



Pork Merchandiser's Profit Maximizer

Be inspiredSM

- Foodservice Edition

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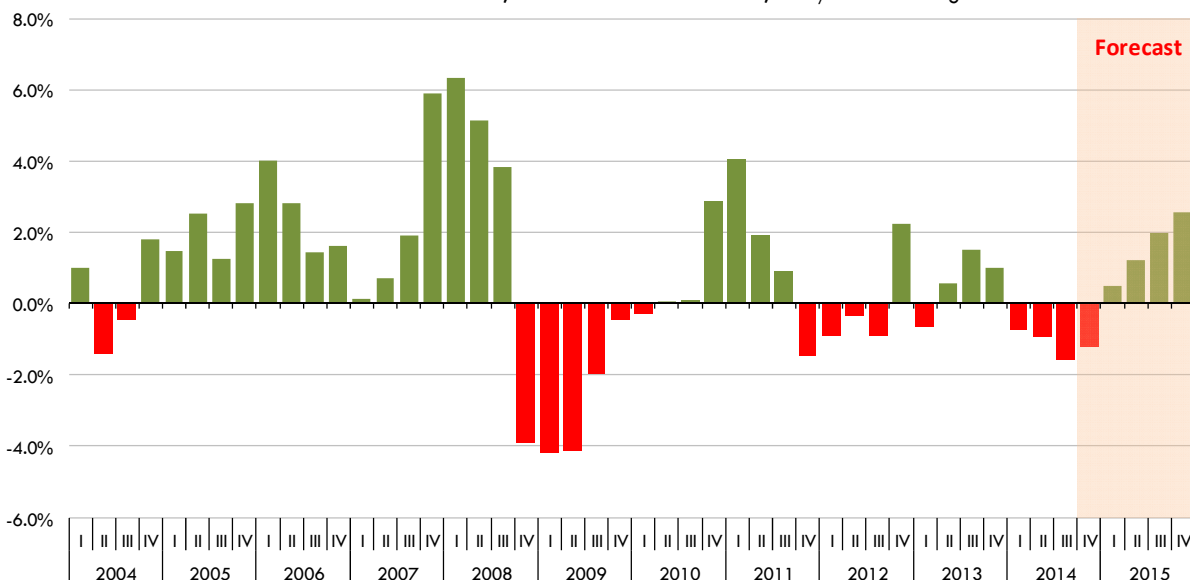
Lower feed costs set the stage for higher chicken and pork supplies in 2015

The latest USDA Supply/Demand reports (WASDE) confirmed what many in the industry were expecting - record corn yields and a substantial increase in the supply of corn and soybean meal available for the 2014-15 marketing year. Corn ending stocks, basically

corn that is not sold and carried over into the next year, now are projected to be well over 2 BILLION bushels, a 150% increase from the tight supply levels of just two years ago. And even to get to this high ending stock number, USDA models projected a significant increase in the amount of feed that will be absorbed by the US livestock and poultry industry in the coming months. Corn feed demand currently is projected at 5.375 billion bushels, 5% higher than a year

Meat Production Growth to Accelerate in 2015

Combined Beef, Pork and Broiler Production, Year/Year % Change

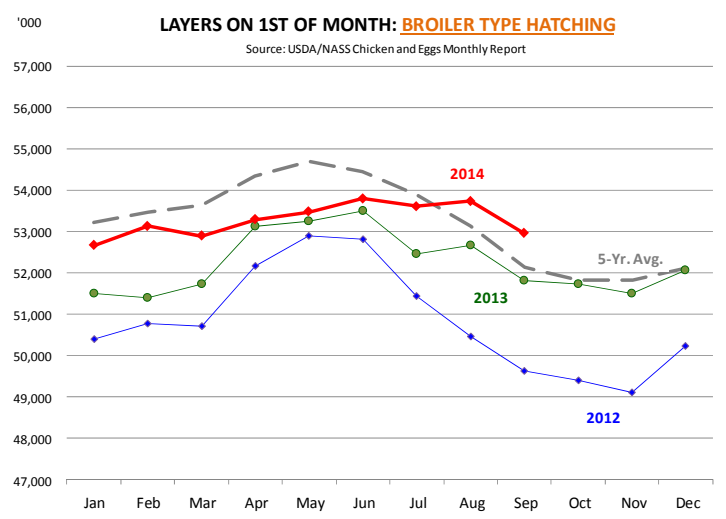
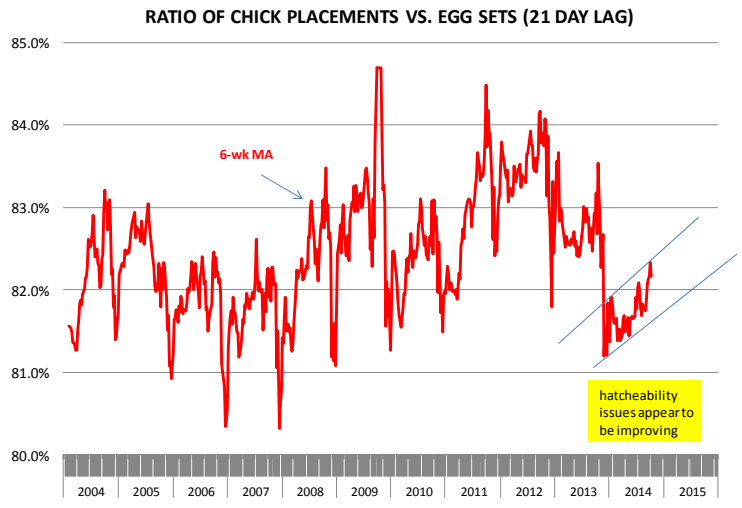


