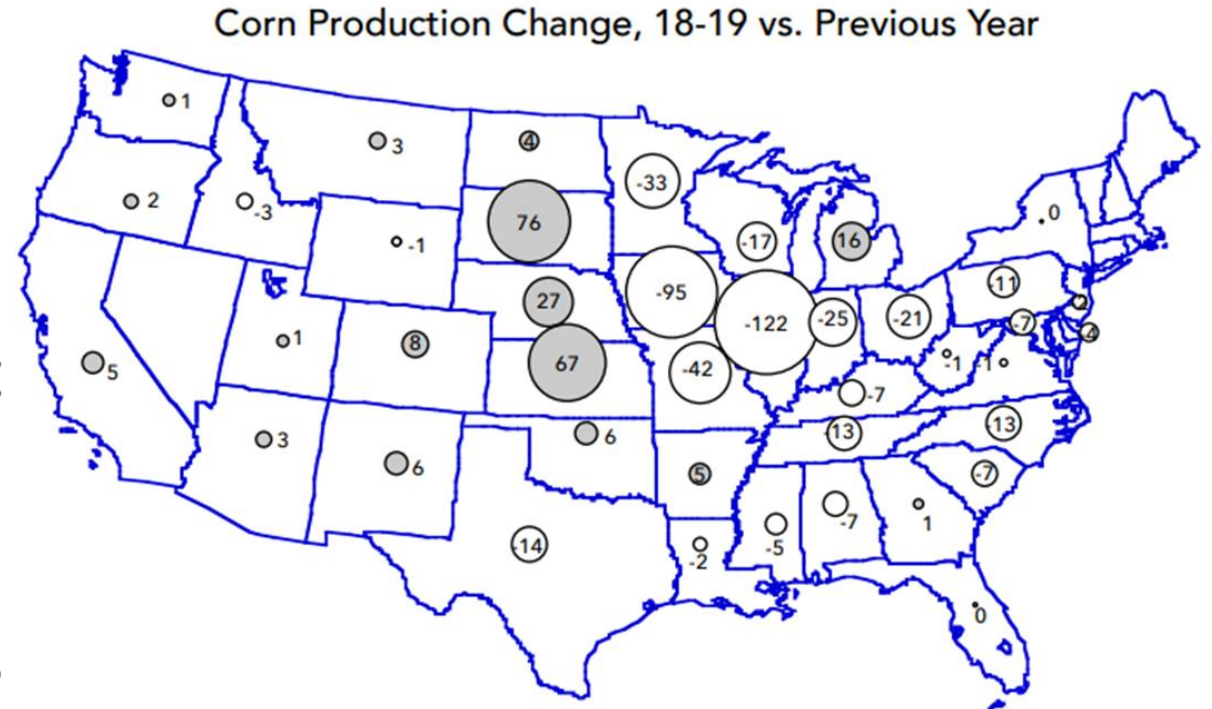
Corn story

Basis Market

- North Carolina
 - Deficit State
 - Demand of $\approx 300\text{m}$ bu
 - Farmers able to plan for a profit with corn this year

Futures Market

- Brazil lowered corn production est.
- Recent weakening of USD
- Weather
- Ethanol?? Milo??



