



# Pork Merchandiser's Profit Maximizer

# Be inspired<sup>SM</sup>

## - Foodservice Edition

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

September 8, 2014

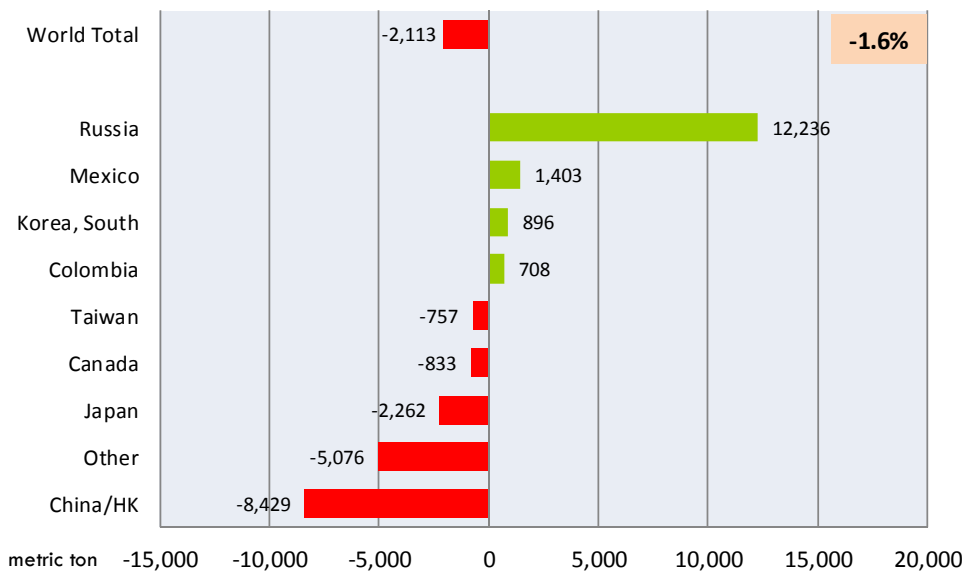
### 1. July data show significant slowdown in beef and pork export shipments

**Pork:** Exports of fresh/frozen and processed pork in July were 133,906 MT, 1.6% lower than a year ago. The decline in exports would have been larger if not for a surge in pork exports to Russia, before the ban was

announced in early August. Pork exports to Russia in July were 12,236 MT compared to zero last year. Exports to China/Hong Kong remain weak, as domestic Chinese supplies have become burdensome. Feed costs in China also have declined, which is expected to lead to further production increases at a time when PEDv issues in the country have subsided. Total pork exports to China/Hong Kong at 8,759 MT were down 50% compared to the previous year. Exports to Japan, the second largest market for US pork, were 31,844 MT, down 7% from the previous year. Mexico has been the top market for US pork this year and July shipments at 41,549 MT were 3% higher than the year before. The strong pace of shipments to Mexico and Russia likely contributed to the sharp spike in ham prices that we saw in July. Our expectation is that the pace

### Y/Y Ch. in Jul 2014 vs. Jul 2013 US **Pork Exports**

Contribution by Selected Markets to Overall Total. Fr/Fz/Prep/Pres



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.

of exports slowed down considerably in August but we expect Mexico exports to ramp up again later in the year as supply availability increases and exporters are able to take advantage of seasonally lower prices.

**Beef:** Overall beef exports in July were down 14.7% compared to the previous year. While there has been a lot of talk about the impact of the Russian ban on US beef imports, the reality is that US beef shipments to Russia in the last couple of years have been minimal. Indeed, the decline in beef exports in July was largely driven by sharply lower exports to Canada, Hong Kong and Japan. Beef exports to Canada in July were 12,567 MT, down 4,958 MT (-28%) compared to a year ago. Exports to Japan, which remains the top market for US beef, were down 10% while exports to Hong Kong at 9,182 MT were down 31%. The slowdown in exports to these markets reflects that lack of product availability following a 10% decline in US fed cattle slaughter during July. Tight supplies and strong competition between export markets and domestic users has caused prices for some items to increase by as much as 40% compared to a year ago. Beef exports to Mexico, the third largest market for US beef, were pegged at 11,831 MT, down 12% compared to a year ago. The only markets showing some growth in July were Taiwan and South Korea but these markets are relatively small and unlikely to have much impact going forward.

**2. USDA will update on September 11 its estimates of the US corn production and use for the 2014/15 marketing year.** So far, corn crop conditions have been some of the best in a decade and this has caused analysts to steadily increase their forecasts of the corn harvest. Based on the latest analysts assessments, we think that corn yields for the year will come in at 174 bushels per acre. This is much higher than the latest USDA forecast at 167.4 bushels. It is not unusual for USDA to be conservative in its estimates during bumper crop years and often the final yield has far exceeded the August estimate. Analysts expect the USDA September forecast to be around 170-171 bushels per acre. We also expect USDA to revise higher its estimate for the old crop corn stocks. Feed use is down and export pace also has slowed down. This means that producers will have a bit more corn in the bin as they start harvesting what is expected to be a record crop of some 14.5 billion bushels. As you can see from the balance table below, absorbing the expected 15.8 billion bushels of corn

