



Pork Merchandiser's Profit Maximizer

Be inspiredSM

- Foodservice Edition

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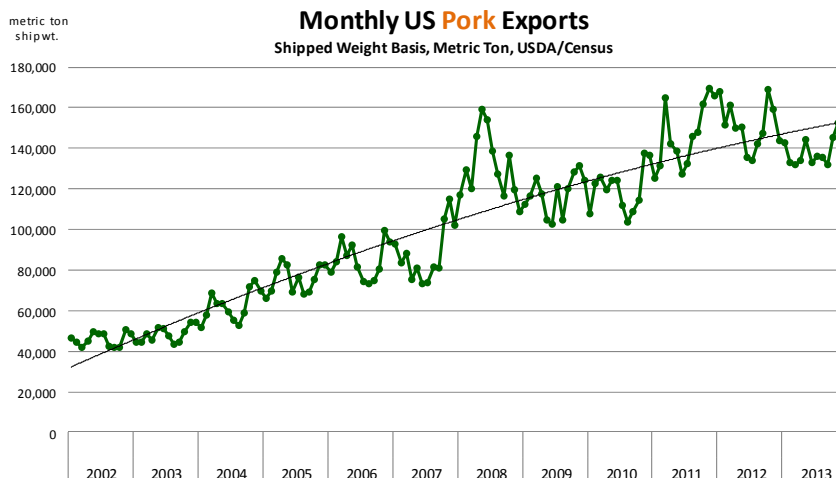
February 10, 2013

1. The latest USDA export update for the most part painted a positive picture for both beef and pork trade. Below is a recap of the highlights from the December report, a summary of exports for the year and implications for 2014.

PORK: Exports of fresh/frozen and cooked pork in December were pegged at 153,257 MT, 6.6% higher than the previous year. This was the first year over year increase in pork exports since July and the biggest y/y increase for 2013. Total pork exports in 2013 at 1.672 million MT

were down about 138,673 MT (-7.7%) compared to a year ago. The loss of the Russian market certainly had a significant impact in 2013. In 2012, US exporters shipped 90,234 MT of pork to Russia compared to just 5,317 MT in 2013. The decline in Russian shipments accounted for about 2/3 of the overall decline in US pork exports last year. Two other markets that also registered big declines in 2013 were China and S.Korea. While there was a lot of talk about the positive impact that the purchase of Smithfield by a Chinese company would have on US pork exports, the reality was that US pork exports to China were down 43,503 MT (-21%) in 2013. Exports to S.

Korea at 90,093 MT also declined by almost 45,000 MT (-33%). Mexico surpassed Japan as the top market for US pork in 2013 with total shipments at 461,873 MT, up 5.5% from the previous year. High priced US pork relative to Asia will remain a challenge for pork exports again in 2013, especially with PEDv limiting US supplies this spring and summer.



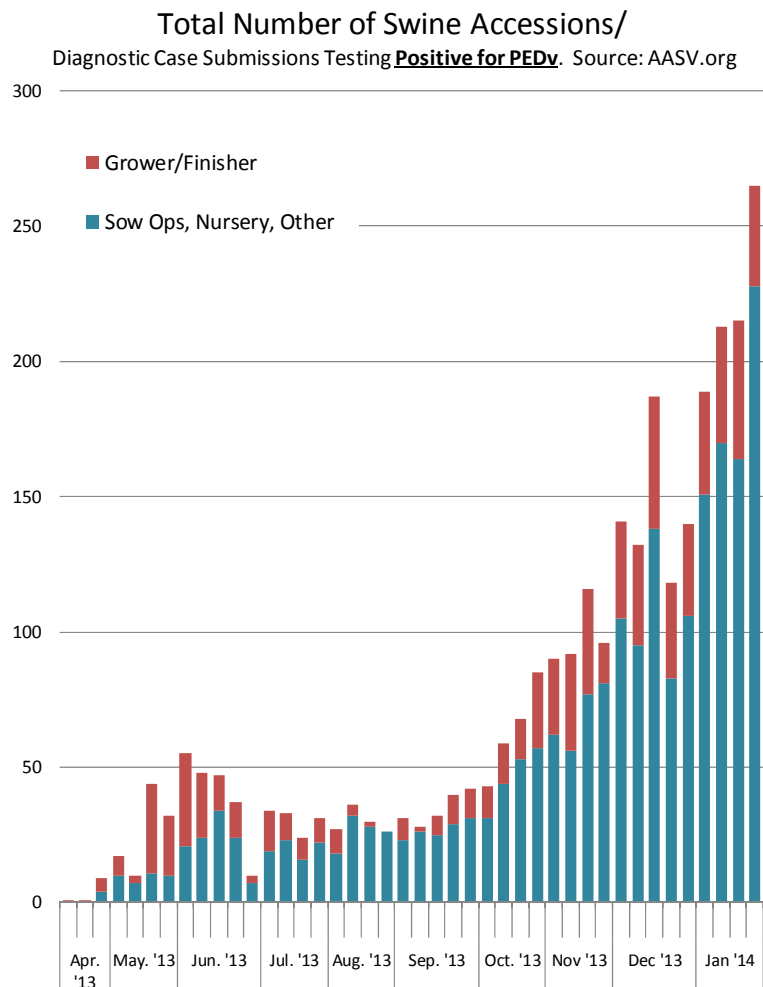
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BEEF: Total US beef and veal exports in December were 76,234 MT (product wt. basis), 17.3% higher than a year ago. The jump in beef exports was in part due to the fact that Japan shipments last year were unusually low as trade was expecting a change in the cattle age restrictions in Japan. Exports to Japan rose significantly in 2014 and this help bolter overall beef export demand. December beef exports to Japan were 13,837 MT, up almost 6,000 MT (+74%) compared to a year ago. While the increase in shipments to Japan was somewhat expected, Hong Kong emerged as a top export destination in 2013. Beef prices in mainland China rose sharply last year and this drove an unprecedented demand for beef imports both there and in Hong Kong. US beef and veal shipments to Hong Kong in December were 14,617 MT, almost 7000 MT (+90%) compared to last year. US exporters shipped 125,000 MT of beef to Hong Kong in 2013, double the amount shipped the previous year. The increase in exports to Hong Kong more than offset the loss of the Russian market. In 2012, US beef exports to Russia were 48,712 MT but they dropped to zero in 2013. There is plenty of speculation as to what will happen with Russian beef purchases in 2014. There is some speculation that shipments will resume in March but it is unclear how the ractopamine-free requirement will affect overall volumes. Mexico beef purchases also have exceeded expectations. Beef exports to Mexico in December were 14,163 MT, up about 6700 MT (+85%) compared to the same period a year ago. For the year beef exports to Mexico at 129,215 MT increased 15% compared to the previous year. US beef prices did not increase as much as earlier expected in 2013 and this helped support beef exports. There are signs that a stronger US dollar and skyrocketing beef prices have negatively impacted trade although it is early to tell. Weekly beef exports have been trending down but we continue to caution linking the weekly and monthly reports. While there have been some corrections to the weekly data that have improved their quality, they still continue to present conflicting trends vs. the