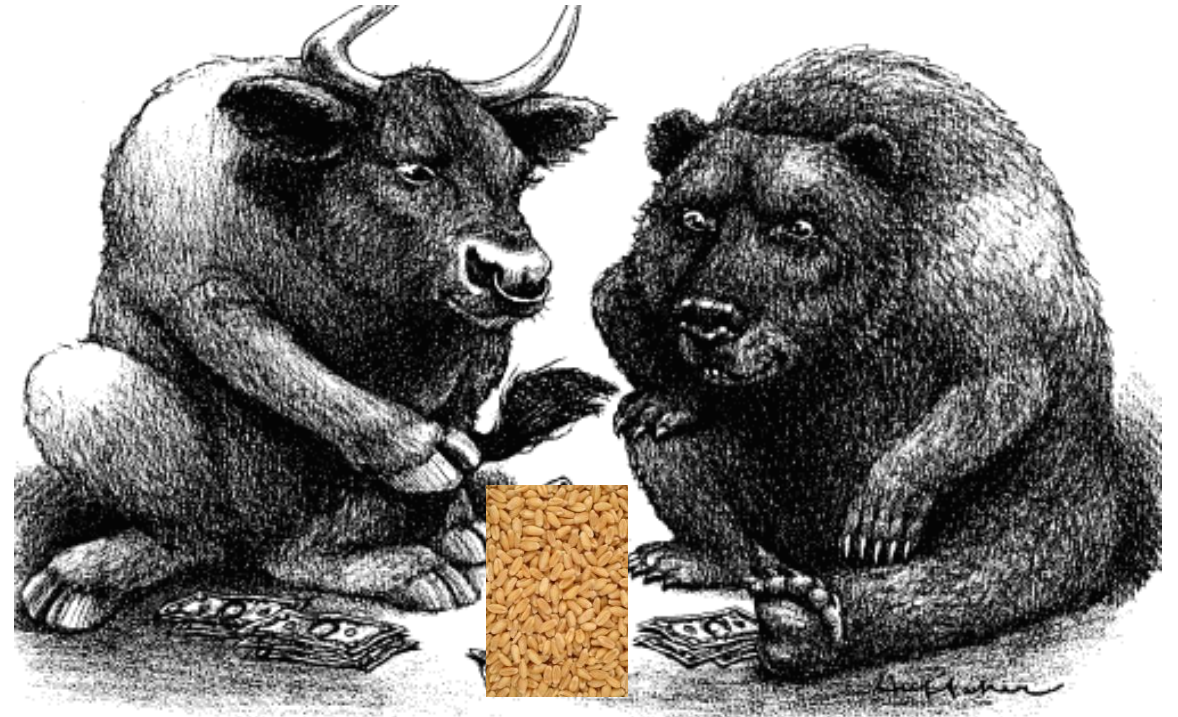
Wheat story

Basis Market

- Fairly good planting season
- Overall NC acreage is flat
- Corn Wheat Spread is +125!

Futures Market

- Huge world stocks
- Growers had an opportunity to price wheat at profitable levels
- Russian Wheat continues to grow



