



Pork Merchandiser's Profit Maximizer

Be inspiredSM

- Foodservice Edition

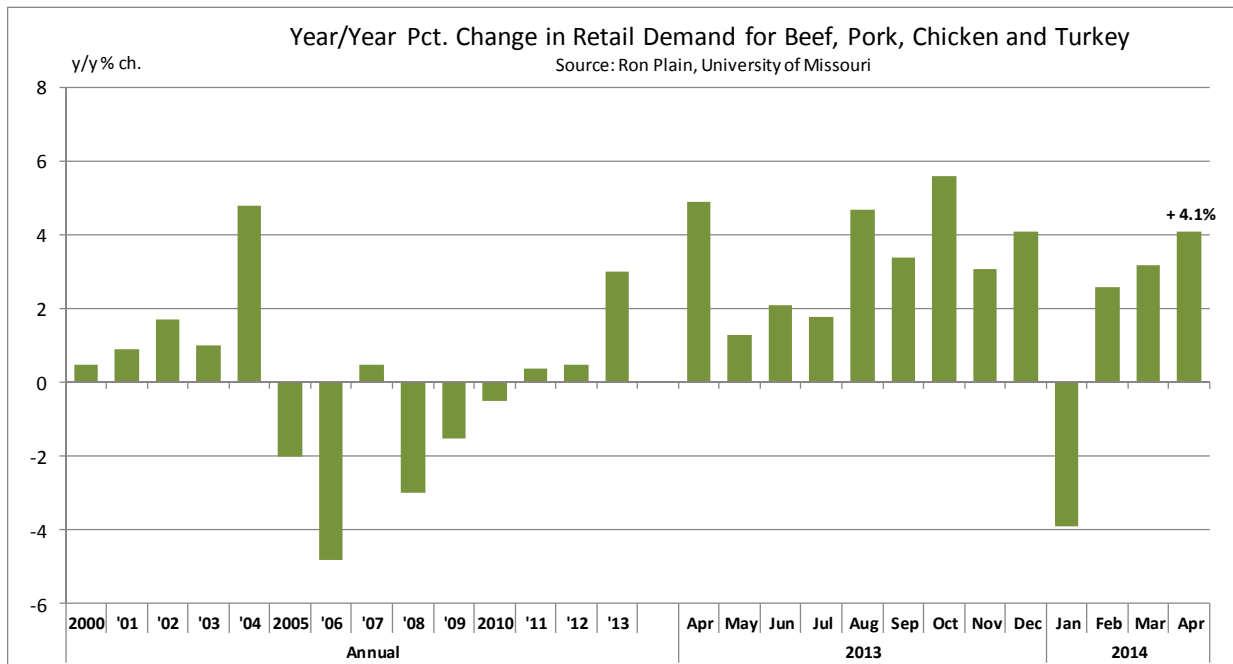
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Prepared by Steiner and Company, Manchester, NH 800-526-4612.

June 16, 2014

1. Tight supplies and better demand push red meat and poultry prices higher

Rising prices and high volatility have been the primary themes in meat complex so far this year and the past two weeks were a case in point. Fed cattle futures jumped by as much as \$10/cwt in a matter of days and hog futures for the summer months established new all-time

contract highs. Price inflation is not confined just in the red meat complex. Chicken prices have increased steadily and now are above year ago levels while turkey meat supplies in the spot market are almost nonexistent, with turkey breast prices command a 140% premium (more than double) vs. year ago levels. The spike in prices is somewhat reminiscent of the sharp rise in pork and beef prices we observed earlier in the year, which was followed by a notable



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correction, particularly in the case of hogs. For now, overall meat prices remain significantly above year ago levels, in part spurred by tighter supplies but also due to improving demand, especially export demand. Below is a recap of the short, medium and longer term drivers in the red meat and poultry markets:

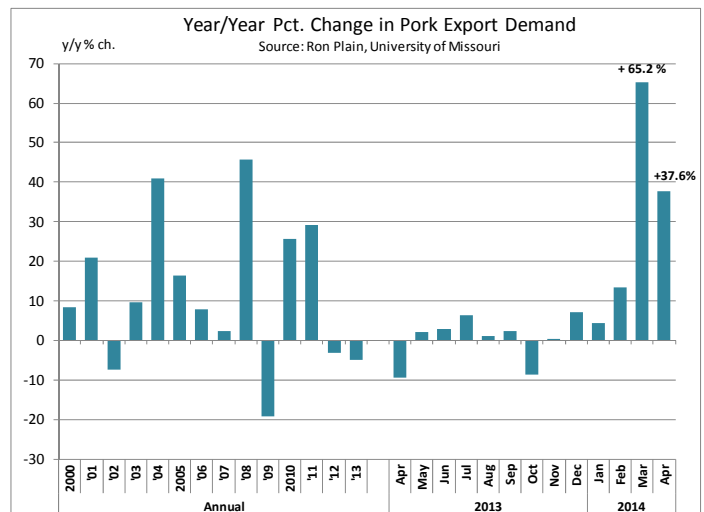
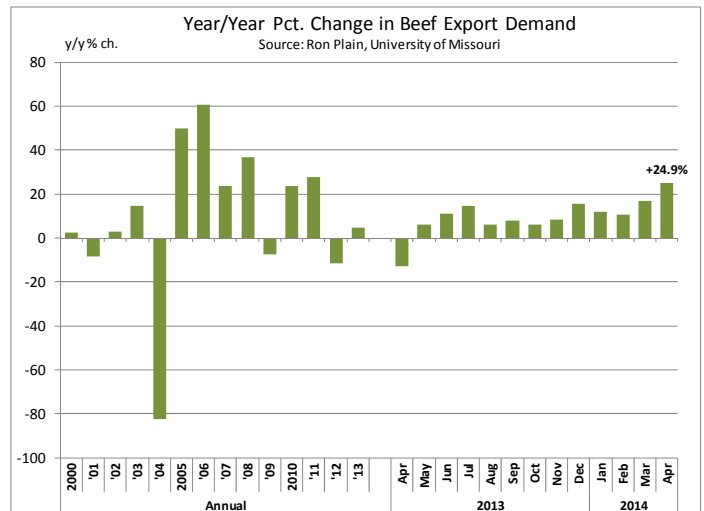
Short term market factors (next three months)

