



Pork Merchandiser's Profit Maximizer

Be inspiredSM

- Foodservice Edition

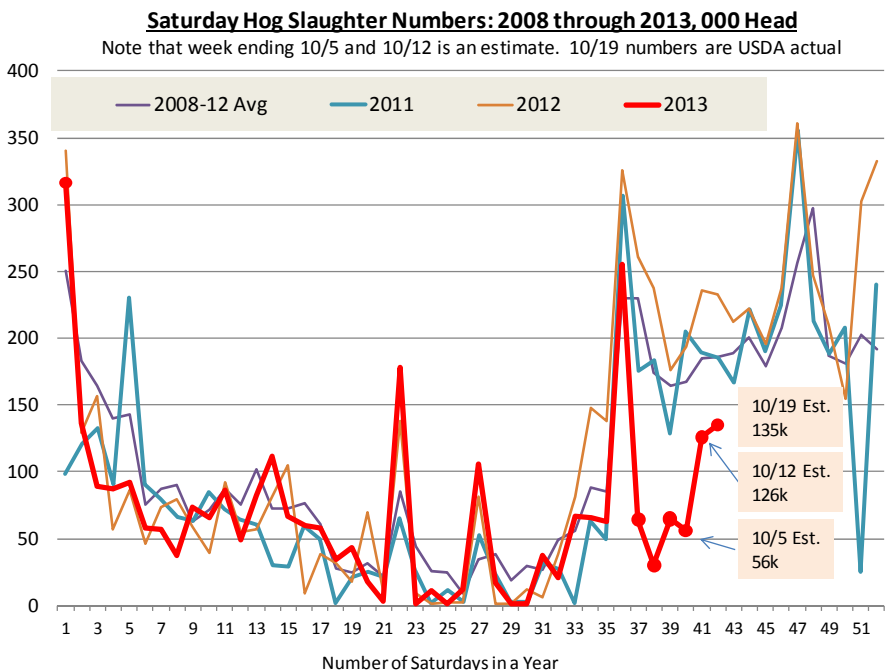
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Prepared by Steiner and Company, Manchester, NH 800-526-4612.

October 21, 2013

Hog market: Where do we go from here?

USDA hog and pork prices finally were published on Thursday and Friday and they paint a somewhat muddled picture. The IA/MN hog price on Friday was quoted at \$90.83, which is quite close to where the October futures settled earlier in the week. Despite the lack of market information, it appears that participants in the futures market were pretty good in their assessment of spot market prices. Despite firm prices for hogs in the spot market, market participants remain unsettled in their short and medium term view of the hog market. The December contract has been particularly volatile in the last two weeks. The number of hogs coming to market is slowly increasing but it still remains about 3.6% lower than a year ago. The reduction in slaughter, however, has been offset to a certain degree by heavier hogs coming to market. There was no visibility on hog weights in the last two weeks but on Friday

USDA finally provided actual numbers, pegging the weighted average hog carcass weight (mandatory reporting) at 209.5 pounds. There is no data for previous days of this week but we estimated them using the normal tendency for daily hog weights, anchoring them to the actual Thursday number. Based on this, we calculate the MPR average hog weights at 208.8 pounds. If this number is validated by USDA next week, it



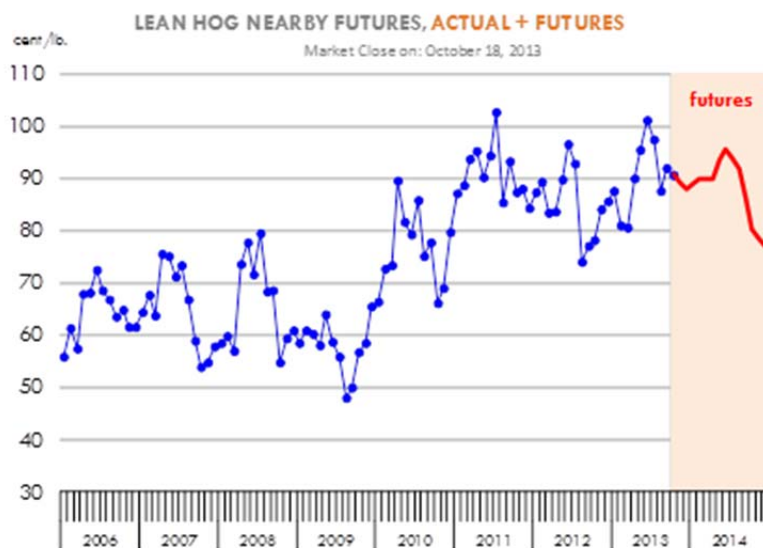
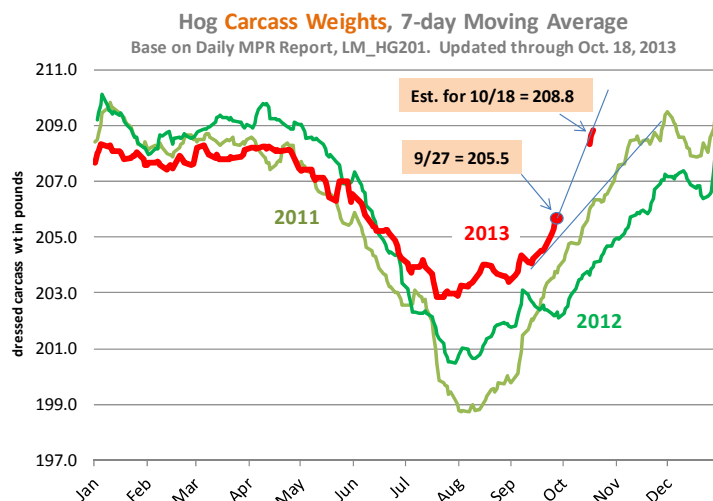
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would represent a sharp jump in hog weights and could provide an indication that pressure is building for producers to accelerate their marketings. It is also possible that the recent jump in weights could be due to producer reluctance to market hogs in the absence of USDA pricing. If so, we could see hog slaughter pick up next week but then return to more normal levels in November and December.