monthly data, which makes for a very confusing situation for trade.

2. Pork Outlook for 2014 and 2015

There are two competing narratives in the hog market at this point. The first one is dominated by the impact that PEDv disease is having on the US hog herd and the potential pork supply declines this spring and summer. We have noted this risk in our past two reports and, as expected, the issue has now taken center stage. The number of PEDv cases has exploded this winter and the market has reacted by adding to the premiums for the summer hog contracts. The other narrative is that while PEDv certainly is impacting supplies for some producers, low feed costs and an excellent profit outlook likely is driving some expansion in the industry. The quickest way for producers to increase production is to get hogs to heavier



weights and we have already seen that, with weights up about 3% compared to a year ago. Corn prices have declined sharply since August, which means significantly lower marginal costs for an extra pound of pork on the carcass. We estimate that it takes about 1.3 years to turn the cycle in the hog industry. This includes the time to retain gilts, the four month gestation period and 5-6 months feeding time. If there was one bullish, and somewhat unexpected, number in the last hog inventory survey, it was the 1% decline in the breeding herd as of December 1. While producers may want to breed more sows in order to expand production, the low inventory levels will remain a limiting factor, at least through the fall of 2014. At this point, we think the PEDv issue will be a central factor going into the summer months. Our current forecast is for hog slaughter to be down 1% in Q2, largely due to the disease. It is important to remember that last year, before PEDv became an issue, we were forecasting slaughter for Q2 of 2014 to be up as much as 2.5%. We have gone from a modest expansion to contraction. The decline in slaughter will be more than offset by heavier weights, however, and we see pork supplies slightly above year ago levels in the spring and summer. Good export demand and high beef prices should be supportive of hog and pork prices, at least through the summer. As we go into the fall hog supplies should start to expand and pressure Q4 prices lower. Expansion should be well underway in 2015 and we expect lower pork prices for the year.

Upcoming holidays:

2014 Valentine's Day (Friday February 14); President's Day (Monday February 17); Ash Wednesday (Wednesday March 5); 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 February 7 slaughter was 2.171 million head, up 1.38% from a year ago. In the last two weeks hog slaughter is just 0.15% lower than a year ago levels.

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass values at about 81.79 /cwt. on Friday were up about \$0.77/cwt since Wed. January 29. Prices are now down about \$6 /cwt compared to year ago values.

21/dn Pork Loins (page 8). Prices finished last week at \$1.2153 for the "Total on FOB Basis" quote, up about one cents since the Wed. January 29 quote and up about 13 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.5556 for the strap on loins, down about 9 cents since Wed. January 29 but up about

8 cents from the year ago levels. Strap off loins at \$1.7726 are up about 6 cents since Wed. January 29 and up about 15 cents compared to the year ago quote.

Boneless sirloins at \$1.2962 are up about 0 cents from the Wed. January 29 quote and up about 20 cents from the year ago price.

Pork tenderloin finished last week at \$2.4090 are down about 10 cents since the Wed. January 29 quote and down about 19 cents from the year ago price.

5/10 Pork Butts (page 10), prices finished the week at \$1.1532 up about 4 cents since Wed. January 29.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$1.5925 up about one cent since Wed. January 29 and up about 23 cents from year ago levels.

Rib inventories on December 31 were 106.8 million pounds, down 2 percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was \$0.9191/lb. up about 10 cents since Wed. January 29 and up about 17 cents from a year ago.

20/23 hams finished the week at 82.08 cents for the Total on FOB Basis (page 130) up about 2 cents since Wed. January 29 and up about 6 cents from the year ago level.

23/27 hams finished the week at 82.79 cents for the Total on FOB Basis (page 131) unchanged from the Wed. January 29 quote but up about 7 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 39.21 , up about 2.5 cent since Wed. January 29 but down about 1 cents from the year ago price.

72 CL Pork Trim “FOB Basis”. Prices finished the week at 84.54 cents up about 8 cents since the Wed. January 29 quote and up about 21 cents from the year ago level.

Freezer stocks of all trimmings on December 31 were 39.3 million pounds, down about 25 percent from the year ago levels.

72 CL Picnic Meat “FOB Basis”. Picnics prices should be lower in February

POULTRY

Georgia Dock Broilers. The Georgia dock price on January 8 at \$104.50 was up about 5 cents from a year ago.

The National Whole Bird price was quoted at 92.21 on Friday January 10, down about 8 cents from a year ago.

