

# **RYAN COX**

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**Aim High.  
Bank Strong.**

# The Growing Hog Industry in Iowa

- **Privately owned bank**
  - \$515MM in total assets
- **\$125MM in Ag loans – Eastern IA/Western IL**
  - \$12MM total hog production loans
- **Washington, IA location –**
  - nearly 1 million hogs
  - 5%+ of the state's hog inventory
- **Several integrators in SE Iowa = good options for contract feeding.**

# The Growing Hog Industry in Iowa

## ➤ **China connection to Muscatine**

- President Xi Jinping visited in 1985

## ➤ **Chinese investment in Muscatine**

- New Hotel downtown
- Travel Agency
- Other real estate

# The Growing Hog Industry in Iowa

- **Our Bank's perspective**
  - Strong demand for new hog buildings in 2016
  - Slowed in 2017
  - Even stronger demand in 2018
- **Tight row crop margins**
  - 1,000 – 1,500 acre crop operations
- **2018 Net farm income = lowest in 12 years.**
- **Additional slaughter capacity**

# The Growing Hog Industry in Iowa

## ➤ **Financing considerations**

- Does it make sense / fit the operation
  - Good steward
  - Environmental Impact
- Down payment – cash (25%-30%) or other equity?
- Amortization 10, 12 even 15 years
  - \$40 to \$42 per pig space common in SE Iowa
  - Integrators will chore the buildings

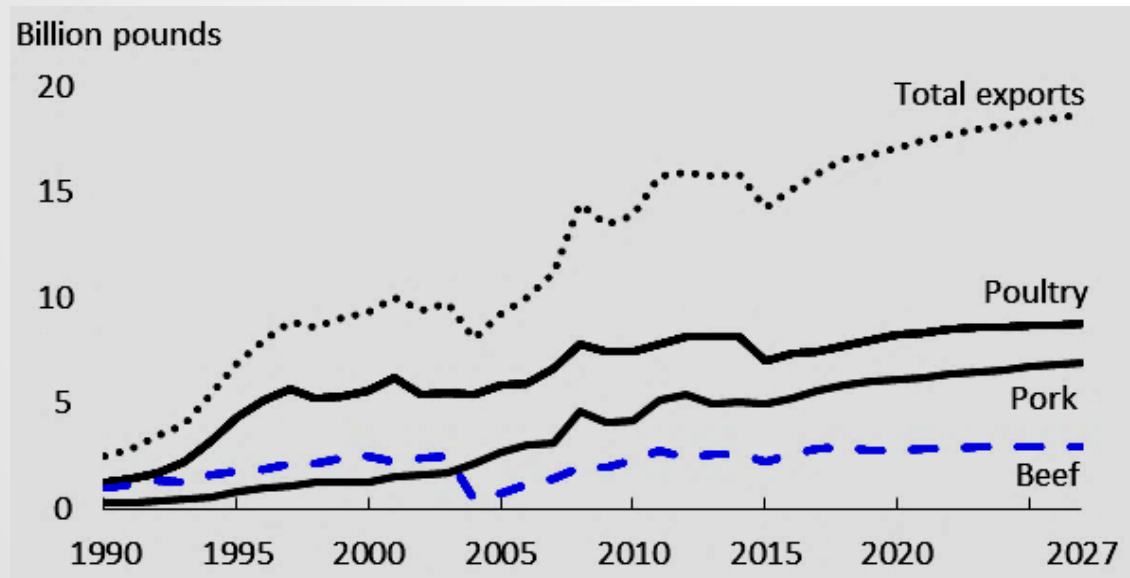
# The Growing Hog Industry in Iowa

## ➤ **Positives from lending standpoint**

- Good way to diversify; generate more income
  - Next generation on the farm
  - Sustainability
  - Existing sites
- Use of manure in crop operation
  - Best crop yields in our portfolio follow hog manure
- Contractual income
  - 5 to 10 year contracts
  - Electronic payments / automatic loan payments

# The Growing Hog Industry in Iowa

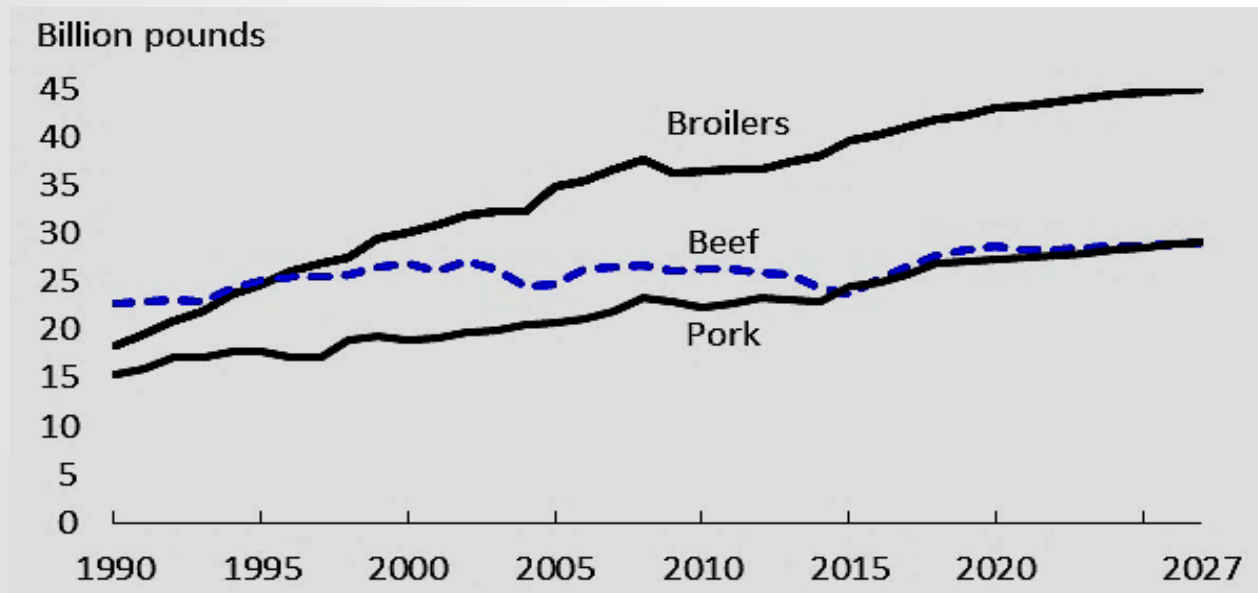
## U.S. Meat Exports



Source: USDA Long Term Projections, February 2018

# The Growing Hog Industry in Iowa

## U.S. red meat and poultry production



Source: USDA Long Term projections, February 2018



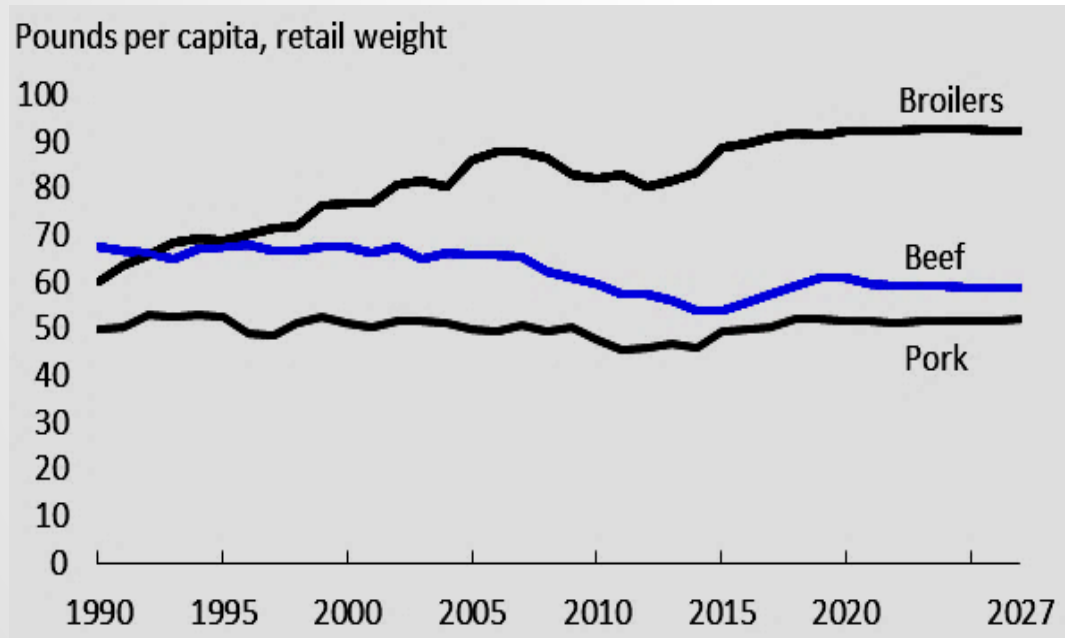
# The Growing Hog Industry in Iowa

## ➤ **Concerns from a lending standpoint**

- How sustainable is this growth
  - “Non-farm” interest in buildings
  - Regulations
- Who is going to eat all the pork?
  - Exports are critical
- Black swan event
- Political uncertainty

# The Growing Hog Industry in Iowa

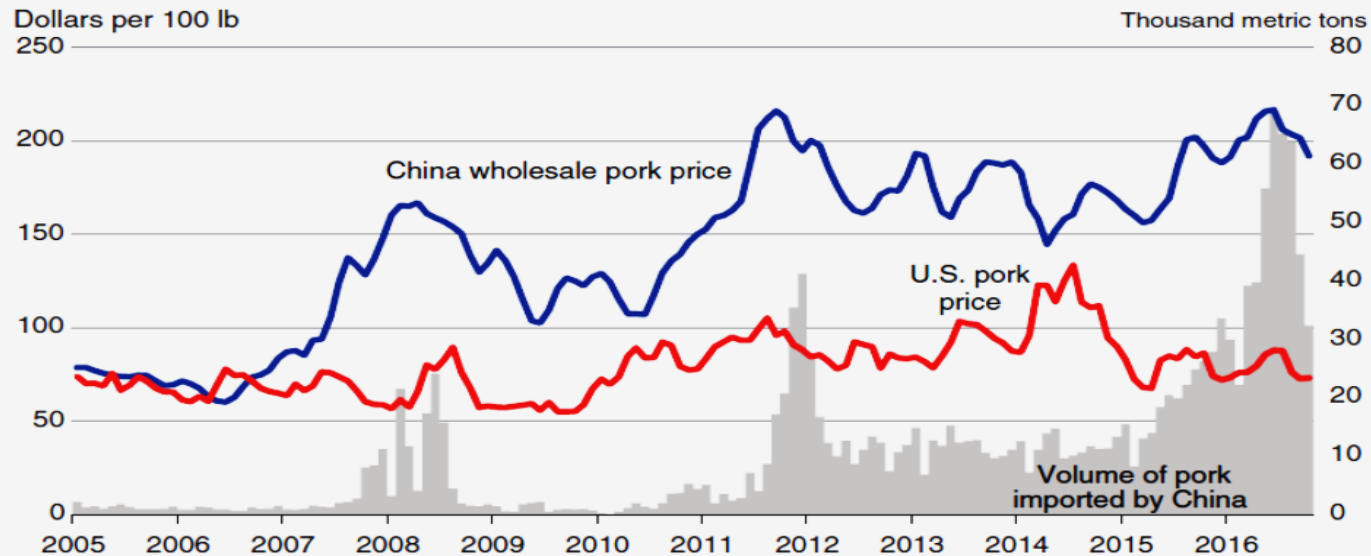
## U.S. per capita meat disappearance



Source: USDA Long Term Projections February 2018

# The Growing Hog Industry in Iowa

China and U.S. pork: monthly prices and imports, 2005-2016



Note: Imported pork is Harmonized System code 020322--frozen swine meat, hams, shoulders, bone-in. U.S. price is wholesale pork cut-out composite price.  
Source: China Ministry of Agriculture; U.S. Department of Agriculture wholesale prices for the livestock sector (<http://www.ers.usda.gov/data-products/livestock-meat-domestic-data.aspx#26178>); China customs statistics reported by Global Trade Information Services, Global Trade Atlas.

<sup>2</sup>China's low level of imports largely reflected a ban on U.S. pork for most of 2009 due to purported concerns about transmission of H1N1 influenza.