



Pork Merchandiser's Profit Maximizer

Be inspiredSM

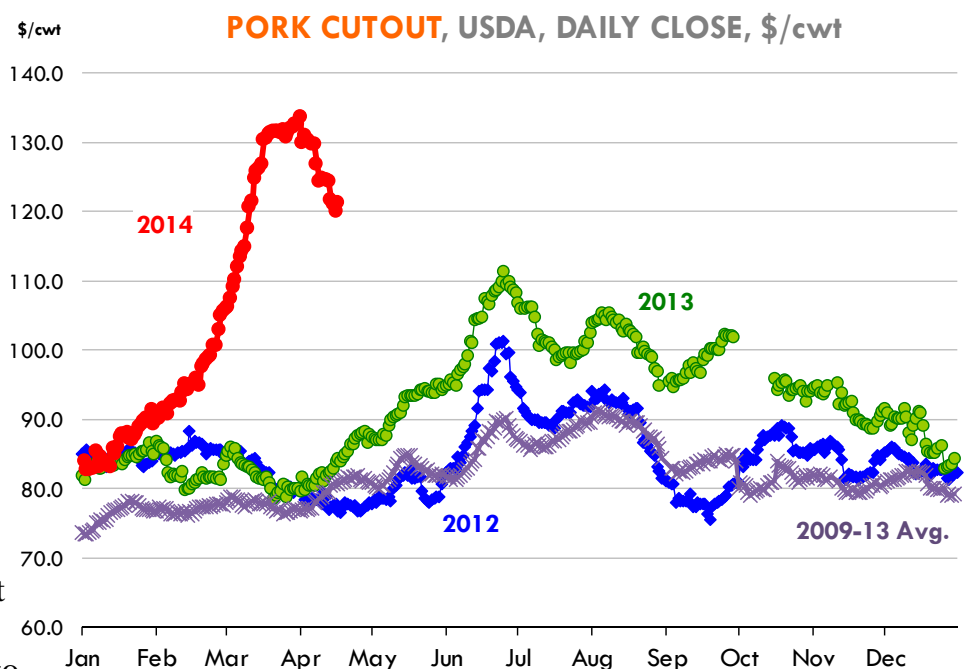
- Foodservice Edition

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April 21, 2014

The pork cutout has been declining steadily in the past two weeks although the overall cutout value towards the end of last week seemed to stabilize around \$121/cwt. USDA quoted the Friday (April 18) cutout at \$121.34/cwt, down \$3.42/cwt compared to the previous Friday and down \$12/cwt (-9%) from the peak established April 2. Despite the recent pullback in pork wholesale prices, the cutout remains about 47% higher than the same period a year ago.

There was a lot of panic buying in March as end users sought to build inventories in a hurry and the spot market dried up. In recent days, however, we have noticed a less frenzied buying pace in product markets. It helps that the supply of pork coming to market has improved somewhat. For the past three weeks, USDA has pegged weekly pork production at an average of about 432.5

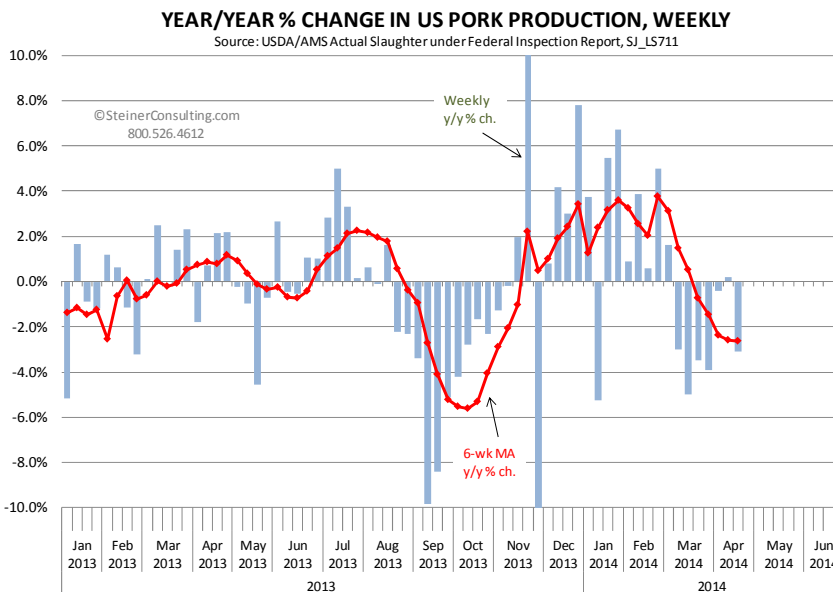


million pounds, only about 1.1% lower than a year ago. And we think that number actually understates the total pork supply as it uses an estimated number for average hog carcass weights. Once USDA revises its numbers on Thursday, we think that pork production in the past two weeks actually will show an increase compared to a year ago. Hog carcass weights are currently averaging around 216 pounds

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(based on MPR data for all hogs). The average weight of hogs sold by producers currently is 215.9 pounds, up 4.3% compared to a year ago while the average weight of packer owned hogs currently stands at 218.1 pounds, up 3.2% from a year ago. These kinds of weight increases have offset a good portion of the decline in hog slaughter. Hog slaughter last week was about 2 million head, down about 6.2% compared to a year ago. But with hog weights running almost 4% higher than a year ago, overall pork production likely is down only about 2-2.5% compared to the same period a year ago.

