



# Pork Merchandiser's Profit Maximizer

# Be inspired<sup>SM</sup>

## - Foodservice Edition

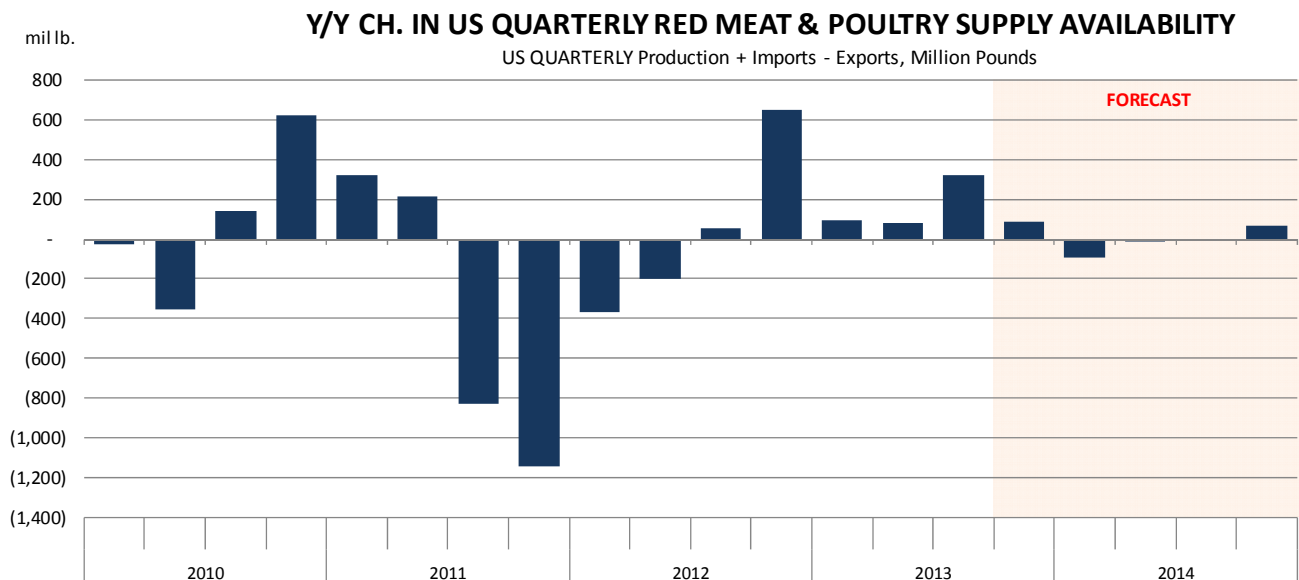
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Prepared by Steiner and Company, Manchester, NH 800-526-4612.

**December 16, 2013**

### 1. Limited Meat Supply Growth in 2014 Despite Lower Feed Costs

In the last two reports we have covered the impact that PEDv virurs is expected to have on US pork supplies next year. We thought this week we could take a step back and look at the overall meat protein complex. After all, back in the fall the expectation was that lower feed costs would pave the way for an increase in overall US meat production and lower meat prices in 2014. At this point, we expect broiler supplies to

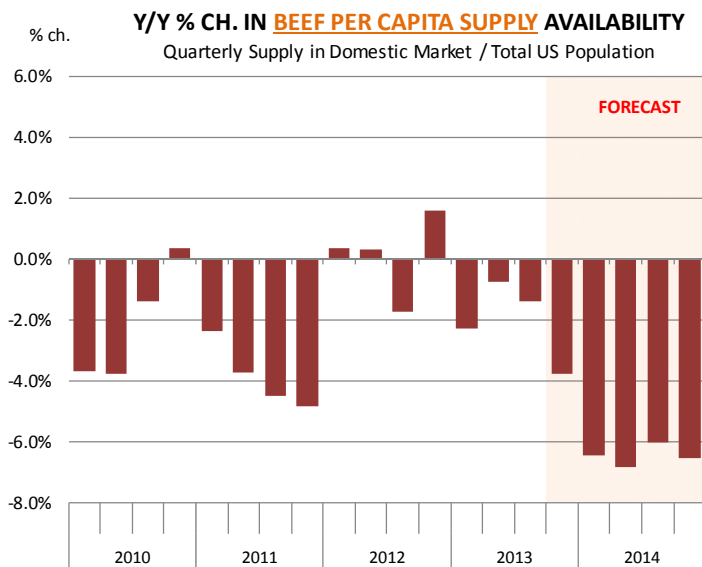
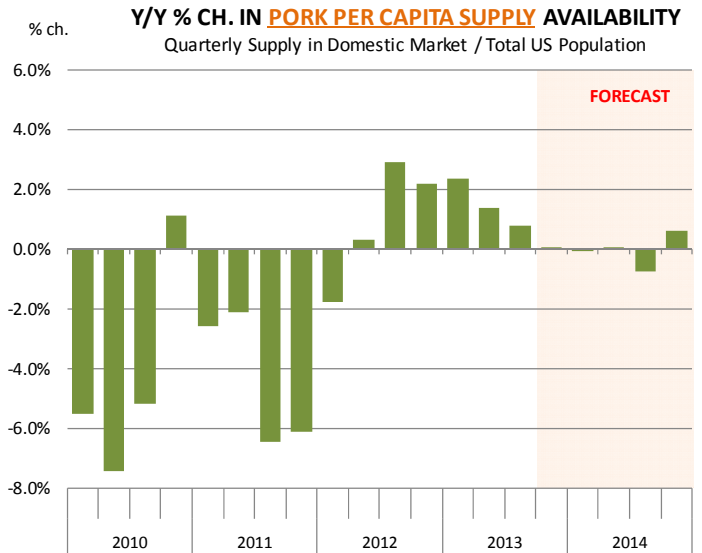
expand, in line with our earlier forecasts. However, the growth in pork production will be more constrained while beef supplies are expected to continue to decline, as we have communicated in earlier reports. The chart below shows our projections for the growth in total beef, pork and poultry supply availability domestically in 2014. Note that the chart below shows the growth in domestic supplies, which means that we have adjusted the expected growth in production by the supply that will go into exports as well as the supply that will be imported.