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ago and 24% higher than two years ago. But consider how this additional supply of corn will be converted into meat. In the case of cattle, the calf crop for 2014 is down 2% from two years ago. Herd rebuilding means that some of the heifers this year will be diverted into the beef cow herd, which will further reduce feed demand. One way cattle producers will seek to maximize feed use is by holding cattle on feed longer. This is already taking place, causing a significant increase in steer carcass weights. Still, the primary way in which this additional feed will be consumed is through higher broiler production and an increase in the number of hogs coming to market.

Chicken supply outlook:

Our current forecast is for broiler production to increase by 3.7% in 2015 following a 1.8% increase in 2014 and 2.1% increase in 2013. So far, the US broiler industry has been growing at a very measured pace. In part this has been dictated by feed costs, which hit all time record highs in the fall of 2012. This was followed by genetic problems that impacted the productivity of the hatching flock. At this point it appears broiler producers are on the cusp of overcoming both these issues. Corn prices are now down some 60% from the peak in 2012. The broiler type hatching flock has been steadily increasing for much of this year and currently stands 2.2% above year ago levels. For the last four reported weeks, broiler egg sets have increased by an average of 3.4% compared to the same period a year ago and the ratio of chick placements to egg sets (a measure of hatchability also has been trending higher (see chart). Per capita chicken disappearance is expected to be up 2.6% in 2015, matching the chicken supply levels we saw in 2008, prior to the bankruptcy of Pilgrim's Pride. Given the increase in per capita availability, we expect overall chicken prices to be pressured lower next year. There is no question that US meat protein demand is up and this will continue to support chicken prices. However, we also think that the US market is quite saturated at this point with chicken, which increases the price



sensitivity to supply increases. One big wild card for chicken producers is the state of the US foodservice industry, which in turn closely mirrors the broader economic trends. Foodservice sales have been improving but recent economic volatility is a reminder of how vulnerable the chicken industry is to a slowdown in economic activity. Our current working forecast is for chicken exports to increase 4.2% in 2015, double the growth projected for this year. Keep in mind that chicken demand was support for a good part of this year by Russian purchases, which have declined to zero at this point. Exports also are a key downside risk for US broiler producers, especially chicken demand in Mexico, which is now the top market for US chicken. Mexico has threatened sanctions over the Country of Origin Labelling Law but those are unlikely to come

until the second half of 2015. Still, it remains a key risk, which could further weigh on prices at a time when chicken supplies are expected to ramp up.

Bottom line: Expect chicken prices to drift lower in 2015, with breast meat the most vulnerable to a downturn in prices. The US market is well saturated with breast meat and growth of heavy birds tends to disproportionately increase breast meat supplies. Foodservice and export demand are major wild cards for next year.

Pork supply outlook:

Increased feed use should also underpin the growth in pork supplies. At this point we are less bullish than USDA in terms of projected pork supply growth. Our forecast is for pork production to increase by about 600 million pounds (+2.7%) in 2015. On the other hand, USDA currently expects pork production to increase by some 1.16 billion pounds (+5.1%) compared to the previous year. At this point the USDA projection may be too aggressive and it implies zero impact from PEDv. Our numbers reflect the latest USDA Hogs and Pigs report and a more measured supply growth. Still, anyway you look at it pork supplies are expected to increase next year, paving the way for lower overall pork prices. Keep in mind that part of the reason why pork prices spiked this year was psychological—market participants were afraid of being short during the summer months and thus rushed to fill their needs in a very short window. At this point, expectations for ample supplies will tend to keep buyers on the sidelines and limit the amount of pork that is booked forward, creating the reverse effect we saw last year.

One example of the dynamic in the pork market is what has happened recently with hams. Strong domestic and export demand and slaughter declines caused prices to spike in June and July and then again in September. But once end users were able to secure enough product for their holiday needs, prices declined sharply and we expect them to decline even further by the

end of the year. We expect pork export demand to remain strong next year but the lack of Russian business and lackluster Asia demand will tend to limit the growth in exports. A strong US dollar also remains a concern. As with chicken, pork is particularly vulnerable to shifts in export demand.

To conclude, we currently project higher chicken and pork supplies in 2015, which will set the stage for an easing of protein pricing pressures. Pork prices, especially ham and pork trim values should be significantly lower than the record levels established in 2014. Chicken breast prices also will be lower as production increases will mostly come through an increase in the supply of heavy birds (7 pounds and over), thus disproportionately increasing breast meat supplies. The broiler market also is vulnerable to export market demand, with Mexico a big unknown next year.

Upcoming holidays:

2014 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 hogs. For the week ending October 18 slaughter was 2.187 million head, down 4.5% from a year ago. In the last two weeks hog slaughter is down 5.4% vs. year ago levels.

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass values at about 98.27 /cwt. on Friday were down about \$10/cwt since Wed. October 8. Prices are up about \$7 /cwt compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at \$1.4910, down about 16 cent since the Wed. October 8 quote but up about 33 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.9583 for the strap on loins, down about 45 cents since Wed. October 8 but up about 39 cents from the year ago levels. Strap off loins at \$2.0304 are down about 38.2 cent since Wed. October 8 but up about 18 cents compared to the year ago quote.