### U.S. Corn Supply and Use

	2012/13	2013/14	2014/15		% Change		2014/15 Steiner Est.
	USDA Actual	USDA Estimate	USDA Jul Est	USDA Aug Est	vs. 2012/13	vs. 2013/14	
Planted	97.2	95.4	91.6	91.6	-5.8%	-4.0%	91.6
Harvested	87.4	87.7	83.8	83.8	-4.1%	-4.4%	83.8
Yield per harvested acre	123.4	158.8	165.3	167.4	35.7%	5.4%	174.0
Beginning stocks	989	821	1,246	1,181	19.4%	43.8%	1,250
Production	10,780	13,925	13,860	14,032	30.2%	0.8%	14,581
Imports	160	35	30	30	-81.3%	-14.3%	20
<b>Supply, total</b>	<b>11,929</b>	<b>14,781</b>	<b>15,136</b>	<b>15,243</b>	<b>27.8%</b>	<b>3.1%</b>	<b>15,851</b>
Feed and residual	4,325	5,175	5,200	5,250	21.4%	1.4%	5,250
Ethanol for fuel	4,648	5,120	5,050	5,075	9.2%	-0.9%	5,100
Food, seed and residual	1,405	1,385	1,385	1,385	-1.4%	0.0%	1,395
<b>Domestic use, total</b>	<b>10,378</b>	<b>11,680</b>	<b>11,635</b>	<b>11,710</b>	<b>12.8%</b>	<b>0.3%</b>	<b>11,745</b>
Exports	730	1,920	1,700	1,725	136.3%	-10.2%	1,900
<b>Use, total</b>	<b>11,108</b>	<b>13,600</b>	<b>13,335</b>	<b>13,435</b>	<b>20.9%</b>	<b>-1.2%</b>	<b>13,645</b>
Ending stocks	821	1,181	1,801	1,808	120.2%	53.1%	<b>2,206</b>
CCC inventory	0	0					
Free stocks	821	1,181					
Outstanding Loans	32	50					
<b>Avg. farm price (\$/bu)</b>	<b>6.89</b>	<b>4.40-4.50</b>	<b>3.65-4.35</b>	<b>3.55-4.25</b>	<b>-43.4%</b>	<b>-14.3%</b>	
Ending Stocks/Use	7.4%	8.7%	13.5%	13.5%			<b>16.2%</b>

Source: USDA

\*\* Corn crop marketing year starts September 1.

(starting inventory + production) will be difficult and lower prices are warranted to clear the market. Feed and residual demand is currently expected to be 5.25 billion bushels, about 1.5% higher than in 2013-14. Cattle numbers are expected to decline further while hog numbers are not expected to increase until Q2 of next year. If corn prices drop further, we could see this number increase marginally but in the short term feed demand growth will be somewhat muted. As for ethanol, we expect the market is fully saturated and the increase in the blend limit to 15% will likely have little impact as the infrastructure for implementing it remains nonexistent. Lower feed costs are expected to encourage more exports but this is a major wild card as feed supplies have recovered in a number of other markets. A stronger US dollar is a negative for corn exports. Bottom line, a 16.2% stocks/use ratio in the past has implied corn prices near \$3.5/bu, a significant decline from the \$8 corn in the fall of 2012.

---

### Upcoming holidays:

**2014** 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><b><u>NOTE: WE ARE NOW REPORTING AND FORECASTING MANDATORY PLANT WEIGHTED AVERAGE BLUE SHEET PRICES FOR PORK CUTS.</u></b></p>
---

**Live hogs. For the week ending September 6 slaughter was 1.780 million head, down 10.2% from a year ago. In the last two weeks hog slaughter is down 10.3% vs. year ago levels.**

**Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values.** Lean hog carcass values at about 98.71 /cwt. on Friday were up about \$6/cwt since Wed. August 27. Prices are up about \$8 /cwt compared to year ago values.

**Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA** (page 8). Prices finished last week at \$1.3617, up about 6 cent since the Wed. August 27 quote and up about 20 cents from year ago levels.

**Bnls. Strap on Pork Loins.** Prices finished the week at \$1.7529 for the strap on loins, up about 13 cents since Wed. August 27 and up about 18 cents from the year ago levels. Strap off loins at \$1.8808 are up about 0.4 cent since Wed. August 27 and up about 9 cents compared to the year ago quote.

**Boneless sirloins** at \$1.5207 are down about 8 cents from the Wed. August 27 quote but up about 29 cents from the year ago price.

**Pork tenderloin** finished last week at \$2.7699, up about 3 cents since the Wed. August 27 quote and up about 41 cents from the year ago price.

---

**5/10 Pork Butts** (page 10), prices finished the week at \$1.4246, down about 3 cents since Wed. August 27.

**Spare Ribs, Trimmed - LGT, Vac** (page 8). Prices finished the week at \$1.5808, down about 10 cent since Wed. August 27 but up about 15 cents from year ago levels.

Rib inventories on July 31 were 54.3 million pounds, down 5.8% percent from a year ago.

### **Bone-in Hams.**

17/20 hams (page 9) price was \$1.0593/lb., up 0.1 cents compared to prices on Wed. August 27 and up about 14 cents from a year ago.

20/23 hams finished the week at 113.23 cents, up about 8 cents since Wed. August 27 and up about 23 cents from the year ago level.

23/27 hams finished the week at 100.49 , up about 3 cents from the Wed. August 27 quote and up about 14 cents from the year ago level.

Total ham cold storage stocks on July 31 at 149.5 million pounds were down about 17.2% from year ago levels.

**42 CL Pork Trim** “FOB Basis”. Prices finished the week at 55.65 , up about 15.6 cent since Wed. August 27 and up about 7 cents from the year ago price.

**72 CL Pork Trim** “FOB Basis”. Prices finished the week at 95.93 cents, up about 5 cents since the Wed. August 27 quote and up about 37 cents from the year ago level.

Freezer stocks of all trimmings on July 31 were 42.4 million pounds, up about 14.9% percent from the year ago levels.

**72 CL Picnic Meat** “FOB Basis”. Picnic 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 last week at \$113.25 was up about 7 cents from a year ago.

The National Whole Bird price was quoted at 103.47 on Friday September 6, up about 15 cents from a year ago.

Broiler slaughter for the week ending September 6 was 144.66 million head, up 2.68% from a year ago. For the last two weeks slaughter was up 1.4% vs. a year ago.

**Breasts.** Prices on boneless skinless breasts finished the week at \$1.8408, down 2 cents since Wed. August 27 but also up about 23 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 up about 0.3 cents vs. year ago price at 45.98 . Prices trend modestly higher the next few months. However, Mexico could be a significant issue any time.