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**Pork supply availability:** The last update on PEDv showed 140 new cases for the week ending December 1, the biggest number of weekly new cases so far this year and a big jump over the previous week (94). The number of new cases in recent weeks is about double what it was back in the summer. There is some double counting in the numbers, to be sure, but the trend points to an expansion of the problem. At this point the consensus is that the disease will continue to spread through the winter and affect almost all major US production areas. The disease will likely cut short the expected increase in US pork supplies, at least in the first six to eight months of the year. We have lowered our supply projections for next year. Total pork production in 2014 is now forecast at 23.646 billion pounds, about 444 million pounds (+1.9%) higher than a year ago. So to be clear, pork production will increase next year but by less than earlier thought. Also, much of the increase will likely take place in the second half of 2014. Producers will continue to bring heavier weight hogs to market in order to offset the impact from the lower hog numbers. This will tend to skew the ratio of some products to overall hog prices. Heavier weights mean disproportionately more trim. It also means that the proportion of heavy sized cuts (e.g. heavy hams, heavy bellies, etc) will increase and so will increase the spread between various sized cuts. In the case of bellies, we already are seeing the spread between the heavy and lighter bellies increase.

**Bottom line:** Exports will be key for pork supply availability next year. Even as production is expected to increase by some 444 million pounds, the expansion in exports means that much of this additional pork will go to export markets. The value of the dollar will play a role as will the direction of Chinese pork demand. We forecast pork exports to increase by some 326 million pounds next year (+6.4%). As a result, total US pork availability in 2014 is forecast to be up by just 132 million pounds (+0.6%). On a per capita basis, US pork supplies could actually be slightly below 2013 levels.



This implies that pork prices for next year could hold up better than earlier expected.

**Beef supply availability:** Beef supplies have posted only modest declines so far this fall and early winter despite a significant decline in the number of cattle on feed. Cow slaughter declined in double digits this fall, which has limited the supply of lean beef in the marketplace but steer and heifer slaughter rates have for the most part been near year ago levels. Eventually, the feedlot supply situation will manifest itself in the slaughter numbers. Last summer, feedlots placed significantly fewer cattle on feed but the cattle that they did place skewed on the heavy side, which means that cattle were ready to market a bit earlier than normal. The feedlot marketing

window for the period Nov - March was front loaded and we expect limited availability of market ready cattle in Q1 of 2014. The supply of feeder cattle available for placement will also remain limited as producers hold back more female calves for herd rebuilding. Imports of Mexican and Canadian feeder cattle were lower in the summer, which contributed to the shortfall in placements and we expect them to remain limited for much of 2014. Cow slaughter rates next year will depend in part on weather. Still, the profit outlook for cow-calf producers is excellent and the incentives are in place to limit the number of cows going to market.

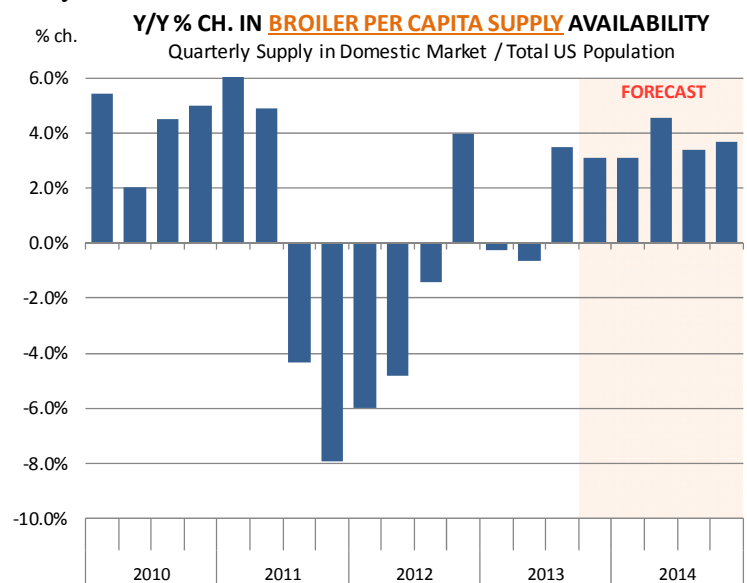
**Bottom line:** In all, we continue to think that beef supplies next year will remain tight. Total production for 2014 is expected to drop some 1.7 billion pounds (-6.5%). High US beef prices and a more limited supply is expected to reduce beef exports by about 115 million lb (-4.6%) while imports are forecast to increase by about 100 million pounds (+4.4%). Domestic supply availability, as a result, is expected to be down about 1.466 billion pounds (-5.7%) in 2014, implying higher beef prices. Beef demand will remain key, in our view. Lower chicken prices should limit beef price inflation but overall we expect beef prices to increase next year.

**Poultry Supply Availability:** Chicken supplies are growing as producers seek to take advantage of the lower feed costs and gain some of the market share they have lost in the past five years. The broiler hatching flock is up 5% from a year ago. Egg sets are currently running about 4% above year ago levels and placements of chicks are expected to be steadily higher for the next few months. There are more chicken in the pipeline and the trend towards heavier birds is expected to continue. As a result, we expect total broiler production for next year to be 39.5 billion pounds, about 1.7 billion pounds larger than in 2013 (+4.5%). Increased broiler supplies and lower prices should continue to encourage broiler exports and we expect and increase of about 354 million pounds (+4.7%) in chicken shipments. Broiler supply availability

is expected to increase by about 4.4% next year. Over the years the industry trend has been to produce heavy birds, which generally means a higher breast meat yield per bird. We expect the increase in broiler numbers with tend to put significant downward pressure on broiler breast meat prices. Broiler breast trim also will tend to be weaker next year. Wing prices have declined sharply in recent months, a delayed effect of the price spike in 2011 and 2012. It takes time for such items to be either removed from the menu or replaced in part with so called “boneless wings” (i.e. breast meat). Lower prices should help bring wings back on the menu again.

Turkey supplies will likely remain constrained through the first half of 2014. Feed costs are down but the growth cycle for turkeys resembles hogs and it takes about a year for producers to start expanding. Current turkey slaughter is down sharply, reflecting the decline in poult placements during the summer following poor profit margins. We expect total turkey production in 2014 to be about steady with 2013 levels. Allowing for a modest increase in exports, turkey availability next year in the domestic market is expected to decline by 1.2%.

**Bottom line:** Broiler supplies will expand and this should help lower overall broiler prices, especially the price of breast meat. Turkey prices, however, are expected to be up in 2014 as supply growth will remain constrained for much of next year.



**Upcoming holidays:**

**2013** 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 December 14 hog slaughter was 2.311 million head, up 0.61%

from a year ago. In the last two weeks hog slaughter is down 0.64% below year ago levels.

**Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values.** Lean hog carcass values at about 76.25/cwt. on Friday were down about \$2.26/cwt. since Wed. December 4. Prices are now about \$2.68/cwt. below year ago values.

**21/dn Pork Loins "Total on FOB Basis"** (page 8). Prices finished last week at \$1.0583 for the "Total on FOB Basis" quote, up about one cent since the Wed. December 4 quote but down about one cent from year ago levels.

**Bnls. Strap on Pork Loins.** Prices finished the week at \$1.4944 for the strap on loins, up about 2 cents since Wed. December 4 but down about 2 cents from the year ago levels. Strap off loins at \$1.6211 are down about 3 cents since Wed. December 4 but up less than one cent compared to the year ago quote.

**Boneless sirloins** at \$1.1339 are down about 4 cents from the Wed. December 4 quote but up about 7 cents from the year ago price. Expect prices to be higher in January.

**Pork tenderloin** finished last week at \$2.2892 are down about 9 cents since the Wed. December 4 quote but up about 19 cents from the year ago price.

**5/10 Pork Butts "Total on FOB Basis"** (page 10), prices finished the week at \$1.0295 down about one cent since Wed. December 4.

**4.25/dn Spare Ribs "Total on FOB Basis"** (page 8). Prices finished the week at \$1.3661 down about 8 cents since Wed. December 4 but up about 9 cents from year ago levels.

Rib inventories on October 31 were 76.1 million pounds, down 4 percent from a year ago.

**Bone-in Hams.**

The Total on FOB Basis for 17/20 hams (page 9) price was \$1.1083/lb. up about 5 cents since Wed. December 4 and up about 28 cents from a year ago.

20/23 hams finished the week at 95.98 cents for the Total on FOB Basis up 4 cents since Wed. December 4 and up about 17 cents from the year ago level.

23/27 hams finished the week at 91.63 cents for the Total on FOB Basis up about 2 cents from the Wed. December 4 quote and up about 14 cents from the year ago level.

Total ham cold storage stocks on October 31 at 192.6 million pounds were up about 3% from year ago levels.

**42 CL Pork Trim** “FOB Basis”. Prices finished the week at 33.61, down less than one cent since Wed. December 4 and down about 4 cents from the year ago price.

**72 CL Pork Trim** “FOB Basis”. Prices finished the week at 62.44 cents down about 7 cents since the Wed. December 4 quote and down about one cent from the year ago level.

Freezer stocks of all trimmings on October 31 were 35.2 million pounds, down about 23 percent from the year ago levels.

**72 CL Picnic Meat** “FOB Basis”. Picnic prices should be lower by January.

**POULTRY**

**Georgia Dock Broilers.** The Georgia dock price on Wednesday December 11 at \$1.0425 was up about 7 cents from a year ago.

The National Whole Bird price was quoted at 94.89 on Friday December 13, down about 2 cents from a year ago.

Broiler slaughter for the week ending December 14 was 158.5 million head, up 4.02% from a year ago. For the last two weeks slaughter was up 0.76% vs. a year ago.

**Breasts.** Prices on boneless skinless breasts finished the week at \$1.2267, down about one cent since the Wed. December 4 quote and down about 3 cent 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 10 cents below the year ago price at 41.50. Prices should find a bottom near today's quote. However, Mexico could be a significant issue any time.

**Wings.** Prices at \$1.2309 are down about 68 cents from year ago levels. Expect a bounce in prices after the recent large counter seasonal decline.

**Turkeys**

**Hens** finished last week at \$1.1000 unchanged since Wed. December 4 but up about 5 cents from the year ago price.

**Toms** finished last week at \$1.0600 down one cent since Wed. December 4 but up about one cent from the year ago price.

Total turkey supplies in the freezer on October 31 were down about 5 percent from a year ago at 462.6 million pounds. Whole birds were down 7 percent from year ago with an inventory of 238.9 million pounds.

**Boneless Turkey Breast Meat.** Boneless skinless turkey breast meat prices finished last week at \$2.1600, unchanged since Wed. December 4. Prices are about 11 cents above 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 \$7.195 (weighted average quote) finished last week down about 70 cents since the Wed. December 4 quote and down about 54 cents vs. the year ago price.

**Select 112A Heavy Lip On Rib Eyes** at \$5.9238 (weighted average quote) finished last week down about 36 cents since the Wed. December 4 quote but up about 38 cents vs. the year ago price.

**Choice regular #168 insides** finished last week quoted at \$2.1473 up less than one cent since Wed. December 4 and up about 5 cents from the year ago price.

**Choice ¼ inch trimmed #168 insides** finished last week quoted at \$2.2822 up about 3 cents since Wed. December 4 and up about 9 cents from year ago levels.

**Choice #170 Gooseneck Rounds** finished last week at \$2.1403 up about 13 cents since Wed. December 4 and up about 13 cents from the year ago levels.

**Choice #180 (0x1) Bnls. Strip Loins** finished last week quoted at \$4.6513 (wt. avg.) down about 11 cents from the Wed. December 4 quote. Prices are about 38 cents under year ago levels.

**Choice #184 Regular Heavy top butts** finished at \$2.4517 (wt. avg.) down about 8 cents since Wed. December 4 and down about 59 cents from year ago levels.

**Choice #184 ¼ inch trimmed Top Butts** finished at \$2.7315 (wt. avg.) down about 10 cents since Wed. December 4 and down about 44 cents from the year ago levels.

**Choice #185A Flap Meat** prices finished Friday at \$3.6043 (wt. avg.) down about 11 cents since Wed. December 4 and down about 8 cents from year ago values.

**73CL Coarse Ground** product finished last week at \$1.6530 down about 2 cents since Wed. December 4 and up about 22 cents from year ago levels.

**81CL Coarse Ground** product finished last week at \$1.8013 down about 6 cent since Wed. December 4 and up about 3 cents from the year ago quote.

**90CL Bnls. Beef** prices finished the week at \$2.0068 (wt. avg.) up about 5 cent since Wed. December 4 but about 6 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 continuing to hold cows. Cheaper feed is going to encourage rebuilding everywhere there is grass.

**50 CL Beef Trim** prices finished last week at \$0.8971 down about 15 cent since Wed. December 4 but about 13 cents over the year ago level.

