



Pork Merchandiser's Profit Maximizer

Be inspiredSM

- Foodservice Edition

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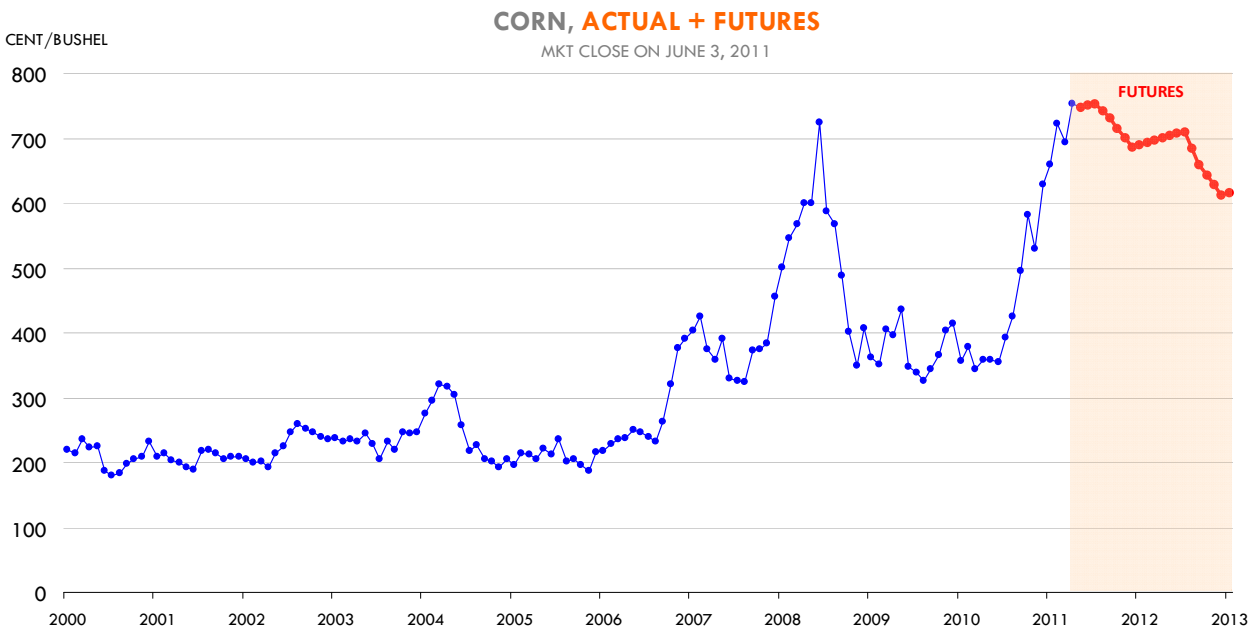
June 6, 2011

NEWS THIS WEEK!

1. Meat Prices Are Lower...But Likely Not For Long

Beef and pork prices have declined sharply in the last few weeks while broiler prices did not follow the seasonal up in prices we see

traditionally at this time of year. The lower prices are welcome news for protein buyers but the long term outlook likely has become even more problematic than it was earlier in the year. In the short term, slowing protein demand (high gas prices, high unemployment, sinking home values, weather events) and modest supply increases have combined to pressure prices lower. Drought in key feeding areas this spring pushed younger calves



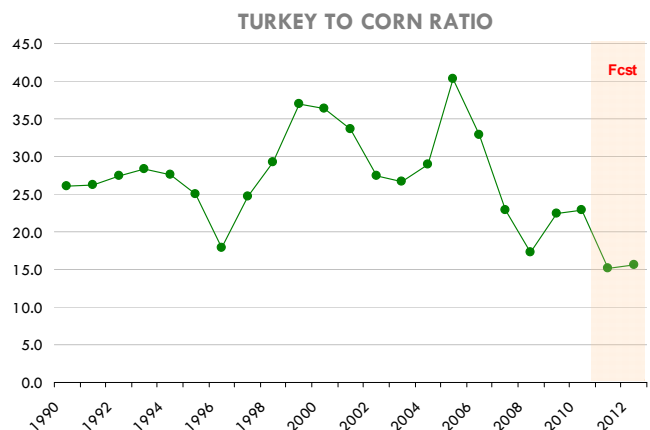
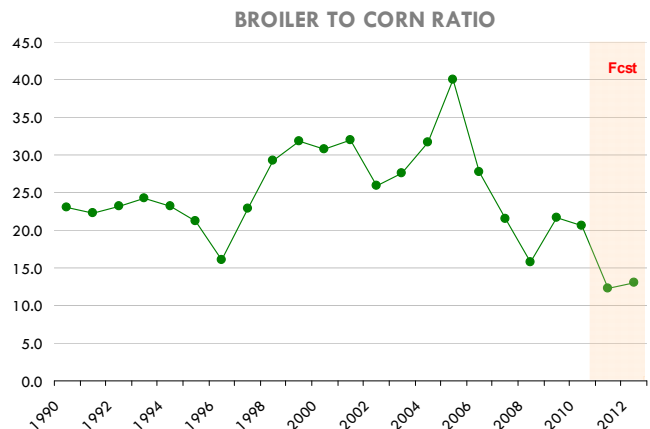
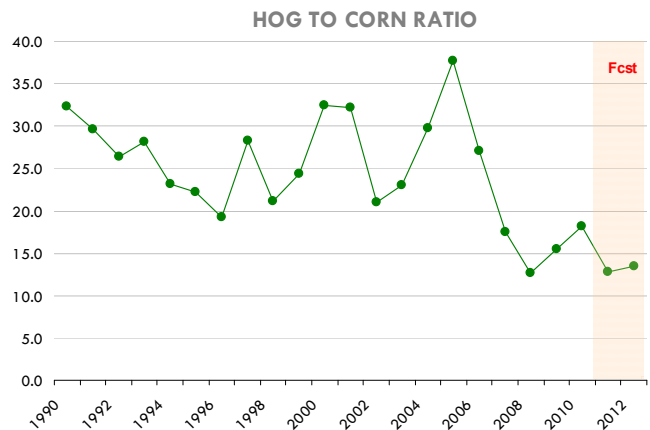
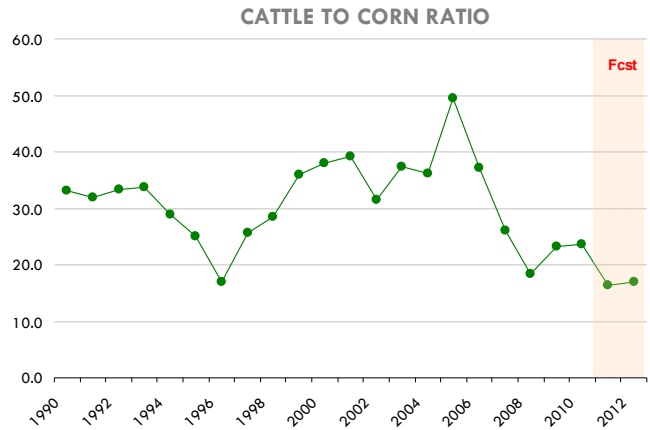
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into feedlots earlier than expected and feedlot supplies on June 1 will likely be about 7% higher than a year ago. Broiler slaughter is above year ago levels while heavy carcass and bird weights also have contributed to an overall increase in protein tonnage. Red meat and poultry prices are at historically high levels but they did not reach the all-time record prices we expected earlier in the year. Indeed, for some items, wholesale prices are below year ago levels. We think the current situation in the US livestock and poultry complex is unsustainable, as the price of inputs (corn, fuel) continues to escalate while output prices have increased at a slower pace, and in the case of broilers, have declined sharply compared to previous years. Markets already have voted by cutting in half the share price of Pilgrim's Pride, which just only recently came out of bankruptcy.