**Wings.** Prices at \$1.5792 are up about 0 cents from year ago levels.

---

## **Turkeys**

**Hens** finished last week at \$1.1600, unchanged since Wed. August 27 and up about 11 cents from the year ago price.

**Toms** finished last week at \$1.1600, unchanged since Wed. August 27 and up about 11 cent from the year ago price.

Total turkey supplies in the freezer on July 31 were down about 15.5% percent from a year ago at 491.1 million pounds. Whole birds were down 10.8% percent from year ago with an inventory of 292.8 million pounds.

Turkey slaughter was 4.1420 million head for the week ending August 30, down -6.27% from a year ago. For the last two weeks slaughter has been down 1.8%.

**Boneless Turkey Breast Meat.** Boneless skinless turkey breast meat prices finished last week at \$4.0500, unchanged since Wed. August 27. Prices are up about 54 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 \$7.3123 (weighted average quote) finished last week up about 32 cents since the Wed. August 27 quote and up about 55 cents vs. the year ago price.

**Select 112A Heavy Lip On Rib Eyes** at \$5.8016 (weighted average quote) finished last week down about 18 cents since the Wed. August 27 quote but up about 42 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$1.5107 /lb. over 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 \$2.8092 down about 2 cents since Wed. August 27 but up about 77 cents from the year ago price.

**Choice ¼ inch trimmed #168 insides** finished last week quoted at \$2.8628 down about 0 cents since Wed. August 27 and up about 76 cents from year ago levels.

**Choice #170 Gooseneck Rounds** finished last week at \$2.6697 up about 26 cents since Wed. August 27 and up about 81 cents from the year ago levels.

**Choice #180 (0x1) Bnls. Strip Loins** finished last week quoted at \$5.9038 (wt. avg.) down about 34 cents from the Wed. August 27 quote. Prices are about 82 cents over year ago levels.

**Choice #184 Regular Heavy top butts** finished at \$3.1732 (wt. avg.) down about 16 cents since Wed. August 27 but up about 15 cents from year ago levels.

**Choice #184 ¼ inch trimmed Top Butts** finished at \$3.4470 (wt. avg.) down about 11 cents since Wed. August 27 but up about 12 cents from the year ago levels.

**Choice #185A Flap Meat** prices finished Friday at \$4.6409 (wt. avg.) down about 8 cents since Wed. August 27 but up about 123 cents from year ago values.

### **COARSE GROUND BEEF –**

**73CL Coarse Ground** product finished last week at \$2.4616 up about 3 cents since Wed. August 27 and up about 73 cents from year ago levels.

**81CL Coarse Ground** product finished last week at \$2.6755 up about 6 cent since

Wed. August 27 and up about 70 cents from the year ago quote.

**90CL Bnls. Beef** prices finished the week at \$3.0057 (wt. avg.) up about 2 cent since Wed. August 27 and up 90 compared to the year ago price quote. Ranchers are trying to hold more beef cows and lean beef supplies remain in limited supply

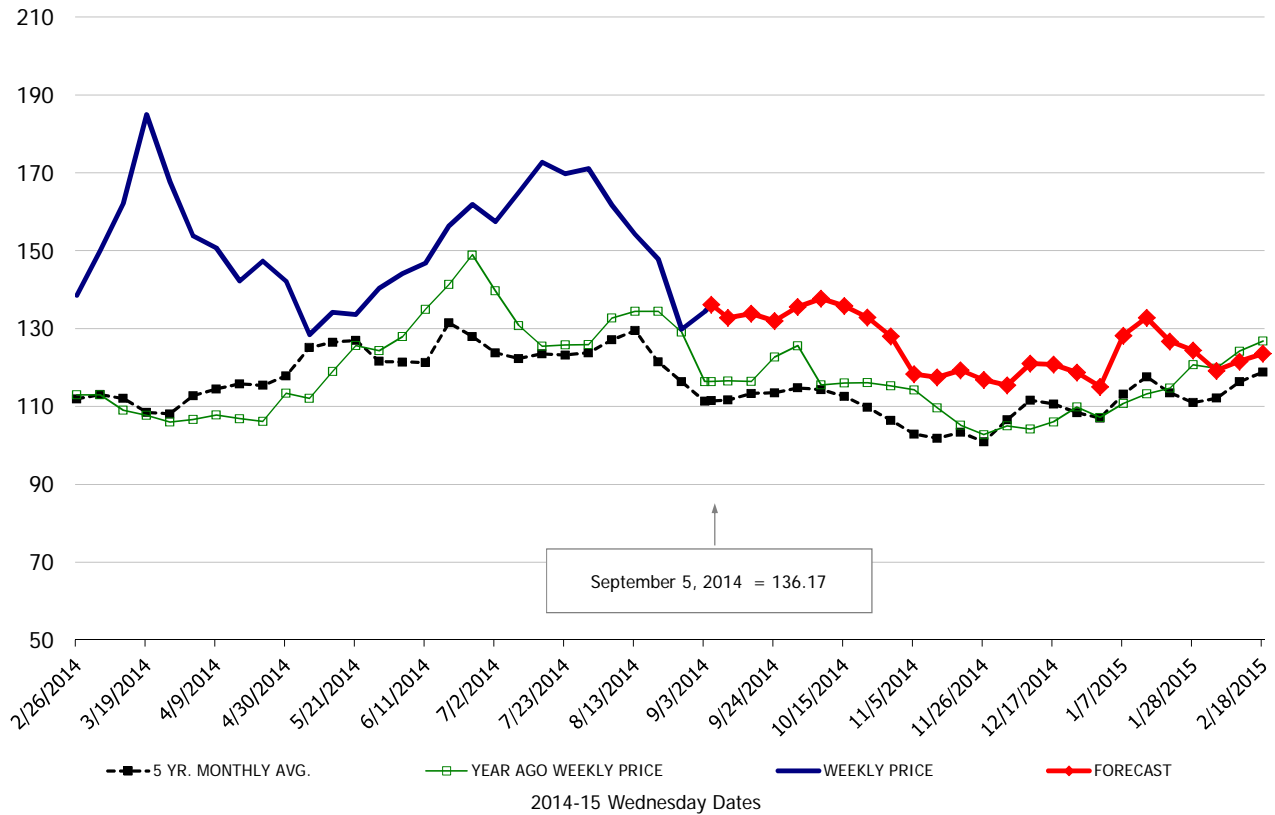
**50 CL Beef Trim** prices finished last week at \$1.2419, down about 7 cent since Wed. August 27 but up 18 compared to the year ago level.