Broiler slaughter for the week ending January 11 was 156.29 million head, down 1.62% from a year ago. For the last two weeks slaughter was up 1.63% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$1.2806, up less than one cent since the Wed. January 29 quote but down about 11 cents from the 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 0.2 cents vs. year ago price at 42.37 . Prices trend modestly higher the next few months. However, Mexico could be a significant issue any time.

Wings. Prices at \$1.3247 are down about 80 cents from year ago levels. .

Turkeys

Hens finished last week at \$1.0300, unchanged since Wed. January 29 and up about 2 cents from the year ago price.

Toms finished last week at \$1.0300 unchanged since Wed. January 29 and up about 2 cent from the year ago price.

Total turkey supplies in the freezer on December 31 were down about 20 percent from a year ago at 237.9 million pounds. Whole birds were down 29 percent from year ago with an inventory of 68.3 million pounds.

Turkey slaughter was 3.936 million head for the week ending January 18.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$2.1600, unchanged since Wed. January 29. Prices are up about 16 cents vs. year ago prices

Currently Choice 112A Rib Eyes are \$(0.0265)/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 \$2.3304 down about 17 cents since Wed. January 29 and up about 45 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$2.4727 down about 17 cents since Wed. January 29 and up about 46 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$2.5703 down about 10 cents since Wed. January 29 but up about 53 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$4.9552 (wt. avg.) down about 27 cents from the Wed. January 29 quote. Prices are about 39 cents over year ago levels.

Choice #184 Regular Heavy top butts finished at \$2.7919 (wt. avg.) down about 14 cents since Wed. January 29 but down about 25 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$2.9976 (wt. avg.) down about 11 cents since Wed. January 29 but down about 18 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$4.0710 (wt. avg.) down about 31 cents since Wed. January 29 and up about 32 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at \$1.9883 down about 56 cents since Wed. January 29 and up about 48 cents from year ago levels.

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 \$5.7206 (weighted average quote) finished last week down about 6 cents since the Wed. January 29 quote but up about one cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$5.7471 (weighted average quote) finished last week up about 6 cents since the Wed. January 29 quote but up about 11 cents vs. the year ago price.

Choice prices are at their post-holiday season lows at this time. Select rib eyes also are near their post-holiday season lows at this time.

81CL Coarse Ground product finished last week at \$2.1666 down about 56 cent since Wed. January 29 and up about 25 cents from the year ago quote.

90CL Bnls. Beef prices finished the week at \$2.2370 (wt. avg.) up about one cent since Wed. January 29 and up 11 compared to the year ago price quote. Ranchers are trying to hold more beef cows. Corn prices are significantly under year ago levels at this time. Our expectations for higher prices in 2014 are based on farmers continuing to hold cows. Cheaper feed is going to encourage rebuilding everywhere there is grass.

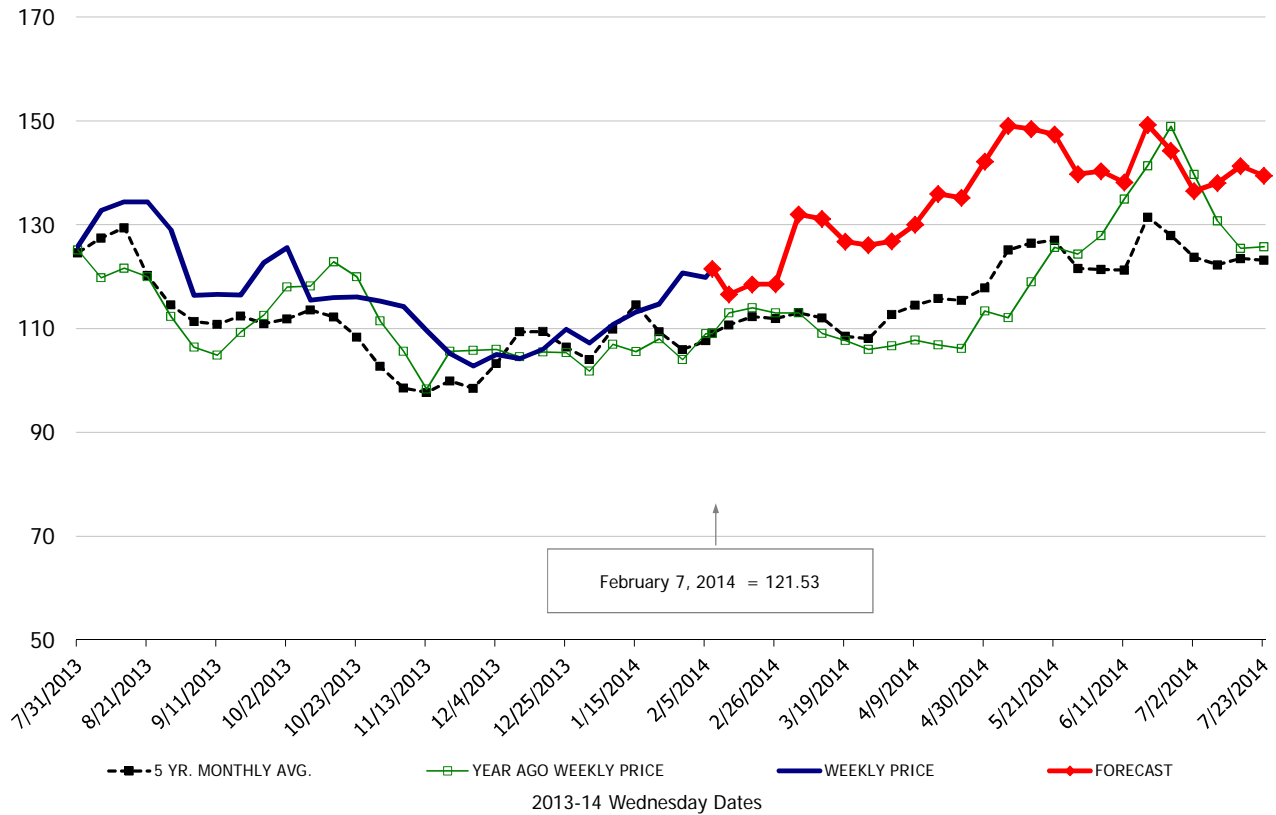
50 CL Beef Trim prices finished last week at \$0.9671, down about 15 cent since Wed. January 29 but up 30 compared to the year ago level.