To the right, we have outlined the ratio of livestock and poultry prices to the price of corn. The ratio is often seen as proxy for long run producer profitability. We recognize that other factors come into play when calculating profitability and some producers are more efficient than other. However, over the long run, we think the ratio is a good indicator of trend and can be used to assess direction in price. For the four main species, the ratio is currently at the lowest level in 20 years despite relatively high meat prices. Consider the following:

- Cattle prices for 2011 are currently projected at \$111.5/cwt (actual + futures), a 17% premium to a year ago and 34% higher than the average from 2000-2010. For 2012, live cattle futures are pricing live cattle at \$116/cwt, a 4% premium to 2011 prices and a new all-time record. And yet, the expected ratio of live cattle to corn in 2011 is forecast at 16.4, compared to the average 32.7 for 2000- 2010. Where would cattle prices need to be to return the ratio to the 2000-10 average? Well over, \$200/cwt.

- Hog prices in 2011 are currently projected at \$87.3/cwt (actual + futures), a 19% premium to year ago price levels and 43% higher than the average of prices for the period 2000-2010. For



2012, futures are pricing hogs at \$92/cwt, a 5% premium to 2011 prices and an all-time annual high. Despite the much higher prices, the ratio of hogs to corn in 2011 is expected to be at 13.5. This compared to an average ratio of 24.3 for the 2000-2010. Often a ratio of 20 is seen as indicating profits in the hog industry and to get there, hog prices would have to trade at over \$136/cwt.

- The situation in the poultry complex is no different than with cattle and hogs. Ratios are well below the long run averages. For 2011, we forecast the 12 city broiler price at \$83/cwt, about the same price as a year ago. Whole prices need to climb to over \$142/cwt in order to approach the long run average ratio to corn.

One way to fix the significant profitability problems before livestock and poultry producers is to lower feed prices. We were making similar projections in 2008 but the eventual decline in corn prices (see chart on page 1) helped improve producer margins to a certain extent. In section 2 we outline some of the current problems in the US corn market and the risk that current high feed prices will remain at record levels for an extended period of time.

The recent slump in livestock and poultry prices will likely accelerate the liquidation of the production base, force more producers out of business and eventually lead to less output going forward. For livestock and poultry producers farming is more than a business, it is a way of life and producers tend to be more committed despite difficulties. However, the impact of the recession and the current sharp rise in feed prices will likely force some producers to give up on livestock and focus on crop production or other activities.

The current situation should be of particular concern for all involved in buying and using US red meat and poultry meat products. The supply of meat available for domestic consumption has been drifting lower and it will likely get even smaller in the coming years. This impacts budgets for existing programs and will likely constrain your ability to run promotions or expand. Given expected high meat prices and

ongoing economic problems in the US, it appears to us that the US consumer will further reduce its per capita consumption of meat protein, and this is not good news for the US food industry, and particularly the foodservice industry.

Upcoming holidays:

2011 Father's Day [US and Canada] (Sunday June 19); Canada Day [Canada] (Friday July 1); Independence Day (Monday July 4); Labor Day [US and Canada] (Monday September 5); Rosh Hashanah (Thursday September 29); Yom Kippur (Saturday October 8); Columbus Day (Monday October 10); Canadian Thanksgiving Day (Monday October 10); Daylight Savings Time Ends [US and Canada] (Sunday November 6); Veterans Day (Friday November 11); Remembrance Day [Canada] (Friday November 11); Thanksgiving (Thursday November 24); Hanukkah (Wednesday December 21); Christmas Day (Sunday December 25); Boxing Day [Canada] (Monday December 26).

PORK

NOTE: WE ARE NOW REPORTING AND FORECASTING WEIGHTED AVERAGE BLUE SHEET PRICES FOR PORK CUTS.

Live hog. For the week ending June 4 hog slaughter was 1.746 million head, down about 2.40% from the same week a year ago, during a Memorial Day holiday shortened week. Slaughter for the last two reported weeks was up 1.45% vs. a year ago.

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass values at \$88.31/cwt. on Friday were almost unchanged since Wed. May 25. Prices are now about \$9.26/cwt. over year ago values.

21/dn Pork Loins “Total on FOB Basis” (page 8). Prices finished last week at \$1.3355 for the “Total on FOB Basis” quote, down about 7 cents since the Wed. May 25 quote but about 13 cents higher than year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.6375 for the strap on loins, down about 4 cents since Wed. May 25 but up about 6 cents from the year ago levels. Strap off loins at \$1.7400 are up about 3 cents since Wed. May 25 but down about 5 cents compared to the year ago quote.

Boneless sirloins at \$1.2260 are down about 6 cents from the Wed. May 25 quote and down about 7 cents from the year ago price. Expect prices to be higher in June and July.

Pork tenderloin finished last week at \$2.9800 up about 4 cents since the Wed. May 25 quote and up about 13 cents from the year ago price.

5/10 Pork Butts “Total on FOB Basis” (page 10), prices finished the week at \$1.0715 down about 3 cents since Wed. May 25 and down about 2 cents from the year ago levels. US consumer demand for pork butts should improve as the weather does which will put some upward pressure on the pork butt market which is why we expect a bounce from the recent decline.

4.25/dn Spare Ribs “Total on FOB Basis” (page 8). Prices finished the week at \$1.4983 down about 3 cents since Wed. May 25 but up about 23 cents from year ago levels.

Rib inventories on April 30 were 97.0 million pounds, up 20 percent from a year ago.

Peak price for the year normally occur prior to Memorial Day.

Hams “Total on FOB Basis”.

The Total on FOB Basis for 17/20 hams (page 9) price was 77.00 cents down about 3 cents since Wed. May 25 but about one cent higher than a year ago.

20/23 hams finished the week at 74.00 cents for the Total on FOB Basis unchanged since Wed. May 25 but down about 2 cents from the year ago level.

23/27 hams finished the week at 74.00 cents for the Total on FOB Basis up about one cent from the Wed. May 25 quote but down about 2 cents from the year ago level.

Total ham cold storage stocks on April 30 at 76.7 million pounds were almost unchanged from year ago levels.

Bellies “Total on FOB Basis”. 14/16 bellies (page 9) finished Friday at 118.00 cents, down about 7 cents since the Wed. May 25 quote but up about 3 cents from the year ago quote.

Cold storage stocks on April 30 were 53.2 million pounds, up about 7 percent from year ago levels.