## Food Service Summary Table - WT. AVE

	2014 History									2014-15 FORECAST						
	Mar	Apr	May	Jun	Jul	Aug	8/27/2014	9/5/2014	9/17/2014	Sep	Oct	Nov	Dec	Jan	Feb	
<b><u>PORK</u></b>																
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.65	1.47	1.35	1.52	1.67	1.48	1.30	1.36	1.34	1.33	1.34	1.18	1.19	1.27	1.22	
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.73	1.58	1.45	1.60	1.79	1.57	1.43	1.43	1.44	1.42	1.42	1.27	1.31	1.38	1.31	
Loin, Bnls CC Strap-off, FOB Plant, USDA	2.35	2.12	1.91	1.97	2.15	1.91	1.88	1.88	1.89	1.88	1.97	1.68	1.85	1.91	1.73	
Loin, Tenderloin, FOB Plant, USDA	2.76	2.78	2.77	2.84	2.88	2.78	2.74	2.77	2.58	2.65	2.45	2.28	2.27	2.44	2.54	
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	1.61	1.60	1.60	1.68	1.72	1.58	1.42	1.52	1.49	1.49	1.53	1.46	1.45	1.26	1.30	
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.82	1.76	1.70	1.73	1.88	1.73	1.68	1.58	1.57	1.58	1.59	1.57	1.56	1.60	1.58	
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.45	2.54	2.59	2.55	2.63	2.54	2.36	2.56	2.43	2.44	2.30	2.26	2.25	2.25	2.23	
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.74	1.64	1.61	1.70	1.84	1.64	1.59	1.53	1.51	1.53	1.54	1.51	1.49	1.50	1.47	
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.71	2.63	2.65	2.77	2.70	2.53	2.47	2.35	2.30	2.31	2.33	2.24	2.23	2.45	2.48	
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	1.06	1.19	1.08	1.28	1.41	1.21	1.06	1.06	1.09	1.07	1.22	1.20	1.03	0.90	0.95	
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	1.12	1.14	1.13	1.27	1.44	1.12	1.05	1.13	1.16	1.15	1.25	1.19	1.09	0.91	0.92	
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.99	1.02	1.05	1.21	1.41	1.12	0.97	1.00	1.07	1.05	1.13	1.04	0.98	0.87	0.87	
Ham, 5 Muscle Ham to Blue, FOB Plant, USDA	1.49	1.48	1.48	1.73	2.07	2.33	2.33	2.33	1.61	1.59	1.80	1.67	1.57	1.39	1.38	
Belly, Skin-on Belly 14-16#, FOB Plant, USDA	1.77	1.85	1.54	1.66	1.61	1.27	1.25	1.27	1.20	1.20	1.11	1.03	1.10	1.15	1.16	
Belly, Derind Belly 9-13#, FOB Plant, USDA	2.15	2.08	1.76	1.96	1.92	1.47	1.38	1.26	1.26	1.28	1.35	1.30	1.38	1.44	1.46	
Belly, Derind Belly 13-17#, FOB Plant, USDA	2.14	1.94	1.69	1.91	1.93	1.41	1.12	1.20	1.21	1.23	1.30	1.26	1.34	1.42	1.44	
Trim, 42% Trim Combo, FOB Plant, USDA	0.71	0.71	0.66	0.68	0.69	0.58	0.40	0.56	0.55	0.55	0.50	0.41	0.36	0.42	0.38	
Trim, 72% Trim Combo, FOB Plant, USDA	1.23	1.30	1.14	1.32	1.40	1.10	0.91	0.96	0.97	0.95	1.05	1.00	0.93	0.86	0.86	
<b><u>HOG CARCASS</u></b>																
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	1.17	1.19	1.10	1.18	1.27	1.17	0.92	0.99	0.99	0.99	1.01	0.92	0.93	0.91	0.89	
<b><u>BROILERS</u></b>																
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	1.06	1.10	1.18	1.13	1.07	1.00	1.01	1.03	0.98	0.99	0.98	0.95	0.93	0.93	0.94	
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.48	1.73	1.87	2.00	2.00	1.85	1.86	1.84	1.75	1.78	1.60	1.46	1.35	1.38	1.41	
N.E. BROILER BREAST LINE RUN, USDA	0.91	1.06	1.20	1.24	1.22	1.17	1.18	1.19	1.15	1.16	1.14	0.98	0.94	0.96	0.97	
N.E. BROILER LEG QUARTERS, USDA	0.44	0.48	0.50	0.50	0.52	0.50	0.46	0.46	0.45	0.46	0.47	0.47	0.46	0.46	0.46	
N.E. BROILER WINGS, USDA, WT.AVG.	1.38	1.42	1.38	1.45	1.45	1.43	1.25	1.58	1.60	1.57	1.60	1.57	1.62	1.64	1.68	
<b><u>TURKEYS</u></b>																
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.06	1.08	1.09	1.11	1.11	1.14	1.15	1.16	1.16	1.16	1.17	1.17	1.05	0.99	0.99	
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	2.42	3.26	3.57	3.71	4.01	4.05	4.05	4.05	4.08	4.05	3.94	3.75	3.50	3.05	2.78	
<b><u>LIVE STEERS</u></b>																
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.50	1.49	1.47	1.47	1.57	1.57	1.53	1.56	1.57	1.56	1.58	1.60	1.59	1.60	1.60	
<b><u>BEEF</u></b>																
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	6.32	6.68	7.24	7.94	7.34	7.03	7.00	7.31	7.53	7.49	7.80	8.38	7.61	6.92	7.05	
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	3.04	2.68	2.33	2.33	2.89	3.13	2.86	2.86	2.97	2.93	2.94	2.89	2.97	3.16	2.98	
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.51	2.18	2.14	2.25	2.57	2.61	2.41	2.67	2.68	2.68	2.79	2.72	2.68	2.90	2.85	
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	6.76	6.30	6.02	6.44	6.66	6.40	6.25	5.90	5.91	5.90	5.37	5.33	5.27	6.00	6.11	
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	3.50	3.51	3.82	4.05	4.05	3.53	3.59	3.45	3.51	3.56	3.37	3.37	3.45	3.80	3.91	
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	4.72	5.04	5.15	5.21	4.82	4.82	4.72	4.64	4.54	4.60	4.15	4.07	4.11	4.40	4.60	
COARSE GROUND 73%, USDA	2.24	1.89	1.98	1.98	2.36	2.40	2.43	2.46	2.44	2.44	2.33	2.41	2.48	2.85	2.68	
COARSE GROUND 81%, USDA	2.51	2.03	2.07	2.11	2.56	2.64	2.61	2.68	2.65	2.67	2.55	2.59	2.65	3.12	2.92	
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.61	2.49	2.43	2.52	2.87	2.97	2.98	3.01	2.94	2.97	2.93	2.95	3.09	3.16	3.26	
50CL BEEF TRIM, FRESH, NATIONAL, USDA	1.47	1.22	1.26	1.27	1.36	1.41	1.31	1.24	1.22	1.24	1.29	1.49	1.41	1.42	1.38	