Beef: Fed beef supplies remain particularly current and this will underpin cattle and beef prices. The latest data from USDA shows fed steer carcass weights are now tracking below year ago levels. Cow slaughter also is running as much as 20% below last year, dramatically reducing lean beef supplies. In April, retail beef demand was pegged up 4% from the previous year while beef export demand was 24.9% higher than a year ago. Feedlots are in no hurry to sell cattle given tight feeder supplies and lower feed costs, while packers are struggling to fill export orders and also keep their plants running at acceptable capacity.

Short term trend: Bullish

Volatility: High

Pork: The pork market is a prime example of the impact of strong demand. Last week, pork production was up 3.4% from a year ago despite earlier speculation that PEDv losses would lead to dramatic shortages. So far, there have been losses but they have been consistent with the Hogs and Pigs survey and they have been offset by heavier carcass weights. The pork market continues to benefit from strong demand, with retail demand in April estimated up 6.7% and export demand estimated at +37.6% above year ago levels. Some of the purchases in the market may be due to some panic buying, especially for seasonal items, such as hams. In recent months we also have seen a big increase in exports to Asian and South American customers who are struggling



with domestic price inflation (e.g S. Korea, Taiwan, Colombia, etc). There is some downside risk in the pork market, however. Seasonally, some items (loins, butts) decline in value by late July and August. Even pork trimmings that are quite strong in June and July tend to drift lower in August. Ham prices are extremely expensive at this time and current hog futures imply that hams should be much higher by August. It remains to be seen if holiday demand will be strong enough to justify current implied prices. Also, the market is pricing an eventual decline in pork supplies in August (similar to what was projected in March). If the shortage does not materialize, lower prices may be needed.

Short term trend: Moderately bullish

Volatility: High

Poultry: Growth in the poultry sector has been limited despite lower grain prices. The poultry industry has found it difficult to quickly reconstitute some of its production pipeline after sharp cutbacks in 2011 and 2012. In the short term, supply growth will be limited. Seasonally, however, broiler meat prices, particularly prices for breast meat decline after July 4th and we expect that to be the case again this year. High prices for red meats have been supportive of demand, which was up 3.5% for broilers in April. Export demand remains lackluster, however. Poultry company profits are particularly strong at this time.

Short term trend: Steady to lower
Volatility: Moderate

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

<p><u>NOTE: WE ARE NOW REPORTING AND FORECASTING MANDATORY PLANT WEIGHTED AVERAGE BLUE SHEET PRICES FOR PORK CUTS.</u></p>

Live hog. For the week ending June 14 slaughter was 1.915 million head, down 1.8% 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 116.50 /cwt. on Friday were up about \$6/cwt since Wed. June 4. Prices are up about \$15 /cwt compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at \$1.5027, up about 6 cent since the Wed. June 4 quote and up about 15 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.7523 for the strap on loins, down about 5 cents since Wed. June 4 but up about 10

cents from the year ago levels. Strap off loins at \$1.8693 are down about 7 cent since Wed. June 4 and down about 10 cents compared to the year ago quote.

Boneless sirloins at \$1.7286 are up about 7 cents from the Wed. June 4 quote and up about 42 cents from the year ago price.

Pork tenderloin finished last week at \$2.7503, down about 5 cents since the Wed. June 4 quote and down about 3 cents from the year ago price.

5/10 Pork Butts (page 10), prices finished the week at \$1.6696, up about 3 cents since Wed. June 4.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$1.7314, up about 11 cent since Wed. June 4 and up about 27 cents from year ago levels.

Rib inventories on March 31 were 120.3 million pounds, down 2 percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was \$1.2067/lb., up 4 cents compared to prices on Wed. June 4 and up about 47 cents from a year ago.

20/23 hams finished the week at 127.50 cents, up about 9 cents since Wed. June 4 and up about 53 cents from the year ago level.

23/27 hams finished the week at 122.20 , up about 9 cents from the Wed. June 4 quote and up about 50 cents from the year ago level.

Total ham cold storage stocks on April 30 at 81.8 million pounds were down about 36 percent from year ago levels.

42 CL Pork Trim “FOB Basis”. Prices finished the week at 71.57 , down about 2.7 cent since Wed. June 4 but up about 14 cents from the year ago price.

72 CL Pork Trim “FOB Basis”. Prices finished the week at 132.02 cents, up about 7 cents since the Wed. June 4 quote and up about 51 cents from the year ago level.

Freezer stocks of all trimmings on April 30 were 42.0 million pounds, down about 36 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 \$110.75 was up about 5 cents from a year ago.