In the medium term, however, market participants continue to debate the impact of PEDv disease and how it may impact hog supplies in the first quarter of 2014. At this point, it appears that the USDA Hogs and Pigs report did a poor job of estimating the supply of hogs available in the Sep–Oct marketing window. Slaughter numbers in the last six weeks have fallen well short and it is unclear why that is. After all, we did not see a major impact from PEDv until May and June of 2013. Did we have a disease issue before May? Or did high feed costs last spring impact the number of pigs saved per litter? At this point all we can do is speculate about the causes of the marketing hole in September and early October. At this point we think the market has already built into the pricing the expectation that supplies will continue to fall short of the USDA report at least through the winter. This will tend to underpin hog and pork prices. Some of the supply shortfall will be offset by heavier weights. At some point, however, the lower feed costs and positive margins will catch up with hog supplies. Futures have provided ample opportunities for producers to lock in a margin for next spring and summer. The combination of more hogs coming to market next summer and ever increasing weights will certainly bring more supply to market.

The big wild card remains export demand, particularly from China. So far, Chinese purchases have been mediocre at best but if they once again actively source US pork, it will tend to absorb a good portion of the expected year/year increase.

Bottom line: Expect pork prices to slowly start to move lower but does expect the downward



pressure to start immediately as, in the short term, hog supplies remain well below year ago levels. Supply expansion is more a question of when, and we think more hogs should start coming to market by late spring and summer of 2014.

Upcoming holidays:

2013 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).

2014 New Year's Day (Wednesday January 1); Martin Luther King Day (Monday January 20); Chinese New Year (Friday January 31); Super Bowl XLVIII Sunday (Sunday February 2, in East Rutherford, NJ); 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

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

Live hog. For the week ending October 19 hog slaughter was 2.297 million head, down 3.57 percent from a year ago.

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass

values at about 90.83/cwt. on Friday were up about \$1.83/cwt. since Wed. October 9. Prices are now about \$10.23/cwt. above year ago values.

21/dn Pork Loins “Total on FOB Basis” (page 8). Prices finished last week at \$1.2231 for the “Total on FOB Basis” quote, up about 7 cents since the Wed. October 9 quote but down about one cent from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.5555 for the strap on loins, down about 6 cents since Wed. October 9 and down about 20 cents from the year ago levels. Strap off loins at \$1.8793 are up about 9 cents since Wed. October 9 but down about 4 cents compared to the year ago quote.

Boneless sirloins at \$1.2860 are up about 8 cents from the Wed. October 9 quote and up about 12 cents from the year ago price.

Pork tenderloin finished last week at \$2.2918 are down about 9 cents since the Wed. October 9 quote but up about 16 cents from the year ago price.

5/10 Pork Butts “Total on FOB Basis” (page 10), prices finished the week at \$1.1526 up about one cent since Wed. September 11 and up about 24 cents from the year ago levels.

4.25/dn Spare Ribs “Total on FOB Basis” (page 8). Prices finished the week at \$1.4689 down about 2 cents since Wed. October 9 but up about 2 cents from year ago levels.

Rib inventories on August 31 were 47.9 million pounds, down 17 percent from a year ago. The next cold storage report will not be out until October 31.

Bone-in Hams.

The price of 17/20 hams (page 9) was 90.00 cents unchanged since Wed. October 9 and up about 8 cents from a year ago.

20/23 hams finished the week at 89.35 cents for the Total on FOB Basis up about one cent

since Wed. October 9 and up about 7 cents from the year ago level.

23/27 hams finished the week at 87.56 cents for the Total on FOB Basis up about 3 cents from the Wed. October 9 quote and up about 7 cents from the year ago level.

Total ham cold storage stocks on August 31 at 200.6 million pounds were up about 2% from year ago levels. The next Cold Storage Report will be issued on October 31.

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. Our future comments will be on derinded bellies.

Cold storage stocks on July 31 were 28.1 million pounds, up about one percent from year ago levels.

42 CL Pork Trim “FOB Basis”. Prices finished the week at 55.30 up about 3 cents since Wed. October 9 and up about one cent from the year ago price.

72 CL Pork Trim “FOB Basis”. Prices finished the week at 84.68 cents up about one cent since the Wed. October 9 quote and up about 17 cents from the year ago level.

Freezer stocks of all trimmings on August 31 were 36.7 million pounds, down about 30 percent from the year ago levels.

72 CL Picnic Meat “FOB Basis”. Picnics prices should wander near current levels for a bit but be lower by January.

POULTRY

Georgia Dock Broilers. The Georgia dock price on Wednesday October 15 at \$1.0525 was up about 10 cents from a year ago.

The National Whole Bird price was quoted at 91.11 on Friday.

Broiler slaughter for the week ending October 19 was not available due to start up issues after the government shut down. For the week ending October 12 the slaughter was 157.96 million head, up 1.93% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$1.3130 down about 8 cents since the Wed. October 9 quote but up about 2 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 a little less than ok at this time. Leg quarter prices are now trading about 5 cents below the year ago price at 47.88.

Wings. Prices at \$1.5731 are down about 32 cents from year ago levels.

Turkeys

Hens finished last week at \$1.0800 up one cent since Wed. October 9 but down about 6 cents from the year ago price.

Toms finished last week at \$1.0700 unchanged since Wed. October 9 but down about 9 cents from the year ago price.

Total turkey supplies in the freezer on August 31 were up about 6 percent from a year ago at 578.6 million pounds. Whole birds were up 3 percent from year ago with whole bird inventory at 334.7 million pounds.

Turkey slaughter was 41.73 million head for the week ending October 12, down 6.39% from a year ago.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$2.2000, unchanged since Wed. October 9.

