



Pork Merchandiser's Profit Maximizer

Be inspiredSM

- Foodservice Edition

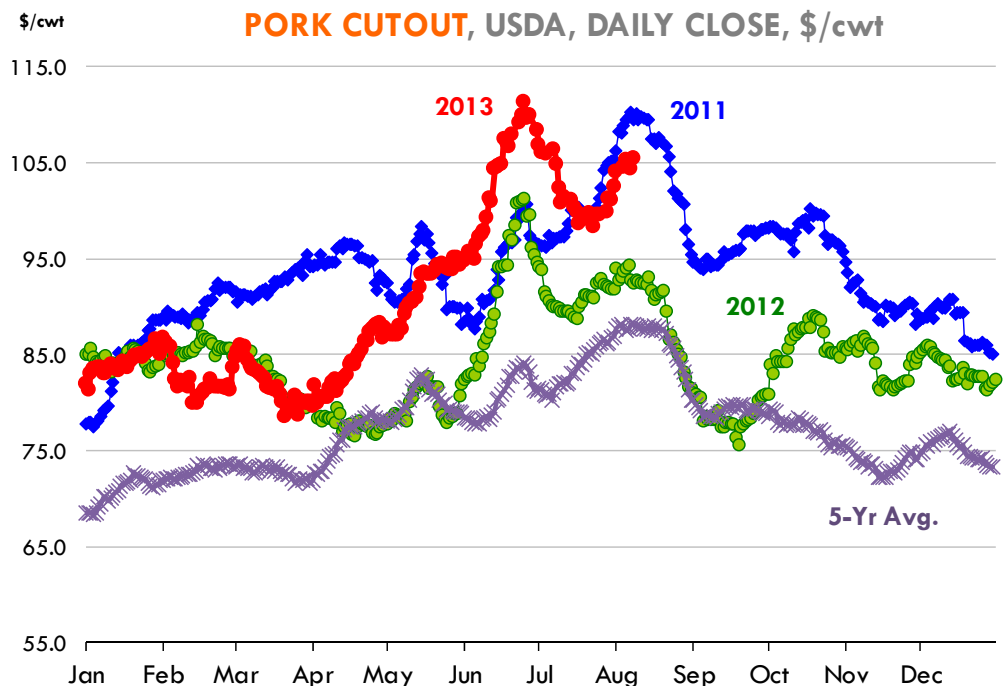
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Prepared by Steiner and Company, Manchester, NH 800-526-4612.

August 12, 2013

1. Nearby August lean hog futures hit contract highs last week, buoyed by renewed strength in wholesale prices and generally tighter supplies than a year ago.

Pork cutout values usually reach their annual highs in early July but this year, similar to what we saw in 2011, wholesale pork prices continue to trade quite firm well into August. As has been the case for much of this year, higher pork belly prices underpin much of the strength in the cutout. However, all other pork primals are now above year ago levels. On Friday, the pork cutout closed at \$105.5/cwt, \$12.81 (+14%) higher than a year ago. About half of the year over year increase was due to higher pork belly prices. But other primals, from loins to hams to picnics, are now tracking above year ago levels. As we have highlighted in the past, pork trim values are very

firm and this has contributed to the increase in the value of many primals. As to what is driving the current surge in pork prices, one can look at both seasonal demand, a reduction in available supplies and possibly better exports. On this latter factor, we have yet to see any convincing numbers showing a major rebound in pork exports (see next page). Domestic pork demand is decidedly

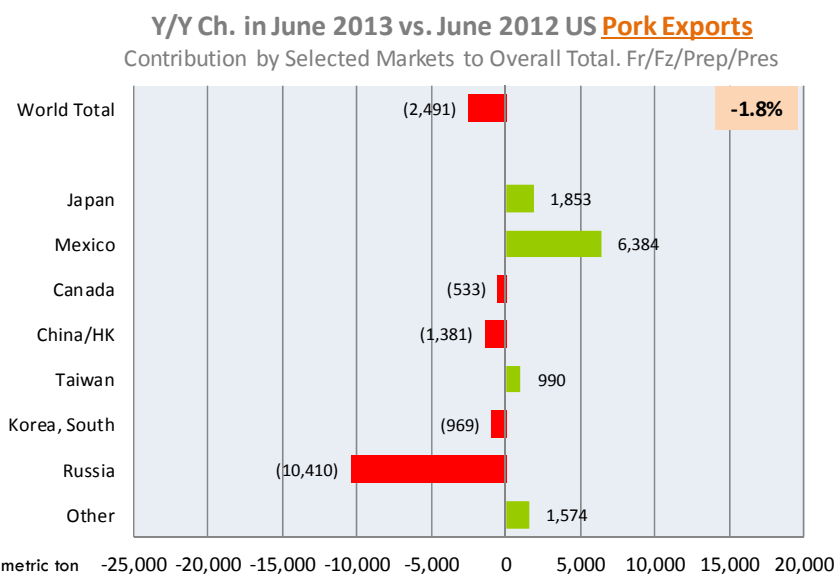
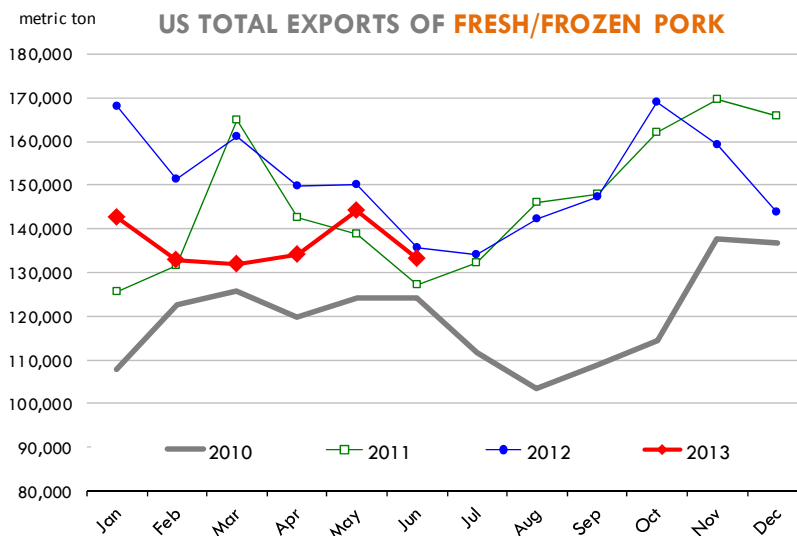


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better than it was last spring and during the same time a year ago. Temperatures this year are notably cooler than a year ago in many parts of the country and this has likely stimulated consumption of backyard grill staples such as hot dogs, sausages and hamburgers. As we noted yesterday, improvements in foodservice demand and a decline, albeit excruciatingly slow, in the number of the unemployed/underemployed, also has benefited pork demand this summer.

