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TSN - Q3 2013 Tyson Foods Earnings Conference Call

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OVERVIEW:

TSN reported 3Q13 sales of $8.7b and EPS from continuing operations of $0.69. Expects FY13 revenues to be approx. $34.5b and FY14 revenues to approximate $36b.

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CORPORATE PARTICIPANTS

Jon Kathol *Tyson Foods - VP, IR*

Donnie Smith *Tyson Foods - President and CEO*

Dennis Leatherby *Tyson Foods - CFO*

Jim Lochner *Tyson Foods - COO*

CONFERENCE CALL PARTICIPANTS

Christine McCracken *Cleveland Research Company - Analyst*

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

Ken Goldman *JPMorgan - Analyst*

Farha Aslam *Stephens Inc. - Analyst*

Ryan Oksenhendler *BofA Merrill Lynch - Analyst*

Brett Hundley *BB&T Capital Markets - Analyst*

Tim Tiberio *Miller Tabak - Analyst*

Robert Moskow *Credit Suisse - Analyst*

Diane Geissler *Credit Agricole Securities - Analyst*

Akshay Jagdale *KeyBanc Capital Markets - Analyst*

Ken Zaslow *BMO Capital Markets - Analyst*

Ann Gurkin *Davenport & Company - Analyst*

PRESENTATION

Operator

Thank you for standing by and welcome to the Tyson quarterly investor earnings call. All participants will be in a listen only mode until the question and answer session.

(Operator Instructions)

Today's conference is being recorded. If you have any objections you may disconnect at this time. And now I'll turn today's conference over to Jon Kathol, Vice President of Investor Relations. Thank you, 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 third quarter of our 2013 fiscal year. On today's call is Donnie Smith, President and Chief Executive Officer; Dennis Leatherby, Chief Financial Officer; and Jim Lochner, Chief Operating Officer.

I need to remind you that our remarks today include forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties that could cause actual results to differ materially from our expectations and projections. I encourage you to read today's press release and our filings with the Securities and Exchange Commission for a discussion of the risks that can affect our business. Today's presentations may also include certain non-GAAP measurements. Reconciliations of these measurements are provided on our website.

As you saw in our press release and Form 10-Q this morning, we sold our Weifang operation in China and it is reflected as a discontinued operation for all periods presented in our financial statements. Today we will speak to our results from continuing operations. Please refer to our website for a supplemental schedule reconciling this change. To ensure we get to as many of you as possible please limit yourself to one question and one follow-up and then get back in the queue for any additional questions. I'll now turn the call over to Donnie Smith.

Donnie Smith - *Tyson Foods - President and CEO*

Thanks, Jon. Good morning, everybody and thanks for joining us today. Q3 was a great quarter for us with earnings of $0.69 a share. It was our second best ever quarter for EPS, along with record sales of $8.7 billion. The Chicken segment had record earnings and both Chicken and Beef segments had their highest sales of any quarter, Prepared Foods had its highest Q3 sales. We continue to see macroeconomic indicators pointing to a steady but modest recovery. We aren't relying on a better economy to grow our business but I think Tyson Foods is uniquely positioned to capitalize on those opportunities as they occur.

According to Nielsen data, retail sales of fresh meat were up about 4% versus the same quarter a year ago with volume up a little over 1%. Beef dollar sales were up 2.2% along with pounds, although pounds declined 2.5%. Pork sales and pounds were both up 1.3% and 5.9%, respectively. Chicken pricing was up on average $0.10 a pound versus a year ago but consumers continued their move to the relative value of Chicken which was up 8.5% in dollars and 2.6% in pounds.

In food service, restaurant traffic has been rebounding in recent months after a slow start to the year. Chains are holding their own while independent operators continue to struggle. For 2014 we're expecting food service growth to be flat to up maybe 1%, which means innovation and service will continue to be key to our growth. QSR is expected to lead food service growth again next year and we have a very strong share of the QSR category and expect good volume around promotional activity. We're accelerating the sales of value-added products with a goal of 6% to 8% annual increase. We're at 5% after three quarters and gaining momentum from an aggressive new product launch schedule. Frozen value-added poultry at retail is the focus of many of these new products and Tyson is driving growth in this category, which in the past year has seen about 3.5% growth. Fresh and IQF chicken, along with case ready beef and pork, are all performing very well.

Many of the food categories showing year-over-year growth at food service are in alignment with Tyson's key competencies, particularly chicken items, breakfast sandwiches and soups. Sales of high carb foods are declining which may be part of consumers move towards healthier food products that we're seeing. Tyson has been out front in the health and wellness trend for several years by providing nutritionally responsible choices for consumers. We've been working towards cleaner labels and sodium reduction, sometimes by as much as 30% while still making food that tastes great. This is evidenced by a double digit growth in our retail Grilled & Ready line and solid growth with other better for you innovations as well. Food service customers are coming to us to help them improve the nutritionals on their products. This is especially true of the products made for schools as new dietary guidelines with calorie and sodium limits have gone into effect. As we enter this back-to-school season, practically our entire product line has been reformulated to meet the new standards which I think is a testament to the strength of our R&D team and the innovation resources of the discovery center.

In addition to value-added products, another part of our growth strategy is to accelerate international poultry production and we're making good progress. Strong results by Tyson de Mexico and Tyson do Brasil more than compensated for the losses in our China operations exacerbated by the Avian Influenza outbreak. Demand has begun improving since the AI outbreak slowed and experience tells us that it will return to previous levels within about three months after the end of the event.

We're moving forward in China and in this morning's press release you probably noticed the reference to a discontinued operation. That refers to our Weifang operation which is no longer core to the execution of our strategy given the capital investment it would have required. Consequently in the second quarter we conducted an impairment test and recorded a $56 million impairment charge. In the third quarter, we entered into an agreement to sell Weifang which resulted in reporting it as a discontinued operation.

I'd like to wrap up my thoughts by saying that we expect the fourth quarter to look pretty close to the third quarter and we expect that performance to continue on average through 2014. It took us a few years to turn this business around but I like where we are and I like the momentum we have.

I'm confident we're going to take it into the next year and well beyond. So that concludes my remarks. Dennis will now give a financial update, followed by Jim who will discuss our segment results. Dennis?