Food Service Summary Table - WT. AVE

	2013-14 History							2014 FORECAST							
	Aug	Sep	Oct	Nov	Dec	Jan	1/29/2014	2/7/2014	2/19/2014	Feb	Mar	Apr	May	Jun	Jul
<u>PORK</u>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.29	1.18	1.16	1.07	1.06	1.14	1.21	1.22	1.19	1.17	1.29	1.32	1.45	1.43	1.39
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.35	1.26	1.23	1.17	1.12	1.20	1.27	1.27	1.28	1.27	1.42	1.42	1.56	1.57	1.52
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.80	1.83	1.81	1.73	1.71	1.78	1.71	1.77	1.71	1.72	1.90	1.95	2.11	2.10	2.01
Loin, Tenderloin, FOB Plant, USDA	2.38	2.36	2.33	2.29	2.32	2.41	2.51	2.41	2.58	2.60	2.85	2.90	3.19	3.30	3.25
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	1.05	1.13	1.01	0.99	0.99	1.06	1.11	1.12	1.10	1.11	1.16	1.22	1.26	1.29	1.19
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.50	1.45	1.46	1.47	1.42	1.52	1.58	1.59	1.53	1.56	1.66	1.69	1.75	1.74	1.61
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.33	2.31	2.26	2.28	2.21	2.20	2.23	2.12	2.47	2.52	2.55	2.58	2.66	2.69	2.31
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.53	1.48	1.43	1.38	1.36	1.46	1.59	1.48	1.53	1.53	1.63	1.66	1.72	1.71	1.58
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.25	2.12	2.08	2.05	2.03	2.16	2.22	2.25	2.24	2.22	2.47	2.60	2.83	2.75	2.60
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.89	0.92	0.95	1.01	0.98	0.78	0.81	0.92	0.96	0.93	0.98	0.93	0.96	0.95	0.98
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.87	0.90	0.91	0.93	0.81	0.74	0.80	0.82	0.90	0.90	0.94	0.90	0.94	0.92	0.98
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.87	0.87	0.89	0.87	0.80	0.74	0.83	0.83	0.87	0.87	0.92	0.91	0.95	0.92	0.98
Ham, 5 Muscle Ham to Blue, FOB Plant, USDA	1.23	1.52	1.40	1.43	1.40	1.21	1.21	1.21	1.29	1.31	1.29	1.31	1.34	1.31	1.33
Belly, Skin-on Belly 14-16#, FOB Plant, USDA	1.33	1.61	1.26	1.21	1.14	1.07	1.07	1.26	1.26	1.27	1.39	1.44	1.49	1.51	1.62
Belly, Derind Belly 9-13#, FOB Plant, USDA	2.02	1.87	1.72	1.63	1.53	1.44	1.50	1.55	1.58	1.56	1.71	1.76	1.83	1.85	1.99
Belly, Derind Belly 13-17#, FOB Plant, USDA	2.06	1.85	1.67	1.58	1.48	1.38	1.46	1.54	1.57	1.55	1.70	1.75	1.82	1.84	1.98
Trim, 42% Trim Combo, FOB Plant, USDA	0.63	0.52	0.47	0.38	0.32	0.35	0.37	0.39	0.41	0.40	0.49	0.55	0.59	0.64	0.76
Trim, 72% Trim Combo, FOB Plant, USDA	0.69	0.67	0.83	0.73	0.64	0.70	0.76	0.85	0.82	0.82	0.86	0.82	0.87	0.93	0.96
<u>HOG CARCASS</u>															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	0.95	0.93	0.86	0.80	0.78	0.79	0.80	0.82	0.83	0.84	0.91	0.96	1.03	1.06	1.05
<u>BROILERS</u>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	0.91	0.91	0.91	0.94	0.95	0.96	0.95	0.92	0.95	0.94	0.95	0.94	0.98	0.99	0.98
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.78	1.50	1.35	1.26	1.26	1.25	1.25	1.28	1.34	1.35	1.42	1.49	1.61	1.55	1.58
N.E. BROILER BREAST LINE RUN, USDA	1.17	1.06	1.01	0.98	0.94	0.93	0.93	0.89	0.98	0.98	1.02	1.07	1.15	1.15	1.16
N.E. BROILER LEG QUARTERS, USDA	0.52	0.53	0.47	0.44	0.43	0.43	0.43	0.42	0.46	0.46	0.46	0.49	0.52	0.52	0.51
N.E. BROILER WINGS, USDA, WT.AVG.	1.58	1.62	1.49	1.21	1.21	1.30	1.35	1.32	1.33	1.38	1.25	1.20	1.18	1.25	1.33
<u>TURKEYS</u>															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.05	1.06	1.08	1.10	1.10	1.03	1.02	1.03	1.04	1.04	1.05	1.07	1.10	1.12	1.14
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	1.96	2.14	2.20	2.19	2.16	2.16	2.16	2.16	2.12	2.13	2.12	2.16	2.22	2.27	2.32
<u>LIVE STEERS</u>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.23	1.23	1.29	1.31	1.31	1.40	1.48	1.44	1.45	1.44	1.43	1.42	1.37	1.32	1.31
<u>BEEF</u>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	6.33	6.60	6.92	7.41	6.45	5.73	5.89	5.72	5.85	5.88	6.14	6.15	6.23	6.44	6.14
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.12	2.10	2.28	2.27	2.30	2.53	2.64	2.47	2.39	2.37	2.37	2.31	2.27	2.17	2.15
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	1.94	2.01	2.18	2.11	2.09	2.40	2.67	2.57	2.37	2.36	2.23	2.11	2.07	2.02	2.03
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	4.98	4.98	4.88	4.70	4.75	4.98	5.22	4.96	5.18	5.11	5.39	6.05	6.37	6.21	5.40
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	3.26	3.15	2.94	2.79	2.78	2.82	3.22	3.00	3.30	3.26	3.41	3.50	3.37	3.11	3.13
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	3.36	3.48	3.73	3.60	3.66	3.99	4.38	4.07	4.16	4.05	4.38	4.38	4.55	4.74	4.56
COARSE GROUND 73%, USDA	1.76	1.68	1.62	1.66	1.71	2.29	2.55	1.99	1.88	1.91	1.84	1.87	1.89	1.69	1.61
COARSE GROUND 81%, USDA	1.88	1.88	1.79	1.82	1.86	2.45	2.73	2.17	2.14	2.15	2.04	2.02	2.10	1.89	1.81
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.03	2.04	1.93	1.91	2.02	2.19	2.23	2.24	2.33	2.32	2.31	2.28	2.24	2.14	2.14
50CL BEEF TRIM, FRESH, NATIONAL, USDA	1.08	0.97	1.00	1.11	0.95	1.05	1.12	0.97	1.19	1.14	1.24	1.19	1.19	1.03	1.01