The National Whole Bird price was quoted at 113.08 on Friday June 14, up about 4 cents from a year ago.

Broiler slaughter for the week ending June 14 was 155.40 million head, down 0.93% from a year ago. For the last two weeks slaughter was down 0.5% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$1.9640, down 1 cents since Wed. June 4 but also up about 5 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 2.0 cents vs. year ago price at 50.81 . Prices trend modestly higher the next few months. However, Mexico could be a significant issue any time.

Wings. Prices at \$1.4357 are down about 5 cents from year ago levels.

Turkeys

Hens finished last week at \$1.1100, unchanged since Wed. June 4 and up about 8 cents from the year ago price.

Toms finished last week at \$1.1100, unchanged since Wed. June 4 and 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 4.5710 million head for the week ending June 7, up 3.46% from a year ago. For the last two weeks slaughter has been up 2.5%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$3.7000, unchanged since Wed. June 4. Prices are up about 55 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 \$7.9652 (weighted average quote) finished last week up about 22 cents since the Wed. June 4 quote and up about 86 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$7.3283 (weighted average quote) finished last week down about 14 cents since the Wed. June 4 quote but up about 165 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$0.6369 /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 \$2.3254 up about 21 cents since Wed. June 4 and up about 46 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$2.3670 up about 19 cents since Wed. June 4 and up about 39 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$2.2748 up about 7 cents since Wed. June 4 and up about 39 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$6.2951 (wt. avg.) down about 25 cents from the Wed. June 4 quote. Prices are about 142 cents over year ago levels.

Choice #184 Regular Heavy top butts finished at \$3.4760 (wt. avg.) down about 10 cents since Wed. June 4 but up about 15 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$4.0072 (wt. avg.) down about 11 cents since Wed. June 4 but up about 49 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$5.0839 (wt. avg.) down about 16 cents since Wed. June 4 and down about 31 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at \$1.8299 down about 16 cents since Wed. June 4 but up about 31 cents from year ago levels.

