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TSN - Q4 2012 Tyson Foods Inc Earnings Conference Call

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OVERVIEW:

TSN reported FY12 reported EPS of $1.58 and 4Q12 reported EPS of $0.51. Expects FY13 revenue to be approx. $35b and EPS to be flat to previous two years.

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PRESENTATION

Operator

Good morning. Welcome to the Tyson quarterly investor earnings conference call. All participant lines have been placed in listen-only mode until the question-and-answer session. Today's conference is being recorded. If you have any objections please disconnect at this time. Now I would like to turn the call over to Jon Kathol, Vice President of Investor Relations. Sir, 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 2012 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; Dennis Leatherby, Chief Financial Officer; and Jim Lochner, Chief Operating Officer. To ensure we get to as many of you as possible, please limit yourself to one question and one follow-up, then get back in the queue if you have additional questions. I will now turn the call over to Donnie Smith.

Donnie Smith - *Tyson Foods - President and CEO*

Thanks Jon. Good morning, everybody. Thanks for joining us today. Before we get to our results, I want to say that our hearts go out to everyone in the northeast affected by Superstorm Sandy. I would like to thank the Tyson team members who traveled from nine different locations, some as far away as Oklahoma, Arkansas, Virginia, and Tennessee to prepare and serve meals at our Meals That Matter feeding sites in Bayonne, New

Jersey, and Staten Island. Our teams have worked with local volunteers to feed more than 60,000 meals to first responders and storm victims. These team members have it in their hearts to make a difference, and I'm proud to be associated with them.

As you saw in our press release this morning, we had a strong fourth quarter and another very good year. In the past three years, our EPS has averaged around the $2 mark on an adjusted basis. That's a new base level of performance when you look at this Company's EPS over time. I'm very proud of our Management team and all our team members. Thinking about what we've accomplished over the last three years, in a sluggish economy with unfavorable market dynamics and staggering input cost increases, it really is impressive. So, I'm going to take a minute and list what I see as many of the important accomplishments.

We produced consecutive record sales three years in a row, with an 8% compounded annual growth rate. We generated $3.7 billion in operating cash flows, and this is after funding $600 million in working capital increases. We invested nearly $2 billion back in our Company through CapEx. We paid down debt by $1.1 billion. We reduced net debt-to-cap from 34% to 18.4% -- that is the lowest level since the IBP acquisition. We reduced net debt to EBITDA from 2.8 to 0.8 times. We got our debt rating back to investment grade with all three rating agencies. We improved our liquidity position to over $2 billion at the end of fiscal '12. We bought back $400 million of our stock, or over 22 million shares.

We improved production efficiencies throughout our operations and achieved $715 million in operating efficiencies in our Poultry segment alone in the past three years, and over $1 billion in total in that segment. We developed a cohesive strategy and a plan for growth around our multi-protein, multi-channel, multi-national business model. We stepped up our international growth efforts, especially in China. We diversified export sales so that we aren't overly dependent on any one country or region. As I said earlier, and I think it bears repeating, we averaged around $2 a share in adjusted EPS over the last three years. We did all this with nearly $1 billion dollars in additional feed ingredient costs in the past two years.

We are establishing a culture of lean thinking, operational excellence and continuous improvement. We're a better, safer, more dependable Company. But while it is good to look back and remind ourselves of how far we've come, our destiny is not to become a low-cost commodity protein company. Our customers and our stakeholders need us to grow into a solution-providing food company. We have laid the foundation and we can never forget what got us to this point, but what got us here won't get us there. So today we'd like to share with you where we will be taking the Company.

Let's start with sales growth. Over the next three years, Tyson will accelerate our growth in value-added Poultry and Prepared Foods and in our international business. As a result, you should expect to see our top-line sales grow between 3% and 4% annually. Our valued-added sales should grow at twice that rate, or at 6% to 8%, and the sales from international production should grow at twice that rate, or 12% to 16% a year. We will grow our existing domestic businesses as our customers' go-to supplier by providing quality, service, and innovation. We will make headway into other channels, like convenience stores. We'll focus on developing new value-added products and, of course, we'll grow our international business. Our intention is to grow that business aggressively.

Now, let's look at our earnings expectations. We're anticipating an incremental $600 million in feed ingredient costs in fiscal '13. We'll need to offset that through pricing and other measures. I should hurry on to say that I think fiscal '13 EPS will be similar to the last couple of years and it is encouraging to note that we're off to a great start in Q1. So, how will we accomplish that? For perspective, our start-up operations in Brazil and China lost a little over $100 million in FY '12. In China, as we bring on more Company-owned housing in 2013, allowing us to move more of our mix away from wholesale and into more desirable channels, we will reduce our losses substantially. We're also executing better in Brazil and will benefit from the progress we're making there in moving our mix to include more value-added offerings.

Frankly, in FY '12, we made some missteps in parts of our domestic business that cost us, too. Even with these missteps we still had very strong results in 2012. We learned from our mistakes. We won't be making them again, which gives us a head start on 2013. We're planning to gain another $100 million in operating efficiencies in our Poultry and Prepared Foods businesses this year. We also expect to earn price increases based on our quality, service, and innovation. We're going to upgrade our product mix with more value-added items throughout our segments, and we're poised to make significant strides in growing our Prepared Foods businesses. Jim will add a few more details about this in his remarks.

There's a lot to be excited about because we've positioned ourselves well for fiscal '13. Yes, there will be challenging fundamentals, but that's always the case in our industry. It's our job to manage them, and we think we've proven we can do that. Our team figures it out and finds a way to get it done. Therefore, we expect EPS in FY '13 to be flat to the previous two years, and fiscal '14 and '15 should grow at a rate of around 10%. Our cash flow will continue to be strong and, combined with our strong balance sheet, we'll have several options to deliver value to our shareholders. We'll continue repurchasing our shares, investing in our business, and seeking the right acquisitions to fill gaps in unmet consumer needs. That concludes my remarks. Dennis will now give you the financial update, followed by Jim who will talk about our operating segments. Dennis?

Dennis Leatherby - *Tyson Foods - CFO*

Thank you Donnie, and good morning, everyone. We reported fourth-quarter earnings of $0.51 per share, or $0.55 after adjusting for a $15 million impairment charge on non-core assets. This compares to $0.26 per share a year ago. Reported fiscal 2012 earnings was $1.58 per share, or $1.91 after adjusting for the fourth-quarter impairment and a third-quarter charge of $167 million related to the early extinguishment of our 2014 notes. The $1.91 adjusted EPS compares to $1.89 adjusted EPS in fiscal 2011. Pretax return on invested capital for the past 12 months was 17.1%. Over the past three years, pretax ROIC has averaged just over 19%. Capital expenditures were $160 million for the quarter, bringing the fiscal 2012 total to a record $690 million. These investments reflect numerous capital projects for both our domestic and foreign operations that resulted in improved, productive capabilities, labor efficiencies, yields, and sales mix.

Our operating cash flow for fiscal 2012 was above $1 billion for a third consecutive year, at $1.2 billion. Our effective tax rate for the fourth quarter was 39.9%, or 38% excluding the impairment of non-core assets, which had no tax benefit. For fiscal 2012, our effective tax rate was 37.9%, or 36.7% on an adjusted basis. Including cash of more than $1 billion, net debt was just under $1.4 billion. Total liquidity was $2 billion, well above our targeted range of $1.2 billion to $1.5 billion. Gross debt was just over $2.4 billion, in line with the end of last quarter. As Donnie mentioned, net debt to EBITDA for the last 12 months was 0.8 times. On a gross debt to EBITDA basis this measure was 1.4 times.

During the fourth quarter, we acquired 3.2 million shares for $50 million under our share repurchase program. On our last call we said that we expected to reduce share repurchases until we had better visibility into our cash needs and market conditions. Due to the strong earnings in the latter part of the fourth quarter, we were able to purchase near previous levels while continuing to maintain our leverage and liquidity targets. Our average diluted shares outstanding for the fourth quarter was 363 million and 370 million for fiscal 2012. This reflects the dilutive share effect of options and convertible notes of 5 million for the fourth quarter and 7 million for fiscal 2012.

Before moving on to fiscal 2013, I would also like to take a brief moment to discuss the improvements we've made to our balance sheet over the past few years. On this call four years ago we discussed the convertible notes and follow-on equity offerings that we did in September 2008 to shore up our balance sheet. Then, four months later, in March 2009, we issued $810 million of 10.5% five-year high-yield notes and converted our revolver to a secured asset-backed loan facility. Following three years of considerable improvements in operating results and de-leveraging, we have returned to investment grade with all three rating agencies. With these improved ratings we have been able to replace the asset-backed facility with an unsecured revolver and issue $1 billion of 4.5% 10-year investment grade notes to replace the high-yield notes. Additionally, we have repurchased nearly all of the 22.4 million shares we issued in 2008 and we have cash in excess of our liquidity target already on the balance sheet to retire the converts when they mature in 11 months. In summary, we have put the expensive capital raises of 2008 and 2009 behind us, and that feels great.

Now, looking forward, here are some thoughts on fiscal 2013. We expect revenues of approximately $35 billion, up 5% over 2012. Debt interest expense should approximate $140 million, down approximately $37 million from 2012 when adjusting for the premiums paid to extinguish the high-yield notes early. The effective tax rate should be around 36%. Our preliminary CapEx plan is around $550 million, which may increase as we gain further visibility into the year ahead. The improvements that we've made over the past three years have provided with us a balance sheet that is a competitive advantage and a solid foundation for our strategic plan.

This morning we reported our Board of Directors declared a special dividend of $0.10 per share for our class A stock and $0.09 per share for our class B stock. The Board also increased our regular dividend by 25%. Our sustained new level of performance, combined with the strength of our balance sheet and liquidity, has given us the opportunity to increase our dividends to return cash to shareholders. Our priorities for excess cash in the coming year include -- additional capital spending to improve and grow our existing businesses; acquisitions to fulfill our growth strategies around value-added products in our international footprint; and returning cash to shareholders through share repurchases and dividends, all while ensuring we will maintain plenty of liquidity at our disposal. Accomplishing these priorities will position us well to meet our objective of at least 10% annual EPS growth beyond 2013. With that, I will turn it over to Jim for a closer look into our operating segments.

Jim Lochner - *Tyson Foods - COO*

Thanks, Dennis. Good morning, everyone. I will begin with the Prepared Foods segment, which produced $39 million in operating income in the fourth quarter and a 4.8% return on sales. For the year, Prepared Foods had $181 million in operating income and a 5.6% return on sales. Average sales price was up 1.6% on 0.9% lower volume. We are focused on growing this segment and we recently launched several new products, including frozen hand-held snack items, Tyson-brand luncheon meats, chicken luncheon meat, and hot dogs. We have invested in our Houston plant to improve efficiencies and increase our flexibility for lunch meat production, which will allow us to grow that business.

In addition, we're following the success of Wright-brand bacon with Wright-brand fully cooked ribs and sliced beef brisket. Wright is a premium brand and these products are exceptional in quality and flavor. Our R&D, culinary, consumer insights, sales, and marketing teams are working closely with our customer base to provide new products and category solutions. In the deli channel, Tyson continues to solidify our position as a leader in consumer and shopper research. For the second year in a row, Progressive Grocer Magazine recognized Tyson deli as a category captain for deli prepared foods. This is -- this award is a validation that Tyson deli excels in the tools and knowledge that grow our customer businesses.

Looking ahead in 2013 fiscal year for Prepared Foods segment, we expect our growth to include building on our position as the country's leading food service pepperoni producer. Earlier this year we completed a state of the art expansion of our Council Bluffs, Iowa, pepperoni plant. We are also exploring growth opportunities in tortillas and ethnic foods, and developing greater presence in the convenience store channel, in addition to our improvements in luncheon meat.

Now turning to Pork, the segment posted $68 million in operating income and a 5.2% return on sales in the fourth quarter. Margins were squeezed early in the quarter carrying over from the supply/demand imbalance experienced in our fiscal third quarter. In the fourth quarter, we continued to perform well against our internal index goal using the reported USDA prices for the cut-out, drop credit, and regional hog costs. We have continuously improved against this index every year and we achieve this by managing mix, yields, value-added premium programs and pricing analytics. For the fiscal year, Pork had $417 million in operating income and a 7.6% return on sales. Average sales price was down 1.5% on 2.4% higher volumes. In fiscal '13 we expect industry hog supplies to be relatively flat. We expect pork exports in 2013 to remain similar to 2012 and overall margins should be strong.

Turning to our Chicken segment, in the fourth quarter we had $116 million in operating income and a 3.8% return on sales, or a 4.3% return excluding the impairment of our non-core China assets. Excluding losses from our international start-up operations, Q4 return on sales is 5.7%. For the year chicken -- the Chicken segment produced $446 million in operating income and a 3.8% return on sales. Excluding the international start-up losses, return on sales in fiscal '12 was 5.1%. Average sales price was up 9.2% on 3.6% lower volumes. I think we should be pleased with these results, considering we overcame $320 million year over year in additional feed costs, aided in large part by the $115 million in operating efficiencies we achieved, which was short of our $125 million target. This proves we have the pricing and operational levers that allow us to deliver strong results in periods of high input costs.

Sales volume decreases in the quarter were due to our buyer-versus-grow strategy, which resulted in fewer parts we didn't have to sell at reduced prices. Growth in our international operations offset some of the domestic volume decreases in our Chicken segment. We will continue to focus on aggressive growth of value-added domestic retail and international chicken sales, and we anticipate heavy chicken features at food service national accounts throughout the year. We have maintained the production cuts we put in place in 2011, and we'll supplement our needs with the purchases on the open market. We will be pushing for price increases for our chicken products across the board, and we expect our international start-up operations to improve substantially as we continue building Company-owned chicken farms, reducing our exposure to the market birds and benefiting from strong customer acceptance in the retail and food service channels. Our overall outlook for the Chicken segment is positive. We believe we can adjust to the current grain forecast with our focus on value added, price, overall mix, and operational improvements.

The Beef segment produced $117 million operating income in the fourth quarter and a 3.4% return on sales. For the fiscal year, operating income was $218 million with 1.6% margin. Average sales price was up 14.4% on 11.3% lower volumes. Our Beef business has been profitable through this point in Q1. While the reported USDA cut-out and drop credit versus average cattle cost has been showing a negative margin for quite some time, we consistently outperform this reported relationship with our focus on merchandising premium programs, primal mix, and ground beef upgrades and yields. Currently, we're optimistic fiscal '13 Beef earnings should be similar to fiscal '12, with upside for more emphasis on value-added beef in the overall mix and fewer market issues like LFTB that we experienced in '12.

We anticipate a reduction of fed cattle supply of 2% to 3% in fiscal '13, with the largest decline beginning in Q3. However, we expect to have adequate cattle supplies in all our plant locations. The last Cattle and Feed Report showed increased placements in Iowa, Nebraska, Idaho, and Washington. Also, keep in mind there have been subtle structural changes over time in the beef complex. Carcass weights are up, requiring fewer head to produce the same number of pounds and we focus on our selling strategy to maximize the cut-out and optimize premium programs. Our Beef business is extremely efficient. We maximize revenue through numerous value-added programs like retail case ready, specially trimmed and portion sub-primals, and food service steak-cutting operations. We're able to differentiate from the commodity categories through multiple value-added offerings.

To wrap up my thoughts, I would say that we have some near-term challenges. But I'm not worried. We have demonstrated the ability to deliver results in adverse grain or supply/demand conditions as that has become the norm for our businesses. I have confidence in our team's ability to understand these conditions, adjust their plans, and stay committed to adding value to our products, with customer and consumer needs in mind. All our business units clearly understand the market fundamentals and what they need to do to continue to be successful. We are all dedicated to accelerating growth, stepping up innovation of products and services, and cultivating talent to prepare for the future. That concludes our prepared remarks. Operator, we're ready for Q&A.

QUESTIONS AND ANSWERS

Operator

Thank you, sir. We will begin the question-and-answer session.

(Operator Instructions)

Ken Zaslow, BMO Capital Markets.

Ken Zaslow - *BMO Capital Markets - Analyst*

Good morning, everyone. I'm just curious, when you guys laid out your plan of 10% growth for the next two years, and 2013 numbers, can you talk about -- how much of the industry-specific fundamentals matter, particularly on the chicken side, versus how much clarity do you have on those 2013 to 2015?

Donnie Smith - *Tyson Foods - President and CEO*

The underlying fundamentals that would go into our plan would basically be the numbers you see USDA putting out. We look at various different analysts, and then kind of average all that. We just use the average of what those analysts were. It's really, for us, Ken, about pulling the levers that we know we can pull in our business. We mentioned increased operating efficiencies, but growing our value added, we are being successful in price increases, our customers seem to understand that these higher grain prices are going to require higher prices. We continue to change the structure of a lot of our pricing agreements. Our fixed-price exposure, annual fixed-price exposure is going to be single digits after the first of the year. So, you combine those kind of things, and Ken, that's how we can be so confident about getting better in 2013.

Ken Zaslow - *BMO Capital Markets - Analyst*

So, if the chicken production levels kind of are modestly lower, I'm assuming that means, call it 0% to 1%, you see that your ability to get to normalized numbers over a two-year period is high or low, I guess is my question. It doesn't seem like the chicken guys are cutting, and if we stay in this higher feed environment, what gets you to the normal level over the next, call it, 12 to 18 months?

Donnie Smith - *Tyson Foods - President and CEO*

Well, you know, first of all, if you look at the last couple of quarters, you've had corn in excess of $7 delivered. You've had soybean $450-plus, close to $500 delivered, and our domestic chicken business had a 5.7% return on sales in Q4, and a 5.1% for the year. So, yes, I think if you look at a 1%, 1.5% down in production, whatever the USDA number is on 2013, and our current view of grain prices, sure, we should be very comfortable, very high confidence level in our ability to deliver these results.

Ken Zaslow - *BMO Capital Markets - Analyst*

Great. Thank you very much.

Donnie Smith - *Tyson Foods - President and CEO*

You bet. Thanks, Ken.

Operator

Ken Goldman, JPMorgan.

Ken Goldman - *JPMorgan - Analyst*

So, thanks for giving the 2014 guidance, and now you get everyone asking about 2014, and I'll do the same. But I have a little bit of a different tack. I'm curious because you have a situation where corn futures are suggesting much lower corn prices for your fiscal '14. I can't see a situation where chicken production really goes up a huge amount in that time. So, I'm having a very difficult time modeling your chicken margin in a year like that where chicken production doesn't go up, and corn goes down, modeling anything below your normalized range at all. I'm getting above it. I know everyone's numbers are different, and I'm not asking for guidance on my model, but why should we expect only 10% that year? Why shouldn't 2014 be a pretty darn good year when it comes to your chicken margin?

Donnie Smith - *Tyson Foods - President and CEO*

It could be, Ken. For us, hey, 2014 is a long -- pretty far out there to be talking about.

Ken Goldman - *JPMorgan - Analyst*

Yes, of course.

Donnie Smith - *Tyson Foods - President and CEO*

Yes, I think at least 10% ought to be in everyone's mind across all of our business. We've got to keep remembering, we're a $33 billion multi-protein company, not a $33 billion chicken company, right? But, yes, I can't argue with you.

Ken Goldman - *JPMorgan - Analyst*

And then one question just on -- when I hear Tyson talking about focusing more on value added, focusing more on international, I go back to hearing Tyson talk about this 5, 10 years ago, and obviously there were some good things that came out of that push, but there were some not so good things, also, where the Company arguably took its eye off the ball in terms of efficiency in its commodity chicken, beef, and pork. Just curious how we, as outsiders, gain comfort. Obviously, you're a different Company now, and Donnie, you've done a great job bringing cost efficiency back to the Company, but how do we get comfort that as you start to focus on value added and international again, that perhaps you don't take your eye off the ball elsewhere?

Donnie Smith - *Tyson Foods - President and CEO*

Ken, that's a great question. Frankly, it's one that we spend a lot of time talking about around here. I think the difference is, is the foundation that's been built. When we talk about our strategy of accelerate, innovate, cultivate, we always do so based on a platform of fundamental execution, fundamental executional excellence, operating efficiencies, lean thinking, continuous improvement, that type thing, and leveraging a strong balance sheet. It's taken three long, hard years to get our balance sheet back in order. During those three years, we knew that we needed to build a strong platform of functional excellence. And we've done that.

Hey, there's always room to improve, and we embrace lean thinking and continuous improvement, so we will never say we're there. But I can tell you that every person at Tyson Foods understands that we cannot ever take our eye off the ball. And we've got to keep that firm foundation in place as we now build on it new platforms, new product offerings. And the thing that gives us -- it's an idea of the proper cost structure of that new platform, because now we know what good looks like.

So, great question. All I could draw you to is, notice the difference in the last three years, then layer upon that good cost structure, growth in value added, not only in Poultry but also in our Prepared Foods business, and I think we can start seeing a pretty bright future.

Ken Goldman - *JPMorgan - Analyst*

Thanks. One very quick one. I assume when you talk about 2013 EPS looking similar to 2012, you're talking about a $1.91 base, not the $1.58 GAAP base, right?

Donnie Smith - *Tyson Foods - President and CEO*

Yes.

Ken Goldman - *JPMorgan - Analyst*

Thank you.

Donnie Smith - *Tyson Foods - President and CEO*

You bet.

Operator

Farha Aslam, Stephens Incorporated.

Farha Aslam - *Stephens Inc. - Analyst*

Good morning. Congratulations on a great quarter.

Dennis Leatherby - *Tyson Foods - CFO*

Thank you.

Farha Aslam - *Stephens Inc. - Analyst*

And just kind of closer in, in terms of your Beef business, your results were surprisingly good in this quarter. And your guidance is quite strong despite the fact that you have lowered your cattle number outlook. Could you share with us maybe some things that you're doing differently in your Beef business that's allowing you to deliver very solid earnings and provide a very solid outlook despite a contracting cattle supply?

Jim Lochner - *Tyson Foods - COO*

Sure. The key is, I had in my prepared remarks, we put a tremendous amount of effort and focus behind trying to beat the wholesale prices through added value, so it's a combination of specialty trimmed sub-primals, it's in steak cutting, it's in case ready, it's in pricing analytics. We spend a lot of time focused on what that forward short-term supply, so that we can keep ourselves in balance. We also really put a tremendous amount of effort on a lot of metrics driven towards revenue to efficiency metrics.

So, the combination is just running what I'd call a very smart business, knowing that the supply has come down. Ironically, if you look over the last five years -- the last five-year average by the way is almost like 1.8%. There's only been one year it's been up in five years. So, that 2% to 3% is about what we've been experiencing the last five years. So, it is a tremendous amount of detail on a whole bunch of issues, and continuing to add that value added above the wholesale market prices.

Farha Aslam - *Stephens Inc. - Analyst*

That's helpful. And then, Donnie, when you think about your CapEx investments versus acquisitions, what kind of ROIC are you using on CapEx versus acquisitions? And where do you see the most attractive acquisition strategies, and what size of acquisitions are in your target range now?

Donnie Smith - *Tyson Foods - President and CEO*

So, we have a very similar outlook for CapEx as acquisitions, because we kind of look at our capital the same way in both. Typically, and it depends on the project, Farha, internally we're going to have $200 million, $250 million or so that's going to be in basic M&R. And so above that, in order to keep our capital in line -- once you factor in your weighted average cost of capital, we need to be in that 20% to 25% range on income-producing or cost-savings CapEx. Let me give you a quick example. Down in Houston we've got a couple of important customers that depend on us in that -- out of that plant for our lunch meat business, so we're putting about $30 million into that plant now to increase our cooking and slicing technology in order to take care of that business. So, that project has a very good return on capital.

But then on the acquisition side, I would tell you that our sweet spot is probably today in an acquisition that would be $50 million or less. It would be somebody that makes great food in maybe a regional area that we can capitalize on our strengths as we build that business out. Now, that's not to say that an acquisition sub-$500 million, $200 million-plus, whatever, might not be in the mix, but the sweet spot for us right now would probably be in that $50 million range. Does that help?

Farha Aslam - *Stephens Inc. - Analyst*

Yes. So, you're not looking for kind of larger kind of transformational kind of maybe $2 billion to like -- more like $4 billion to $5 billion type transactions, larger, big moves?

Donnie Smith - *Tyson Foods - President and CEO*

No.

Farha Aslam - *Stephens Inc. - Analyst*

Okay. Thank you.

Donnie Smith - *Tyson Foods - President and CEO*

You bet.

Operator

Heather Jones, BB&T Capital Markets.

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

Good morning. And my congratulations, too.

Dennis Leatherby - *Tyson Foods - CFO*

Thank you.

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

Is it a fair assumption that your fiscal '14 and '15 commentary assumes, for at least fiscal '14, another challenging year in beef given that you're expecting the tight supplies to become more pronounced in Q3 of '13?

Jim Lochner - *Tyson Foods - COO*

We think that we can continue to navigate through the margins. We do expect the supply -- the calf crop projection for '12 continues to tell us that we'll continue to see that supply reduction. Again, as I answered earlier, that's the continued emphasis on trying to add value across the board, and we did drop our market share. We really worked hard at adding the value, and working on overall gross margin. I can't project what will happen across the board in the industry, but our plants do sit where the better feed lots appear to be, and we've seen the last cattle on feed flow back into that Nebraska/Iowa region.

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

But when I'm looking at '14, and you all are talking about 10% growth, first of all, Donnie said previously -- it does seem like Chicken should be better. You're cutting interest expense and your international business is improving. So, you're not assuming any meaningful improvement in beef in '14 versus '13 to get to that 10% growth?

Jim Lochner - *Tyson Foods - COO*

That's right.

Donnie Smith - *Tyson Foods - President and CEO*

Correct.

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

Okay. And on Chicken, you all talk about your national breadth, your value-added offering, your customer service. Just wondering though if you could give us some specifics, because if you listen to commentary out there from some large end users, there's also some commentary from some competitors, it's been fairly subdued on the amount of pricing that people have been able to get on fixed contracts, it seems like, whereas you all sound fairly confident. So, I was wondering if you could give us some more specifics as to why you're confident, and why you may have fared better than others in securing price increases?

Donnie Smith - *Tyson Foods - President and CEO*

Good question. So, a couple of things. We think we have three things to leverage -- raw materials, resources, and very importantly, relationships. Over the last three years, we've rebuilt a lot of customer relationships that were suffering, and frankly, we've done that by providing the kind of quality, service, and the innovative capability that our customers need to grow their business. One thing, too, that we've not done is we've not cut our R&D expense. So, we've been working on new packaging, new cooking technologies, new ingredient technologies, and these kind of things, as our customers see them, they see us as a supply partner that they definitely need to keep in the mix. And based on the fact that we're not giving them any excuses not to do business with us, we like the fact that we're getting the kind of price that we need, commensurate to the value that we're adding to their business.

In terms of new platforms as we move forward, we'll be adding products in our Better For You line. Some of those maybe using whole grain breading, gluten-free type products. I think you will also see us making some strides in ethnic -- in our ethnic offerings in Mexican food, in Asian. Jim mentioned in his call, or in his script, our hand-held category, and we're adding some innovation into our hand-held category. So, several different lines of products that we'll be introducing this year or upgrading our product mix or adding some incremental innovation to that will continue to drive value, and our focus is on adding value to our customers' business. And as we do that, they pay us for the value we add. So, we stay focused on that. So, I think those are a few of the reasons that might give us some confidence in our ability to cover that incremental cost of, say, round numbers, $600 million that's coming at us this year.

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

Okay, thank you very much.

Operator

Ryan Oksenhendler, Bank of America.

Ryan Oksenhendler - *BofA Merrill Lynch - Analyst*

Thanks. Good morning. Just to follow up on Heather's question, it seems like protein per capita consumption has been declining in the US over the last several years, so in order to grow your value-added business, it seems like you would have to take some market share. So, what gives you confidence that you can do that, and continue to take the pricing? And it seems like over the last few decades that every time you've seen -- the incremental margins in this industry have always been priced away by competitors. And what gives you the confidence that over the next few years your value-added business, you won't see that margin erosion from competitors taking pricing?

Donnie Smith - *Tyson Foods - President and CEO*

Sure. It comes down to a customer's choice, and customers typically choose those who can bring the type of innovation into their business that they need in order to grow their business. So, like I mentioned before, we've not cut our R&D expense. As a matter of fact, we've added to it a little bit. We've added to the ranks of our marketing teams, and so we're in front of customers helping them with solutions that will grow their business. And so, when there's a choice of who to use as your supply partner, as long as you don't have quality and service issues, most will choose that innovative partner that can help them grow their business. That seems to be the case with us.

Also, let's not minimize the value of our buy-versus-grow strategy, because in a pricing discussion, we're not selling any excess on the market today. And frankly, there's been a few opportunities where, in an RFP, although we would have liked to have continued to be that customer's supply partner, we've walked out of the RFP just because the pricing got too cheap. And as long as you're buying your raw material, in our case primarily breast meat, although not exclusively breast meat, as long as you're buying that raw material and you're not excess product, then you're able to hold on to your price stream. So, I think the value of our buy-versus-grow strategy also allows us to be more effective in a pricing discussion.

Ryan Oksenhendler - *BofA Merrill Lynch - Analyst*

Great, thanks. And could you just -- a quick follow-up. Could you give us an idea of how much of your business is currently value added versus commodity, and what the difference in margins are -- look like?

Donnie Smith - *Tyson Foods - President and CEO*

Yes. So, what we have done, in Donnie King's business primarily, our Poultry and Prepared Foods business, we have actually, as we look at our segments, we have some business units inside those segments. And we've kind of called certain business units commodity business units because a lot of their mix is commodity. Not all, but a lot. Then other business units are in the more value-added category. And I would say today, in Donnie King's business, and that's probably around a $15 billion business or so, 60%, low-60%s is the value-added piece of that. Now, our task over time is to have more and more of the sales in his business as being value added.

Now, let me hasten on to say that we also have value-added categories in Beef and Pork as well, and then our international business will continue to grow. And as we get those -- more and more Company-owned birds, and away from these wholesale markets that we're so dependent on today, our margins will improve substantially in our international business, too. So, when you put all that together, Ryan, that's how you get to that, call it, 3.5% growth for the total, is that you're really growing your value-added segments and your international segment a lot faster.

Ryan Oksenhendler - *BofA Merrill Lynch - Analyst*

All right. Thanks a lot, guys.

Operator

Tim Ramey, DA Davidson.

