



Pork Merchandiser's Profit Maximizer

Be inspiredSM

- Foodservice Edition

© 2014 The National Pork Board, Des Moines, IA 515-223-2600;
Prepared by Steiner and Company, Manchester, NH 800-526-4612.

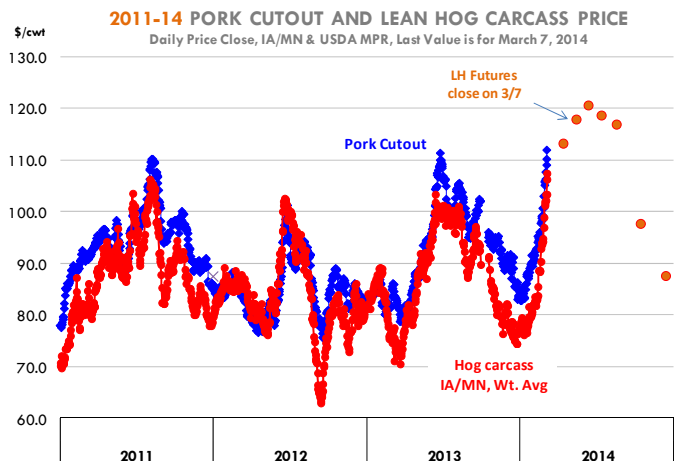
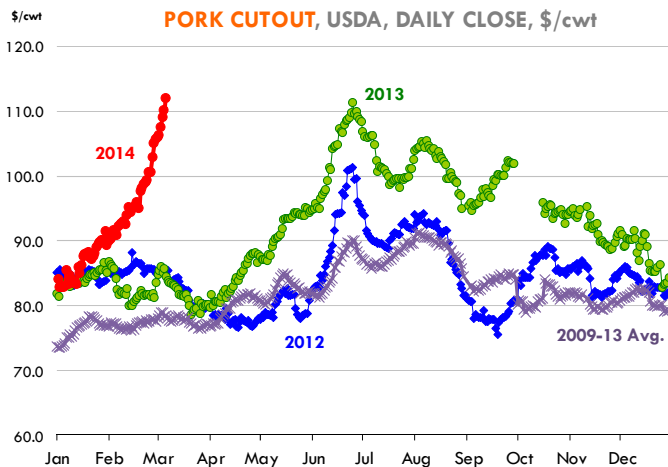
March 10, 2013

Record pork prices amidst uncertainty and fear about summer market top

Pork prices established an all-time record high this week as the pork cutout was quoted by USDA at \$111.99/cwt, 43% higher than that previous year. Current prices have now surpassed the all-time record established last June at \$111.33/cwt. Seasonally this is the time of year when pork prices are at their lowest. In part this is because hog supplies

generally tend to be plentiful and heavy hog carcass weights also contribute to bringing more supplies to market. Pork demand tends to be softer in January and February as well. Last year, relatively large hog numbers in March and the Russian ban on US pork dramatically impacted prices. The reverse seems to be the case this year. High beef prices appear to have lit a fire under pork prices. The gains in the price of the pork cutout have been driven largely by a sharp increase in the price of loins and hams, two items that retailers are pursuing

A Virtuous Cycle: The Feedback Loop of Speculation on Tight Hog Supplies, Short Current Slaughter Numbers and Inelastic Short Run Demand

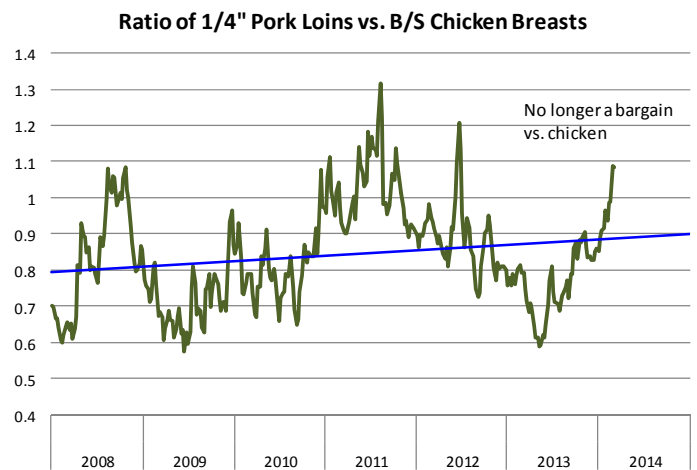
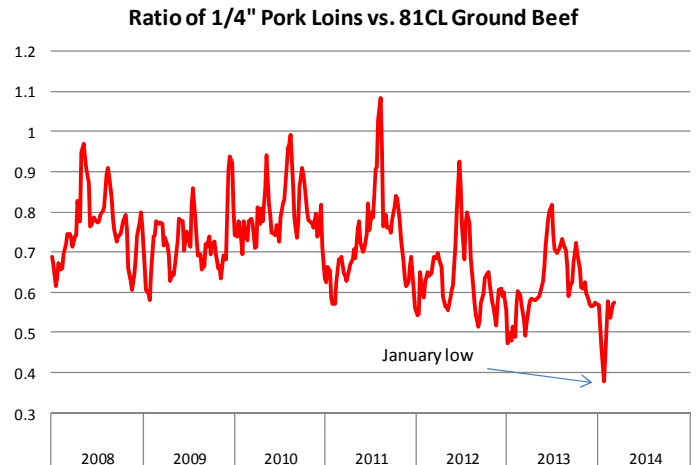


Steiner and Company produces the National Pork Board newsletter based on information we believe is accurate and reliable. However, neither NPB nor Steiner and Company warrants or guarantees the accuracy of or accepts any liability for the data, opinions or recommendations expressed.

aggressively at this point. Back in January, we noted that retailers facing sharp spikes in beef prices would likely turn to pork for their features in February and March and that seems to be the case at this point. The ratio of pork loins to ground beef was significantly lower in January but now has returned to a more normal level. In the case of hams, seasonally prices tend to advance in March as retailers prepare for Easter.

