



Pork Merchandiser's Profit Maximizer

Be inspiredSM

- Foodservice Edition

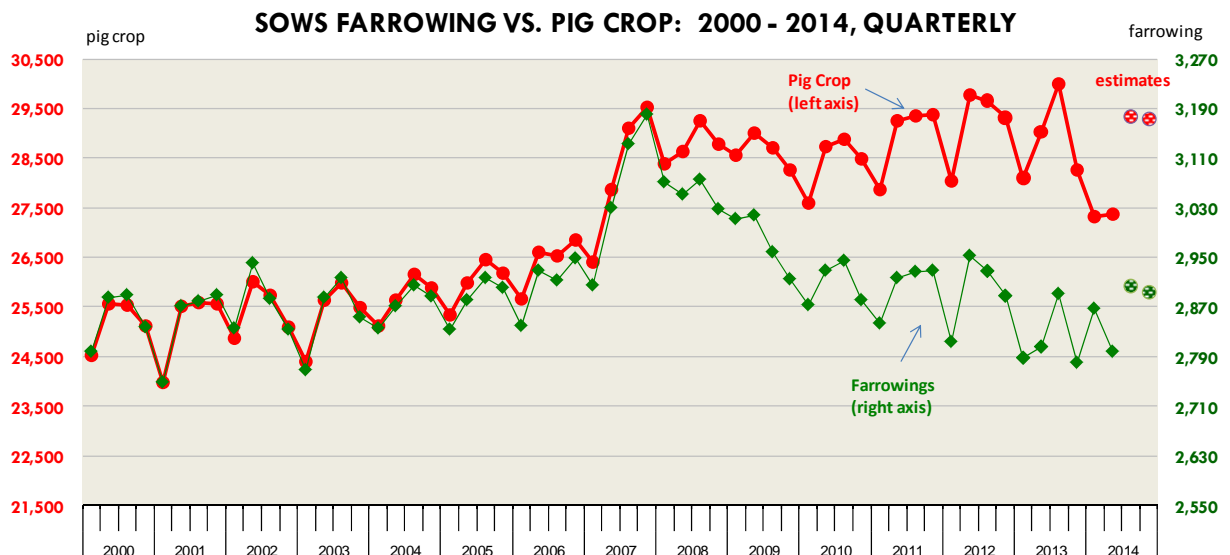
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Prepared by Steiner and Company, Manchester, NH 800-526-4612.

June 30, 2014

1. USDA Hogs and Pigs Report: Bullish on the face of it...but plenty of questions as well

The latest USDA Hogs and Pigs report will likely be viewed by futures markets on Monday as largely **neutral for nearby contracts but bullish for the winter and spring markets (Dec, Feb and maybe April)**. The USDA survey results were for the most part lower than the average of analysts'

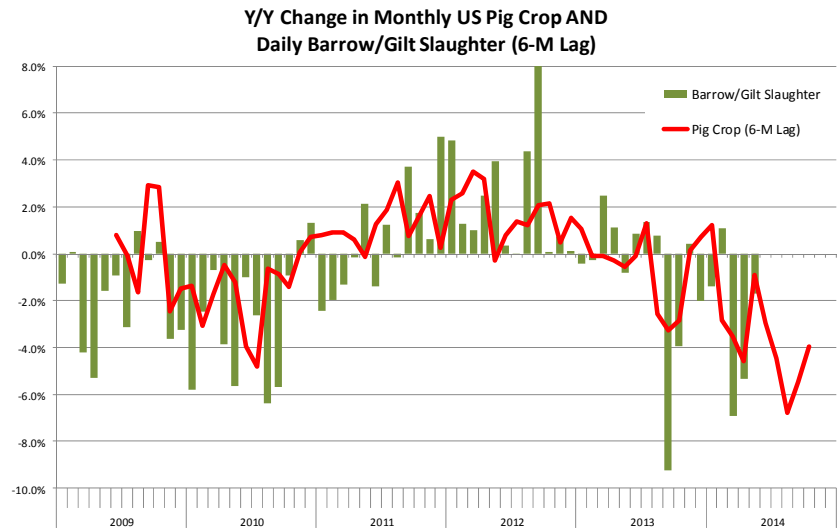
estimates ahead of its release. Summer contracts already have significant premiums built into them and the results of the survey for the most part confirm that hog supplies will remain tight in the next 8-12 weeks. Coming into the report, there was a lot of uncertainty as to the extent of herd rebuilding and what potential increases in sow numbers would imply for hog supplies in early 2015. In the last three trading sessions last week, deferred hog futures declined by almost 450 points as market participants reduced their long positions. With



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the report showing no expansion, it is likely that market participants may once again add to the long positions in the deferred hog contracts. Some of the highlights and implications from this latest report:

- The total inventory of hogs and pigs as of June 1 was pegged at 62.128 million head, **4.7% lower than June 2013 levels and 6.7% lower than in 2012.** The decline in hog inventories • was about 2% points bigger than what analysts were expecting.
- The inventory of market hogs was 56.273 million head, 5.1% lower than the previous year. Again, this number was about 2% lower than what analysts were expecting. **Should this be viewed as bullish for nearby hog futures? We don't think so.** Summer hog futures are currently priced at around \$130/cwt, pricing a significant shortfall in pork supplies this summer. The decline of 5% in market hog numbers will likely be offset by the 4-5% increase in hog carcass weights. If anything, analysts were much more bearish than the market coming into the report. In the next few weeks, market participants will be more focused on the trend in slaughter numbers and, even more importantly, how well pork prices will hold up once the July 4th demand is behind us. The chart above shows the relationship between the change in the pig crop and hog slaughter numbers. The latest inventory survey implies that barrow/gilt slaughter should be down around 7% by August and will likely remain below year ago numbers through the end of the year. But again, we think much of this already is in the market and the survey only will serve to confirm that expectation.
- **The biggest surprise in the report, in our view, was the year/year decline in the breeding herd.** Coming into the report, analysts were expecting on average to see a