Boneless sirloins at \$1.6437 are down about 8 cents from the Wed. October 8 quote but up about 37 cents from the year ago price.

Pork tenderloin finished last week at \$2.8457, down about 14 cents since the Wed. October 8 quote but up about 61 cents from the year ago price.

5/10 Pork Butts (page 10), prices finished the week at \$1.4348, down about 11 cents since Wed. October 8.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$1.6354, up about one cent since Wed. October 8 and up about 16 cents from year ago levels.

Rib inventories on August 31 were 50.0 million pounds, down 3.5% percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was \$1.4081/lb., down 10.6 cents compared to prices on Wed. October 8 but up about 50 cents from a year ago.

20/23 hams finished the week at 122.14 cents, up about 19 cents since Wed. October 8 but up about 34 cents from the year ago level.

23/27 hams finished the week at 115.73 , down about 24 cents from the Wed. October 8 quote but up about 30 cents from the year ago level.

Total ham cold storage stocks on August 31 at 179.4 million pounds were down about 13.4% from year ago levels.

42 CL Pork Trim “FOB Basis”. Prices finished the week at 48.07 , down about 15.6 cent since Wed. October 8 and down about 2 cents from the year ago price.

72 CL Pork Trim “FOB Basis”. Prices finished the week at 101.57 cents, down about 13 cents since the Wed. October 8 quote but up about 15 cents from the year ago level.

Freezer stocks of all trimmings on August 31 were 40.2 million pounds, up about 9.6% percent from the year ago levels.

72 CL Picnic Meat “FOB Basis”. Picnics 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 \$114.00 was up about 9 cents from a year ago.

The National Whole Bird price was quoted at 107.63 on Friday October 18, up about 17 cents from a year ago.

Broiler slaughter for the week ending October 18 was 159.08 million head, up 0.67% from a year ago. For the last two weeks slaughter was up 1.0% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$1.6593, down 15 cents since Wed. October 8 but also up about 35 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 down about 1.7 cents vs. year ago price at 45.94 . Russian ban on US chicken has been a factor. Exports to other markets should pick up some of the lost business but lower prices will be required to generate higher sales, especially with a strong US dollar.

Wings. Prices at \$1.8434 are up about 27 cents from year ago levels.

Turkeys

Hens finished last week at \$1.2200, unchanged since Wed. October 8 and up about 14 cents from the year ago price.

Toms finished last week at \$1.2200, unchanged since Wed. October 8 and up about 15 cent from the year ago price.

Total turkey supplies in the freezer on August 31 were down about 15.0% percent from a year ago at 492.8 million pounds. Whole birds were down 10.4% percent from year ago with an inventory of 300.6 million pounds.

Turkey slaughter was 4.3940 million head for the week ending October 11, up 5.30% from a year ago. For the last two weeks slaughter has been up 3.7%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$3.9200, unchanged since Wed. October 8. Prices are up about 40 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 \$7.1748 (weighted average quote) finished last week up about 9 cents since the Wed. October 8

quote and up about 48 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$5.6336 (weighted average quote) finished last week up about 4 cents since the Wed. October 8 quote but up about 50 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$1.5412 /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 \$2.7682 down about 10 cents since Wed. October 8 but up about 67 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$2.8875 down about 9 cents since Wed. October 8 and up about 63 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$3.0750 up about 18 cents since Wed. October 8 and up about 91 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$5.1777 (wt. avg.) down about 4 cents from the Wed. October 8 quote. Prices are about 45 cents over year ago levels.

Choice #184 Regular Heavy top butts finished at \$3.2332 (wt. avg.) up about one cents since Wed. October 8 and up about 40 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$3.3108 (wt. avg.) down about 11 cents since Wed. October 8 but up about 25 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$4.3359 (wt. avg.) down about 2 cents since Wed. October 8 but up about 48 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at \$2.3589 up about one cents since Wed. October 8 and up about 69 cents from year ago levels.

81CL Coarse Ground product finished last week at \$2.6199 up about 11 cent since Wed. October 8 and up about 86 cents from the year ago quote.

90CL Bnls. Beef prices finished the week at \$2.9638 (wt. avg.) up about 3 cent since Wed. October 8 and up 103 compared to the year ago price quote. Ranchers are trying to hold more beef cows and lean beef supplies remain in limited supply

