

Chickens in the Feedlot: The Tyson-IBP Merger

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It is January 1, 2001, and John Tyson, President and Chairman of Tyson Foods, Inc., is breathing a little easier because he has just won an auction-type bidding war against Smithfield Foods for IBP, the world's largest supplier of fresh beef and pork products. With this deal, John Tyson will put his personal imprint on the company his grandfather and namesake, John Tyson, started in 1935. If the deal is consummated, John will be sitting atop the premier animal protein company with leadership positions in all major meat-processing industries. "We will have the ability to take advantage of our strengths to service the consolidating food service marketplace," John Tyson said soon after the announcement of the merger agreement (CNN Money, 2001). "We can take and match our efficiencies and our services to meet a changing landscape."

Meanwhile, Robert "Bob" Peterson, IBP's Chief Executive Officer and Chairman, is feeling relieved that the marathon bidding process is over and that he has successfully delivered *his* final value to his shareholders. The deal specified that Tyson would acquire all the outstanding shares of IBP in a cash tender and stock exchange offer for \$3.2 billion, as well as assume and/or refinance approximately \$1.5 billion of IBP debt and other obligations, for a total deal value of \$4.7 billion. Under the terms of the agreement, Tyson agreed to pay \$30.00 for each share of IBP common stock, with 50.1 percent of the consideration in cash and the remainder in Tyson Class A common stock. For Peterson, the agreement has eased the pressure he has been feeling about IBP share price, and he now feels vindicated because the deal's announcement led to an immediate \$1.25 increase in IBP's share price, closing at \$28 per share on January 2, 2001.

After 45 years in the company, rising from the position of a cattle buyer to President and Chairman, Peterson believed IBP's efforts to process meat more

economically through effective plant locations and excellence in technology and management had been achieved. “Our whole outlook, and I take credit for some of this, was ‘We will be the best. Nobody was going to do it better than we do,’” noted Peterson. “We did not start out to be the biggest, but we damn well started out to be the best.”

The merger of Tyson Foods, the leading chicken processor, with IBP, the leading beef processor and number two pork processor, presents some interesting strategic questions for those interested in the evolution of agri-food companies and its influence on the industry’s performance as a whole. It also raises questions about the strategic threats and opportunities that consolidation in a highly concentrated marketplace presents to industry players along the supply chain.

For several reasons, the Tyson-IBP merger provides a valuable teaching and research case in the agri-food industry. The purpose of the present analysis is to identify and describe the motivating factors in the Tyson-IBP merger and to assess its success in achieving the expectations of industry participants vis-à-vis enhanced performance in a more concentrated marketplace. Given Tyson’s record in the chicken industry and its relative size in comparison to IBP, it is important to understand the impact of the merger on the company’s short-term and long-term financial performance.

The Storm Before the Calm

IBP’s share price had been sluggish for almost all of 2000, leaving Bob Peterson and his management team feeling that their efforts were not being reflected in the market (Table 1). He informed his board of directors at their July 2000 meeting that management wanted to take the company private through a leveraged buy-out (LBO) with the help of investment bankers Donaldson, Lufkin & Jenrette (DLJ) and Rawhide Holdings Corp., a wholly owned subsidiary of DLJ Merchant Banking Partners, LLP, a private equity fund

affiliated with DLJ. The board responded positively and formed a special committee, comprising only outside directors, to consider the offer. The committee reached an agreement on October 1, 2000, for Rawhide to purchase all of IBP's shares at \$22.25 per share. This price was well above the \$18 per share price that IBP shares were trading at at the time, but short of its 52-week high of \$25.38. The deal's announcement led to a spate of lawsuits by IBP public shareholders, who accused IBP's management of placing their own interests before their obligations to shareholders. "The buyout group is using its members' positions of power and control, and their access to (internal financial) information, to benefit themselves in this transaction, to the detriment of IBP's public stockholders," read one lawsuit filed in Delaware by shareholder Harriet Rand (Krebs, 2000).