Easter this year is relatively late and normally this means that ham prices will continue to increase through late March. The value of pork trimmings has increased sharply, up 95% from a year ago. It is difficult to say what is driving the trim demand. There is now some question about the possibility of Russia resuming purchases of US pork but so far that has not helped cool off the very strong trim market. It is also possible that part of the reason for the run-up in pork prices is due to end users building inventories given talk of tight supplies and escalating prices in Q2. Baseball season is only a month away and it is understandable if hot dog and sausage manufacturers as well as other users of pork trim are looking to put some supplies around them to make sure they can cover their needs. Pork trim freezer inventories were down some 30% at the end of January so end users already came into this a couple of steps behind and they are now trying to make sure the market does not run away on them. Normally there is a 19% increase in cutout prices between early March and late June (using the 5-yr avg). Given current levels, this would put the cutout above \$130/cwt and hog prices in the \$125 mark, numbers that most certainly have retail and foodservice operators paying attention.

One word of caution is to put the recent spike in pork prices in perspective. It is very possible that pork and hog prices in the short term are stuck in a feedback loop whereby short cattle slaughter numbers add to concerns about supplies in the spring, this in turn causes producers to try and chase supplies in a tight



market, which in turn serves to further heighten fears and so forth, causing a spike in prices. In the short term, demand tends to be inelastic as retailers need to make sure their stores are well stocked and processors need to deliver on orders on the books. The true test in the market will come a bit later this spring and early summer. By that time, retailers will have increased prices in the meat case and processors will try and pass along the higher costs to their customers. At that point, we will see the true price response of demand. The summer pork market is currently pricing a very significant decline in pork supplies. If that happens, then the current prices will be justified. But, if quantity demanded changes in response to the higher prices and quantities supplied do not decline as much as the market is currently expecting, then we could see hog prices actually decline from current levels in order to clear the market.

At this point, we think the conservative approach is to recognize the reality of these higher prices, educate your customers to the possibility of even higher summer prices and plan for significant inflation in your raw material purchases. It is the most prudent approach and this is reflected in our prices. No one really knows how many pigs have been lost due to PEDv and how strong export demand will be this summer. It's best to be prepared for the worst and hope for the best.

Upcoming holidays:

2014 Daylight Savings Time Begins in US (Sunday March 9); St. Patrick's Day (Monday March 17); 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

<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 March 10 slaughter was 2.072 million head, DOWN 5.75% from a year ago. In the last two weeks hog slaughter is down 3% vs. year ago levels.

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass values at about 107.38 /cwt. on Friday were up about \$10/cwt since Wed. February 26. Prices are now up about \$30 /cwt compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at \$1.5405, up about 15 cent since the Wed. February 26 quote and up about 41 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$2.0937 for the strap on loins, up about 27 cents since Wed. February 26 and up about 62 cents from the year ago levels. Strap off loins at \$2.1200 are up about 23 cent since Wed. February 26 and up about 45 cents compared to the year ago quote.

Boneless sirloins at \$1.5304 are up about 11 cents from the Wed. February 26 quote and up about 35 cents from the year ago price.

Pork tenderloin finished last week at \$2.6819, up about 15 cents since the Wed. February 26 quote and up about one cents from the year ago price.

5/10 Pork Butts (page 10), prices finished the week at \$1.4314, up about 16 cents since Wed. February 26.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$1.6912, up about 5 cent since Wed. February 26 and up about 26 cents from year ago levels.

Rib inventories on January 31 were 113.0 million pounds, down one percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was \$0.9563/lb., up about 9 cents since Wed. February 26 and up about 29 cents from a year ago.

20/23 hams finished the week at 101.76 cents, up about 10 cents since Wed. February 26 and up about 38 cents from the year ago level.

23/27 hams finished the week at 91.45 , up about 6 cents from the Wed. February 26 quote and up about 25 cents from the year ago level.

Total ham cold storage stocks on December 31 at 78.7 million pounds were down about one percent from year ago levels.

42 CL Pork Trim “FOB Basis”. Prices finished the week at 65.87 , up about 11.9 cent since Wed. February 26 and up about 27 cents from the year ago price.

72 CL Pork Trim “FOB Basis”. Prices finished the week at 112.08 cents, up about 15 cents since the Wed. February 26 quote and up about 57 cents from the year ago level.

Freezer stocks of all trimmings on January 31 were 40.8 million pounds, down about 30 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 on January 8 at \$104.75 was up about 4 cents from a year ago.

The National Whole Bird price was quoted at 100.62 on Friday January 10, down about 7 cents from a year ago.

Broiler slaughter for the week ending March 10 was 146.45 million head, down 4.5% from a year ago. For the last two weeks slaughter has been down 2.6% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$1.3826, up 11 cents since Wed. February 26 but still down about 4 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 down about 1.1 cents vs. year ago price at 42.06 . Prices trend modestly higher the next few months. However, Mexico could be a significant issue any time.

Wings. Prices at \$1.2863 are down about 45 cents from year ago levels.

Turkeys

Hens finished last week at \$1.0500, up 1 cent since Wed. February 26 and up about 4 cents from the year ago price.

Toms finished last week at \$1.0500, up 1 cent since Wed. February 26 and up about 4 cents from the year ago price.