42 CL Pork Trim “FOB Basis”. Prices finished the week at 53.00 cents up about one cent since Wed. May 25 but down about 11 cents from the year ago price.

72 CL Pork Trim “FOB Basis”. Prices finished the week at \$0.7867 down about 5 cents since the Wed. May 25 quote and down about 12 cents from the year ago level.

Freezer stocks of all trimmings on April 30 were 54.4 million pounds, up 21% from the year go levels.

72 CL Picnic Meat “FOB Basis” (page 10). Picnics prices at \$0.9000 are down 4 cents from Wed. May 25 but unchanged from the year ago price. Prices should be much higher for July and August.

POULTRY

Georgia Dock Broilers. The Georgia dock price on Wednesday June 1 at 86.75 cents was down less than one cent from a year ago. The composite market average price was down about 5

cents from the year ago levels at 83.46 on Tuesday May 31.

Broiler slaughter for the week ending June 4 was estimated at 147.10 million, down about 0.48% from a year ago, during a Memorial Day holiday shortened week. For the last two weeks slaughter was down 1.10% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$1.2773 down about one cent since the Wed. May 25 quote and down about 29 cents from the year ago levels.

Leg Quarters. The value of this item and the timing of price moves are completely dependent on the timing of export purchases and export business, which seems good at this time. Leg quarter prices are now trading about 16 cents over year ago prices at 50.14.

Wings. Prices at \$0.8394 are down about 32 cents from year ago levels. The cure for low prices is low prices. We think wing prices should find an annual bottom very near current levels and the next move on wings should be to higher prices.

Turkeys

Hens finished last week at \$1.0300 unchanged since Wed. May 25 but about 14 cents over the year ago price.

Toms finished last week at \$1.0300 unchanged since Wed. May 25 and about 14 cents over the year ago price.

Total turkey supplies in the freezer on April 30 were down 13 percent from a year ago at 364.4 million pounds. Whole birds were down 14% from year ago with that inventory at 180.7 million pounds.

Turkey slaughter was 4.338 million head for the week ending May 28, down 0.14% from a year ago. For the last two reported weeks slaughter was 1.77% above a year ago.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$2.50, unchanged since Wed. May 25. Prices are up about 32 cents vs. year ago prices.

BEEF

NOTE: WE ARE NOW REPORTING AND FORECASTING WEIGHTED AVERAGE BLUE SHEET PRICES FOR BEEF CUTS.

Choice 112A Heavy Bnls. Lip On Rib Eyes at \$5.1836 (weighted average quote) finished last week down about 5 cents since the Wed. May 25 quote and down about 17 cents vs. the year ago price. **Select 112A Heavy Lip On Rib Eyes** prices finished last week at \$4.7996 (weighted average quote) down about 27 cents since Wed. May 25 and down about 19 cents from the year ago price. The current spread between Choice and Select heavy ribs shows the Choice Rib Eyes are trading at a premium to the Select by \$0.3840 per pound. The 2010 annual average spread (wt. average price) was the Choice at a premium to the Select by \$0.5461 per pound and the previous five years (2006 thru 2010) average spread was Choice at a premium to the Select by \$0.5833 cents per pound. Prices are low compared to their normal relationship to cattle prices. However, it is difficult to get enough demand to move prices up after Memorial Day during the summer until September.

Choice regular #168 insides finished last week quoted at \$2.0114 down about 6 cents since Wed. May 25 but up about 13 cents from the year ago price. **Choice ¼ inch trimmed #168 insides** finished last week quoted at \$2.0383 down about 4 cents since Wed. May 25 but up about 6 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$1.9004 up about one cent since Wed. May 25 and up about 25 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$4.8997 (wt. avg.) up less than one cent from the Wed. May 25 quote. Prices are about 4 cents below year ago levels.

Choice #184 Regular Heavy top butts finished at \$2.2014 (wt. avg.) less than one cent since Wed. May 25 and down about 9 cents from year ago levels. **Choice #184 ¼ inch trimmed Top Butts** finished at \$2.2952 (wt. avg.) up about 4 cents

since Wed. May 25 but down about 5 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$3.7844 (wt. avg.) up about one cent since Wed. May 25 and up about 79 cents from year ago values.

COARSE GROUND BEEF - 73CL Coarse Ground product finished last week at \$16523 down about 8 cents since Wed. May 25 but up about 17 cents from year ago levels. Current prices are \$0.0564 per pound over the price of a 73CL meat block formulated from 90CL and 50CL trim. A year ago the margin was \$0.1671 per pound and the five years average for June is \$0.0211 per pound over. **81CL Coarse Ground** product finished last week at \$1.8498 down about 9 cents since Wed. May 25 but up about 24 cents from the year ago quote. Currently 81CL Coarse Ground is trading for \$0.0891 per pound over a meat block made up of 90CL and 50CL trim. A year ago the spread was \$0.1438 and the five year average spread for June is a positive margin of \$0.0241.

MANUFACTURING BEEF AND TRIM –

General Comments. Domestic cow meat supplies are now below year ago. For the last four reported weeks the **total cow slaughter** rate (the last week being the week ending May 21) was 2.70% below a year ago. Imported beef supplies from Australia are increasing a bit after being down very sharply due to weather issues in Australia and better demand for Australian product from non-USA countries. New Zealand's heavy slaughter season is basically over until October/November. Uruguay continues to find better markets for its beef and is shipping insignificant amounts to the USA. The currency market continues to discourage shipments to the USA. The Australian dollar finished last week at US\$1.0721/Australian \$.

90CL Bnls. Beef prices finished the week at \$1.9461 (wt. avg.) down about 4 cents since Wed. May 25 but about 30 cents over the year ago price quote. We expect prices to be near current levels in June. Farmers liquidated their beef and dairy cows in 2010, but that liquidation appears to be slowing up. We expect significantly less cows slaughtered in 2011 vs. 2010. Fewer cows in the kill should mean higher prices than a year ago for the remainder of 2011.