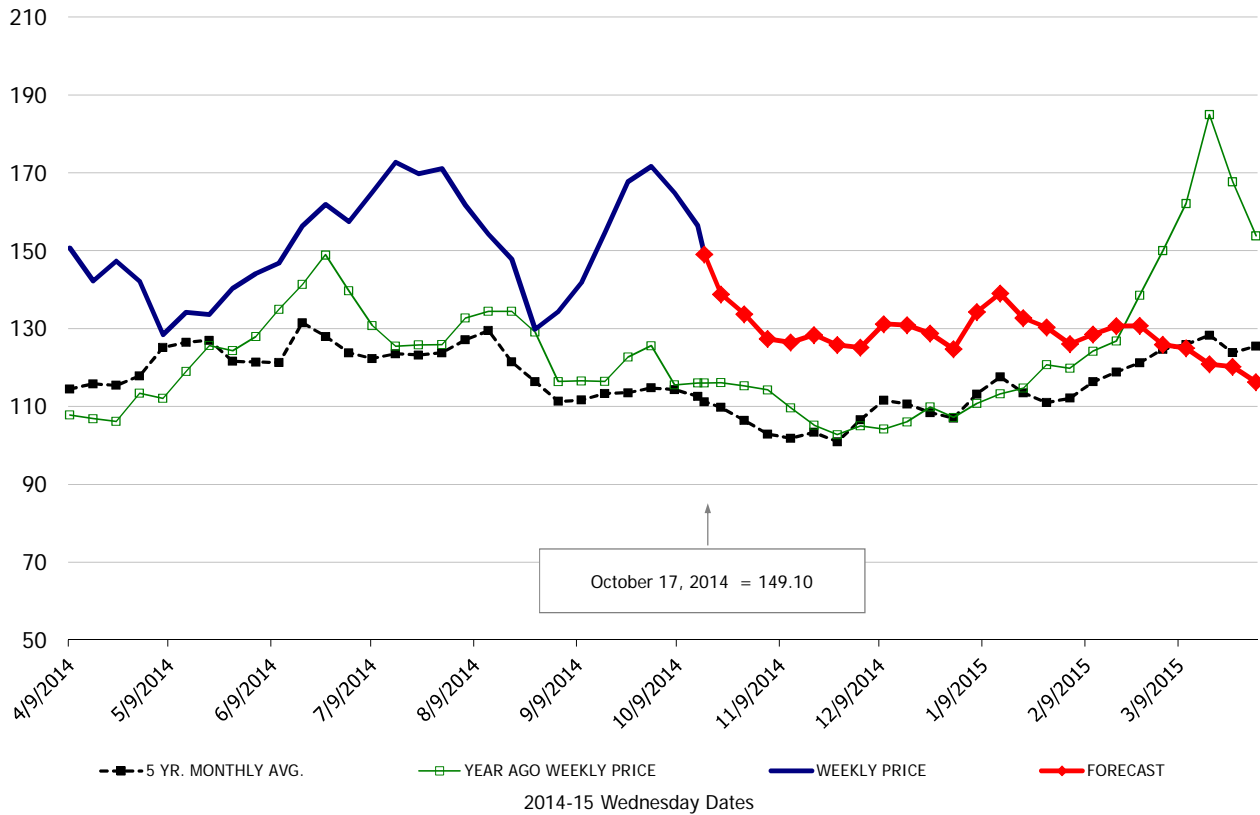
50 CL Beef Trim prices finished last week at \$1.1204, up about 5 cent since Wed. October 8 and up 14 compared to the year ago level.