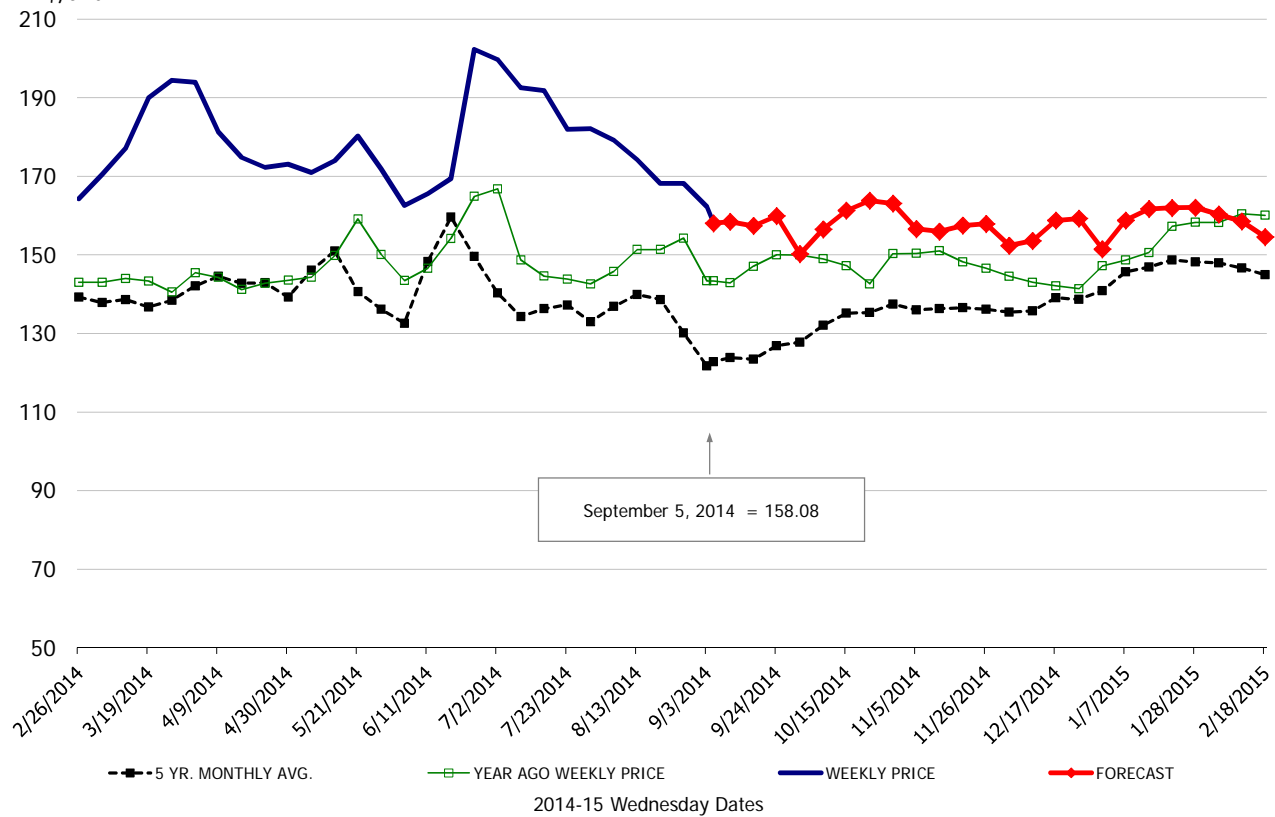
\$/cwt

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



\$/cwt

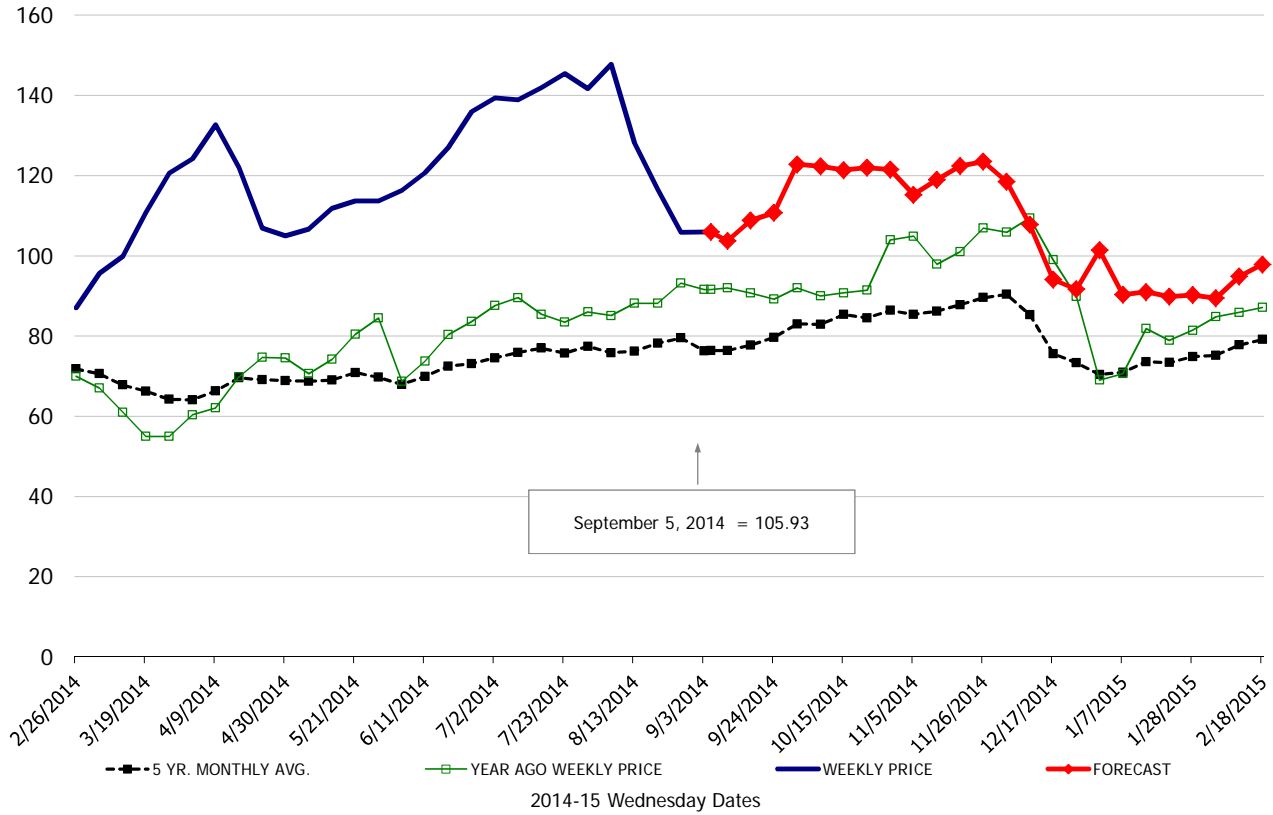
### Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA





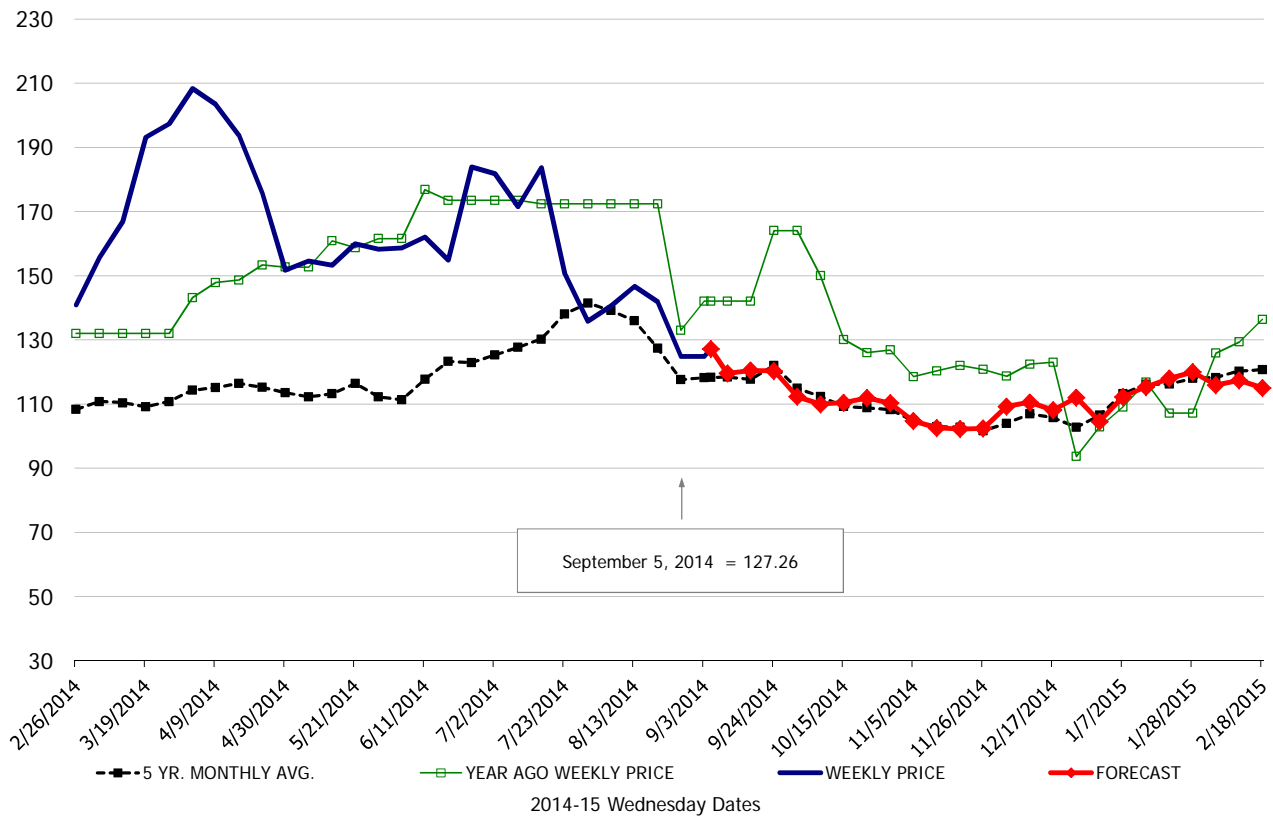
\$/cwt

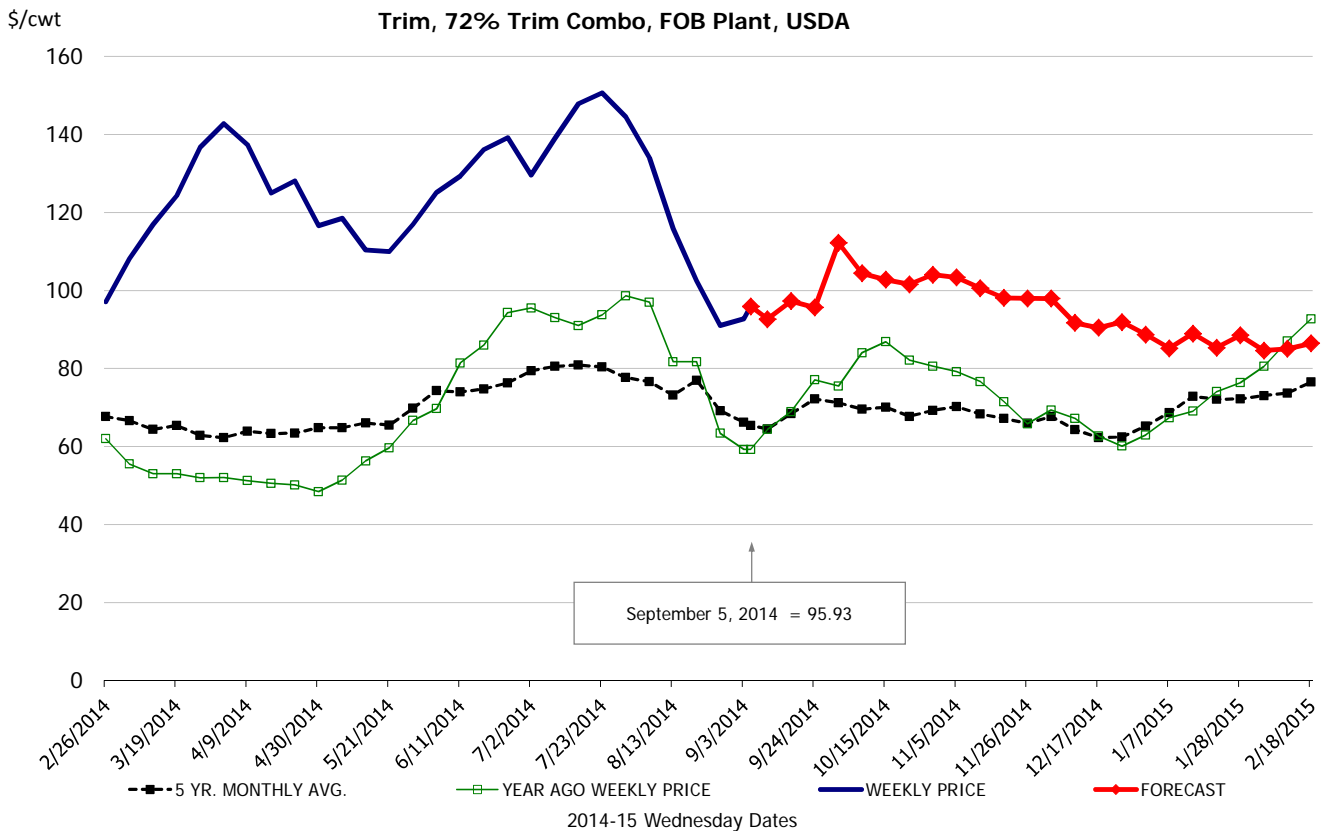