Total turkey supplies in the freezer on January 31 were down about 24 percent from a year ago at 275.1 million pounds. Whole birds were down 27 percent from year ago with an inventory of 106.6 million pounds.

Turkey slaughter was 3.953 million head for the week ending February 15, down 9.63% from a year ago. For the last two weeks slaughter has been down 9.75%..

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$2.2200, unchanged since Wed. February 26. Prices are up about 34 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 \$6.0738 (weighted average quote) finished last week up about 6 cents since the Wed. February 26 quote but down about 9 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$5.7258 (weighted average quote) finished last week up about 13 cents since the Wed. February 26 quote but down about 48 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 \$0.3480 /lb. BELOW 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 \$2.9309 up about 17 cents since Wed. February 26 and up about 89 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$2.8709 up about 15 cents since Wed. February 26 and up about 70 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$2.8086 up about 26 cents since Wed. February 26 and up about 68 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$6.0665 (wt. avg.) up about 67 cents from the Wed. February 26 quote. Prices are about 99 cents over year ago levels.

Choice #184 Regular Heavy top butts finished at \$3.1868 (wt. avg.) up about 32 cents

since Wed. February 26 and up about 7 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$3.3903 (wt. avg.) up about 11 cents since Wed. February 26 and up about 17 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$4.5548 (wt. avg.) up about 36 cents since Wed. February 26 and up about 63 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at \$2.2565 up about 11 cents since Wed. February 26 and up about 45 cents from year ago levels.

81CL Coarse Ground product finished last week at \$2.4946 up about 7 cent since Wed. February 26 and up about 36 cents from the year ago quote.

90CL Bnls. Beef prices finished the week at \$2.5701 (wt. avg.) up about 8 cent since Wed. February 26 and up 39 compared to the year ago price quote. Ranchers are trying to hold more beef cows and lean beef supplies remain in limited supply

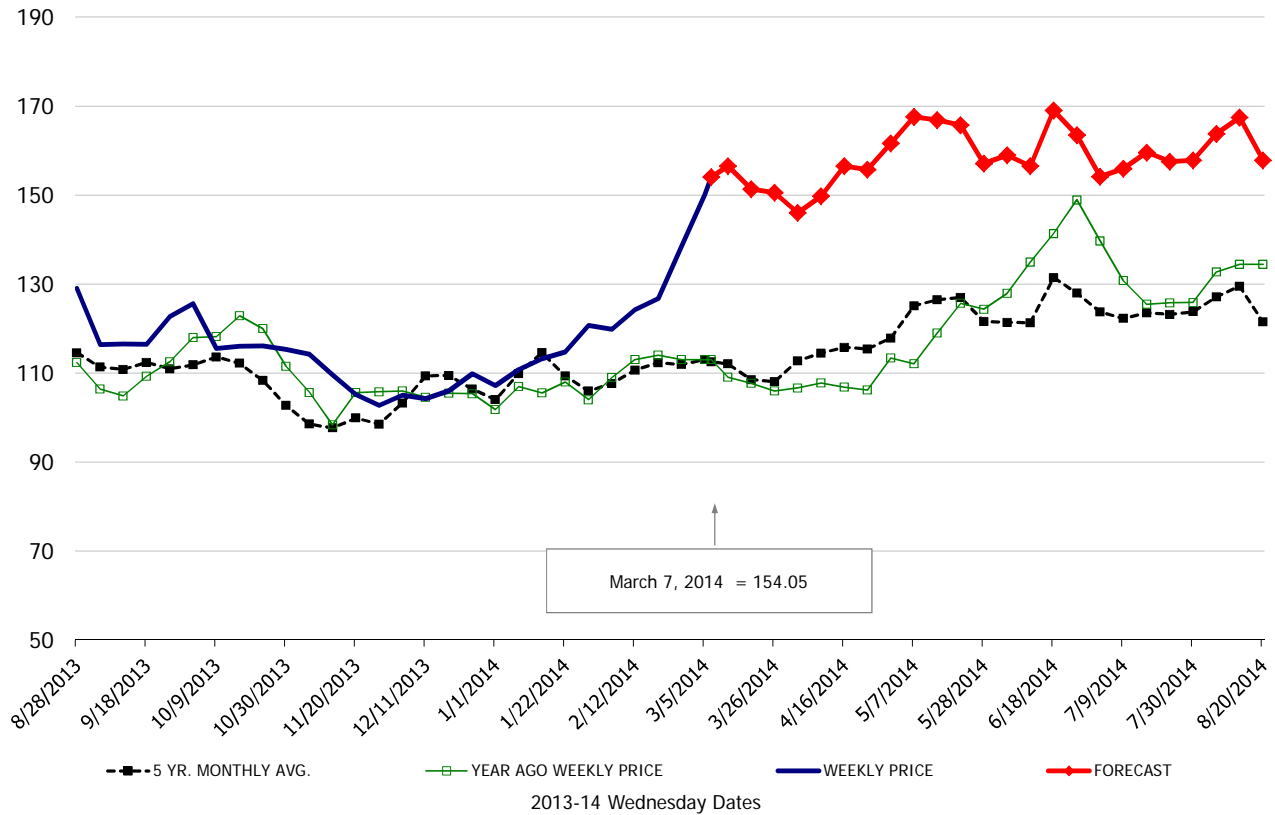
50 CL Beef Trim prices finished last week at \$1.4489, up about 23 cent since Wed. February 26 and up 63 compared to the year ago level.