While a 2.5% decline in pork supplies is supportive of higher y/y pork prices, it is still out of sync with a cutout value that is 47% higher than the previous year. But the sharp spike in pork prices reflects not just current supply conditions but also expectations for severely reduced summer supplies. Market participants viewed the decline in March hog supplies as a signal that spring and summer shortages would be much more severe than expected and responded accordingly. Now that production levels have returned to levels similar to a year ago, there is a risk that we could see the pendulum swing too much the other way. After all, the same dynamic that saw prices spike to all time record highs in March also can work in reverse. End users that rushed to market in order to get enough supplies around them now may opt to sit on the sidelines as prices declined. Some of the pullback in prices may be seasonal. Ham prices normally are weaker in the two weeks ahead of Easter as retailers already have covered their needs. The ham primal has declined about 15% in the past two weeks and bone-in hams are currently trading below grinding value. Loins and ribs also are



weaker as retailers have become less aggressive in chasing product.

Bottom line: The spike in March pork prices may have been overdone as a decline in slaughter, high beef prices and panic buying caused the pork spot market to dry up. Still, there is plenty of risk for the June - Aug pork market and likely more volatility in the months ahead.

Upcoming holidays:

2014 Passover (Tuesday April 15); Easter (Sunday April 20); Cinco de Mayo (Monday May 5); Mother's Day (Sunday May 11); Victoria Day [Canada] (Monday May 19); Memorial Day (Monday May 26); Father's Day [US and Canada] (Sunday June 15); 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 April 19 slaughter was 2.007 million head, down 6.2% 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 114.07 /cwt. on Friday were down about \$10/cwt since Wed. April 9. Prices are still up about \$35 /cwt compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at \$1.4928, down about one cent since the Wed. April 9 quote but up about 42 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.9577 for the strap on loins, up about 6 cents since Wed. April 9 and up about 58 cents from the year ago levels. Strap off loins at \$2.2086 are up about 9 cent since Wed. April 9 and up about 65 cents compared to the year ago quote.

Boneless sirloins at \$1.7839 are up about 3 cents from the Wed. April 9 quote and up about 59 cents from the year ago price.

Pork tenderloin finished last week at \$2.8063, down about 6 cents since the Wed. April 9 quote but up about 25 cents from the year ago price.

5/10 Pork Butts (page 10), prices finished the week at \$1.5966, up about 3 cents since Wed. April 9.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$1.6387, down about 17 cent since Wed. April 9 but up about 23 cents from year ago levels.

Rib inventories on February 28 were 122.6 million pounds, up 3 percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was \$1.0813/lb., down about 25 cents since Wed. April 9 but up about 38 cents from a year ago.

20/23 hams finished the week at 107.73 cents, up about 16 cents since Wed. April 9 but up about 38 cents from the year ago level.

23/27 hams finished the week at 99.28 , up about 2 cents from the Wed. April 9 quote and up about 30 cents from the year ago level.

Total ham cold storage stocks on February 28 at 117.2 million pounds were up about 6 percent from year ago levels.

42 CL Pork Trim “FOB Basis”. Prices finished the week at 68.99 , down about 11.5 cent since Wed. April 9 but up about 28 cents from the year ago price.

72 CL Pork Trim “FOB Basis”. Prices finished the week at 124.37 cents, down about 13 cents since the Wed. April 9 quote but up about 74 cents from the year ago level.

Freezer stocks of all trimmings on February 28 were 37.8 million pounds, down about 41 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 \$107.50 was up about 5 cents from a year ago.

The National Whole Bird price was quoted at 111.82 on Friday, April 12, up about 5 cents from a year ago.

Broiler slaughter for the week ending April 19 was 146.79 million head, down 4.45% from a year ago. For the last two weeks slaughter was down 2.1% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$1.7819, up 13 cents since Wed. April 9 and also up about 13 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 3.7 cents vs. year ago price at 48.94 . Prices trend modestly higher the next few months. However, Mexico could be a significant issue any time.

Wings. Prices at \$1.4298 are down about 6 cents from year ago levels.

Turkeys

Hens finished last week at \$1.0800, unchanged since Wed. April 9 and up about 7 cents from the year ago price.

Toms finished last week at \$1.0800, unchanged since Wed. April 9 and up about 7 cent from the year ago price.

Total turkey supplies in the freezer on February 28 were down about 21 percent from a year ago at 313.2 million pounds. Whole birds were down 17 percent from year ago with an inventory of 141.6 million pounds.

Turkey slaughter was 4.2250 million head for the week ending April 12, down -2.60% from a year ago. For the last two weeks slaughter has been down 0.9%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$3.2800, up 3 since Wed. April 9. Prices are up about 50 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 \$6.8708 (weighted average quote) finished last week up about 35 cents since the Wed. April 9 quote and up about 116 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$6.1237 (weighted average quote) finished last week up about 31 cents since the Wed. April 9 quote but up about 109 cents vs. the year ago price.

Prices should benefit in the next few weeks from a seasonal improvement in foodservice demand. A colder than normal winter has created plenty of pent up demand and we expect prices to move up in April.

Currently Choice 112A Rib Eyes are \$0.7471 /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 \$2.5781 down about 5 cents since Wed. April 9 but up about 62 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$2.6222 down about 5 cents since Wed. April 9 and up about 61 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$2.2484 up about 15 cents since Wed. April 9 and up about 34 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$6.3214 (wt. avg.) down about 25 cents from the Wed. April 9 quote. Prices are about 43 cents over year ago levels.