As pork demand has improved this summer, there are lingering questions about the supply of hogs coming to market in the near term. Weekly hog slaughter last week was pegged at 2.019 million head, 1.3% lower than a year ago. Weekly slaughter has declined for three consecutive weeks. Still, hog slaughter since June 1 (the time of the last hog survey) actually is slightly ahead of the survey data. Weekly hog slaughter since June 1 shows a total of 19.815 million hogs have come to market, about 0.6% MORE than during the same period a year ago. This is consistent with the results of the Hogs and Pigs survey, which showed inventories of pigs under 120 pounds as of June 1 were estimated to be up 1% from year ago levels. Slaughter numbers will likely run well below year ago levels for the remainder of August and in September, however. This is largely because producers last year accelerated their marketings in order to limit hog carcass weight gains. This year, we will likely see fewer hogs come to market but at heavier weights.

End users (retailers/ foodservice operators/ consumers) likely are looking at corn prices heading lower and may start counting on an immediate decline in pork prices. While lower corn eventually may mean lower meat prices, the key word is eventually. For now, lower corn prices mean improved margins for producers, who struggled with red ink for much of the last 12 months. At some point, the profits become good enough to cause producers to expand



supplies and lead to lower prices. But beware of those lags, animals don't grow at the push of a button.

2. Pork Exports Below Year ago Numbers in June

There has been plenty of talk of resurgent US pork exports to China following the purchase of Smithfield, the largest US pork packer, by a Chinese company. So far, however, Chinese purchases of US pork are in line with normal trends and in June exports to China/Hong Kong were down about 7% from a year ago. The Russian ban on US pork continued to weigh down

overall exports in June. Some of the lost Russian business was offset by bigger exports to Mexico and South America. Pork exports to Mexico in June were 35,109 MT, 22% higher than a year ago. Japan, now the second largest market for US pork after Mexico, purchased 32,666 MT of pork in June, 6% more than a year ago. US pork exports to Central and South America also are booming. In June 2010, US packers shipped about 543 MT of pork to South America. By June 2013, pork exports were 5,158 MT, with Colombia taking the largest share of the business.

PORK

NOTE: WE ARE NOW REPORTING AND FORECASTING MANDATORY PLANT WEIGHTED AVERAGE BLUE SHEET PRICES FOR PORK CUTS.

Live hog. For week ending August 9 hog slaughter was 2.019 million head, down about 1.3% from the same week a year ago. Slaughter for the last two weeks was down 1.1% vs. a year ago.

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass values at \$98.85/cwt. on Friday were up \$1.34/cwt. since Wed. Jul 31.

21/dn Pork Loins “Total on FOB Basis” (page 8). Prices finished last week \$1.3429 for the “Total on FOB Basis” quote, up about 8 cents since the Wed. July 31 quote and now up 14.5 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.6885 for the strap on loins, up about 21 cents since Wed. July 31 and also up about 9 cents from the year ago levels. Strap off loins at \$1.8393 are up about 17 cents since Wed. July 31 and up about 8 cents compared to the year ago quote.

Boneless sirloins at \$1.2341 are about the same price as on Wed. July 31 but down about one cent from the year ago price.

Pork tenderloin finished last week at \$2.6004 are up about 2 cents since the Wed. July 31 quote but down about 47 cents from the year ago price.

5/10 Pork Butts “Total on FOB Basis” (page 10), prices finished the week at \$1.0649, up about 109 cents since Wed. July 31 and up about 12 cents from the year ago levels.

4.25/dn Spare Ribs “Total on FOB Basis” (page 8). Prices finished the week at \$1.4749 up

Upcoming holidays:

2013 Labor Day [US and Canada] (Monday September 2); Rosh Hashanah (Thursday September 5); Yom Kippur (Saturday September 14); Columbus Day (Monday October 14); Canadian Thanksgiving Day (Monday October 14); Daylight Savings Time Ends [US and Canada] (Sunday November 3); Veterans Day (Monday November 11); Remembrance Day [Canada] (Monday November 11); Hanukkah (Wednesday November 27); Thanksgiving (Thursday November 28); Christmas Day (Wednesday December 25); Boxing Day [Canada] (Thursday December 26).

about 5 cents since Wed. July 31 and up about 13 cents from year ago levels.

Rib inventories on June 30 were 56.8 million pounds, down 21 percent from a year ago.

Bone-in Hams.

The price of 17/20 hams (page 9) was 84.92 cents down about one cent since Wed. July 31 but up about 5 cents from a year ago.

20/23 hams finished the week at 84.52 cents for the Total on FOB Basis (page 118) up about 1 cent since Wed. July 31 and also up about 2 cents from the year ago level.

23/27 hams finished the week at 86.58 cents for the Total on FOB Basis (page 119) up 4 cents from the Wed. July 31 quote and also up about 5 cents from the year ago level.

Total ham cold storage stocks on June 30 at 161.1 million pounds were up about 9% from year ago levels.

Mandatory pricing procedures appear to be causing the ham quotes to be much more volatile, depending on what day and how many trades the USDA picks up.

Bellies “Total on FOB Basis”. There simply is not enough trade on skin on bellies to comment on. Based on the derinded belly quote on Friday, we calculate an implied #14-16 price of 1.7200, about the same as on July 31 but still some 17 cents higher than a year ago.

Cold storage stocks on June 30 were 42.7 million pounds, down about 13 percent from year ago levels.

42 CL Pork Trim “FOB Basis”. Prices finished the week at 87.58 up about 4 cents since Wed. July 31 and up about 23 cents from the year ago price.

72 CL Pork Trim “FOB Basis”. Prices finished the week at 99.74 cents, up about 1 cent since the Wed. July 31 quote and up about 26 cents from the year ago level.

Freezer stocks of all trimmings on June 30 were 48.3 million pounds, up about 4 percent from the year ago levels.