Food Service Summary Table - WT. AVE

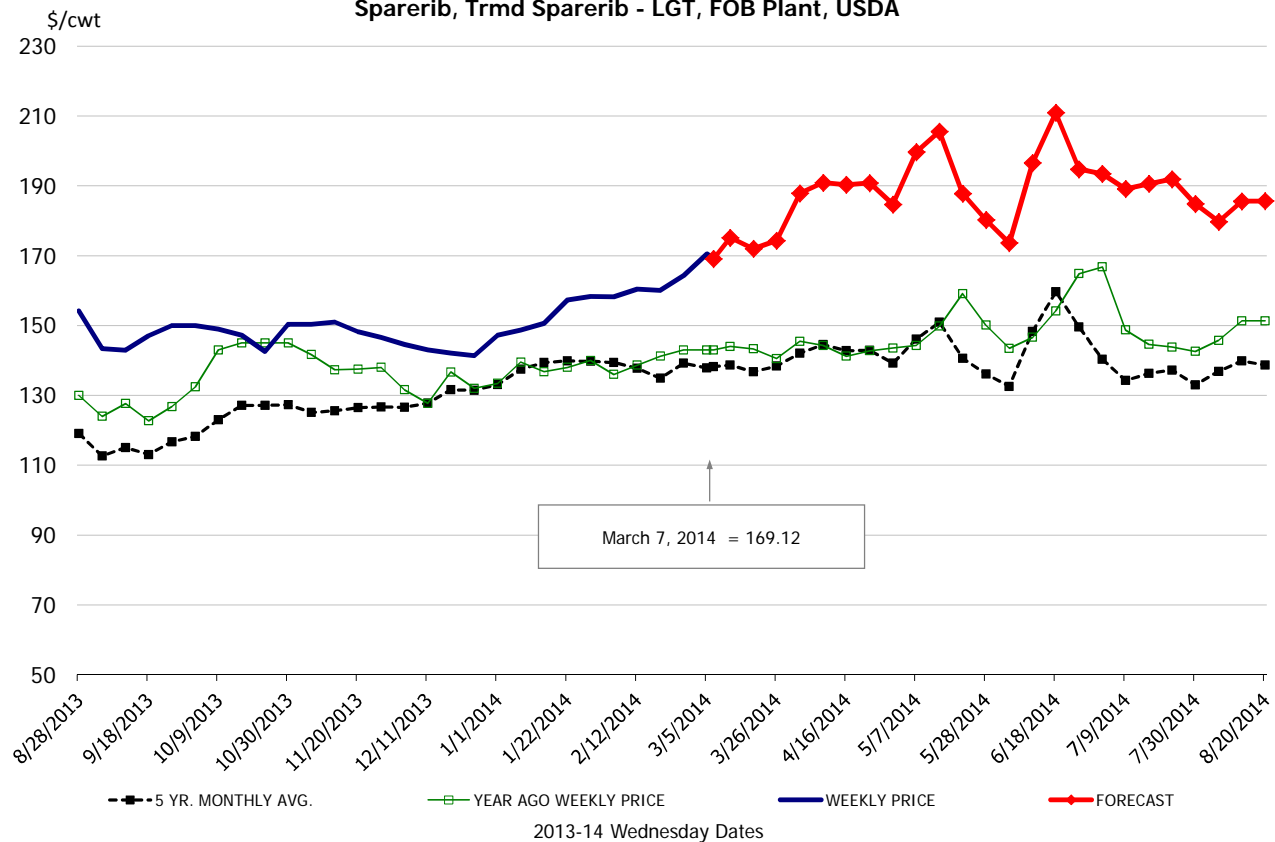
	2013-14 History								2014 FORECAST						
	Sep	Oct	Nov	Dec	Jan	Feb	2/26/2014	3/7/2014	3/19/2014	Mar	Apr	May	Jun	Jul	Aug
<u>PORK</u>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.18	1.16	1.07	1.06	1.14	1.27	1.39	1.54	1.51	1.54	1.52	1.63	1.62	1.57	1.60
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.26	1.23	1.17	1.12	1.20	1.34	1.45	1.62	1.64	1.62	1.59	1.70	1.72	1.67	1.71
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.83	1.81	1.73	1.71	1.78	1.84	1.89	2.12	2.11	2.12	2.29	2.41	2.42	2.32	2.43
Loin, Tenderloin, FOB Plant, USDA	2.36	2.33	2.29	2.32	2.41	2.54	2.53	2.68	2.68	2.68	3.21	3.47	3.61	3.56	3.39
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	1.13	1.01	0.99	0.99	1.06	1.16	1.24	1.39	1.36	1.39	1.42	1.42	1.46	1.35	1.35
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.45	1.46	1.47	1.42	1.52	1.61	1.64	1.69	1.72	1.74	1.90	1.92	1.94	1.90	1.80
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.31	2.26	2.28	2.21	2.20	2.29	2.45	2.48	2.52	2.55	2.58	2.66	2.69	2.31	2.35
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.48	1.43	1.38	1.36	1.46	1.53	1.55	1.66	1.70	1.70	1.82	1.83	1.89	1.85	1.75
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.12	2.08	2.05	2.03	2.16	2.33	2.43	2.59	2.60	2.58	2.93	3.11	3.04	2.87	2.83
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.92	0.95	1.01	0.98	0.78	0.86	0.87	0.96	0.97	0.97	1.02	1.03	1.03	1.06	1.09
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.90	0.91	0.93	0.81	0.74	0.85	0.91	1.02	1.02	1.02	0.99	1.01	1.00	1.07	1.09
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.87	0.89	0.87	0.80	0.74	0.84	0.85	0.91	0.95	0.94	0.99	1.01	0.99	1.06	1.09
Ham, 5 Muscle Ham to Blue, FOB Plant, USDA	1.52	1.40	1.43	1.40	1.21	1.30	1.30	1.30	1.30	1.29	1.31	1.34	1.31	1.33	1.34
Belly, Skin-on Belly 14-16#, FOB Plant, USDA	1.61	1.26	1.21	1.14	1.07	1.34	1.41	1.56	1.52	1.55	1.84	1.86	1.89	2.03	2.01
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.87	1.72	1.63	1.53	1.44	1.65	1.77	1.91	2.00	2.05	2.26	2.28	2.32	2.49	2.46
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.85	1.67	1.58	1.48	1.38	1.58	1.74	1.93	1.98	2.03	2.25	2.27	2.31	2.48	2.45
Trim, 42% Trim Combo, FOB Plant, USDA	0.52	0.47	0.38	0.32	0.35	0.43	0.54	0.66	0.66	0.65	0.66	0.69	0.75	0.88	0.86
Trim, 72% Trim Combo, FOB Plant, USDA	0.67	0.83	0.73	0.64	0.70	0.91	0.97	1.12	1.13	1.12	1.15	1.17	1.25	1.29	1.16
<u>HOG CARCASS</u>															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	0.93	0.86	0.80	0.78	0.79	0.89	0.97	1.07	1.05	1.07	1.12	1.17	1.21	1.20	1.17
<u>BROILERS</u>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	0.91	0.91	0.94	0.95	0.96	0.92	0.94	1.01	1.00	0.99	0.98	1.02	1.03	1.02	0.96
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.50	1.35	1.26	1.26	1.25	1.27	1.27	1.38	1.39	1.38	1.55	1.72	1.71	1.74	1.74
N.E. BROILER BREAST LINE RUN, USDA	1.06	1.01	0.98	0.94	0.93	0.85	0.82	0.86	0.87	0.86	1.11	1.19	1.19	1.20	1.17
N.E. BROILER LEG QUARTERS, USDA	0.53	0.47	0.44	0.43	0.43	0.42	0.43	0.42	0.42	0.42	0.47	0.51	0.51	0.51	0.52
N.E. BROILER WINGS, USDA, WT.AVG.	1.62	1.49	1.21	1.21	1.30	1.27	1.26	1.29	1.26	1.28	1.25	1.23	1.30	1.38	1.36
<u>TURKEYS</u>															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.06	1.08	1.10	1.10	1.03	1.03	1.04	1.05	1.05	1.05	1.08	1.11	1.13	1.15	1.16
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	2.14	2.20	2.19	2.16	2.16	2.16	2.16	2.22	2.23	2.22	2.31	2.36	2.42	2.48	2.60
<u>LIVE STEERS</u>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.23	1.29	1.31	1.31	1.40	1.43	1.45	1.49	1.44	1.44	1.44	1.39	1.34	1.33	1.34
<u>BEEF</u>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	6.60	6.92	7.41	6.45	5.76	5.61	5.72	6.07	6.67	6.64	7.00	7.09	7.33	6.99	6.93
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.10	2.28	2.27	2.30	2.64	2.55	2.73	2.87	2.76	2.73	2.58	2.54	2.38	2.31	2.43
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.01	2.18	2.11	2.09	2.54	2.53	2.55	2.81	2.61	2.58	2.37	2.33	2.18	2.19	2.25
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	4.98	4.88	4.70	4.75	4.99	5.00	5.40	6.07	6.14	6.07	6.86	7.24	7.06	6.14	5.92
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	3.15	2.94	2.79	2.78	2.92	2.96	3.12	3.39	3.65	3.58	3.90	3.76	3.47	3.49	3.61
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	3.48	3.73	3.60	3.66	4.15	3.99	4.20	4.55	4.86	4.75	4.86	5.05	5.26	5.07	4.50
COARSE GROUND 73%, USDA	1.68	1.62	1.66	1.71	2.29	2.06	2.15	2.26	2.26	2.25	2.19	2.22	1.98	1.89	1.95
COARSE GROUND 81%, USDA	1.88	1.79	1.82	1.86	2.45	2.28	2.42	2.49	2.50	2.49	2.34	2.42	2.19	2.10	2.15
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.04	1.93	1.91	2.02	2.19	2.38	2.49	2.57	2.57	2.57	2.63	2.59	2.48	2.47	2.41
50CL BEEF TRIM, FRESH, NATIONAL, USDA	0.97	1.00	1.11	0.95	1.05	1.10	1.22	1.45	1.42	1.42	1.65	1.65	1.45	1.40	1.45