1.6% increase in the breeding herd. The lowest estimate in the survey was for a 0.7% increase while some analysts were expecting the breeding herd to increase by about 2.5%. The USDA survey surprised just about everyone, pegging the breeding herd as of June 1 at 5.855 million head, 0.5% LOWER than a year ago and about steady compared to March 1 levels. Why is this a surprise and what does it mean for future hog numbers? It is a surprise that the inventory numbers were down because by most calculations the last few months have been some of the most profitable ever for hog producers. Record high prices for beef has helped pork demand and export markets continue to demand more US pork. In this environment, it was seen as a given that producers would seek to retain more gilts. That was not the case and it remains to be seen whether this simply was an issue with the survey data or if producers had other reasons for limiting gilt retention during the Mar-May period. The reduction in sow numbers implies that farrowings will for the most part remain limited for much of this year. While farrowing intentions for the Jun - Sep period were 3.6% higher than the previous year, this is mostly because last year farrowings during this quarter were unusually low. Overall, farrowings in the

next two quarters will be constrained by the lower breeding herd numbers, which in turn will keep the pig crop in check. As the chart on page 1 shows, in recent years US hog producers have been able to expand supplies largely by increasing the number of pigs saved per litter. In the five years 2009-2013, pigs per litter increased by an annual average of 1.5%, helping bolster the pig crop even as farrowings were steady. The spread of PEDv has dramatically reduced the number of pigs saved per litter. During the Mar - May period, pigs per litter declined 5.1% compared to the same period a year ago. In the previous quarter, pigs per litter declined 5.5%. This reduction in pigs per litter implies that about 4.5 MM pigs did not make it to market for the period Dec - May. Negative growth in the number of pigs per litter and limited growth in farrowings implies that the US pig crop will be limited at least through the end of 2014, thus limiting hog numbers through the first half of 2015. This is why we think that this report was particularly bullish for deferred hog futures. While we think pork prices will decline next year as supplies slowly increase, the rate of increase will be much smaller than earlier thought...at least based on what the USDA survey suggests. So far, the USDA Hogs and Pigs report has done a fairly good job (although it is not perfect) in recognizing the impact of PEDv.

Upcoming holidays:

2014 Canada Day [Canada] (Tuesday July 1); Independence Day (Friday July 4); Labor Day [US and Canada] (Monday September 1); Rosh Hashanah (Thursday September 25); Yom Kippur (Saturday October 4); Columbus Day (Monday October 13); Canadian Thanksgiving Day (Monday October 13); Daylight Savings Time Ends [US and Canada] (Sunday November 2); Veterans Day (Tuesday November 11); Remembrance Day [Canada] (Tuesday November 11); Thanksgiving (Thursday November 27); Hanukkah (Wednesday December 17); Christmas Day (Thursday December 25); Boxing Day [Canada] (Friday December 26).

PORK

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

Live hog. For the week ending June 28 slaughter was 1.910 million head, down 5.4% from a year ago. In the last two weeks hog slaughter is down 5.2% vs. year ago levels.

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass values at about 125.13 /cwt. on Friday were up about \$6/cwt since Wed. June 18. Prices are up about \$25 /cwt compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at \$1.6332, up about 7 cent since the Wed. June 18 quote and up about 14 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.9937 for the strap on loins, up about 11 cents since Wed. June 18 and up about

7 cents from the year ago levels. Strap off loins at \$2.1403 are up about 20 cent since Wed. June 18 and up about one cents compared to the year ago quote.

Boneless sirloins at \$1.8018 are up about 8 cents from the Wed. June 18 quote and up about 46 cents from the year ago price.

Pork tenderloin finished last week at \$2.8863, up about 4 cents since the Wed. June 18 quote and up about 8 cents from the year ago price.

5/10 Pork Butts (page 10), prices finished the week at \$1.7490, up about 5 cents since Wed. June 18.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$2.0090, up about 31 cent since Wed. June 18 and up about 36 cents from year ago levels.

Rib inventories on May 31 were 89.4 million pounds, down 2 percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was \$1.3598/lb., up 9 cents compared to prices on Wed. June 18 and up about 52 cents from a year ago.

20/23 hams finished the week at 140.40 cents, up about 6 cents since Wed. June 18 and up about 57 cents from the year ago level.

23/27 hams finished the week at 139.15 , up about 7 cents from the Wed. June 18 quote and up about 54 cents from the year ago level.

Total ham cold storage stocks on May 31 at 110.1 million pounds were down about 28.5 percent from year ago levels.

42 CL Pork Trim “FOB Basis”. Prices finished the week at 64.70 , up about 0.2 cent since Wed. June 18 and up about 6 cents from the year ago price.

72 CL Pork Trim “FOB Basis”. Prices finished the week at 136.24 cents, up about 0 cents since the Wed. June 18 quote and up about 42 cents from the year ago level.

Freezer stocks of all trimmings on May 31 were 47.6 million pounds, down about 19.7 percent from the year ago levels.

72 CL Picnic Meat “FOB Basis”. Picnics prices should continue to command significant premiums over the price of 72CL pork trim in the spring.

POULTRY

Georgia Dock Broilers. The Georgia dock price last week at \$111.75 was up about 6 cents from a year ago.

The National Whole Bird price was quoted at 112.35 on Friday June 28, up about 7 cents from a year ago.