Food Service Summary Table - WT. AVE

	2014 History								2014-15 FORECAST						
	Apr	May	Jun	Jul	Aug	Sep	10/8/2014	10/17/2014	10/29/2014	Oct	Nov	Dec	Jan	Feb	Mar
<u>PORK</u>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.47	1.35	1.52	1.67	1.48	1.53	1.65	1.49	1.34	1.40	1.27	1.29	1.33	1.29	1.23
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.58	1.45	1.60	1.79	1.57	1.58	1.77	1.60	1.44	1.49	1.34	1.41	1.43	1.38	1.34
Loin, Bnls CC Strap-off, FOB Plant, USDA	2.12	1.91	1.97	2.15	1.91	2.13	2.41	2.03	1.96	2.04	1.90	2.06	2.04	1.89	1.74
Loin, Tenderloin, FOB Plant, USDA	2.78	2.77	2.84	2.88	2.78	2.78	2.99	2.85	2.85	2.75	2.58	2.57	2.74	2.74	2.56
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	1.60	1.60	1.68	1.72	1.58	1.44	1.44	1.40	1.42	1.43	1.40	1.39	1.22	1.27	1.27
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.76	1.70	1.73	1.88	1.73	1.57	1.62	1.64	1.63	1.59	1.57	1.56	1.60	1.58	1.58
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.54	2.59	2.55	2.63	2.54	2.40	2.24	2.23	2.36	2.30	2.26	2.25	2.25	2.23	2.25
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.64	1.61	1.70	1.84	1.64	1.56	1.64	1.69	1.65	1.65	1.51	1.49	1.50	1.47	1.49
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.63	2.65	2.77	2.70	2.53	2.35	2.27	2.32	2.29	2.32	2.30	2.29	2.37	2.43	2.51
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	1.19	1.08	1.28	1.41	1.21	1.24	1.51	1.41	1.33	1.34	1.29	1.13	0.92	0.98	0.97
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	1.14	1.13	1.27	1.44	1.12	1.18	1.41	1.22	1.24	1.26	1.28	1.19	0.93	0.95	0.94
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	1.02	1.05	1.21	1.41	1.12	1.14	1.40	1.16	1.23	1.24	1.19	1.13	0.94	0.95	0.95
Ham, 5 Muscle Ham to Blue, FOB Plant, USDA	1.48	1.48	1.73	2.07	2.33	2.16	2.40	2.40	1.90	1.87	1.78	1.69	1.44	1.45	1.36
Belly, Skin-on Belly 14-16#, FOB Plant, USDA	1.85	1.54	1.66	1.61	1.27	1.13	1.18	1.04	1.14	1.15	1.08	1.15	1.15	1.16	1.21
Belly, Derind Belly 9-13#, FOB Plant, USDA	2.08	1.76	1.96	1.92	1.47	1.27	1.51	1.32	1.30	1.31	1.29	1.37	1.39	1.43	1.50
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.94	1.69	1.91	1.93	1.41	1.26	1.46	1.34	1.25	1.26	1.26	1.33	1.37	1.41	1.48
Trim, 42% Trim Combo, FOB Plant, USDA	0.71	0.66	0.68	0.69	0.58	0.56	0.64	0.48	0.44	0.48	0.44	0.34	0.41	0.37	0.40
Trim, 72% Trim Combo, FOB Plant, USDA	1.30	1.14	1.32	1.40	1.10	1.00	1.14	1.02	1.02	1.03	1.05	0.99	0.83	0.84	0.82
<u>HOG CARCASS</u>															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	1.19	1.10	1.18	1.27	1.04	1.03	1.08	0.98	1.00	1.03	0.92	0.91	0.90	0.89	0.89
<u>BROILERS</u>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	1.10	1.18	1.13	1.07	1.00	1.07	1.08	1.08	1.08	1.06	1.02	1.00	0.98	0.95	0.97
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.73	1.87	2.00	2.00	1.85	1.88	1.81	1.66	1.66	1.68	1.52	1.40	1.40	1.43	1.51
N.E. BROILER BREAST LINE RUN, USDA	1.06	1.20	1.24	1.22	1.17	1.19	1.18	1.18	1.16	1.18	1.02	0.98	0.98	0.99	1.02
N.E. BROILER LEG QUARTERS, USDA	0.48	0.50	0.50	0.52	0.50	0.47	0.48	0.46	0.44	0.46	0.46	0.46	0.46	0.46	0.47
N.E. BROILER WINGS, USDA, WT.AVG.	1.42	1.38	1.45	1.45	1.43	1.66	1.89	1.84	1.84	1.85	1.87	1.89	1.90	1.92	1.76
<u>TURKEYS</u>															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.08	1.09	1.11	1.11	1.14	1.17	1.20	1.22	1.23	1.22	1.22	1.07	0.99	0.99	1.00
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	3.26	3.57	3.71	4.01	4.05	4.05	4.05	3.92	3.95	3.95	3.85	3.60	3.05	2.78	2.73
<u>LIVE STEERS</u>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.49	1.47	1.47	1.57	1.57	1.58	1.60	1.64	1.64	1.63	1.64	1.63	1.64	1.64	1.65
<u>BEEF</u>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	6.68	7.24	7.94	7.34	7.03	6.96	7.09	7.17	7.97	7.80	8.58	7.79	6.92	7.05	7.47
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.68	2.33	2.33	2.89	3.13	2.83	2.98	2.89	2.88	2.94	2.89	2.97	3.16	2.98	3.03
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.18	2.14	2.25	2.57	2.61	2.66	2.90	3.08	3.04	2.99	2.82	2.78	2.90	2.85	2.72
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	6.30	6.02	6.44	6.66	6.40	5.25	5.21	5.18	5.30	5.37	5.33	5.27	6.00	6.11	6.53
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	3.51	3.82	4.05	4.05	3.53	3.36	3.38	3.31	3.31	3.37	3.37	3.45	3.80	3.91	4.14
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	5.04	5.15	5.21	4.82	4.82	4.43	4.35	4.34	4.39	4.33	4.17	4.21	4.40	4.60	5.07
COARSE GROUND 73%, USDA	1.89	1.98	1.98	2.36	2.40	2.42	2.35	2.36	2.36	2.35	2.41	2.48	2.85	2.68	2.61
COARSE GROUND 81%, USDA	2.03	2.07	2.11	2.56	2.64	2.58	2.51	2.62	2.63	2.60	2.59	2.65	3.12	2.92	2.81
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.51	2.44	2.50	2.88	2.96	2.99	2.93	2.96	2.98	2.95	2.95	3.09	3.16	3.26	3.21
50CL BEEF TRIM, FRESH, NATIONAL, USDA	1.21	1.26	1.26	1.36	1.41	1.14	1.07	1.12	1.30	1.19	1.39	1.41	1.42	1.38	1.53