72 CL Picnic Meat “FOB Basis”. Picnic prices at \$1.0293/lb. up about 2 cents since Wed. July 31 but up about 4 cents from the year ago price.

POULTRY

Georgia Dock Broilers. The Georgia dock price on Wednesday July 24 at \$1.0650 was up about 12 cents from a year ago.

The National Whole Bird price is up about 10 cents from the year ago levels at 90.9 on Monday July 22. Whole bird prices are down sharply, however, as supplies shortages have normalized.

Broiler slaughter for the holiday week ending August 9 was estimated at 158.46 million, up 1.5% from a year ago. For the last two weeks slaughter was up 1.7% vs. a year ago. Expect prices near current levels in August and September but lower in October.

Breasts. Prices on boneless skinless breasts finished the week at \$1.8225 down about one cent since the Wed. July 31 quote but still up about 42 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 trading about 3 cents above year ago prices at 52.24.

Wings. Prices at \$1.6002 are down about 24 cents from year ago levels.

Turkeys

Hens finished last week at \$1.0400 up one cent since Wed. July 31 but down about 7 cents from the year ago price.

Toms finished last week at \$1.0400, unchanged since Wednesday July 31 but down about 8 cents from the year ago price.

Total turkey supplies in the freezer on June 30 were up about 4 percent from a year ago at 566.4 million pounds. Whole birds were up 10 percent from year ago with whole bird inventory at 312.2 million pounds.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$1.85, up 5 cents since Wed. July 31. Prices are still 11 cents below year ago prices at this time.

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 \$6.0067 (weighted average quote) finished last week up about 18 cents since the Wed. July 31 quote but prices are still down about 17 cents vs. the year ago price. **Select 112A Heavy Lip On Rib Eyes** at \$5.0012 (weighted average quote) finished last week up about 39 cents since the Wed. July 31 quote and up about 33 cents vs. the year ago price.

Choice regular #168 insides finished last week quoted at \$1.9622 up about 3 cents since Wed. July 31 but still down about 7 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$2.1074, up 6 cents since Wed. July 31 and up about 2 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$1.9170, up 4 cents since Wed. July 31 but down about 9 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$4.9105 (wt. avg.) up about 15 cents from the Wed. July 31 quote. Prices are now about 36 cents below year ago levels.

Choice #184 Regular Heavy top butts finished at \$2.9975 (wt. avg.) up about 6 cents since Wed. July 31 but down about 13 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$3.2237 (wt. avg.) up about one cent since Wed. July 31 and up about 5 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$3.6814 (wt. avg.) down about 23 cents since Wed. July 31 and down about 87 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at \$1.6765 up about 2 cents since Wed. July 31 and up about 25 cents from year ago levels.

81CL Coarse Ground product finished last week at \$1.8415, up about 7 cents since Wed. July 31 but up about 9 cents from the year ago quote. Ground beef demand has been better than a year ago and this continues to prop up the value of fat trim.

MANUFACTURING BEEF AND TRIM –

Domestic cow meat supplies are now lower than a year ago. The dairy herd slaughter is slightly lower than a year ago while the beef cow slaughter is down vs. last year's levels. For the last four reported weeks the **total cow slaughter** (the last week being the week ending July 27) was 4.5% below a year ago. **Dairy cow** slaughter was down 0.25% vs. a year ago. The **beef cow** kill was down 8.03% compared to year ago.

90CL Bnls. Beef prices finished the week at \$2.0065 (wt. avg.) slightly lower than on Wed.

July 31 and about 8 cents under the year ago price quote. Ranchers are trying to hold more beef cows, the declining price of corn is making calf prices move up the last few weeks. Our expectations for higher prices are based on farmers holding cows but that assumption has not matched reality during the first half of 2013 but we still think it needs to take place sometime in late 2013 and in 2014. Dry conditions in the west and southwest continue to be a big issue.

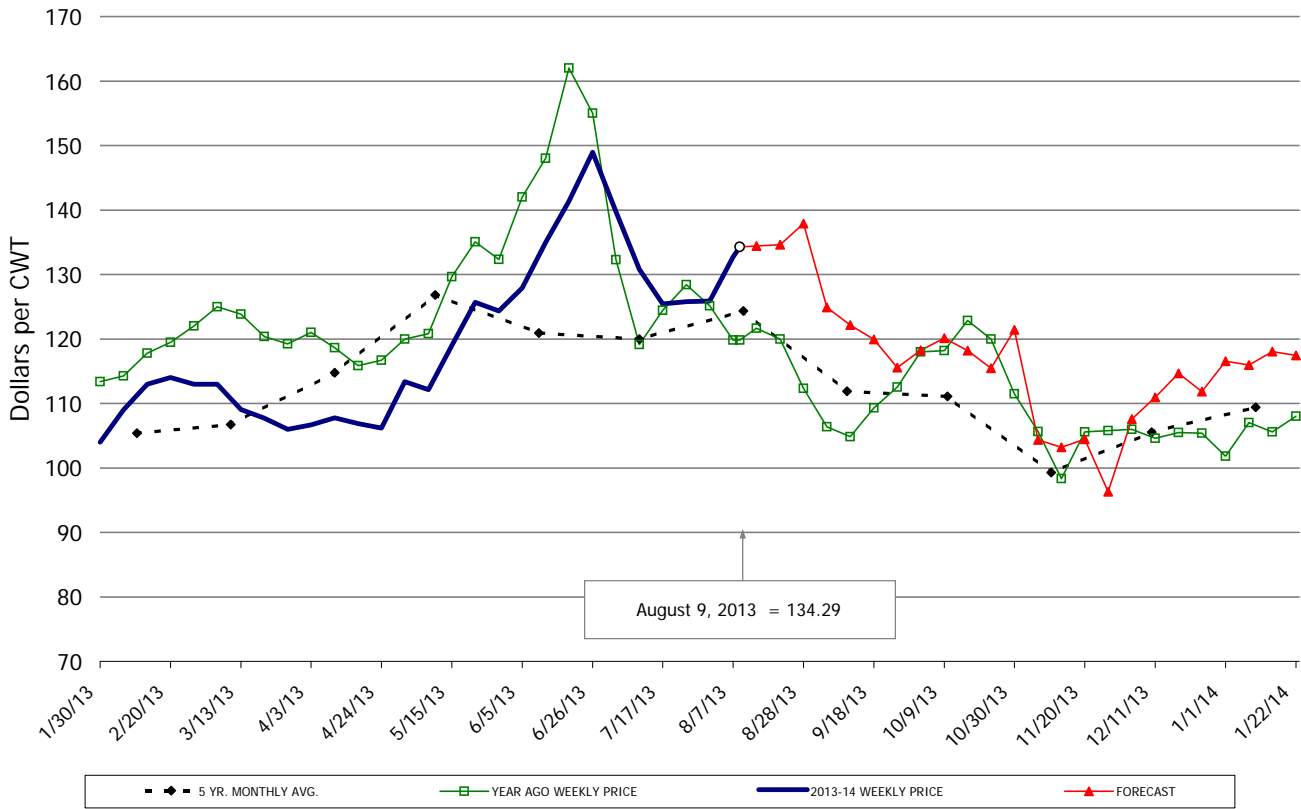
50 CL Beef Trim prices finished last week at \$1.1016, about the same as on Wed. July 31 and about 67 cents over the year ago level.