Smithfield.
GRAIN

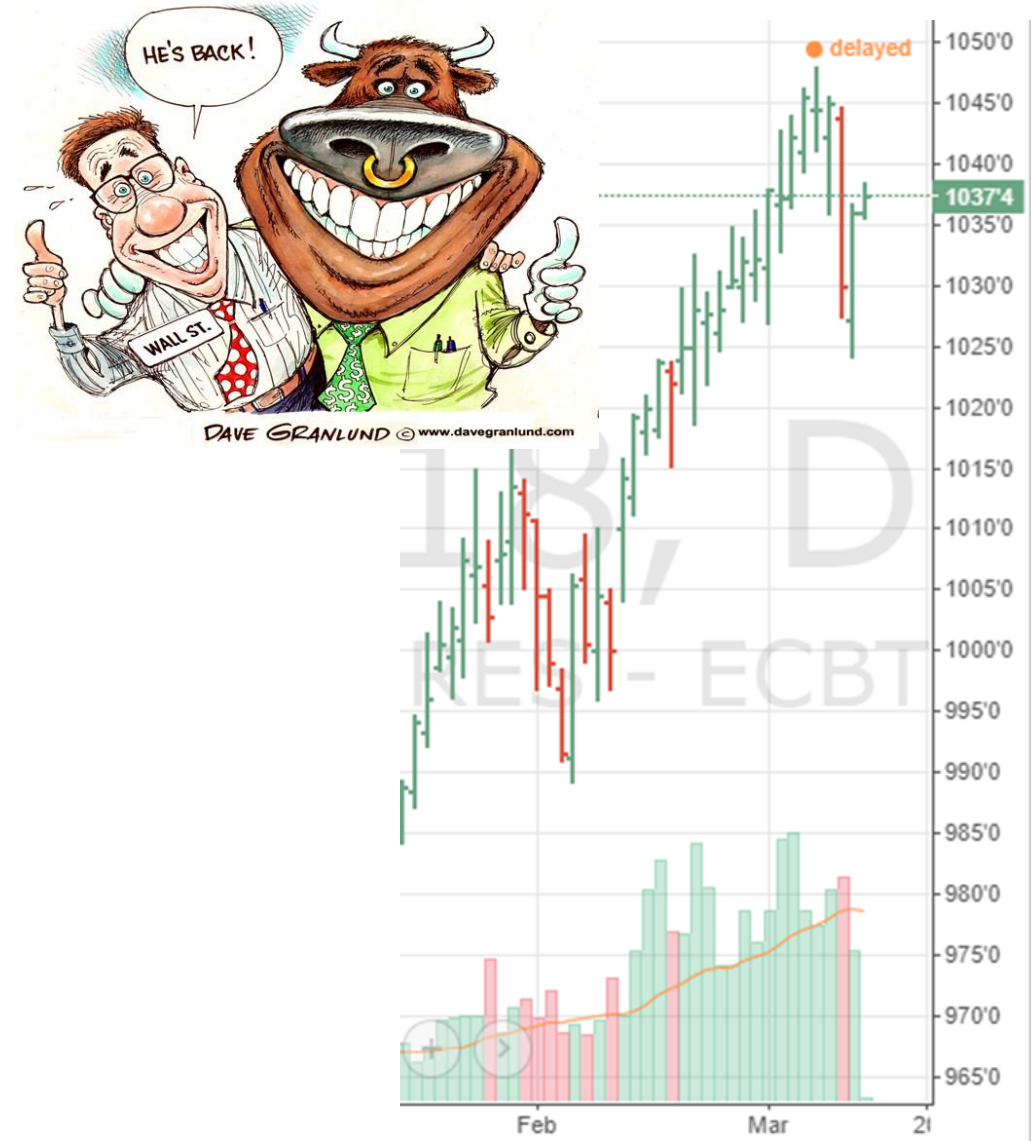
Soybeans story

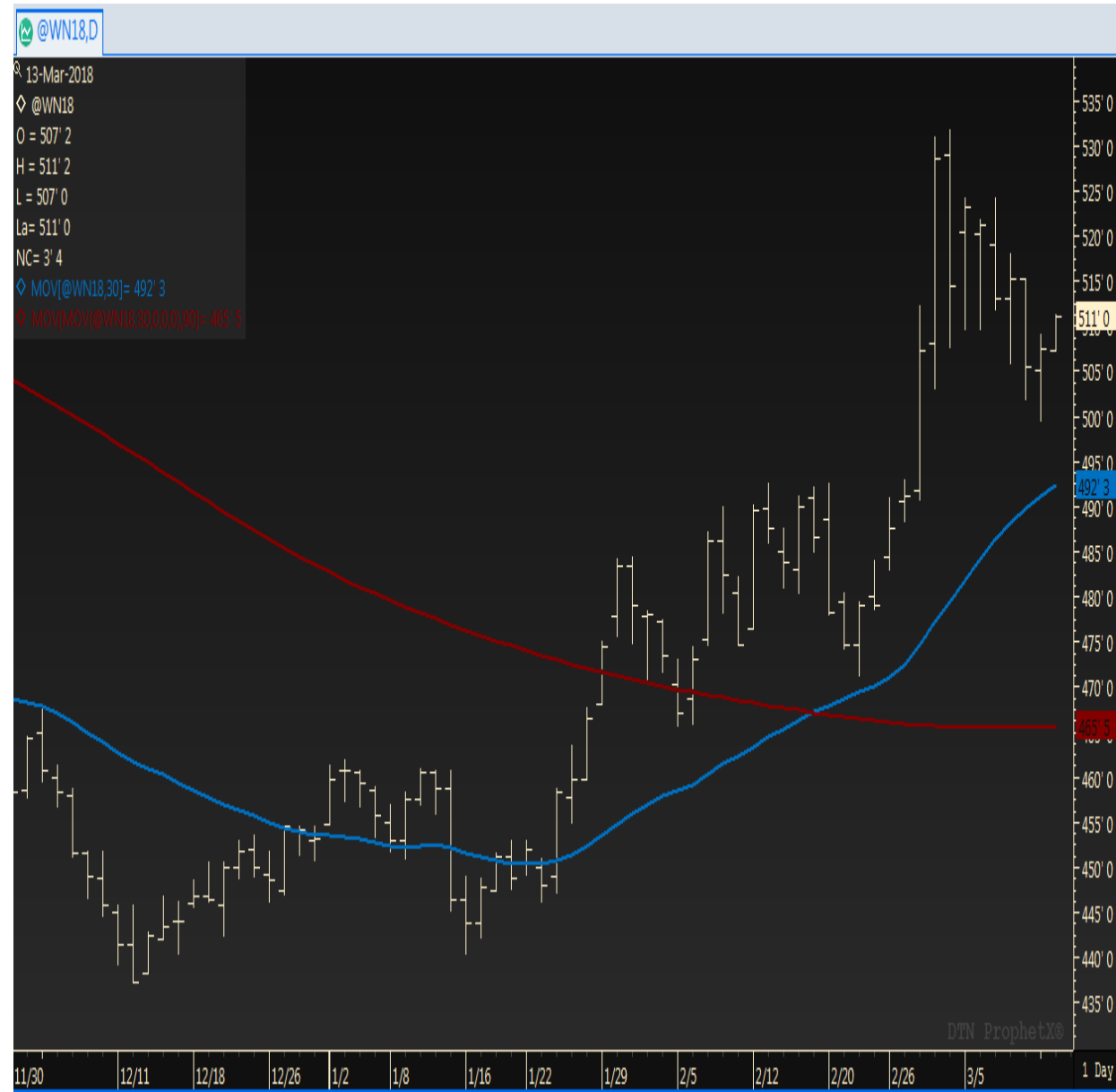
Basis Market

- Tremendous NC crop
- Cargill/Perdue are only soybean user in NC
- Exports!
- Pressure on NC soybean varieties and color issues overseas

Futures Market

- Higher US ending stocks in the March WASDE
- Argentine Drought
- Huge volume in trading...Funds moving





Grain Originator's focus and challenges

- Responsible for sourcing quality grain to assigned feed mill(s) at the lowest landed basis possible (Futures + Basis = Flat Price).
- We're in the commodity business - hogs eat everyday, regardless of supply/demand (i.e. costs).
- Local is most always cheapest grain – but there's not enough to feed the hogs
- Farmer (customer) relationships are key
- Intercompany relationships are critical to success



Basis Traders – MBgrain.com

Ticker Symbol	Last	Change	High Price	Low Price	Open Price
CORN					
@CK18	390' 6	0' 0	391' 0	389' 6	390' 0
@CN18	398' 6	0' 2	399' 0	397' 4	397' 6
@CU18	403' 0	0' 2	403' 0	402' 0	402' 0
@CZ18	408' 0	0' 2	408' 0	407' 0	407' 0
@CH19	414' 2	0' 0	414' 2	413' 2	413' 2
@CK19	418' 0	-0' 6	418' 0	417' 6	417' 6

- Why can a farmer get more \$ delivering to feed mill vs. grain elevator? (aka, why is Feed mill basis greater than elevator basis?)
- Why do you think Creswell, NC feed mill would be cheaper at harvest than any other feed mill?