The LBO required IBP to file a proxy statement with the Securities and Exchange Commission (SEC), which initiated an SEC investigation into IBP'S financial reports. The SEC investigation supported internal audit concerns about inventory and accounting irregularities at IBP's Foodbrands America DFG (DFG) subsidiary, a company accounting for less than 1 percent of IBP's sales and representing only about 3.7 percent of its total assets.

On November 12, 2000, Smithfield Foods, Inc., of Smithfield, Virginia, made a hostile all-stock bid of \$25 per share for IBP. This caused IBP to invite Tyson Foods of Springdale, Arkansas, to make an offer, which it did on December 4, 2000, for \$26 per share in cash and stock. Tyson upped its offer to \$27 on December 28, causing Smithfield to raise its bid to \$30, which Tyson countered with a bid of \$28.50 a share on December 29, 2000. On December 31, Smithfield offered \$32 per share, prompting Tyson to increase its bid to \$30 per share on January 1, 2001. IBP's board viewed Tyson's bid as a

better offer because the cash component meant lower price volatility and the cash-stock combination was likely to raise fewer antitrust issues. Tyson, therefore, emerged as the winner over Smithfield Foods for the assets of its much larger competitor in the animal protein market. Tyson's offer was 34.8 percent higher than Rawhide's \$22.25 bid, which the board had accepted in October. The board terminated the LBO agreement with Rawhide on January 4, 2001, paying the agreed \$59 million breakup fee.

Tyson and IBP could not consummate their merger until the Department of Justice (DOJ) and the Federal Trade Commission (FTC) cleared them of any antitrust issues, a clearance that was issued on January 30, 2001. However, Tyson still delayed the completion of the deal until the Securities and Exchange Commission (SEC) completed its investigations into IBP's DFG Foods subsidiary. On February 22, 2001, the SEC completed its probe, and IBP filed revised financials, taking a charge of about \$153 million. Tyson then withdrew its cash bid for IBP on February 28, 2001, and filed a suit on March 29, 2001, to terminate the merger agreement. IBP countersued Tyson the following day to force it to complete the merger (Table 2). Tyson accused IBP of fraudulently inducing it into a merger, claiming that "the merger agreement represents the fruition of IBP's plan to artificially raise the price of its common stock and lure Tyson into vastly overpaying." But IBP cited the merger agreement, which included a warning that its DFG Foods subsidiary could require additional earnings restatements because of improper accounting practices. IBP noted that "Tyson bid eyes wide open to the possibility of additional write downs at DFG. The prospect of such write-downs did not deter Tyson from bidding \$30 per share for IBP because it understood that DFG was an immaterial portion of IBP's total business."¹

¹ Jaret Seiberg, "The \$1 Billion Fax and the IBP, Tyson Dispute," April 4, 2001, accessed at <http://www.law.com/servlet/ContentServer?pagename=OpenMarket/Xcelerate/Preview&c=LawArticle&ci>

Tyson's legal argument for backing out of the deal was "material adverse change" (MAC), a clause included in most merger contracts. The Tyson-IBP merger contract noted that if a MAC occurred in IBP's business prior to the closing of the deal, Tyson had the right to either renegotiate or walk away. Tyson claimed that IBP had suffered a MAC in two regards: (1) IBP's operations had been hurt by the slowing U.S. economy (IBP's sales and earnings were both down significantly in the first two quarters of 2001), and (2) IBP had made false representations about the extent of accounting problems at its DFG subsidiary. Tyson specifically claimed that IBP executives had failed to disclose that the SEC had launched an inquiry into the matter before IBP signed the deal with Tyson.

The presiding judge in the IBP suit to force Tyson to complete the deal was Leo E. Strine, Jr., of the Delaware Chancery Court in Wilmington, Delaware. He ruled that none of the two matters presented by Tyson qualified as a MAC because Tyson was well aware of the accounting problems at the IBP subsidiary before signing the deal, and it also could have reasonably expected that the economic slowdown would have a negative impact on IBP. He went on to say that while IBP may have experienced adverse developments since the signing of the merger agreement, they were developments that Tyson could and should have foreseen. In other words, Tyson failed in its due diligence, and the attempt to walk away from the deal was "simply a case of buyer's remorse." In his judgment, Vice Chancellor Strine determined that, given the difficulties of calculating the damages to IBP shareholders, the best way to resolve the "barnyard brawl" was for Tyson to complete the merger (Delaware Chancery Court). Tyson chose not to appeal and acquired IBP on the original terms on July 5, 2001. The final agreement was for \$4.4 billion in cash, stock, and debt, a reduction in value of about 6.4% from the original offer

“because of a 25 percent drop in Tyson’s own stock price since the beginning of the year” (McClintock, 2001). According to Marcus (2001), “IBP shareholders are almost \$850 million wealthier than they would have been had Tyson succeeded in walking away from the deal.”