Food Service Summary Table - WT. AVE

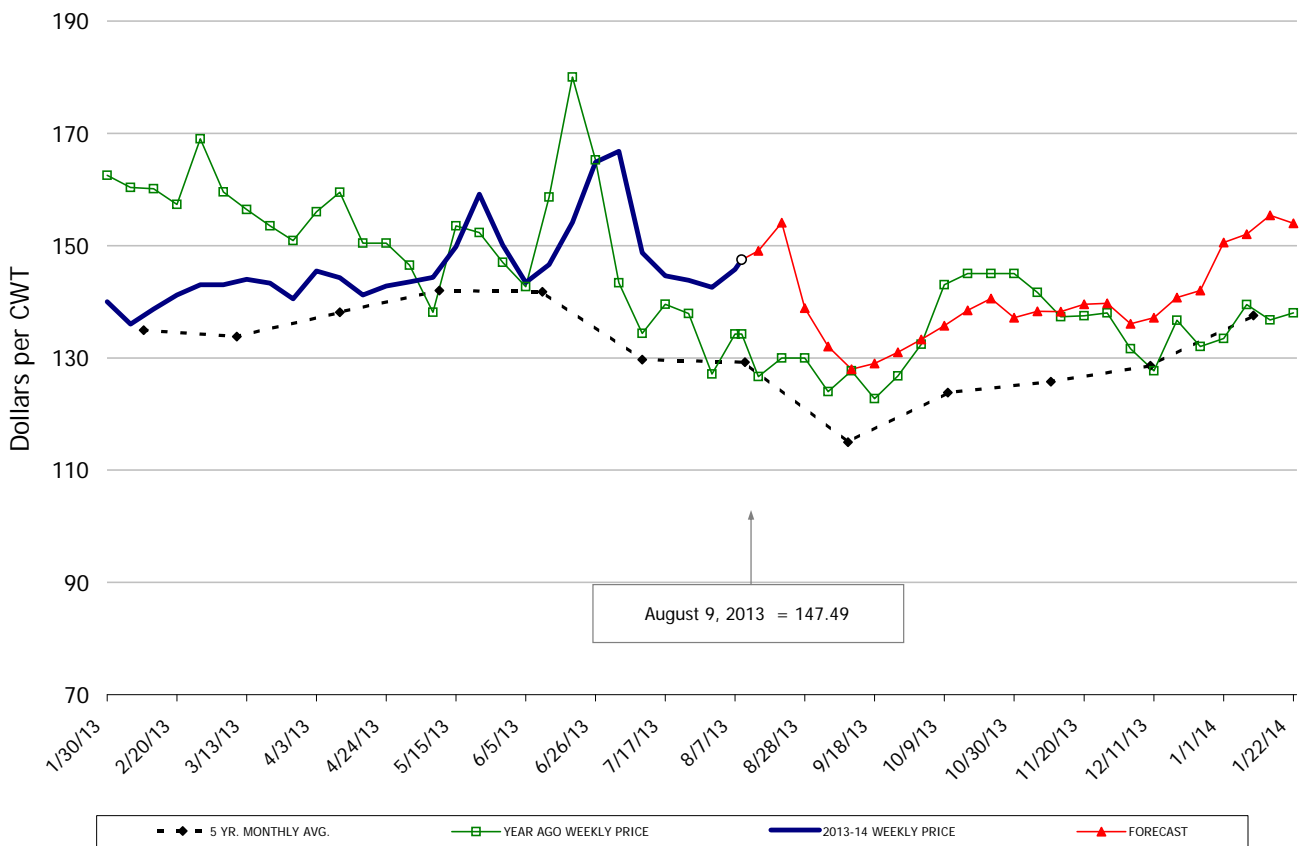
	2013 History								2013 FORECAST						
	Feb	Mar	Apr	May	Jun	Jul	7/31/2013	8/9/2013	8/21/2013	Aug	Sep	Oct	Nov	Dec	Jan
<u>PORK</u>															
TRIM LOIN, 1/4" Trim 21#DN-LGT, TTL on FOB Basis, USDA	1.12	1.09	1.07	1.19	1.38	1.30	1.26	1.34	1.35	1.32	1.22	1.18	1.05	1.09	1.17
TRIM LOIN, 1/8" TRM/less 21#DN-LGT, TTL on FOB Basis, USDA	1.25	1.21	1.12	1.24	1.46	1.35	1.31	1.42	1.41	1.38	1.36	1.31	1.20	1.27	1.33
LOINS, CNTRCUT, BNLS STRAP-OFF 5-11#, USDA	1.70	1.64	1.60	1.78	2.01	1.82	1.67	1.84	1.83	1.93	1.78	1.74	1.60	1.68	1.85
PORK TENDERLOIN 1.25/DN#, USDA	2.62	2.66	2.59	2.68	2.81	2.60	2.40	2.16	2.49	2.50	2.48	2.29	2.23	2.22	2.49
TRIMMED BUTT, 1/4" TRM 5-10#, TTL on FOB Basis, USDA	0.87	0.84	0.85	1.03	1.24	1.08	0.97	1.06	1.10	1.06	0.99	0.97	0.96	0.96	0.96
SPARERIBS, 3 BAG/3 PCVAC 4.25#/DN-LG, TTL on FOB Basis, U	1.40	1.43	1.43	1.49	1.52	1.49	1.43	1.47	1.54	1.45	1.30	1.37	1.39	1.39	1.53
ST LOUIS STYLE RIBS 2 1/4 DN	2.40	2.43	2.43	2.49	2.52	2.49	2.43	2.47	2.54	2.45	2.30	2.37	2.39	2.39	2.53
SPARERIBS, 2 BAG/3 PCVAC 4.25#/UP-M, USDA	1.36	1.35	1.31	1.43	1.56	1.52	1.43	1.45	1.52	1.42	1.30	1.33	1.36	1.34	1.46
LOIN BACKRIB (BOXED), FRSH/FRZN, 1.75-2.00, USDA	2.34	2.34	2.34												
LOIN BACKRIB (BOXED), FRSH/FRZN, 2.00/UP, USDA	2.02	2.10	2.10	2.39	2.48	2.37	2.32	2.25	2.43	2.42	2.27	2.14	2.10	2.07	2.43
SKINNED HAM, BONE-IN, 17-20#, TTL on FOB Basis, USDA	0.74	0.60	0.67	0.77	0.77	0.86	0.86	0.85	0.88	0.85	0.86	0.88	0.86	0.79	0.72
SKINNED HAM, BONE-IN, 20-23#, TTL on FOB Basis, USDA	0.74	0.60	0.67	0.69	0.76	0.88	0.84	0.85	0.90	0.86	0.86	0.85	0.81	0.76	0.70
SKINNED HAM, BONE-IN, 23-27#, TTL on FOB Basis, USDA	0.73	0.60	0.67	0.70	0.76	0.87	0.83	0.87	0.91	0.87	0.86	0.81	0.76	0.74	0.69
SELECT, BNLS 5 MUSCLE HAMS 94-96%, TTL on FOB Basis, USDA	1.16	1.11	1.19	1.35	1.17	1.22	1.22	1.22	1.36	1.26	1.26	1.22	1.22	1.20	1.25
BELLY, SKIN-ON, TRIM 12-14#, TTL on FOB Basis,	1.30	1.30	1.52	1.61	1.82	1.77	1.80	1.79	1.74	1.77	1.60	1.47	1.47	1.49	1.39
BELLY, SKIN-ON, TRIM 14-16#, TTL on FOB Basis,	1.32	1.32	1.48	1.57	1.71	1.73	1.72	1.72	1.72	1.76	1.61	1.47	1.39	1.41	1.41
BELLY, SKIN-ON, TRIM 16-18#, TTL on FOB Basis,	1.30	1.30	1.36	1.60	1.62	1.66	1.69	1.68	1.76	1.77	1.60	1.47	1.47	1.49	1.40
42CL PORK TRIM, FRESH, COMBO, USDA	0.42	0.38	0.41	0.45	0.58	0.64	0.84	0.88	0.78	0.75	0.63	0.54	0.42	0.37	0.41
72CL PORK TRIM, FRESH, COMBO, USDA	0.62	0.53	0.51	0.56	0.83	0.94	0.99	1.00	0.94	0.91	0.80	0.71	0.65	0.61	0.64
<u>HOG CARCASS</u>															
250-270# HOGS, US 1-3, INTERIOR IOWA DIRECT HOG MARKET	0.81	0.74	0.80	0.90	1.00	0.99	0.98	0.99	0.98	0.96	0.88	0.85	0.79	0.81	0.81
<u>BROILERS</u>															
12 CITY BROILER COMPOSITE WEIGHTED AVG.	1.02	1.07	1.07	1.10	1.08	0.99	0.93	0.91	0.91	0.90	0.91	0.91	0.90	0.91	0.91
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.40	1.48	1.61	1.96	1.89	1.82	1.83	1.82	1.83	1.78	1.56	1.42	1.24	1.25	1.36
N.E. BROILER BREAST LINE RUN, USDA	1.06	1.08	1.13	1.29	1.28	1.24	1.20	1.21	1.24	1.22	1.15	1.02	0.95	0.92	0.92
N.E. BROILER LEG QUARTERS, USDA	0.50	0.52	0.54	0.54	0.54	0.51	0.51	0.52	0.54	0.53	0.53	0.52	0.46	0.45	0.45
N.E. BROILER WINGS, USDA	1.90	1.75	1.49	1.38	1.50	1.59	1.60	1.60	1.69	1.64	1.69	1.78	1.70	1.79	1.85
<u>TURKEYS</u>															
HEN TURKEYS, EAST, FROZEN 10-12LBS, , TOP HEN TURKEYS, E/	1.01	1.01	1.01	1.02	1.03	1.03	1.04	1.04	1.08	1.07	1.11	1.15	1.15	1.05	0.97
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH,	1.67	1.59	1.56	1.55	1.58	1.66	1.80	1.85	1.92	1.85	1.92	1.96	2.00	1.85	1.85
<u>LIVE STEERS</u>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.24	1.26	1.27	1.27	1.22	1.20	1.20	1.21	1.24	1.22	1.25	1.26	1.28	1.29	1.29
<u>BEEF</u>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	5.73	6.10	5.84	6.79	7.11	6.28	5.83	6.01	6.38	6.34	6.40	6.64	8.35	7.45	6.12
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	1.99	2.10	2.06	2.15	2.00	2.09	2.04	2.11	2.13	2.09	2.11	2.08	2.05	2.16	2.34
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.09	2.09	1.98	1.95	1.85	1.90	1.88	1.92	1.98	1.95	2.06	2.12	2.13	2.14	2.24
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	4.65	5.15	5.88	7.78	7.21	5.05	4.76	4.91	5.06	4.99	4.89	4.63	4.63	4.63	5.07
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	3.21	3.23	3.30	3.57	3.43	3.23	3.21	3.22	3.33	3.28	3.14	2.94	2.96	3.10	3.21
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	3.76	3.69	4.03	4.09	5.03	5.30	3.91	3.68	3.72	4.02	3.70	3.65	3.45	3.59	3.74
COARSE GROUND 73%, USDA	1.55	1.79	1.70	1.73	1.59	1.66	1.66	1.68	1.72	1.65	1.65	1.58	1.65	1.68	1.98
COARSE GROUND 81%, USDA	1.92	2.07	1.84	1.94	1.77	1.82	1.77	1.84	1.86	1.79	1.83	1.75	1.79	1.83	2.11
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.14	2.19	2.13	2.01	1.97	2.00	2.01	2.01	2.02	2.02	2.02	1.97	2.04	2.11	2.12
50CL BEEF TRIM, FRESH, NATIONAL, USDA	0.68	0.88	0.97	0.93	0.92	1.06	1.10	1.10	1.02	1.05	0.88	0.89	1.01	0.96	0.99