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 \$6.8088 (weighted average quote) finished last week up about 9 cents since the Wed. October 9 quote but down less than one cent vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$5.1824 (weighted average quote) finished last week down about 19 cents since the Wed. October 9 quote and down about 9 cents vs. the year ago price.

Choice regular #168 insides finished last week quoted at \$2.1100 up about 2 cents since Wed. October 9 and up about 2 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$2.2072 up about one cent since Wed. October 9 but down about one cent from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$2.2136 up about 19 cents since Wed. October 9 and up about 4 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$4.8748 (wt. avg.) down about 15 cents from the Wed. October 9 quote. Prices are about 23 cents under year ago levels.

Choice #184 Regular Heavy top butts finished at \$2.9046 (wt. avg.) down about 5 cents since Wed. October 9 and down about 10 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$3.0903 (wt. avg.) down about one cent since Wed. October 9 and down about 7 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$3.7338 (wt. avg.) down about 4 cents since Wed. October 9 but up about 16 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at \$1.6285 up about 15 cents since Wed. October 9 and up about 6 cents from year ago levels. Current prices are \$0.1037 per pound over the price of a 73CL meat block formulated from 90CL and 50CL trim. A year ago the margin was \$0.1535 per pound and the five years average for October is a margin of \$0.0784 per pound.

81CL Coarse Ground product finished last week at \$1.7253 up about 7 cents since Wed. October 9 but down about 16 cents from the year ago quote. Currently 81CL Coarse Ground is trading for \$0.0075 per pound over a meat block made up of 90CL and 50CL trim. A year ago the spread was \$0.1836 and the five year average spread for October is a margin of \$0.0964.

MANUFACTURING BEEF AND TRIM

Domestic cow meat supplies, because of the earlier government shutdown are not being reported at this time.

Imported beef supplies from Australia are coming in slightly above the year ago levels at this time. Slaughter rates are up in Australia and shipments to the USA have increased. New Zealand's heavy slaughter season should begin in a few weeks. Uruguay continues to find better markets for its beef and is shipping insignificant amounts to the USA. Today China is Uruguay's number one market. Mexico now has emerged as a significant shipper of beef, as well as feeder cattle, to the USA. The Australian currency is now trading below par. Imported meat vs. US domestic 90cl cow meat is now trading at a slight premium. Economic conditions in other parts of the world today are a concern for all meat exporting countries.

The currency market continues to be volatile. The Australian dollar finished last week at

US\$0.9631/Australian dollar up
US\$0.0243/Australian dollar the last two weeks.

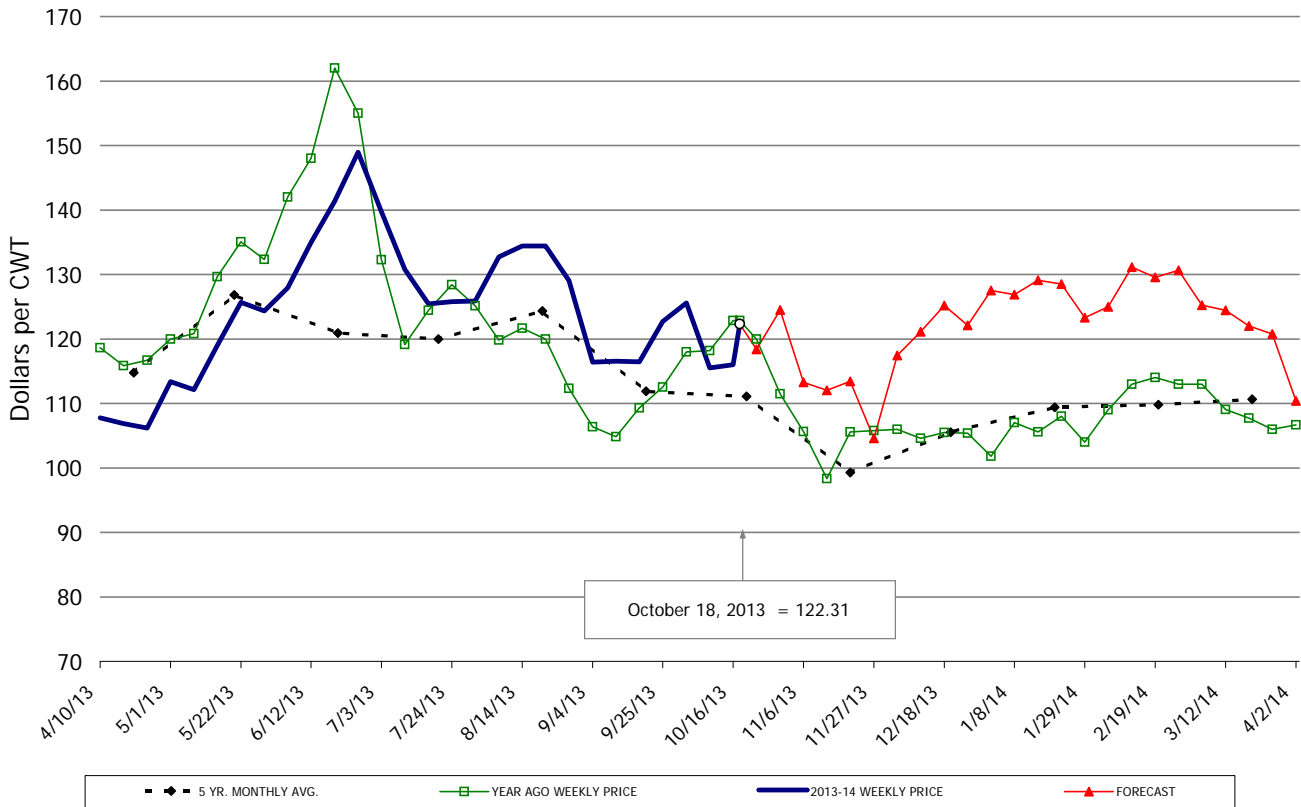
90CL Bnls. Beef prices finished the week at \$1.9349 (wt. avg.) up about 2 cents since Wed. October 9 but about 9 cents below the year ago price quote. Ranchers are trying to hold more beef cows. Corn prices are significantly under year ago levels at this time. Our expectations for higher prices in 2014 are based on farmers holding cows. Dry conditions in the west and southwest continue to be an issue. But cheaper feed is going to encourage rebuilding everywhere there is grass.