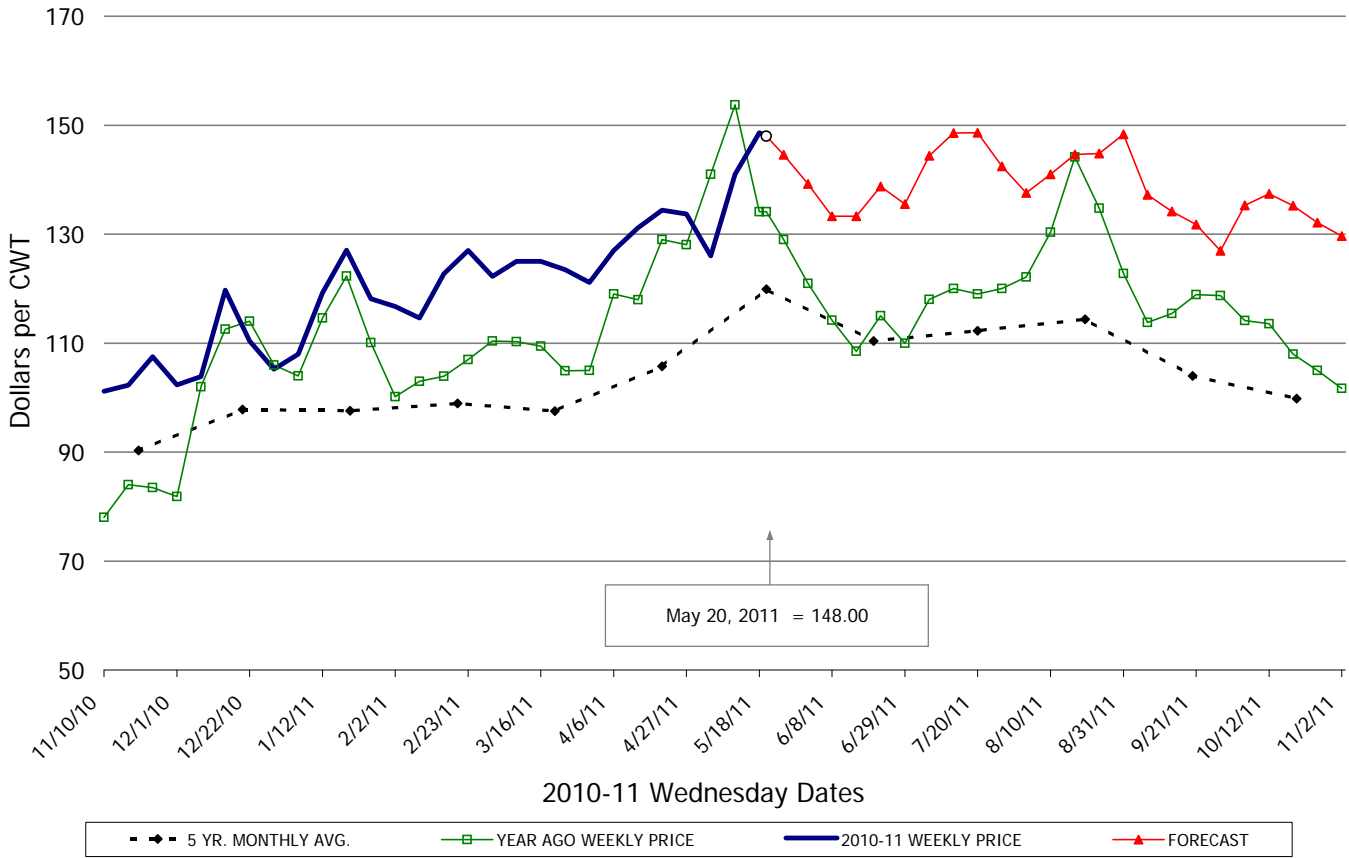
50 CL Beef Trim prices finished last week at \$1.1221 on Friday down about 4 cents per lb. (wt. avg.) since Wed. May 25 but about 24 cents over the year ago level. Expect prices to be lower in mid to late June.