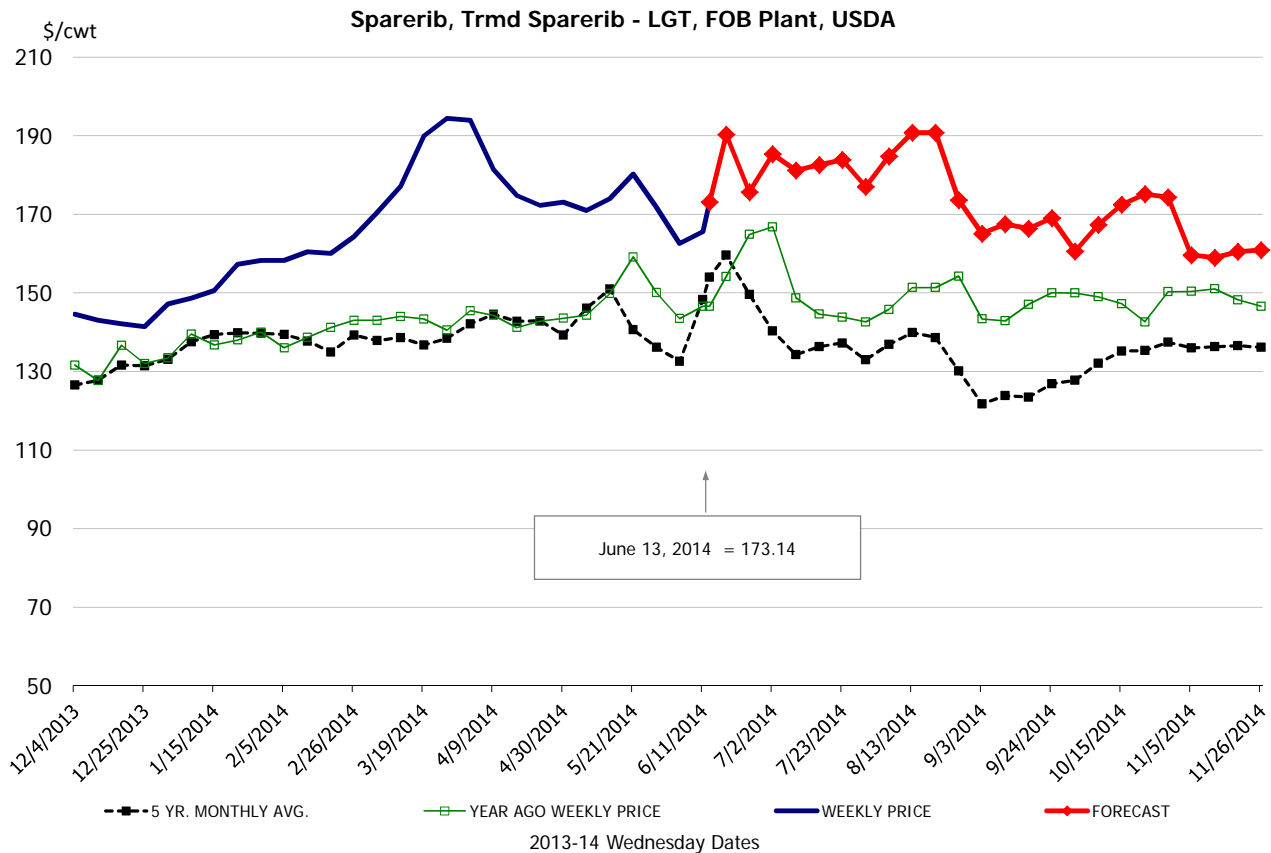
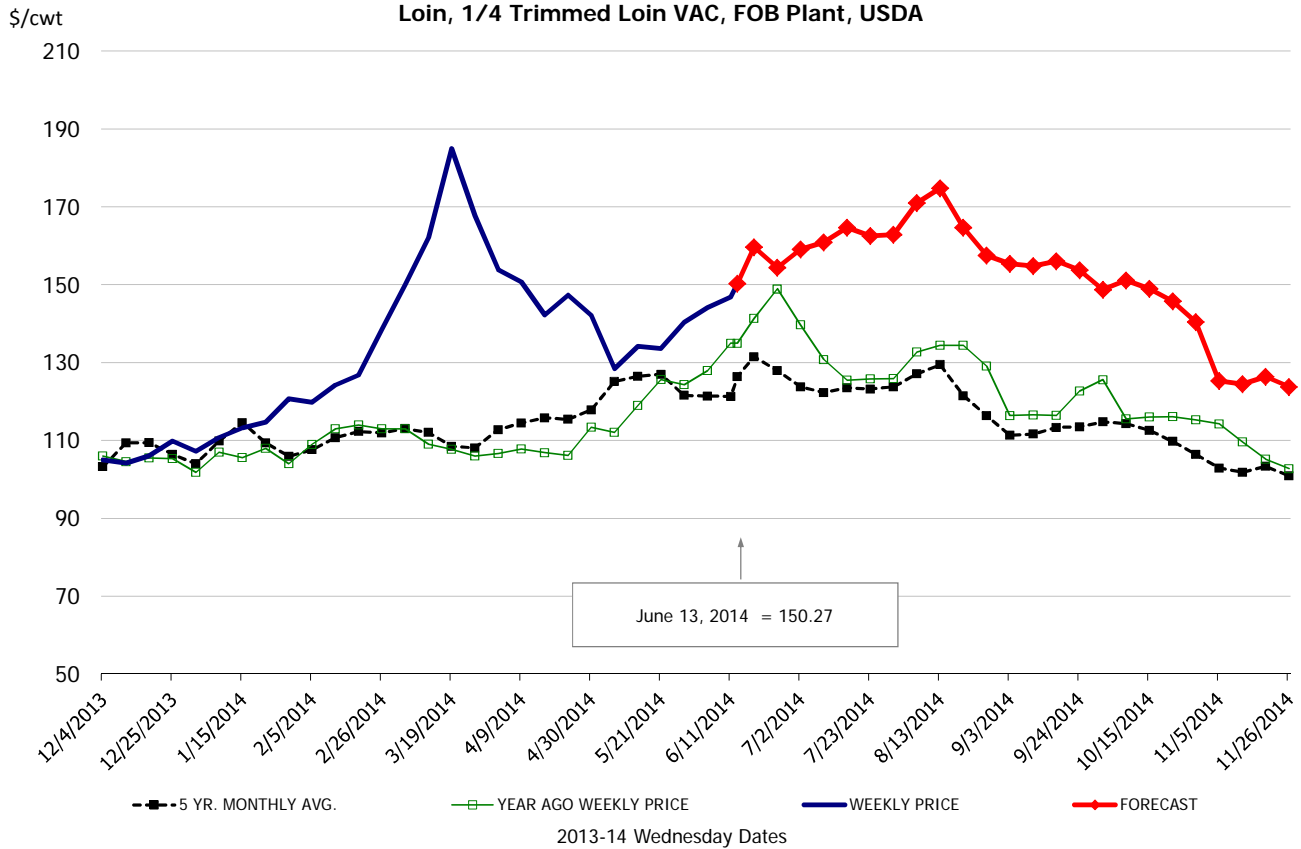
81CL Coarse Ground product finished last week at \$1.9336 down about 21 cent since Wed. June 4 but up about 21 cents from the year ago quote.

50 CL Beef Trim prices finished last week at \$1.2984, up about one cent since Wed. June 4 and up 40 compared to the year ago level.

90CL Bnls. Beef prices finished the week at \$2.4586 (wt. avg.) up about 2 cent since Wed. June 4 and up 51 compared to the year ago price quote. Ranchers are trying to hold more beef cows and lean beef supplies remain in limited supply