50 CL Beef Trim prices finished last week at \$0.9700 up about 8 cents since Wed. October 9 and about 37 cents over the year ago level.

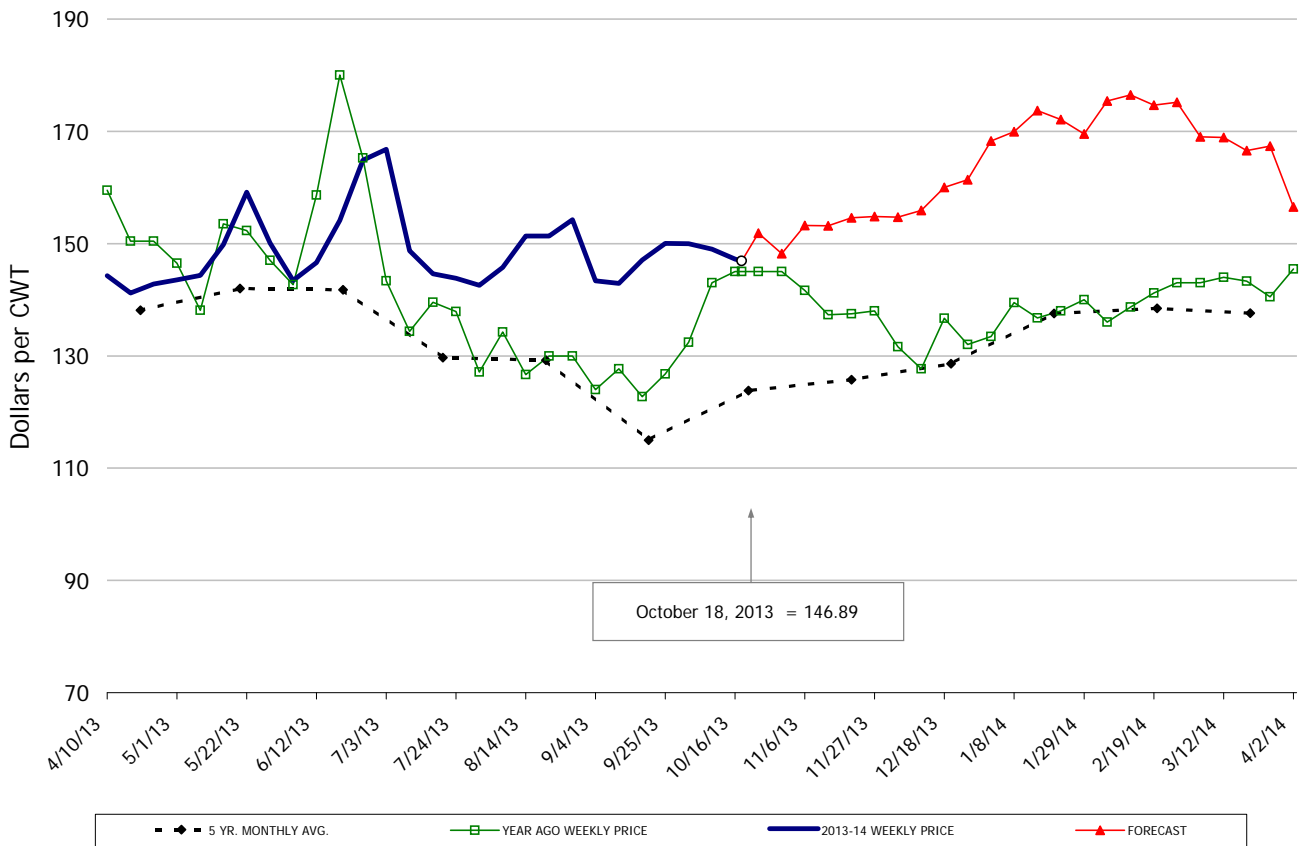
Food Service Summary Table - WT. AVE

	2013 History							2013 FORECAST								
	Apr	May	Jun	Jul	Aug	Sep	10/9/2013	10/18/2013	10/30/2013	Oct	Nov	Dec	Jan	Feb	Mar	
<u>PORK</u>																
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.07	1.19	1.38	1.30	1.33	1.18	1.16	1.22	1.25	1.21	1.14	1.19	1.28	1.27	1.24	
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.12	1.24	1.46	1.35	1.39	1.29	1.26	1.33	1.36	1.31	1.28	1.38	1.46	1.42	1.40	
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.60	1.78	2.01	1.82	1.74	1.80	1.79	1.88	1.78	1.86	1.84	1.92	2.14	2.01	1.95	
Loin, Tenderloin, FOB Plant, USDA	2.59	2.68	2.81	2.60	2.32	2.39	2.38	2.29	2.43	2.34	2.46	2.45	2.76	2.83	2.75	
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	0.85	1.03	1.24	1.08	1.08	1.13	0.98	1.05	1.06	1.05	1.11	1.13	1.14	1.15	1.13	
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.43	1.49	1.52	1.49	1.51	1.46	1.49	1.47	1.48	1.48	1.54	1.58	1.71	1.75	1.68	
ST LOUIS STYLE RIBS 2 1/4 DN	2.43	2.49	2.52	2.49	2.51	2.46	2.49	2.47	2.48	2.48	2.54	2.58	2.71	2.75	2.68	
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.31	1.43	1.56	1.52	1.58	1.49	1.43	1.43	1.41	1.44	1.50	1.52	1.63	1.66	1.57	
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.10	2.39	2.48	2.37	2.27	2.14	2.04	2.07	2.13	2.08	2.10	2.09	2.28	2.28	2.29	
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.67	0.77	0.77	0.86	0.89	0.91	0.90	0.90	0.97	0.98	0.98	0.87	0.84	0.84	0.81	
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.67	0.69	0.76	0.88	0.87	0.90	0.88	0.89	0.94	0.95	0.93	0.83	0.79	0.81	0.80	
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.67	0.70	0.76	0.87	0.87	0.88	0.85	0.88	0.94	0.91	0.89	0.82	0.80	0.81	0.78	
SELECT, Ham, 5 Muscle Ham to Blue, FOB Plant, USDA	1.19	1.35	1.17	1.22	1.23	1.50	1.43	1.34	1.47	1.47	1.43	1.41	1.36	1.36	1.25	
Belly, Skin-on Belly 12-14#, FOB Plant,	1.52	1.61	1.82	1.77	1.82	1.60	1.43	1.63	1.44	1.46	1.45	1.46	1.46	1.50	1.50	
Belly, Skin-on Belly 14-16#, FOB Plant,	1.48	1.57	1.71	1.73	1.63	1.48	1.50	1.30	1.47	1.48	1.47	1.48	1.48	1.52	1.52	
Belly, Skin-on Belly 16-18#, FOB Plant,	1.36	1.60	1.62	1.66	1.69	1.47	1.43	1.27	1.45	1.45	1.44	1.45	1.45	1.49	1.49	
Trim, 42% Trim Combo, FOB Plant, USDA	0.41	0.45	0.58	0.64	0.73	0.54	0.53	0.55	0.61	0.53	0.47	0.42	0.49	0.48	0.48	
Trim, 72% Trim Combo, FOB Plant, USDA	0.51	0.56	0.83	0.94	0.81	0.67	0.84	0.85	0.77	0.75	0.68	0.63	0.67	0.70	0.70	