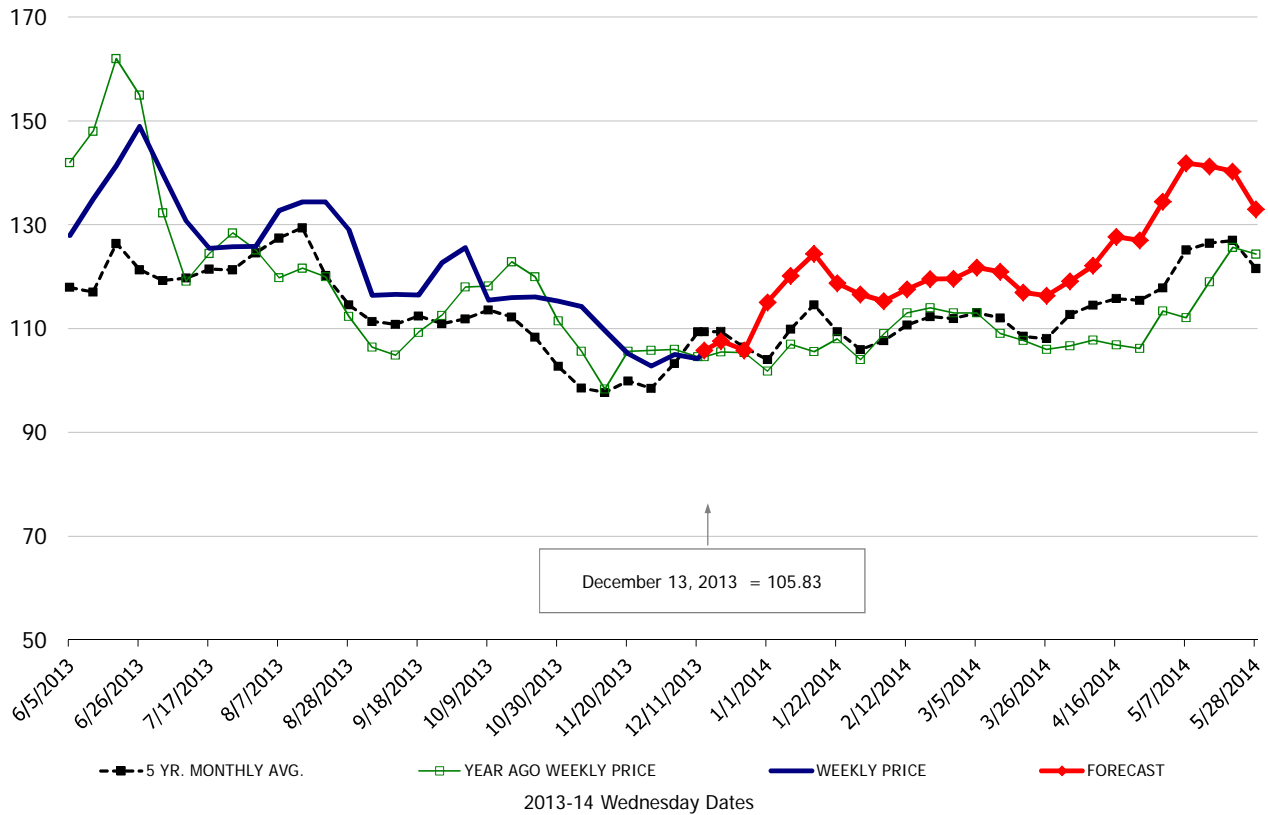
## **COARSE GROUND BEEF –**

## Food Service Summary Table - WT. AVE

	2013 History						2013-14 FORECAST								
	Jun	Jul	Aug	Sep	Oct	Nov	12/4/2013	12/13/2013	12/25/2013	Dec	Jan	Feb	Mar	Apr	May
<b><u>PORK</u></b>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.38	1.30	1.33	1.18	1.18	1.08	1.05	1.06	1.06	1.06	1.19	1.18	1.19	1.24	1.38
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.46	1.35	1.39	1.29	1.26	1.15	1.08	1.11	1.12	1.12	1.31	1.27	1.29	1.34	1.46
Loin, Bnls CC Strap-off, FOB Plant, USDA	2.01	1.82	1.74	1.80	1.84	1.70	1.65	1.62	1.77	1.71	1.91	1.79	1.84	1.88	2.04
Loin, Tenderloin, FOB Plant, USDA	2.81	2.60	2.32	2.39	2.35	2.28	2.38	2.29	2.27	2.28	2.46	2.60	2.62	2.61	2.89
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	1.24	1.08	1.08	1.13	1.02	0.97	0.97	1.03	0.99	1.02	1.00	1.05	1.05	1.12	1.18
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.52	1.49	1.51	1.46	1.48	1.49	1.45	1.37	1.40	1.37	1.58	1.60	1.58	1.62	1.67
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.33	2.37	2.31	2.33	2.31	2.28	2.25	2.23	2.35	2.30	2.42	2.44	2.41	2.41	2.44
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.56	1.52	1.58	1.49	1.41	1.39	1.35	1.34	1.35	1.34	1.49	1.53	1.52	1.55	1.61
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.48	2.37	2.27	2.14	2.07	2.08	2.02	2.01	2.02	2.01	2.10	2.24	2.36	2.50	2.57
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.77	0.86	0.89	0.91	0.94	1.03	1.06	1.11	0.92	1.03	0.79	0.81	0.82	0.78	0.79
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.76	0.88	0.87	0.90	0.91	0.93	0.92	0.96	0.81	0.90	0.77	0.79	0.79	0.76	0.79
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.76	0.87	0.87	0.88	0.89	0.87	0.89	0.92	0.80	0.87	0.76	0.78	0.78	0.77	0.80
Ham, 5 Muscle Ham to Blue, FOB Plant, USDA	1.17	1.22	1.23	1.50	1.40	1.42	1.41	1.41	1.35	1.39	1.36	1.36	1.25	1.23	1.24
Belly, Skin-on Belly 14-16#, FOB Plant, USDA	1.71	1.73	1.63	1.48	1.39	1.20	1.19	1.20	1.22	1.20	1.37	1.44	1.46	1.46	1.49
Belly, Derind Belly 9-13#, FOB Plant, USDA	2.14	2.03	2.07	1.84	1.80	1.63	1.85	1.61	1.64	1.62	1.67	1.77	1.79	1.80	1.84
Belly, Derind Belly 13-17#, FOB Plant, USDA	2.12	2.00	2.08	1.85	1.75	1.59	1.47	1.54	1.60	1.58	1.65	1.76	1.78	1.78	1.82
Trim, 42% Trim Combo, FOB Plant, USDA	0.58	0.64	0.73	0.54	0.50	0.39	0.34	0.34	0.32	0.34	0.43	0.44	0.49	0.52	0.55
Trim, 72% Trim Combo, FOB Plant, USDA	0.83	0.94	0.81	0.67	0.82	0.73	0.69	0.62	0.63	0.64	0.72	0.74	0.74	0.72	0.77