The SEC declared the Tyson-IBP merger effective on August 27, 2001; and at a special meeting in Dakota Dunes, South Dakota, on September 28, 2001, IBP shareholders approved the merger. When it was all over, John Tyson commented, “We had a vision to combine these companies and create the world’s leading protein provider. Today’s merger is an exciting step that accomplishes that vision. Yesterday we completed our capital structure, today we complete the combination, and beginning Monday, we can and will focus on maximizing the value of our exciting new company. Our future looks bright.” (McClintock, 2001).

As the head of the “new” Tyson Foods, John Tyson now oversees an organization controlling approximately 28 percent of the U.S. beef market, 23 percent of the chicken market, and 18 percent of the pork market. Revenues for fiscal 2002 are projected to be in excess of \$25 billion, placing the company within the top 70 of Fortune 500’s 2001 list. The new Tyson has more than 120,000 employees in more than 300 facilities and offices in 32 states and 22 countries, a far cry from the “old” Tyson’s \$7.4 billion sales revenue; 68,000 employees; and single-industry dominance (Figure 1). In the year since the merger was concluded, the stock market has been generally very supportive of the merger, with Tyson’s share price outperforming the S&P 500 benchmark (Figure 2).

The Animal Protein Supply Chain

In the past, each of the dominant animal protein industries in North America—

beef, pork, and chicken—has had a unique supply chain structure. For example, the chicken industry has been highly integrated around the processor in its supply chain, while the beef and pork industries have been fragmented, with fragmentation being highest for beef. Marketplace changes, however, including consumer behavior, industry competition, technology, and government policy, as well as the interactions among these factors, have caused the supply chain structures in the beef and pork industries to evolve toward vertical relationships resembling those found in the chicken industry. The following sections provide an overview of the role these changes have played in the evolution of supply chain structures.

Consumers

Meat consumption patterns have changed markedly in the last two decades, shifting from red meats, particularly beef, to poultry. Between 1980 and 2001, per capita consumption of all red meat decreased from 136.8 pounds to 120.9 pounds per year, while consumption of all poultry meat increased from 58.3 pounds to 97.7 pounds per year. Specifically, per capita beef consumption dropped from 76.6 pounds in 1980 to 66.2 pounds by 2001. Broiler chicken consumption, on the other hand, increased from 45.8 pounds per capita to 78.3 pounds in the same period. Pork stayed relatively flat during the period.

The shift in consumption is related to changes in consumer perceptions about the relationship between meat consumption and health, as well as increasing time constraints that have caused consumers to demand convenient and easy-to-prepare meals. Results from medical and nutrition research studies over the past two decades appear to support the claims for health benefits of white meat in fat and cholesterol control (Bender, 1992).

Hughes (1999) estimates that home cooking time will reach 8 minutes in 2010 compared to 15 minutes in 1994, 30 minutes in 1974, and 2 hours in 1934. Chicken has for some time been the winner in the convenience category because of what the National Restaurants Association refers to as “its versatility ... [which] continues to drive sales, even amidst changing consumer preferences and time constraints.”²

Processing/Packing Segment

Although the U.S. meat and poultry industry comprises hundreds of companies that employ nearly 500,000 people and contribute about \$90 billion in sales annually, mergers and acquisitions are intensifying the bipolarity in the segment. For example, despite the large number of processors, the top 20 companies account for 94 percent of total segment sales revenues (Table 3). Of these top 20 companies, 11 are publicly owned and 7 are privately owned or limited-liability companies. The remaining 2, Farmland Industries and Gold Kist, are, respectively, a farmer-owned cooperative and a farmer-owned corporation. Table 4 shows the distribution of the market share by the top 4 companies in 2000 for the three major meat industries.

The physical characteristics of the industry’s livestock inputs have changed over time. For example, between 1980 and 2000, beef yields have increased by 15 percent, from about 635 pounds per carcass in 1980 to about 734 pounds per carcass in 2000. With declining per capita consumption and without increased net exports, domestic beef demand has been met with a reduction in the number of slaughter cattle produced. In the case of pork, hog yields increased by 13 percent between 1980 and 2000, from 171 pounds per head in 1980 to 193 pounds in 2000. However, in terms of production, hog

² http://www.c-storedecisions.com/Chicken/Chicken_ST.cfm

numbers, unlike cattle, trended upward. In stark contrast to cattle, chicken yields have increased by nearly 28 percent, with slaughter numbers more than doubling between 1980 and 2000.

Another major difference that has developed between the chicken and the red meat sectors over the past two decades lies in the number of further-processed products introduced by the respective industries. The chicken industry has consistently introduced products that meet the convenience and health needs of different consumer segments. In doing so, chicken industry processors have worked closely with different players along the supply chain, especially retail and food service customers.

Additionally, the chicken industry has adopted a market-focused strategy that has allowed it to increase its share of animal protein sales through both processor and retailer branding. For example, all the major processors—Tyson, Perdue, Gold Kist, and Pilgrim’s Pride—have branded their products as national brands and supported them with intense marketing campaigns carried out through major retail outlets. They have also copacked store-branded products for such large distributors and retailers as Kroeger, Albertsons, Winn-Dixie, and Safeway, as well as quick-service restaurants such as McDonald’s, Kentucky Fried Chicken (KFC), and Burger King. Since branding increases consumer loyalty, this multibranding effort has reinforced consumer confidence, not only in the specific brands but also in chicken category in general.

All sectors of the meat industry are moving toward case-ready processing, thereby eliminating the need for further cutting or processing in retail stores. Some are even going to the extent of bar-coding products in the processing plant prior to shipping. Retailers have pushed this trend to reduce in-store costs. Case-ready processing has helped meat processors add more marketing services, such as consumer-ready and/or

ready-to-cook products, including precooked, marinated, and heat-and-serve products, in the hope of increasing their margins.³ This move to case-ready processing differs significantly from what has previously prevailed in the red meat sector. Forty years ago, for example, red meat carcasses were shipped to retailers for breaking and cutting. In the 1960s, IBP and other packing plants began supplying boxed meats, which provided primal and subprimal cuts for further cutting, trimming, and wrapping in the supermarket. Boxed meats improved shipping and distribution efficiency by allowing boxes to be stacked.

Increased consolidation in red meat processing has been encouraged by a number of factors, including competition for slaughter animals, economies of scale, and retail market power. For example, to reduce risk associated with accessing hogs, Smithfield Foods recently acquired two significant hog producers—Carroll’s Foods (in 1999) and Murphy Farms (in 2000). Likewise, IBP has acquired a number of smaller beef and pork processors throughout the Midwest and Great Plains. There has also been an increasing belief within the red meat industry that future success in the protein market depends on intertwining processing with value-added initiatives. This has led some larger companies to acquire smaller companies for their value-added products. IBP, for example, acquired five different companies or product lines in 1999 and 2000, including Corporate Brand Foods America of Oklahoma City (frozen and refrigerated meals), DFG Foods of Chicago (appetizers and hors d’oeuvres), and Thorn Apple Valley of Michigan (further-processed meats and sausages).

Another factor pushing fresh meat processors such as IBP to consolidate is that food retailers, through their own consolidations, have increased their power during the

³ Further-processing red meat companies such as Sara Lee, Hormel, and Oscar Mayer have already made the transition from producers of fresh meat to marketers of some of the most recognizable branded,

last two decades. Retailers have come to dictate terms of supply in ways that have led suppliers to realize that matching retailer size is the only viable strategy for restoring the balance of power (Amanor-Boadu et al., 2002). The red meat industry has also come to realize that it needs to pursue branding if it is going to provide any credible challenge to chicken in the protein market. However, branding and marketing efforts are expensive and can only be carried out effectively by larger companies with access to such expertise.