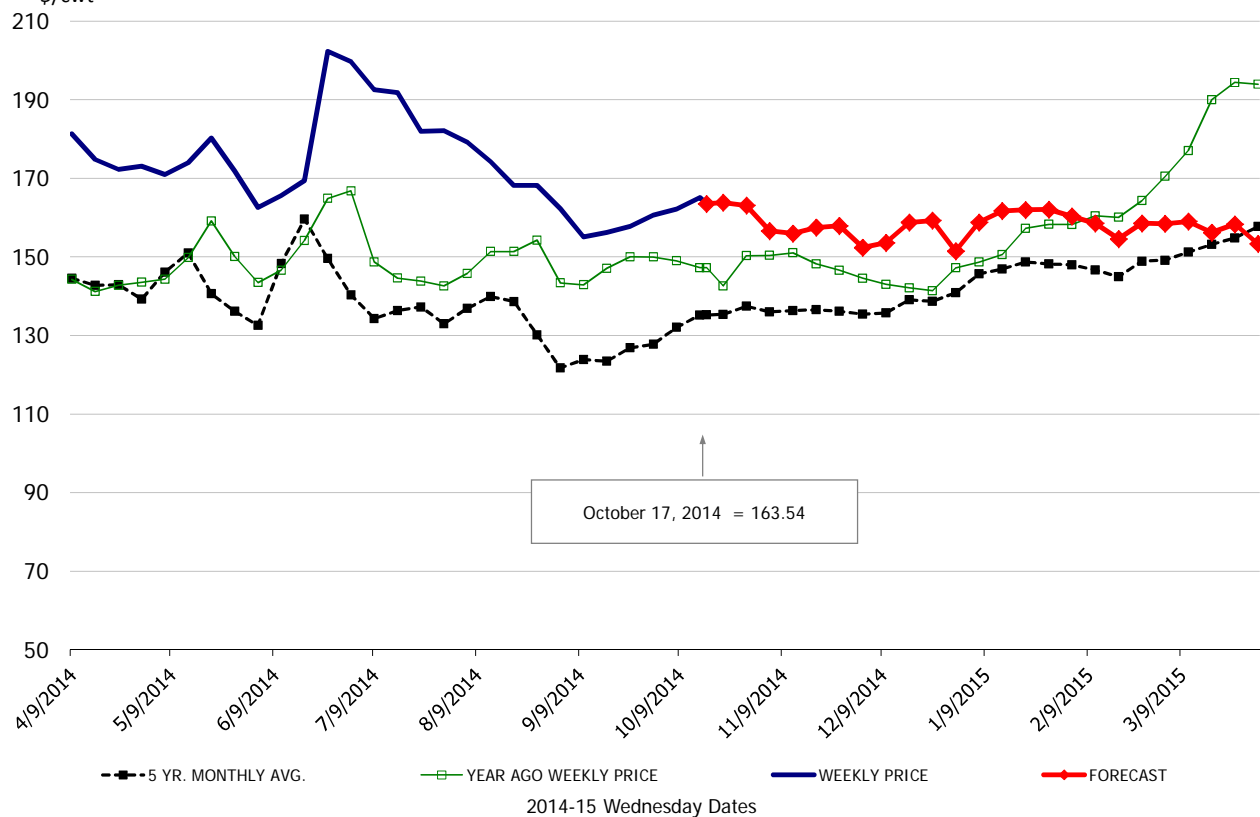
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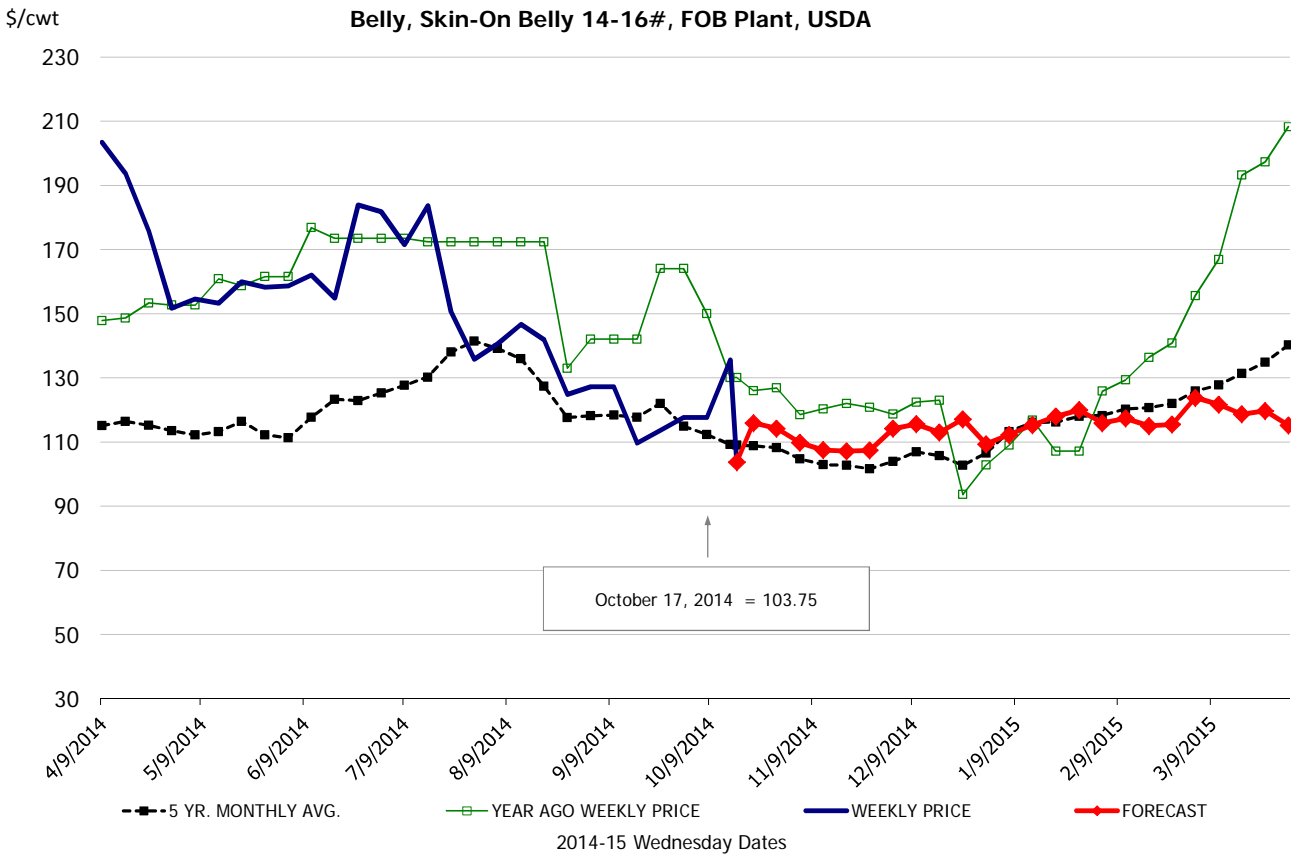