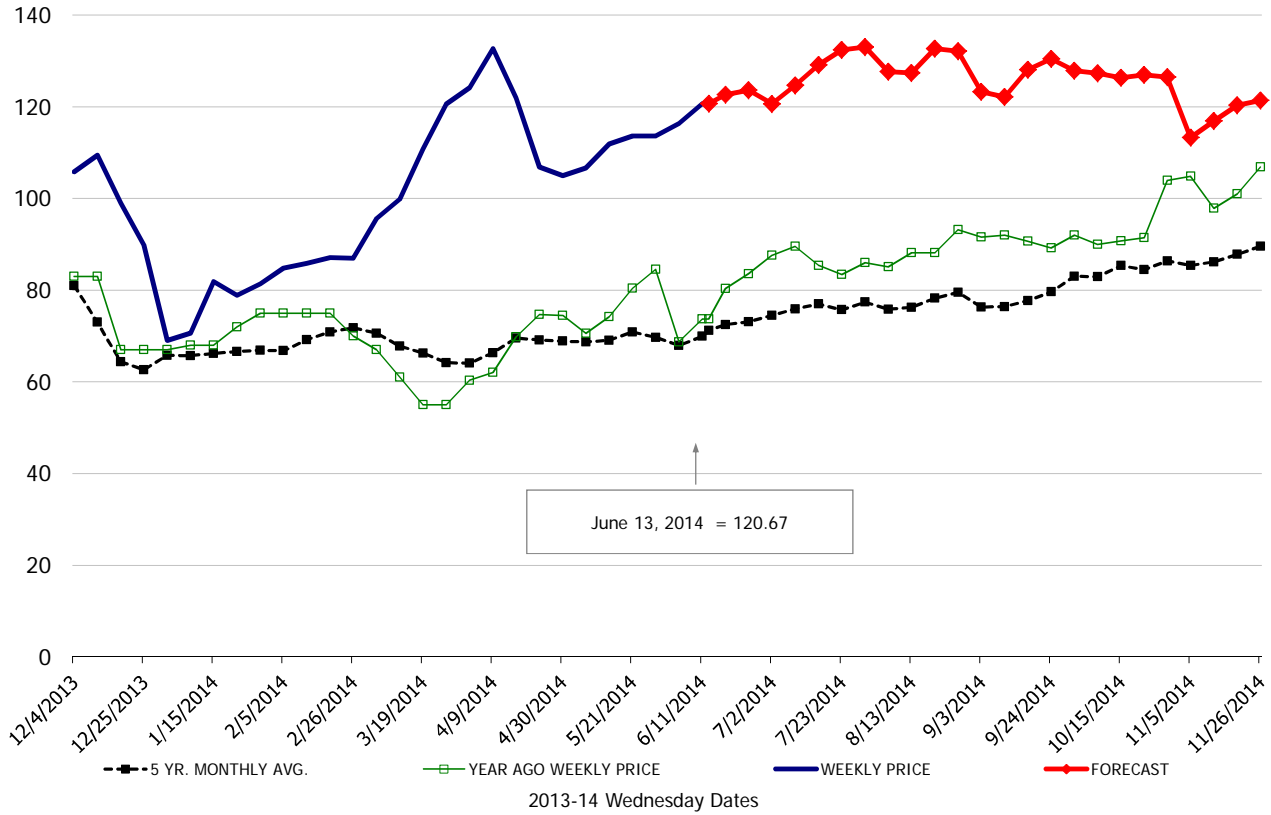
Food Service Summary Table - WT. AVE

	2013-14 History							2014 FORECAST							
	Dec	Jan	Feb	Mar	Apr	May	6/4/2014	6/13/2014	6/25/2014	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	1.44	1.50	1.54	1.53	1.62	1.67	1.55	1.47	1.25
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.12	1.20	1.34	1.73	1.58	1.45	1.52	1.54	1.59	1.56	1.67	1.71	1.57	1.48	1.26
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.71	1.78	1.84	2.35	2.12	1.91	1.94	1.87	2.04	2.02	2.30	2.41	2.34	2.29	1.98
Loin, Tenderloin, FOB Plant, USDA	2.32	2.41	2.54	2.76	2.78	2.78	2.80	2.75	2.89	2.80	2.95	3.00	2.91	2.82	2.57
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	0.99	1.06	1.16	1.61	1.60	1.60	1.60	1.70	1.73	1.69	1.59	1.60	1.53	1.43	1.33
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.42	1.52	1.61	1.82	1.76	1.70	1.63	1.73	1.76	1.75	1.82	1.85	1.67	1.70	1.60
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.21	2.20	2.29	2.45	2.54	2.59	2.59	2.60	2.45	2.44	2.53	2.56	2.41	2.44	2.34
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.36	1.46	1.53	1.74	1.64	1.61	1.59	1.69	1.75	1.69	1.76	1.79	1.61	1.64	1.54
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.03	2.16	2.33	2.71	2.63	2.66	2.66	2.71	2.74	2.78	2.85	2.90	2.52	2.43	2.26
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.98	0.78	0.86	1.06	1.19	1.08	1.16	1.21	1.24	1.22	1.28	1.30	1.26	1.27	1.18
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.81	0.74	0.85	1.12	1.14	1.13	1.18	1.28	1.29	1.27	1.26	1.28	1.24	1.21	1.10
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.80	0.74	0.84	0.99	1.02	1.05	1.13	1.22	1.23	1.22	1.22	1.26	1.22	1.15	1.03
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	1.32	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	1.59	1.62	1.72	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	1.89	1.89	1.90	1.89	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	1.79	1.90	1.89	1.88	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	0.74	0.72	0.81	0.77	0.89	0.90	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	1.25	1.32	1.32	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	1.10	1.17	1.18	1.16	1.22	1.24	1.11	1.06	0.91
<u>BROILERS</u>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	0.95	0.96	0.92	1.06	1.10	1.18	1.16	1.13	1.14	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	1.97	1.96	2.07	2.01	1.92	1.85	1.70	1.50	1.36
N.E. BROILER BREAST LINE RUN, USDA	0.94	0.93	0.85	0.91	1.06	1.20	1.23	1.26	1.31	1.31	1.31	1.30	1.15	1.07	0.99
N.E. BROILER LEG QUARTERS, USDA	0.43	0.43	0.42	0.44	0.48	0.50	0.49	0.51	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	1.47	1.44	1.44	1.44	1.46	1.48	1.51	1.55	1.48
<u>TURKEYS</u>															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.10	1.03	1.03	1.06	1.08	1.09	1.10	1.11	1.14	1.13	1.17	1.18	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	3.70	3.72	3.70	3.75	3.80	3.82	3.79	3.64
<u>LIVE STEERS</u>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.31	1.40	1.43	1.50	1.49	1.47	1.45	1.48	1.47	1.47	1.47	1.47	1.49	1.50	1.51
<u>BEEF</u>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	6.45	5.77	5.61	6.32	6.68	7.23	7.75	7.97	8.16	7.97	7.54	7.41	7.54	7.80	8.31
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.30	2.67	2.55	3.04	2.68	2.34	2.18	2.37	2.50	2.49	2.57	2.70	2.71	2.70	2.62
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.09	2.57	2.53	2.51	2.18	2.15	2.21	2.27	2.38	2.33	2.35	2.41	2.47	2.56	2.48
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	4.75	5.00	5.00	6.76	6.30	6.01	6.54	6.30	6.45	6.45	6.52	6.25	6.08	5.57	5.45
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	2.78	2.95	2.96	3.50	3.51	3.82	4.14	4.01	4.02	3.94	4.10	4.15	3.88	3.20	3.16
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	3.66	4.21	3.99	4.72	5.04	5.15	5.24	5.08	5.30	5.20	5.07	4.77	4.23	4.03	4.02
COARSE GROUND 73%, USDA	1.71	2.29	2.06	2.24	1.89	1.98	1.99	1.83	1.95	1.95	1.92	1.96	2.00	1.89	1.95
COARSE GROUND 81%, USDA	1.86	2.45	2.28	2.51	2.03	2.07	2.14	1.93	2.16	2.15	2.19	2.23	2.25	2.11	2.13
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.02	2.19	2.38	2.61	2.49	2.43	2.44	2.46	2.51	2.49	2.54	2.46	2.40	2.27	2.28
50CL BEEF TRIM, FRESH, NATIONAL, USDA	0.95	1.05	1.10	1.47	1.22	1.26	1.29	1.30	1.26	1.29	1.30	1.26	1.16	1.21	1.38