<b><u>HOG CARCASS</u></b>															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	1.00	0.99	0.95	0.93	0.88	0.80	0.79	0.76	0.79	0.79	0.85	0.88	0.89	0.92	0.97
<b><u>BROILERS</u></b>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	1.08	0.99	0.91	0.91	0.91	0.94	0.95	0.95	0.94	0.93	0.93	0.93	0.93	0.92	0.96
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.89	1.82	1.78	1.50	1.35	1.26	1.27	1.26	1.26	1.26	1.34	1.41	1.50	1.55	1.60
N.E. BROILER BREAST LINE RUN, USDA	1.28	1.24	1.17	1.06	1.01	0.98	0.94	0.93	0.97	0.97	0.98	1.01	1.04	1.08	1.14
N.E. BROILER LEG QUARTERS, USDA	0.54	0.51	0.52	0.53	0.47	0.44	0.44	0.42	0.43	0.42	0.44	0.46	0.46	0.48	0.50
N.E. BROILER WINGS, USDA, WT.AVG.	1.50	1.59	1.58	1.62	1.49	1.21	1.22	1.23	1.36	1.32	1.48	1.45	1.41	1.35	1.32
<b><u>TURKEYS</u></b>															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.03	1.03	1.05	1.06	1.08	1.10	1.10	1.10	1.04	1.08	1.04	1.02	1.02	1.04	1.07
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	1.58	1.66	1.96	2.14	2.20	2.19	2.16	2.16	2.04	2.09	1.98	1.86	1.89	1.93	1.98
<b><u>LIVE STEERS</u></b>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.22	1.20	1.23	1.23	1.29	1.31	1.33	1.32	1.32	1.31	1.32	1.34	1.35	1.36	1.33
<b><u>BEEF</u></b>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	7.11	6.28	6.40	6.69	6.82	7.50	7.89	7.20	6.71	7.62	6.27	6.44	6.83	7.00	6.96
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.00	2.09	2.13	2.10	2.24	2.27	2.25	2.28	2.42	2.30	2.44	2.35	2.33	2.34	2.33
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	1.85	1.90	1.98	1.98	2.14	2.17	2.01	2.14	2.21	2.15	2.25	2.27	2.18	2.11	2.07
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	7.21	5.05	5.07	4.99	4.94	4.67	4.76	4.65	4.83	4.75	5.37	5.64	5.98	6.75	6.98
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	3.43	3.23	3.29	3.20	3.05	2.81	2.83	2.73	2.89	2.82	3.28	3.44	3.66	3.82	3.70
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	5.30	4.03	3.38	3.54	3.77	3.64	3.72	3.60	3.72	3.65	3.84	4.10	4.55	4.60	4.66
COARSE GROUND 73%, USDA	1.59	1.66	1.76	1.68	1.62	1.66	1.68	1.65	1.78	1.68	2.01	1.91	1.75	1.89	1.94
COARSE GROUND 81%, USDA	1.77	1.82	1.88	1.88	1.79	1.82	1.86	1.80	2.03	1.89	2.19	2.12	1.97	2.10	2.18
90% BONELESS BEEF, CENTRAL, FRESH, USDA	1.97	2.00	2.03	2.04	1.93	1.91	1.95	2.01	2.09	2.03	2.19	2.31	2.26	2.30	2.35
50CL BEEF TRIM, FRESH, NATIONAL, USDA	0.92	1.06	1.08	0.97	1.00	1.11	1.05	0.90	0.95	0.95	0.99	1.05	1.15	1.17	1.15

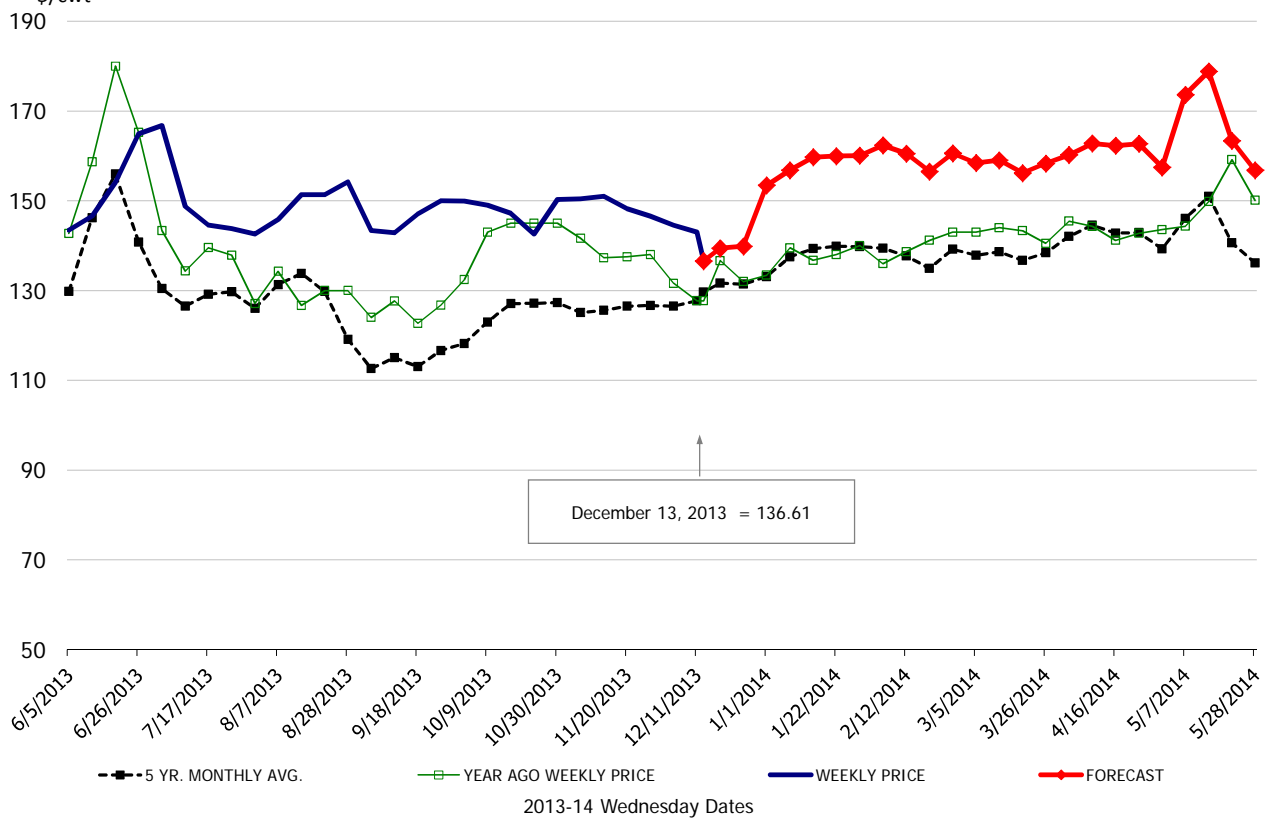
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### Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA

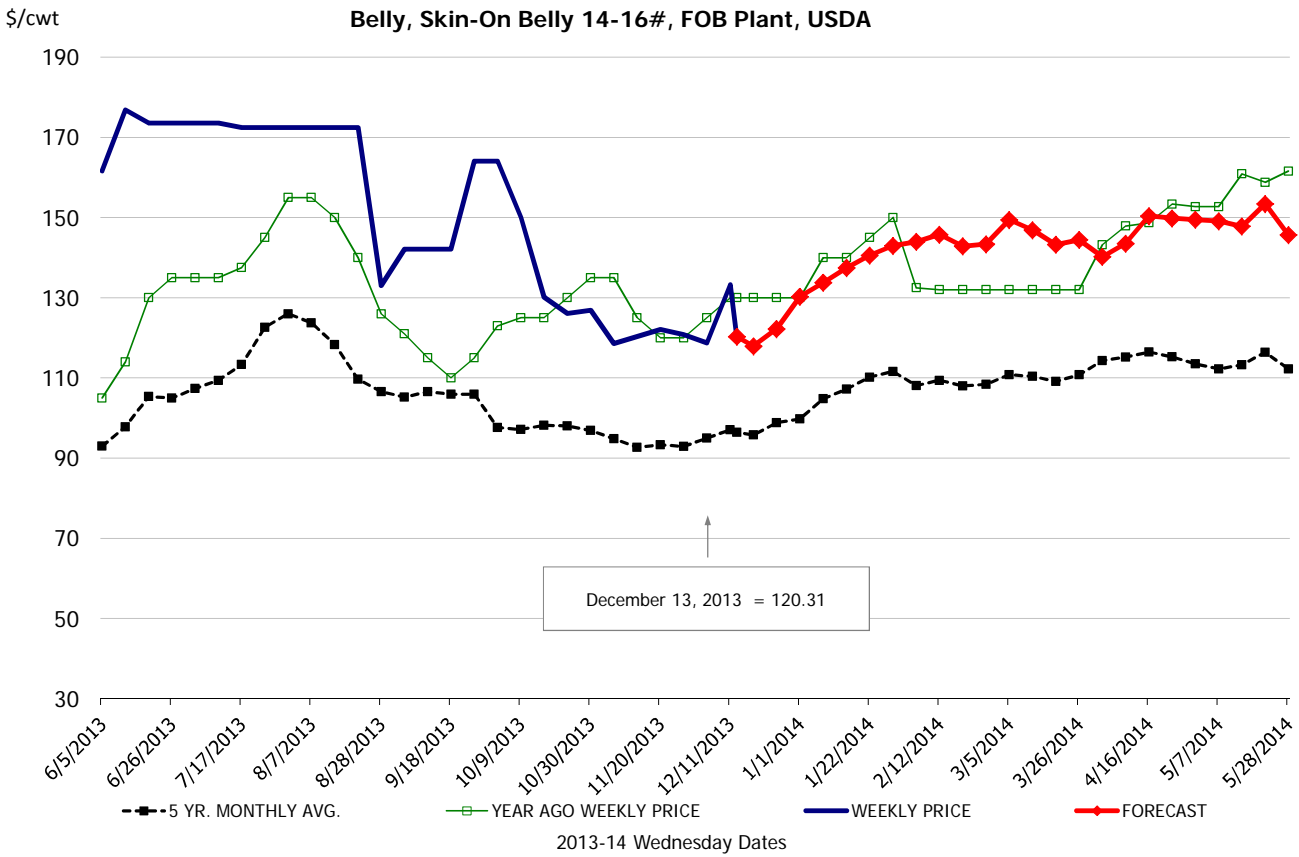
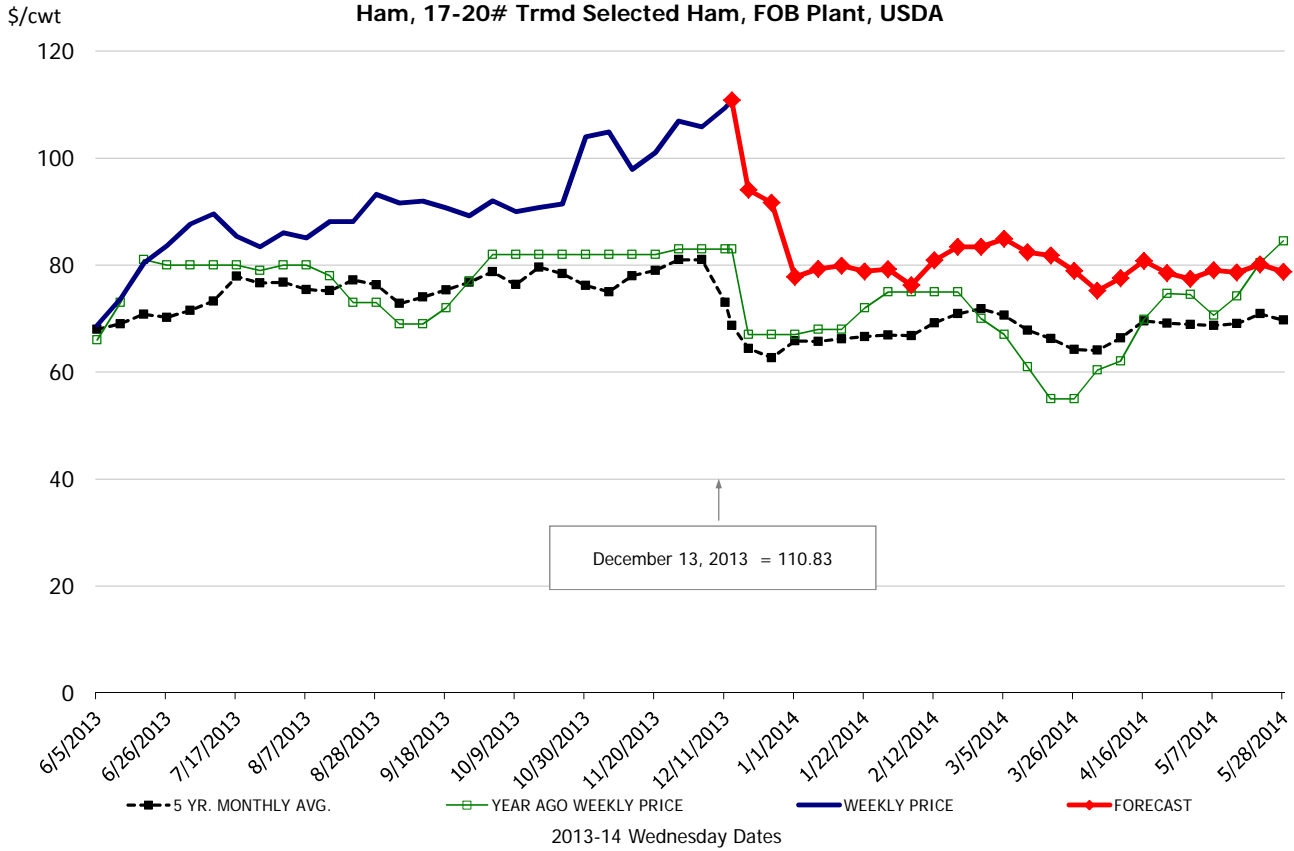