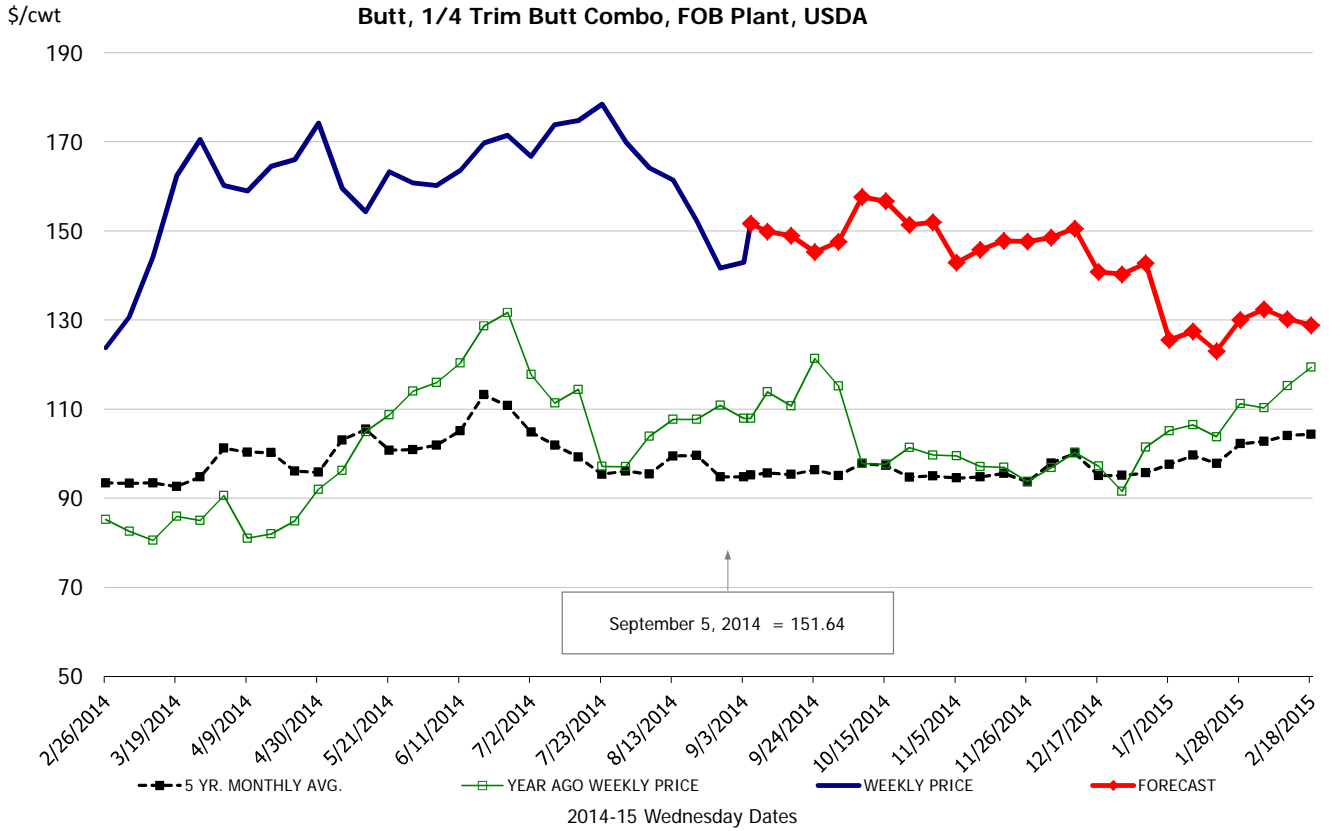
### Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA



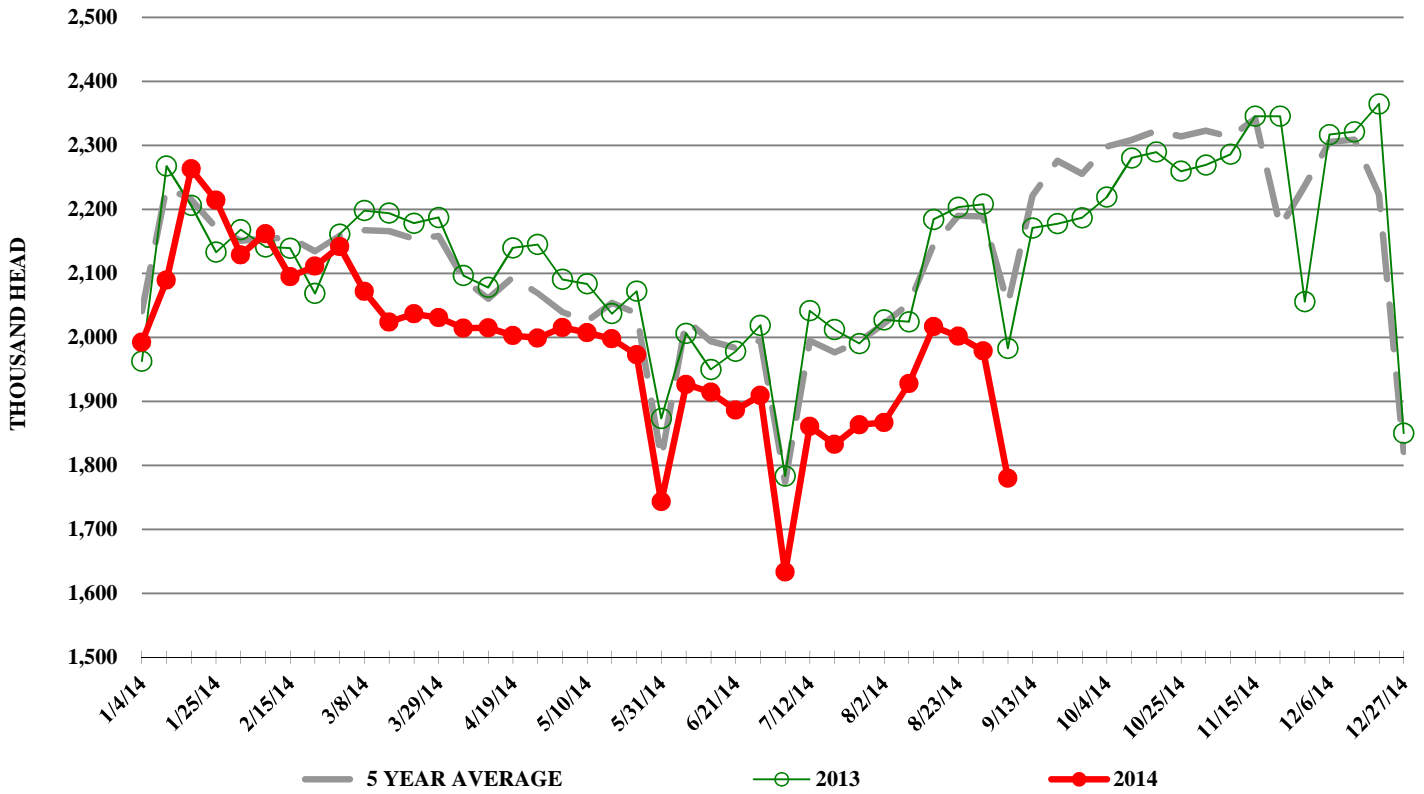
\$/cwt

### Belly, Skin-On Belly 14-16#, FOB Plant, USDA





## ESTIMATED WEEKLY FI HOG SLAUGHTER



## ESTIMATED WEEKLY FI PORK PRODUCTION