<u>HOG CARCASS</u>																
250-270# HOGS, US 1-3, INTERIOR IOWA DIRECT HOG MARKET	0.80	0.90	1.00	0.99	0.95	0.93	0.89	0.91	0.93	0.90	0.86	0.88	0.88	0.90	0.89	
<u>BROILERS</u>																
12 CITY BROILER COMPOSITE WEIGHTED AVG.	1.07	1.10	1.08	0.99	0.91	0.91	0.93	0.91	0.89	0.89	0.88	0.89	0.90	0.91	0.93	
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.61	1.96	1.89	1.82	1.78	1.50	1.39	1.31	1.29	1.37	1.28	1.29	1.38	1.41	1.48	
N.E. BROILER BREAST LINE RUN, USDA	1.13	1.29	1.28	1.24	1.17	1.06	1.00	1.01	0.98	1.02	0.95	0.92	0.92	0.96	1.00	
N.E. BROILER LEG QUARTERS, USDA	0.54	0.54	0.54	0.51	0.52	0.53	0.47	0.48	0.47	0.48	0.46	0.45	0.46	0.47	0.47	
N.E. BROILER WINGS, USDA	1.49	1.38	1.50	1.59	1.58	1.62	1.53	1.57	1.73	1.68	1.79	1.79	1.85	1.76	1.59	
<u>TURKEYS</u>																
HEN TURKEYS, EAST, FROZEN 10-12LBS, , TOP HEN TURKEYS, E/	1.01	1.02	1.03	1.03	1.05	1.06	1.07	1.08	1.11	1.09	1.10	1.05	0.97	0.98	1.02	
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH,	1.56	1.55	1.58	1.66	1.96	2.14	2.20	2.20	2.14	2.20	2.15	2.09	1.97	1.92	1.92	
<u>LIVE STEERS</u>																
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.27	1.27	1.22	1.20	1.23	1.23	1.26	1.29	1.29	1.28	1.31	1.33	1.33	1.34	1.36	
<u>BEEF</u>																
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	5.84	6.79	7.11	6.28	6.40	6.69	6.72	6.81	7.48	6.90	8.28	7.69	6.26	6.39	6.82	
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.06	2.15	2.00	2.09	2.13	2.10	2.20	2.21	2.13	2.17	2.15	2.25	2.43	2.35	2.34	
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	1.98	1.95	1.85	1.90	1.98	1.98	2.03	2.21	2.20	2.19	2.18	2.20	2.29	2.29	2.20	
CHOICE, 180, 3 STRIP LOIN, BONELESS, Ox1, USDA	5.88	7.78	7.21	5.05	5.07	4.99	5.03	4.87	4.91	4.90	5.05	5.19	5.44	5.67	6.03	
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	3.30	3.57	3.43	3.23	3.29	3.20	3.10	3.09	3.05	3.06	3.08	3.25	3.36	3.49	3.67	
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	4.09	5.03	5.30	4.03	3.38	3.54	3.78	3.73	3.65	3.61	3.78	3.96	4.07	4.34	4.81	
COARSE GROUND 73%, USDA	1.70	1.73	1.59	1.66	1.76	1.68	1.48	1.63	1.65	1.63	1.65	1.68	2.00	1.91	1.80	
COARSE GROUND 81%, USDA	1.84	1.94	1.77	1.82	1.88	1.88	1.66	1.73	1.75	1.72	1.79	1.83	2.24	2.16	2.04	
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.13	2.01	1.97	2.00	2.03	2.04	1.91	1.93	1.98	1.94	1.95	2.10	2.22	2.30	2.25	
50CL BEEF TRIM, FRESH, NATIONAL, USDA	0.97	0.93	0.92	1.06	1.08	0.97	0.89	0.97	0.91	0.92	1.06	1.03	1.05	1.06	1.13	

