



Pork Merchandiser's Profit Maximizer

Be inspiredSM

- Foodservice Edition

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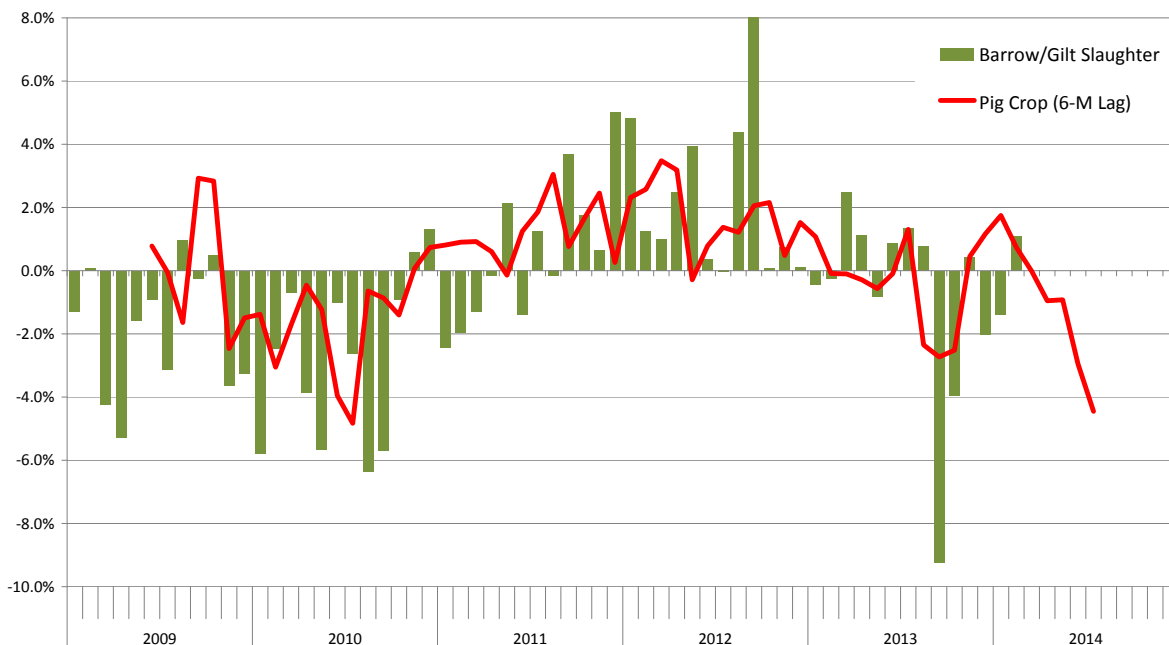
April 7, 2014

1. Hogs and Pigs survey paints a less bullish picture than private analysts, adding to volatility in pork market

The results of the March USDA Hogs and Pigs inventory survey had bearish implications for the summer hog market. All the inventory numbers came in significantly higher than pre-report estimates and prior to the report, the

average of analysts' estimates already was considered to be quite conservative vs. summer and fall hog futures. The lower numbers initially failed to have much impact on futures market but since the release of the report June hog futures have declined by about \$10/cwt as market participants re-assess their positions. Also negative for the market has been the pronounced weakness in some pork items that, for much of

Y/Y Change in Monthly US Pig Crop AND Barrow/Gilt Slaughter (6-M Lag)

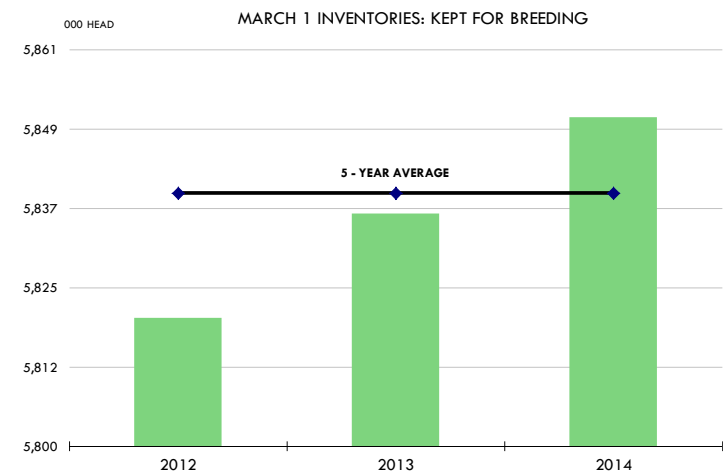
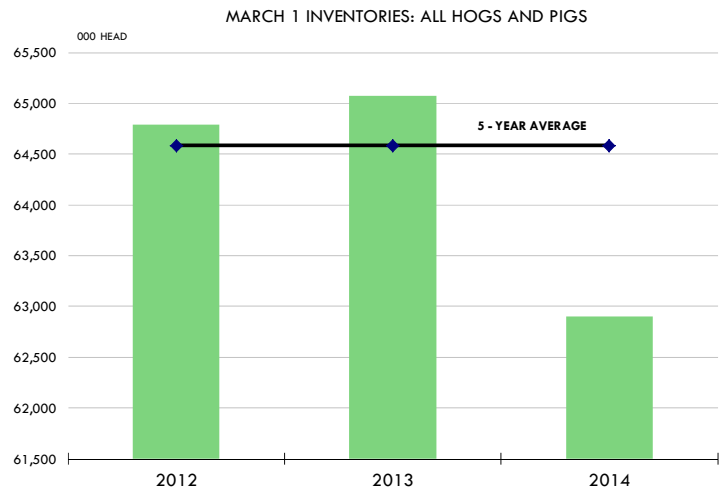


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March, contributed to the big gains in the value of the pork cutout. The most prominent example are pork loins, with both strap on and strap off losing significant ground in the past week. So far, the pork market continues to benefit by strong gains in belly prices as well as the sharp spike in the price of pork trimmings. The main concern among market participants is whether the gains in bellies and trimmings will be sustained into the summer. Normally trim prices have a strong seasonality but there is increasing evidence that many end users have been building inventories early in order to hedge some of their summer needs. This implies that trim demand during the summer may not be as strong as normal. Should hog supplies be indeed as tight as some market analysts expect, then the big price gains we have seen so far likely are warranted. However, if supplies fail to decline, then sharply lower prices may be needed to clear the market. The big increase in trim prices also has been supportive of the ham market. Ham values need to follow trimming prices as end users could easily substitute hams for 72CL trim when ham value drops below grinding value. A potential pullback in trim prices could negatively impact ham prices, at least in the short term.