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

Good morning. Thanks a lot. Donnie, I was interested in the comment where you talked about the spread between your domestic margin and your consolidated Poultry margin. If I did the math right, and that's always suspect, it looks like you might have lost somewhere in the range of $40 million in the quarter, maybe in the $120 million-plus for the year in the start-up operations in China and Brazil. Am I getting to that correctly?

Donnie Smith - *Tyson Foods - President and CEO*

Directionally, you're right, it was about $105 million for the year, and about $15 million of that was the write-off that we mentioned. So, call it right at $90 million on an operating basis.

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

Got it.

Donnie Smith - *Tyson Foods - President and CEO*

For the year.

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

So, that's bullish from the standpoint of hopefully we can minimize those losses over time. Do you have a sense of how that looks in fiscal '13? And also I assume that would be bullish for your tax rate over time as you perhaps get to utilize some of those losses down the road. Can you comment on that?

Donnie Smith - *Tyson Foods - President and CEO*

Yes, Tim, you're dead on. Our current plan calls for us to reduce those losses by 80% in FY '13, and then for the business to continue at that growth rate and be positive in '14 and beyond. As we look at our international business, about 25% of the chicken that's going to market today is out of Company-owned housing. And so, the product offering we have, and the price spread between that product offering and the wholesale offering, which our wholesale offering is based on market birds, that spread is at or above what our pro forma was when we began our international approach. So, the bottom line is we just can't get there fast enough, and it's all about getting the chicken houses built. We've got a great quality offering; the food safety is there that we're looking for. So, all the pieces are in place. It really is just a matter of getting as much of that production into Company-owned housing as we can, as fast as we can.

So, take 80% of that $90 million this year, and add that, and then keep that growth rate going into '14 and '15. And the math you will probably see out there that you might question is -- wait a minute, that kind of looks like you're in maybe low double-digit earnings in your Poultry business in China, and that's right. We don't -- Brazil is a little bit more mature, and frankly, we've got more work to do to get into more of a value-added mix in Brazil, but we have added a new sales leader in our Brazilian Poultry business, and we continue to back them up with great R&D resources there and out of the US. So, we feel comfortable we're going to get there, but our margin expectations would be a little better -- would be better in China than in Brazil.

Dennis Leatherby - *Tyson Foods - CFO*

Tim, on your tax rate question, you're right, our effective tax rate will go down over time because the jurisdictions that we're in, in the foreign markets, have substantially lower tax rates. So, that would favorably affect our overall effective tax rate.

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

Great. I mean, that all is terrific, and I can see that making positive momentum in '13, but it is a big step function from $330 million to $600 million of incremental costs. Can you break down kind of how you see that flowing through the P&L, in terms of you would recover X percent of that through pricing and X percent through cost reductions and X percent through mix? Or is there a way to help us think about how you could recover some or all of that?

Donnie Smith - *Tyson Foods - President and CEO*

Sure. Let me give you an idea of the categories first. So, number one, we mentioned another incremental $100 million in Poultry and Prepared Foods operational improvements. We got, was it $113 million or $115 million this year?

Dennis Leatherby - *Tyson Foods - CFO*

$115 million.

Donnie Smith - *Tyson Foods - President and CEO*

$115 million this year, which was short of our $125 million target, but our team worked hard, and so we see another $100 million coming there. The international improvements, that's going to be, what, $70 million, $80 million, something like that. That's a big number. Hey, reduced interest expense is going to help on the EPS basis. We are getting price and mix improvements. We've got a lunch meat that we will be fixing this year, and I mentioned a little earlier in the call some CapEx going into an important part of that business. We will probably see, we think, less market disruption issues this year. For example, I don't have in the plan another LFTB issue, and that cost us some money.

Also, we probably could have done a better job in Q1 and the very, very early stages of Q2 last year on our managing the choice select spread. I mentioned some other missteps in our domestic business. Frankly, in Q1 and Q2 we left quite a bit of money on the table in our wing business. And followed by the way an encore presentation in Q3 with messing up on our buy versus grow and being a little too dependent on the outside markets, which got us above the law of diminishing returns on our breast meat trim, and that cost us quite a bit of money. And then again, coming to the new market -- coming to the market with these new platforms. So, there are quite a few levers to pull there, Tim, and you add all that up, and we bridge the gap. So, that's how we're seeing the year.

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

Thanks, Donnie, appreciate it.

Donnie Smith - *Tyson Foods - President and CEO*

Sure.

Operator

Akshay Jagdale, Keybanc Capital Markets.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

Good morning. Thank you for all the details on your outlook. It's very helpful.

Dennis Leatherby - *Tyson Foods - CFO*

Thanks.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

Starting with Chicken, just wanted to focus on the short term first. Can you give us your latest thoughts on what your view is on production levels and the industry's ability to pass on higher feed costs?

Donnie Smith - *Tyson Foods - President and CEO*

So, for our plan year, we have like a 1%, 1.5% decrease in production. Whatever the USDA is showing, that's what we're using. Now, on our ability to be able to pass along that increased cost, our buy-versus-grow strategy really does reduce our exposure to the volatility in the commodity pricing -- the commodity pieces of this business. So, when you take that, and you combine that with our mix changes, and our ability to take price increases, we're not going to be dependent on the market necessarily for our future. It really is about reducing our exposure to the commodity side with our buy-versus-grow strategy, and improving our value-added mix.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

Okay. So, if I was to -- I'm interpreting your commentary on fiscal '13 as being -- previously you just said you were going to be profitable. Now you are saying profitable, but could be below normalized range. So, I'm viewing that as previously you were saying 0% to 1%, and now you're saying maybe 0% to 7%. Is that the right way to think about it?

Donnie Smith - *Tyson Foods - President and CEO*

Yes, you're thinking about it right, absolutely.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

Okay, great. And then just longer term, again, I appreciate all the color. So, first of all, when you talked about a new base, is the right way to think about it -- as Tyson is going to earn $1.90 despite any challenges thrown their way? So, is that sort of a bottom EPS number? Because you did have some significant challenges that you dealt with in the last two years -- higher grain costs, LFTB, I could go on and on. Is that a better way to think about it, is that is sort of a baseline that you feel comfortable you can do in any environment?

Donnie Smith - *Tyson Foods - President and CEO*

Yes.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

Okay, great. Then in terms of growth, you talked about two major levers on your top line. I'm just looking at 10% growth off of whatever EBIT you had this year, $120 million-ish, I think, for fiscal '14. I could get that number just out of your China business, and so it seems like the growth that you're modeling is going to come, even if the rest of your business, other than international and value added doesn't grow at all. Is that sort of a good way to think about it as well?

Donnie Smith - *Tyson Foods - President and CEO*

Yes. There's always a few things that happen that are unexpected in any given year. And as I sit here today, it's hard to tell what unexpected things are going to hit us in '14. But we feel comfortable that with the foundation we've laid and the balance sheet we've got and the team we have in place, that we're going to be able to not just overcome the hills and the challenges that come, but also be able to grow our business and grow our EPS with all the levers we have to pull and with the innovation that we can bring to the market. So, yes, I think you're thinking about it right.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

Just on China, I think previously, I may be wrong, but previously you had said China should be within sort of a normal range of earnings by fiscal '14. Is that now pushed back to '15, if I'm reading it correctly, or still --?

Donnie Smith - *Tyson Foods - President and CEO*

I'm sorry, we meant by the end of '14, which you would see fully in the '15 year. Akshay, that is dependent on staying on track with our current housing plan, but I see no reason to believe we won't do that. So, yes.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

Okay, and one last one. So, why did you -- again, I appreciate you giving us this guidance, but I am just trying to get into your head here. Why did you feel there was a need to make these positive, long-term comments now? Why now, and what's the biggest risk to Tyson not being able to grow from here on, from an earnings perspective, in your opinion?

Donnie Smith - *Tyson Foods - President and CEO*

Okay, good question. Number one is, we felt like that we needed to build some credibility, because as we go out and talk to investors, '08 and '09 continues to come up. I think three years of solid results in the face of, gosh, in the last two years, $1 billion of incremental grain costs and all the things that we mentioned on our list in the script, prove that we have laid a solid foundation. But it's not about just having a solid foundation. It's about building a house, right? So, the way -- what we've got to do is we've got to accelerate our growth, and we've talked about doing that in value added. We've talked about doing that in our Prepared Foods segment and in our international. A big component of that is to having the right innovative capability, not just in new products but also in processes and analytics, and packaging and ingredients, and those kind of things. We have those resources, and now it's time to put them to use.

So, we think we have the credibility, because we've built the three-year foundation, and part of our culture says we're going to do what we say we're going to do. You've got to say you are going to do something in order to do what you say you're going to do. So, now we've said what we're going to do, and over the next three years in this horizon, then we'll do what we say we're going to do. So, that's really what it's been about, Akshay.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

Thank you. I will pass it on.

Operator

Christine McCracken, Cleveland Research.

Christine McCracken - *Cleveland Research Company - Analyst*

Thanks. Jim, you mentioned that we're going to see these tighter beef supplies over the next year, and that doesn't come as a huge shock, I don't think, to anyone. Where we seem to be hitting a bit of a wall is on prices, both here in the US and in export markets from a demand perspective. Seems to be some push-back by consumers, and I'm wondering, as it relates to your strategy, as you sell into the market, you have a strong premium program here in the US, for example, and now you've got the expanded access to Japan coming, it seems like. Can you talk about how you think about recouping some of that pricing with cattle costs moving higher in the next year?

Jim Lochner - *Tyson Foods - COO*

First of all, generally, if you look back in history, cattle costs and revenue are very highly related. So, as the cut-out and drop credit moves up and down, the cattle costs over time will get fairly correlated back to that. I'll remind people that we make money in a spread business like beef packing on the slope of change, and then on top of that, and that USDA reported cut-out is the strongest relationship. Thus, our whole thrust to always try to beat that relationship through value-added pricing, timing, et cetera.

I don't know that the price -- we've heard repeated years that we're going to hit the ceiling, and we seem to break through it into higher overall cut-out every year. Which simply says to me that even though we've had some demand destruction, what we're seeing is that the supply reduction really is at a slightly faster rate than the demand destruction because we keep moving to higher prices. At what point that hits a true ceiling, I don't know. My theory is simply that people who want to buy beef, buy beef, and the price point isn't the major deterrent, and ground beef is a staple, and ground beef pricing has continuing to go up year over year. So, the short answer is -- I don't know that we're going to see a true price ceiling, and our job is to navigate through that in the spread business.

Christine McCracken - *Cleveland Research Company - Analyst*

Is expanded access to Japan and better export pricing, is that in your outlook for '13?

Jim Lochner - *Tyson Foods - COO*

Actually, we do think that that will be supportive to pricing, but it's not necessarily built into our -- in how we look at fiscal '13's operating income. Just like cost access. We don't really look at that as anything other than it affects the slope of the change.

Christine McCracken - *Cleveland Research Company - Analyst*

Any impact from plant closures anticipated over the next year?

Jim Lochner - *Tyson Foods - COO*

No, other than we continue to see and we continue to operate our plants at fewer hours, so we're just focused on really what our immediate supply base is, and we try to make sure that we plan our work according to what that forward supply looks like it is going to be out in the four- to eight-week zone.

Christine McCracken - *Cleveland Research Company - Analyst*

All right. Thanks. Congratulations.

Donnie Smith - *Tyson Foods - President and CEO*

Thank you.

Operator

Diane Geissler, CLSA.

Diane Geissler - *Credit Agricole Securities - Analyst*

Good morning. I wanted to ask about the open market purchases of product, and what you think that provided in terms of earnings this year? And then, to the extent that you are looking at next year being total industry production flat to down slightly, what you think the availability will be next year on the open market?

And then I also, kind of part two of that question is, you cited in your release that there were incremental grow-out operating costs of $50 million for the full year. I just wanted to know what those were, and also what's the outlook on -- are you going to see those reverse, or is that higher labor or higher energy, or what really that encompassed?

Donnie Smith - *Tyson Foods - President and CEO*

Okay. I think I got it. So, first of all, on the outside purchases, we're running around 60 loads a week or so, give or take 5, something like that. It's hard to say what the true dollar value of that is, other than this. We don't have excess to sell, which always sells a whole-- frankly, it sells at what we buy this outside meat for, and I would a lot rather be buying it because we're buying it below cost, and selling it.

Number two is you get incremental price courage because you have already adjusted your cost -- plant cost footprint to a couple of complexes of breast meat below where you are. By the way, we have a good cost structure, even though we run at below -- well below plated capacity. So, that's how we look at the outside purchases.

As far as going forward, I see no reason to believe that the meat won't be out there, and again, if the buy-versus-grow strategy. If meat starts drying up and we need more, we can adjust. But I see no reason to believe that the amount of meat that we'll be looking for on the outside market won't still be there.

As to the other costs in our -- grow-out costs, it's primarily two things. Grower costs, which went up, and our chick costs, which went up. Now, I will hasten on to say, there were fairly good improvements in a lot of the other costs, like feed conversion and our -- some of the other aspects of our live production. Our live production team in Poultry has done a fabulous job, but those two cost factors did go up. So, hope that helps.

Diane Geissler - *Credit Agricole Securities - Analyst*

Okay, terrific. And then I wanted to ask one question on the balance sheet. To the extent that I think you're fairly well termed out in kind of where you want to be, so I know you've got incremental working capital needs this year, but to the extent that you're sort of done with the debt pay down, what is your priority in terms of cash usage? I know you increased your dividend, and you have a special dividend, you've bought in shares, but can you just prioritize?

Dennis Leatherby - *Tyson Foods - CFO*

Sure. It's Dennis. It's always -- it's growth focused, so that's going to be for CapEx around our existing businesses. Then it is going to be acquisitions potentially around value added and international. And then it would be around returning cash to shareholders in the form of stock buy backs and dividends.

Diane Geissler - *Credit Agricole Securities - Analyst*

Okay. What's left on your share authorization?

Dennis Leatherby - *Tyson Foods - CFO*

Over 30 million shares.

Diane Geissler - *Credit Agricole Securities - Analyst*

30 million shares. Okay, perfect. Thank you.

Donnie Smith - *Tyson Foods - President and CEO*

Thanks.

Operator

Robert Moskow, Credit Suisse.

Robert Moskow - *Credit Suisse - Analyst*

Hi, thank you. I wanted to ask about the definition of value added as you extend more and more into it or grow value added more. I think that there is a risk that you get distracted from your core mission of being a low-cost or a very efficient commodity processor. Can you give us a bit more clarity on how much of that value added is what I would describe as like consumer packaged goods type of product? You mentioned lunch meat and hot dogs, and even frozen hand-held items. Can you give us a sense of what are the sales of those types of items that are maybe -- that maybe require a different skill set, like a consumer marketing skill set, versus the rest of value add that might be more commoditized.

Donnie Smith - *Tyson Foods - President and CEO*

Sure. In Poultry, you need to be thinking of further processed, value-added cooked, whether it's breaded or not, or par fried, whether it's breaded or not, type items. In the Other Prepared Food segment, certainly our lunch meat offerings, pizza toppings, soups, sauces and side dishes, items that either have contained bread or are in a tortilla. For example, we're the nation's second largest tortilla manufacturer, so those type of items. Sandwich meats, movement in all of those type areas. And be thinking, too, of meat as an ingredient, not necessarily just a meat item. So, it is really a lot more around a packaged food type offering.

And let me hasten on to say, we have added complements in our marketing ranks in our Poultry and Prepared Foods businesses, and we've got a great talented group that understands the value they need to add, and how they need to position it in the marketplace under multiple brands. We do have the Tyson brand, Jim mentioned the Wright brand in his script. We have several other brands that we use in our value-added offering.

Jim, do you want to add anything to that?

Jim Lochner - *Tyson Foods - COO*

The only thing I would add is, we're very attentive to not losing focus on the basics. We really preach very hard about the 40/60 rule, you've got to be looking forward, but you can't spend all your time looking forward and not take care of your basics. But on the contrary, you can't spend all your time in your basics and not look forward, so we call it the management balance rule, which is the 40/60 rule. I think your point is well taken, and we certainly have read enough history and know our own history that you can never lose sight of that basic balance. And so, we will keep our focus on the basics. You can be assured of that.

Robert Moskow - *Credit Suisse - Analyst*

Donnie, can you help me understand, with Hormel and Oscar and Hillshire all kind of slugging it out in sandwich meats and hot dogs, what's the role of the Tyson brand for the retailer? What gap is that filling in the merchandising set?

Donnie Smith - *Tyson Foods - President and CEO*

We typically, in the Tyson brand, have a mid-tier offering. By the way, five, six lines of chicken lunch meat, which are doing very well where they're offered today, and then we complement that, of course, with other traditional lunch meat items. So, a mid-tier offering typically on the Tyson brand. And, you know, we're also a large private label lunch meat supplier. So, as you hear a bit about the share battle between the brands and private label, we pack a lot of private label lunch meat.

Robert Moskow - *Credit Suisse - Analyst*

Okay.

Jim Lochner - *Tyson Foods - COO*

The only thing I would add to that is -- the raw material inflation we've seen over time has been our opportunity to diversify that portfolio with chicken as a base material, and to add more value to our raw materials.

Robert Moskow - *Credit Suisse - Analyst*

Got it. Thank you so much.

Donnie Smith - *Tyson Foods - President and CEO*

Sure.

Jon Kathol - *Tyson Foods - VP, IR*

Operator, we have time for one more question.

Operator

Tim Tiberio, Miller Tabak.

Tim Tiberio - *Miller Tabak & Co. - Analyst*

If I could go back to the comments around acquisitions, are you currently seeing more attractive opportunities in the international versus domestic markets? And then my second question -- going back to your comments on the value-added growth in the international markets, do you think that you will need to make more acquisitions, especially on the distribution side, to really make a real dent in those markets over the next few years? Thanks.

Donnie Smith - *Tyson Foods - President and CEO*

Tim, those are great questions, but I tell you, I'm a little uncomfortable talking very much about the opportunities. I can tell you this. We do have a bit of activity in both international and domestic markets, but as far as getting very specific about those, I just don't feel comfortable commenting about that.

Tim Tiberio - *Miller Tabak & Co. - Analyst*

Okay, thanks for your time.

Donnie Smith - *Tyson Foods - President and CEO*

Sure. I want to thank everyone for joining us today, and hope everybody has a very Happy Thanksgiving. We'll see you later.

Operator

Thank you. This does conclude today's conference. You may disconnect at this time. Thank you for your participation.