*St. Louis 2 1/4 dn rib prices are estimated at 3 1/2 dn plus \$1.10

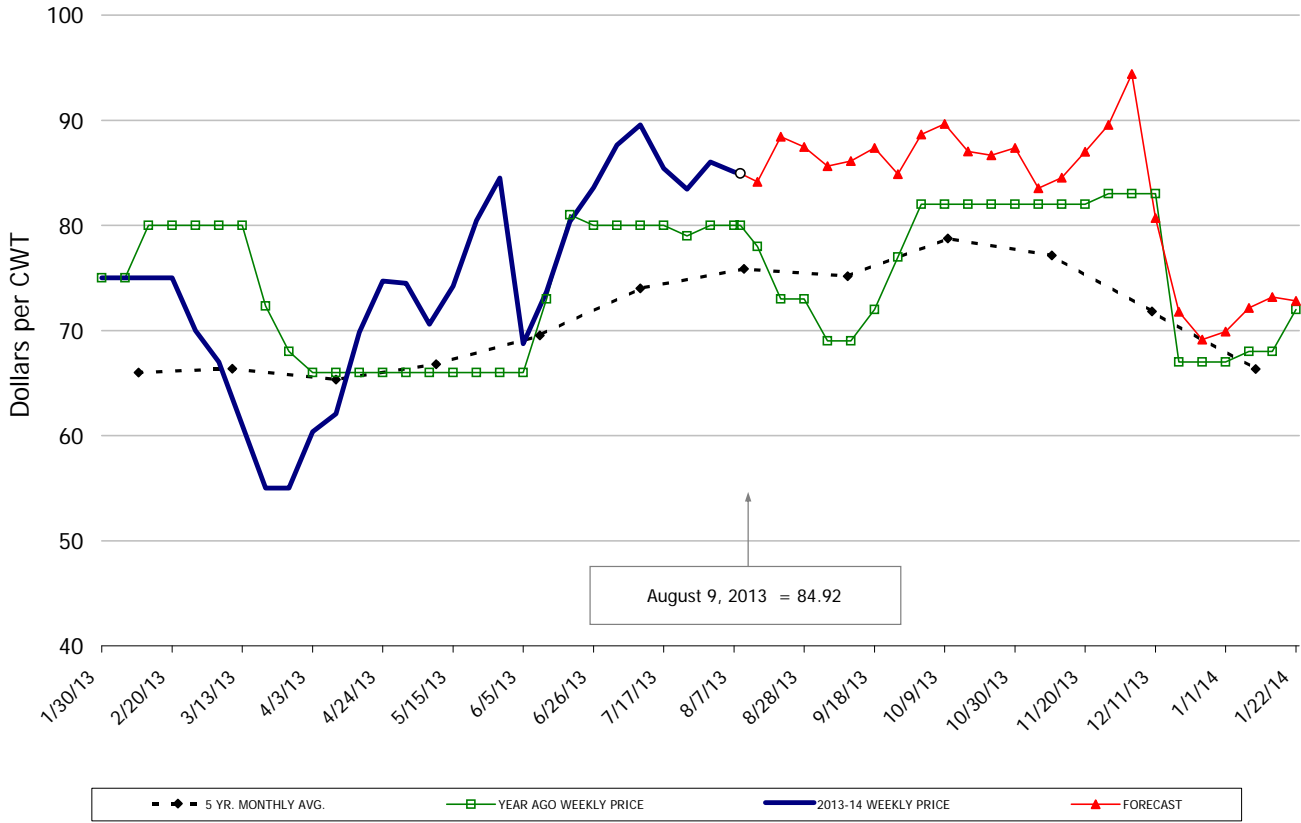
TRIM LOIN, 1/4" Trim 21#DN-LGT, TTL on FOB Basis, USDA



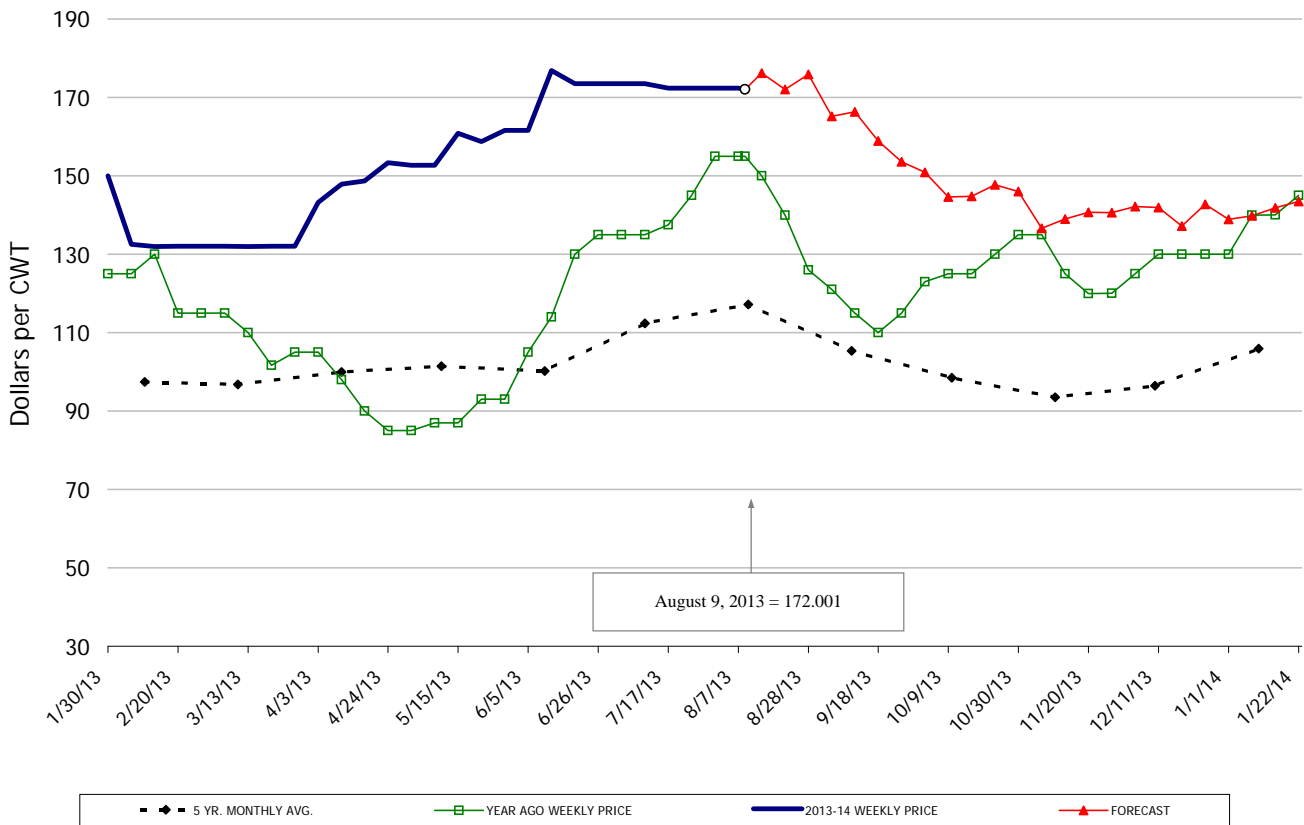
SPARERIBS, 3 BAG/3 PCVAC 4.25#/DN-LG, TTL on FOB Basis, USDA