Choice #184 Regular Heavy top butts finished at \$3.5306 (wt. avg.) up about 24 cents since Wed. April 9 and up about 45 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$3.5245 (wt. avg.) up about 11 cents since Wed. April 9 and up about 23 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$5.0672 (wt. avg.) up about 8 cents since Wed. April 9 and up about 114 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at \$1.8950 up about 9 cents since Wed. April 9 and up about 20 cents from year ago levels.

81CL Coarse Ground product finished last week at \$2.0035 up about one cent since Wed. April 9 and up about 17 cents from the year ago quote.

90CL Bnls. Beef prices finished the week at \$2.4981 (wt. avg.) down about 2 cent since Wed. April 9 but up 36 compared to the year ago price quote. Ranchers are trying to hold more beef cows and lean beef supplies remain in limited supply

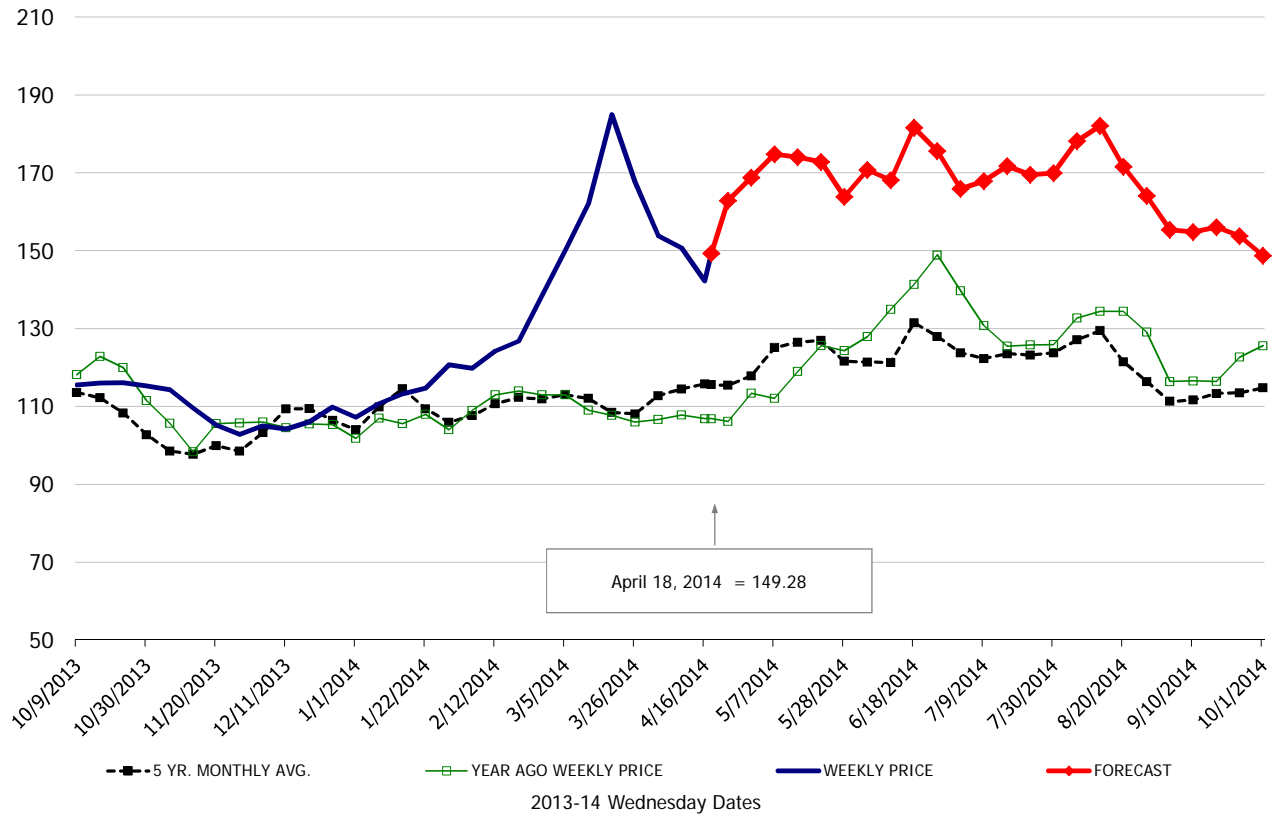
50 CL Beef Trim prices finished last week at \$1.3211, up about 20 cent since Wed. April 9 and up 35 compared to the year ago level.