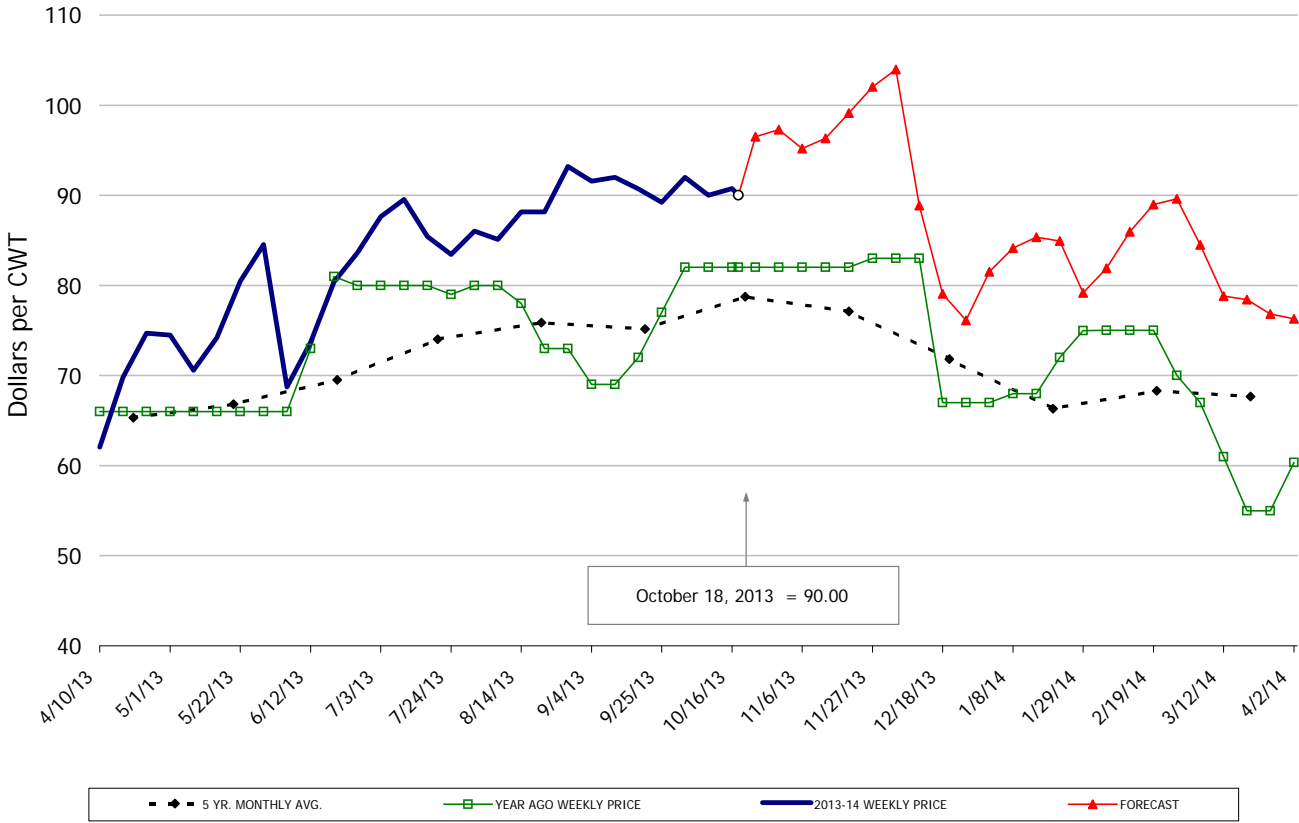
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA



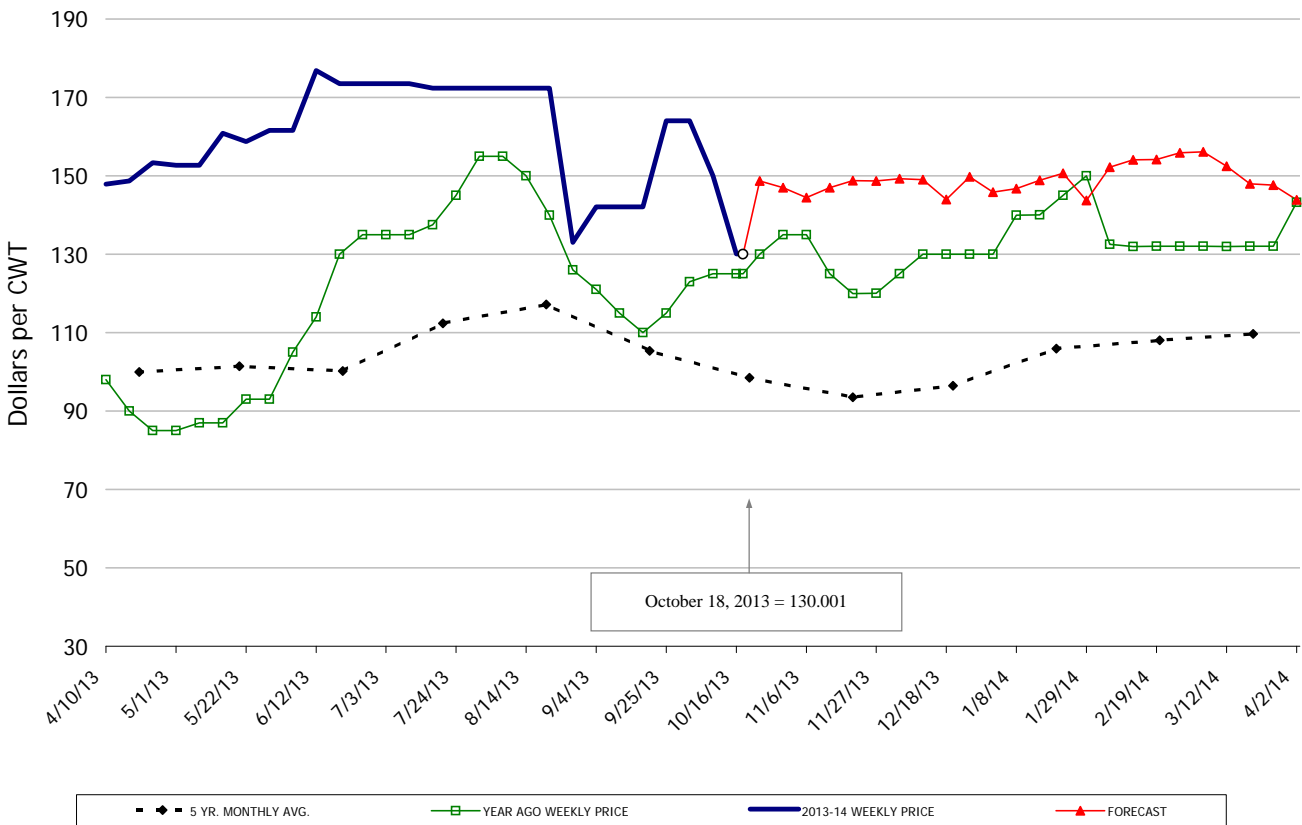
Sparerib, Trmrd Sparerib - LGT, FOB Plant, USDA



