
Phasing out individual sow gestation stalls: major North American companies anticipate change

**Paul Sundberg, DVM, PhD
Vice President, Science and Technology
National Pork Board
Des Moines, Iowa**

psundberg@pork.org

www.pork.org

Smithfield Foods Announcement - January 25, 2007

Smithfield Foods Makes Landmark Decision Regarding Animal Management

*— In Conjunction with its Customers,
Smithfield Moves to Using Group Pens for Housing Pregnant Sows —*

Smithfield, Va. (January 25, 2007) —Smithfield Foods, Inc. announced today that it is beginning the process of phasing out individual gestation stalls at all of its company-owned sow farms and replacing them with pens—or group housing—over the next 10 years. Smithfield also will work with its contract growers regarding system conversion.

- Revenues exceeding \$11 billion in fiscal 2006
- 14 million hogs domestically each year for a 13 percent U.S. market share
- annually processes 27 million hogs, representing 26 percent of the U.S. market

Smithfield Foods Announcement - January 25, 2007

“ . . . we have always been sensitive to the concerns and needs of our customers, and they have told us they feel group housing is a more animal-friendly form of sow housing.”

“While this will be a significant financial commitment for our company over the next 10 years, we believe it’s the right thing to do.”

Smithfield Foods Announcement - January 25, 2007

“ . . . our decision acknowledges that extensive research into sow housing has concluded both gestation stalls and group pens provide for the well-being of pregnant sows and work equally well from a production standpoint. There is no scientific consensus on which system is superior, and we do not endorse one management system over the other.”

Burger King – March 2007

- Begin buying eggs and pork from suppliers:
 - Do not confine their chickens in cages
 - Do not confine their pigs in stalls
 - Favor suppliers of chickens that use controlled-atmospheric stunning
- Will not STOP buying from pork operations that use stalls
- Acknowledge eggs and pork will cost more but still negotiating prices
- Prices at restaurants will not be increased

“major North American companies anticipate changes”

The body of science supports management as the biggest factor affecting sow well-being

- American Veterinary Medical Association, 2005
 - Given the number of variables and large variation in performance within both group and stall systems for pregnant sows, no one system is clearly better than others under all conditions and according to all criteria of animal welfare.

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Pork producers will work to take advantage of market opportunities

- Market signals will continue
- Market specifications will react to the signals
- Production will adapt to provide product supported by the markets