Broiler slaughter for the week ending June 28 was 162.26 million head, up 0.47% from a year ago. For the last two weeks slaughter was up 0.7% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$2.0270, up 0 cents since Wed. June 18 and also up about 19 cents from 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 ok at this time. Leg quarter prices are now up about 1.8 cents vs. year ago price at 50.08 . Prices trend modestly higher the next few months. However, Mexico could be a significant issue any time.

Wings. Prices at \$1.4549 are down about 10 cents from year ago levels.

Turkeys

Hens finished last week at \$1.1100, unchanged since Wed. June 18 but up about 8 cents from the year ago price.

Toms finished last week at \$1.1100, unchanged since Wed. June 18 but up about 8 cent from the year ago price.

Total turkey supplies in the freezer on April 30 were down about 18 percent from a year ago at 375.2 million pounds. Whole birds were down 17 percent from year ago with an inventory of 193.1 million pounds.

Turkey slaughter was 4.3270 million head for the week ending June 21, down -6.14% from a year ago. For the last two weeks slaughter has been down 1.3%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$3.8500, unchanged since Wed. June 18. Prices are up about 58 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 \$8.4312 (weighted average quote) finished last week up about 33 cents since the Wed. June 18 quote and up about 134 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$8.0807 (weighted average quote) finished last week up about 37 cents since the Wed. June 18 quote but up about 208 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$0.3505 /lb. over Select. The 2013 annual average spread (wt. average price) had the Choice at a premium to the Select by \$0.8910

per pound and the previous five years (2009 thru 2013) average spread was Choice at a premium to the Select by \$0.7074 per pound.

Choice regular #168 insides finished last week quoted at \$2.4790 up about 14 cents since Wed. June 18 and up about 49 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$2.5217 up about 10 cents since Wed. June 18 and up about 54 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$2.3918 up about 13 cents since Wed. June 18 and up about 57 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$6.8545 (wt. avg.) up about 26 cents from the Wed. June 18 quote. Prices are about 77 cents over year ago levels.

Choice #184 Regular Heavy top butts finished at \$4.0897 (wt. avg.) up about 36 cents since Wed. June 18 and up about 107 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$4.1574 (wt. avg.) up about 11 cents since Wed. June 18 and up about 91 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$5.1871 (wt. avg.) down about 8 cents since Wed. June 18 but up about 12 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at \$2.1207 up about 14 cents since Wed. June 18 and up about 43 cents from year ago levels.

81CL Coarse Ground product finished last week at \$2.1444 up about 8 cent since Wed. June 18 and up about 32 cents from the year ago quote.

90CL Bnls. Beef prices finished the week at \$2.6771 (wt. avg.) up about 16 cent since Wed. June 18 and up 70 compared to the year ago price quote. Ranchers are trying to hold more beef cows and lean beef supplies remain in limited supply

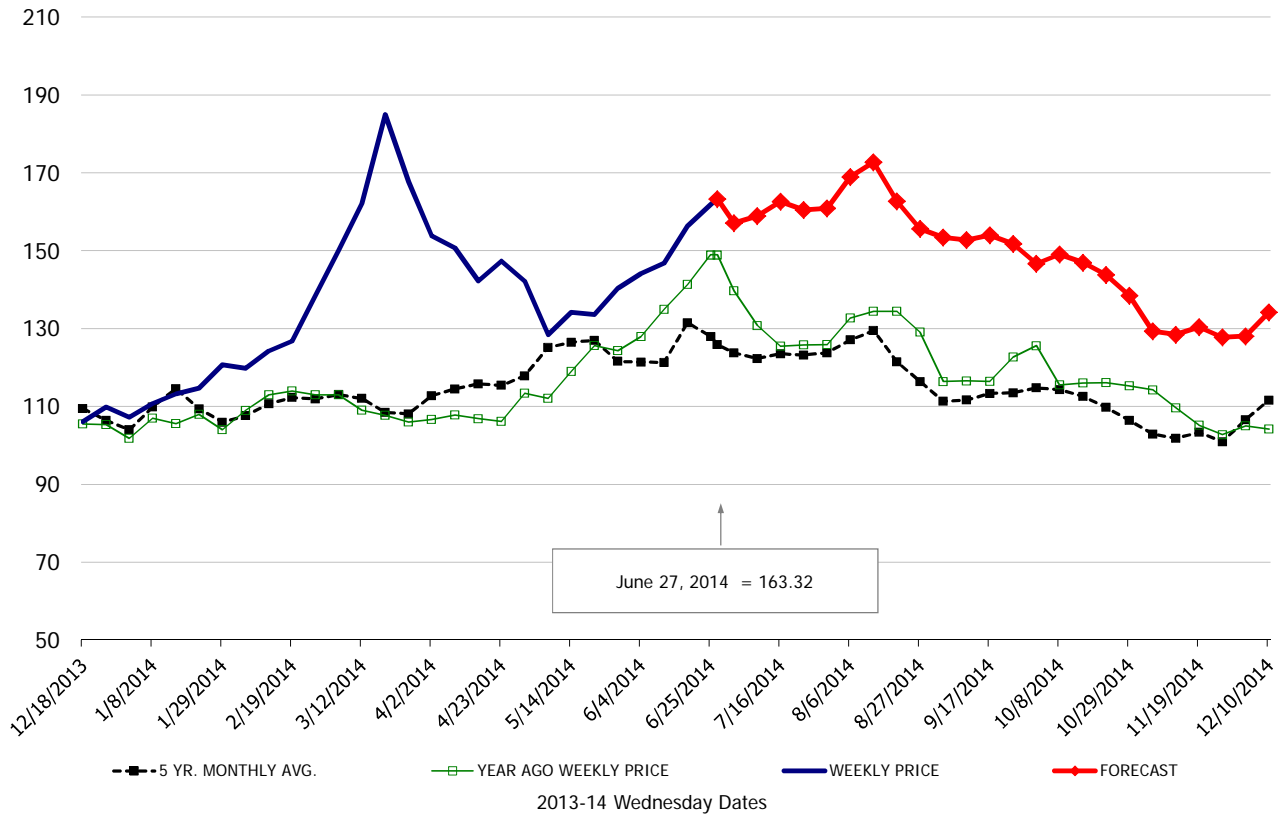
50 CL Beef Trim prices finished last week at \$1.2090, down about 7 cent since Wed. June 18 but up 24 compared to the year ago level.