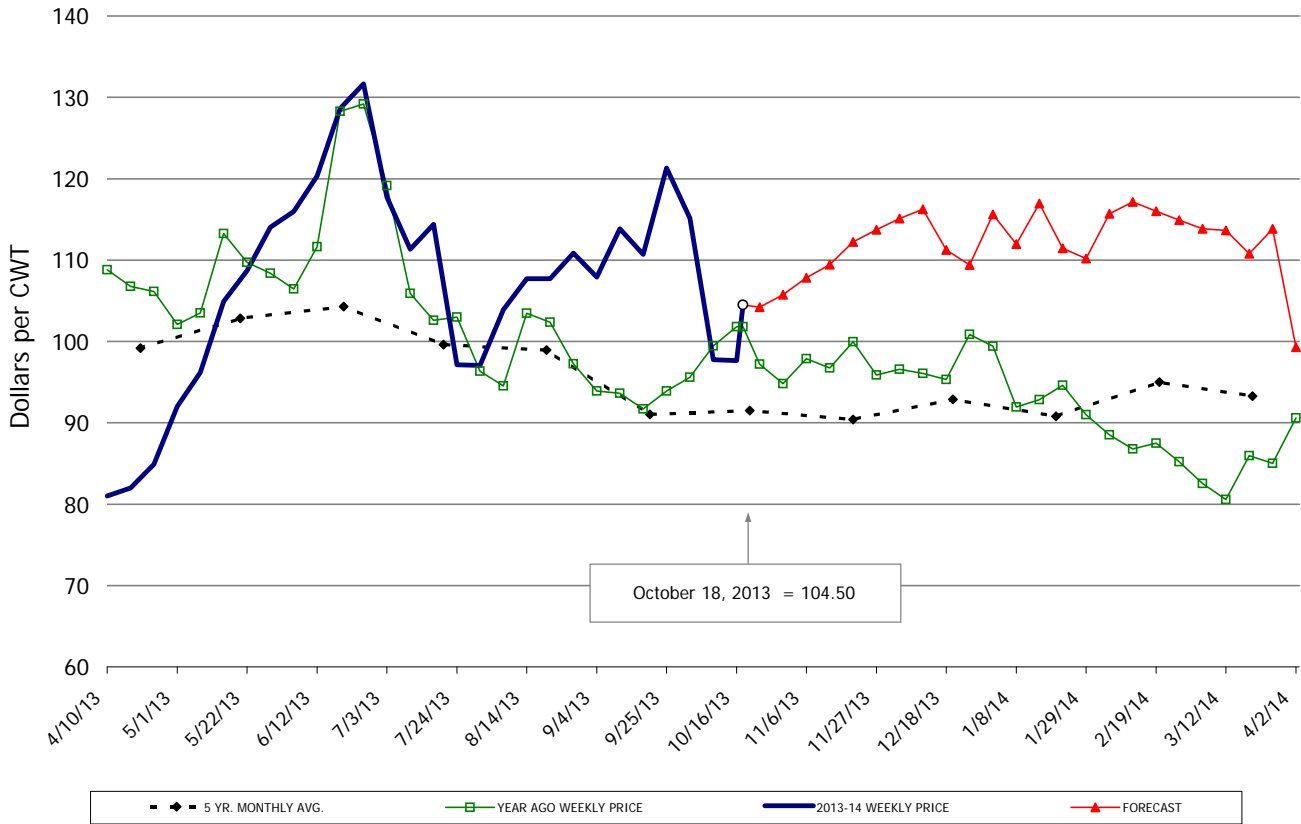
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA



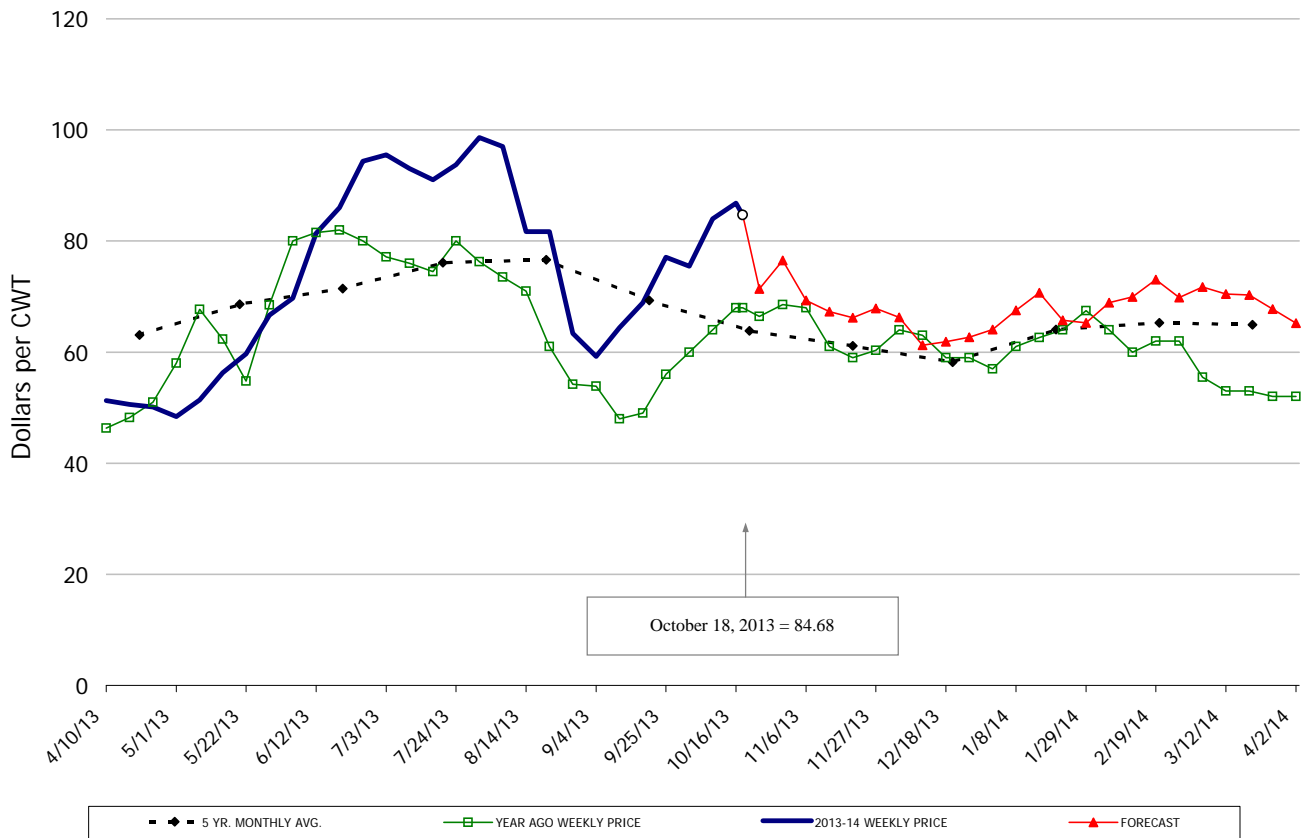
Belly, Skin-on Belly 14-16#, FOB Plant,



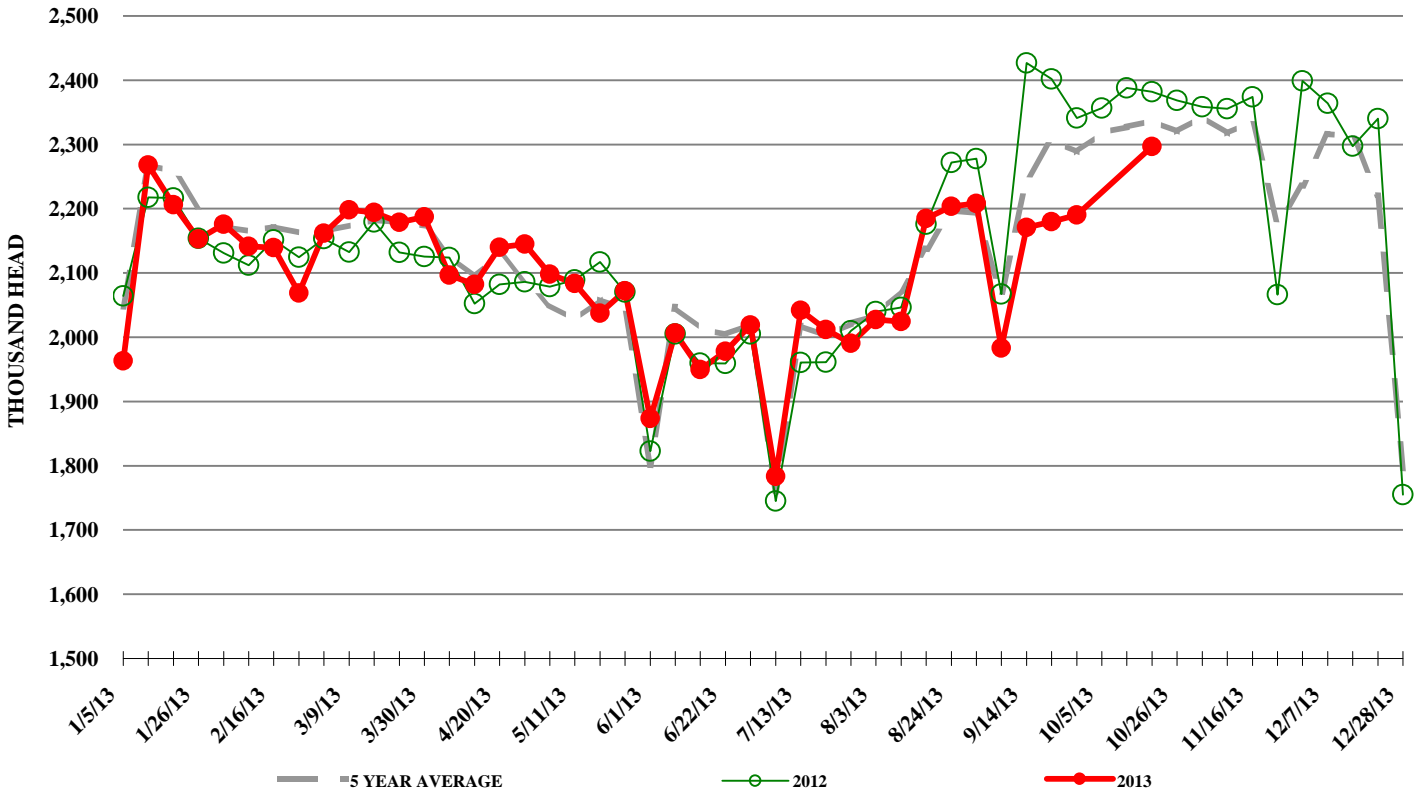
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA



Trim, 72% Trim Combo, FOB Plant, USDA



ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION