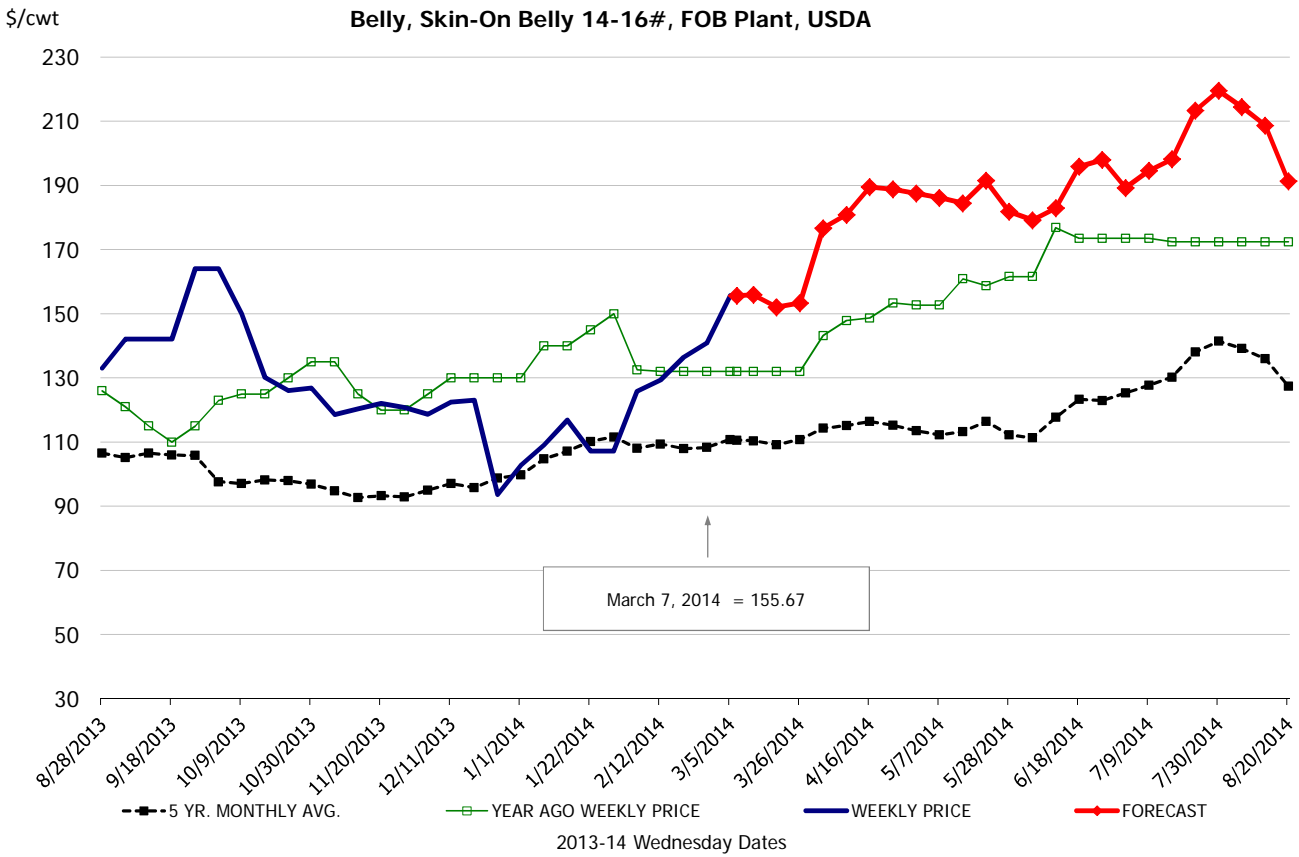
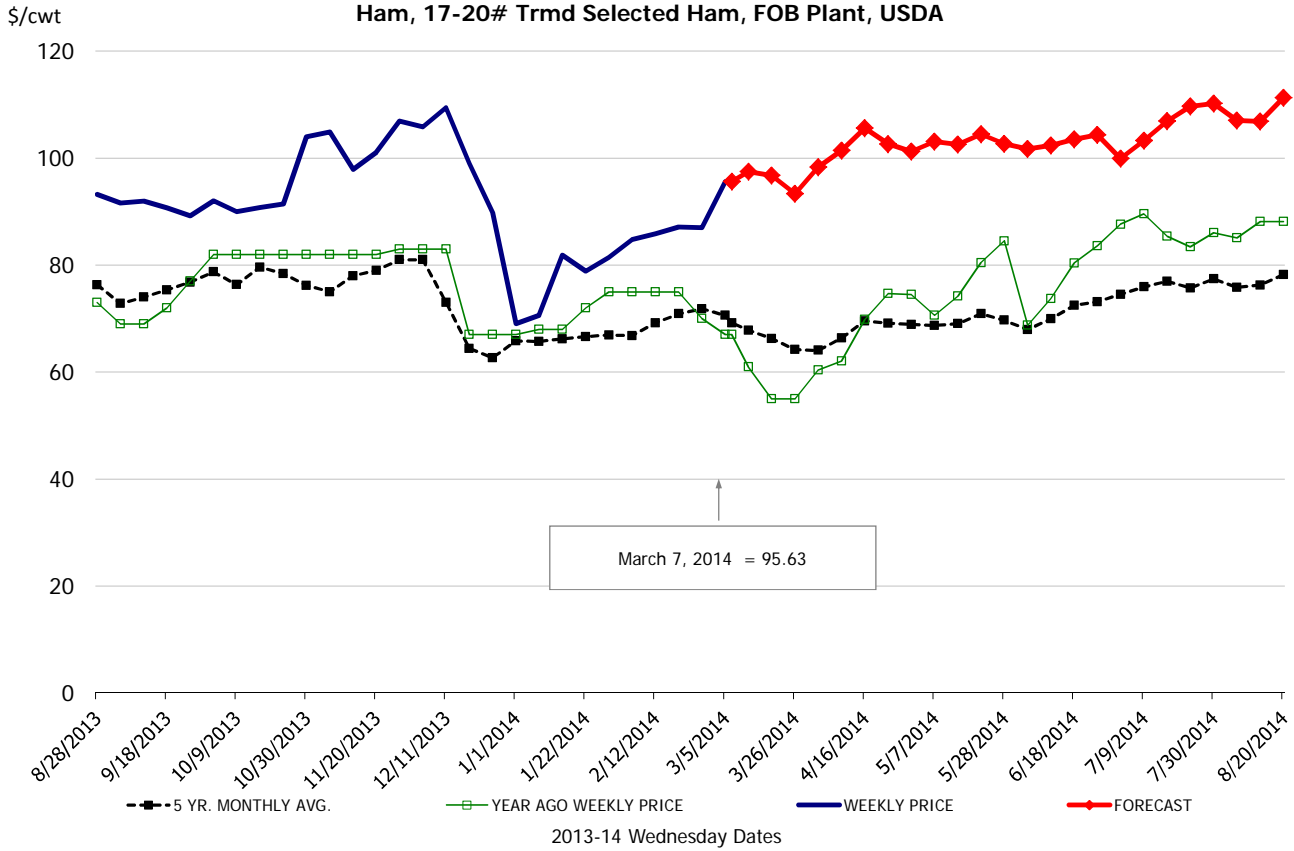
\$/cwt