Food Service Summary Table - WT. AVE

	2013-14 History							2014 FORECAST							
	Dec	Jan	Feb	Mar	Apr	May	6/18/2014	6/27/2014	7/9/2014	Jun	Jul	Aug	Sep	Oct	Nov
<u>PORK</u>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.06	1.14	1.27	1.65	1.47	1.35	1.56	1.63	1.59	1.53	1.60	1.65	1.53	1.45	1.29
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.12	1.20	1.34	1.73	1.58	1.45	1.62	1.77	1.65	1.63	1.67	1.72	1.60	1.52	1.36
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.71	1.78	1.84	2.35	2.12	1.91	1.95	2.14	2.12	2.02	2.20	2.45	2.20	2.10	2.01
Loin, Tenderloin, FOB Plant, USDA	2.32	2.41	2.54	2.76	2.78	2.78	2.85	2.89	2.94	2.85	3.00	3.05	2.95	2.80	2.67
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	0.99	1.06	1.16	1.61	1.60	1.60	1.70	1.73	1.70	1.69	1.66	1.63	1.59	1.54	1.38
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.42	1.52	1.61	1.82	1.76	1.70	1.69	2.01	1.93	1.75	1.94	2.02	1.82	1.85	1.70
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.21	2.20	2.29	2.45	2.54	2.59	2.69	2.67	2.57	2.44	2.58	2.66	2.46	2.49	2.34
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.36	1.46	1.53	1.74	1.64	1.61	1.83	2.03	1.91	1.78	1.93	2.02	1.82	1.81	1.65
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.03	2.16	2.33	2.71	2.63	2.66	2.77	2.92	3.08	2.78	3.06	3.10	2.87	2.68	2.34
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.98	0.78	0.86	1.06	1.19	1.08	1.27	1.36	1.31	1.25	1.34	1.40	1.41	1.40	1.28
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.81	0.74	0.85	1.12	1.14	1.13	1.34	1.40	1.28	1.30	1.32	1.38	1.39	1.34	1.20
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.80	0.74	0.84	0.99	1.02	1.05	1.32	1.39	1.27	1.25	1.32	1.38	1.37	1.29	1.13
Ham, 5 Muscle Ham to Blue, FOB Plant, USDA	1.40	1.21	1.30	1.49	1.48	1.48	1.69	1.69	1.35	1.31	1.33	1.34	1.31	1.31	1.24
Belly, Skin-on Belly 14-16#, FOB Plant, USDA	1.14	1.07	1.34	1.77	1.85	1.54	1.55	1.66	1.90	1.64	1.98	2.02	1.94	1.72	1.51
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.53	1.44	1.65	2.15	2.08	1.76	2.01	2.10	2.28	2.00	2.25	2.32	2.25	2.08	1.82
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.48	1.38	1.58	2.14	1.94	1.68	1.93	2.05	2.25	1.89	2.22	2.29	2.23	2.06	1.80
Trim, 42% Trim Combo, FOB Plant, USDA	0.32	0.35	0.43	0.71	0.71	0.66	0.65	0.65	0.75	0.65	0.79	0.85	0.76	0.66	0.49
Trim, 72% Trim Combo, FOB Plant, USDA	0.64	0.70	0.91	1.23	1.30	1.13	1.36	1.36	1.38	1.32	1.37	1.35	1.09	1.09	0.97
<u>HOG CARCASS</u>															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	0.78	0.79	0.89	1.17	1.19	1.13	1.19	1.25	1.22	1.16	1.25	1.25	1.15	1.10	0.93
<u>BROILERS</u>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	0.95	0.96	0.92	1.06	1.10	1.18	1.13	1.12	1.13	1.15	1.11	1.08	1.06	1.03	1.00
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.26	1.25	1.27	1.48	1.73	1.87	2.02	2.03	2.00	2.01	1.98	1.95	1.80	1.55	1.36
N.E. BROILER BREAST LINE RUN, USDA	0.94	0.93	0.85	0.91	1.06	1.20	1.24	1.23	1.26	1.25	1.24	1.20	1.15	1.07	0.99
N.E. BROILER LEG QUARTERS, USDA	0.43	0.43	0.42	0.44	0.48	0.50	0.48	0.50	0.50	0.51	0.51	0.53	0.53	0.51	0.47
N.E. BROILER WINGS, USDA, WT.AVG.	1.21	1.30	1.27	1.38	1.42	1.38	1.45	1.45	1.48	1.44	1.47	1.50	1.53	1.57	1.50
<u>TURKEYS</u>															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.10	1.03	1.03	1.06	1.08	1.09	1.11	1.11	1.14	1.11	1.15	1.17	1.19	1.20	1.21
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	2.16	2.16	2.16	2.42	3.26	3.57	3.70	3.85	3.84	3.70	3.85	3.87	3.87	3.84	3.65
<u>LIVE STEERS</u>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.31	1.40	1.43	1.50	1.49	1.47	1.49	1.50	1.53	1.47	1.51	1.51	1.53	1.54	1.54
<u>BEEF</u>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	6.45	5.77	5.61	6.32	6.68	7.23	8.10	8.43	7.95	7.96	7.74	7.60	7.73	8.00	8.47
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.30	2.67	2.55	3.04	2.68	2.34	2.43	2.52	2.64	2.36	2.64	2.77	2.79	2.78	2.67
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.09	2.57	2.53	2.51	2.18	2.15	2.26	2.39	2.46	2.25	2.42	2.47	2.54	2.63	2.53
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	4.75	5.00	5.00	6.76	6.30	6.01	6.60	6.85	7.05	6.56	6.70	6.42	6.24	5.71	5.56
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	2.78	2.95	2.96	3.50	3.51	3.82	4.07	4.16	4.10	4.00	4.10	4.15	3.96	3.58	3.52
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	3.66	4.21	3.99	4.72	5.04	5.15	5.27	5.19	5.25	5.25	5.15	4.90	4.34	4.13	4.09
COARSE GROUND 73%, USDA	1.71	2.29	2.06	2.24	1.89	1.98	1.98	2.12	2.09	1.98	2.04	2.09	2.06	1.94	1.99
COARSE GROUND 81%, USDA	1.86	2.45	2.28	2.51	2.03	2.07	2.06	2.14	2.27	2.15	2.19	2.29	2.31	2.16	2.17
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.02	2.19	2.38	2.61	2.49	2.43	2.51	2.68	2.64	2.52	2.61	2.53	2.46	2.33	2.32
50CL BEEF TRIM, FRESH, NATIONAL, USDA	0.95	1.05	1.10	1.47	1.22	1.26	1.28	1.21	1.28	1.28	1.28	1.25	1.16	1.19	1.38