CORN	Futures Month Delivery Month Futures Price	CK18 Mar	CK18 Apr	CN18 May	CN18 Jun	CN18 Jul	CZ18 Aug	CZ18 Sep
		\$ 3.91	\$ 3.91	\$ 3.98	\$ 3.98	\$ 3.98	\$ 4.08	\$ 4.08
MB Feed Mill	Bladenboro, NC	0.60	0.70	0.70	0.70	0.70	0.65	0.50
MB Feed Mill	Laurinburg, NC	0.55	0.65	0.65	0.65	0.65	0.65	0.50
MB Feed Mill	Rose Hill, NC	0.65	0.65	0.65	0.65	0.65	0.65	0.50
MB Feed Mill	Warsaw, NC	0.65	0.65	0.65	0.65	0.65	0.65	0.50
MB Feed Mill	Creswell, NC	0.35	0.35	0.35	0.35	0.35	0.35	0.25
MB Feed Mill	Waverly, VA	0.35	0.35	0.35	0.35	0.35	0.45	0.40
MB Elevator	Harpster, OH	0.05	(0.05)	(0.05)	(0.05)	(0.05)	0.00	-0.10
MB Elevator	Hobbsville, NC	0.25	0.20	0.20	0.20	0.20	0.10	0.05
MB Elevator	Weeksville, NC	0.25	0.20	0.20	0.20	0.20	0.10	0.05
MB Elevator	Morgan's Corner, N	0.25	0.20	0.20	0.20	0.20	0.10	0.05
SGC Elevator	Bentonville, NC	0.40	0.40	0.40	0.40	0.40	0.35	0.30
SGC Elevator	Bladenboro, NC	0.40	0.40	0.40	0.40	0.40	0.40	0.25
SGC Elevator	Clinton, NC	0.40	0.40	0.40	0.40	0.40	0.45	0.25
SGC Elevator	LaGrange, NC	0.40	0.40	0.40	0.40	0.40	0.40	0.25
SGC Elevator	Mt Olive, NC	0.40	0.40	0.40	0.40	0.40	0.45	0.25
SGC Elevator	Nichols, SC	0.40	0.40	0.40	0.40	0.40	0.40	0.25
SGC Elevator	Darlington, SC	0.40	0.40	0.40	0.40	0.40	0.25	0.20
MB Elevator	Clarkton, NC	0.40	0.40	0.40	0.40	0.40	0.45	0.30
MB Elevator	Registers	0.55	0.55	0.55	0.55	0.55	0.55	0.40
SGC Elevator	Kinston	0.40	0.40	0.40	0.40	0.40	0.35	0.20
Tyton	Raeford, NC	0.55	0.55	0.55	0.55	0.55	0.50	0.50