Food Service Summary Table - WT. AVE

	2013-14 History							2014 FORECAST							
	Oct	Nov	Dec	Jan	Feb	Mar	4/9/2014	4/18/2014	4/30/2014	Apr	May	Jun	Jul	Aug	Sep
<u>PORK</u>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.16	1.07	1.06	1.14	1.27	1.65	1.51	1.49	1.69	1.59	1.70	1.74	1.69	1.74	1.55
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.23	1.17	1.12	1.20	1.34	1.73	1.61	1.58	1.79	1.72	1.77	1.73	1.69	1.74	1.57
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.81	1.73	1.71	1.78	1.84	2.35	2.12	2.21	2.41	2.49	2.56	2.52	2.42	2.55	2.35
Loin, Tenderloin, FOB Plant, USDA	2.33	2.29	2.32	2.41	2.54	2.76	2.86	2.81	2.85	2.90	2.95	3.02	2.97	2.93	2.81
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	1.01	0.99	0.99	1.06	1.16	1.61	1.59	1.56	1.50	1.59	1.58	1.61	1.50	1.49	1.44
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.46	1.47	1.42	1.52	1.61	1.82	1.81	1.64	1.96	2.02	2.00	1.94	1.81	1.86	1.62
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.26	2.28	2.21	2.20	2.29	2.45	2.61	2.53	2.70	2.78	2.75	2.76	2.58	2.64	2.34
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.43	1.38	1.36	1.46	1.53	1.74	1.74	1.58	1.94	1.92	1.89	1.89	1.80	1.85	1.63
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.08	2.05	2.03	2.16	2.33	2.71	2.69	2.69	2.78	2.83	3.11	2.99	2.81	2.80	2.52
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.95	1.01	0.98	0.78	0.86	1.06	1.33	1.08	1.07	1.08	1.08	1.09	1.14	1.19	1.17
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.91	0.93	0.81	0.74	0.85	1.12	1.24	1.08	1.06	1.04	1.04	1.04	1.13	1.16	1.15
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.89	0.87	0.80	0.74	0.84	0.99	0.97	0.99	1.05	1.03	1.04	1.03	1.12	1.16	1.12
Ham, 5 Muscle Ham to Blue, FOB Plant, USDA	1.40	1.43	1.40	1.21	1.30	1.49	1.48	1.48	1.30	1.31	1.34	1.31	1.33	1.34	1.31
Belly, Skin-on Belly 14-16#, FOB Plant, USDA	1.26	1.21	1.14	1.07	1.34	1.77	2.03	1.89	2.08	2.07	2.04	2.06	2.20	2.18	1.96
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.72	1.63	1.53	1.44	1.65	2.15	2.45	1.94	2.35	2.40	2.37	2.35	2.52	2.52	2.36
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.67	1.58	1.48	1.38	1.58	2.14	2.36	2.03	2.34	2.39	2.36	2.34	2.51	2.51	2.35
Trim, 42% Trim Combo, FOB Plant, USDA	0.47	0.38	0.32	0.35	0.43	0.71	0.80	0.69	0.74	0.73	0.74	0.79	0.91	0.90	0.76
Trim, 72% Trim Combo, FOB Plant, USDA	0.83	0.73	0.64	0.70	0.91	1.23	1.37	1.24	1.28	1.30	1.33	1.42	1.49	1.40	1.09
<u>HOG CARCASS</u>															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	0.86	0.80	0.78	0.79	0.89	1.03	1.24	1.14	1.25	1.20	1.22	1.24	1.23	1.21	1.09
<u>BROILERS</u>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	0.91	0.94	0.95	0.96	0.92	1.06	1.09	1.12	1.06	1.09	1.09	1.08	1.07	1.03	1.00
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.35	1.26	1.26	1.25	1.27	1.48	1.65	1.78	1.83	1.86	2.03	1.88	1.87	1.85	1.80
N.E. BROILER BREAST LINE RUN, USDA	1.01	0.98	0.94	0.93	0.85	0.91	1.01	1.08	1.11	1.12	1.28	1.25	1.29	1.33	1.26
N.E. BROILER LEG QUARTERS, USDA	0.47	0.44	0.43	0.43	0.42	0.44	0.45	0.49	0.48	0.49	0.51	0.51	0.51	0.53	0.53
N.E. BROILER WINGS, USDA, WT.AVG.	1.49	1.21	1.21	1.30	1.27	1.38	1.40	1.43	1.41	1.40	1.32	1.36	1.44	1.46	1.49
<u>TURKEYS</u>															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.08	1.10	1.10	1.03	1.03	1.06	1.07	1.08	1.07	1.08	1.11	1.14	1.17	1.18	1.19
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	2.20	2.19	2.16	2.16	2.16	2.42	3.25	3.28	3.21	3.28	3.28	3.33	3.38	3.50	3.63
<u>LIVE STEERS</u>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.29	1.31	1.31	1.40	1.43	1.50	1.50	1.48	1.49	1.48	1.42	1.35	1.32	1.33	1.37
<u>BEEF</u>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	6.92	7.41	6.45	5.77	5.61	6.32	6.52	6.87	7.13	7.04	7.14	7.39	6.78	6.72	7.05
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.28	2.27	2.30	2.67	2.55	3.04	2.67	2.62	2.60	2.62	2.59	2.42	2.36	2.44	2.50
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.18	2.11	2.09	2.57	2.53	2.51	2.10	2.25	2.28	2.28	2.24	2.18	2.13	2.19	2.30
CHOICE, 180, 3 STRIP LOIN, BONELESS, Ox1, USDA	4.88	4.70	4.75	5.00	5.00	6.76	6.57	6.32	6.67	6.60	7.12	6.85	5.86	5.66	5.60
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	2.94	2.79	2.78	2.95	2.96	3.50	3.40	3.52	3.85	3.63	3.68	3.29	3.25	3.35	3.29
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	3.73	3.60	3.66	4.21	3.99	4.72	4.98	5.07	5.09	5.09	5.19	5.34	5.07	4.51	4.09
COARSE GROUND 73%, USDA	1.62	1.66	1.71	2.29	2.06	2.24	1.81	1.90	2.09	2.10	2.16	1.92	1.80	1.86	1.86
COARSE GROUND 81%, USDA	1.79	1.82	1.86	2.45	2.28	2.51	1.99	2.00	2.14	2.15	2.35	2.10	1.99	2.04	2.09
90% BONELESS BEEF, CENTRAL, FRESH, USDA	1.93	1.91	2.02	2.19	2.38	2.61	2.52	2.50	2.56	2.53	2.54	2.38	2.34	2.29	2.26
50CL BEEF TRIM, FRESH, NATIONAL, USDA	1.00	1.11	0.95	1.05	1.10	1.47	1.12	1.32	1.43	1.35	1.50	1.27	1.25	1.28	1.20