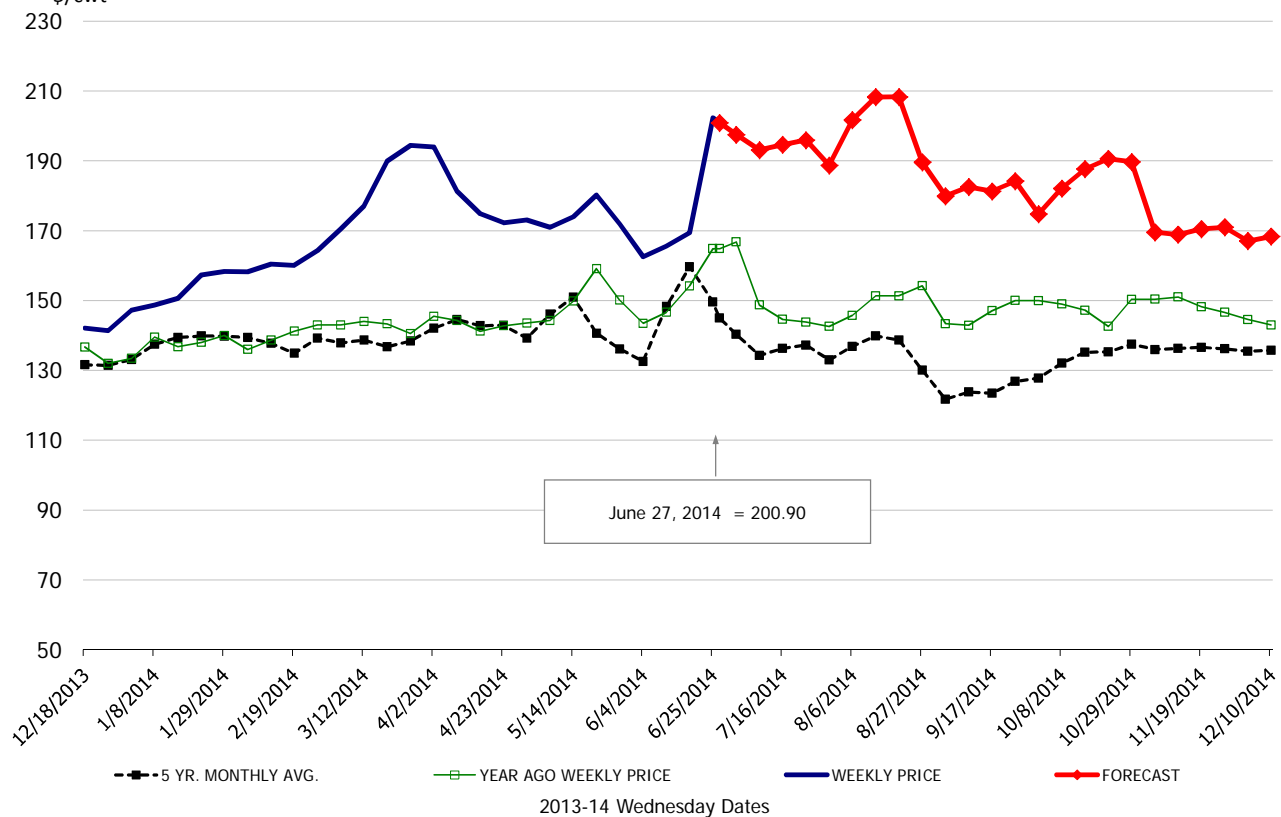
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Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA



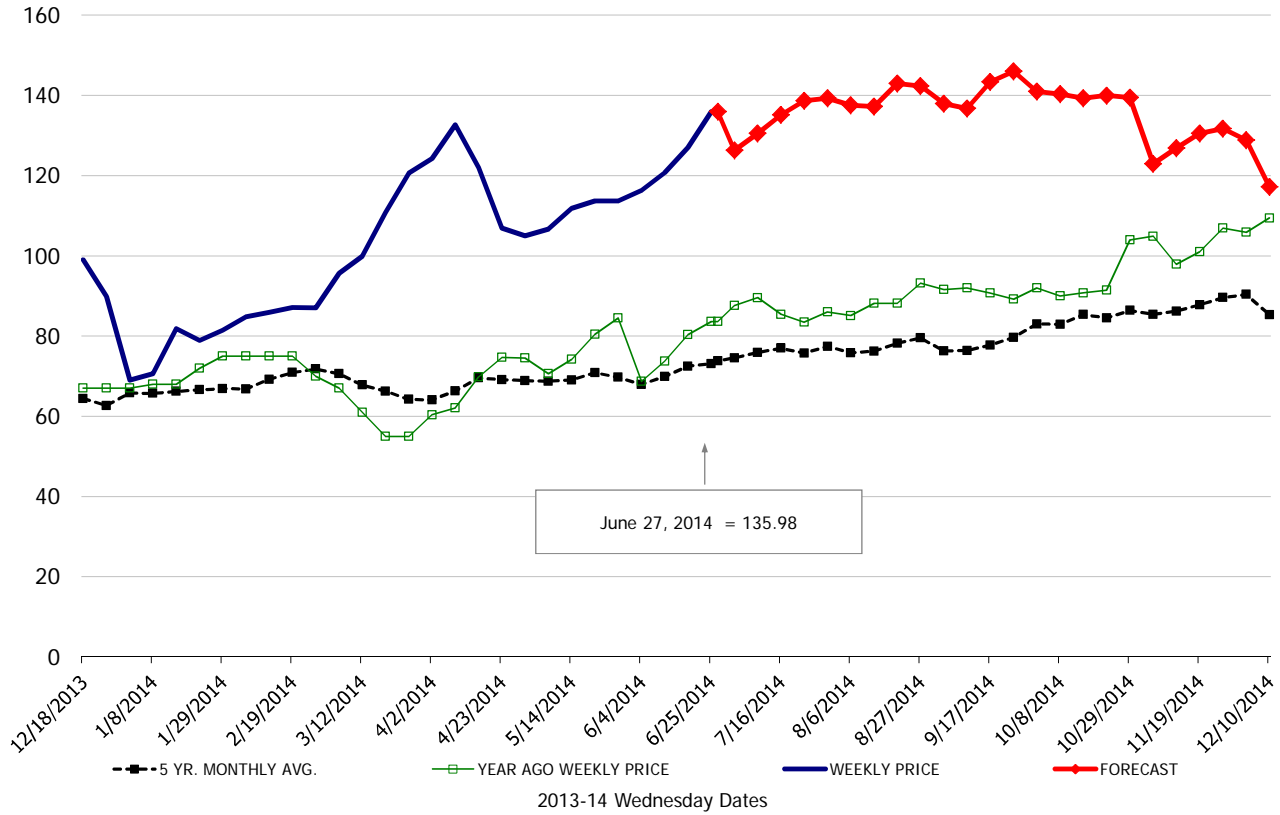
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Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA



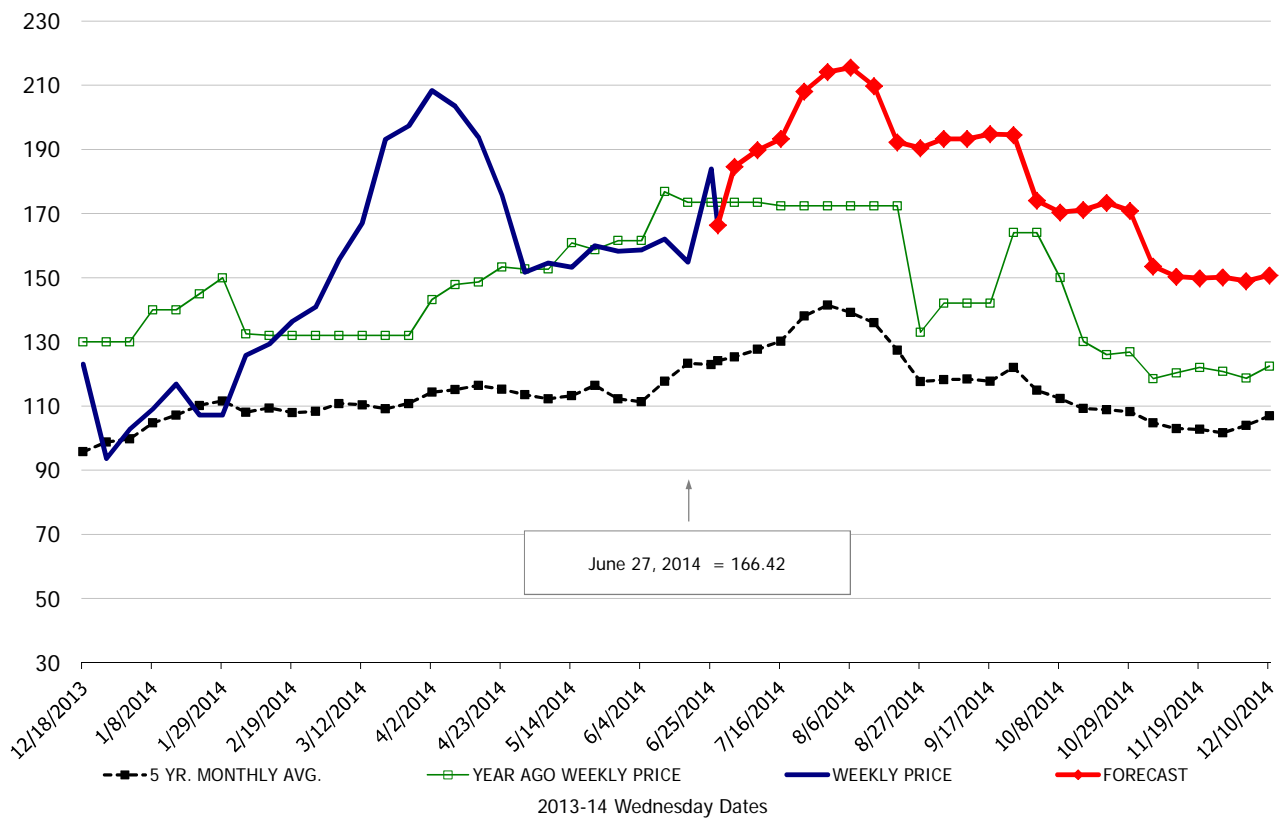
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Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA



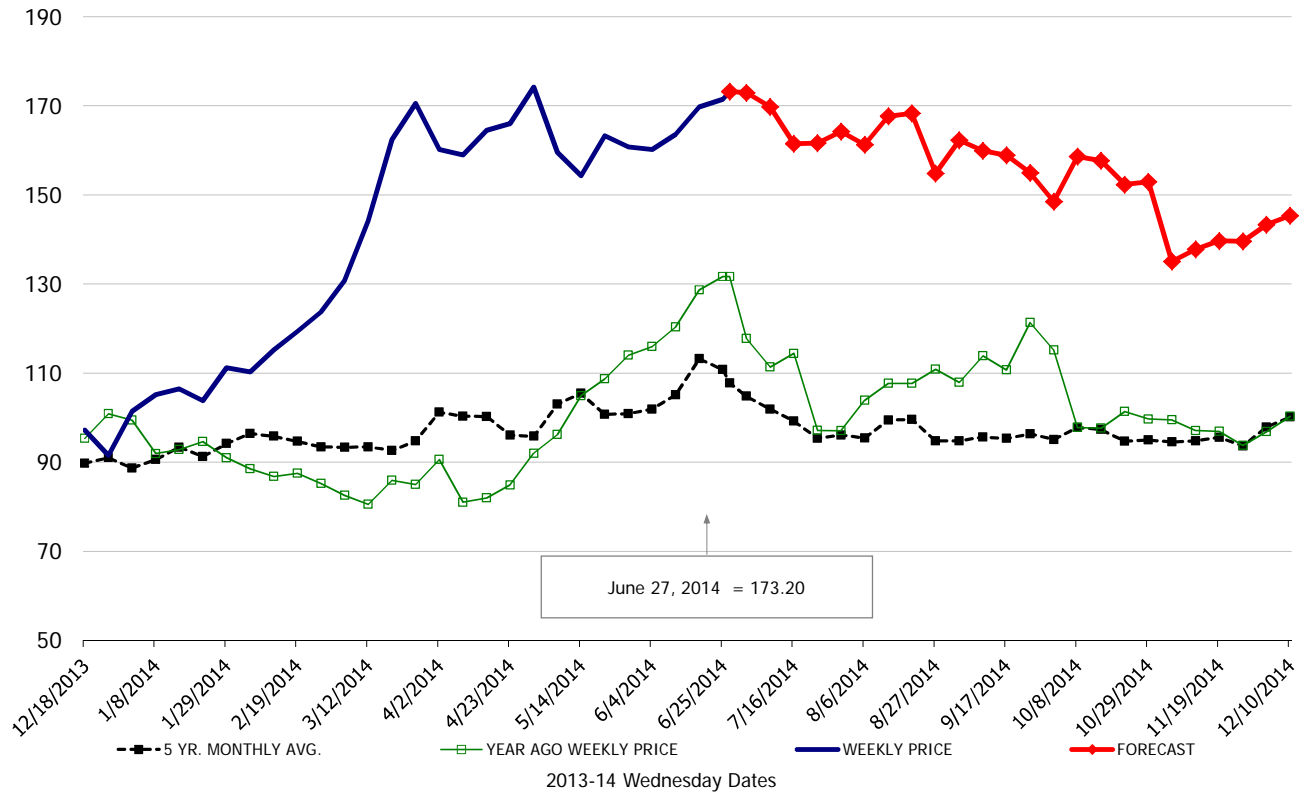
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Belly, Skin-On Belly 14-16#, FOB Plant, USDA