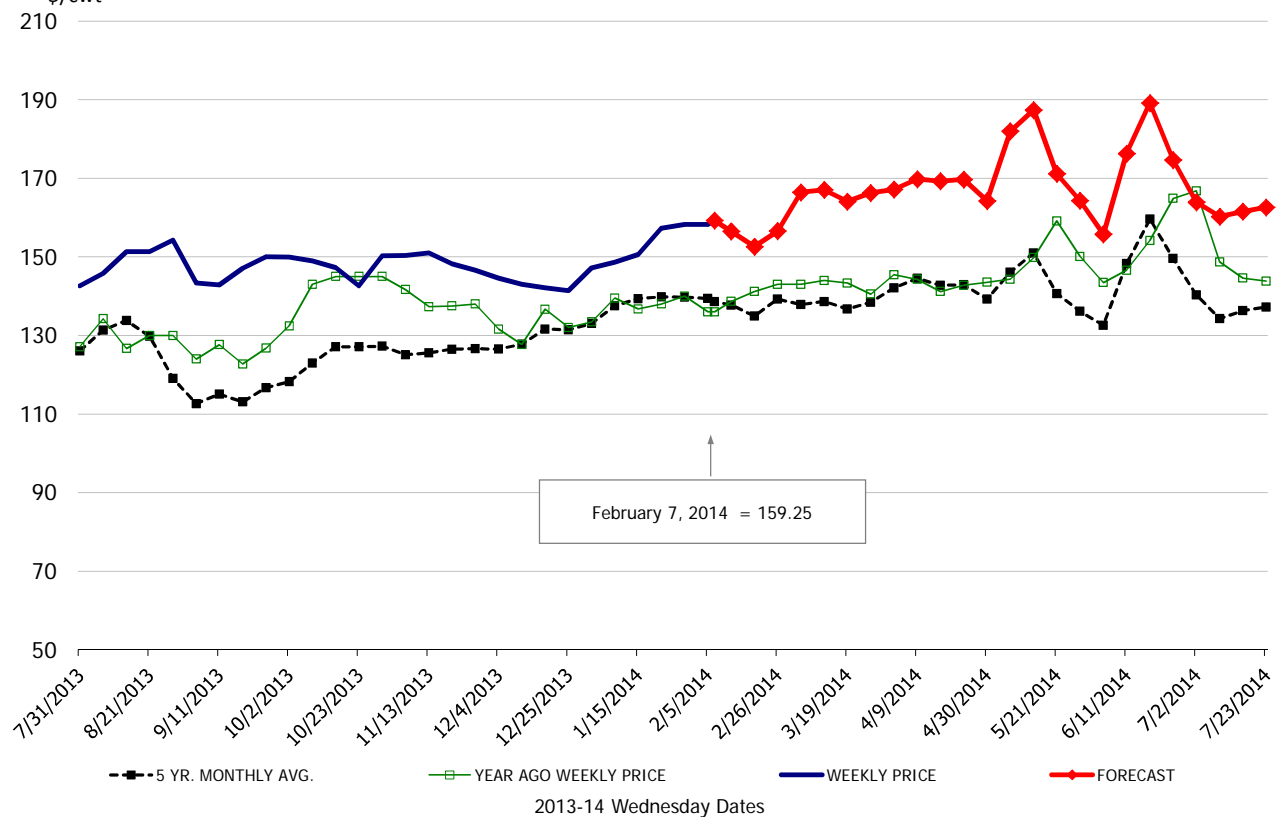
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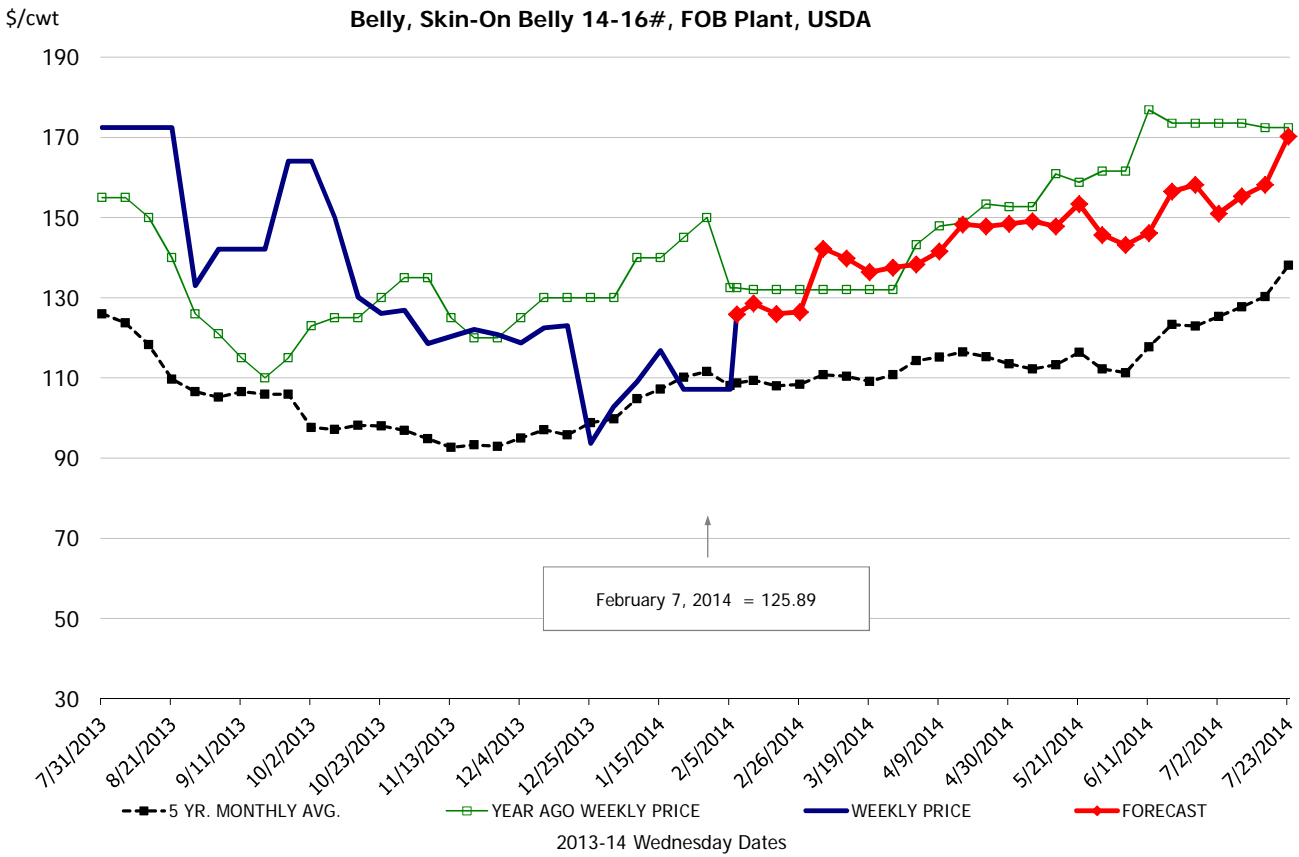