Food Service Summary Table - WT. AVE

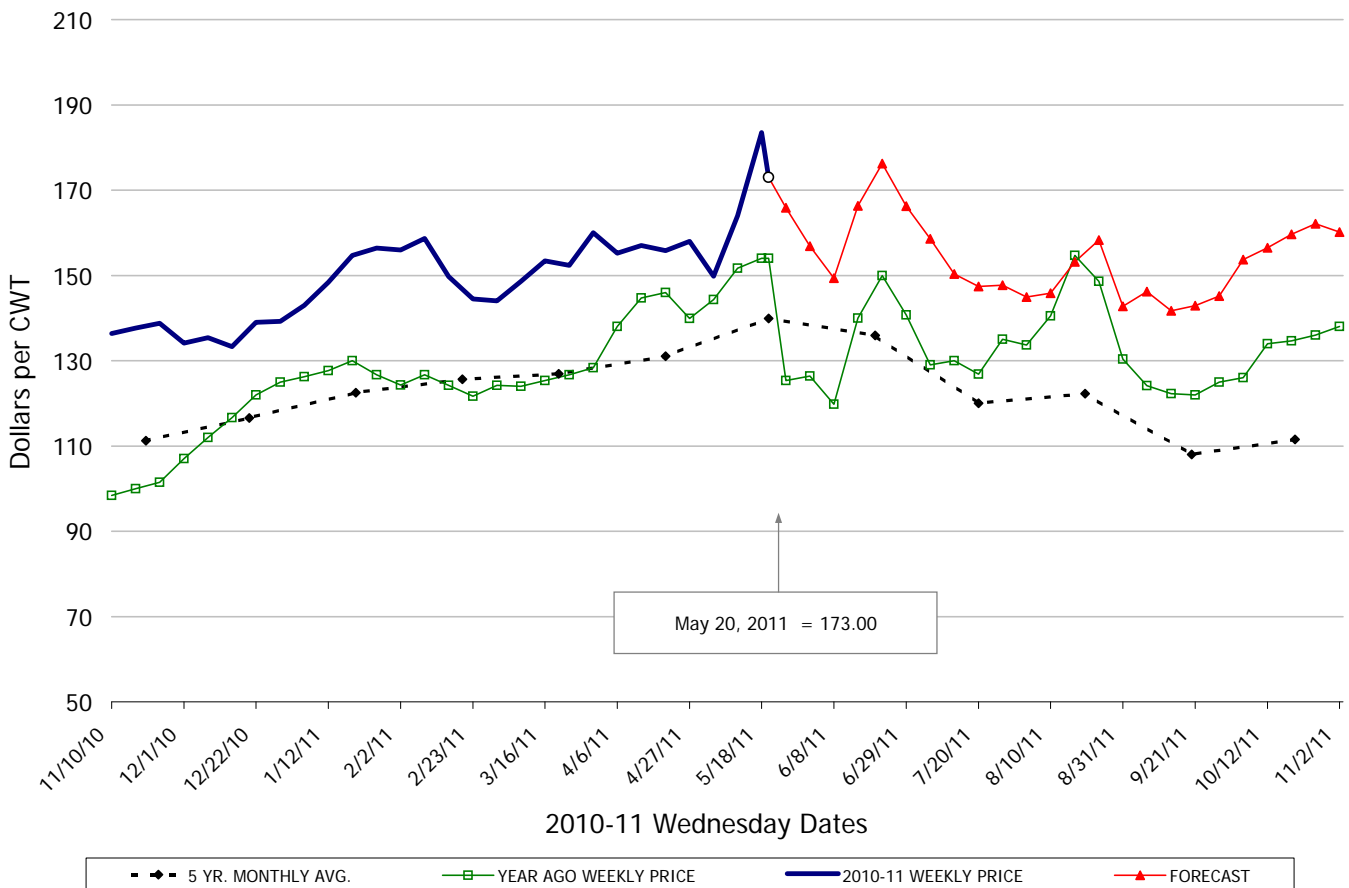
	2010 - 11 History								2011 FORECAST						
	Dec	Jan	Feb	Mar	Apr	May	5/25/2011	6/3/2011	6/15/2011	Jun	Jul	Aug	Sep	Oct	Nov
<u>PORK</u>															
TRIM LOIN, 1/4" Trim 21#DN-LGT, TTL on FOB Basis, USDA	1.08	1.18	1.20	1.23	1.32	1.39	1.40	1.34	1.33	1.36	1.46	1.42	1.34	1.35	1.26
TRIM LOIN, 1/8" TRM/less 21#DN-LGT, TTL on FOB Basis, USDA	1.21	1.31	1.30	1.34	1.44	1.54	1.55	1.52	1.52	1.51	1.57	1.58	1.47	1.53	1.47
LOINS, CNTRCUT, BNLS STRAP-OFF 5-11#, USDA	1.68	1.76	1.75	1.80	1.88	1.84	1.71	1.74	1.94	1.94	1.92	2.03	1.94	2.00	2.01
PORK TENDERLOIN 1.25/DN#,	2.15	2.26	2.56	2.58	2.70	2.90	2.95	2.98	2.89	2.92	3.00	2.78	2.75	2.76	2.74
TRIMMED BUTT, 1/4" TRM 5-10#, TTL on FOB Basis, USDA	0.99	1.06	1.26	1.17	1.19	1.15	1.10	1.07	1.34	1.33	1.27	1.28	1.20	1.23	1.25
SPARERIBS, 3 BAG/3 PCVAC 4.25#/DN-LG, TTL on FOB Basis, U	1.36	1.51	1.52	1.52	1.57	1.62	1.53	1.50	1.66	1.63	1.51	1.49	1.44	1.58	1.60
ST LOUIS STYLE RIBS 2 1/4 DN	2.36	2.51	2.52	2.52	2.57	2.62	2.53	2.50	2.66	2.63	2.51	2.49	2.44	2.58	2.60
SPARERIBS, 2 BAG/3 PCVAC 4.25#/UP-M, USDA	1.32	1.48	1.47	1.45	1.51	1.58	1.55	1.46	1.58	1.56	1.46	1.46	1.40	1.52	1.55
LOIN BACKRIB (BOXED), FRSH/FRZN, 1.75-2.00, USDA	2.34	2.34	2.34	2.34	2.34	2.34	2.34	2.34	2.64	2.62	2.68	2.72	2.71	2.83	2.97
LOIN BACKRIB (BOXED), FRSH/FRZN, 2.00/UP, USDA	2.42	2.04	2.04	2.04	2.04	2.04	2.04	2.04	2.04	2.04	2.04	2.04	2.04	2.04	2.04
SKINNED HAM, BONE-IN, 17-20#, TTL on FOB Basis, USDA	0.82	0.75	0.78	0.82	0.80	0.80	0.80	0.77	0.89	0.86	0.91	0.96	1.00	1.09	1.10
SKINNED HAM, BONE-IN, 20-23#, TTL on FOB Basis, USDA	0.77	0.71	0.78	0.82	0.77	0.79	0.74	0.74	0.88	0.85	0.90	0.96	0.96	1.03	1.04
SKINNED HAM, BONE-IN, 23-27#, TTL on FOB Basis, USDA	0.73	0.70	0.78	0.80	0.77	0.80	0.73	0.74	0.89	0.86	0.91	0.96	0.96	0.95	0.96
SELECT, BNLS 5 MUSCLE HAMS 94-96%, TTL on FOB Basis, USDA	1.40	1.26	1.19	1.31	1.20	1.20	1.21	1.20	1.41	1.43	1.53	1.60	1.61	1.60	1.65
BELLY, SKIN-ON, TRIM 12-14#, TTL on FOB Basis,	0.95	1.09	1.21	1.39	1.47	1.23	1.25	1.18	1.44	1.47	1.57	1.54	1.52	1.31	1.39
BELLY, SKIN-ON, TRIM 14-16#, TTL on FOB Basis,	0.95	1.12	1.23	1.39	1.46	1.24	1.25	1.18	1.48	1.50	1.60	1.57	1.55	1.34	1.42
BELLY, SKIN-ON, TRIM 16-18#, TTL on FOB Basis,	0.94	1.12	1.23	1.39	1.47	1.25	1.25	1.18	1.45	1.47	1.57	1.54	1.52	1.31	1.39
42CL PORK TRIM, FRESH, COMBO, USDA	0.27	0.45	0.46	0.56	0.54	0.59	0.53	0.53	0.61	0.63	0.67	0.70	0.62	0.58	0.48
72CL PORK TRIM, FRESH, COMBO, USDA	0.70	0.78	0.86	0.85	0.84	0.85	0.84	0.79	1.01	1.05	1.15	1.12	1.07	1.04	0.99
<u>HOG CARCASS</u>															
250-270# HOGS, US 1-3, INTERIOR IOWA DIRECT HOG MARKET	0.68	0.74	0.81	0.83	0.91	0.90	0.88	0.88	0.98	0.95	0.96	0.96	0.93	0.90	0.85
<u>BROILERS</u>															
12 CITY BROILER COMPOSITE WEIGHTED AVG.	0.78	0.77	0.75	0.82	0.82	0.83	0.83	0.83	0.89	0.89	0.90	0.88	0.88	0.86	0.86
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.14	1.14	1.20	1.34	1.36	1.31	1.29	1.28	1.45	1.49	1.55	1.56	1.48	1.30	1.24
N.E. BROILER BREAST LINE RUN, USDA	0.73	0.75	0.77	0.88	0.91	0.87	0.80	0.86	0.95	0.98	0.99	0.98	0.95	0.83	0.82
N.E. BROILER LEG QUARTERS, USDA	0.37	0.35	0.37	0.43	0.48	0.49	0.50	0.50	0.54	0.54	0.55	0.56	0.54	0.46	0.42
N.E. BROILER WINGS, USDA	1.14	1.09	0.97	0.86	0.83	0.82	0.82	0.84	0.81	0.81	0.96	0.96	1.16	1.22	1.20
<u>TURKEYS</u>															
HEN TURKEYS, EAST, FROZEN 10-12LBS,	1.00	0.92	0.93	0.95	0.98	1.02	1.03	1.03	1.03	1.03	1.04	1.08	1.12	1.16	1.16
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH,	2.65	2.42	2.23	2.28	2.50	2.50	2.50	2.50	2.68	2.68	2.76	3.02	3.28	3.44	2.90
<u>LIVE STEERS</u>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.02	1.06	1.06	1.14	1.21	1.12	1.07	1.05	1.08	1.08	1.08	1.12	1.16	1.17	1.19
<u>BEEF</u>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	5.51	4.77	4.81	5.19	5.82	5.46	5.23	5.18	5.50	5.52	5.56	5.42	5.39	5.88	7.00
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	1.94	2.13	1.92	2.19	2.14	2.05	2.08	2.04	2.08	2.09	2.00	2.18	2.21	2.19	2.19
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	1.71	1.89	1.92	2.03	1.99	1.92	1.89	1.90	1.70	1.73	1.77	1.89	1.96	2.06	2.08
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	3.93	4.08	4.29	5.09	5.97	5.17	4.90	4.90	5.20	5.18	5.18	5.07	4.98	4.69	4.81
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	2.49	2.63	2.58	2.76	2.80	2.41	2.26	2.30	2.41	2.48	2.63	2.80	2.77	2.63	2.73
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	2.64	3.11	3.23	3.82	3.68	3.60	3.78	3.78	3.67	3.69	3.65	3.35	3.02	2.99	3.26
COARSE GROUND 73%, USDA	1.37	1.74	1.69	1.60	1.77	1.72	1.73	1.65	1.58	1.60	1.54	1.63	1.60	1.62	1.62
COARSE GROUND 81%, USDA	1.49	1.87	1.97	1.88	1.94	1.89	1.94	1.85	1.72	1.74	1.71	1.78	1.76	1.74	1.76
90% BONELESS BEEF, CENTRAL, FRESH, USDA	1.60	1.83	1.97	1.97	2.03	1.99	1.98	1.95	1.91	1.96	2.00	2.03	1.94	1.93	1.95
50CL BEEF TRIM, FRESH, OMAHA BASIS, USDA	0.77	0.82	0.77	0.98	1.02	1.08	1.17	1.12	0.94	0.94	0.91	0.96	0.83	0.85	0.93

*St. Louis 2 1/4 dn rib prices are estimated at 3 1/2 dn plus \$1.10

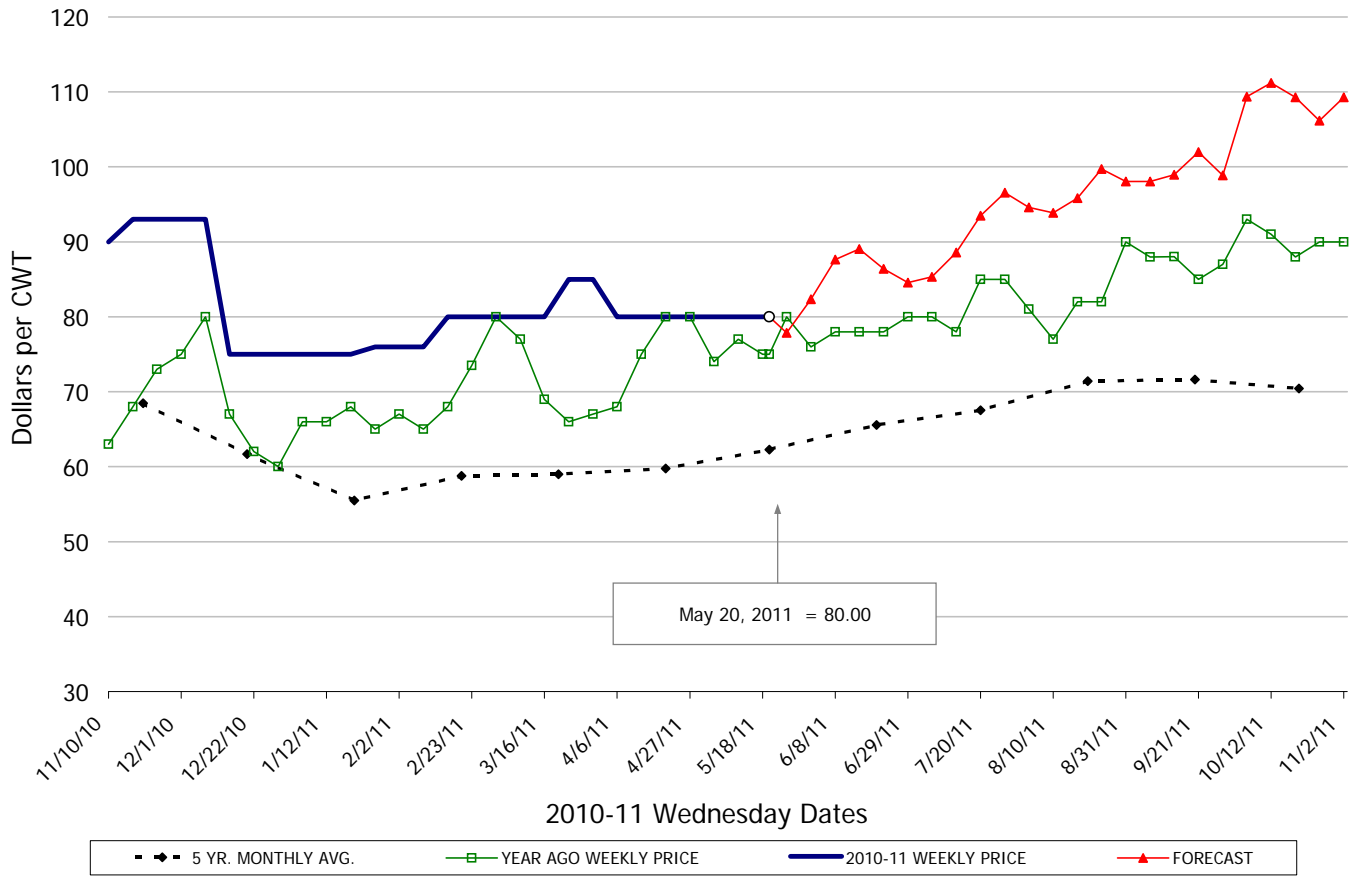
TRIM LOIN, 1/4" Trim 21#DN-LGT, TTL on FOB Basis, USDA