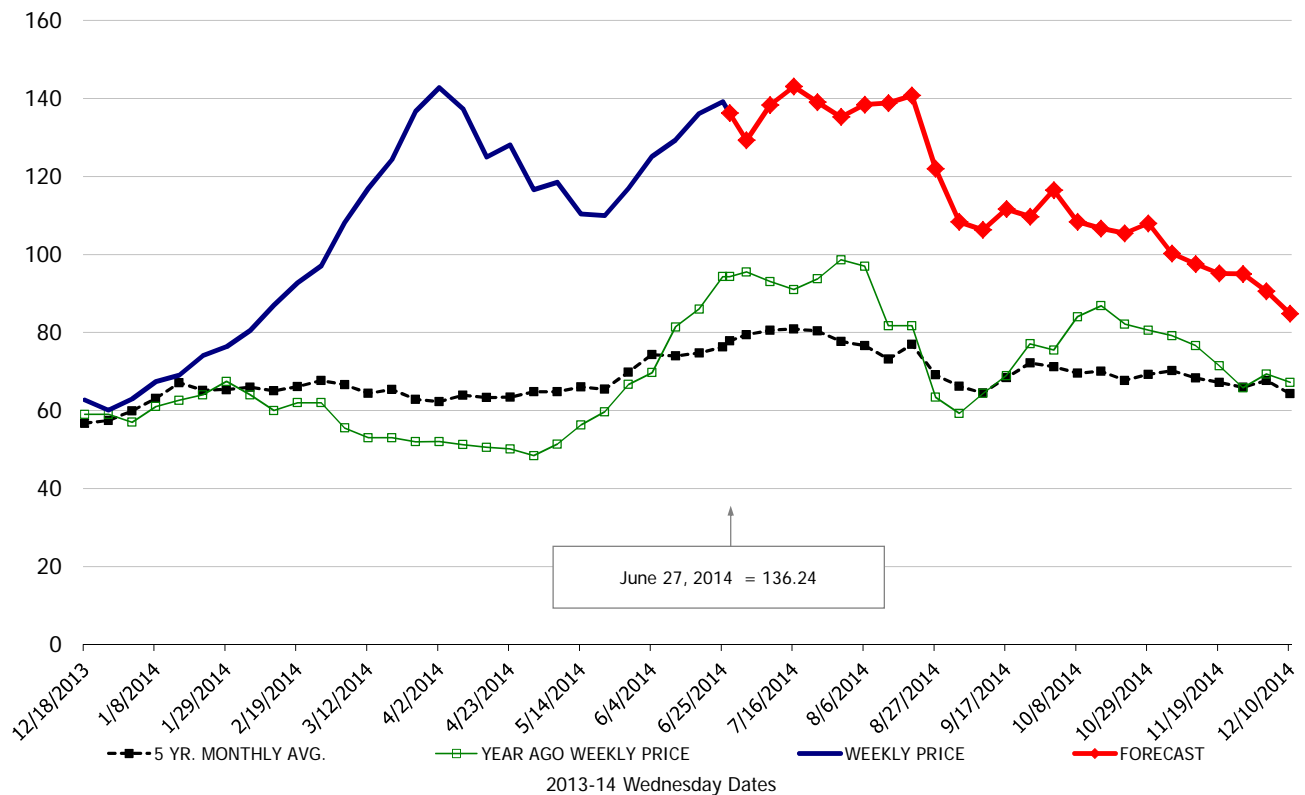
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Butt, 1/4 Trim Butt Combo, FOB Plant, USDA

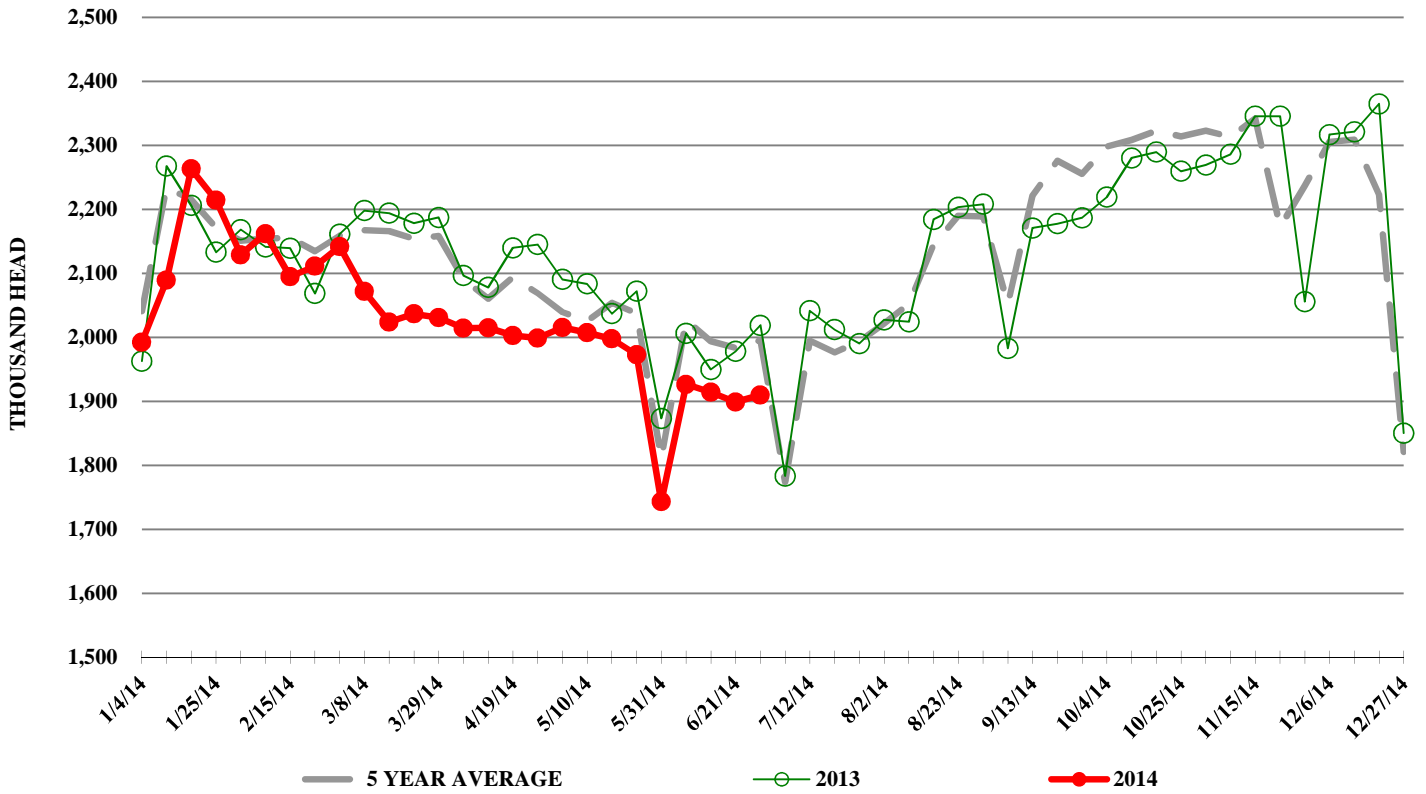


\$/cwt

Trim, 72% Trim Combo, FOB Plant, USDA



ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION