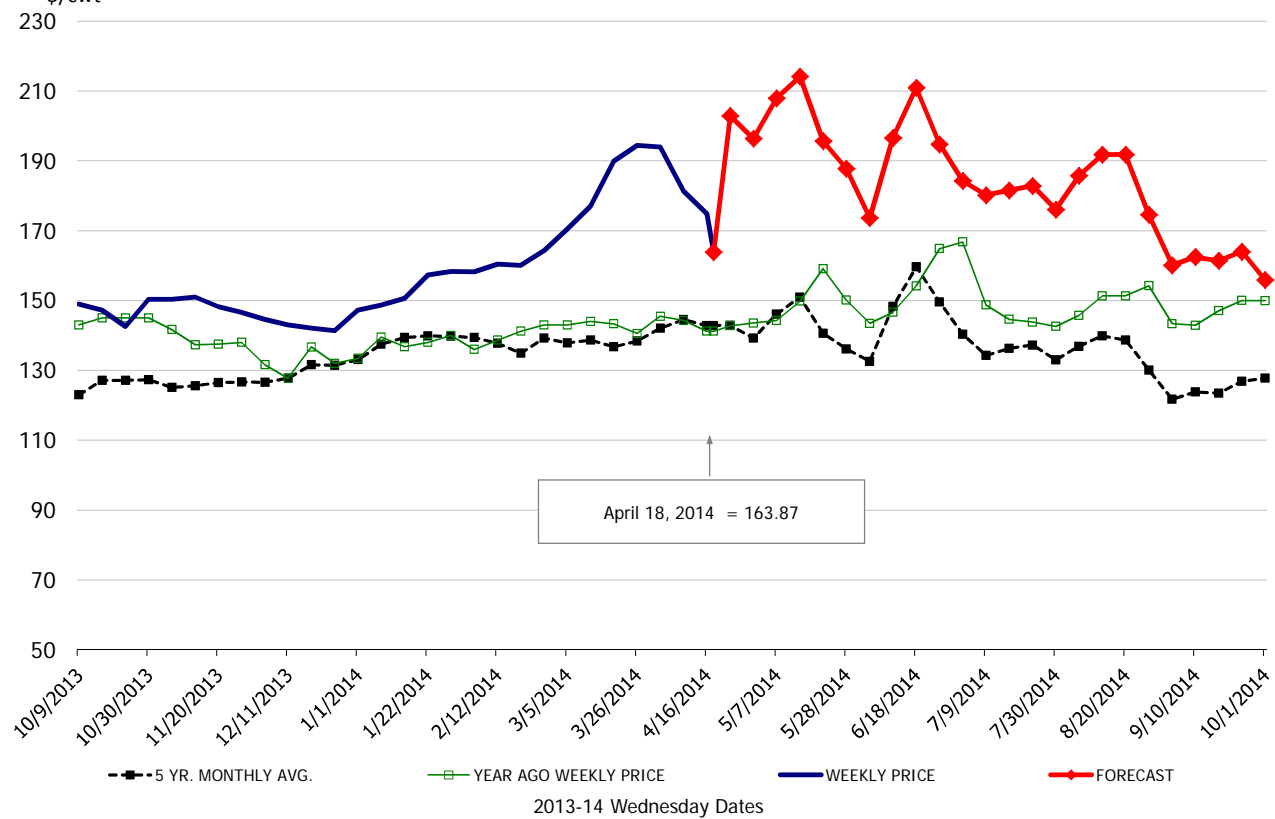
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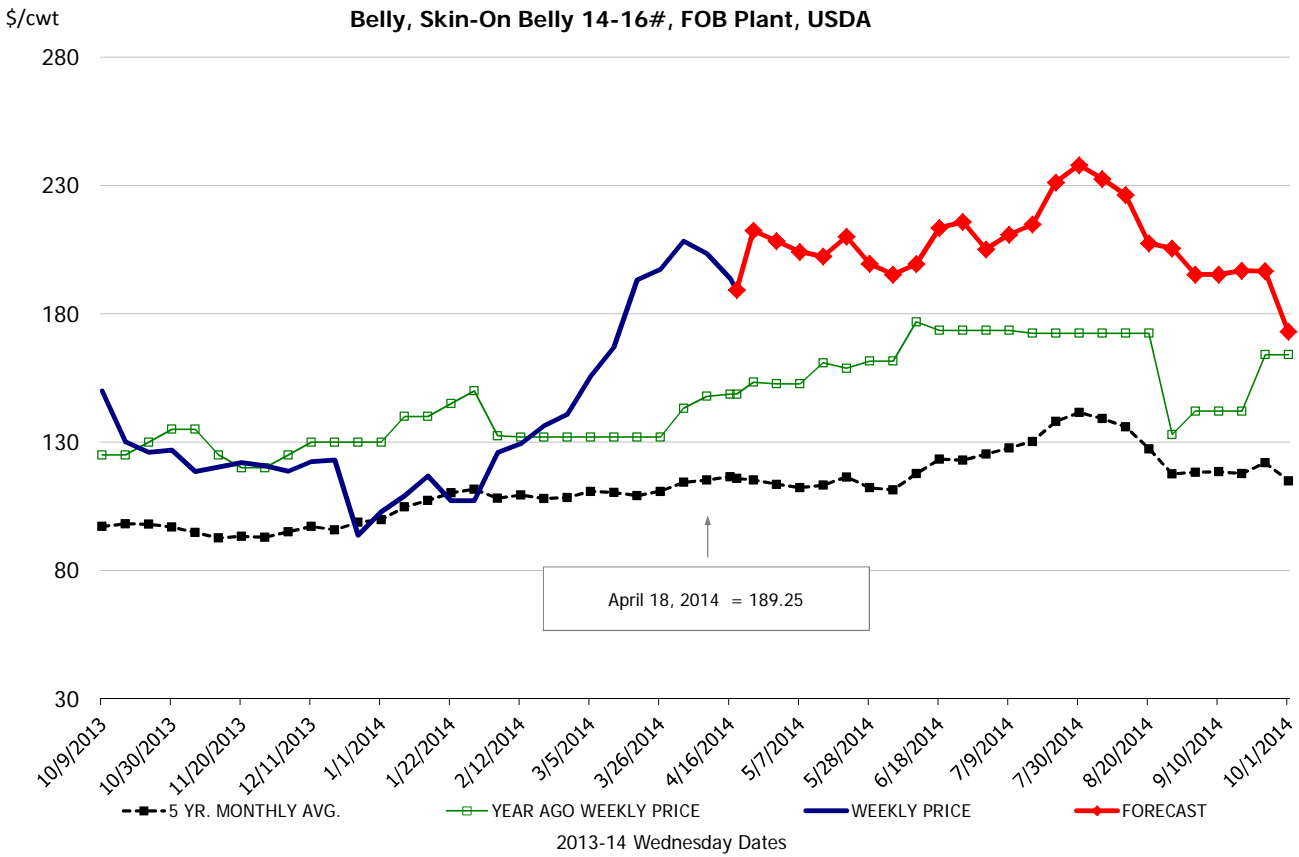
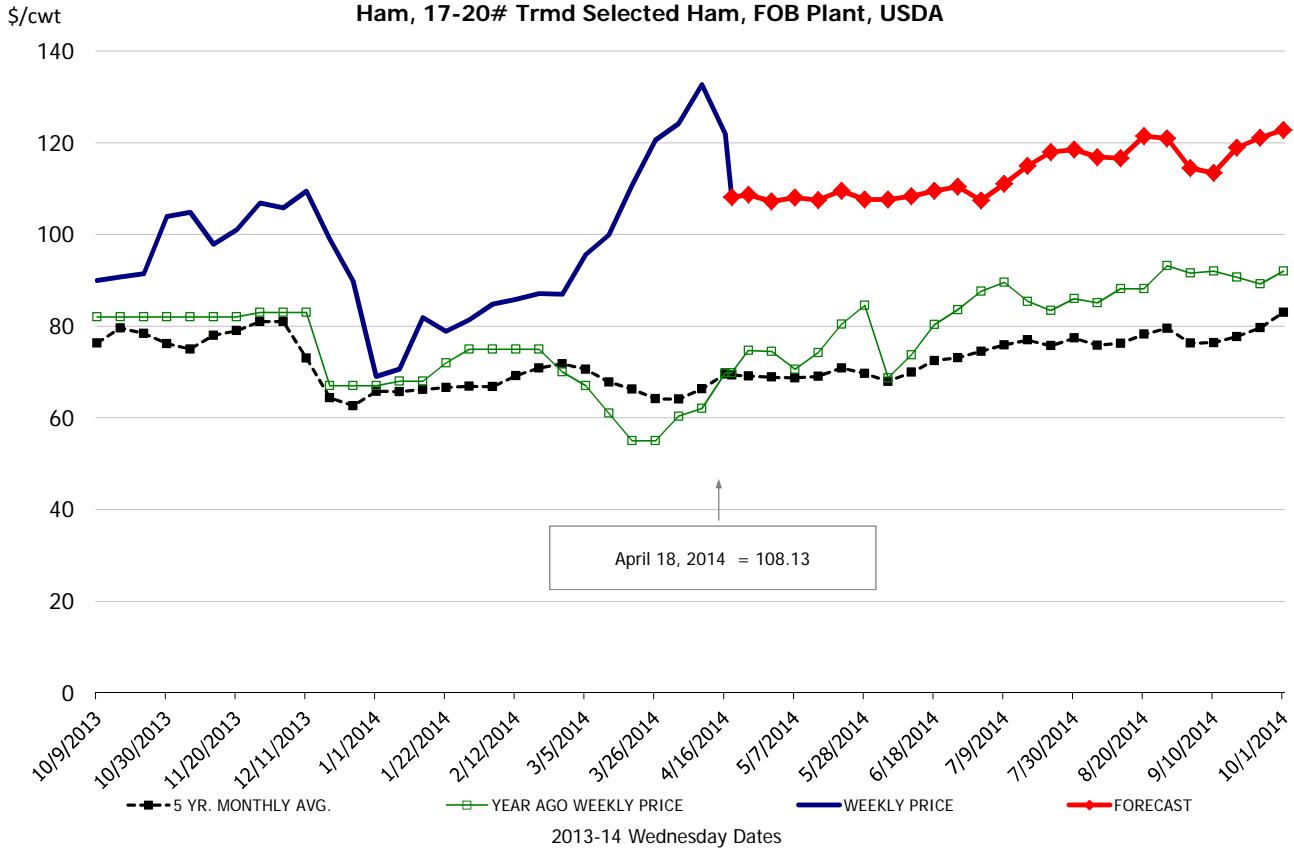
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA



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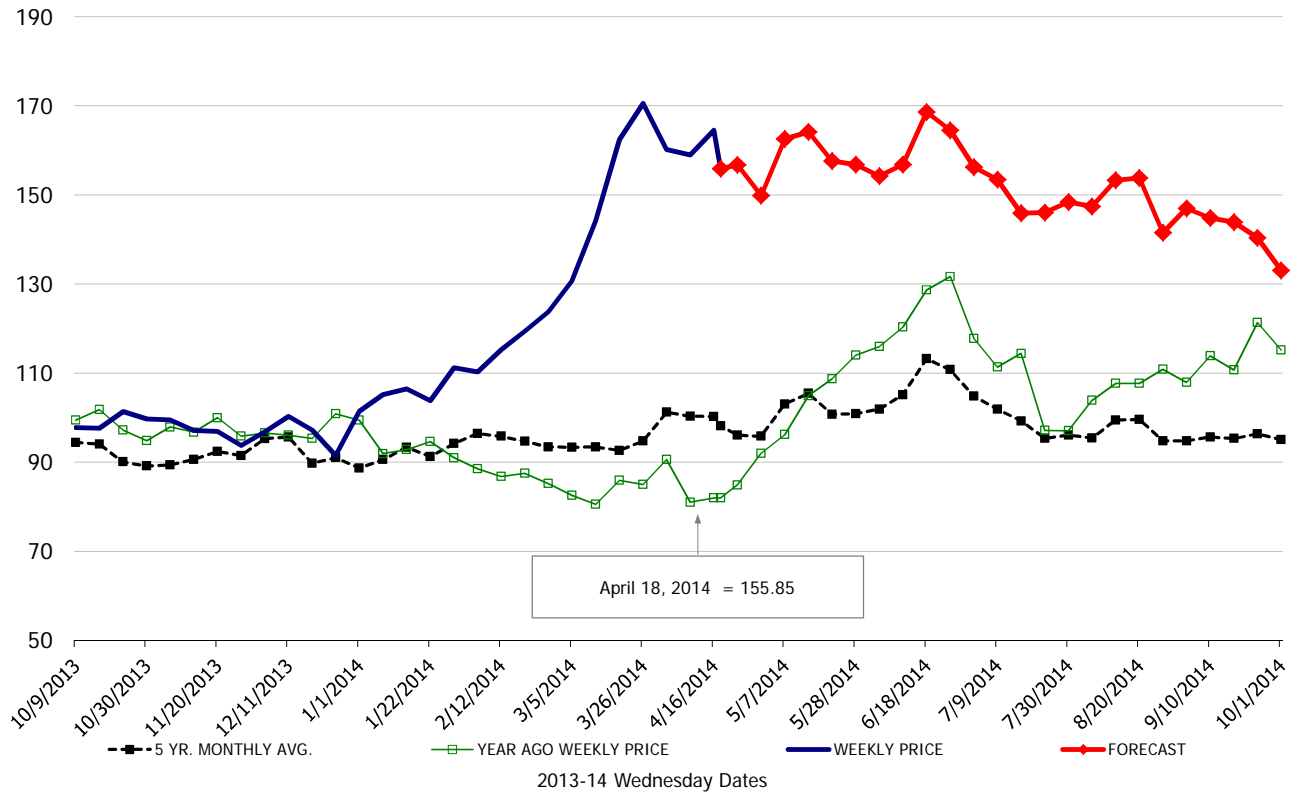
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA





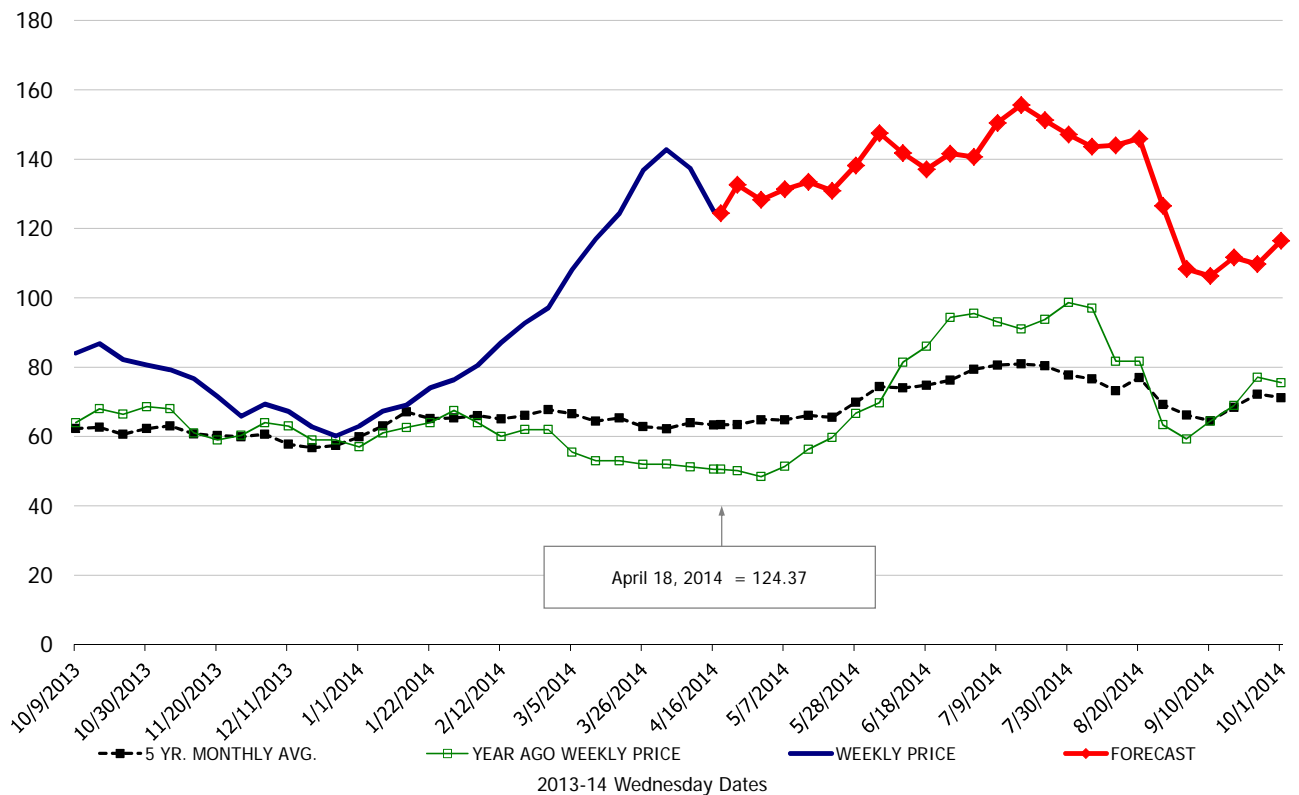
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Butt, 1/4 Trim Butt Combo, FOB Plant, USDA