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



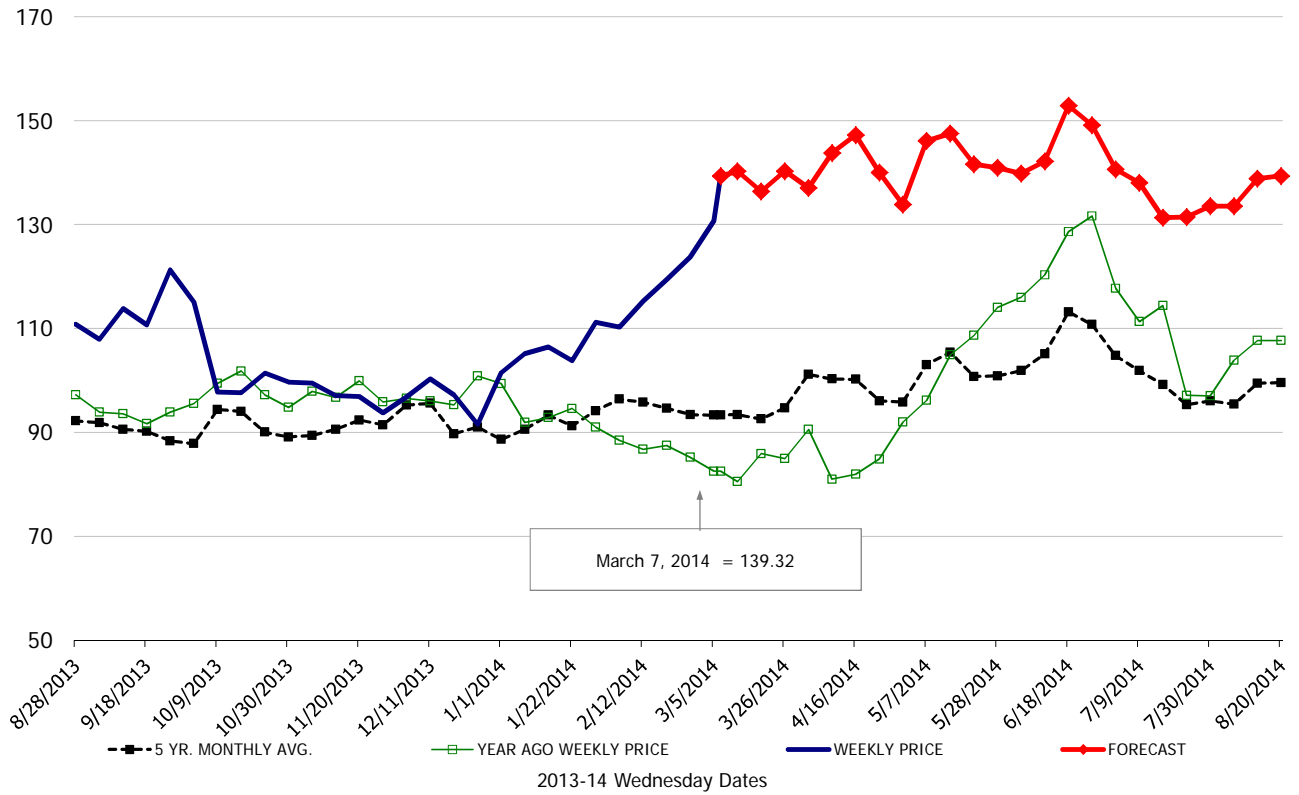
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA





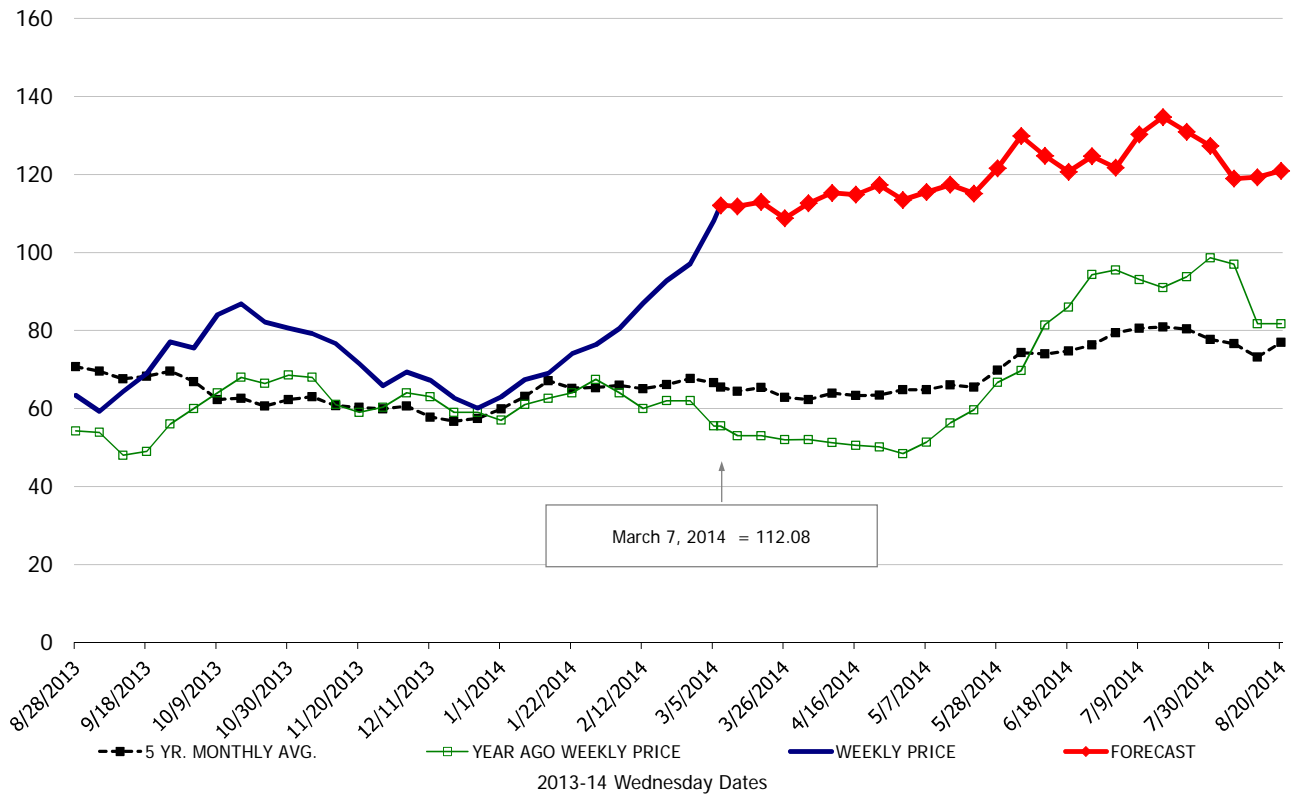
\$/cwt

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

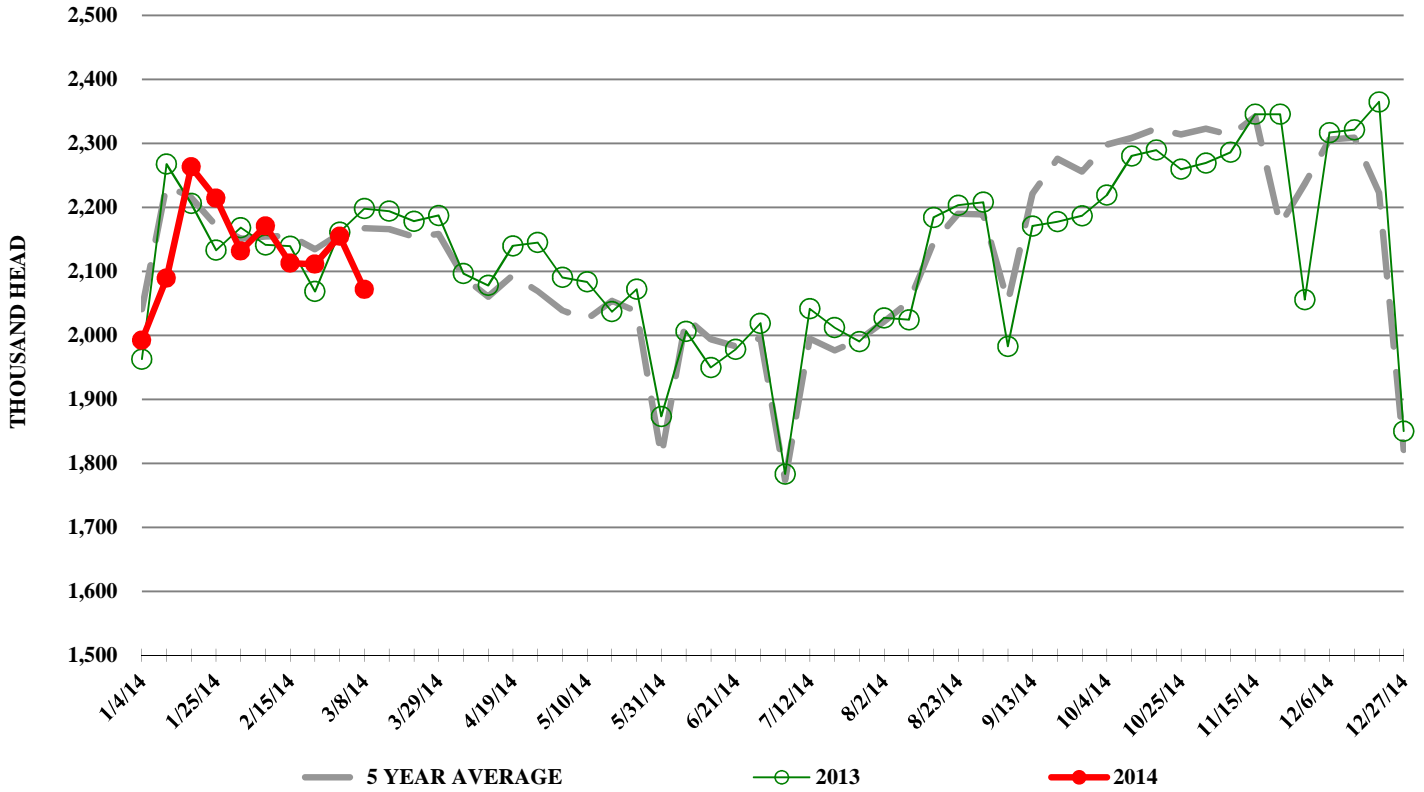


\$/cwt

Trim, 72% Trim Combo, FOB Plant, USDA



ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION

