FINAL TRANSCRIPT

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PRESENTATION

Operator

I'd like to thank all participants for holding. All lines will be on listen-only until the question-and-answer portion of today's conference. I'd also like to inform participants, today's call is being recorded.

I'd now like to turn the call over to Jon Kathol. Thank you, you may begin.

Jon Kathol - *Tyson Foods - VP- IR*

Good morning and thank you for joining us today for Tyson Foods' conference call for the fourth-quarter and 2011 fiscal year. I need to remind you that some of the things we'll talk about today will include forward-looking statements. Those statements are based on our view of the world as we know it now, which could change. I encourage you to look at today's 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 one follow up.

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

Donnie Smith - *Tyson Foods - President, CEO*

Thanks, Jon, good morning, everyone, and thanks for joining us today, and I'd like to welcome Jon to his first earnings call as our new Vice President of Investor Relations.

Our fourth-quarter earnings were $0.26 a share compared to $0.57 last year on record sales of $8.4 billion. Operating income was down $219 million versus Q4 of FY 2010 driven by the $223 million change year over year in the Chicken segment. Now I should quickly add that our Chicken business absorbed $315 million in additional input costs during Q4 versus the same quarter last year, and when the dust settled the Chicken segment finished the quarter with a loss of $82 million, or a negative 2.9% return on sales. The Beef segment was in the middle of its normalized range for the quarter at 3.4% return on sales, Pork was at the top end of its range with 7.9% and Prepared Foods had a 3.4% return on sales for Q4, which is just under its normalized range.

Let's come back to the Chicken segment for a minute. We told you last quarter that we would lose money in Q4, and unfortunately that was the case, but I'd like to give you some perspective on our performance. July and August were possibly the worst months the Chicken industry has experienced in one of the worst years in industry history. As for us here at Tyson, we dug a hole for ourselves in July. August improved, but we're still negative. September was better yet, and we were profitable as we started Q1 and we've been positive every week since.

So now let's review our overall results for the year. For fiscal 2011 our adjusted EPS was $1.89, or $1.97 on a GAAP basis, which is the second best in Company history. We had record sales of $32.3 billion reflecting increased volumes of 1.7%, price increases of near 12% and operating cash flows of about $1 billion. Even though these results were below last year, I'm very pleased with our results, especially considering the business environment. Demand was flat as unemployment hovered around 9% mark and, of course, you're all familiar with the input headwinds we faced all year.

Our multi-protein, multi-channel, multi-national business model puts us in a unique position. While Chicken was overcoming obstacles and Prepared Foods was struggling with volatile inputs, Beef and Pork performed very well and even improved their position against the USDA industry index. As we think about 2012 and how the retail and food service environment will shape up, we know that consumer confidence index improved slightly in September but it declined again in October, so consumer confidence has now dropped to the levels we saw in the 2008/2009 recession over renewed concerns about business conditions, jobs and income.

We continue to address consumer concerns and their focus on price and value through our product innovation. Cooking from scratch and healthy food options are on shoppers list of considerations, which I see as a long-term positive for our retail business given our broad portfolio of products that meet those needs. We work very closely with our retail customers to adjust to changing consumer buying habits to maximize category sales and retailer profit. Our Tyson national brand is backed by strong regional brands and our portfolio also includes private label offerings with several strategic customers.

In food service, consumers are looking for value at every price point, from the drive through to full-service restaurants. Tyson is helping operators deliver that value with innovative products and solutions that drive traffic while protecting their bottom line. Technomic's food service outlook for 2012 is positive with a return to real growth, however, it's predicting only 0.3% increase. So the economy won't be helping us grow our business, so we must rely on innovation and consumers as consumers redefine food service value in terms of quality, price and the overall dining experience.

We believe 2012 will bring a renewed focus on Chicken features, especially at QSRs, as a strategy to deal with high ground beef prices. There's also considerable emphasis on using dark meat as an ingredient, which is not only a great value play, but makes sense in the big picture of domestic availability of protein. So when we look at global protein supply and demand, despite the economy, demand for protein around the world is growing. With strong exports, domestic availability of proteins should decline again in 2012 for the sixth year in a row, from its peak of 284 pounds per capita in 2006 to about 255 pounds per capita in 2012. According to the USDA, beef domestic availability will be about 6% lower in 2012 compared to 2011. Chicken is expected to be down over 3%, and while pork should be up less than 1% and turkey up just over 1%. In total, meat and poultry availability is projected to be down 2.1% in 2012, which should lead to higher protein prices.

Dennis will give you some of our financial expectations for fiscal 2012, but I want to go ahead and talk about our CapEx plans for the year. We anticipate investing $800 million to $850 million in our business on a variety of projects across our segments. Although we've been reinvesting heavily in the business the past few years, there are still opportunities for improvements that should provide good returns. For example, in our Prepared Foods segment, we're converting a plant in Council Bluff to pepperoni production in response to consumer demand in that category. Our team in Brazil is doing a great job growing distribution and volume, so we'll add a second shift of production in two of our Brazilian plants in 2012. And I'm also happy to announce that we opened our Greenfield plant in Jiangsu, China this morning. Although it'll take several quarters before we see a significant positive impact on revenues and returns, we're excited to take this step in executing our plan to become a fully integrated poultry producer in China.

We're optimistic about fiscal 2012 and we're off to a good start with all segments profitable so far in Q1. We think this should be a good year, and we expect 2012 EPS to be in excess of $2. So that concludes my opening remarks.

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

Jim Lochner - *Tyson Foods Inc - COO*

Thanks, Donnie, and good morning, everybody. The Pork segment continued its strong performance by posting a 7.9% return on sales and an operating income of $113 million. This is at the top end of the new normalized range of 6% to 8% we announced on our previous call. For the fiscal year, Pork had a 10.3% return on sales and $560 million in operating income. I think it's a common misperception that our Pork business is performing at such a high level solely due to strong exports. Although exports have lead to increased total revenue, in a spread business model increases or decreases in total revenue ultimately flow back to the producer and are reflected in the livestock cost.

We are running a much more profitable Pork business because we focus on our daily efficiencies, cost, our mix and our revenue indexes as compared to publicly reported data. We have outperformed-- we had been outperforming the USDA index in Pork, and in the fourth quarter, we further improved our competitive position relative to industry numbers. The 2012 outlook for Pork for our Pork segment is much the same as it was in 2011. Hog supply should be up slightly from gains in productivity and exports should remain strong, so domestic availability of Pork should not change appreciably. Based on what we know today, we don't expect any significant changes to the fundamentals of our Pork business.

The Beef segment also performed well for the same reasons described in the Pork segment. Beef had a 3.4% return on sales and $118 million in operating income for the fourth quarter and 3.5% and $468 million for the year. In recent weeks there has been industry packer margin compression as the cutout has not kept pace with increasing cattle costs. This happens at various times of the year. Although our margins have compressed the last several weeks, we continue to outperform them the reported industry numbers and expect our Beef segment to continue to be profitable in Q1, although at a lower level than Q4. The drought in the Southwest has caused cow/calf operators and stockers to push their cattle into feed lots earlier. More calf back grounding is occurring in feed lots, which has disrupted feed lot placement patterns. In the past, this has resulted in lighter carcass weights when these cattle are marketed and potentially could shift normal fed cattle seasonal availability. This may create more volatility as supplies might not match seasonal demand patterns, but keep in mind there are presently more cattle on feed than last year.

I know some of you are concerned about the availability of cattle in 2012, and these cattle have been born already and are available. Also in the past 12 months, there were nearly 180,000 more imported feeder cattle year over year. Therefore, we plan to process roughly the same number in 2012 as we did in 2011. When projecting supplies beyond our fiscal 2012, let's look at all the facts. The herd shows no sign of expanding or contracting when evaluating the percentage of heifers in the fed steer/heifer process numbers. In the past 12 months, the percentage has been 37.4%, nearly the same as the past four years. Although cow slaughter has been higher in the past 12 months, the percentage of beef in the total cow slaughter has been normal at 60%. The actual beef cow year-over-year slaughter has been 136,000 more than last year, or only 0.4% of the beef cow herd. The dairy portion of the cow slaughter has increased 157,000, year over year, with a combined total being up 283,000. This data implies the total beef and dairy cow herd is declining at 0.7%, which is only a slight acceleration compared to the last two years.

Moving on to Chicken, we're coming off one of the toughest years for the Chicken industry. We had an operating loss of $82 million, or a negative 2.9% return on sales for the quarter. For the year, we had a 1.5% return on sales and $164 million in operating income. Our Chicken segment was profitable for the year because we have invested a considerable amount of time and effort, along with some capital, into improving our yields, our labor efficiencies and mix, while staying focused on product innovation and customer service. For the year, we overcame $750 million in added costs from higher grain and feed ingredients and other inputs because we refused to accept that we were at the mercy of the poor industry fundamentals. Without these year-over-year added costs, we would have reported an 8.3% return on sales in the Chicken segment, holding other factors equal.

Over the past several weeks, we have seen more than a 7.5% reduction in USDA egg sets and chicks placed. However, optimum growing conditions in September and October meant heavier birds and the reduction in slaughter pounds was less than the reduction in head. As we moved into cooler weather, bird weights are declining at close to last year. For fiscal 2012, we have seen estimates of around 4% fewer production pounds than 2011, which should support improved market pricing. Ultimately, prices need to support the increased live cost and history certainly implies that will happen. We expect our Chicken segment to be modestly profitable in Q1 and improve throughout fiscal 2012.

The Prepared Foods segment fell well below its -- excuse me -- the Prepared Food segments fell below its normalized operating margin range with a 3.4% return on sales on $28 million in operating income for the fourth quarter. For the year, Prepared Foods had a 3.6% return on sales with $117 million in operating income. We believe operational improvements and increased pricing will offset expected increases in raw material costs. Because many of our contracts are formula based or shorter term in nature, typically we are able to offset rising inputs through increased pricing. Prepared Foods profitability should pick up in fiscal 2012 as we start to see results from the improvements we made in our lunch meat business.

As always, I want to thank our business units and their teams for their efforts and focus on margin management. The gains in efficiency and cost, along with paying attention to their metrics are driving results.

That concludes my remarks and I'll turn it over to Dennis for the financial report.

Dennis Leatherby - *Tyson Foods - CFO*

Thank you, Jim, and good morning, everyone. As Donnie mentioned in his remarks, we reported Q4 earnings of $0.26 per share. Our reported full year fiscal 2011 earnings were $1.97 per share, which includes $0.08 per share of adjustments related to the sale of an interest in an equity method investment and an unusual tax benefit recognized earlier in the year. Excluding these items, fiscal 2011 EPS was $1.89. Return on invested capital for the last 12 months remained solid at 18.5%. Capital expenditures were $174 million for the quarter and $643 million for the year. This amount reflects numerous capital projects that will continue to benefit us in the future with enhanced production and labor efficiencies, improved yields and sales mix.

Our operating cash flow remains strong at $360 million for Q4 and totaled $1 billion for the year, despite higher input costs from grains, live cattle and hogs, and record box beef and pork prices, which resulted in receivables and inventory being up over $400 million compared to a year ago. Including cash, net debt was just under $1.5 billion, down just over $100 million from a year ago. Total liquidity was $1.6 billion, well above our goal of $1.2 billion to $1.5 billion, even after retiring the remaining $295 million of our 2011 notes at the end of September. Gross debt is now down to $2.2 billion, as we have paid off $1.5 billion in the last two-and-a-half years. Gross debt to EBITDA for the year was 1.2 times, in line with our expectations. It is our goal to meet or beat 1.3 times on a normal basis to ensure sound credit measures and enhance our ability to raise cost effective capital when needed. On a net debt to EBITDA basis, this measure was 0.8 times.

During the fourth quarter, we acquired 5.3 million shares for $90 million under our reactivated share repurchase program. This brings our total repurchases over the past two quarters to 9.7 million shares for $170 million under this program. We intend to continue repurchasing shares. And the timing and extent to which we make these repurchases will depend upon, among other things, market conditions, liquidity targets, debt obligations and regulatory requirements. Our effective tax rate for fiscal 2011 was 31.8%. Excluding the unusual tax benefit recognized earlier in the year, our rate would have been 33.7%.

So here are some thoughts on the outlook for fiscal 2012. Revenues are expected to be $34 billion, again driven largely by raw material price increases, which represents an increase of $2 billion over 2011. We expect net interest expense to be approximately $185 million, down $46 million from fiscal 2011. The effective tax rate should be about 36%. Our average diluted shares outstanding for the quarter -- fourth quarter, was 375 million. This amount reflects the dilutive effect of options and convertible bonds, which fluctuate depending on our stock price performance.

Additionally, given the timing of the 9.7 million shares we repurchased, their benefit is only partially reflected in this past year. We will receive the full benefit in future periods, which will positively impact EPS by approximately $0.05 per share on an annualized basis using our current share base. CapEx should be around $800 million to $850 million. This reflects continued spending on improving the efficiency and competitiveness of our domestic and foreign operations, especially in China. We will use excess cash to repurchase notes, when available, at attractive rates, as we do not have any significant debt maturities due until fiscal 2014.

In closing, 2011 was an exceptional year considering the challenges we faced. Net debt was down $100 million despite $3.7 billion of increased raw material costs, strong capital spending above depreciation, $170 million of stock repurchases, and the $66 million buyout of our partner in China. This just proves our diversified business model works. Following the two best years in our Company's history, we are excited about the future and look forward to even more success. Tyson Foods is in a strong financial position with solid debt ratios, a strong liquidity position and a capital structure that will enable us to continue delivering solid results and grow our Company.

This concludes our prepared remarks and I'll ask the Operator to begin Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Farooq Hamed, Barclays Capital.

Farooq Hamed - *Barclays Capital - Analyst*

Great, thanks, guys, and good morning. I just wanted to follow up on the comments about the Chicken division being profitable as we enter Q1 and growing profitability throughout the year. So I mean, in this past quarter that you just reported we saw an $82 million loss. I wanted to understand what's the biggest difference we're seeing between this past quarter that was just reported and the current quarter, as to why we're seeing an operating income this quarter. Is it more on the pricing side, is it operating improvements? Maybe you can give a break down of where the increased profitability is coming from.

Donnie Smith - *Tyson Foods - President, CEO*

Okay. Farooq, thanks, this is Donnie. Let's start off talking about the last quarter a little bit. As we came into July, you're pretty much at the peak of your live costs, and if you'll remember the market pricing in the first month of that quarter coming off a pretty disappointing Fourth of July, which was really, really soft, so our profitability in Q4 dug a pretty deep hole there at the beginning.

So, then as you continue moving through the quarter, our live costs kept getting better. Now, some of that was grain related but a lot of that was internal to some things we were doing inside of our business.

Now, one other point to add. Coming off the Fourth of July holiday, as I mentioned, pretty disappointing, and we started pretty aggressive cutbacks at that time. And so what we're doing at the front end of the quarter is, we're taking the cost hit, if you will, for making the adjustments in our production, and then in our business you need to wait eight to 12 weeks or so before you get the benefit of that in future periods.

So, what happens to you is your quarter got front-end loaded because you've got the peak of your live costs, you're cutting back, and July, I'm telling you, that was a pretty ugly month, but we got better than that and in August. August was much better than July and we were still negative. September was much better yet.

Now, one thing you've probably noticed, we had a mark-to-market hit in that quarter of about $31 million, so let me go ahead and cover that one for you too, because it's a big part of the story. When we were talking in August, corn was somewhere around the upper $6 range, maybe $7. Meal was somewhere around $350 million. And then you had a little rally off that.

But then in the last three weeks of the quarter, corn fell $1.50 a bushel or so, meal was probably down $60, $65 a ton. And so at the end of the quarter, we were long about three weeks or so worth of flat price coverage into the next quarter and all of that got marked-to-market. So, that $31 million was a pretty good slice of that $82 million that you mentioned.

So, moving forward, our live cost is in better shape. We have seen some pricing help, not just market related, but as I mentioned I think last quarter related to our service offering, the value that we're bringing our customers, we're seeing some price.

So, the real recovery into the positive Q1 has really been a mixture of every part of our business. Our live cost has gotten better, we're seeing the benefit of a lot of the CapEx that we've spent in our business and our operating efficiencies in the plants. We've seen some logistics help and some new programs we've done in logistics, so it's coming from just about every facet of the business.

Farooq Hamed - *Barclays Capital - Analyst*

Okay, no thanks, that's pretty helpful. Maybe just as a follow up then, I noticed that in the quarter, you mentioned that, in the release you mentioned that fiscal 2012 grain costs are expected to be higher than fiscal 2011. So, can you comment on how you're going to see those improvements in live costs even though you're going to have higher grain costs?

Donnie Smith - *Tyson Foods - President, CEO*

Yes, part of the efficiencies, frankly come in feed conversion rates. Some of it will come in some improvements we've made in our hatcheries, so it's really in all aspects of the live production. It's not just related to the necessarily just to the cost of corn and soybean meal, but to a lot of things that we can control, as well.

Farooq Hamed - *Barclays Capital - Analyst*

Okay, great. That's helpful, thank you.

Donnie Smith - *Tyson Foods - President, CEO*

Thank you.

Operator

Lindsay Drucker Mann with Goldman Sachs.

Lindsay Drucker Mann - *Goldman Sachs - Analyst*

Thanks, good morning, everyone. I just had a quick question on Pork. Obviously, still looking at numbers at the very high end of your normalized range, but just curious why we saw, if you could just go a bit deeper into why we saw the sequential deterioration in margin performance, even though we're seeing a bit better availability this time of year versus your prior quarter, if that's a fair statement?

Jim Lochner - *Tyson Foods Inc - COO*

Yes that-- in any spread business you can have periods of time when the revenue declines and then the cost of goods or the hog costs don't decline at the same rate or vice versa. In general that's all, it wasn't a major decline.

It was enough however to drive a differential compared to the prior quarters, but it was still a very strong performance. So, we didn't have any major shifts other than what I'd call kind of normal spread business margin compression and expansion, so really nothing significant.

Lindsay Drucker Mann - *Goldman Sachs - Analyst*

Okay, yes. I think still just trying to get our arms around how fantastic returns have been up to this point, and I know you guys have been pretty conservative it seemed about your normalized range for Pork margins since you've been printing numbers so far ahead.

And so, I'm just curious maybe if you could maybe give us some anecdotes on how the business has evolved relative to last year, and maybe that'll help clue us into how to model margins going forward, given we're still seeing very strong exports and the industry still seem to be operating, firing on all cylinders? So, any difference where we are today versus where we were last year that might explain some of the margin differential will be helpful.

Jim Lochner - *Tyson Foods Inc - COO*

Well yes I mean, they're all-- there's no one, again one single factor. What it is is you continually improve on your daily efficiencies and your labor efficiencies and your cost, you continually improve on your yields, you continually improve on your mix of sales, you continually improve on trying to beat the market pricing through a variety of different components.

Generally, it doesn't happen on the livestock buy side, although the only thing we can really influence there is how well we work on yields and our drop credits, et cetera. So, I know that's difficult for you to figure out and to model, but it's not one thing, it's all these little things that we continually improve.

Our model really in the businesses is, we do the same thing every day, we just try to continuously improve and you have these small incremental improvements over the course of months. And I know that doesn't sound real profound, but that's exactly how we operate all our businesses.

Lindsay Drucker Mann - *Goldman Sachs - Analyst*

Okay, and then just maybe if you guys could give a bit more detail on how your feed conversion efficiency is improving on the Chicken side, what sort of stuff you're doing to improve that?

Donnie Smith - *Tyson Foods - President, CEO*

Let's see. Alright, let me-- I'll try to give you a little insight. So, we have made improvements in the production process that has improved not only our feed conversions but also the liveability. Now, some of that is going to be attributable to taking our weights down just a tad, but we also maybe got a little bit out of line on our feed conversion in Q3 and Q4 during some of the really hot weather and then we got our out times right, we've done a good job. Our live production folks have done a great job improving the upstream processes and feed manufacturing. And then our hatcheries, that's just given us a great opportunity for improvement in the field for all of our growers. So, yes, like Jim said it's just incremental improvements, getting a little better at everything we do. It adds up.

Lindsay Drucker Mann - *Goldman Sachs - Analyst*

Thanks.

Operator

Ken Goldman, JPMorgan.

Ken Goldman - *JPMorgan - Analyst*

Hello, good morning guys. Two questions. First, I think-- I appreciate the benefits of hedging and other forward activities but this does mark, I think the third straight year in which the impact of your commodity risk management has been a headwind on income.

This past quarter, it hurt by $49 million, that's the most in almost three years. So, I guess my question is this, if you're-- are we reading the data wrong to look at them and ask if maybe Tyson might not benefit by being a little bit closer to the market, or is it just something where three straight years of kind of losses there and negative impact is just a random event, and maybe it's still worth it going forward to do all that hedging and get ahead of the market so you can maybe price based on your cost and so forth? I'm just curious how we should think about that balance.

Donnie Smith - *Tyson Foods - President, CEO*

Well for the year our total, I'm going to use the term benefit, but the total outcome of all of the, I'm going to call it hedging activities, was about $41 million. So, when you're buying four plus million bushels of corn a week, 40,000 tons of soybean meal a week and all the other stuff that goes with that, you add that up at $6. $7, well $7.50, $8 at times on a delivered basis, $41 million that's landing on an aircraft carrier over a whole year.

So, I would say that with the extreme volatility when corn fell from the upper $7, we were like $7.50 or so, and at the end of the first week of September and then we're gosh, it was below $6 somewhere $5.90, somewhere around that on September 30. With as much commodities as we buy, having three weeks out front is not an excessive position.

So, in general, we have a very conservative approach, we stay pretty close to the market, we're pretty close to the market right now. Feel pretty good about that, but when you've got such a vicious swing in commodity prices in the last three weeks of the quarter, you got to mark that stuff to market and you use a lot, that's a pretty big number.

Ken Goldman - *JPMorgan - Analyst*

And then Jim, you talked about how from time to time cattle prices rise more quickly than beef prices and obviously that's true. USDA data is showing some of the weakest industry gross margins right now in the last decade and I'm just curious for some more insight there. I do appreciate cattle prices up year on year, but they've been up 20% year on year all of 2011.

Only recently have margins collapsed, at least in the reported national numbers, so I guess I'm just curious what you're seeing there? I recognize your plants are in areas where cattle are plentiful, maybe not as affected by some of the dynamics right now, but if you can shed some light on that, I'd appreciate it.

Jim Lochner - *Tyson Foods Inc - COO*

Yes, you always got to remember in the price of cattle, you have a lot of regional issues and you can have some small regions that were-- are tight relative to the slaughter demand, and there's a tendency with mandatory price reporting on the transparency of price reporting, everybody in the government reports exactly what the transactions, so there's a tendency for the short region to print high prices and then kind of move the overall up, and then over time what happens is, those regions correct in demand and the prices come back.

And we always got to remember as I reminded the Beef group earlier in the week, we're coming into Thanksgiving and as long as I've been in the industry, it's hard to move beef prices up going into Thanksgiving, and usually you'll have a little bit of a boost afterwards.

And so our assessment was that the volumes needed to moderate. We're pushing too much meat on a weak demand period and that's exactly what's happened. In the last couple weeks you've seen a correction in the USDA reported processing numbers, and that's why in my comments I really made it that margin compression happens and then the market does its job over time and they expand, if they get too big they contract. And that's generally the market dynamics that happens in spread businesses.

We put all our focus always on really trying to make sure that we're managing the mix, trying to drive the highest prices relative to the reported numbers, combinations of premium programs, combinations of formula sales, combinations of export and really focus our attention to the detail and then we're in the market. And again, I know that that doesn't give you a real complete answer but the market usually makes those types of moves, has for a long period of time and we're pushing more meat than the market could absorb, and that's what caused that margin compression.

Ken Goldman - *JPMorgan - Analyst*

Thank you.

Operator

Heather Jones, BB&T Capital Markets.

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

Good morning. My question is related to your Beef and Pork businesses. They were strong for the quarter but-- and I think I'm thinking about this correctly, typically over the past two years, your margins in both those businesses on a per head basis have been well in excess of the industry, and then generally improves in line with the industry on a sequential basis, if not actually widening your out performance.

And so this quarter, I'm looking at where-- with the-- what you did in Q3 versus what you did in Q4, and there's actually deterioration sequentially, which is while the industry margins show improvement, so I'm just trying to get a sense of what happened during the quarter that would have driven that and how should we be thinking about that going into 2012 as far as your performance relative to the industry?

Jim Lochner - *Tyson Foods Inc - COO*

I'm trying to put my finger on exactly a factor, but generally speaking, we did not-- when we look at how we index our revenue components and how we index our cattle cost components, I didn't see anything that really jumped out of the ordinary that said that we missed it.

And a lot of times, particularly in cattle, you can run into regional differences between north and south and then the grading differences that can happen that really can sometimes really drive the interpretation of those results, and if you really understand the numbers, you really are always indexing yourself.

But we did see the margin compression and didn't really see anything that bothered us relative to our indexes. In fact, if anything we looked at our indexes actually improving even though we saw the results come down quarter over quarter in Beef. And then in Pork, it would really be kind of the same scenario, and we didn't really see the shift.

And again we were fairly-- we're very pleased with our indexes related to how we benchmark our price realizations and our procurement. We didn't have a major shift in yields, we didn't have a major shift downward in labor efficiency, we didn't have a major shift in our market share in key categories. So, we really didn't see it is what I'm trying to say.

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

Okay, because my-- our data is showing that you all did close to $90 a head in Q3 and $70 a head in Q4. Now as we go into Q1, as people have alluded to earlier, the industry has deteriorated pretty dramatically. When we're thinking about you guys, relative to your Q4, should your sequential deterioration be less than what we're seeing for the industry benchmarks?

Jim Lochner - *Tyson Foods Inc - COO*

Yes. I mean, we're no where near that major decline. We saw that compression again the last about-- starting about four weeks ago and then it's starting to rebound now, but we've not been anywhere near that negative. So, we're holding on, in fact, every week thus far our Beef segment has remained profitable.

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

Perfect. Okay, thank you.

Operator

Diane Geissler, CLSA.

Diane Geissler - *CLSA - Analyst*

Good morning.

Donnie Smith - *Tyson Foods - President, CEO*

Good morning.

Diane Geissler - *CLSA - Analyst*

Hi, did you give an expectation on your range for Pork in 2012?

Jim Lochner - *Tyson Foods Inc - COO*

We've not. This is Jim. We have not changed it, so we did not alter it up or down for 2012.

Diane Geissler - *CLSA - Analyst*

So, what you're saying is you expect to be in your normalized range in terms of Pork margins in 2012, is that accurate?

Jim Lochner - *Tyson Foods Inc - COO*

Yes.

Diane Geissler - *CLSA - Analyst*

Okay, and then just on the Chicken business, what's the biggest driver there year on year? I mean it's got to be pricing. First of all, if I look at your total profits this year, fiscal 2011, you do expect your profits in Chicken in 2012 to be higher than 2011, correct?

Jim Lochner - *Tyson Foods Inc - COO*

Yes.

Diane Geissler - *CLSA - Analyst*

Okay, and is the biggest driver there then pricing coming from just lower supply? Because your commentary on food service suggests that the channel remains pretty weak although you do expect some product development, so is it really pricing driven? I mean it has to be because the grain side is worse, right?

Donnie Smith - *Tyson Foods - President, CEO*

Diane, let me try to give a little help. You're right on the environment. We do not view demand to be any stronger in 2012 than it was in 2011, so let's call it demand flat. By the way, probably both at food service and retail, I believe going into the year, depending on how much pricing gets passed on or absorbed into the marketplace, might want to keep an eye on retail demand, but so let's just call going into the year demand flat.

Now, our business, yes we do think that we will improve pricing but that is not strictly where all of our benefit is going to be coming from. We'll also make mix improvements in our business. In other words, we will sell more in a value added mix. We think that we will continue to see some live performance improvements in liveability, feed conversion, those kind of things.

And remember, over the last couple of years, we've spent pretty strong CapEx against our business and a good portion of that has been against our Poultry business. And we've mentioned in the past that those CapEx expenditures were in what we would call good return but low risk type projects. And by low risk what we mean is there's low risk that the return we think we'll get we'll actually get, that's proven to be the case.

So, the money that we spend in our business, particularly on the processing side in Chicken, is paying benefits in lower conversion costs. We continue to see operational efficiencies and improvements in that side of our business. So, I think what you'll see is an improvement not only on the live side but also in the plant conversion side, and we do intend to get some improvement in pricing, as well but it won't all come from pricing.

Jim Lochner - *Tyson Foods Inc - COO*

I need to clarify, when you asked me on the Pork earlier, I talked-- I said we did not come out and change our range. However, we do expect our Pork business to be in and above the range and we don't really see a material change going into 2012, just to clarify that answer.

Diane Geissler - *CLSA - Analyst*

Okay, thank you for that. And then just one follow up on the Chicken, where is your total production currently year on year in terms of head and tonnage? How much are you down?

Donnie Smith - *Tyson Foods - President, CEO*

Okay we said-- I think on our call we were talking about being down somewhere in the 6% versus the Q3 run rate. No, versus a year ago. I would--

Diane Geissler - *CLSA - Analyst*

That was 6%?

Donnie Smith - *Tyson Foods - President, CEO*

Yes, about 6%. Our cut has actually been a little bit more than that, so-- and that's in terms of pounds produced, okay? So, as I-- as we tried to talk about on the last call, I try to-- I want a lot of clarity around what we're talking about, because we've seen egg sets and chicks placed down roughly 7% or 8%, but until recently, we've not seen much movement in-- a significant movement in live weights. And so I think last week's slaughter pounds were at 969 million--

Jim Lochner - *Tyson Foods Inc - COO*

869.

Donnie Smith - *Tyson Foods - President, CEO*

Excuse me, 869, good catch. And so when we talk to you, we'll be focused on total pounds produced, so a little bit in excess of 6%.

Diane Geissler - *CLSA - Analyst*

Okay, perfect, thank you.

Donnie Smith - *Tyson Foods - President, CEO*

Thank you.

Operator

Farha Aslam from Stephens.

Farha Aslam - *Stephens Inc. - Analyst*

Hi, good morning.

Donnie Smith - *Tyson Foods - President, CEO*

Good morning.

Farha Aslam - *Stephens Inc. - Analyst*

First on Chicken, when do you anticipate hitting your normalized range this year in Chicken profitability?

Donnie Smith - *Tyson Foods - President, CEO*

Our best chance, obviously, is going to be in the back half. I feel comfortable that we will see progressive improvement throughout the year. Still a little bit early to be calling any specific quarter in which we think we would be back into the normalized range, but our best shot is going to be in the back half.

Farha Aslam - *Stephens Inc. - Analyst*

Okay, that's fair. And then a follow up on Beef, if you could just give us color on the first quarter profits, do you expect them to be in the normalized range, half of normal, just kind of give us some more color on where you think Beef profitability is in the first quarter and how you expect that to progress as the year goes forward?

Jim Lochner - *Tyson Foods Inc - COO*

Well, let me say that they won't be as strong as they were in Q4, and we're just halfway, not even quite halfway through the quarter, and we're starting to see the margin picture change relative to the last several weeks. So, I'm going to leave it at that and not get that quantified, but I feel pretty strong that we'll come through this first quarter very well, and the market will correct, and then we're going to start to see a fair amount of cattle availability as we come into January or February, which generally works in our favor relative to managing the spread.

Farha Aslam - *Stephens Inc. - Analyst*

Okay, thank you.

Operator

Akshay Jagdale with KeyBanc Capital Markets.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

Good morning.

Jim Lochner - *Tyson Foods Inc - COO*

Good morning.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

Just a question on Chicken again. So, did I hear you correctly, your pounds are going to be down 6% for 2012, is that right?

Donnie Smith - *Tyson Foods - President, CEO*

No, no. What I said was right now, we're running down a little bit in excess of 6%. So, here's the way to frame that up. We always take a detailed forward look of demand, we spend a lot of energy looking at forward demand. And so our production plans, we think right now our team has done a great job getting us exactly where we need to be in light of the demand we see through the first, say, four to six months of calendar 2012.

As we move into Q1, we will be looking at the forward demand for the rest of our fiscal year, and we will make any, if any, production decisions then. But for us, it's always about balancing our supply and demand to meet our customers' expectations of our business. And currently the color I can add is, we're down better than 6% in the current quarter versus where we were.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

Okay, and then your expectation for 4% decline in production, can you give us a little color on that in terms of where that's coming from? Is that truly yours? Do you expect that to happen regardless of what happens with demand? And if production is down 4%, which seems like a more-- it seems more than what other industry experts are saying I would think, if that does happen, do you think the industry would be profitable, or it will get to normalized profitability this year?

Donnie Smith - *Tyson Foods - President, CEO*

I'm going to start that and then Jim may want to jump in and add a little bit of color. First of all when we talk about the 4% number, that is what we project the industry to be. Obviously, we're going to be a part of that. I don't really want to try to project what the rest of the industry is going to do or what their profitability is going to be, because I don't know their cost structure, I don't know how they price their product, so there's no chance I'm going to try to project what they're going to do.

I can tell you what we're going to do and I'll let Jim add some color. We're going to balance our supply with what our view of demand is. If anything, we're going to be a little bit on the short side of that, which gives us opportunity at times to buy parts that we need without necessarily having other parts that may or may not be the best value in the marketplace.

So, that's going to be our strategy going forward and our team is very disciplined in looking at that forward demand and then matching our supply to get there. And when we get off base a little bit, we quickly react because it's important to us to keep that supply/demand balanced. Jim?

Jim Lochner - *Tyson Foods Inc - COO*

Yes, I think you always got to-- when we give a number it's always against our fiscal period. So, I looked at a composite of different independent estimates and this current Q1 OcNoDec of 2011, which is our Q1, is the strongest decline. So, a number of them on average are around 5.5%. And then as you move into calendar 2012, that's where you'd probably say it's a little less, because you'll start to see it start to change with Jan, Feb, March in the high threes and then April, May, June, three. So, you end up in a scenario when you sync that all back up with a variety of independent forecasters on average of 4% against our fiscal year, with the strong end being right now at OcNoDec period.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

Right, and just a follow up there on price realization for you guys, especially last three quarters, based on my numbers, has been exceptional, which is why it seems like you're doing much better than the industry. So, you're starting off price-wise, price per pound, much better than the industry in general.

How do you feel about price realization in 2012? I mean, give us some numbers here, if you can? I mean what-- can you put some numbers around the price realization, efficiency numbers that you've talked about in the past? I mean, how much are you expecting to benefit from just pure pricing, yield efficiency, cost programs, et cetera? Can you give us some numbers so we can put that into context with the increase in grain costs and think about where profitability could end up?

Donnie Smith - *Tyson Foods - President, CEO*

I can talk about the principals behind what we do. Obviously, it's important to us to be a cost leader in our industry in every segment that we participate. We have a very diverse portfolio of products, and so it's pretty hard to, without going into a tremendous amount of detail by bird class, exactly what we expect to do and I don't think that's probably in our best interest on the call.

So, what we can say is this, we continue to move our mix up the value chain. We always want to try to add value to our customers' business and try to add value to our product mix. We will continue to do that.

We believe that we lead the industry in quality, service, certainly innovative capabilities and we believe that we bring a different value proposition to our customers and then we get paid for that. So, I think you'll continue to see that as part of the spread.

In each of the commodity type businesses that we're in, we've controlled our production to the point that we don't have a lot of excess sales in the marketplace that are a drag on our pricing structure, so that's a huge advantage to being balanced in terms of our supply and demand.

When you get into those situations where your supply outstrips your demand that's when you have excess product that you have to sell in commodity markets, which hurts your pricing structure. So, if you start putting all those pieces together, I think you see, and, obviously you have, the difference between Tyson and others. And we continue to remain very disciplined in our go-to-market strategy, and how we bring value to our customers in each one of the segments.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

So, what would it take for you guys to-- if it was up to you, right, so what would it take for you to come up out and say you're going to be in the normalized range in margins for Chicken? Like, what would have to change today for you to feel more confident about being within a normalized range in a reasonably short term? Like, what would you have to see change for you to feel more comfortable about that?

Donnie Smith - *Tyson Foods - President, CEO*

I'd say move the calendar forward about three months or so, and let us get a little deeper into the fiscal year and we'll be a lot more confident about what we can say about when certain events will happen. In terms of our business model, I don't think there's anything that needs to change and I think certainly, our business team is focused on getting back to normalized margins absolutely as fast as they can and I think they're doing everything they can do to get there as quick as they can, and we'll get there.

Jim Lochner - *Tyson Foods Inc - COO*

But, I think if you just look again at the market fundamentals, we're seeing supply pull back. You're starting to see some supported pricing and overall, again, the big picture says domestic availability of all proteins is declining, partly from export and production, that's generally supportive of pricing. And you have to factor in the economy and factor that, how fast can it go, that's anybody's prediction.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

Perfect. Thank you very much. I'll pass on.

Operator

Christina McGlone [Hahn], Deutsche Bank.

Christina McGlone - *Deutsche Bank - Analyst*

Good morning. I guess Jim, I just wanted to dig into Beef a little more. Can you explain what we're seeing in terms of the North/South differential and how does that impact Tyson? And if you're paying more for your Northern cattle, are you also getting more for the beef from that cattle? And then something you said worried me a little, when you said the fact that you were getting a lot of cattle in feed lots and then usually they come out at lighter weights, and when they're marketed there's more volatility and you might not match demand. How do we think about that kind of idea when we're modeling?

Jim Lochner - *Tyson Foods Inc - COO*

Well, that's exactly why I put that in because your models will get a little bit different simply because you don't have some of the normal placement patterns that have occurred in the past, which is a clear observation as the Southern Plains didn't have good forage, so the cattle left wheat pasture and pasture and went into feed lots and backgrounding.

But the north/south spread is always a factor that always messes up your models, because you don't get that granular in the way you forecast Beef margins within regions. Our job basically, we're nicely disbursed between the North and the South. Some of our competition has plants that are more concentrated in the South or some in the North. We have a good mix of North/South plants close to the feed lots, and our job is always to try to maximize the revenue and try to manage that spread, but it does make it difficult for you to model in that regard.

So, I don't expect to have any major shortages in any of the regions that we have cattle, or excuse me, that we have plants because I think the cattle supply, when they come out will be fine, and I know the cattle feeders will try to really balance that placement out and try to actually hit the same type of input weights that they have historically, and try to manage to hit the seasonal typical seasonal demand patterns.

It makes it more challenging when calves go into feed lots versus yearlings. So, it's a comment just basically driven to tip you off, I guess, that the model sometimes will change around because we've had something very unusual with the drought in the Southern Plains.

Christina McGlone - *Deutsche Bank - Analyst*

Okay, thanks for that. And I guess, when you think about 2012 and you talked about margins within normalized for Beef, but as we close out calendar 2012, so calendar, not fiscal, are we in a very tight situation where we're going to see over capacity in beef processing? And then, maybe also, if you could speak to the fact that the WTO has said that COOL is kind of a violation of agreements, does that help, or do you think there will be any changes on the origin of labeling front?

Jim Lochner - *Tyson Foods Inc - COO*

Let me address the end of calendar 2012. Again that's why I went through and pointed out the fact that even though some people will say the beef cow process or slaughter is up 4%, when you put it into real perspective against 31.4 million beef cows and 9.2 million dairy cows, that accelerated decline is-- or the decline is not really appreciably accelerated. There were people who were thinking that the drought again in the Southern Plains had really accelerated the liquidation of the beef cow herd. When I really went back and analyzed those numbers, it's up, but not as much and it's not as catastrophic as one would think.

The other key component is feeder cattle imports were 180,000 and that easily offset a good number of the decline that we saw in the beef cow herd throughout the last couple years. Now as that relates to country of origin labeling, if that gets resolved and everything went back to normal, what you'll actually see probably is the potential for more imported feeder cattle out of both Canada and Mexico, and that won't impact, again, calendar 2012 as much as it will impact potentially 2013.

But the reason I put all those numbers in my prepared remarks is to really put it into context, even though we've seen some slight increase in liquidation, it's not what I'd call a major increase above and beyond what others have been forecasting into that 1% line.

So, I'm not pessimistic that we're going to have a problem having extreme over capacity in the beef processing industry. I've always got to remind everybody that we did take about 2 million head of slaughter capacity out several years ago, and that balance against where our plants are located is in pretty good balance.

Christina McGlone - *Deutsche Bank - Analyst*

Great. Thank you.

Jim Lochner - *Tyson Foods Inc - COO*

You're welcome.

Operator

Robert Moskow, Credit Suisse.

Will Sawyer - *Credit Suisse - Analyst*

Good morning, this is Will Sawyer in for Rob. I wanted to talk a little bit about your international operations and you're investing your CapEx there, adding a second shift in Brazil, you bought out your partner in China. What is the margin situation in both those areas for you, and what is your outlook for demand?

Donnie Smith - *Tyson Foods - President, CEO*

Both of those businesses are pretty young, and so the margin structure is on the light side of what we will produce in the future. As we look at demand, feel very good about demand in both countries, to talk about Brazil here quickly.

We have, over the last year or so, kind of decided at least for the foreseeable future what our mix will be between international and domestic volume, and we've added enough capabilities to be able to provide the diversity within our product portfolio offering to be able to capitalize on some growth, both domestically and internationally, so we feel really good about that business. All we need is time.

We've got a great team down there, they're doing a great job and so we feel very confident that every pound that we add when we second shift, we've got the grower base coming along behind us, or actually in front of us to be able to produce that, and so, we feel very confident that we'll be able to move that at the percentage that we want to both in the domestic and the international markets.

So, quickly shifting to China, great opportunity there. We've got a great customer base in China. We're building a very solid team to execute not only our operating but also our selling strategies there. We're moving toward a Company owned, Company controlled live production model.

We have a few Company farms now. The birds that we have seen produced in those Company farms are outstanding. We love our cost position there and we feel very good about our model going forward. It's a bit more capital intensive, but the efficiencies that we're seeing are making that the way to go.

And it helps in terms of speed, too, a little bit around getting our footprint as large as we can as fast as we can. When we get built out and what we currently have available to us, our footprint will be about 3.5-- 3 million head a week, that'll be in 2014, and I would tell you by the time we get there, we would expect to have normalized returns in that business. So, feel very good about our opportunities internationally.

Will Sawyer - *Credit Suisse - Analyst*

Okay, and then Donnie, can you talk a little bit about what the customer mix looks like in China for you guys, really for what your plan is?

Donnie Smith - *Tyson Foods - President, CEO*

Simply put, both food service-- QSR -- and a retail base. So, you need a fairly broad portfolio to be able to spread your product mix out appropriately, and so, we feel really good about our customer mix. I really don't want to get into detailed customer names, but just suffice it to say food service QSRs, a few other food service customers, and a good mix of retail customers.

Will Sawyer - *Credit Suisse - Analyst*

Great. Thank you.

Donnie Smith - *Tyson Foods - President, CEO*

You bet.

Operator

Christine McCracken, Cleveland Research.

Christine McCracken - *Cleveland Research Company - Analyst*

Good morning. Jim, real quickly, you had suggested that you aren't seeing any signs of expansion, I think. I'm just curious with cow/calf returns where they are today, do you expect to see that especially in the North where those guys should have the capacity to do so?

Jim Lochner - *Tyson Foods Inc - COO*

Yes, I went back and I looked at the heifer percentage of the fed steer and heifer kill/slaughter numbers, and it's been running right at this 37.4, 37.2, 37.5 about the last four years. So, we'll be really watching that carefully, because I would expect with the returns, that outside of kind of the drought affected regions that there would be expansion.

And I think that's also why you didn't see the beef cow liquidation. When you looked at the Southern Plains, it would have been fairly expansive for that region. But the other regions have plenty of grass and all of the profit signals, which probably offset that number to a great degree.