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### Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA

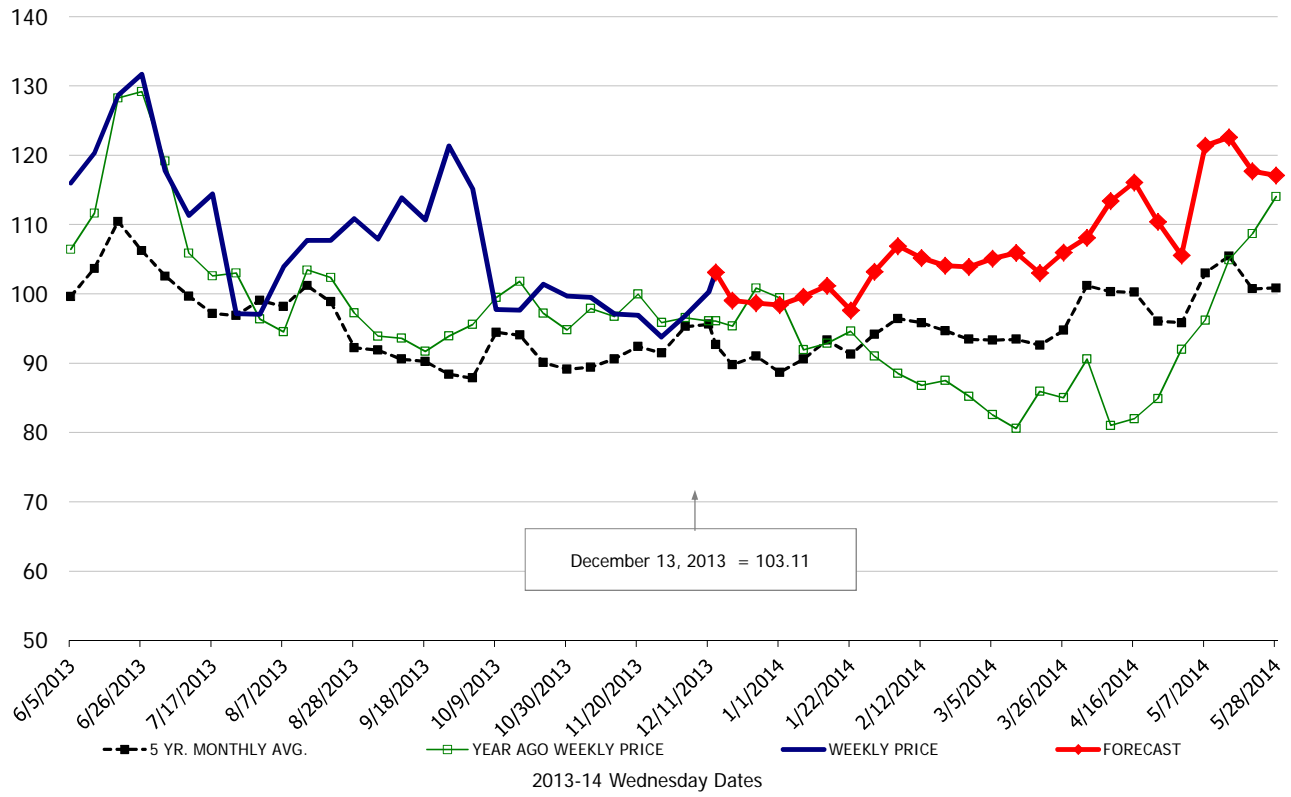






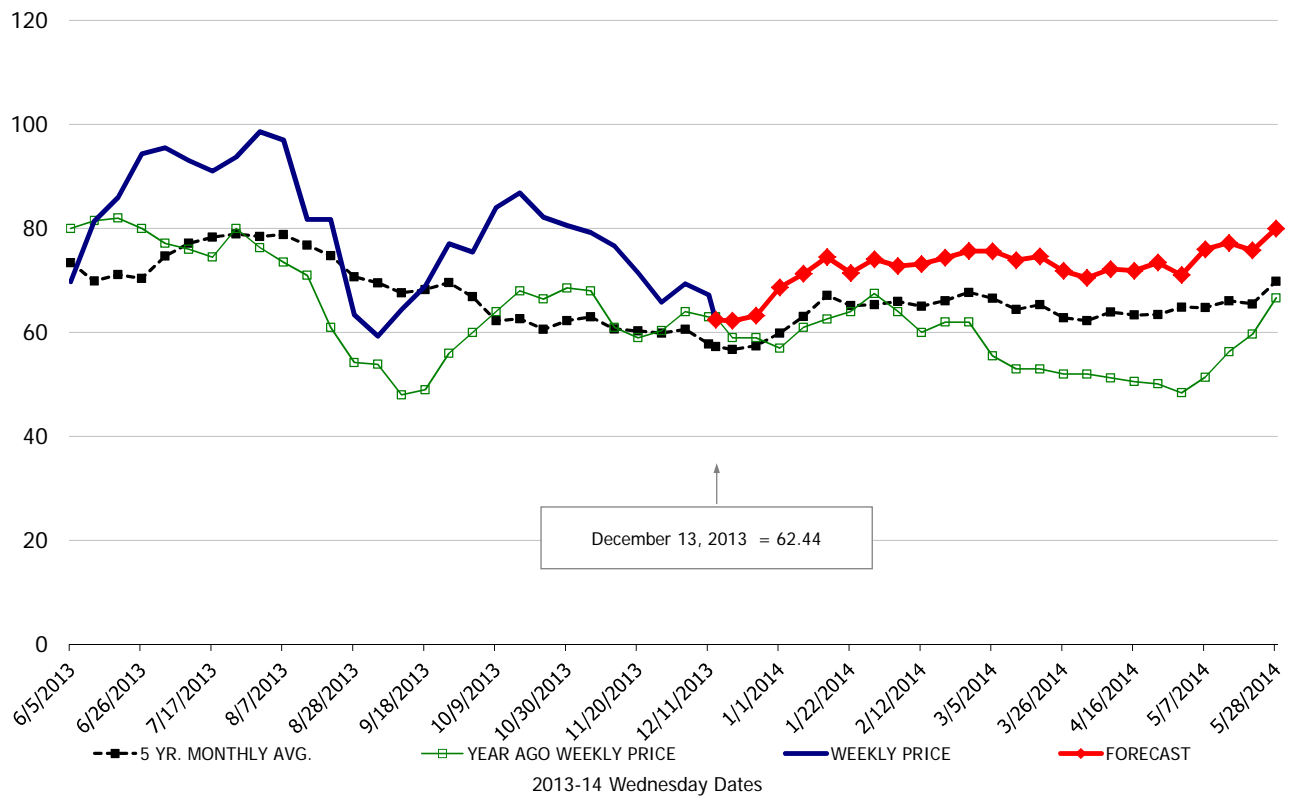
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### Butt, 