But what did the inventory report really tell us and how should we approach the supply situation in the hog market this summer? Let's examine some of the main points:

Market hog inventory: The total inventory of hogs and pigs as of March 1 was 62.899 million head, 3.3% smaller than a year ago. Prior to the report, pre-report estimates were looking for a 5.4% decline in the overall inventory. The inventory of market hogs was down 3.7% compared to pre-report estimates of a 5.9% decline. **There has been a lot of speculation in recent weeks as to the supply of hogs on the ground and the possible shortfall in hog slaughter during the spring and summer months.** USDA indicated that, based on its survey, the inventory of hogs 120-179 pounds was 2.9% lower than the previous year while the inventory of hogs 50-119 pounds was 3.3% lower than last year. These numbers are



significantly lower vs. both market estimates for that period and also compared to the inventory of hogs 180 pounds and over. Prior to the report, analysts polled expected inventories of 120-179 hogs to be down about 5.9%, with some analysts estimating supplies could be down as much as 8% compared to a year ago. Similarly, estimates of hogs 50-119 pounds were looking for a 5.8% decline and on the high end the forecast was for a 9% drop. By all measures, the USDA survey numbers are substantially less bullish than what the majority of market analysts was expecting.

If the spread of PEDv is the main reason for the decline in hog inventories, then it would be reasonable to expect hog numbers in the lighter weight categories to be lower. One big inconsistency in the report is the pig crop for the period Sep - Nov, down just 0.1% from the previous year, and the decline in the supply of hogs 180 pounds and over (-4.8%). The slaughter

numbers are the best data we have and in the next report USDA will go back and update the pig crop numbers to match the slaughter data. It is this kind of inconsistency that will likely cause market participants to be very cautious when they use the pig crop numbers for Dec—Feb or farrowing numbers for Mar –May and Jun-Aug to project future supplies. Taking the report as is, one would expect hog slaughter in Q2 to be down about 3.5% while Q3 slaughter would be down 4-4.5%. And if we account for the increase in hog carcass weights, total pork output in Q2 and Q3 would be projected at about 2-2.5%, which is a much smaller decline than what futures are currently trading. Again, the big question before market participants is whether the current survey properly captures the dynamic created by the spread of PEDv and the shortfall in market hogs in the spot market. Weekly hog slaughter in March averaged 6.7% below year ago levels.

Breeding herd: Pre-report estimates pegged the breeding stock to be down 0.6% from a year ago. The USDA survey showed that the breeding herd as of March 1 was up 0.3% from a year ago and 94,000 head larger than the December 1 count. In addition to the larger breeding herd, producers also indicated that they expect farrowings during the Mar - May and Jun - Aug quarters to increase by 2.4% and 2%, respectively. The larger than expected breeding herd and the larger farrowings certainly hold bearish implications for later in the year as well as Q1 2015 pork supplies. Improved profitability for those producers that have not been impacted by PEDv would certainly drive both the increase in total sow numbers as well as the ratio of sows farrowing. Still, the increase in the overall breeding stock appears surprising following reports of widespread PEDv impacts during the Dec - Feb period, including PEDv cases in operations that specialize in producing replacement gilts. A report from University of Missouri shows that gilt slaughter in the first 10 weeks of the year was actually up 0.2% from a year ago while sow slaughter was down just 1.7%.

Productivity: The survey did show a significant decline in the number of pigs saved per litter, a direct impact of the PEDv virus. This is a calculated number based on the farrowings and pig crop reported. For the Dec - Feb period, the number of pigs saved per litter was down 5.5% compared to the previous year. However, because farrowings during Dec - Feb were up some 2.8%, the pig crop for this period was down just 2.8%. The survey continues to show that producers will try to offset the impact of death losses due to PEDv but improving their breeding programs. A larger breeding stock, more aggressive efforts to fight PEDv and the expected seasonal decline in cases could help producers recover some of the lost supplies by late 2014 and early 2015.

Bottom line: The USDA numbers are quite a bit smaller than some of the extremely bullish assumptions built in the market. At this point market participants are taking their cue from what is happening in the cash market and will continue to pay close attention to hog slaughter, hog carcass weights and cutout values. As we have noted many times in the last two months, volatility is the main risk in this market, causing big disruptions in the way you normally price products and also exposing you financially to more risk than what you usually budget for. It is important to work with your customers/suppliers in this environment and look for short term ways to overcome this volatility.

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 5 slaughter was 2.030 million head, down 3.2% 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 124.90 /cwt. on Friday were down about \$2/cwt since Wed. March 26. Prices are still up about \$46 /cwt compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at

\$1.5254, down about 15 cent since the Wed. March 26 quote but up about 46 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.8721 for the strap on loins, down about 29 cents since Wed. March 26 but up about 46 cents from the year ago levels. Strap off loins at \$2.1403 are down about 22 cent since Wed. March 26 but up about 44 cents compared to the year ago quote.