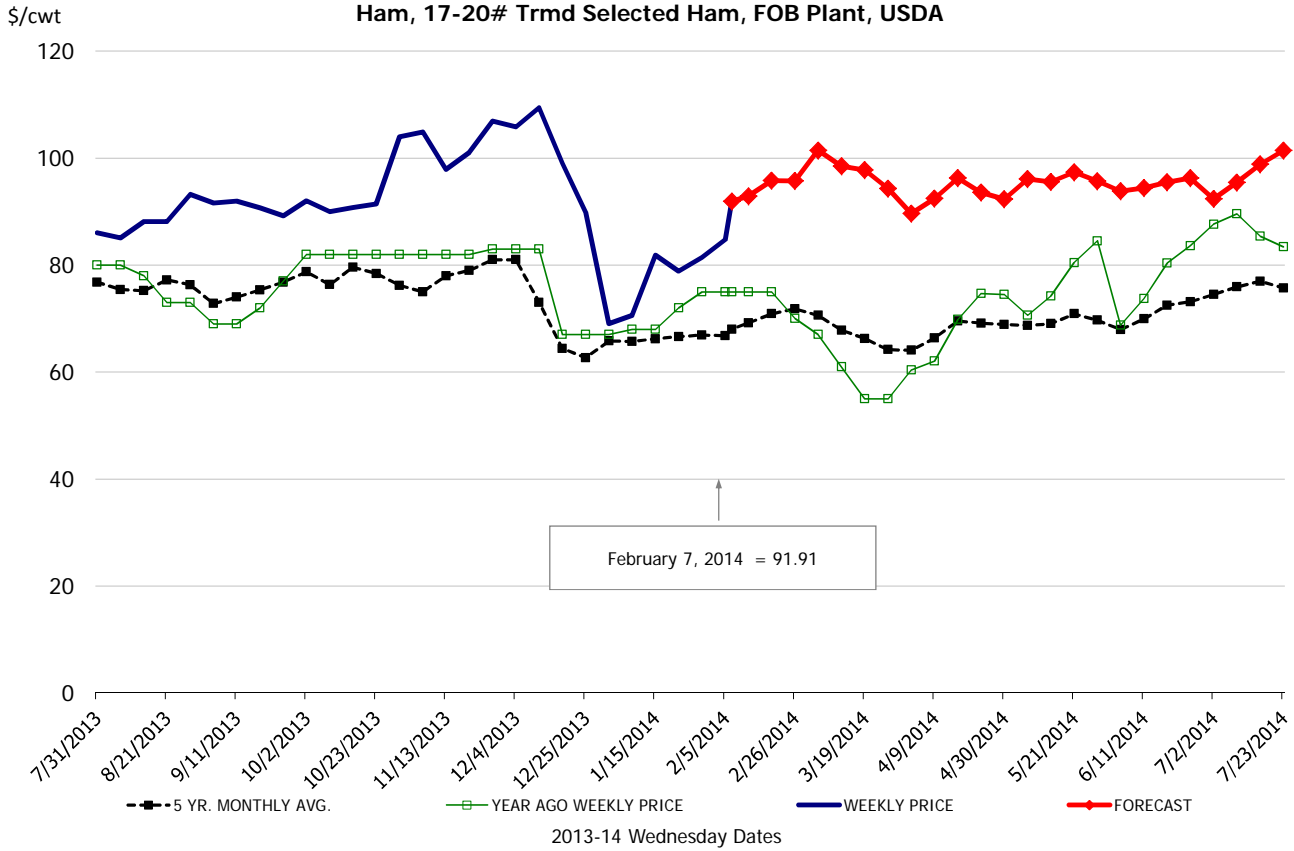
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA



\$/cwt

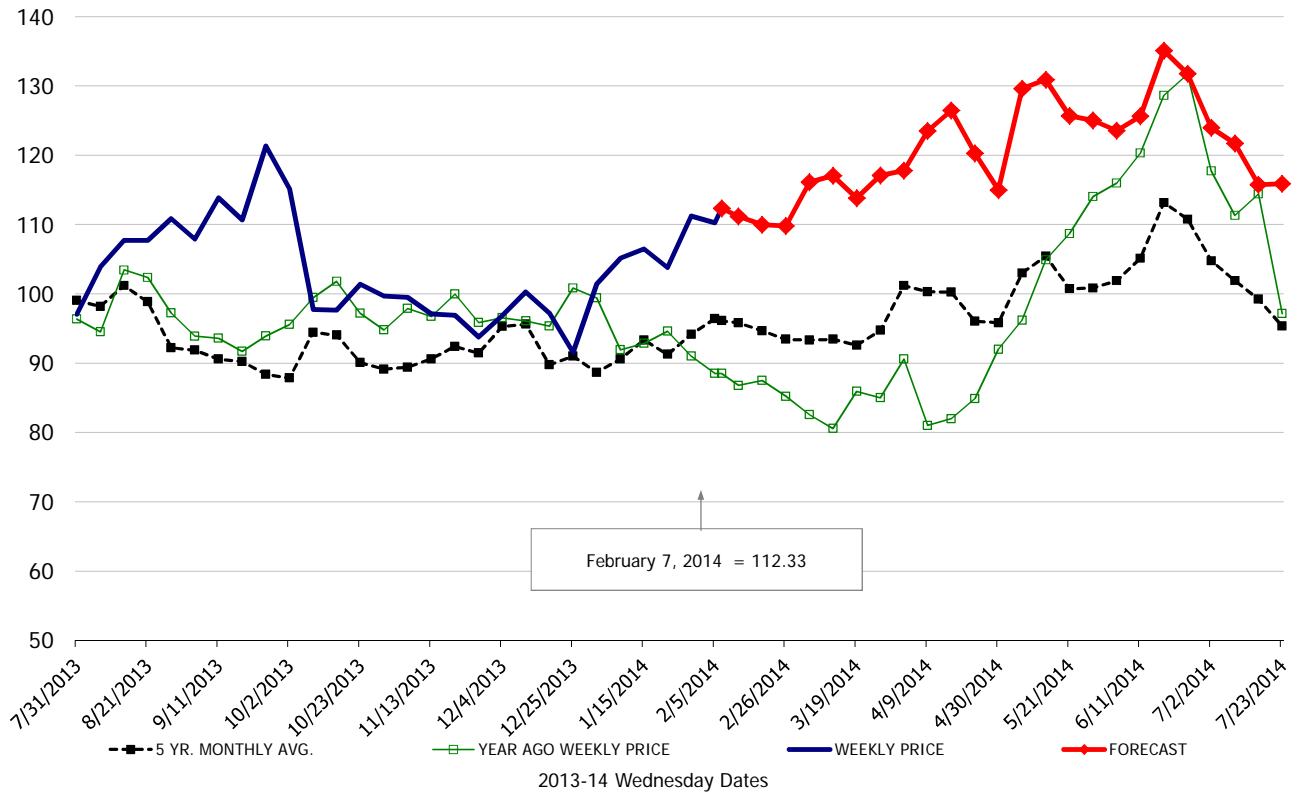
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA





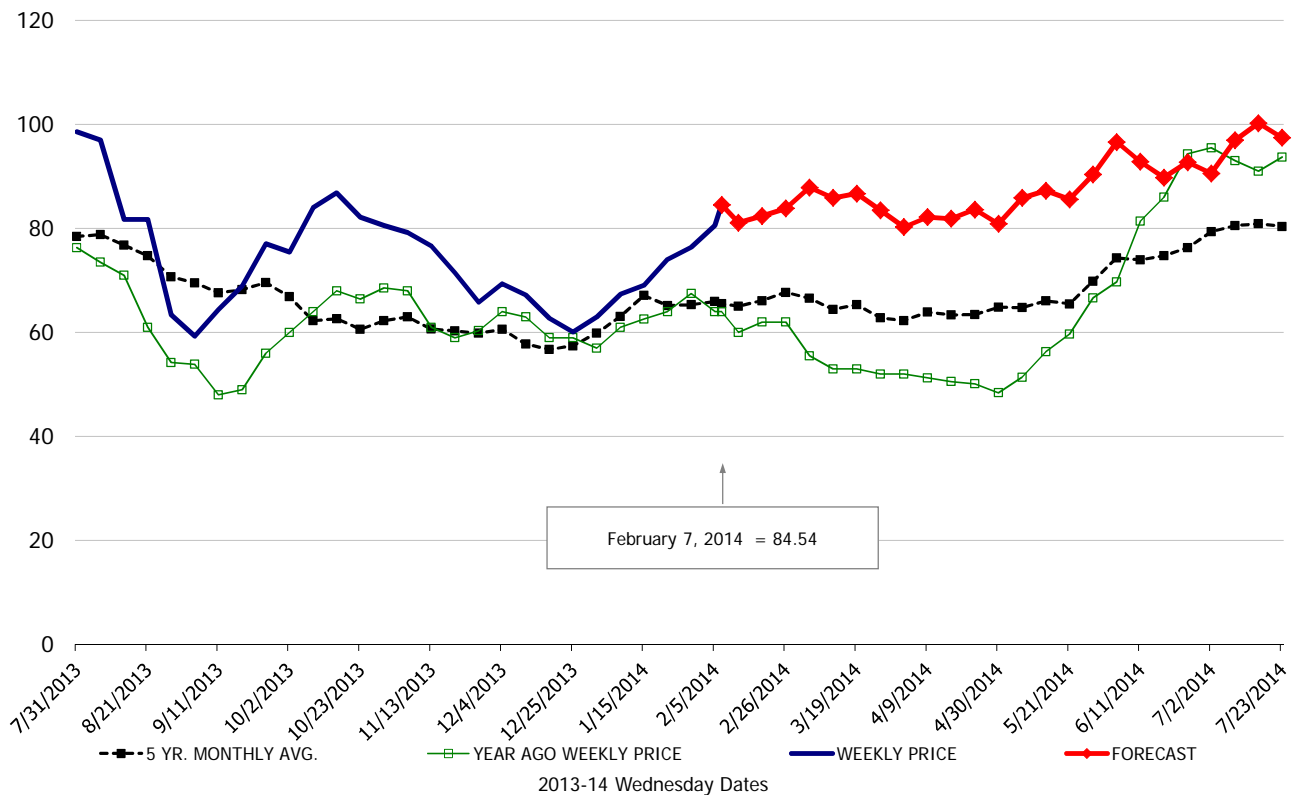
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Butt, 1/4 Trim Butt Combo, FOB Plant, USDA

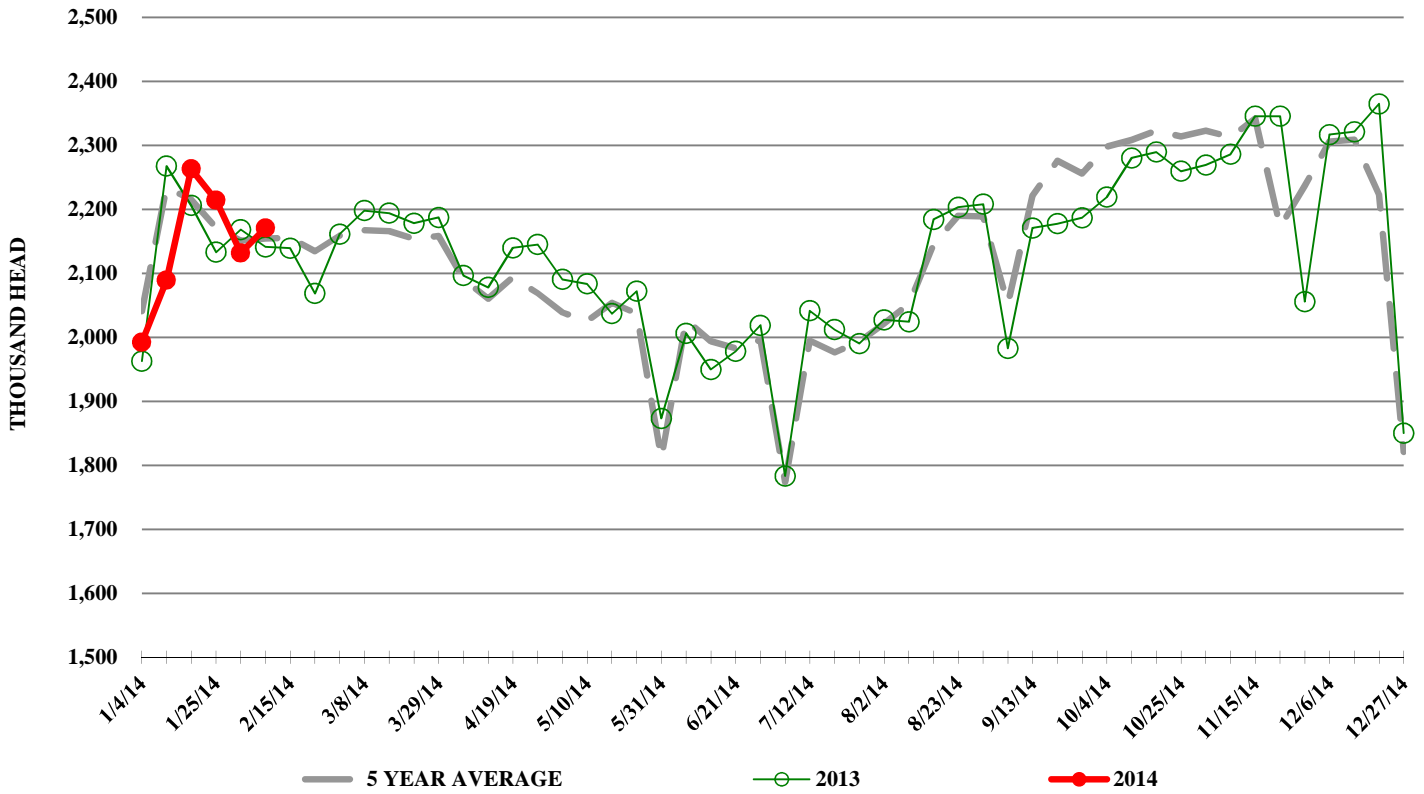


\$/cwt

Trim, 72% Trim Combo, FOB Plant, USDA



ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION