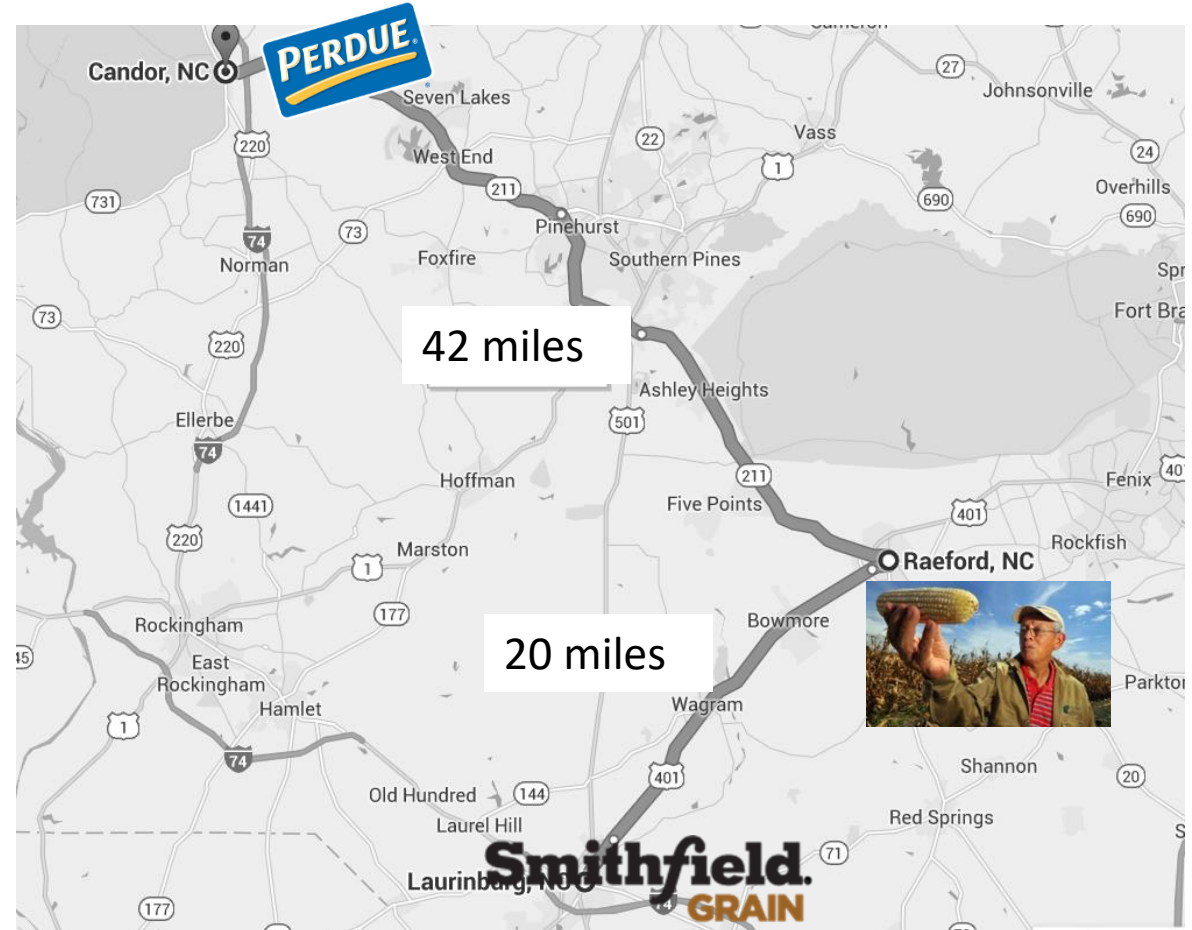
Freight Matters

- Farmer wants to sell 5,000 bushels of old crop corn
- His bins are in Raeford, NC

He calls the grain originators for both end users to learn:

1. Smithfield bid = 65CK15
2. Perdue bid = 80CK15

Where should farmer sell his grain?
What needs to be considered?



Freight Matters (cont)

1. Smithfield bid = 65CK15
2. Perdue bid = 80CK15

Where should farmer sell his grain?

	Smithfield	Perdue
Futures	3.9	3.9
Basis	0.65	0.75
miles	20	45
rate/mile	3.25	3.5
Bushels	929	929
FOB Price	\$ 4.48	\$ 4.48



Life as a grain originator

- **Early morning**
 - **7:00a** – Read morning grain comments while drinking Starbucks espresso (or 2 diet mountain dews)
 - **7:30a** – Review inventories at your feed mill provided daily by mill staff
 - **8:00a** – Review mill position (yesterday's feed production, incoming grain, what's left to ship from farmers, upcoming rail, port lineup, freight)
- **Mid-morning** – check in with customers (maintenance on existing grain contracts, recruit new bushels, market intel, inform on market)
- **Lunch** – buy a farmer lunch
- **Afternoon** – scout fields, understand local crop conditions
- **Evening** – paperwork - contracts, put in pricing orders, etc.



Differentiating from other end-users

- Wheat Seed Program
- Non-GMO Soybean Program
- We want to be the PREFERRED buyer of local grain.
- Farmers have choices, and there's only a limited supply of grain.
- How do we maximize our local handle?

Differentiating from other end-users

- We want to be the PREFERRED buyer of local grain
- Farmers have choices, and there's only a limited supply of grain.
- How do we maximize our local handle?
 1. Customer Service – from originators, to mill personnel, mill capabilities
 2. Marketing Options to fit farmer's businesses
 3. Always have a market
 4. Flexible hours at harvest – 24/7
 5. Agronomic assistance
 6. Quick payment
 7. Off the farm pickup program
 8. Alternative markets (sorghum, Non-GMO beans)
 9. Partner with Universities for research to increase production in Mid-Atlantic Regions



Smithfield Grain Internship

Smithfield Internship



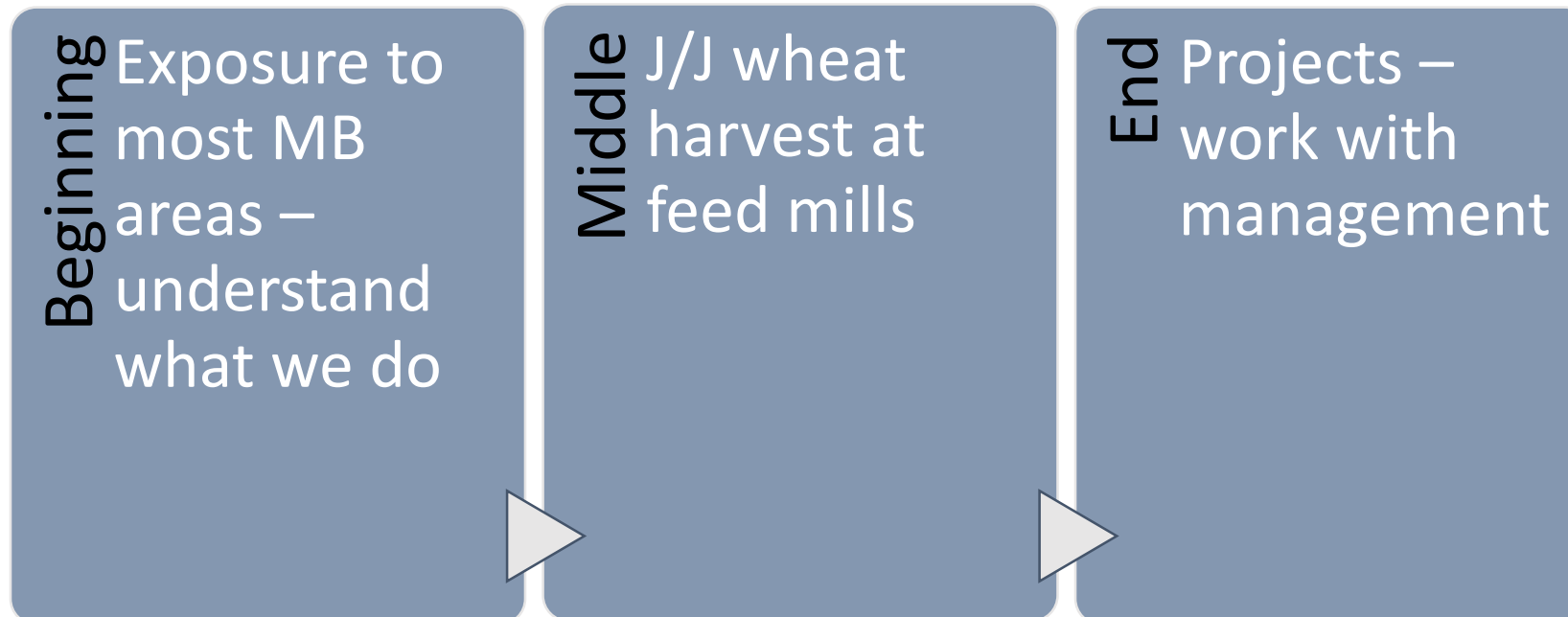
- 7th year we've done program
- Ag interest preferred (not required)
- People skills important
- Willingness to work long hours
- Good problem solver



Internship Details



Our goal = **improve customer service**



What do you get?



- MONEY!!
- Exposure to large company in Ag industry
- Sharpen Communication skills
- Decision making skills
- Possible college credit
- Networking
- Possible long-term employment

QUESTIONS?