Boneless sirloins at \$1.7510 are down about 12 cents from the Wed. March 26 quote but up about 57 cents from the year ago price.

Pork tenderloin finished last week at \$2.6032, down about 29 cents since the Wed. March 26 quote and down about 8 cents from the year ago price.

5/10 Pork Butts (page 10), prices finished the week at \$1.5850, down about 18 cents since Wed. March 26.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$1.8766, down about 7 cent since Wed. March 26 but up about 42 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 \$1.2418/lb., up about 4 cents since Wed. March 26 and up about 64 cents from a year ago.

20/23 hams finished the week at 125.10 cents, up about 7 cents since Wed. March 26 and up about 63 cents from the year ago level.

23/27 hams finished the week at 116.34 , up about 7 cents from the Wed. March 26 quote and up about 55 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 84.40 , up about 6.2 cent

since Wed. March 26 and up about 44 cents from the year ago price.

72 CL Pork Trim “FOB Basis”. Prices finished the week at 143.43 cents, up about 7 cents since the Wed. March 26 quote and up about 91 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 \$106.25 was up about 4 cents from a year ago.

The National Whole Bird price was quoted at 108.51 on Friday, April 4, up about 2 cents from a year ago.

Broiler slaughter for the week ending April 5 was 154.98 million head, up 1.14% from a year ago. For the last two weeks slaughter was up 1.0% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$1.6651, up 7 cents since Wed. March 26 and also up about 16 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 0.2 cents vs. year ago price at 46.37. Prices trend modestly higher the next few months. However, Mexico could be a significant issue any time.

Wings. Prices at \$1.4247 are down about 18 cents from year ago levels.

Turkeys

Hens finished last week at \$1.0700, unchanged since Wed. March 26 but up about 6 cents from the year ago price.

Toms finished last week at \$1.0700, unchanged since Wed. March 26 but up about 6 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 4.1350 million head for the week ending March 29, up 3.56% from a year ago. For the last two weeks slaughter has been up 0.8%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$3.1000, up 35 since Wed. March 26. Prices are up about 47 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 \$6.4451 (weighted average quote) finished last week down about 32 cents since the Wed. March 26 quote but up about 47 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$5.8649 (weighted average quote) finished last week down about 21 cents since the Wed. March 26 quote but up about 20 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 \$0.5802 /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 \$2.6354 down about 5 cents since Wed. March 26 but up about 65 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$2.7435 down about 31 cents since Wed. March 26 and up about 66 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$2.1500 down about 36 cents since Wed. March 26 but up about 6 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$6.5320 (wt. avg.) down about 87 cents from the Wed. March 26 quote. Prices are about 100 cents over year ago levels.

Choice #184 Regular Heavy top butts finished at \$3.3869 (wt. avg.) up about 3 cents since Wed. March 26 and up about 31 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$3.4390 (wt. avg.) down about 11 cents since Wed. March 26 but up about 17 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$5.0894 (wt. avg.) up about 13 cents since Wed. March 26 and up about 99 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at \$1.8475 down about 20 cents since Wed. March 26 but up about 17 cents from year ago levels.

81CL Coarse Ground product finished last week at \$1.9290 down about 39 cent since Wed. March 26 but up about 9 cents from the year ago quote.

90CL Bnls. Beef prices finished the week at \$2.5410 (wt. avg.) down about 12 cent since Wed. March 26 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

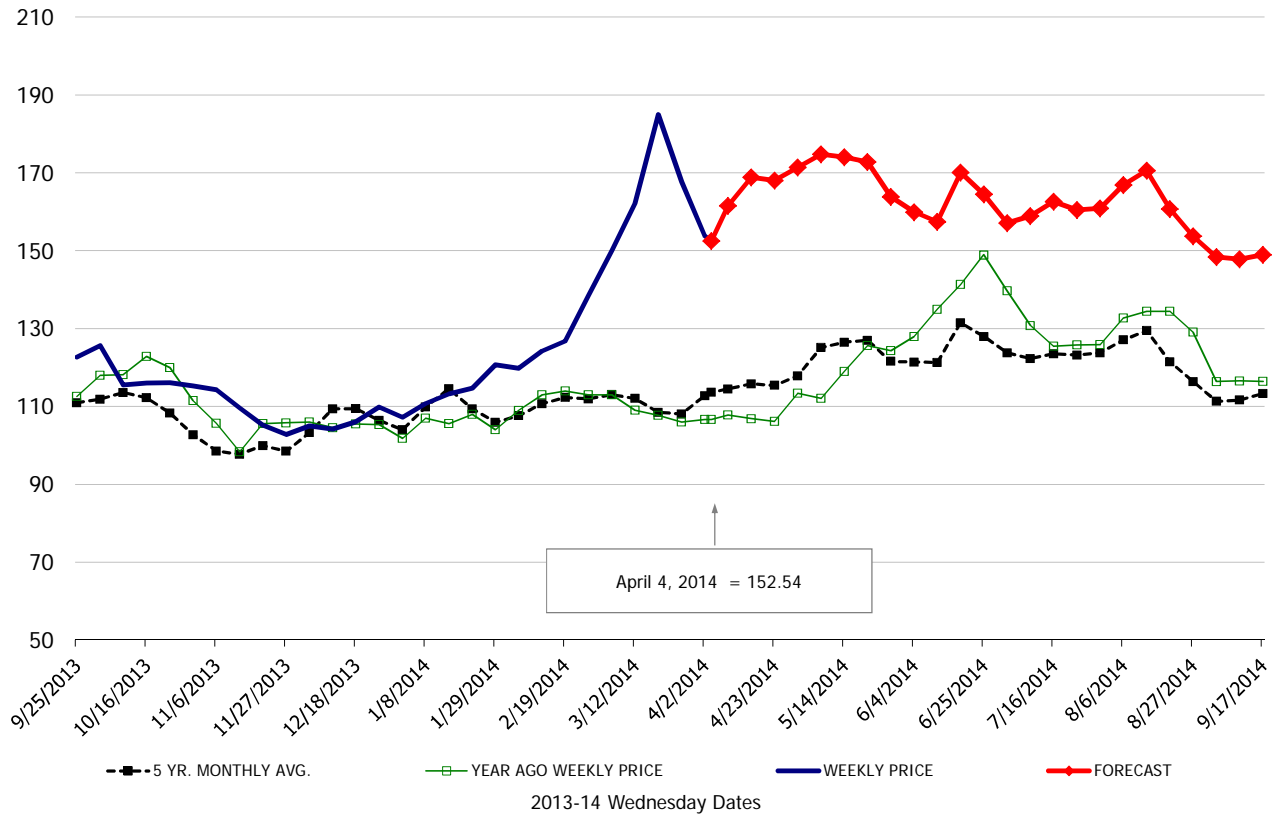
50 CL Beef Trim prices finished last week at \$1.1517, down about 22 cent since Wed. March 26 but up 22 compared to the year ago level.