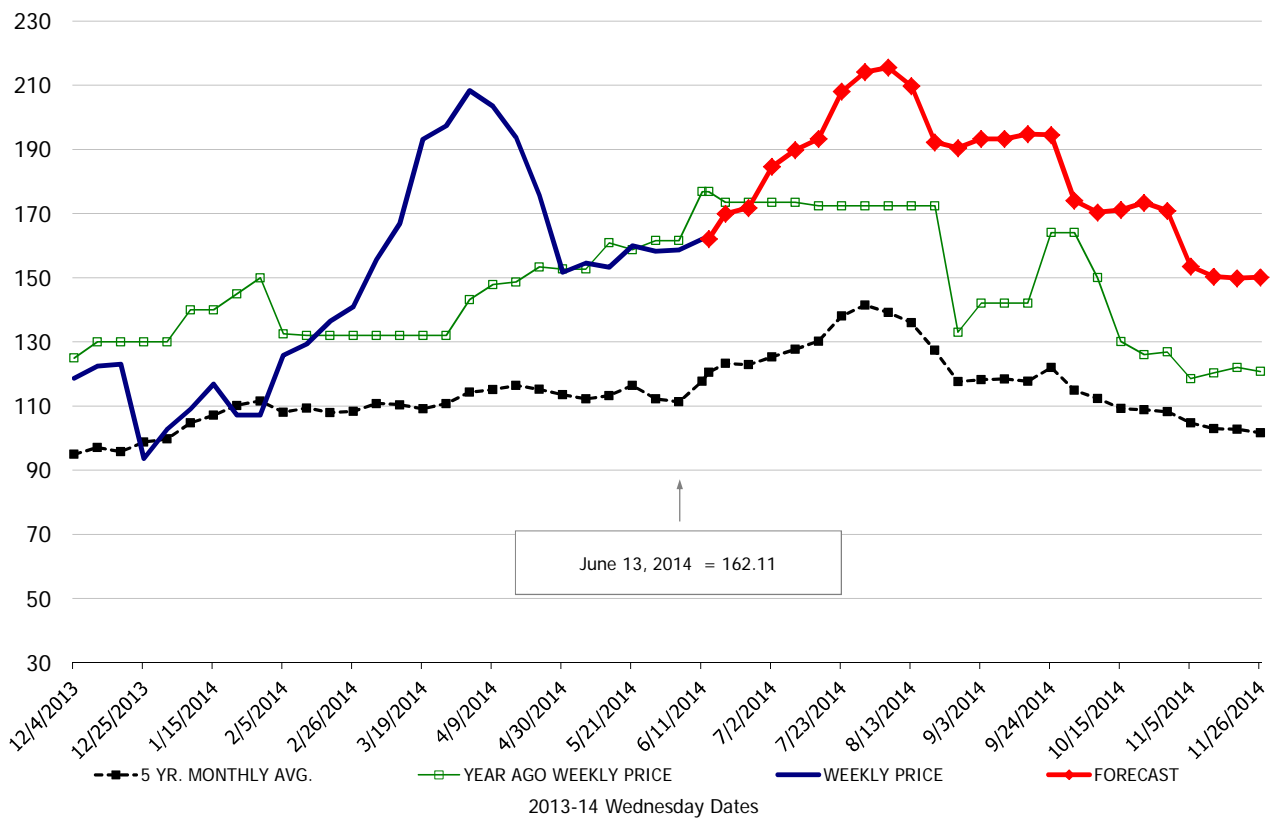
\$/cwt

Ham, 17-20# Trm'd Selected Ham, FOB Plant, USDA



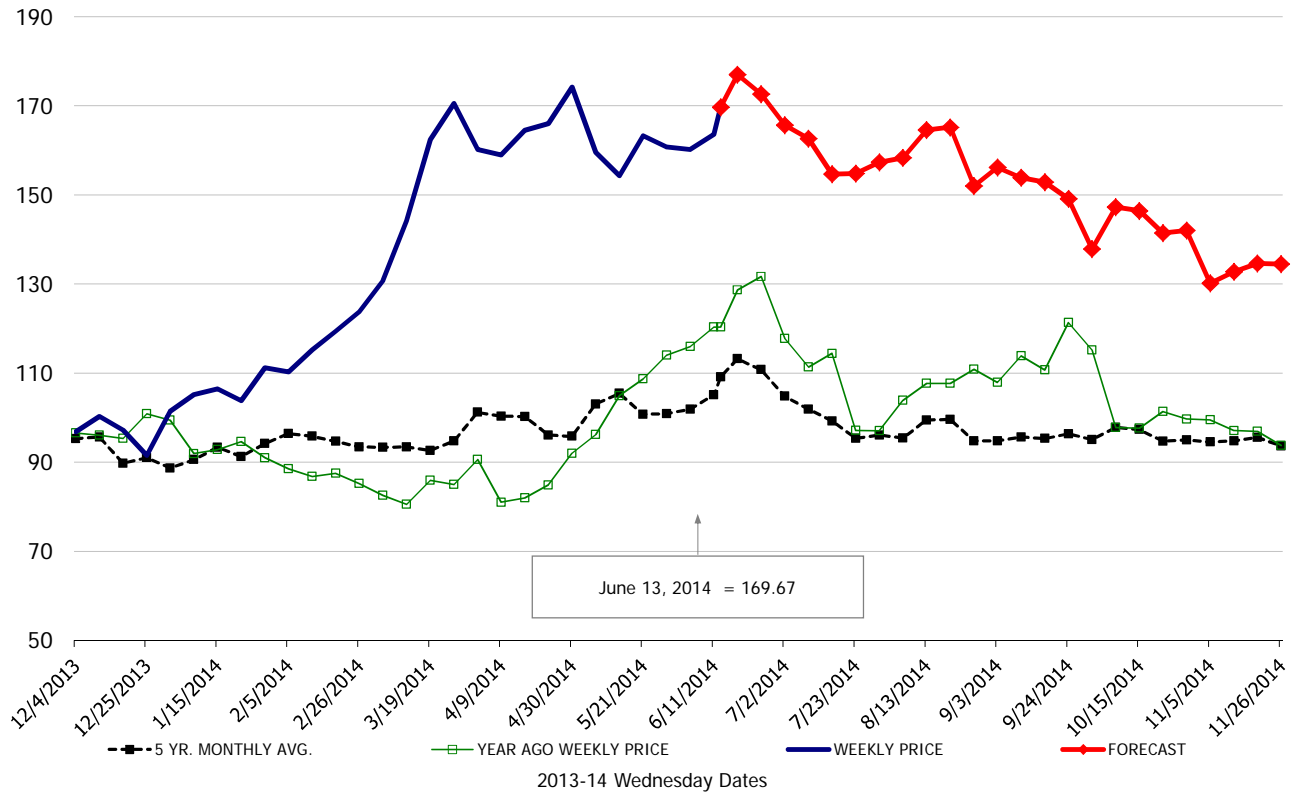
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Belly, Skin-On Belly 14-16#, FOB Plant, USDA



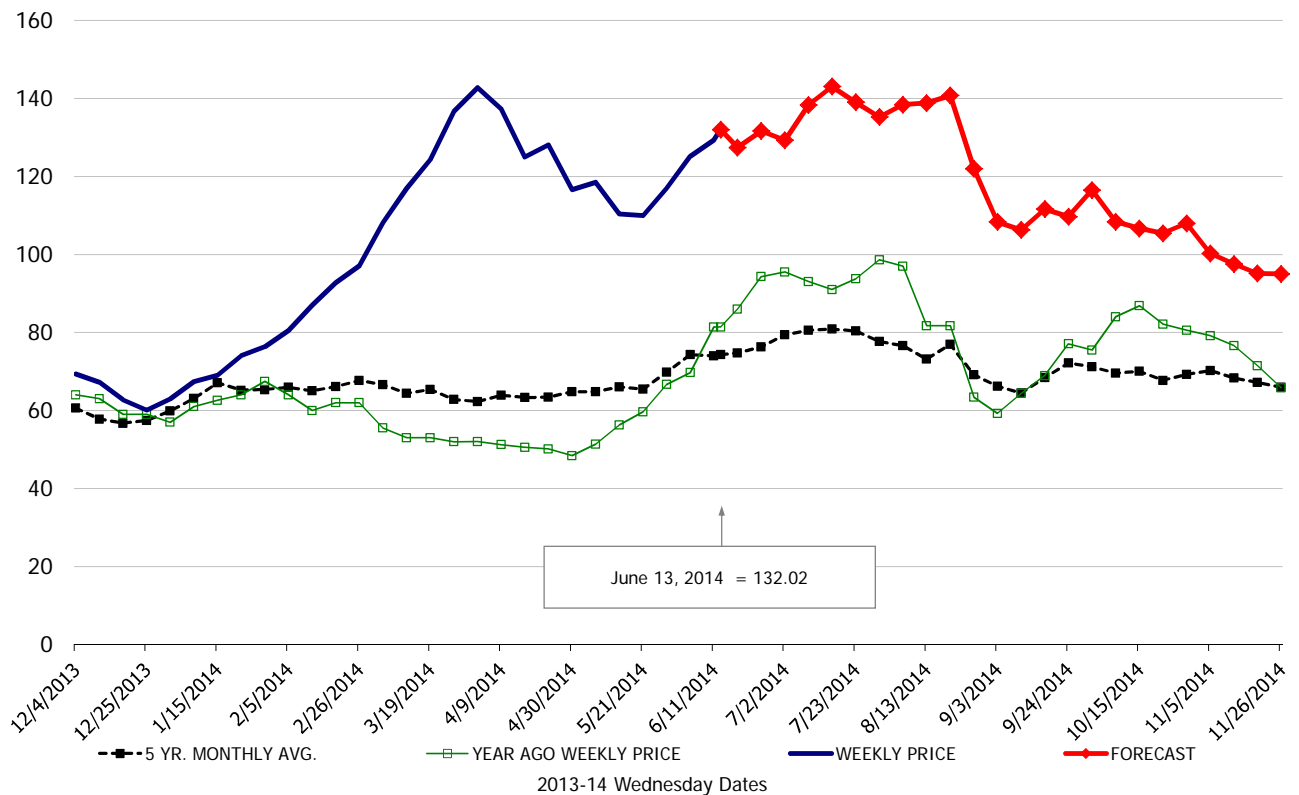
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Butt, 1/4 Trim Butt Combo, FOB Plant, USDA