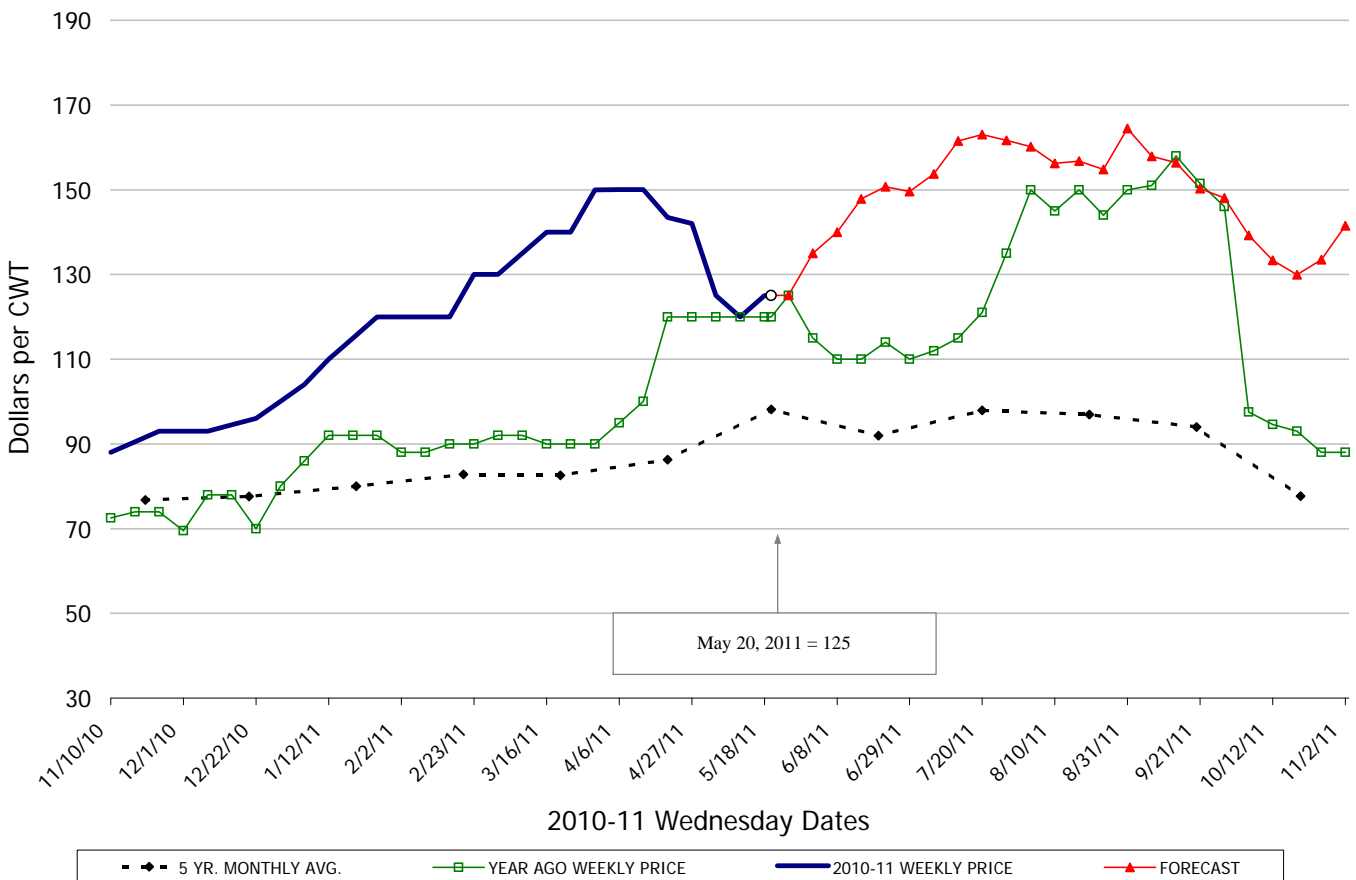
SPARERIBS, 3 BAG/3 PCVAC 4.25#/DN-LG, TTL on FOB Basis, USDA



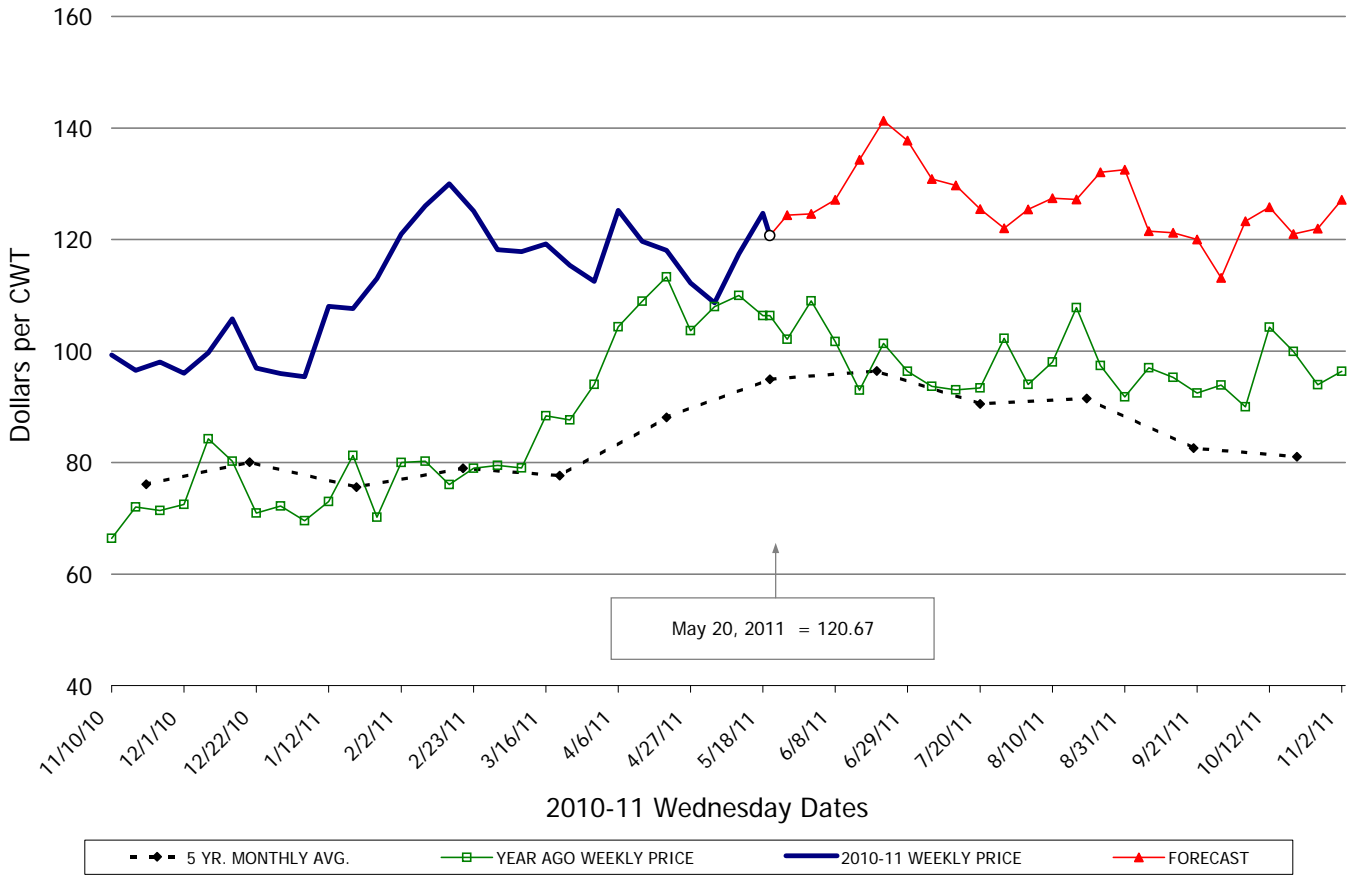
SKINNED HAM, BONE-IN, 17-20#, TTL on FOB Basis, USDA