Food Service Summary Table - WT. AVE

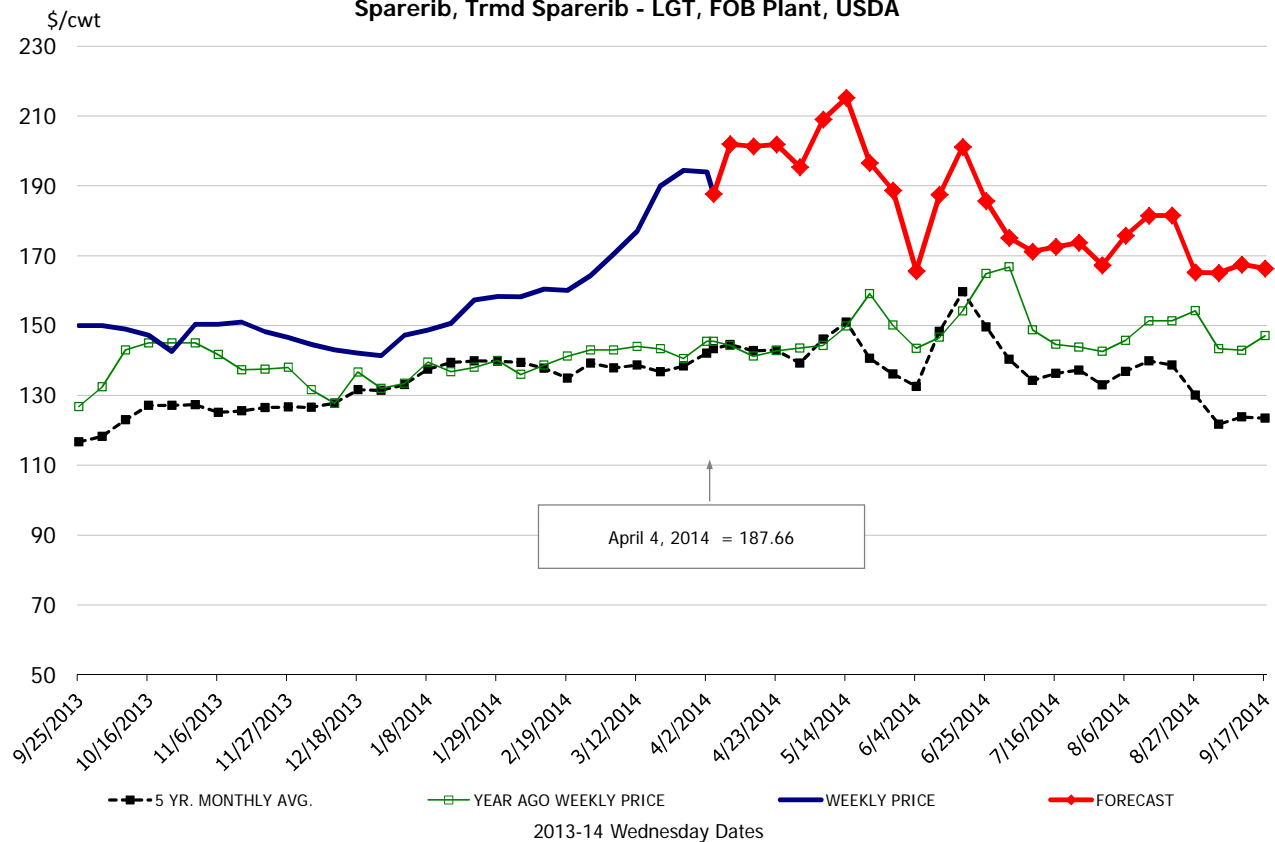
	2013-14 History							2014 FORECAST							
	Oct	Nov	Dec	Jan	Feb	Mar	3/26/2014	4/4/2014	4/16/2014	Apr	May	Jun	Jul	Aug	Sep
<u>PORK</u>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.16	1.07	1.06	1.14	1.27	1.65	1.68	1.53	1.69	1.64	1.70	1.63	1.60	1.63	1.48
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.23	1.17	1.12	1.20	1.34	1.73	1.80	1.60	1.75	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	2.36	2.14	2.65	2.67	2.74	2.73	2.60	2.54	2.43
Loin, Tenderloin, FOB Plant, USDA	2.33	2.29	2.32	2.41	2.54	2.76	2.89	2.60	2.99	2.90	3.37	3.49	3.47	3.39	3.03
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	1.01	0.99	0.99	1.06	1.16	1.61	1.71	1.77	1.61	1.55	1.49	1.49	1.39	1.39	1.34
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.46	1.47	1.42	1.52	1.61	1.82	1.94	1.88	2.01	2.01	2.01	1.85	1.72	1.76	1.67
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.26	2.28	2.21	2.20	2.29	2.45	2.54	2.59	2.78	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	1.80	1.69	2.02	1.98	1.98	1.82	1.69	1.74	1.65
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.08	2.05	2.03	2.16	2.33	2.71	2.85	2.71	2.95	2.93	3.04	2.86	2.72	2.69	2.46
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.95	1.01	0.98	0.78	0.86	1.06	1.21	1.24	1.28	1.24	1.13	1.10	1.15	1.17	1.12
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.91	0.93	0.81	0.74	0.85	1.12	1.18	1.25	1.28	1.25	1.10	1.09	1.13	1.17	1.12
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.89	0.87	0.80	0.74	0.84	0.99	1.10	1.16	1.20	1.16	1.08	1.05	1.13	1.16	1.10
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	1.34	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	1.97	2.08	2.13	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	2.33	2.42	2.66	2.54	2.50	2.53	2.70	2.67	2.41
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.67	1.58	1.48	1.38	1.58	2.14	2.29	2.36	2.64	2.52	2.48	2.51	2.68	2.65	2.39
Trim, 42% Trim Combo, FOB Plant, USDA	0.47	0.38	0.32	0.35	0.43	0.71	0.78	0.84	0.79	0.82	0.84	0.82	0.96	0.93	0.75
Trim, 72% Trim Combo, FOB Plant, USDA	0.83	0.73	0.64	0.70	0.91	1.23	1.37	1.43	1.40	1.40	1.43	1.40	1.44	1.26	1.08
<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	1.27	1.25	1.29	1.25	1.22	1.22	1.22	1.19	1.09
<u>BROILERS</u>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	0.91	0.94	0.95	0.96	0.92	1.06	1.08	1.09	1.09	1.09	1.09	1.08	1.09	1.09	1.07
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.35	1.26	1.26	1.25	1.27	1.48	1.59	1.67	1.85	1.86	2.03	1.88	1.95	2.05	1.89
N.E. BROILER BREAST LINE RUN, USDA	1.01	0.98	0.94	0.93	0.85	0.91	0.97	1.02	1.16	1.15	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	0.46	0.46	0.49	0.48	0.51	0.51	0.53	0.53	0.52
N.E. BROILER WINGS, USDA, WT.AVG.	1.49	1.21	1.21	1.30	1.27	1.38	1.43	1.42	1.38	1.40	1.32	1.36	1.48	1.56	1.63
<u>TURKEYS</u>															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.08	1.10	1.10	1.03	1.03	1.06	1.07	1.07	1.08	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	2.75	3.10	3.10	3.10	3.10	3.15	3.25	3.35	3.40
<u>LIVE STEERS</u>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.29	1.31	1.31	1.40	1.43	1.50	1.52	1.51	1.45	1.45	1.40	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	6.76	6.45	7.19	7.04	7.14	7.39	6.94	6.87	7.12
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.28	2.27	2.30	2.67	2.55	3.04	3.05	2.74	2.63	2.62	2.59	2.48	2.42	2.42	2.47
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.18	2.11	2.09	2.57	2.53	2.51	2.51	2.15	2.29	2.28	2.24	2.19	2.16	2.24	2.33
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	4.88	4.70	4.75	5.00	5.00	6.76	7.40	6.53	7.12	6.95	7.38	7.25	6.08	5.89	5.82
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	2.94	2.79	2.78	2.95	2.96	3.50	3.62	3.44	3.78	3.73	3.78	3.55	3.47	3.58	3.52
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	3.73	3.60	3.66	4.21	3.99	4.72	4.96	5.09	5.20	5.09	5.16	5.38	5.11	4.54	4.10
COARSE GROUND 73%, USDA	1.62	1.66	1.71	2.29	2.06	2.24	2.05	1.85	2.16	2.10	2.23	1.99	1.87	1.93	1.93
COARSE GROUND 81%, USDA	1.79	1.82	1.86	2.45	2.28	2.51	2.32	1.93	2.22	2.15	2.44	2.21	2.09	2.13	2.19
90% BONELESS BEEF, CENTRAL, FRESH, USDA	1.93	1.91	2.02	2.19	2.38	2.61	2.66	2.54	2.55	2.54	2.64	2.49	2.45	2.39	2.37
50CL BEEF TRIM, FRESH, NATIONAL, USDA	1.00	1.11	0.95	1.05	1.10	1.47	1.37	1.15	1.42	1.35	1.54	1.35	1.26	1.28	1.20