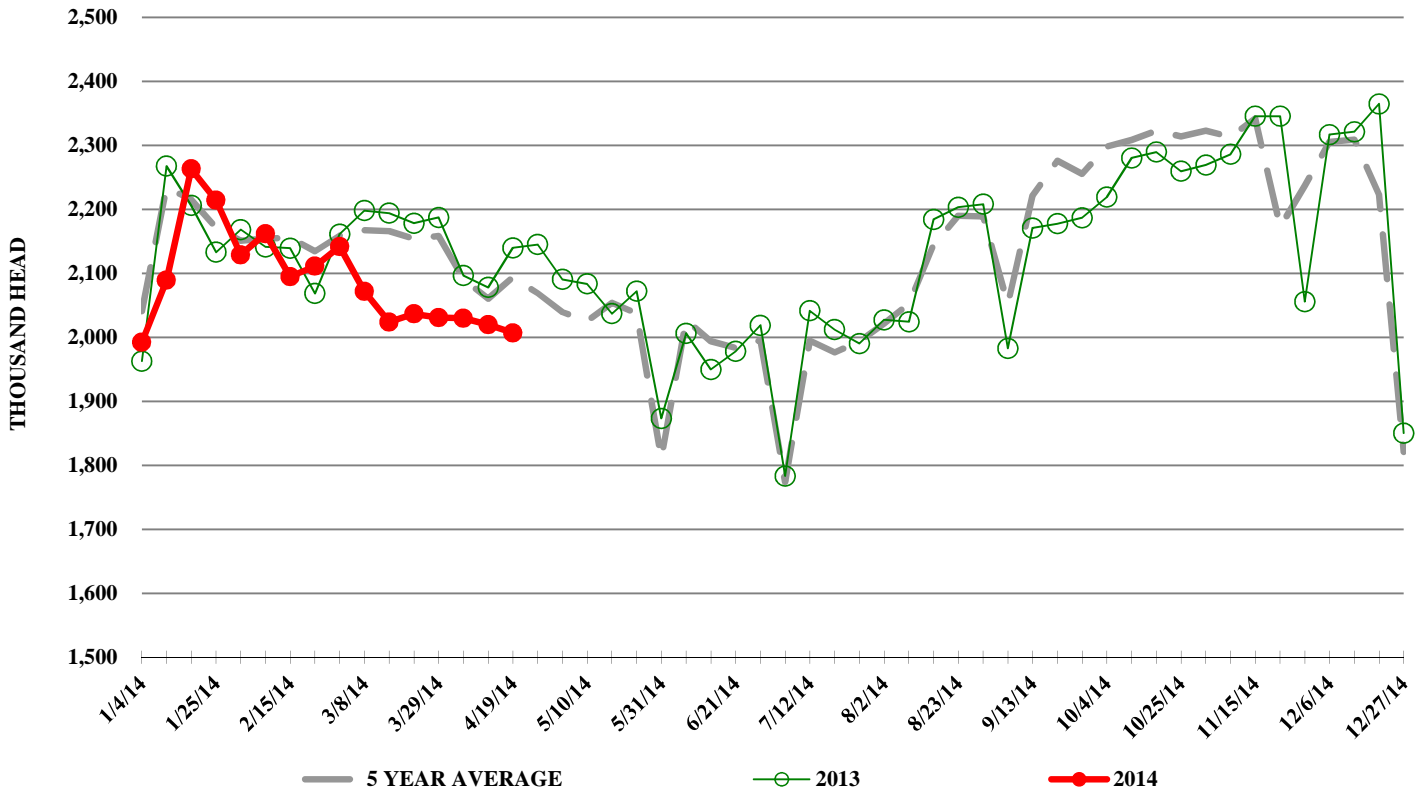


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Trim, 72% Trim Combo, FOB Plant, USDA



ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION