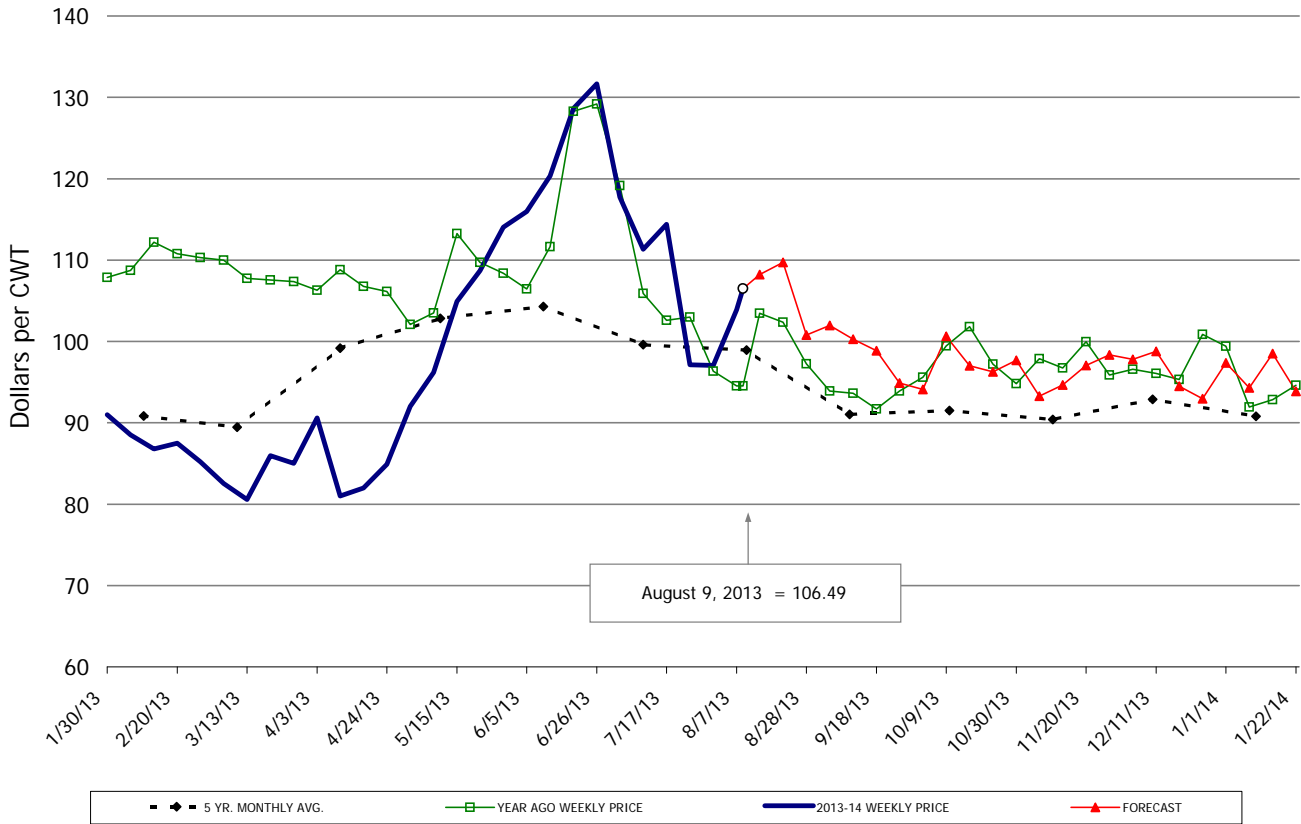
SKINNED HAM, BONE-IN, 17-20#, TTL on FOB Basis, USDA