Producers

The general trend in livestock production, like the rest of the agricultural industry, has been toward an increase in size and a decrease in the number of farms. This phenomenon has been ongoing since 1890 and has resulted from a number of causes, including urbanization, mechanization, and the consequent rural-urban migration. For example, the proportion of farms raising hogs and chicken in 1900 decreased from 76 percent and 97 percent respectively to 6 percent and 5 percent in 1997 (USDA, 2000). Contrarily, proportion of farms producing cattle decreased from 85 percent to 55 percent over the same period.

The changes in production structure have contributed to the development of different business structures and price discovery mechanisms at the farm gate. Some producers have built alliances and/or cooperatives in an effort to either develop a stronger negotiation position or participate in value-adding opportunities. One example is US Premium Beef, a producer-coop formed in 1996, which entered into a value-adding alliance with Farmland National Beef Packing Company, another producer-owned company (Katz & Boland, 2000). With respect to price discovery mechanisms, the

USDA (1999) reported that about 10 percent of all U.S. farm operators were involved in contractual relations of some sort in 1999 and that 40 percent of the total value of commodity production was under contract. The meat industry in general has played an integral part of the growth in contractual relations in the agricultural industry, but the chicken broiler industry in particular has been the most active participant, with more than 80 percent of all broilers currently produced under some form of contractual arrangement (Roy, 1963; Knutson et al., 1985; Manchester, 1999; Martinez, 1999). The desire by producers to counteract processor market power has led to development of strategic alliances and cooperatives in an attempt to balance the power in the processing segment of the meat supply chain. Thus, changes in consumer behavior apparently have produced a domino effect in consolidations along the supply chain that has influenced industry and business strategies in the animal protein industry.

The New Tyson Foods, Inc.: Strategic Expectations

Despite all the concerns, one possible benefit of the Tyson-IBP merger is that Tyson may be able to apply its acknowledged expertise in brand-name marketing to beef and pork. “Tyson is king of branded products. ... That is where beef has been lacking,” says Todd Domer, spokesman for the Kansas Livestock Association, which represents Kansas cattle producers.⁴ According to the Tyson Foods, Inc., Investor Fact Book (2001), the new Tyson’s controls 45.6 percent of beef sales, 28.9 percent of chicken sales, and 11.2 percent of pork sales. Its pro forma sales revenue for 2001 was \$24.975 billion, involving almost 197,000 head of cattle, 42.5 million chickens and about 333,300 head of pigs. It is the leader in beef production, and, based on total commercial cattle slaughtered,

⁴ Meat Industry Internet News Service. Livestock Groups Wary of Tyson-IBP Plans, January 7, 2001, accessed at <http://www.spcnetwork.com/mii/2001/010112.htm>

accounts for 27 percent of all cattle slaughtered, almost 10 percent ahead of second-place Excel Foods (Cattle Buyers Weekly, 2001).

The merger also allowed Tyson to become the second largest hog-slaughtering company in the U.S. because of the immediate accretive nature of the transaction. Table 5 shows there was an immediate jump in sales revenue of about \$1.9 billion in the quarter ending September 1, 2001, the first quarter after the acquisition. Similarly, Tyson's profits jumped by almost 36 percent while diluted earning per share increased from \$0.09 to \$0.22 in the same period.

Tyson's share price has been strengthening since the merger, peaking at \$15.71 in July 2002. Given the current general condition of the stock markets, the merger has apparently had a positive impact on Tyson. At the release of the second quarter financial for fiscal 2002, John Tyson said, "Overall, I am very pleased with the performance of our company in this historically difficult quarter and with the progress we've made on the integration to date. We continue to move forward with our strategy of selling all meat proteins and improving our mix of value-added products as we work our way through some tough market conditions related to the oversupply of protein. Our company continues to show solid results, in line with our expectations, and tremendous promise for the future" (Hoovers, 2002).

Despite the fact that the merger seems to be going the way Tyson envisaged, some questions—for both industry and the company—remain. For example, how has the merger affected other players in the beef industry in the year since it was completed? Smithfield's share price has been under pressure since December 4, 2001, when it peaked at \$26.50, hitting a low of \$16.10 on July 9, 2002. Does this have anything to do with Tyson or is the relationship spurious? From a marketing strategy perspective, it is

probably too soon to determine Tyson's influence on beef marketing. Nevertheless, it is still relevant to ask if Tyson is capable of overcoming branding difficulties associated with the beef industry. Additionally, given the traditional commodity culture that has dominated the beef and pork industry, what are the internal organizational barriers that Tyson will have to overcome to ensure success? What strategic investments should Tyson make now and in the near future to ensure that shareholders' expectations related to the acquisition are met?

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Table 1: IBP Annual Financials (1998–2000)

Income Statement			
All amounts in millions of U.S. dollars except per share amounts.			
	Dec-00	Dec-99	Dec-98
Revenue	16,949.60	14,075.20	12,848.60
Cost of Goods Sold	15,731.10	13,033.00	12,060.20
Gross Profit	1,218.50	1,042.20	788.4
Gross Profit Margin	7.20%	7.40%	6.10%
SG&A Expense	658.2	373.8	288.5
Depreciation & Amortization	182.2	140	126.2
Operating Income	378.1	528.4	373.7
Operating Margin	2.20%	3.80%	2.90%
Total Net Income	135.3	313.3	190
Net Profit Margin	0.80%	2.20%	1.50%
Diluted EPS (\$)	1.24	3.36	2.03
Balance Sheet			
	Dec-00	Dec-99	Dec-98
Cash	30	32.2	27.3
Net Receivables	673.5	798.6	600
Inventories	873.5	559.6	405.4
Total Current Assets	1,665.60	1,466.90	1,096.80
Total Assets	4,426.30	3,713.20	3,008.10
Short-Term Debt	775	448	141
Total Current Liabilities	1,719.40	1,260.60	865.8
Long-Term Debt	658.7	586.5	575.5
Total Liabilities	2,576.70	2,004.50	1,607.10
Total Equity	1,849.50	1,708.80	1,400.90
Shares Outstanding (mil.)	106	92.4	92.3

Some figures may not add up due to rounding.

Source: Hoover's Online, <http://www.hoovers.com/annuals/1/0,2168,10761,00.html>

Table 2: Chronology of Events Leading to the Merger

Date	Action
10/2/2000	IBP management accepts DLJ's \$22-a-share LBO
11/13/2000	Smithfield Foods bids \$25 a share for IBP
11/20/2000	DLJ may back down from LBO
12/4/2000	Tyson Foods offers \$26 a share for IBP
12/28/2000	Tyson boosts bid to \$27 a share
1/1/2001	Tyson wins IBP with \$4.7B bid
1/5/2001	Tyson sees approval for IBP buyout
1/17/2001	Tyson extends IBP bid to comply with antitrust waiting period
1/25/2001	SEC probing IBP accounting methods
1/26/2001	IBP responds to SEC investigation
1/30/2001	Tyson gets antitrust clearance to buy IBP
2/7/2001	Tyson extends cash offer for IBP until Feb. 7
2/21/2001	Tyson ready to buy IBP, pending SEC probe completion
2/22/2001	IBP filing revised financials to resolve SEC probe
2/28/2001	Tyson withdraws cash bid for IBP, plans cash-election merger
3/29/2001	Tyson files suit to terminate merger agreement with IBP
3/30/2001	IBP files suit against Tyson to force it to complete merger
6/18/2001	Leo Strine decides in favor of IBP
7/5/2001	Tyson files merger agreement to conclude acquisition
8/27/01	SEC okays merger
9/28/2001	IBP shareholders vote to approve merger

Table 3: Business Sales, Ownership, and Description of the Top 20 Meat and Poultry Processors, 2001

Company	Sales \$ bil.	Ownership	No. of Plants	No. of Employees	Business Description
IBP	16.9	Corporation	60	50,000	Beef and pork processing
ConAgra Foods	12.5	Corporation	72	50,000	Beef, pork, lamb, chicken, turkey
Excel	10.5	Cargill (Private)	18	20,000	Beef, pork, and turkey processing
Tyson Foods	7.2	Corporation	72	65,000	Chicken processing
Smithfield Foods	5.2	Corporation	30	25,000	Pork and turkey processing
Sara Lee Meat Group	4.5	Corporation	17	10,500	Pork processing and packaged meat products
Farmland Foods	4.0	Cooperative	14	11,722	Beef and pork processing
Hormel Foods	3.7	Corporation	12	14,700	Pork processing and packaged meat products
Oscar Mayer	2.5	Kraft Foods Corporation	7	8,000	Packaged meat products
Perdue Farms	2.5	Private	20	19,300	Chicken and turkey processing
Keystone Foods	2.4	Private	18	NA	Beef processing and value-added poultry
OSI International	2.4	Private	NA	NA	Value-added beef, pork, and poultry
Pilgrims Pride	2.3	Corporation	19	22,600	Chicken processing
Gold Kist	1.7	Private Farmer-Owned	12	18,000	Chicken processing
Foster Farms	1.7	Private	14	12,000	Chicken and turkey processing
Packerland Packing	1.4	Private	4	4,000	Beef processing
Seaboard	1.2	Corporation	1	9,763	Pork processing
Bob Evans Farms	1.0	Corporation	5	1,840	Sausage and convenience items
Wayne Farms	0.9	Private	12	9,500	Chicken processing
Empire Beef	0.7	Private	4	200	Portion-controlled meat products

Sources: *Meat Processing* magazine and company Web sites.

Table 4: Distribution of Market Share for the Top Four Companies by Meat Category

Beef	Market Share (Percent)	Pork	Market Share (Percent)	Chicken	Market Share (Percent)
Tyson	27	Smithfield	19	Tyson	23
Excel	18	Tyson	18	Gold Kist	9
ConAgra	17	ConAgra	11	Pilgrim's Pride	9
Farmland	7	Excel	10	ConAgra	8
Total Share	69	Total Share	58	Total Share	49

Source: Cattle Buyers Weekly

Table 5: Tyson Foods, Inc., Quarterly Financial (March 2001–March 2002)

Income Statement	Quarter	Quarter	Quarter	Quarter	Quarter
All amounts in millions of US Dollars except per share amounts.	Ending	Ending	Ending	Ending	Ending
	2-Mar-02	1-Dec-01	1-Sep-01	1-Jun-01	1-Mar-01
Revenue	5,839.00	5,865.00	5,286.10	1,894.00	1,827.50
Cost of Goods Sold	5,327.00	5,238.00	4,820.10	1,550.70	1,544.70
Gross Profit	512	627	466	343.3	282.8
Gross Profit Margin	8.80%	10.70%	8.80%	18.10%	15.50%
SG&A Expense	218	237	192	213.8	184.8
Depreciation & Amortization	115	117	107.2	72.1	75
Operating Income	179	273	166.8	57.4	23
Operating Margin	3.10%	4.70%	3.20%	3.00%	1.30%
Total Net Income	65	127	47.5	19.4	-6
Net Profit Margin	1.10%	2.20%	0.90%	1.00%	--
Diluted EPS (\$)	0.18	0.36	0.22	0.09	-0.03
Balance Sheet					
Cash	50	92	70	71.2	83.5
Net Receivables	1,112.00	1,121.00	1,199.00	527.8	502.5
Inventories	1,945.00	1,907.00	1,910.50	972.4	958.5
Total Current Assets	3,164.00	3,176.00	3,290.40	1,620.30	1,603.10
Total Assets	10,474.00	10,443.00	10,595.80	4,989.40	4,871.00
Short-Term Debt	526	453	760.6	45.9	154.9
Total Current Liabilities	2,320.00	2,213.00	2,416.10	784.5	869.9
Long-Term Debt	3,775.00	3,895.00	4,016.20	1,614.00	1,447.60
Total Liabilities	6,949.00	6,970.00	7,241.90	2,844.90	2,732.30
Total Equity	3,525.00	3,473.00	3,353.90	2,144.50	2,138.70
Shares Outstanding (mil.)	353	355	247.3	221	223

Source: Hoover Online (www.hoovers.com)

Figure 1: Facility Locations for the New Tyson Foods Inc.