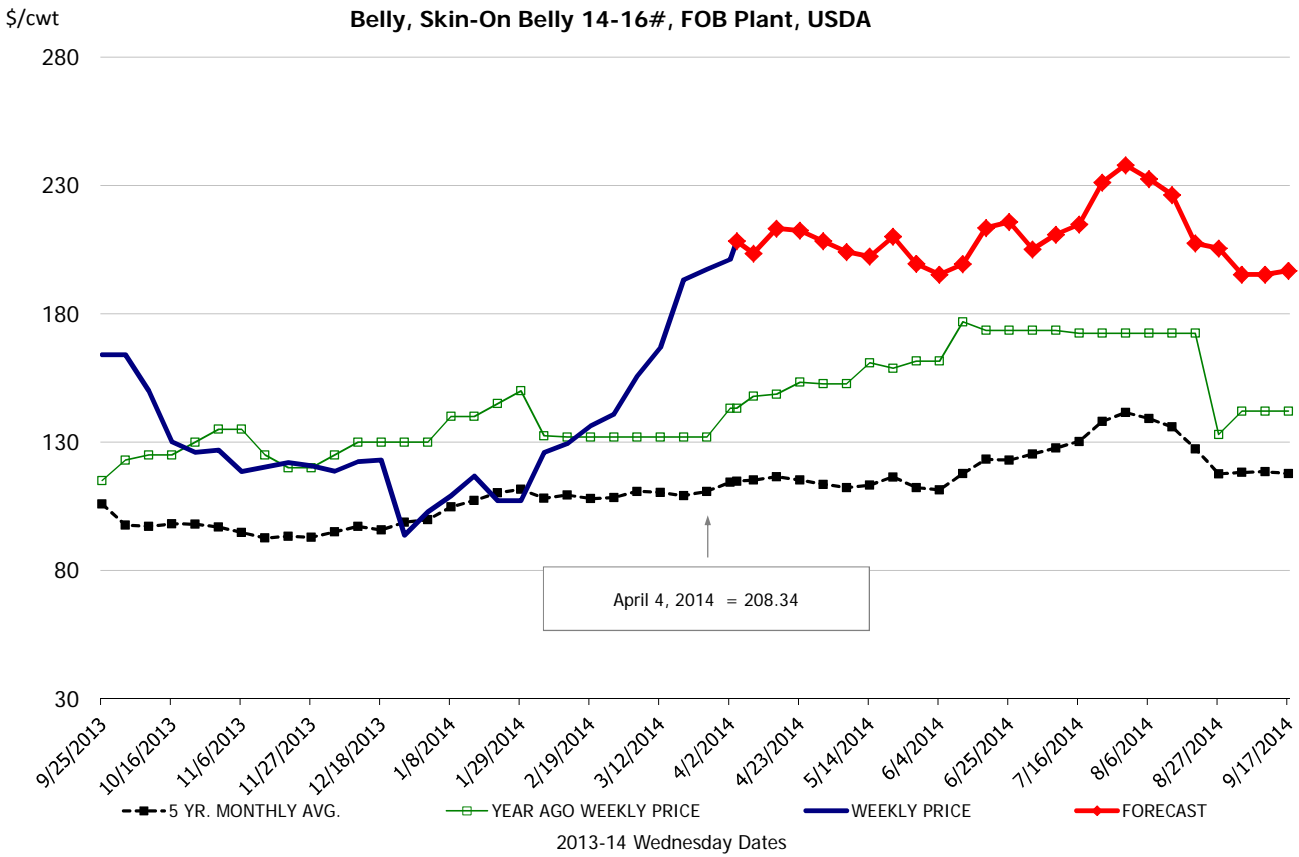
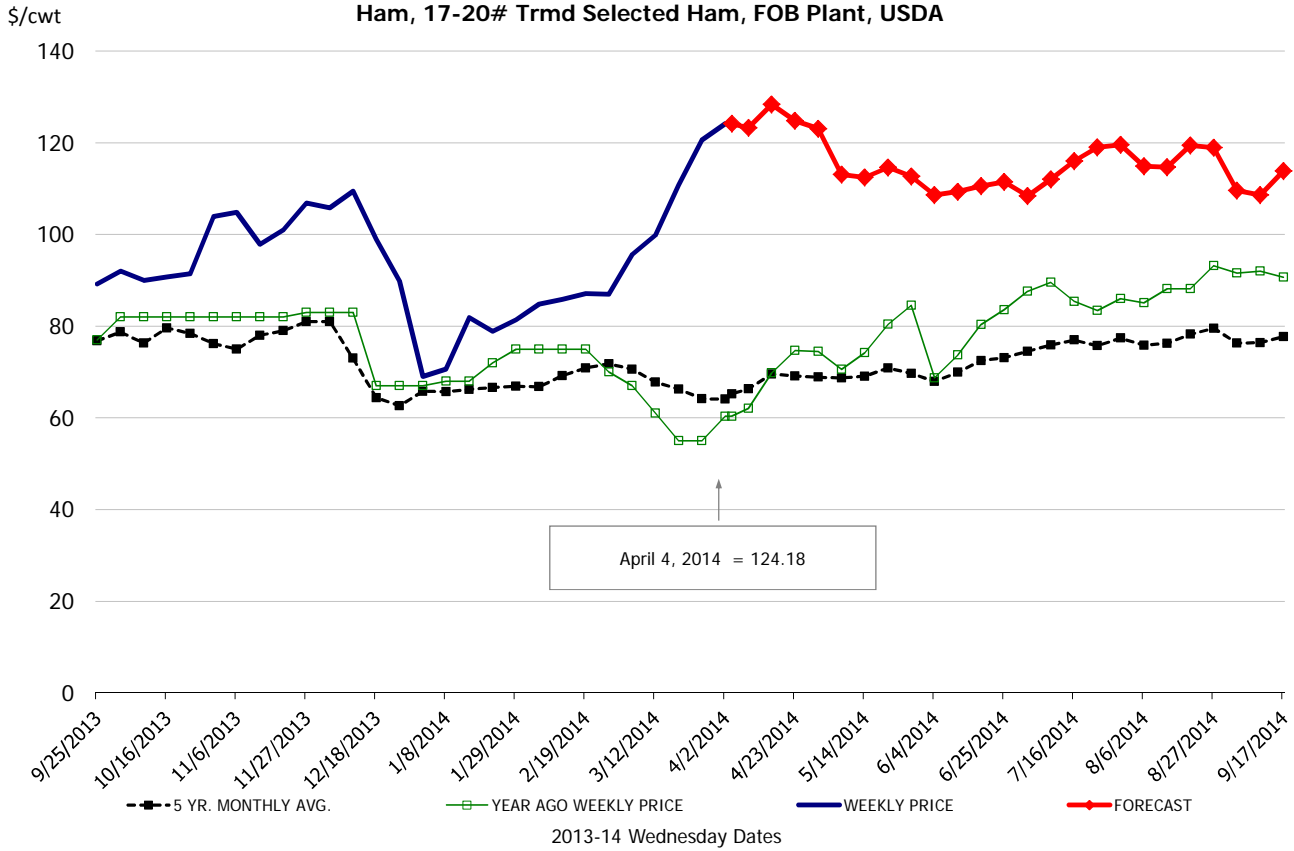
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Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA



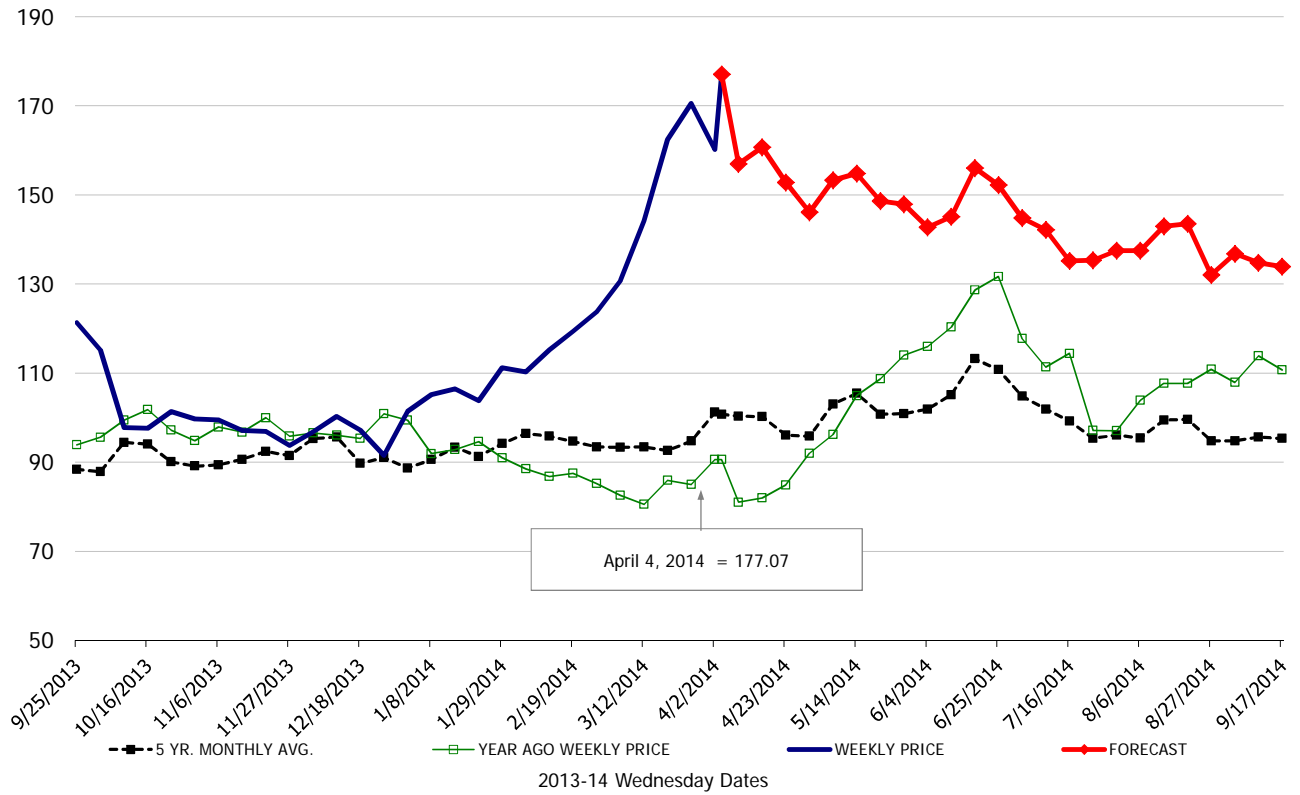
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA





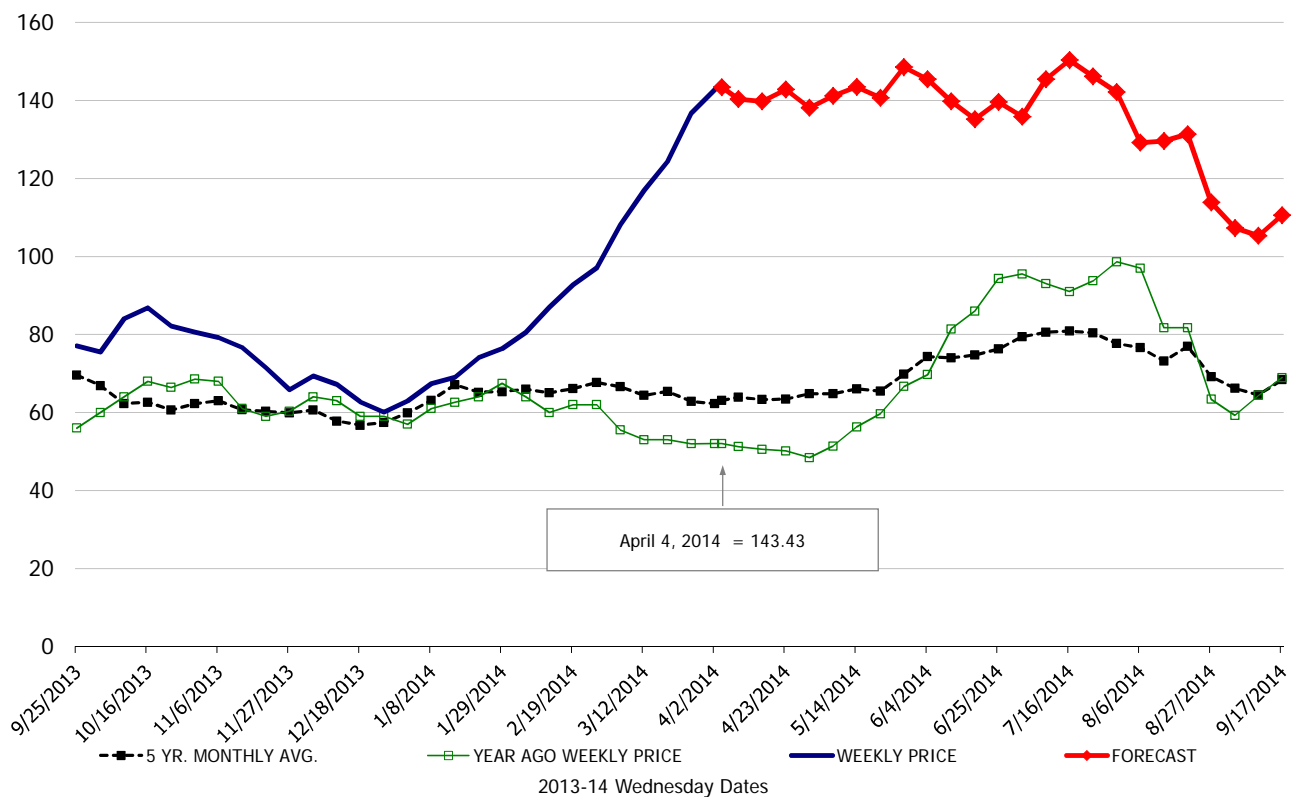
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Butt, 1/4 Trim Butt Combo, FOB Plant, USDA

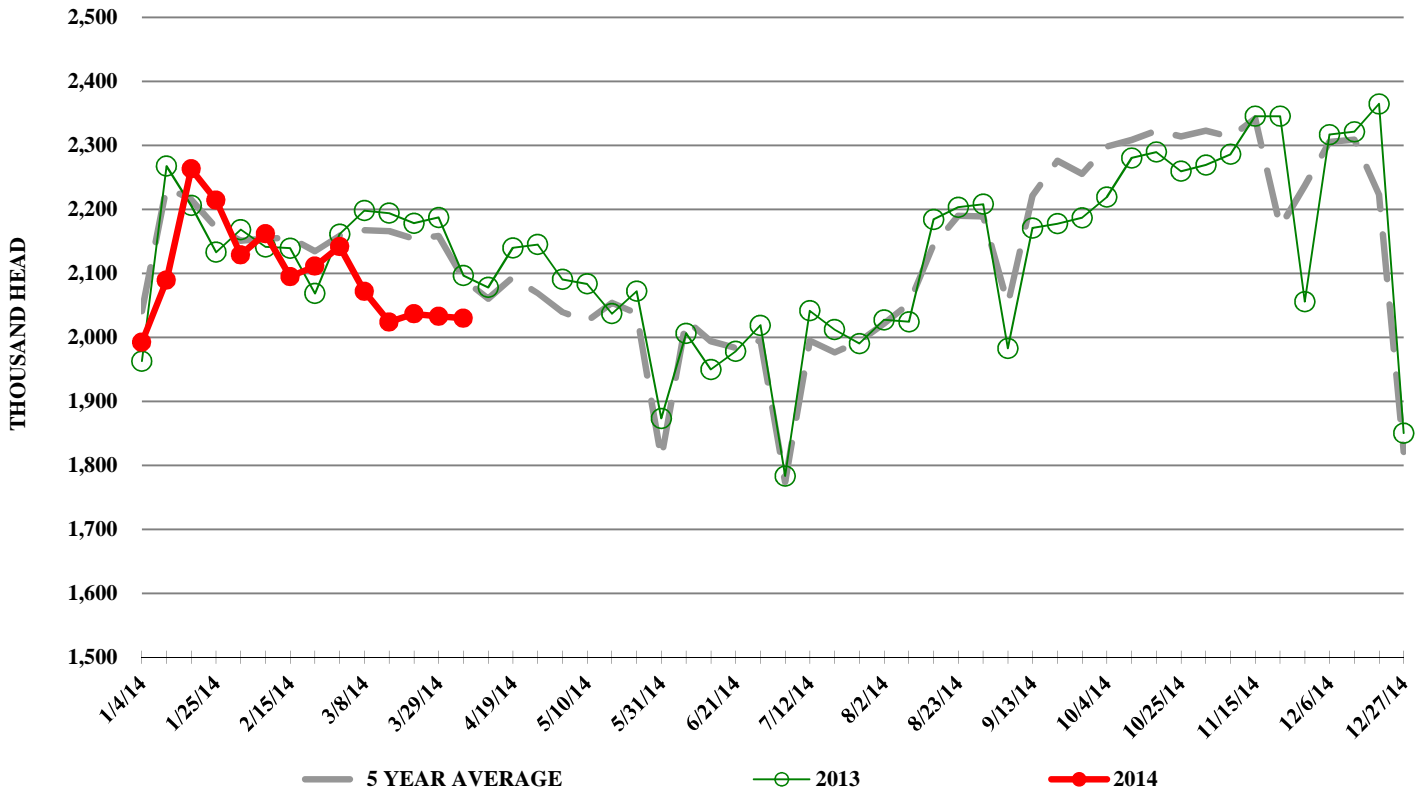


\$/cwt

Trim, 72% Trim Combo, FOB Plant, USDA



ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION

