FINAL TRANSCRIPT

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PRESENTATION

Operator

Welcome and thank you for standing by. At this time all participants are in a listen-only mode. (Operator Instructions) Today's conference is being recorded. If you have any objections you may disconnect at this time.

And now I'd like to introduce Ruth Ann Wisener. Thank you, you may begin.

Ruth Ann Wisener - *Tyson Foods, Inc. - VP IR*

Good morning, and thank you for joining us for Tyson Foods' conference call for the fourth quarter and 2010 fiscal year.

I need to remind you that some of the things we talk about today will include forward-looking statements. Those statements are based on our review of the world as we know it now, which could change. I encourage you to look at our press release for a discussion of the risks that can affect our business.

On today's call is Donnie Smith, President and Chief Executive Officer; Jim Lochner, Chief Operating Officer; and Dennis Leatherby, Chief Financial Officer. To ensure we get to as many of your questions as possible, please limit yourself to only one question and then get back in the queue for additional questions.

I'll now turn the call over to Donnie Smith.

Donnie Smith - *Tyson Foods, Inc. - President, CEO*

Thanks, Ruth Ann. Good morning, everyone, and thanks for joining us. I hope you've had a chance to review our press release to see that we had a record fourth quarter with GAAP earnings of $0.57 a share, or $0.64 a share on adjusted basis. We produced net sales of $7.4 billion and operating cash flows of $350 million for the quarter. Our Q4 adjusted operating margin was 5.6%. On net sales of $28.4 billion for the year, we produced record GAAP earnings of $2.06 a share or $2.19 a share on an adjusted basis, and all of our operating segments were in or above their normalized ranges. These results generated significant cash which we used to reduce debt and reinvest in our business. These results also demonstrate the strength of our diversified protein model. Beef and Pork produced close to $1 billion in operating income for the year, the Chicken segment improved significantly and was within its normalized range.

Market conditions were favorable versus '09. But they were far from ideal. The economy has been slow to recover. Food service demand was off again. Consumer confidence was low. Cattle and hog costs climbed throughout the year. Cash, corn and soy meal prices averaged about $0.40 a bushel and $30 a ton cheaper for the year, respectively. But of course we were without the Russian market for most of the year and lower leg quarter prices offset some of the benefit for feed ingredients. Overall, the domestic availability of protein was lower than in '09, which was favorable. But in the end, our diversified protein model, and most importantly, our improved execution made for a very strong performance in 2010 despite the headwinds.

Before I move on, I'd like to quickly remind you of our four objectives. Be our customers' go to supplier. Be the best-in-class protein manufacturer. Build a multi-protein enterprise. And upgrade our raw materials and byproducts, which is of course a reference to our renewable products business.

Success in serving our customers was demonstrated by several supplier of the year awards we received from some of our most valued customers. We will continue earning their business through innovation and service. As for the second objective, our progress towards becoming the best-in-class protein manufacturer is evident in our results compared to our historical performance and compared to our competition. The progress of the other two objectives may be a little less visible right now, but they are still important to our long-term growth and diversification.

We made good progress on our international operations in 2010. Tyson de Mexico had a great year by improving yield and product mix, keeping the gross margin up while simultaneously driving G&A costs down. India was also a good year. Although it's a small piece of our business, we continue to be very pleased with the execution of our team in India. We still have work to do on our new operations in China and Brazil. Keep in mind, we have greenfield operations in those two countries, and we knew they would not contribute to our earnings this past year. But I am confident in our teams in those countries. They are right on track. Although we did write down goodwill in Brazil, we believe our international operations still offer good opportunities for long-term growth.

Moving on to renewable products, I'm happy to say the dynamic fuels plant began producing fuel in early October and has operated at up to 2,500 barrels a day as we continue to ramp up production. We're very pleased with the quality of the fuel being produced from non-food grade animal fats and greases. The renewable diesel we're making really is the best in the world from both a performance and an environmental standpoint.

Looking forward into 2011, we obviously have some turbulence to deal with. Inputs, especially corn, are going to be a challenge, but we're doing everything we can to offset those inputs through pricing, operational efficiencies and managing our product mix. We began in late 2009 and we'll continue through 2011 investing capital in the vast majority of our domestic chicken plants. In our fresh plants the primary focus of our capital spend is to increase yield, labor and line efficiencies while concurrently improving our flexibility to produce a more market relevant product mix. We're also investing in our further-processing plants to improve line efficiencies to keep pace with customer demand for our value added products.

The investment and size of the profit improvement projects differ from plant to plant, but many of them will produce a return of between 25% and 40%. We still have work to do, but we feel very good about our ability to mitigate at least some of the increased inputs with lower conversion costs.

Now, on the demand side, we don't see any decline in US protein demand in 2011, but it looks like growth will be limited. In food service, if current trends hold we predict sales to be about unchanged to maybe up 1%. Several food service operators are reporting positive comps, but there are still plenty signs of weakness. We think Chicken volume at food service may be up around 1% in 2011. Intuitively, you would think chicken demand would improve as beef and pork prices increase but there doesn't appear to be protein substitution on the menus at this point.

At retail, we also predict total meat volume to be about flat in 2011, versus 2010, with Chicken a slight winner in year-over-year tonnage, all driven by lower available supplies of competing proteins. Consumers are still cautious about the economy. And their feelings are driving what they spend and where they spend it. Many consumers are still looking for the value play while some are spending on the upper end of retail rather than returning to food service. With that said, based on everything we can see now, 2011 will be a good year for us because of our multi-protein, multi-channel business model. I can tell you, the year's getting off to a very good start. We currently expect Q1 EPS to be comparable to the Q4 results we report today.

I'll wrap it up by saying thank you to all the Tyson team members for their efforts in making 2010 the most successful year in Company history. Let's stay focused on producing more good results in 2011.

I'll turn it over now to Jim for a review of our segment results followed by Dennis with the financial report.

Jim Lochner - *Tyson Foods, Inc. - COO*

Thanks, Donnie. As you said, it was a great quarter and a great year and we got there by following our strategy. We strive to be our customers' go to supplier, which means providing quality, service and innovation, and we do this while maximizing revenue and minimizing cost that's driving to be best-in-class in protein manufacturing. To see how we accomplished this, let's look at each of our segments.

Pork had another phenomenal quarter with $125 million in operating income, and 9.9% return on sales. This compares to 10%, and $125 million in Q3, and 4.9% and $48 million in Q4 of '09. Sales volume was down 8.7%, but keep in mind this was a 13 week quarter compared to 14 weeks in 2009. Average sales price was up almost 42%. Earlier this year, we raised the normalized range for Pork return on sales to 4% to 6%, and it continues to outperform by a significant margin. Based on what I've seen halfway into the first quarter, we don't show any signs of letting up.

Beef also had a very strong quarter with $121 million in operating income, and 4% return on sales. This compares to $176 million, and 5.6% in the third quarter, and $120 million and 4% in Q4 of '09 excluding the $560 million goodwill impairment. Sales volume was down 11.8% with average sales prices up 14.4%. I'm extremely pleased with the Beef and Pork results in 2010 and thus far in Q1. We are forecasting no major changes in the market fundamentals for either Beef or Pork.

Let's talk about each of the components. First, supply. Neither Beef nor Pork production can change much in 2011 due to the life cycle of the animal, and we should have ample supplies in the regions in which we operate our plants. USDA cold storage data indicates Beef and Pork inventories are down substantially, 14% versus last year and 13% versus the five year average. Finally, imports into the US have trended down with no significant growth forecast for next year. The supply data looks to be in good shape, in support of the prices.

On the demand side, disappearance in both domestic and export channels is good. Exports in Beef and Pork have been very strong and are forecasted to remain strong next year in the USDA projections. USDA composite Beef cutout the last four weeks is up 12% versus the same period last year with slightly higher volume. The Pork cutout over the same time period was even more dramatic and generated 34% improvement even with 5% more pounds produced compared to the same time frame last year. Obviously overall demand has been strong enough to support the revenue this fall. In summary, at this point we don't see anything in the market fundamentals to prevent Beef and Pork from performing in fiscal 2011 at or near the levels of 2010.

Turning to Chicken. In the fourth quarter, the Chicken segment posted $141 million in operating income with a 5.4% operating margin, or 6.5% adjusted for the goodwill impairment of our Brazilian poultry operations. This compares to $186 million, and 7.4% in the previous quarter and $32 million and 1.2% in the same quarter last year. Our volume at price were each down less than 1% compared to Q4 '09. Despite softer market pricing, we delivered a fiscal year within our normalized range for the first time in several years. Our Chicken operations continue to perform well and we anticipate Q1 results also will be within the normalized range. We attribute our performance to our ongoing efforts to gain operational efficiencies and generate a more profitable product mix. We realized approximately $400 million of these improvements in fiscal 2010. In 2011, there are more than $200 million in operational efficiencies to be implemented and about $200 million in price and mix improvements. This should help offset higher grain prices forecasted for the year.

Although we planned normal seasonal production decreases, perfect growing conditions resulted in heavier weights and excess pounds on the market. USDA data showed record pounds produced for several weeks this fall before declining to lower levels in October and November. Our goal is to match production to our sales forecast while keeping inventory at appropriate levels. Therefore, we are continuing our planned production cuts into the second quarter. Thinking about Chicken production, it's important to keep it in context of total protein disappearance worldwide. Exports and the supply of other proteins are key factors. Currently USDA and other analysts project total domestic availability of all proteins to be flat to slightly down for 2011 despite a projected increase in Chicken production of 1% to 2%.

Moving on, we were disappointed with our Prepared Foods segment's fourth quarter results. It generated only $10 million in operating income with a 1.3% return on sales. This compares to $22 million, and 2.9% in Q3, and $39 million and 5.3% in the same quarter last year. Volume was down 6.7%, average sales prices increased 16.9% primarily due to higher input costs. With raw material price volatility we experienced, we continue to move away from long-term fixed price contracts towards more near-term pricing agreements. This will allow us to absorb rising input costs more effectively which will be important in 2011 as inputs, especially pork and wheat, are likely to increase again.

In closing, the protein fundamentals present a mixed bag. We have a negative trend with grain costs projected to be above 2010 but positive trends in global protein supply and demand fundamentals, support protein prices into 2011. The opportunities we've identified inside Tyson will create significant value whatever the markets do. You can see how far we've come by our 2010 results, and we look forward to implementing the rest of our plans in 2011 and beyond.

Lastly, I want to personally compliment all of our team members. I'm very proud and pleased with their focus on taking care of the customer, improving the product and the cost and their spirit of continuous improvements as they willingly take on new challenges.

Now I'll go to Dennis for the financial report.

Dennis Leatherby - *Tyson Foods, Inc. - CFO*

Thank you, Jim, and good morning, everyone. Our reported Q4 earnings of $0.57 per share include $29 million or $0.07 per share related to a non-cash goodwill impairment charge involving our Brazilian poultry operations. Excluding this impairment, Q4 EPS was $0.64 per share. Our reported full year fiscal 2010 earnings were $2.06 per share, which includes $0.13 per share of adjustments for the goodwill impairment, losses on bond buybacks, impairment of an investment and insurance proceeds received in Q3. Excluding these items, fiscal 2010 EPS was $2.19 per share.

Our operating cash flow was $350 million for Q4, and $1.4 billion for the year. Because of this, we reduced our debt to its lowest debt level in nearly a decade. Net debt which includes cash of $978 million was $1.56 billion, a reduction of $190 million from Q3 and $732 million from a year ago. Total liquidity, which includes availability under our current credit facility, cash, was $1.8 billion. Our bond buyback program slowed considerably in the fourth quarter because of the higher prices of our bonds. As a result, we purchased just $32 million of bonds for the quarter. For the full year, we retired or repurchased $956 million of bonds, a great achievement we don't expect to repeat in 2011 due to consistently high prices for these bonds. Return on invested capital for the year was 23%. A measure we are proud of achieving and are striving to maintain and improve over time.

Capital expenditures were $146 million for the quarter, and $550 million for the year. This number is less than our previously announced capital spending plans due the time lag between authorizing and spending on these projects. As you will see in our 2011 CapEx guidance, we will spend these dollars in 2011. Our effective tax rate for Q4 was 35.6%, or 32.6% without the nondeductible goodwill impairment charge.

Here are some thoughts on the outlook for fiscal 2011. Revenues are expected to be around $30 billion. We expect net interest expense will be approximately $245 million, down nearly $90 million compared to fiscal 2010. The effective tax rate should be about 37%. Presently we have approximately 379 million shares outstanding. However, this number could change based on the dilutive effect of options in our convertible bonds as it relates to our stock price performance. CapEx should be around $700 million, as we continue to reinvest in our businesses. This includes carryover spending from 2010. Our spending will again be focused on improving the operating efficiency and competitiveness of our domestic operations, and completing the build-out of our existing foreign businesses. Depreciation and amortization will be approximately $525 million.

As for debt, we will continue to repurchase notes when available at attractive rates. Also, we do not have any significant maturities of debt coming due over the next three years other than our 8.25% notes due October 2011. The balance on these notes was down to $315 million at the end of fiscal 2010 and we plan to retire them with current cash on hand and/or cash flows from operations on the last day of fiscal 2011 (Company corrected after the conference call). Looking back, 2010 was a record year that we are very proud of but we also believe it was the start of many great years ahead for our Company. We have changed each of our businesses for the better and we are seeing our efforts pay off. Our diversified protein model is working. Beef and Pork performance in 2010 was outstanding and we expect it to continue. The Chicken and Prepared Foods businesses are both now in their respective earnings ranges. And our teams are actively working on additional improvements to help offset the challenges they're facing with input costs. Our capital structure is sound. Our overall Company performance is strong and our improved ratios are reflected in the upgrades and positive outlooks received from all three rating agencies in recent months. We look forward to demonstrating that our improved performance is sustainable and worthy of a return to investment grade and higher earnings multiples from investors which are reflective of this strong and sustainable operating performance.

In summary, Tyson Foods is a much different company than it was even two years ago, and we plan to continue to grow and improve. To the Tyson team, I am proud of all you've done, but let's keep getting better as there are even more opportunities ahead of us. Thank you.

And with that, that concludes our prepared remarks and I'll ask Candy to begin the Q&A.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions) We have Ann Gurkin. Your line is open.

Ann Gurkin - *Davenport & Company - Analyst*

Good morning. Congratulations on a great quarter. I wanted to ask two questions, if I may. One regarding the Chicken segment. I believe you said you look for margins to be in the normalized range in Q1. Can you help us understand how those margins should look as we move through the calendar 2011 year? And then secondly, what gives you the confidence in your statement that export volumes are likely to grow? Is there any data behind that statement, or what gives you that confidence?

Donnie Smith - *Tyson Foods, Inc. - President, CEO*

Okay, Ann. I'll start. This is Donnie. I'll start with the first part. Yes, we do think Q1 will be inside the normalized range. As we look forward, obviously as we move through the year, there's quite a bit of unknown around what grain would do, but we also think that we've got a lot of opportunities inside of our business to reduce our operating costs and continue to improve on our operating efficiencies, and we believe there's opportunities for us also in price and mix. It looks like probably Q2 would be the trough in our earnings but we do believe that our Q2 is going to be profitable. So I think that's probably about as clear as I'd like to be now on the Chicken segment for the year.

On the export piece, could you repeat your question there again?

Ann Gurkin - *Davenport & Company - Analyst*

Your confidence about export volume to grow for overall proteins. I guess the markets are so unpredictable but I was just interested in your thoughts behind that statement.

Jim Lochner - *Tyson Foods, Inc. - COO*

Ann, I'll answer this question. This is Jim. It's really based on what we've seen in beef and pork, particularly the last quarter, and just the interest going forward. And most analysts, including some of the USDA data and other analysts I've looked at are projecting beef and pork exports to continue to grow. Chicken may or may not, depending upon what happens with Russia and the rest of the world. I think the only snag that we could potentially see, again, would be the weakness or strength of the US dollar. But right now it certainly looks like demand is carrying right through into 2011.

Ann Gurkin - *Davenport & Company - Analyst*

That's great. Thank you all very much.

Operator

Thank you. Next question, Vincent Andrews, your line is open.

Vincent Andrews - *Morgan Stanley - Analyst*

Hi. Thanks and good morning, everyone. I want to make sure I heard something correctly on the call. It sounded like you said you were cutting production in chicken in 2Q as you had planned or did I mishear that?

Donnie Smith - *Tyson Foods, Inc. - President, CEO*

No, that was correct. Let me add a little bit of color here. During this late summer, it was incredibly hot in most of the growing regions which really caused our bird weights, and therefore the live pounds produced, to drop. In order to meet demand we did two things. We maintained a pretty large inventory in the field, and then at the same time we were purchasing some meat off the market so we could keep our expected service levels to our customers. Early in the fall, we implemented our normal seasonal production cuts to make sure that our inventories stayed in line. But the combination of that increase in live supply coupled with what turned out to be a fairly dramatic improvement in our performance caused us to produce more pounds than we intended. Of course, also during that time USDA data shows that there were several record weeks of total poultry production.

So in essence, we built too much inventory. So what we did is we extended our production cuts into Q2 so that now our current plan will have our inventories back to their target by the end of Q2, and, thus, at the beginning of what we would call the peak volume season. We've got our inventories in line, and we'll be running our production, currently we plan back to normal levels. But it all depends on our demand.

Vincent Andrews - *Morgan Stanley - Analyst*

If I could just ask you to square that with, in prior quarters you've made some commentary about actually looking to increase production. Is that accounted for within what you just said and it washes out or is that a separate issue?

Donnie Smith - *Tyson Foods, Inc. - President, CEO*

Our plan is to always match supply and demand. That's the overall goal. In our Q1, frankly, we ran a busted play. So we pulled another play out of the play book and we're going to cut our production in Q2 so that our inventory is where we want it to be at the end of Q2. And then from that point forward or during Q2, we'll always look forward at our forward demand, then make our production decision based on what our forward demand curve looks like.

Vincent Andrews - *Morgan Stanley - Analyst*

Okay, but none of these decisions is a function of either, A, the amount of production that the rest of the industry is increasing, or B, the corn and soybean meal price outlook; is that correct?

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Donnie Smith - *Tyson Foods, Inc. - President, CEO*

No, it's balancing supply and demand and it got away from us a little bit in Q1 and we're correcting it in Q2.

Vincent Andrews - *Morgan Stanley - Analyst*

Okay. That's fair enough. I'll leave it there and let others ask. Thanks.

Operator

Thank you. Next question, Farha Aslam, your line is open.

Farha Aslam - *Stephens Inc. - Analyst*

Hi, good morning. Congratulations on a great quarter. First, just a point of clarification. You said the fiscal first quarter was going to be in line with the fourth quarter. Do you mean the GAAP number or the adjusted number?

Dennis Leatherby - *Tyson Foods, Inc. - CFO*

The adjusted number.

Farha Aslam - *Stephens Inc. - Analyst*

The adjusted number. And then in terms of Chicken, you're right now in the food service contracting season. Could you address how you're dealing with the higher grain prices in your contracts?

Jim Lochner - *Tyson Foods, Inc. - COO*

I'll answer that. We're certainly communicating what we think the forward curve for increased input costs are, working hard with customers, looking at the meat block, looking at where they can work their menu prices. And then we're certainly trying to make sure that the mix is right. We're not trying to go out very far but any customers who want to go in year contracts we're trying as best we can to either get ceilings and floors on the grains. That's one approach. Again, we're just bent on communicating particularly all year with most of our accounts that we think the domestic availability of protein is going down, prices are going up and we're trying to make those adjustments. That's a qualitative answer because I clearly can't get into the account by account answers.

Farha Aslam - *Stephens Inc. - Analyst*

Maybe just one clarification, then I'll pass it on. When you talk about mix, could you just give us some color about what you mean when you're talking about trying to improve mix and change mix?

Donnie Smith - *Tyson Foods, Inc. - President, CEO*

Sure, Farha, this is Donnie. I'll give you a quick example. I'm going to use our fresh tray pack or chill pack business as an example. There are times in the year when whole birds, for example, are popular in the retail marketplace but then there are other times in the year, like for example grilling season, when it's more of a boneless, thigh, drumstick type market, so they want the cut-up parts. Several of our fresh chicken plants, we had some mechanical limitations to be able to provide that market relevant mix.

In other words, have the percent of boneless as a percent of the total mix that we're selling into the marketplace at an adequate percentage, frankly to meet customer demand and to give us the type of return that we need to compete in that segment. And so for the last year or so, we've been plowing quite a bit of our CapEx into those fresh chicken plants in order to add the flexibility that we need to produce, for example, more boneless and more cut-up parts versus whole birds or those types of things. Anyway, to have the flexibility to have a more market relevant mix. Mix would also pertain to selling more value-added further processed items in food service, for example, than a commodity, CVP breast meat or CVP bone-in part, that type of thing. That's what we mean when we talk about mix.

Farha Aslam - *Stephens Inc. - Analyst*

Okay. Thank you very much.

Operator

Thank you. Next question, Ken Goldman, your line is open.

Ken Goldman - *JPMorgan Chase & Co. - Analyst*

Good morning. Could you walk us through -- I know you're talking about mix here, and I appreciate that, and I appreciate the Tyson brand goes a long way. But on the other hand, a meaningful amount of your business is still commodity-oriented and we've seen egg sets up maybe 5%, 6% on average lately and we have another big retail plant opening in a month or so. So with projections for demand relatively flat, maybe up a little bit, supply flat or maybe up a little bit too next year, I'm just curious for some more color on how pricing goes up quite enough to offset your grain costs. I know it's not all of it that's offsetting it, you have efficiencies, too, but I think you mentioned $200 million. Maybe you could give us a little sense of how much of that is mix and pricing and maybe more confidence on how you get there.

Jim Lochner - *Tyson Foods, Inc. - COO*

Let me start. Donnie just gave you a good explanation on how mix and having the ability to produce the mix that's generating the most revenue and staying offset so you're just not pushing meat into the wholesale market. You're really trying to find the best retail, the best food service or even the best export opportunity. It's a combination of mix and having the flexibility. I want to step back and think through what's really going on on the beef and pork pricing. And as I mentioned in my remarks, we're up 12% in Beef, 34% in Pork year-over-year last four weeks. And then I read a report here this morning that retail prices are knocking 10 year highs which is really suggesting that that price, because we sell wholesale and the retail prices are going through. Now, if we take the whole domestic protein scenario that's going to continue to decline, you can see some forecasts of beef down 2%. So we're going to have that tradeoff between proteins going forward and even if chicken production does come up 1% to 2% and exports don't increase, I think chicken will be the value and you saw very strong pricing last summer.

So right now it seems pretty doomed because we came through this extra production from increased performance. But as we go into the normal seasonal demand period, I'm fairly optimistic that we're going to be able to navigate the prices. But again, it's the combination of the whole picture on the protein supply and the validation that we were able to push wholesale prices and retail prices in the other segments. That's my explanation.

Ken Goldman - *JPMorgan Chase & Co. - Analyst*

That's helpful. Thank you. One question on Pork. You mentioned the retail pork prices are at an all-time high. They keep growing. Industry pork margins are at record highs. The retailers are making great margins. Can you help us understand this dynamic a little bit better? I know we've been going through this for months now, and frankly, I'm still not fully comfortable as to why it's happening, given that hog prices are so high. How much of it is related to new breakfast programs at QSRs? How much of it is related to other of your competitors I've heard acting more like a pork packer rather than a hog farmer? I've heard a lot of different theories but I'm just curious how sustainable these pork margins and pork prices will be do you think.

Jim Lochner - *Tyson Foods, Inc. - COO*

I'm going to answer you real quick by saying just always go back and take a look at pure demand forecasts for pork. And when you look at domestic availability and price and it's right on plane. In other words, we're just that tight of supply and there hasn't been a fall-off in demand and export markets are sustaining that. And just keep in mind the bellies climbed from $0.80 to $1.60 and we're pushing and the industry's pushing and the retailer's pushing bacon prices. So at what point -- we've not seen a demand shift, is my whole point

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Ken Goldman - *JPMorgan Chase & Co. - Analyst*

Thank you.

Operator

Thank you. Next question, Tina McGlone, your line is open.

Christina McGlone - *Deutsche Bank Securities - Analyst*

Hi, good morning. Christina. Donnie, I was curious, last year it seemed in the winter that Tyson made a decision that you would rather buy breast meat than store leg quarters, given the seasonality. And I'm curious if your inventory position that you talked about, the fact that you have to cut production, does that change that plan? Because I thought that was something that you were going to do consistently going forward?

Donnie Smith - *Tyson Foods, Inc. - President, CEO*

Christina, the plan would be the same. Obviously, we let Q1 get away from us a little bit. We will have that corrected by the end of March. Going forward with the current demand forecast that we see in place in chicken today, we're pretty balanced on a whole bird basis now so it doesn't appear we're going to be in the market. But if we were to be out of balance, certainly we would make the decision whether to buy the part that we need versus growing a whole bird and produce parts that we don't need. So wrapping all that up, it appears going forward, our forecast tells us we're pretty balanced in whole bird increments and won't be on the market much on through the year.

Christina McGlone - *Deutsche Bank Securities - Analyst*

Okay. Thank you. And then the follow-up, Jim, in terms of pork you talked about good exports, lower imports. September might be an odd month because prices were so high but it looks like the opposite happened. I'm curious, are you seeing that reversed, October, November, where exports are stronger and imports of pork are lower?

Jim Lochner - *Tyson Foods, Inc. - COO*

Exports have been tracking just a little bit under the prior year. But again, we see strong interest, and imports aren't a huge factor when you look at it, but the bulk of those come from Canada. And again, the world -- I always take you back to the world -- supplies of pork are down because Canada is way down, EU is down and we're down, and we're the primary three countries that produce pork for the world, aside from China. That's the key message, even though purely we're down I think year-to-date 1% or 2%.

Christina McGlone - *Deutsche Bank Securities - Analyst*

Okay. But the net balance is enough to pull our product, to help price the pricing outlook for Pork.

Jim Lochner - *Tyson Foods, Inc. - COO*

Keep in mind we're down 1% to 2% year-over-year but our supply's down. So you've got to factor the less supply into the export equation. So still a net domestic availability in pork overall being down. That really answers the question on pricing for you.

Christina McGlone - *Deutsche Bank Securities - Analyst*

Got it. Thank you. Last question, Dennis. Can you talk about what you said about shares and the options and the convertible bonds and your stock price? Can you review what the triggers are there?

Dennis Leatherby - *Tyson Foods, Inc. - CFO*

Sure, Christina. Basically think about our converts, that's the biggest driver. When our stock price gets, say, in the $17, $18 range and above we start to have to add more shares to the count and the same with options. So there's a formula that you can find in the back of our convertible offering and it's just really driven by the stock price.

Christina McGlone - *Deutsche Bank Securities - Analyst*

Okay. Thank you.

Operator

Thank you. Next, Christine McCracken, your line is open.

Christine McCracken - *Cleveland Research Company - Analyst*

Good morning. Jim, first, relative to your account on the retail pricing of proteins, when I looked at the retail pricing for chicken it seemed like there wasn't as much of a decline maybe as the underlying market. And I'm wondering to what degree would that limit your ability then to get pricing at retail? I know there's a difference, wholesale versus retail pricing, but just curious what impact did that have on your ability to realize better pricing?

Jim Lochner - *Tyson Foods, Inc. - COO*

I'm not sure I follow your question. Chicken wasn't as high as the other two but their spreads were still fairly good in the report that I read. But we get paid always on wholesale prices and so it's always against that disappearance what's happening in a given week relative to the demand and we're coming through this time frame right now where the increased performance of bird put more pounds out there than demand was cleaning up. At this point, I don't really expect to see a major issue trying to get retail prices and wholesale prices of chicken up relative to what the supply/demand fundamentals give us. I'm not really following your question, whether chicken will have a decreased demand relative to the others?

Christine McCracken - *Cleveland Research Company - Analyst*

Not so much. Just relative to the retailer's willingness to increase the shelf price. But following up on your comment on weight, we saw a big increase in weight. You talked about the favorable growing conditions. I think part of that was your move to the bigger birds over the last year. When you talk about your intentions to hold production or at least continue your seasonal cutbacks, I'm just wondering is that in weight or is that in heads? So when we look at those exit numbers, is it more a function--?

Jim Lochner - *Tyson Foods, Inc. - COO*

Christine, it would be in both, the issue when our weights get above the target zones, our customers and their specifications, we've got to pull them back because we're going to try to produce birds by category against the expectation of the customer. Obviously, the large bird deboning has a little bit different play but the overall average weights were 5.78 again, and you're just seeing this very good performance, which many attribute to really the quality of the corn. It has a very high test weight. And then we had excellent growing conditions so the productivity all came up. That's really where the imbalance this fall came from when you really look at the detail. And then our production cuts will be both, but we're going to try to, obviously, get the best live production we can at the target weights and then really match our egg sets and placements according to what our demand forecasts are out front. That's really the play.

Christine McCracken - *Cleveland Research Company - Analyst*

That's helpful. Thank you.

Operator

Thank you. Next, Heather Jones, your line is open.

Heather Jones - *BB&T Capital Markets - Analyst*

Good morning. Congratulations on the quarter. I have just two questions. One, going back to your comment about you haven't seen a meaningful shift at food service away from the other proteins to Chicken, and that's in contrast to what some of your competitors have seen. Just wondering just broadly, are you not seeing a shift at QSR? Just wonder if you could elaborate on that comment some.

Donnie Smith - *Tyson Foods, Inc. - President, CEO*

I'm talking against all of the food service, whether it's restaurant, the non-restaurant part of demand, we have not seen a meaningful shift in demand from beef and pork into chicken at this time, across all of food service.

Heather Jones - *BB&T Capital Markets - Analyst*

And when you say that you think chicken volumes at food service will be up 1%, are you talking about above what food service traffic will be up, or just period -- chicken volume demand at food service will be up 1% year on year in '11?

THOMSON REUTERS

Donnie Smith - *Tyson Foods, Inc. - President, CEO*

Heather, I'll add just a little bit of clarity and then Jim if you want to clean up, if I happen to make a mess here. Here's what I think will happen at food service in 2011. I'll first start talking about gross sales, or let's call that real growth. In total restaurants and bars, which is about two-thirds of the food service industry, I think you'll be up about 4/10 of 1% in real growth in 2011 versus 2010. In all of food service beyond restaurants, which would be the supermarket food service, convenience stores, travel and leisure, business and industry, healthcare, et cetera, education, those categories, I see those categories as being flat in 2011 versus 2010. So if you load up all of food service in terms of real growth, I think you're going to be flat to up 1% at best. And my number today would be 0.3% increase and that's total sales. That could be driven by drinks, that could be driven by anything on the menu. So then on the chicken side, it just looks like to us intuitively, with beef and pork prices higher in 2011, that ought to be some advantage to chicken volume. And I'm calling total chicken volume up 1% from '10 to '11. Jim, you want to add anything to that?

Jim Lochner - *Tyson Foods, Inc. - COO*

I did a fair amount of quick analysis. I'm going to spare you all the detail. But the reality is that beef drops in domestic availability 2%, about half of that flows to food service. I've got to walk that back down to boneless beef, and then I'd get an estimate of how many pounds would be consumed in chicken at food service, I can get to a nice number that's pretty close to 1% to 1.2%, if my assumptions are right. Just as, if protein consumption at food service is flat next year, year-over-year, just less beef and chicken replacing it because we're really looking at food service to be predominantly a chicken, beef consumption pattern. If beef domestic availability drops 4% then we're at roughly 2%. I just worked the math out looking at mass balances.

Heather Jones - *BB&T Capital Markets - Analyst*

Okay. And a second question. I'm wondering, with the exception of this past week, there's been a fairly sizable disconnect between egg set data and the size of the breeder flock. The latest data we have is for the breeder flock in September, but it's pointing to up 2.5% year on year but you've had much larger year on year increases in that in egg sets when typically they tend to agree more. I'm wondering if you could give us some sense of what you believe is driving that?

Jim Lochner - *Tyson Foods, Inc. - COO*

I'm not exactly sure either at this point, because we clearly are watching egg sets and it appears the hatch is up and then looking back at forward lead on the pullet placements. I would clearly think with increased feed input costs and the long-term picture, particularly with the pressure we saw on pricing, that we're still in a dynamic shift that's happening because this happened fairly quick and people have to make some changes. So we're confused a bit as well.

Heather Jones - *BB&T Capital Markets - Analyst*

Okay. All right. Thank you.

Operator

Thank you. Next, Diane Geissler, your line is open.

Diane Geissler - *Credit Agricole Securities - Analyst*

Good morning. Can you talk about your coverage on the grain side into 2011? I think on your last call you mentioned you were covered on your grain needs through the December quarter.

Donnie Smith - *Tyson Foods, Inc. - President, CEO*

Yes, we did. Let me add this. And I want to be a little careful about how much detail I give because, frankly, this comes back to us in the marketplace. But I do understand, and I want to give you as much clarity as I can. Q1's in good shape. In Q2 we have extended some coverage into Q2. Feel very comfortable that our pricing in that range is going to be good for us. Don't really want to talk about much beyond that but let me say this. The real focus of our position in grain was to try to get us covered to a point at which we could see what we felt like the value of corn would be.

So there's two very important things that come to play here. One, we need to get into that January crop report and find out what our total yield really is. We, like a lot of people, were pretty surprised that we thought we had a 165 yield in September, and we're staring at 144 in the eye today, and there's some analysts that are talking about 154 in the eye today and some analysts are talking about the thing may be easing back down into 150. We'll know that, or at least we think we'll know that, in early January. There's also some talk about how much of new crop production got used in old crop and did that affect the stocks report. We'll find that out in January. And then finally, and maybe as importantly or maybe more, is what are we going to do about this ethanol tax credit. I would not want to have a long position hung out over this market if this tax credit does not get renewed because we think there's a significant drop in play. We've told you before, and it won't change, we're going to keep a very conservative, close to the vest approach on our commodities trading. So that's really about as much color as I would like to give on the grain thing.

Diane Geissler - *Credit Agricole Securities - Analyst*

Maybe I can follow it up this way. I think one of the issues with your stock this fall has been the volatility in the grain market. And even if I look out where estimates are on the Street, you've got a low of $1 and a high of $2.40. It sounds like with your commentary on your first quarter, what your expectations are there, it should be a slam dunk on the $1. But this is probably as wide a range as I've ever seen on the forward look for the next fiscal year. Can you give us some comfort? It sounds like beef and pork are continuing to put in numbers certainly above the historic range and if you move your chicken into the historic range for the full year, it's possible you could do better this year than in fiscal '10?

Donnie Smith - *Tyson Foods, Inc. - President, CEO*

Here's the things I can say about '11. Number one, we're off to a very strong start with Q1 looking like our Q4 just ended. Number two, we do have a couple hundred million dollars in operating efficiencies that we feel like we can improve in our business, and we've got a couple hundred million dollars worth of mix and price improvements that we feel like we can improve in our business, all in the chicken segment. We feel like we've done a pretty good job of containing the grain cost for our chicken segment in the time of the year when there was the most volatility and we know least about the fundamentals of the crop. The other segments in our business are strong and appear very strong. And don't forget, we've got about an $85 million to $90 million interest improvement from '10 into '11. All those things add up to a good year. Now, is it going to be a record year? Well, that's too early to say. But we're sure off to a good start, feeling pretty confident at this point.

Diane Geissler - *Credit Agricole Securities - Analyst*

Okay. All right. I'll leave it at that. Thank you very much.

Operator

Thank you. Next, Ken Zaslow, your line is open.

Ken Zaslow - *BMO Capital Markets - Analyst*

Good morning, everyone. Easy question. How long will it take for you to pass through the pricing on Prepared Foods that we should start to get to more normal operating profits?

Jim Lochner - *Tyson Foods, Inc. - COO*

Certainly the correction that occurred on inputs was bellies dropping from $1.60 back to the $0.85 helped. Again, we're just trying to shorten that forward sell cycle with volatility of inputs. And then we had the correction in input costs, as well. So it's just a dicier game across Prepared Foods in the meat category. And then we experienced the same thing in wheat. And we try to get as much formula business in both categories as we can. I can't really give you a time line but I give you the drivers behind it.

Ken Zaslow - *BMO Capital Markets - Analyst*

So the first quarter that you're saying is going to be similar to the fourth quarter is still going to be absent any decent performance in Prepared Foods, essentially?

Donnie Smith - *Tyson Foods, Inc. - President, CEO*

We're expecting it to be better than it was in Q4 in Q1, just because we have those corrections in input costs.

Ken Zaslow - *BMO Capital Markets - Analyst*

In terms of balancing the idea between higher hog prices and stronger pork packer margins, can you talk about what would put you in a position that you would be more nervous about that not sustaining at these pork packer margins? I know they may not be at record levels but are there influences or factors exogenous or internal, whatever you could think of, that would take you off taking these strong pork packer margins for the foreseeable future, is there a risk -- what are the risks?

Jim Lochner - *Tyson Foods, Inc. - COO*

Short answer is no, I don't see any outside forces. But always keep in mind that our job is always to maximize the revenue. That we do through finding the best prices, making sure that the wholesale prices reflect the spot, demand fundamentals, sign the export, et cetera. And keep in mind there's a very strong correlation between livestock costs and total revenue. And so we operate trying to maximize everything we can within our plants and stay extremely competitive, and really it's all internal. You run the best efficiencies you can, you watch all the components, you save, you get all your yields, you service the customer, et cetera. The short answer is there's not much on the outside unless we see a huge -- absent any train wreck, some disease or something going on or some international factor. But I don't really see anything on the horizon there.

Ken Zaslow - *BMO Capital Markets - Analyst*

Would you say the same thing on beef?

Jim Lochner - *Tyson Foods, Inc. - COO*

Yes.

Ken Zaslow - *BMO Capital Markets - Analyst*

Great. I appreciate it.

Operator

Thank you. Next question, Robert Moskow, your line is open.

Robert Moskow - *Credit Suisse - Analyst*

Thank you. I had a question about the 25% to 40% returns that you expect on your investments in chicken. Donnie, can you give us a sense of, again, the total dollar amount that you're spending on projects like these? And can we expect the return -- what kind of incremental return would you expect for 2011?

Donnie Smith - *Tyson Foods, Inc. - President, CEO*

Great question. I'll try to add a little more clarity. Our total CapEx for the year will be about $700 million. Now, that does include some carryover from 2010. Of that $700 million, roughly half will be focused at our poultry prepared foods business, with the bulk of that focused on poultry because in '09 we made some fairly significant improvements in our prepared foods and processed meats businesses. So of that, if you take around a third or so, you've got fairly normal CapEx that's got to be spent on these plants for maintaining, and that runs pretty much across our entire business. So that leaves you about two-thirds of that money that's going into profit improvement type projects. And if you get a good half of that that's going to have somewhere in the 25% to 40% return, you've got well over your cost of capital return against the total portfolio of your spend. And the real focus of that is to fix some problems we're dealing with today on bottlenecks in our plants, limits in our ability to produce a better mix or more market relevant mix, that will allow us to move our revenue up. And also we've got some cost improvement projects that we need to improve yield and labor efficiency and line efficiency. And all of those things come into play in improving our productive capability in forward years. So that's pretty much the whole picture on our CapEx spend.

Robert Moskow - *Credit Suisse - Analyst*

Okay. And then when you came up with the $200 million in price, or mostly mix, that you expect to be positive for 2011, does the math tie here? Roughly, I guess it does, where if you assume two-thirds of the $700 million, that gets you about $500 million. And then if you were aggressively saying 40% returns on that $500 million, that's $200 million. Maybe that's the high end of it, but is that how you look at it?

Jim Lochner - *Tyson Foods, Inc. - COO*

Some of that's just pure improvement in efficiency and execution, just by building better systems, better feedback mechanisms, focusing on our team members, retraining. It's not all CapEx. CapEx could solve a lot of your layout and efficiency problems and then it's really some better data flows and more real-time feedback. Basic manufacturing stuff and feedback mechanisms that really have improved our execution. So that's why you'll have trouble just saying nothing changed year-over-year. Execution improved, and continuous improvement, regardless of where we spent. We just know where we have to spend to improve those layouts. The bulk of that spend was mix, efficiency, yield, that's the general category.

Donnie Smith - *Tyson Foods, Inc. - President, CEO*

Rob, I think your math is right but I believe the improvement is coincidental.

Robert Moskow - *Credit Suisse - Analyst*

Okay. What about for fiscal '10, then? What kind of return do you think you got on the projects that you did in fiscal '10?

Jim Lochner - *Tyson Foods, Inc. - COO*

On average, they were -- the forecast, because they're still being realized, on the profit improvement alone was in the 35% range.

Robert Moskow - *Credit Suisse - Analyst*

Great. Just what I need. Thank you very much.

Operator

Thank you. Next question, Lindsay Drucker-Mann, your line is open.

Lindsay Drucker-Mann - *Goldman Sachs - Analyst*

Good morning, everyone. I may have missed this but with the revisions to your second quarter production forecast, can you tell us what you expect total chicken production for you guys will be next year?

Donnie Smith - *Tyson Foods, Inc. - President, CEO*

I think about as much clarity as I would want to add to that would be low single digits for the year. I would hasten on to say, though, it will depend on our demand.

Lindsay Drucker-Mann - *Goldman Sachs - Analyst*

Are you seeing any indications at this point that some of the less profitable players are starting to modify their own production schedules?

Donnie Smith - *Tyson Foods, Inc. - President, CEO*

No, we're just focused on our customers and our business.

Lindsay Drucker-Mann - *Goldman Sachs - Analyst*

Okay. And then, next, can you help us understand how the China tariffs impacted you in the quarter and how you expect it will impact you for the full year?

Donnie Smith - *Tyson Foods, Inc. - President, CEO*

Yes. China primarily for us is a paw, wing tip, second joint wing type market and the tariffs did reduce our revenue. Our business there is still marginally profitable but it did have an effect.

Lindsay Drucker-Mann - *Goldman Sachs - Analyst*

Any way to quantify expectations for how that will impact you, either how it did in the quarter or what you're looking for next year?

Jim Lochner - *Tyson Foods, Inc. - COO*

We never really put a hard calculation because that market will move. Obviously when you put a tariff on and add a duty, countervailing duty, the importer has to pay that so they're going to knock their revenue down. Then all of a sudden the normal supply and demand revenue for components take over which could offset it, may or may not. And that's why it's a bit difficult. We just know that the revenue dropped, holding everything else constant, but the reality is not everything stays constant.

Donnie Smith - *Tyson Foods, Inc. - President, CEO*

China, the impact of the tariffs in China would not be incremental to anything we've said on the call. It's all been taken into effect already.

Lindsay Drucker-Mann - *Goldman Sachs - Analyst*

Okay. All right. Thank you.

Operator

Thank you. Next question, Ryan Oksenhendler. Your line is open.

Ryan Oksenhendler - *BofA Merrill Lynch - Analyst*

Good morning, guys. Just had a few follow-ups. Just to follow up on Lindsay's question, in terms of your increased production, you said low single digits, how much of that is domestic versus international?

Jim Lochner - *Tyson Foods, Inc. - COO*

Domestic.

Donnie Smith - *Tyson Foods, Inc. - President, CEO*

I was just talking -- I thought the gist of the question was domestic.

Ryan Oksenhendler - *BofA Merrill Lynch - Analyst*

Okay, so all domestic. Then to follow up on Rob's question in terms of the cost savings, it sounds like you saved a few hundred million in fiscal '10, you have a few hundred million planned for fiscal '11. Where are we in terms of runway? Is there more, as you look out into fiscal '12 and fiscal '13, is there a couple hundred million dollars on an annual basis going forward?

Donnie Smith - *Tyson Foods, Inc. - President, CEO*

I tell you, that's the point of a lot of this CapEx. A lot of the money that we will spend in 2011, frankly, those projects won't be completed until the summer months and the latter part of the year, so we'll get the benefit of those in 2012. Now, to be able to quantify that, it's pretty early in the game but, yes, you should think that there would be continual operational improvement in '12 versus '11 although today I can't quantify that.

Ryan Oksenhendler - *BofA Merrill Lynch - Analyst*

Okay. Thank you. And then just can you just talk about cash flow expectations for 2011, and if your debt doesn't look attractive to repurchase here, what's the next priority for you guys?

Dennis Leatherby - *Tyson Foods, Inc. - CFO*

We do expect cash flow to remain strong. Working capital is up, primarily due to the raw material values that we're seeing coming through inventory and we do have a heavy CapEx year so cash flow, while strong, will be not quite as strong as '10. As far as uses, our first priority is reinvesting in our business. Other than that, we have the 2011s coming due and we'll keep holding cash for that and just look for other opportunities to grow within the existing business with our cash.

Ryan Oksenhendler - *BofA Merrill Lynch - Analyst*

Thanks a lot, guys.

Operator

Next question, Tim Ramey, your line is open.

Tim Ramey - *DA Davidson & Co. - Analyst*

Good morning. Going back to some of the comments on chicken pricing, maybe I'm coming at it in another direction, but it seems like a 2% price mix outlook is conservative for this year. And I'm wondering if you're just looking at it from a static perspective and saying well, we're not seeing the mix shift to chicken just yet so we're not going to put that in our forecast? But if you had to put brackets around it, do you think that maybe the risk to the upside is greater than the risk to the downside on that 2%?

Jim Lochner - *Tyson Foods, Inc. - COO*

Tim, I've got to always watch my bullish enthusiasm, particularly when I look at the big picture. So right now it was dampened a bit with performance improvement that chicken did see and extra pounds it did put on the market. But the big picture still is all but domestic availability and then per capita consumption getting tighter. So, yes, that's supportive of pricing, and to what degree -- and everybody forgets prices chop and they trend, but it's the long range trend. I'm still thinking they're going to trend up next year. Maybe not to the same year-over-year change that we saw '10 over '9. And '11 we'll have some increased production in chicken. But again, I don't see demand shifting that much and I am seeing export interest stay out there. So again, I think you're right. I think we could see some supported pricing. How much, price forecasters, there's always a big standard deviation in those estimates.

Donnie Smith - *Tyson Foods, Inc. - President, CEO*

And Tim, I'm a little bit cautious yet on the economy. With this unemployment rate hanging around 9.6%, I'm finding a lot of correlation between jobs growth and real growth at food service. And so until I get a better feel, I think, for what this economy might do and whether or not people will get back to work, our recent data shows that short of 10% of the 8.5 million jobs that have been lost during this recession have actually been recovered. So until that starts happening, we want to be a little bit cautious and I think we're in a good number now.

Tim Ramey - *DA Davidson & Co. - Analyst*

That sounds appropriate. Just a follow-up there, if I could. On the outlook for byproducts, including fuels for '11 versus '10, do you have a sense of what the overall mix in profitability might do in '11 versus '10?

Jim Lochner - *Tyson Foods, Inc. - COO*

Certainly you're seeing very strong fat prices even without biodiesel tax credit that hasn't been acted on all year and you're seeing the demand for biodiesels without that continue. I don't expect probably to see a major decrease in the byproduct values because fat and soy bean oil and other veg oils, grape seed oil, et cetera, are in short supply relative to the demand. So we're seeing very supportive prices on fat.

Tim Ramey - *DA Davidson & Co. - Analyst*

Okay. Thank you.

Operator

Thank you. Next question, Akshay Jagdale, your line is open.

Akshay Jagdale - *KeyBanc Capital Markets Inc. - Analyst*

Thank you. Congratulations on a good quarter. Just one quick -- I think I have two questions. One is from all the comments you have made, is it fair to say that the biggest wild card for next year is grains in the back half?

Jim Lochner - *Tyson Foods, Inc. - COO*

That's a good question. I don't know why the back half would be any different than the current forecast with the fundamentals myself. That's always a wild card, though.

Akshay Jagdale - *KeyBanc Capital Markets Inc. - Analyst*

Right. But in terms of, just it seems like most people agree, including you, on beef and pork outlook, there's no near term risk, and on chicken you pretty much said 1Q is going to be pretty good and 2Q you have some certainty. From everything you've said it seems to me that the biggest wild card where you don't have coverage right now is on grain and that could go either way. You think there's a possibility grains could come down but at the same time we've seen grains move up and down quite a bit. So it seems to me, since you have exposure to about 320 million bushels of corn, that if those prices move up or down, that that could change the outlook quite a bit, and that seems to be the main source of variability still remaining in your P&L for next year. Am I missing something there?

Donnie Smith - *Tyson Foods, Inc. - President, CEO*

Grain is half the cost of producing the chicken. But look, we're going to control what we can control -- our costs, our yields, our labor efficiency, our line efficiencies, improving our relationships with our customers, which we've done a great job in the last couple years which is allowing us to grow our business. We're doing a great job of taking care of our customers in terms of our quality. We're an innovation leader in our industry. I think we've got great opportunities through the year to offset this grain pricing deal. So we're going to keep our head down and focus on controlling what we can control.

Akshay Jagdale - *KeyBanc Capital Markets Inc. - Analyst*

Okay. That's helpful. One last one on exports. That seems to be another variable piece. Can you just comment on, in terms of demand outlook for exports relative to pricing, because obviously leg quarter prices have moved up and what you're saying domestically for beef and pork is with those prices up, there's a trade down to chicken. Is it the same thing globally for protein prices, that on a relative basis chicken is still cheaper despite the move up in leg quarter prices?

Jim Lochner - *Tyson Foods, Inc. - COO*

Absolutely. Chicken's still the lowest cost to produce protein and, therefore, should be the better value protein, and the demand worldwide is really not going down. It's going up. And then you couple that with international beef production dropping, international pork production still continuing to decline, and still driven by the fact the grain did its job. It took producer margin out which will again pull back in various supplies going forward. So that's why, again, the long-term picture still is supportive of pricing to include chicken exports. Now maybe in the short run, you'll have some deviations depending upon a number of variables there, but you've got to look at the long-term picture and you're seeing it right.

Akshay Jagdale - *KeyBanc Capital Markets Inc. - Analyst*

Thanks a lot.

Operator

Our last question will come from Colin Guheen. Your line is open.

Colin Guheen - *Cohen and Company, LLC - Analyst*

Hi. Just two quick questions. First one, just on a general sense regarding the food service contracts. Would it be fair to say you have above average lower variability -- or you bought yourself more protection with grains in the second half in those contracts than average?

Jim Lochner - *Tyson Foods, Inc. - COO*

Generally, when we're doing an annual fix, it's going to be based on the input cost and we're going to try to lock that variation or lock that input in where we can. So that's always the goal.

Colin Guheen - *Cohen and Company, LLC - Analyst*

Okay. And then on the international side of the business, is there an opportunity in the years coming up maybe to do less capital intensive joint ventures in some of the growing markets with protein where companies can leverage your knowledge base but invest their own capital?

Donnie Smith - *Tyson Foods, Inc. - President, CEO*

Short answer is yes.

Colin Guheen - *Cohen and Company, LLC - Analyst*

Okay. Is there any inflection point to that or any point in time when that becomes more of a focus?

Jim Lochner - *Tyson Foods, Inc. - COO*

We're always analyzing opportunities and always analyzing partnerships. And right now in our international businesses with the start-ups we're really getting our arms around how to run in those countries and then allowing our technology that we understand very well here to layer over the improvements in countries. That's the game plan.

Colin Guheen - *Cohen and Company, LLC - Analyst*

Great. Thanks for taking my questions.

Operator

Thank you. That does conclude today's questions. We'll turn the call over to Donnie Smith.

Donnie Smith - *Tyson Foods, Inc. - President, CEO*

Thank you. Well, there's a lot of questions about corn prices and chicken production and I do understand your concern. If Tyson was the same Company it was a few years ago, I would be concerned too. But Tyson isn't the same Company we were a few years ago and we're also not a $28 billion chicken Company. We're a $28 billion diversified protein Company. Yes, we'll be dealing with challenging market conditions in 2011 but it will still be a good year. We know what we're up against and we've planned accordingly. 2010 was a record year and I am extremely proud of our team for producing such great results and taking our business to a new level of excellence and execution.

Our plan is to continue doing in '11 what we did in '10. We've set a new standard of performance and expectations for ourselves and for investors and that standard is to produce return on sales in or above the normalized operating ranges. We think 2011 is going to be a very good year. We're ready. We're already off to a strong start with a Q1 that should be comparable to Q4. Will we set another record this year? Too early to say. Our plan is stick to the basics, strive to be the best-in-class in each of our segments, manage our costs, get our debt back to investment grade and reinvest in our business. Thanks for the interest in our Company and have a great day.

Operator

Thank you. That does conclude today's conference. You may disconnect at this time.