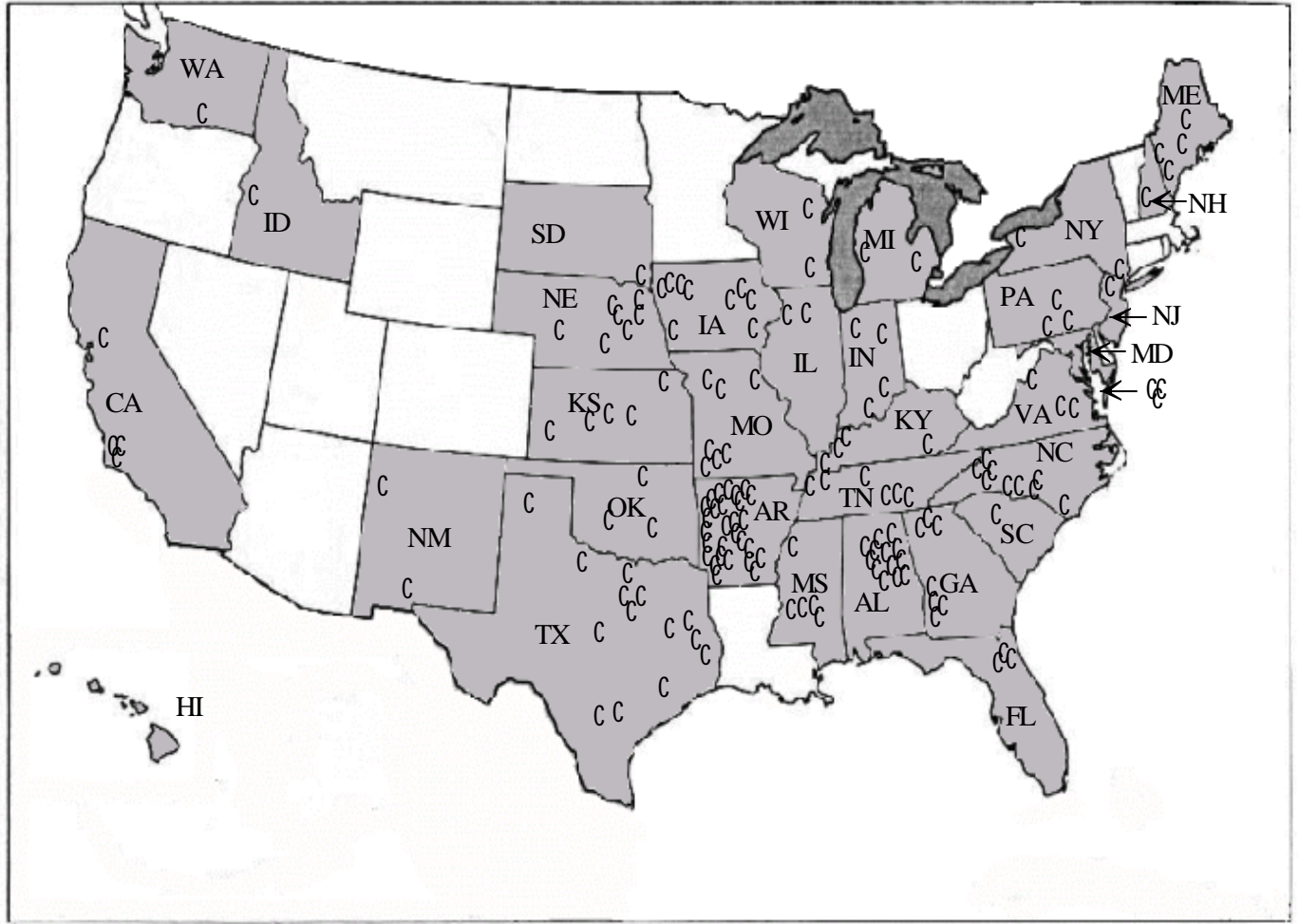


Figure 2: Tyson Food, Inc. Stock Performance in Comparison with S&P 500