But that's the key number we're watching, is just the percentage of heifers and the total kill to see if it drops into that low 30 and then we'll start to see that expansion. We haven't really seen any meaningful expansion for about four to five years actually, and 2007 would have been kind of that time frame maybe when we saw a little bit of moderate expansion.

Christine McCracken - *Cleveland Research Company - Analyst*

Sure, just as follow up then on the choice select spread being so wide now, I'd assume that the incentive there is to produce more choice cattle. Curious if you're changing your grid at all to incentivize producers, are you seeing move toward that and what that might mean for availability as we head into the next year?

Jim Lochner - *Tyson Foods Inc - COO*

Our grid is always reflective of what the current choice select spread and premium programs, et cetera, which is the term used in the industry is usually the clean up cost, reflects that component. And the choice select spread did widen here, which a lot of people thought might have been a decrease in grading. But again when you look at the pure statistics, the percentage choice cattle hadn't really materially changed year-over-year, when the choice select spread a year ago was much lower.

So, what we're probably seeing here is, perhaps that food service, fine dining and steak house demand on consumption might be up. We might be seeing a combination of select demand for middles as being soft, because when you look at where the choice select spread differential, it's not unusual that it's in the middle meats, but we've seen some really widened price spreads between particularly PSMOs, ribeyes and strips in the choice of the select offering, which suggests that we got food service consumption increasing slightly.

But we have not really seen these types of spreads for a number of years, so the market will probably do its job again and over time make that correction with more retailers, or some other end users shifting to the value side on the select in their offering. So-- but to answer your question, our grid is always adjusting all constantly to what that choice select spread is doing.

Christine McCracken - *Cleveland Research Company - Analyst*

Great. Thanks.

Operator

Tim Ramey, D.A. Davidson.

THOMSON REUTERS

Tim Ramey - *D.A. Davidson & Co. - Analyst*

Good morning. Donnie, wondering if your investment in China looks like it might have any kind of ancillary benefits in terms of greater ability to export US production there?

Donnie Smith - *Tyson Foods - President, CEO*

Tim, I'm going to say probably not. Today, if you combined the anti-dumping duty and the countervailing duty that exists between the US and exports of chicken into China, it's like 63%. And even if we started a WTO action today, it would-- I'd tell you, it would take two or three years to change that.

So, I really don't see that affecting much in terms of us being able to-- as a matter of fact one-- you might go the other way, and say if we're not going to be able to ship it from the US into China, let's just go over to China and grow it there, so--

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Jim Lochner - *Tyson Foods Inc - COO*

We're certainly not banking on that. Our whole focus is running real competitive Chinese production model.

Tim Ramey - *D.A. Davidson & Co. - Analyst*

Right, and just listening to your comments about July, and weak Fourth of July and keeping inventories lean, it sounds like you might have gotten cross ways on inventories and were carrying too much into the Fourth of July holiday, is that a fair interpretation of--?

Donnie Smith - *Tyson Foods - President, CEO*

It was. Let me-- this may be way more detail and I know we're going a little long, but let me try to add a little color. So, when you-- let's go back to just before Easter. When you were in the Lenten season, demand that was really, really, really strong. And so if you look at Chicken, by the time you start setting more eggs, you get them through the hatchery, you get them into the field, grow them out and then produce them and have them ready in inventory, depending on the type of mix you've got, you've really got like 12 weeks worth of production that you've made in that decision.

And so if you go to say mid March, you've got mid April, mid June-- mid April, mid May, mid June, and so based on the signal we got in mid March, we made production decisions that had a lot of meat coming at us just before the Fourth of July. If you'll remember Memorial Day was less than impressive and I'm telling you Fourth of July was just nothing to write home about. And so, once we saw that Fourth of July was pretty disappointing, man, we threw the brakes on and we started backing up, and unfortunately because the commodity prices you had a high feed component of your live cost, but when you're backing out of production, you're absorbing a lot of cost early, and so that just made July just a really ugly month.

Dennis Leatherby - *Tyson Foods - CFO*

But we did pull back hard on inventory.

Donnie Smith - *Tyson Foods - President, CEO*

Yes, we did so we've-- our inventory position through the quarter got cleared up too. I'll tell you, when we ended the fiscal year, our inventory position is what I like to call the manageable minimum. And so we are doing a great job servicing our customers, but we're not carrying a lot of excess inventory to be able to do that, it's put a lot of pressure on our logistic resources, it's putting a lot of pressure on our plant resources, but they have stepped up to the challenge and done a great job of taking care of our customers. So, that's kind of the whole picture, Tim.

Tim Ramey - *D.A. Davidson & Co. - Analyst*

Got it and just one more quick one, you've been talking about feed conversion. I know you experimented with B10 versus choline chloride, I don't know if you've moved back to choline chloride. But is there anything you can tell us about kind of the feed ration that is specifically having an impact?

Donnie Smith - *Tyson Foods - President, CEO*

Nope. Listen, that's all really proprietary stuff and there's zero chance you're going to get any details out of me on how we're feeding our chickens. I appreciate the offer, it just ain't happening.

Tim Ramey - *D.A. Davidson & Co. - Analyst*

Thank you.

Operator

Ken Zaslow, BMO Capital Markets.

Ken Zaslow - *BMO Capital Markets - Analyst*

Hi, good morning, everyone.

Donnie Smith - *Tyson Foods - President, CEO*

Good morning, Ken.

Ken Zaslow - *BMO Capital Markets - Analyst*

Just two bigger picture questions, for the year, Donnie, you've always been saying roughly around $2, it sounds like you're actually more optimistic, in terms of saying in excess of $2. Can you talk about what the change of language was about?

Donnie Smith - *Tyson Foods - President, CEO*

Yes, listen, we're very optimistic about our business. Over the last couple years, we've done a lot to change our mix, we've done a ton in our operating efficiency. And by the way, let me mention this.

This past year, we were talking about $200 million in operating efficiencies that we would garner, and we did, and still view that going into 2012, we have another $125 million or so in operating efficiencies that we believe that we will achieve in our Poultry business. And so, when you put all that together with the last two years we've had, I'm very optimistic about our future. Now it's still early for us to add any more detail than that, but--

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Ken Zaslow - *BMO Capital Markets - Analyst*

But what was the change? I mean you've been saying around $2, and your language changed to in excess of $2, so I'm assuming something-- was it just the internal improvements or was it marketing conditions that made you get a little bit more positive?

Donnie Smith - *Tyson Foods - President, CEO*

It's all of it. Our Beef import businesses are performing very, very well. Our Prepared Foods business has weathered the storm. Really for the amount of pricing that we were able to achieve to cover the raw material inputs, our Prepared Foods business has done very well.

We've got a bead on a part of that business that's probably under performed, and we've got a solid action plan to improve that part of that business. And then when you look at Chicken, we're seeing the benefit of some of the things that we've been doing in the past that just have us operating that business well. As you look at industry fundamentals, we've got a much better environment we feel that we're operating into and feel pretty strong about our chances.

Ken Zaslow - *BMO Capital Markets - Analyst*

Okay, so my second question, just a little bit longer term, but for the last-- if 2012 comes in near where you're talking about, you'll have three years in a row in that $2 to $2 plus range. You're starting to spend aggressively again on CapEx, is there an expectation that you guys could actually in 2013 and 2014 start to develop a growth model where EPS can grow at a certain rate, and is it dependent on marketing conditions, CapEx? Can you talk about the potential for you to actually grow earnings in 2013, which clearly would be somewhat contrary to the market expectations, but can you talk about that?

Donnie Smith - *Tyson Foods - President, CEO*

That is absolutely the plan. As we continue to improve our business, I think one of the things that we've proved in 2011, is that our multi-protein, multi-channel, multi-national business model gives us a bit of distinction and a little bit of differentiation in the marketplace. And we intend to take all of the opportunities that that model provides us, and be able to capitalize on that.

So, we've got opportunities in front of us in value added Poultry, we've got opportunities in front of us in our Prepared Foods business. Some of it is broadening the product portfolio, but some of it is broadening the channels. We've got great opportunities in front of us in Brazil and in China.

So yes, as I look forward, part of what we needed to do in 2010 and 2011 was to stabilize this business and get it turned around and get some operational efficiencies in place so that we could use that as a really strong platform to launch off of into the future. And we do believe the growth opportunities in front of us are meaningful, and particularly, the earnings opportunities in front of us are meaningful.

Ken Zaslow - *BMO Capital Markets - Analyst*

So, what would you say-- I mean if I was to say 2013, what would be the incremental contribution-- where would the incremental contributions come from in 2013 relative to 2012?

Donnie Smith - *Tyson Foods - President, CEO*

Ken, way way way too early. I'm trying not to get too far ahead of you on explaining excess of $2 in 2012. I'm--

Ken Zaslow - *BMO Capital Markets - Analyst*

I'm not looking for an EPS number, but is it Brazil? You spent-- you're going to spend $800 million this year and I think $600 million and something the last year in CapEx, do we start to assign a return on that that we expect?

Is it Brazil, is it China, is it improvement in fundamentals-- like what is it that gets you the growth? I'm not asking for the actual quantification, but how do you kind of give us some sort of growth trajectory besides 2012?

Donnie Smith - *Tyson Foods - President, CEO*

Absolutely. So, we've built a pretty good foundation for ourselves internationally and we will continue now to add production in our international businesses about as fast as we can.

We-- our international team has done a great job of getting these new start ups underneath us to the point to where we can now add incremental volume to those businesses, and have it sold in the right place and improve our margins along the way. So, we're at the point now to where when we add incremental volume, it adds incremental return, that's where we needed to get.

If you look at the rest of our portfolio, adding value to the raw materials that we produce is a huge, huge platform for us to grow in. The two things that we have that we can leverage is raw materials and relationships, and we intend to leverage those into the future. Across the broad portfolio of our business, both in value added Poultry, in our Prepared Foods businesses, taking our Beef and Pork raw materials and adding value to those, moving those up the value stream, putting them into new channels, expanding our customer offerings, so I think what you're going to see is a very balanced approach to us growing our whole portfolio across-the-board as we move forward.

Ken Zaslow - *BMO Capital Markets - Analyst*

Great. Thank you.

Donnie Smith - *Tyson Foods - President, CEO*

You bet.

Operator

Jeff Farmer, Jefferies & Company.

Jeff Farmer - *Jefferies & Company - Analyst*

Great, thank you. Recognizing the time, I'll be brief with this one, just a quick modeling question. Looks like your absolute G&A dollars actually fell in fiscal 2011. As you look forward to FY 2012, what's the expectation there?

Donnie Smith - *Tyson Foods - President, CEO*

Probably about flat. I'll be honest with you, I look at it more as a percent of net sales and we're, I think we finished the year at around 2.8% of net sales, and we'll be in about that ballpark.

Jeff Farmer - *Jefferies & Company - Analyst*

Okay and then just following up on the international discussion, revenues pushing, well actually it's more than 16% of-- our internationals more than 16% of your consolidated revenue right now. So, can you provide any type of margin number on that revenue to date?

And as you move forward, do you expect that margin to improve quickly? I realize there's a lot of start-up investments in Brazil and China et cetera, but any color on the margin picture on that full bucket of international revenue in FY 2011 and what you're looking for in FY 2012 would be helpful.

Donnie Smith - *Tyson Foods - President, CEO*

Yes, I appreciate that. The only color that I can really add at this time is at this point, it's not I would say a significant portion of what you see but certainly over time, we expect it to improve incrementally as we grow the business, and it will become more and more significant to our results. So, that's about all the clarity I can add right now.

Jeff Farmer - *Jefferies & Company - Analyst*

Okay, thank you.

Donnie Smith - *Tyson Foods - President, CEO*

You bet.

Operator

Ryan Oksenhendler, Bank of America.

Ryan Oksenhendler - *BofA Merrill Lynch - Analyst*

Good morning. I'm sorry if I missed this, I jumped on the call a little late, but did you give a number for what you think grain or feed and ingredients will be up year over year in fiscal 2012?

Donnie Smith - *Tyson Foods - President, CEO*

I don't think we did, no.

Ryan Oksenhendler - *BofA Merrill Lynch - Analyst*

Can you?

Donnie Smith - *Tyson Foods - President, CEO*

Good question. I think all I would be comfortable saying at this point, because we're pretty close to the market now, and which I feel very comfortable with, I would suspect that grain costs in 2012 would be at or above what we saw in 2011. And Ryan, the real impetus of that is, if you just go back into Q1, well our Q1 which would be calendar Q4 of last year, corn futures for example were in the $4, $4.25, $4.50, somewhere in that neighborhood and moving up through the quarter.

And we're at new crop and we're at $6 plus, so, we're $1.50 or so starting the year higher than where we were a year ago. So, it just stands to reason that we're going to have incremental increases in our cost of corn, soybean meal and other inputs by the way of going into this year, which accents our need to get our pricing improvements in order to get paid for those higher raw materials.

Ryan Oksenhendler - *BofA Merrill Lynch - Analyst*

Okay, thank you for that. And then, just quickly, I guess on the pricing side, you sounded a little skeptical about retail demand, guess maybe where-- depending on where pricing goes, it looks like for the Georgia dock, we're rubbing up against $0.90 a pound here. Was I reading that right, you think-- at what point do you think demand starts to drop off at the retail level?

Donnie Smith - *Tyson Foods - President, CEO*

I can't really pick it based on a particular market price, but I can say this. We're holding unemployment around 9% or so, my GDP number for 2012 is somewhere about 1.5% or so, so I'm not looking for a very robust recovery in the economy. It just stands to reason that if more and more price gets passed along to the consumer that there's an opportunity for them to back off.

Now the good news is, is that we keep a very close eye on forward demand and our strategy is if anything to be a little short against that demand so that we don't get caught, well, let's say like we did in July with too much inventory, or maybe not too much inventory, but excess of what we would have liked to have had at that time, and excess production. So, we're going to keep this thing in check and we've got I think a very good eye on what our forward view of demand is.

Ryan Oksenhendler - *BofA Merrill Lynch - Analyst*

All right, I'll leave it there. Thanks a lot guys.

Donnie Smith - *Tyson Foods - President, CEO*

Okay, thanks. So, let me just close up if we can. I want to emphasize again how important I think our multi-protein, multi-channel, multi-national business model is. When you combine that with our strong capital structure, and, frankly, what I think is the best team in the business, Tyson is uniquely differentiated from our competitors and I think we're poised to grow in 2012 and beyond.

Tyson Foods is a protein Company with the widest variety of products to sell in the most channels to the broadest base of customers here in the US and around the world. Our diversification gives us options and opportunities, and we intend to make the most of them. So, thanks for your interest in our Company and have a great day. Thank you.

Operator

Okay, thank you. That does conclude the conference today. You may disconnect your phone lines at this time.