1/4 Trim Butt Combo, FOB Plant, USDA

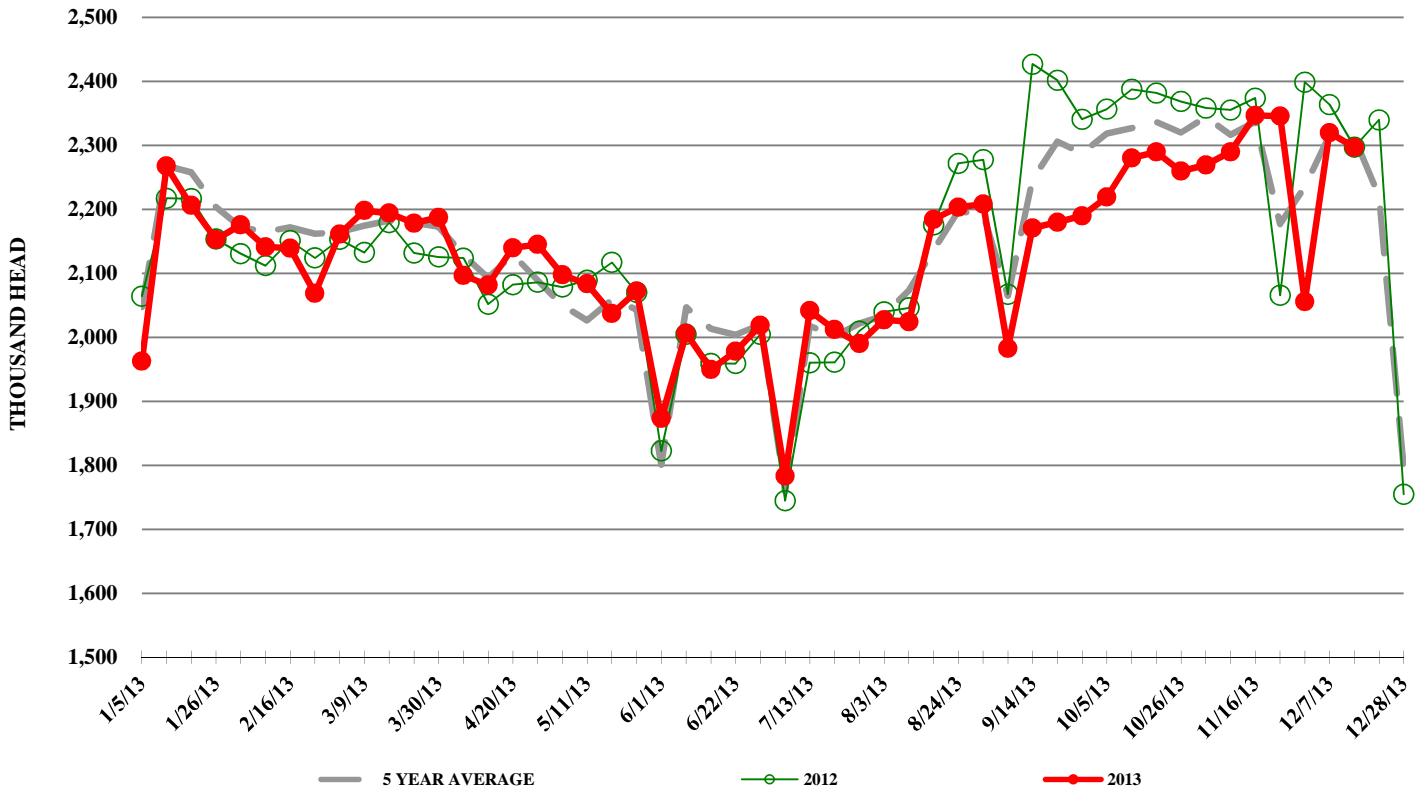


\$/cwt

### Trim, 72% Trim Combo, FOB Plant, USDA



## ESTIMATED WEEKLY FI HOG SLAUGHTER



## ESTIMATED WEEKLY FI PORK PRODUCTION