Dennis Leatherby - *Tyson Foods - CFO*

Thank you, Donnie, and good morning, everyone. This morning we reported Q3 earnings from continuing operations of $0.69 per share, up 35% compared to $0.51 last year on an adjusted basis. As you may recall, last year's adjustment included a charge of $167 million, or $0.29 per share for the early extinguishment of our high yield notes. I'm also pleased to report our last 12 months EPS from continuing operations of $2.13 per share on an adjusted basis, which is a strong indicator that we will deliver more than $2 per share for the full fiscal year as we have indicated on the last few earnings calls.

Pre-tax return on invested capital for the past 12 months was 17.3%. Capital expenditures were $135 million for the quarter and $425 million through three quarters of fiscal '13. Operating cash flow was strong in the third quarter at $542 million, bringing the total to $772 million through three quarters, up over $50 million from last year. In the third quarter we repurchased 4 million shares for $100 million under our share repurchase program. This brings our total repurchases under this program to 33.4 million shares for $650 million since May 2011.

Including cash of $943 million and short-term investments of $81 million, net debt was $1.4 billion. Total liquidity was just under $2 billion, remaining well above the upper end of our targeted range of $1.2 billion to $1.5 billion. Gross debt remained at $2.4 billion with our sights set on paying off the convertible notes due in October with cash on hand. 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.

Excluding last year's charge for the early extinguishment of debt, net interest expense was down 26% compared to a year ago at $104 million through June. Our effective tax rate for continuing operations in Q3 was 35.4%. Our average diluted shares outstanding for the quarter was 369 million, or flat versus last year. Basic weighted average shares decreased by 8 million, primarily due to our share repurchase program. This decrease was completely offset by a dilution increase from our convertible notes and warrants. With the maturity of the convertible notes coming in mid October, let's take a moment to discuss the impact of their dilution. Of the dilution, this quarter, driven by our stock increased stock price, 8 million shares relates directly to the convertible notes and 3 million relates to warrants.

At the beginning of this transaction, however, we purchased call options that will allow us to offset the shares issued at maturity at the convertible notes, in effect canceling them but accounting rules prohibit us from reducing our diluted shares from these call options until after the convertible notes are paid off. In other words, these shares will ultimately go away from our share count but investors will not see this occur until we report Q1 '14 earnings. The ultimate dilution we experience from this transaction will only be from the warrants which have an exercise price of $22.17 per share. Hypothetically, at a stock price of $28.51 which was our closing price last Friday, we would be required to issue 6.1 million shares at their maturity which is not until April 2014 and would be fully reflected in our Q3 '14 financial statements. As stated earlier, we have repurchased more than 33.4 million shares since we began this program in Q3 '11 and we expect to continue it in the future as it has well more than offset the potential impact of any ultimate dilution from these warrants.

Now here is an update on the remainder of fiscal '13 and some thoughts on fiscal '14. We expect revenues of approximately $34.5 billion for fiscal '13, or just over 4% growth over 2012. Revenues for fiscal '14 are expected to approximate $36 billion as we look to continue to deliver on our annual top line growth target of 3% to 4%. Net interest expense should approximate $140 million for fiscal '13 and $100 million in fiscal '14, with the decrease primarily driven by the pay off of our convertible notes in the first few weeks of the fiscal year. The effective tax rate for continuing operations for fiscal '13 should be around 34% and around 35% for fiscal '14.

CapEx is on pace to finish somewhere between $550 million and $600 million for fiscal '13. Our preliminary plan for fiscal '14 is in the $650 million to $700 million range, compared to projected depreciation and amortization of approximately $500 million. As in recent years, this reflects our continued emphasis on growing our value-added and international businesses to enhance our productive capabilities, drive operating efficiencies, and grow with our customers in both of these key areas.

In closing, we are very pleased with our Q3 results and look forward to the fourth quarter which should be almost as strong. In addition, we have a good chance to finish the fiscal year with our best EPS results ever despite $500 million in incremental feed costs and numerous other challenges affecting our Beef, Pork and Chinese operations, which is quite an accomplishment all our team members should be proud of for their continued efforts to make our Company even better. And as Donnie said, we are poised for an even stronger fiscal 2014 and believe we can deliver annualized results similar to the back half of 2013, well ahead of our annual goal to deliver at least 10% EPS growth. I'll now turn it over to Jim for a closer look into our operating segments.

Jim Lochner - *Tyson Foods - COO*

Thank you, Dennis, and good morning. Let's begin with our Chicken segment which reported a record $220 million in operating income and a 7% return on sales in the third fiscal quarter. Volume was up 4.4%, while pricing was up 6% over Q3 of '12, driven by strong demand and favorable domestic markets. Through operational mix and price improvements we more than offset the $105 million impact of increased feed cost for the quarter. Consumer demand for chicken is expected to remain strong driven by food service promotions, along with the value of chicken relative to beef. Meanwhile, analysts project chicken production to be up 2% to 3% next year. We plan to continue our buy versus grow strategy for chicken, meaning we won't overproduce our demand and we will buy meat on the open market when it's cheaper than we can produce it. We'll then turn that meat into higher margin value-added products for our retail and food service customers.

Turning to the Pork segment, we have 5% return on sales and $67 million in operating income. Volume was down 4.7% and our average sales price per pound was up 4% compared to Q3 last year. Our Pork results were down slightly as we adjusted our volumes to our supply and positioned our sales accordingly. Domestic availability of pork was up, predominantly from an estimated 6% decline in exports year-over-year. We focused our attention on mix, yields and position in the marketplace for pricing. Looking into 2014, we assume the industry hog supplies will be flat to this year and sufficient for our needs, and we expect another solid performance from our Pork segment next year.

Moving on to the Beef segment, we had a 3.1% return on record sales of $3.7 billion with an operating income of $114 million. Volume was up 3.8% and price per pound was up 2.9% over the same quarter last year. Beef demand was good despite higher pricing. Although the first half of third quarter was more difficult, our performance began to rebound in May due to our improved execution which included product mix and yield. Our performance relative to the industry improved as well. Additionally, our export market share increased. Industry-wide exports are down 6% year-to-date while ours are up substantially led by Japan. In 2014, we're expecting fed cattle supplies to continue their decline by another 2% to 3%. We will put our focus on export market share to improve our mix realization.

The Prepared Foods segment had a 3% return on sales and $24 million in operating income. Our volume was up 1.3% while average sales price per pound was up 3% over Q3 of '12. We are investing in Prepared Foods through consumer and promotional spending and staffing support to build the business in several new product categories in 2014 and beyond. And we're making good progress on our efforts to grow value-added sales by 6% to 8% annually. We acquired Circle Foods in the third quarter to expand on our tortilla and Mexican hand-held snack food businesses. This is in addition to the Don Julio acquisition in the second quarter that is adding retail distribution to our tortilla and chip businesses. We will continue to explore prepared food acquisitions while improving execution in our existing businesses to grow that segment. Also as I mentioned on our previous call, our lunch meat business is negatively impacting the Prepared Foods segment as we undergo an extensive renovation in our Houston plant which is temporarily causing us to incur higher operating costs to maintain service to our customers. That project is now scheduled for completion in mid fiscal 2014.

In conclusion, I'm pleased with our performance overall but our expectations will continue to increase. We have to stay focused on driving results and there's more to be achieved. That is the end of our prepared remarks. We're ready to begin Q&A.

Jon Kathol - *Tyson Foods - VP, IR*

Operator, we're ready for questions.

QUESTIONS AND ANSWERS

Operator

Christine McCracken, Cleveland Research.

Christine McCracken - *Cleveland Research Company - Analyst*

Yes, good morning. Nice quarter.

Donnie Smith - *Tyson Foods - President and CEO*

Thank you.

Christine McCracken - *Cleveland Research Company - Analyst*

Just wanted to touch, you've had a number of challenges here over the past year with record feed costs and some of the trade related issues. Can you talk on the outlook for '14 and maybe the two to three big catalysts that you see as potential drivers for the next 12 months? It's a pretty complicated outlook if you go through some of the drivers, maybe you could start there.

Donnie Smith - *Tyson Foods - President and CEO*

Sure so here is the way I look at it. We'll start with the top line. We do expect our top line sales growth to be at 3% to 4% and our value-added sales growth to be again at 6% to 8%. By segment, Chicken is having a good year this year. We've got some tailwinds from the environment we're operating in, but we will continue to grow our value-added there and as our sales increase there, that will improve our earnings with what I'd call a relatively modest supply growth, particularly in the first half of FY '14, solid demand and chicken's relative low pricing compared to the other proteins should be a very, very good year for Chicken.

By the way, pile another layer on top of that, International improvements, as well. So if you look at Beef and Pork, the current supplies set up next year to be as good as this year and maybe even a little bit better. In Prepared Foods we're investing in growth platforms. We're investing in the businesses that we bought this year, and they should be contributing to our earnings in both the latter part of '14, and then mid to latter part of '14 and well on into '15 by the way. And of course, you would expect international to continue to improve in '15, as well.

So if you look at that from the segment view but then you layer on top of that, we've got $40 million in interest expense reduction in '14. We're obviously going to throw off a lot of cash and we'll be paying off the converts. We'll have the cash we need to invest in growth whether it's through CapEx or more value-added acquisitions, of course continuing to return cash to shareholders by buying back and dividends. And so when you add all those things up, it looks like '14 is going to be a very strong year.

Christine McCracken - *Cleveland Research Company - Analyst*

So why stick with such, on a historic basis, a relatively conservative, normalized range on Chicken? If you've got the benefit of lower feed, if you've got a really tight supply for beef, you've got what now looks like it could be a very tight supply of pork, at least for part of the year, why is it that you stick with a range that's below what you've hit during the upswing in Chicken.

Donnie Smith - *Tyson Foods - President and CEO*

Well we talked about in our written comments in the Q, I don't know if all that has been seen yet. I suppose it has, but we talked about in or above, and certainly if you look at grain costs going down. A lot of work that we've done in the last year around shifting our pricing profiles to be more reflective of grain inputs while sharing risk with our customers. They get an ensured supply of quality service and innovative capability and we certainly get more stable returns. We do have a portion of our portfolio that's supply driven, but we continue to minimize that. Again, as Jim mentioned, our buy versus grow strategy, we continue to grow our value-added mix which gives us some insulation. So you add all that stuff up, Chicken ought to have a very good year next year.

Christine McCracken - *Cleveland Research Company - Analyst*

Great, thanks.

Donnie Smith - *Tyson Foods - President and CEO*

Thank you.

Operator

Tim Ramey, Davidson.

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

Good morning. Let me add my congratulations.

Donnie Smith - *Tyson Foods - President and CEO*

Thanks, Tim.

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

Sounds like we've seen the other side of this trade, but you should just generate enormous amounts of cash over the next couple of quarters as we think about the relative input costs rolling down. Have you, I assume you have, thought through what that might look like for just working capital requirements?

Dennis Leatherby - *Tyson Foods - CFO*

Good question, Tim. We have seen that. Remember, we do have $458 million of converts to pay in early October, but we do see good cash flow and we're going to use it wisely. We're investing heavily in CapEx over and above depreciation and amortization. We continue to look at acquisitions and continue to return cash to shareholders. So we're really excited about what's ahead of us.

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

Great and just on China, Donnie, you've given us some very bullish thoughts over time about the opportunity there to grow your own and to provide high quality food safe product. Should we read anything into the -- I don't think so, I think the impairment charge related to the old way of doing business in China, but anything different in what your thoughts are on the opportunity in China?

Donnie Smith - *Tyson Foods - President and CEO*

No, not at all. As a matter of fact you're absolutely right in the way you're thinking, and the AI outbreak obviously set us back from where we thought our profitability would be. It shoved it out front a couple more months, but the one thing it did do is absolutely validate our business model. From a long term perspective our biosecure facilities and our controlled supply chain are the level of protection that Chinese customer base desires, and that really bodes well for us out in the future.

And by the way, we're on target on our build out plans. So we're getting a little better at acquiring land, which makes me feel optimistic that we will continue to stay on target with building out our own houses. So, that's really the key to our future is the plants are running well and getting those houses built and getting this Company controlled production through our plants as quickly as possible. So we feel really good about the future.

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

Thanks so much.

Donnie Smith - *Tyson Foods - President and CEO*

You bet.

Operator

(Operator Instructions)

Ken Goldman, JPMorgan Chase.

Ken Goldman - *JPMorgan - Analyst*

Hi, good morning, everyone. This was the first time, if my numbers are right, that your Beef volumes were up in nearly three years and they rose by a substantial amount. Can you talk how sustainable that trend might be? And is Beef the main reason you're guiding to a total company revenue number that's well above what the street was looking for?

Jim Lochner - *Tyson Foods - COO*

This is Jim. I'll start with that. If you recall, we did have a plant that was shut down in around, it was February or March when it was announced, that did take about 4.5% of the daily slaughter capacity and about 10% of the slaughter capacity in that 300-mile region out. And we do have a couple plants in that region and we did benefit from an increased flow of cattle to our plant in that particular period which did change the balance. In the North it really wasn't much different.

Let me remind you, we really look at what that forward supply of cattle is going to be two, four and eight weeks out, and we really run our plants with that thought process in mind, always trying to position our sales accordingly and to manage gross margin. So, if it gives it to us that's fine but that isn't the primary goal that we look at the Beef division to generally look at a volume or capacity utilization. So it's really much more micro than that the way we look at it plant to plant.

Dennis Leatherby - *Tyson Foods - CFO*

In terms of where the sales growth is coming from, Ken, this is Dennis, it's coming principally from two areas and that's Chicken and Prepared Foods. And that's a function of the value-added sales growth kicking in and international sales growth kicking in.

Jim Lochner - *Tyson Foods - COO*

Hopefully that answers your question.

Ken Goldman - *JPMorgan - Analyst*

It's helpful, thank you very much.

Donnie Smith - *Tyson Foods - President and CEO*

Thank you.

Operator

Farha Aslam, Stephens.

Farha Aslam - *Stephens Inc. - Analyst*

Hi, good morning. Congratulations in the quarter. So again on that theme of international, China recently had a WTO case where they have to possibly take off the tariffs they put on US chicken. Any impact to your business in China or in the US as a result of that?

Donnie Smith - *Tyson Foods - President and CEO*

Farha, our estimate would be that the proceedings and let me just say all the things that would happen from this ruling and before, a likely appeal, et cetera, it could take a year or so for there to be any potential for actual tariff reductions, and then we'll have to see what happens. So yes, if and when all that happens, it would have a positive impact on our business, but that will likely be a '14 event and could be a little longer.

Farha Aslam - *Stephens Inc. - Analyst*

So general positive long term supportive to leg quarters?

Donnie Smith - *Tyson Foods - President and CEO*

Yes.

Farha Aslam - *Stephens Inc. - Analyst*

Okay, and then just two other quick follow-ups. First one is your volumes overall seem to be more flexible quarter to quarter than they have been historically. Could you just share with us how you're possibly managing those businesses differently today than you have in the past, and what that means for gross margins and kind of how steady gross margins are going forward?

Donnie Smith - *Tyson Foods - President and CEO*

Farha, help me a little bit. Give me a little bit more detail about your question to respond to.

Farha Aslam - *Stephens Inc. - Analyst*

Because we noticed that your volume in Chicken was up quite nicely, as in Beef, and that's where you had the strongest profitability.

Donnie Smith - *Tyson Foods - President and CEO*

Right.

Farha Aslam - *Stephens Inc. - Analyst*

And Pork, where it was a little bit more choppy of a market, your volumes were down significantly, and so we were wondering if you're managing your plants differently and if there's anything in your plants that's changed that's allowed you to kind of respond to the market faster.

Donnie Smith - *Tyson Foods - President and CEO*

Got it. Now I understand. So as Jim has often said in his prepared remarks and in lots of Investor communications, we manage for margin, not market share. So, when the environment needs us to make adjustments in how we manage through our business, we have the flexibility to do that and obviously we think it's incumbent on us to do a good job at that.

In poultry this year, the market dynamics helped a bit in that chicken is relatively low priced compared to the other proteins, and so it just made sense for us to push the poultry volume. We had a great year, or we are having a great year at retail and fresh, we're having a great year at food service. We have a good market share of the QSR volume at food service which is clearly winning in food service today.

So when you add all that up, it gives us an opportunity to push volume where it's meaningful to the customer and us. If you look at our Beef plants, I'll wrap this up, but if you look at our Beef plants, we continue to stay surrounded. Our Beef plants are where there's a good supply of cattle, so it -- we have the opportunity to grow our business there because we have a good supply of cattle around.

So, Jim, would you add anything?

Jim Lochner - *Tyson Foods - COO*

The only thing I'd add is on your observation of Pork, again we, much like I said earlier on Beef, we really pay a lot of attention to what that forward supply looks like it's giving us relative to the consumption. You've got to remember that we had less exports in this quarter and we anticipated some pricing pressure and some supply constriction. So basically we set our hours up to not press that and push the live cost up relative to the revenue, put our attention on the mix and positioning our revenue on the product that we haven't sold, so we weren't long.

So we gave up market share or didn't really, I don't look at it that way. We looked at managing for margin at a greater priority than just trying to fill the hours. We had plenty to run the hours we anticipated, so that was really the play.

Farha Aslam - *Stephens Inc. - Analyst*

That's great and just one last question on wings. Your outlook on wings price, because those prices have been a bit volatile and your thoughts on QSR promotions for wings going into the Fall.

Donnie Smith - *Tyson Foods - President and CEO*

Sure. We would look at incremental demand from QSR promotions as a good thing, and I think we're seeing a bit more inelasticity in wing pricing. It looks to us like the wing prices are starting to creep back up and I think what you'll see this Fall and Winter is a seasonal increase in wing prices, much like we see every season.

Farha Aslam - *Stephens Inc. - Analyst*

Okay, thank you very much.

Donnie Smith - *Tyson Foods - President and CEO*

Thank you.

Operator

Ryan Oksenhendler, Bank of America.

Ryan Oksenhendler - *BofA Merrill Lynch - Analyst*

Good morning guys. Nice quarter.

Donnie Smith - *Tyson Foods - President and CEO*

Thank you.

Ryan Oksenhendler - *BofA Merrill Lynch - Analyst*

I just wanted to talk about -- get your thoughts on the industry's ability to increase production next year. It sounded like, I think you said, you're expecting a modest increase in the first half of next year, but when I look at the USDA data, you see pullet placements up 3% in June, egg sets and chicks placed have been up recently, egg sets up 3% to 4% over the last several weeks. Chicks placed were up 4% over last week. Even eggs per layer have been up despite talk about the hen life being extended or holding those birds on longer. What is the industry's ability to increase production, because I think there's been a lot of talk about the lack of eggs out there?

Donnie Smith - *Tyson Foods - President and CEO*

I'll get to that in just a second, but a quick comment about I think it's important to bear in mind that as Beef prices, and to some extent Pork, continue to stay high, that's really provides a bit of a halo effect around poultry pricing and poultry consumption really. And so we think that next year will be a year that you will continue to see good robust demand for chicken.

Now, so back to the supply question. So if we just look at our ability, just Tyson's ability to get our pullet orders filled, really the only way that we can see a meaningful increase in supply is to hold our hens longer. And frankly, Ryan, we don't have enough housing to hold our hens much longer than 69 weeks. So, we see that for a few more months out in front of us, I don't see that we would have the ability to push it. And that's kind of how we view the outlook.

Ryan Oksenhendler - *BofA Merrill Lynch - Analyst*

Okay in terms of when you see the outlook for production up next year in 2% to 3%, what does that mean in terms of pricing for chicken? Is there still going to be higher prices next year or do you think pricing might come down next year?

Donnie Smith - *Tyson Foods - President and CEO*

It could but, what we've done, we've worked real hard, and I'm real proud of our folks, that we've shifted a lot of our pricing profiles to be a little more reflective of grain input. So, today I'd say about half of our pricing contracts are either cost plus or have some kind of grain cost adjustment in them. And it works really well for us and our customers sharing the commodity risk because they get an ensured supply of quality service and innovation, and we get more stable returns.

We do have some of our portfolio that is supply-based, but we continue to minimize that. Only we're less than 8% of our total sales now that are one year fixed price agreements. So we've done a great job of continuing to change that pricing strategy. And if production is up a little bit, our buy versus grow strategy will work very well for us because we'll just buy excess breast meat or whatever we need on the market, and then convert that and grow our value-added mix with it.

So, of course, we continue to grow our value-added sales and that provides us some commodity insulation there, too. So, even if there is a market that might have overall lower prices, we still feel comfortable with our earnings potential because of the way we've structured our pricing arrangements.

Jim Lochner - *Tyson Foods - COO*

I would also add one thing. Keep in mind that fiscal '12 was a very, very steep pullback, so you always got to look at your percentage year-over-year over a longer time frame than one year just as a cautionary note and look at that total practical supply.

Ryan Oksenhendler - *BofA Merrill Lynch - Analyst*

Got it, and then just a follow-up, one last follow-up on that. In terms of the press release where you say $500 million of lower feed cost next year, given the change in contracts where the grain escalator goes up and down, is that 500 million net to Tyson, or is that $500 million of lower cost, and some of that may get passed through to your customers?

Donnie Smith - *Tyson Foods - President and CEO*

You're correct in the last way you said that. And of course, our intention would be for us to capture as much of that as we possibly can. That's been the focus of working with our customers on these pricing strategies.

Ryan Oksenhendler - *BofA Merrill Lynch - Analyst*

Great, thanks a lot.

Donnie Smith - *Tyson Foods - President and CEO*

You bet.

Operator

Brett Hundley, BB&T Capital Markets.

Brett Hundley - *BB&T Capital Markets - Analyst*

Good morning, gentlemen. I actually wanted to stay on Chicken first, and I think Christine asked it, but I want to go back to your normalized range in Chicken. And, Donnie, everything you just said regarding your outlook for Chicken has been very hard to not be above your historical normalized range. And so maybe, I'm wondering if you would maybe go through some of the drivers as you see them as to what lands you inside that normalized chicken range versus what puts you above.

Donnie Smith - *Tyson Foods - President and CEO*

Well I'm not going to try to focus on anything to land me inside of it. I want to focus on everything to land me above it, right? I continue to be very optimistic about our Poultry business. Obviously, grain looks like it will do -- it will have a good year but it's not in the bin yet and so you don't really know there.

But yes, if you look at our outlook for growing our value-added sales, those are higher sales items and higher margin items and very valuable by the way, both to consumers and the customers. The guys have done a great job on their pricing strategies. They continue to do a great job on their operational efficiencies and we'll never lose focus of that.

We're in a good position relative to the other proteins. Our international business is making good improvements so that will layer on top of good operational performance domestically in '14. So there's every reason to feel really good about our Poultry business.

Brett Hundley - *BB&T Capital Markets - Analyst*

And then I wanted to rotate back over to red meat and talk about Beef in particular from an industry standpoint. So we talked about how Chicken and Pork might see some expansion in 2014 and then, of course, where cattle supplies could tighten and I'm curious to get your opinion on how high priced Beef works its way back through the system. Do you expect the industry to trim capacity in 2014? Are there regions of the US that present more of an opportunity as opposed to a concern in your view? If you could just talk to that I'd appreciate it.

Jim Lochner - *Tyson Foods - COO*

Let me add some detail to that. We expect, as we said, to see fed cattle supplies drop 2% to 3% and that's nothing more than what we think the '13 calf crop estimate will be in the '12 because that's our future supply chain. Cattle will be fed where the lowest cost to produce or the lowest cost of gain is, which centers around the corn belt and the high plains, which means there will be fewer cattle fed probably out into the Eastern plains, et cetera.

And again, that overall supply will continue to come down, whether we see carcass weights come back up to offset that I don't know. I've been thinking carcass weights have topped out for a number of years and I don't expect to see a radical increase in weight to offset that.

And therefore, as if you look at purely the elasticity, you're going to see a reduction in supply generally increase the cut out like it has over time and we're seeing a stronger interest in particularly Japanese importation of US beef, which is gaining back its share. So all of that tells me beef is going to continue to increase in price. We continue to put our focus on our own operations which is managing the mix, getting our international share up which we've done an excellent job of doing, particularly in Japan, and focusing on our controllables which are yields, cost, quality service, et cetera. So that's the overall play.

Brett Hundley - *BB&T Capital Markets - Analyst*

Outside of Japan, do you see --

Jim Lochner - *Tyson Foods - COO*

That's how we run it.

Brett Hundley - *BB&T Capital Markets - Analyst*

Outside of Japan, do you see other export market opportunities in 2014 that aren't being talked about?

Jim Lochner - *Tyson Foods - COO*

We've seen continued -- our market share in Mexico has gone up even though the country per se has dropped relative to year-over-year. I expect to see Asia as a whole continue to have an increase. So, the reality is though with the 2% to 3% down in fed supplies, you're not going to see overall exports increase, just because we'll have limited supply, but there will be a strong interest in acquiring high quality grain fed beef around the world. I don't see that really going backwards.

Brett Hundley - *BB&T Capital Markets - Analyst*

Thank you.

Operator

Tim Tiberio, Miller Tabak.

Tim Tiberio - *Miller Tabak - Analyst*

Good morning, and congratulations on a great quarter.

Donnie Smith - *Tyson Foods - President and CEO*

Appreciate it.

Tim Tiberio - *Miller Tabak - Analyst*

My question is on the outlook. Should we expect that the international segment could be broadly profitable for 2014?

Donnie Smith - *Tyson Foods - President and CEO*

Yes.

Tim Tiberio - *Miller Tabak - Analyst*

Okay, that's short and sweet answer. And as far as the M&A outlook, you've seen some tuck-in acquisitions over the last few quarters. Are there any regions that you see increased opportunity since the last three to six months? And if there is opportunities on the horizon, what size of transactions are you willing to look at? I'm just trying to get a sense of when you look at your overall capital allocation whether that's a top priority going into 2014.

Donnie Smith - *Tyson Foods - President and CEO*

Sure, so this year, well this upcoming year '14, we have opportunity in our Business to over spend versus our depreciation, so we'll be doing that. And then -- because we've got some good organic opportunities, as well. Now looking at acquisitions, continue to expect us, we would call them bolt-ons, continue to expect us to look at bolt-on acquisitions. A sweet spot acquisition for us is probably sub $100 million that fits an important gap that we see in assuring that our consumers and customers have their needs met in the marketplace.

So as we've talked about before, value-added, whether it's poultry or in a broad, our very broad range of Prepared Foods items, continues to be a great focus in the future. Not only that type of -- those types of products but also we've talked about the C-store channel and alternate channels and those in good opportunities we have there. So we have both product growth opportunities and gaps we need to fill, and channel growth opportunities and gaps we need to fill, and we'll continue to be very focused on layering in acquisitions that help us meet those needs.

Tim Tiberio - *Miller Tabak - Analyst*

And are there any regions that you're particularly focused on or are you pretty agnostic in filling the product in channel?

Donnie Smith - *Tyson Foods - President and CEO*

Sorry, I jumped in a little quick. But we've got a great -- number one, we have great customer penetration, we have great service, great quality that our customers have come to expect, and we don't ever expect to let them down. So good customer relationships, and plus we've got a very, very broad and a very efficient national refrigerated distribution network that lends itself to moving products around the country very efficiently, and so that helps us to have a national view of acquisitions.

Tim Tiberio - *Miller Tabak - Analyst*

Okay thanks for your time.

Donnie Smith - *Tyson Foods - President and CEO*

You bet. Thank you.

Operator

Robert Moscow, Credit Suisse.

Robert Moskow - *Credit Suisse - Analyst*

Hi, thank you and congratulations.

Donnie Smith - *Tyson Foods - President and CEO*

Thank you.

Robert Moskow - *Credit Suisse - Analyst*

Donnie, I wanted to ask a follow-up to Ryan's question about Chicken supply and how quickly the industry might increase. You talked about your own limitations as to your capacity to house more hens, but you didn't really talk about the rest of the industry, and my understanding is that a lot of breeding flock has moved to Mexico. And maybe you could kind of start there and talk about how you think that's influencing the industry's ability to or inability to increase supplies, and then what you're seeing outside of your own four walls.

Donnie Smith - *Tyson Foods - President and CEO*

Right, so no doubt that with the AI issue in Mexico that there is a lot of hatching eggs that went down to Mexico. What we see today is the supply on the Mexican market, particularly in the live markets but also in the New York dressed, is back up to a level now that would indicate that that supply is maybe not has been but it's well along in being restored. So the price of a dozen hatching eggs has gone down in the US, and then here in the last four to six weeks you've seen industry sets be up a little bit. But I think their ability to increase is limited. I know our ability to increase is limited. Our inability to hold a hen past 65 weeks because we simply just don't have the housing.

I don't know how prevalent that same issue would have across the industry but I can only speak for ourselves, but I don't expect that the supply -- I expect the supply to be in a similar range for a few more months out front, and I get that basically from the constraint on our business, before an increase in the actual pullet supply could increase, which is likely to happen towards the end of the calendar year. So that's how we see it.

I can only use our Business as a proxy for what might be happening but that's the way we look at it. Now you know now -- you got to watch weights too. We talk a lot about egg sets and chicks placed, but slaughter pounds is what ultimately matters and as we look forward though, we see a relatively modest supply growth.

Robert Moskow - *Credit Suisse - Analyst*

Got it and just a follow-up on that. Pricing in Chicken, it probably will come down at some point. When do you think you start to see it? If nothing else based on your grain contracts, you said there's a lag with customers. So should it be by the end of the year, or at the beginning of the calendar next year, or maybe not at all?

Donnie Smith - *Tyson Foods - President and CEO*

I think if you looked at typical seasonal patterns adjusted for where we are today, you would expect late in the Fall, November-December pricing would be lower than what it is today, just looking at the seasonal impacts. Now, I hasten on to say, we'll take seasonal cuts like we have in the last two years because we are just not going to get long on supply. And as we look out at our forward demand, we're going to take a seasonal cut and then if there's meat out on the market, we'll buy it.

So -- and what we've been able to do is by working with our customers and sharing some of the commodity risk, we get a stable return in up or down grain markets and that feels good, not only to us, but it feels good to our customers and so I like where we are. Our folks have done a great

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job in the last 12 to 15 months or so of changing our pricing portfolio to give us greater stability, and that's what we're constantly looking for is more consistent and stable earnings growth, and our business model is structured to be less volatile than the pure commodity players.

Robert Moskow - *Credit Suisse - Analyst*

Okay, great. Thank you very much.

Donnie Smith - *Tyson Foods - President and CEO*

You bet.

Operator

Diane Geissler, CLSA.

Diane Geissler - *Credit Agricole Securities - Analyst*

Good morning. Congratulations on your quarter.

Donnie Smith - *Tyson Foods - President and CEO*

Thank you.

Diane Geissler - *Credit Agricole Securities - Analyst*

I wanted to ask about your comments on the restaurant expectation flat up 1% in fiscal '14. Its been awhile since we've been in a deflationary mode, and every day I watch corn prices come off, and at some point, lower grain prices have to leak into the broader market I would think. So in a broadly deflationary environment, is it unrealistic to expect there's a little bit of pent-up demand out there from the consumer perspective, given that we've just been in the economic doldrums for five or six years now? That you wouldn't expect traffic in the restaurant channel to be a little bit better than flat to up 1%?

Donnie Smith - *Tyson Foods - President and CEO*

Yes, as we canvassed the marketplace with our customers, our comments are reflecting what we are hearing back from them and we look at Technomics and all kinds of industry sources to try to get a read on what is going on out in front of us. I do feel like there's pent-up demand. Demand has moved from food service to retail.

Demand has moved maybe from casual to QSR and as it moves around, we have the flexibility to move around with it. And so what we really look at is what we think the overall tonnage growth will be and that keeps landing on about 0.5% to maybe up 1%. And if there is pent-up demand, that's good news for us. If it's not, still got a great year ahead of us and so if it moves around between the different parts of food service or different aspects of retail, we've got a lot of flexibility built into our production model and our distribution model to be able to reach that demand wherever it is.

Diane Geissler - *Credit Agricole Securities - Analyst*

Okay, well I appreciate those comments. Can I just ask about this sentence in your press release about the short-term formulas shorter term in nature and that there's a time delay? Am I to read that as grain prices are coming down and we hold our price to the food service channel at the higher level and eventually we reset those contracts lower as grain prices come down, so there will be a quarter or two where you maintain a slightly higher margin than the cash market would reflect?

Donnie Smith - *Tyson Foods - President and CEO*

Well, first of all, our grain prices -- just for perspective -- we pretty much know what our cost of goods are going to be in Q4 and then you take your cost of goods in Q4 and then move that forward into Q1 and then the receipts in Q1 really help impact Q2. And so, there is some of that, I think, related in that comment. And again, if it's related to the Prepared Foods remarks, there's generally with the way those pricing structures are set up, there's generally a lag, a quarterly lag going forward. So, as raw material prices go down, then we get the benefit of that in the subsequent quarter and I'm guessing that is probably more likely to be what that comment is.

Diane Geissler - *Credit Agricole Securities - Analyst*

It was really in the outlook section on Chicken where you say sales contracts are formula based or shorter term allows to adjust pricing when input costs fluctuate, maybe a lag time for price change. I just read that as the margins will be a little bit richer in the early periods of deflation, because you'll be holding prices constant with prior period grain prices.

Jim Lochner - *Tyson Foods - COO*

What it certainly was as grain ran up because -- this is Jim -- you don't build them over the real short-term week to week, so they tend to be over a quarterly trend. So, that's the basis behind that comment.

Diane Geissler - *Credit Agricole Securities - Analyst*

Okay, I appreciate the clarification. Can I just ask where do you stand in your China Chicken operations in terms of vertical integration? You said that you were getting, I think the quote was your getting a little bit better at getting the land to build the houses on. But where do you stand in terms of vertical integration? Are you stilling going to hit that by the end of fiscal '14?

Donnie Smith - *Tyson Foods - President and CEO*

Well we're at 50%, we'll be at 50% company owned birds at the end of this fiscal year, and then our goal is to be nearing 100% in company owned birds at the end of FY '14. And so that should help, certainly in the profitability of those complexes.

Diane Geissler - *Credit Agricole Securities - Analyst*

Have all of the meat scares and scandals that China had over the winter helped the dialogue?

Donnie Smith - *Tyson Foods - President and CEO*

Yes.

Diane Geissler - *Credit Agricole Securities - Analyst*

With the government there?

Donnie Smith - *Tyson Foods - President and CEO*

Yes. No doubt about it.

Diane Geissler - *Credit Agricole Securities - Analyst*

Okay, thank you.

Donnie Smith - *Tyson Foods - President and CEO*

Thank you.

Operator

Akshay Jagdale, KeyBanc.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

Good morning, congratulations on a good quarter.

Donnie Smith - *Tyson Foods - President and CEO*

Thank you.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

So I just wanted to talk about Chicken. First question is on your Chicken, US Chicken performance relative to peers. So before I ask the question, can you tell us what your US Chicken EBIT margin was for the quarter?

Donnie Smith - *Tyson Foods - President and CEO*

We don't break those out, Akshay.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

Was it higher than 7%?

Donnie Smith - *Tyson Foods - President and CEO*

Yes. Well, yes.

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Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

Okay, so what I'm trying to get at there is, in the past we've talked a little bit about when spot margins are peaking, what will Tyson's Chicken P&L look like? And one of your largest competitors just posted a 9% EBIT margin in the US business. So you guys are lagging that and when I look at my numbers, the revenue per pound was up 5% according to my estimates, but came in below sort of what I was expecting, and seems like was somewhat softer. But how would you rank your US Chicken performance relative to your peers? Would you have moved down a little bit, a couple ranking points in Agrostats because these commodity guys are doing better in this environment? Or how do you rank your performance relative to your peers this quarter?

Donnie Smith - *Tyson Foods - President and CEO*

So we are involved in a couple of benchmarking services, and what we typically look at is our rolling 12-month performance, and our goal is to always be in the top quartile. And so we are there, so we feel good about that. In the last month or two, we don't compare as favorably on the operating margins, because the commodity players are getting the benefit of the peak of the commodity markets.

Our goal is to have more consistent and more stable earnings and so our margin, our model is structured so that we're less volatile than just the pure commodity players. But we feel very good as we look at the cost components and the pricing components relative to our expectations. We feel very good that our Poultry business is operating very well. Now, Jim made a comment earlier that we continue to have things that we strive for and continue to push for improvements, and so we can get better, but we're operating very well.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

Okay, so the next question then is first of all, have margins in Chicken peaked for you? Quarterly margins?

Donnie Smith - *Tyson Foods - President and CEO*

For Tyson?

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

Yes.

Donnie Smith - *Tyson Foods - President and CEO*

No.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

Okay, so the rough math I'm doing is you have $0.10 per pound in EBIT this quarter and that was with a $0.05 year-over-year increase in cost per pound. So you're guiding to, if you lock all your needs and corn stays where it is, $0.05 decrease year-over-year in feed costs. So all else equal that would be a $0.20 EBIT. Now I know all else is never equal, but what I'm really trying to get to here is I think you can get to your 7% EBIT margin next year even if prices decrease by 8%. So roughly -- am I thinking about this correctly? I think a lot of people are asking the same question in a different way. But it seems like next year should be above your normal range.

Donnie Smith - *Tyson Foods - President and CEO*

I think you're thinking about it right. The pricing being down 8% or whatever, I'm not going to go to those kind of details, but I think you're thinking about it right.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

Okay, great so I think I heard, did I hear this correctly that you are expecting an increase in revenues in the Chicken segment next year? Can you just get into a little bit more detail on what's driving that? How much or what kind of percentage increase are we expecting and how much of that is international? And what's your general expectation for US Chicken revenues right now?

Donnie Smith - *Tyson Foods - President and CEO*

So okay, so I'll give you as much detail as I can. Yes we do expect Chicken revenues to increase, and just like our strategy says, we will be doing that by driving value-added Chicken and our International Chicken business. And so we have every expectation of growing that business and leading it with 6% to 8% growth in our value-added and 12% to 16% growth in our International business. So those are the key drivers. We remain focused on that and that's going to be what drives revenue growth.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

So, what kind of underlying commodity market price are you expecting for the remaining part of your business? Is the remaining part of Chicken expected in your numbers to be down right now, or flattish, or any guidance would be helpful?

Donnie Smith - *Tyson Foods - President and CEO*

Yes, down a little bit. We look at the same industry sources for pricing, whether it's Informa or EMI, or whoever folks might use as the industry and market expectations. And so we look at those and then apply a little bit of our own internal intelligence to that to come to our expectations for our plan. But we think those folks are directionally correct.

Akshay Jagdale - *KeyBanc Capital Markets - Analyst*

Okay just one last one for Jim on Beef. So can you just help us understand what on the Beef side, what's the underlying assumption for industry economics? You're saying you're going to have a similar year as compared to this year, next year in Beef. What does that assume for the industry margin, if I may? I'm just trying to get a sense of how you're thinking about how the industry is playing out, because obviously we're coming from a very bad year for the industry last year. There seems to be a major improvement that's happened in the last five months. I don't know how much of that is seasonal, would love to get your perspective. But what is the underlying industry margin assumption for you guys to have a similar year compared to this year?

Jim Lochner - *Tyson Foods - COO*

You're not probably going to like my answer, but again, the industry margin is the relative rate or change of revenue all-in cut out, drop, et cetera, to the cattle price, and the adjustment week to week and month to month relative to the revenue to the supply. So we did see the slaughter capacity change.

I actually -- the thing -- we don't place as much emphasis watching the industry margin as you might think. We really always just pay very close attention to what the forward supply is going to give us, what we think the pricing and positioning needs to be what the export markets are and a whole lot more attention on to what we have under our own control, which is mix change, international mix change, yields, trim yields, et cetera.

So my view is the industry margin should be very similar simply because we've seen the adjustment that I mentioned. But the margin we focus on is within our control. So, I can't give you anymore perspective than that.

Operator

Ken Zaslow, Bank of Montreal.

Ken Zaslow - *BMO Capital Markets - Analyst*

Hi, good morning, everyone. Just two questions. One is a housekeeping question and one is more a bigger picture. In terms of your corn estimate, does that include basis or exclude basis?

Donnie Smith - *Tyson Foods - President and CEO*

It includes basis, that's all-in and we always talk about cost of goods, what the grain impact in cost of goods sold, not receipts, not purchased. It's always cost of goods sold.

Ken Zaslow - *BMO Capital Markets - Analyst*

Okay, great and then taking it away from Prepared Foods, look you've made a couple of smaller acquisitions. You're on the kind of redoing or restructuring your business. What is the cadence to which we should start to see the improvement in that business through 2014 and when will we see it kind of hit -- I'm assuming in the first half it will be lower margin and by the back half we may see more representative of what the real margins are. Can you walk us through that?

Donnie Smith - *Tyson Foods - President and CEO*

You're exactly right, Ken. It's the lunch meat deal has been pushed out another quarter or so to get to the full run rate and so the front half is a little bit like what we're seeing now, but then a lot of this stuff starts really kicking in the back half. And then you get to layer on what you would expect as a good year on '15. So some help in '14, more help is coming in '15 and beyond.

Ken Zaslow - *BMO Capital Markets - Analyst*

Would you think that, that cadence for 2014 is representative of the entire Company as well? It sounds like how you're talking about the corn and the feed costs getting better through the back half of the year. It almost seems like you're going to be building through the 2014, as well. Because you said on average this quarter is representative times it by four or whatever. That's the guidance you've given as an outlay, but it seems like it's more like you're going to be growing your momentum through the year, and you can expect to see the growth continue into 2015.

Donnie Smith - *Tyson Foods - President and CEO*

That's a good way to look at it.

Ken Zaslow - *BMO Capital Markets - Analyst*

Great. Thank you very much.

Donnie Smith - *Tyson Foods - President and CEO*

You bet. Thanks, Ken.

Operator

Ann Gurkin, Davenport.

Ann Gurkin - *Davenport & Company - Analyst*

Good morning. Thank you for the question and congratulations on the quarter.

Donnie Smith - *Tyson Foods - President and CEO*

Thank you.

Ann Gurkin - *Davenport & Company - Analyst*

Just wanted one more question. If we could talk a little bit about Prepared Foods and what it takes to get back into the normalized margin range for that business.

Donnie Smith - *Tyson Foods - President and CEO*

So we're investing in our Prepared Foods business in a lot of ways. Some staffing, we're doing some consumer spend. We're doing some customer spend. We're obviously have a big operational spend in that business and recall that Prepared Foods for us is a broad range of not only products but different businesses at different stages of maturity.

We've got some businesses in Prepared Foods that are mature and generate great returns, and others that were building and they will begin contributing significantly as we move out front. So we've got some gaps in our portfolio, ethnic, hand-held, snacks and we're going to continue to invest in these businesses.

I like to look -- I like to think of Prepared Foods a lot like our Chicken business a couple of years ago. And we've made steady progress on not only the operational side of that, but now driving the value-added sales mix and incorporating more market talent and more MAP spend into that business to drive it, and that's the exact same thing that we'll use in Prepared Foods.

We've got great customer penetration. We've got great distribution capabilities. We've just got to broaden the portfolio, improve the operating efficiencies, and then spend against some demand that we feel like we could generate.

Ann Gurkin - *Davenport & Company - Analyst*

Great, thank you.

Donnie Smith - *Tyson Foods - President and CEO*

You bet, thank you. So, that concludes our call. Thanks for joining us today. Thank you for your interest in our Company and you all have a great day.

Operator

Thank you again for your participation. You may disconnect at this time.