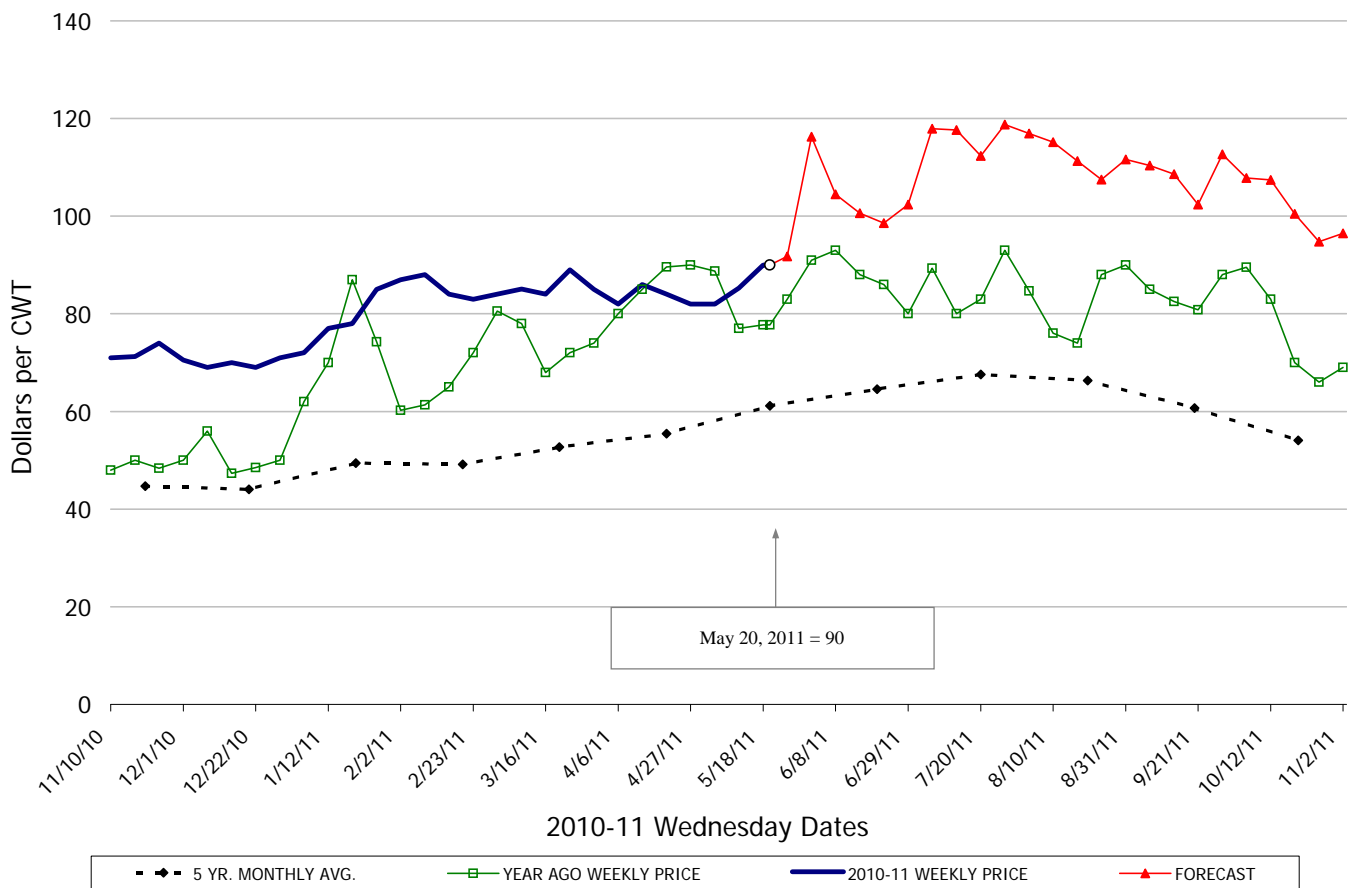
BELLY, SKIN-ON, TRIM 14-16#, TTL on FOB Basis,



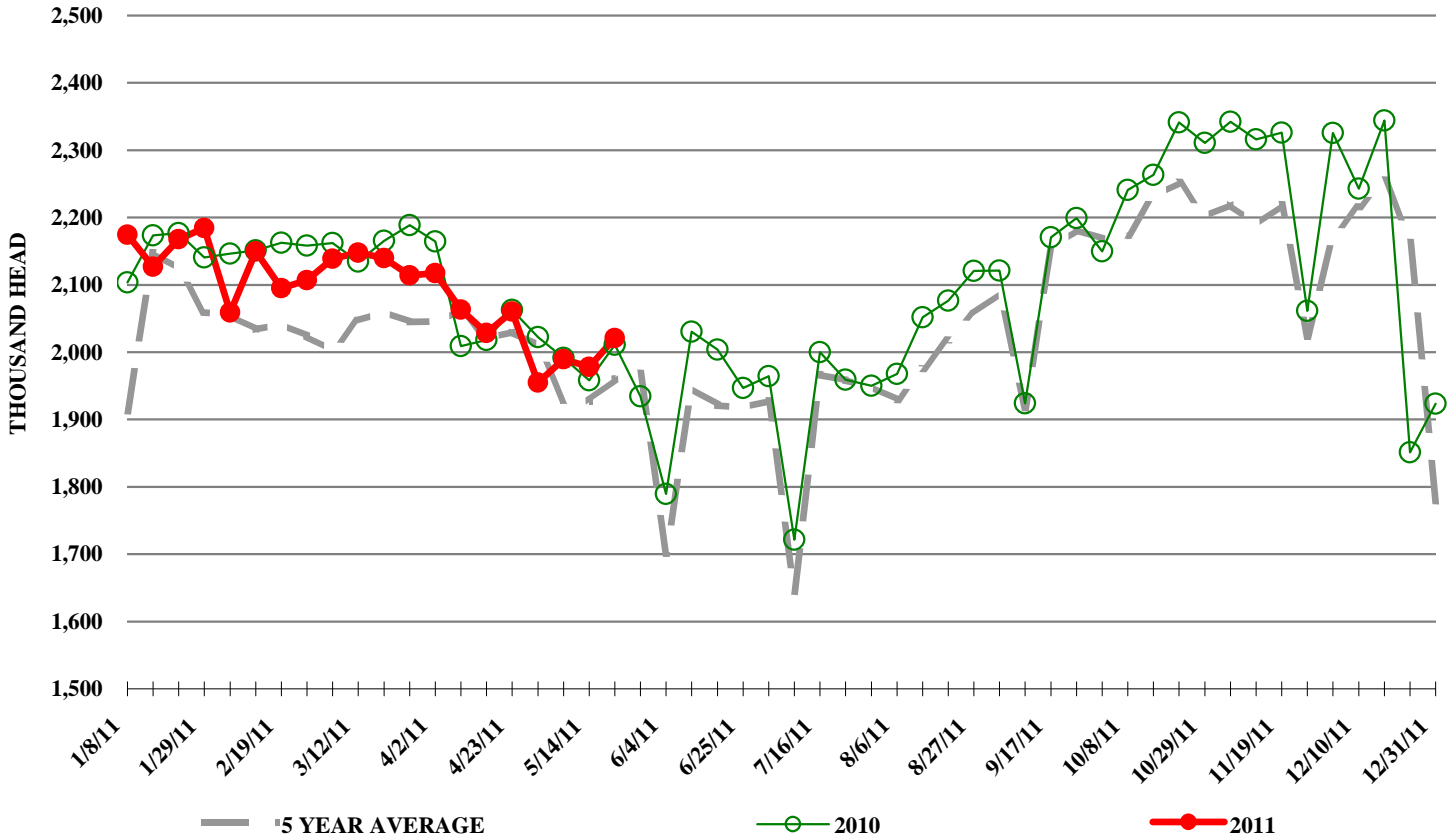
TRIMMED BUTT, 1/4" TRM 5-10#, TTL on FOB Basis, USDA



72CL PORK TRIM, FRESH, COMBO, USDA



ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION