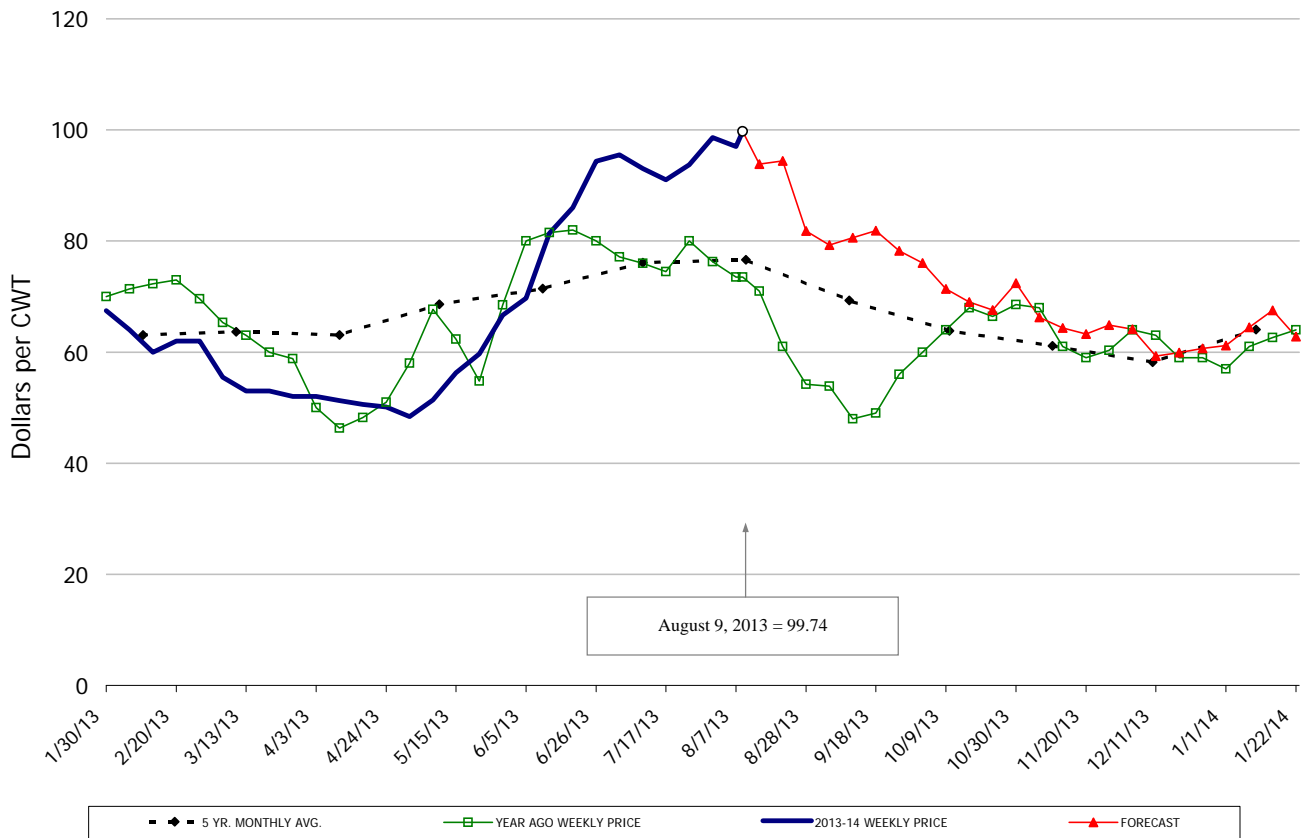
BELLY, SKIN-ON, TRIM 14-16#, TTL on FOB Basis,



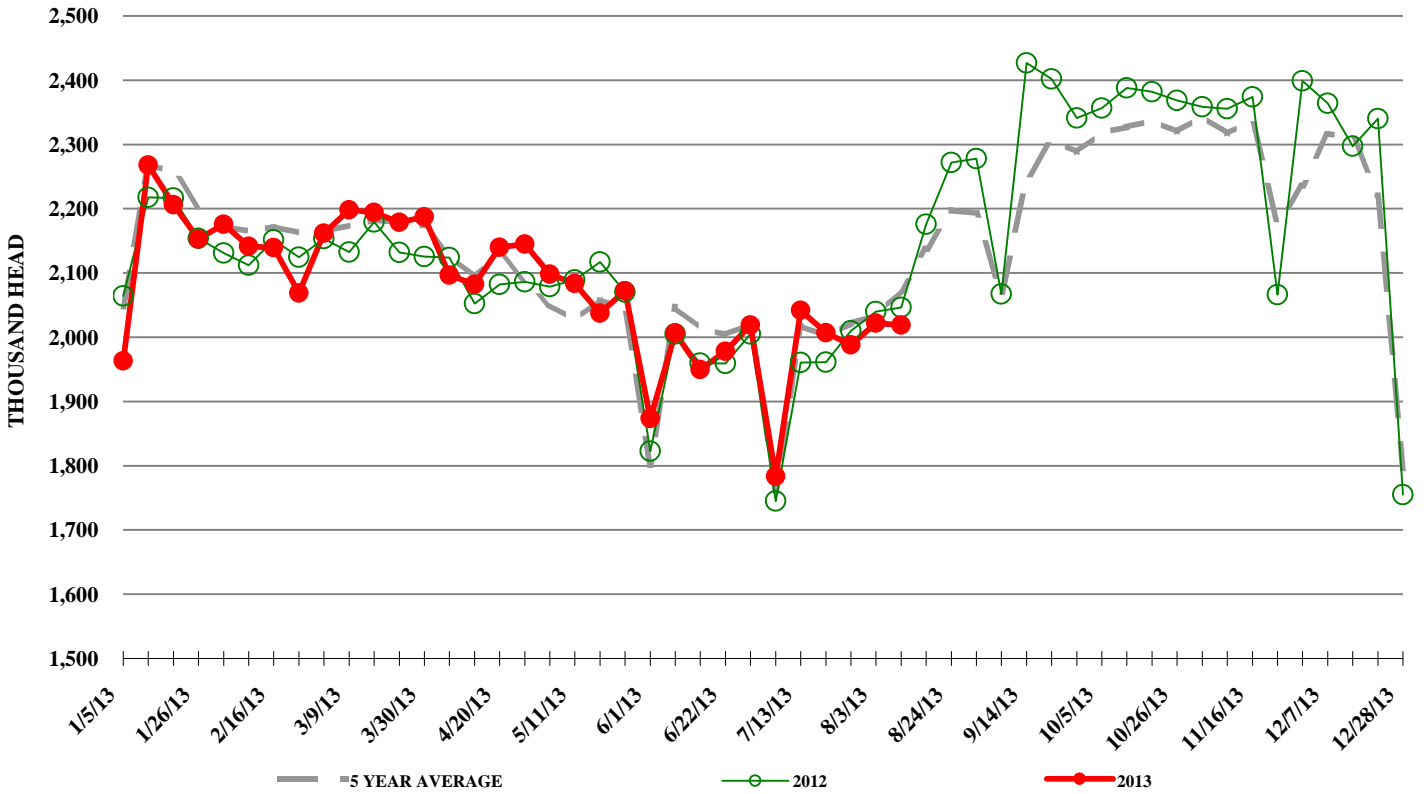
TRIMMED BUTT, 1/4" TRM 5-10#, TTL on FOB Basis, USDA



72CL PORK TRIM, FRESH, COMBO, USDA



ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION