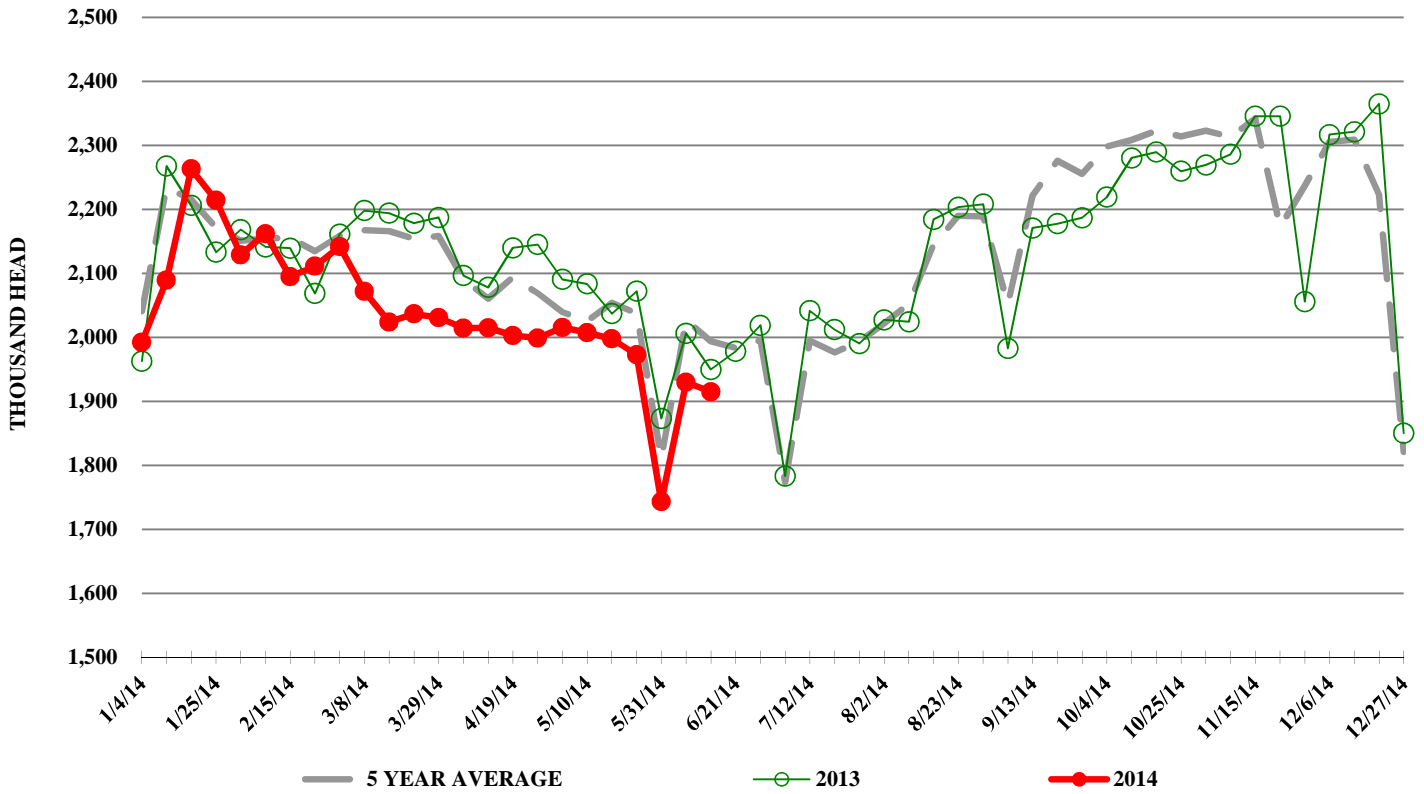


\$/cwt

Trim, 72% Trim Combo, FOB Plant, USDA



ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION