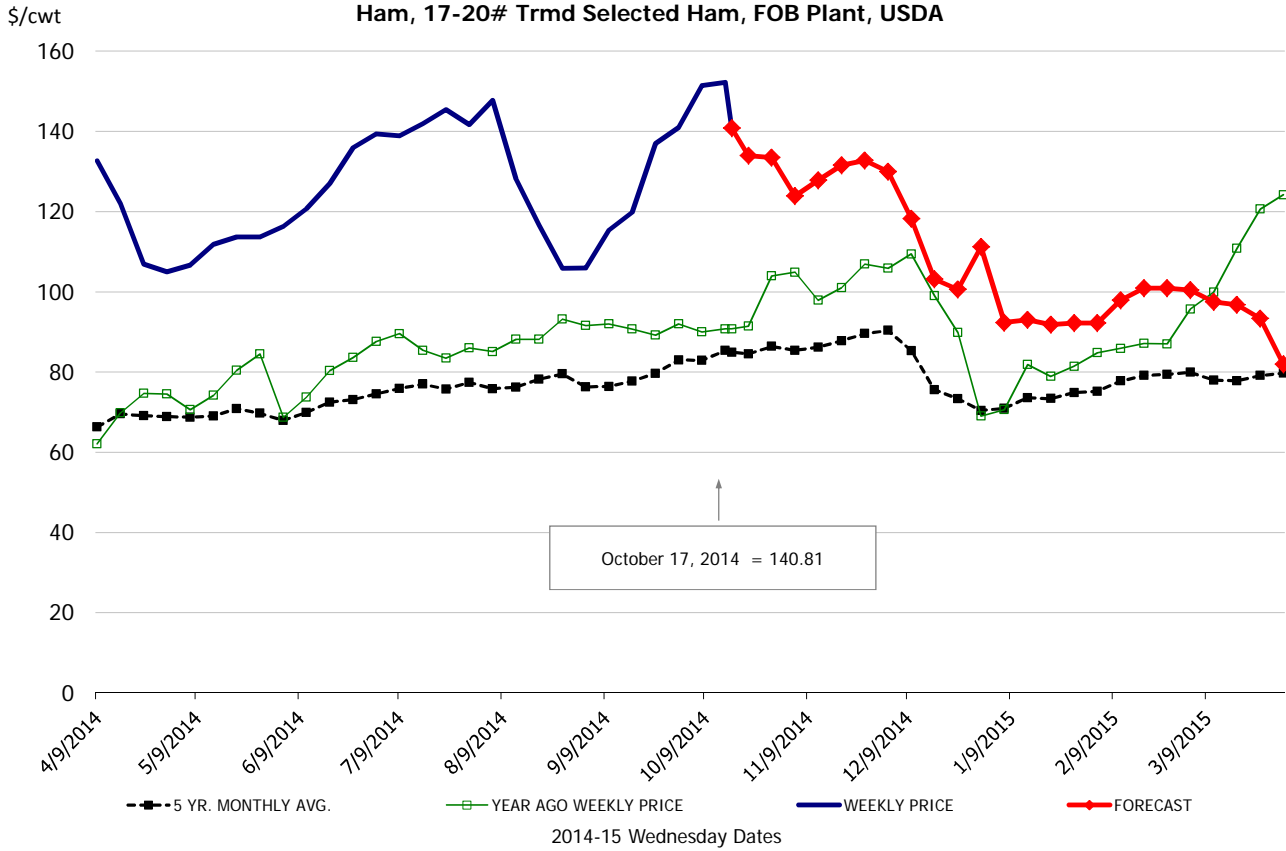
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA



\$/cwt

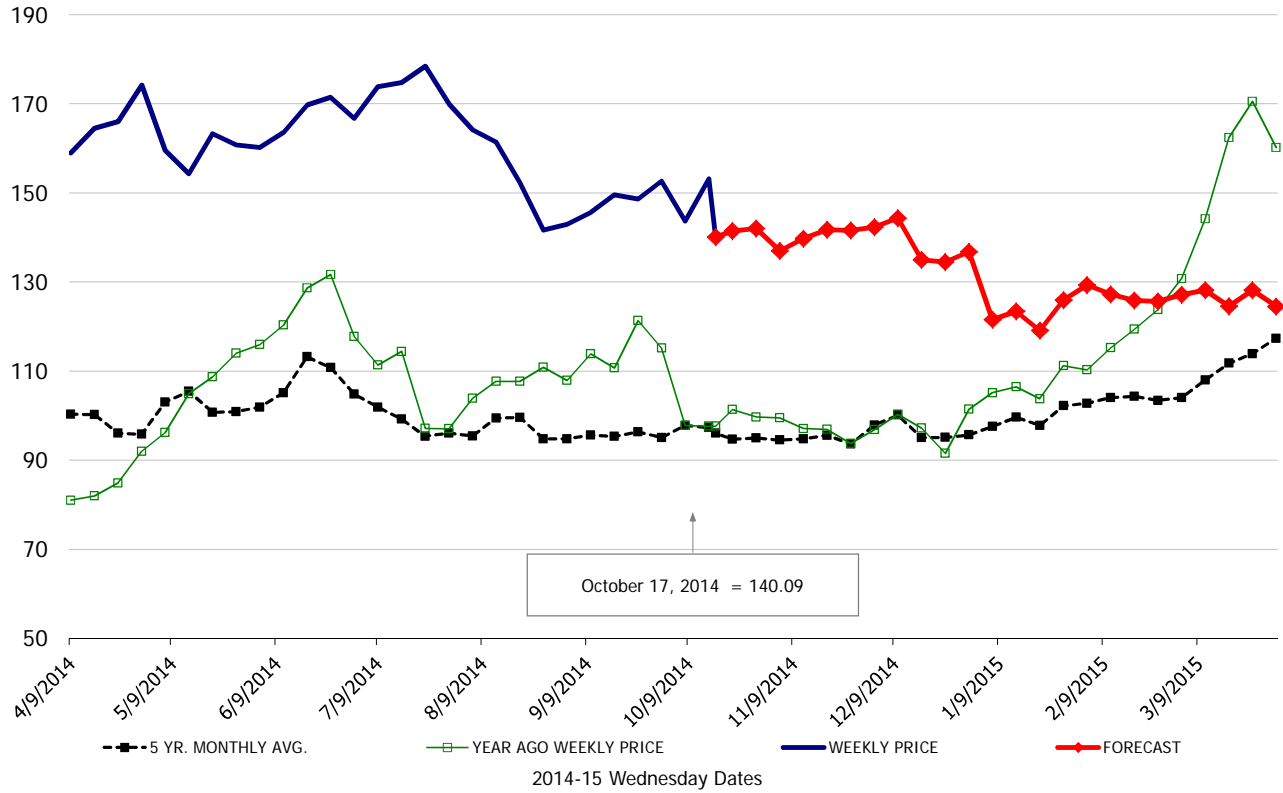
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA





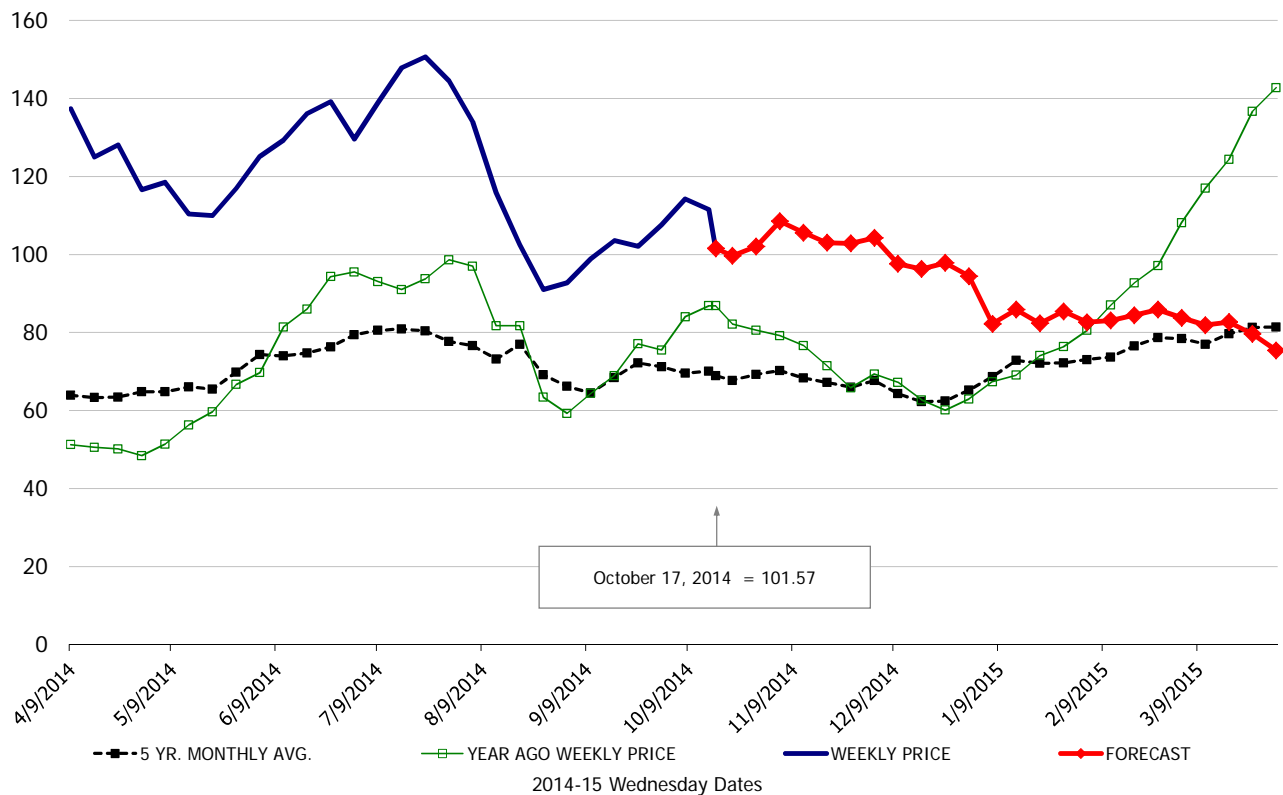
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Butt, 1/4 Trim Butt Combo, FOB Plant, USDA

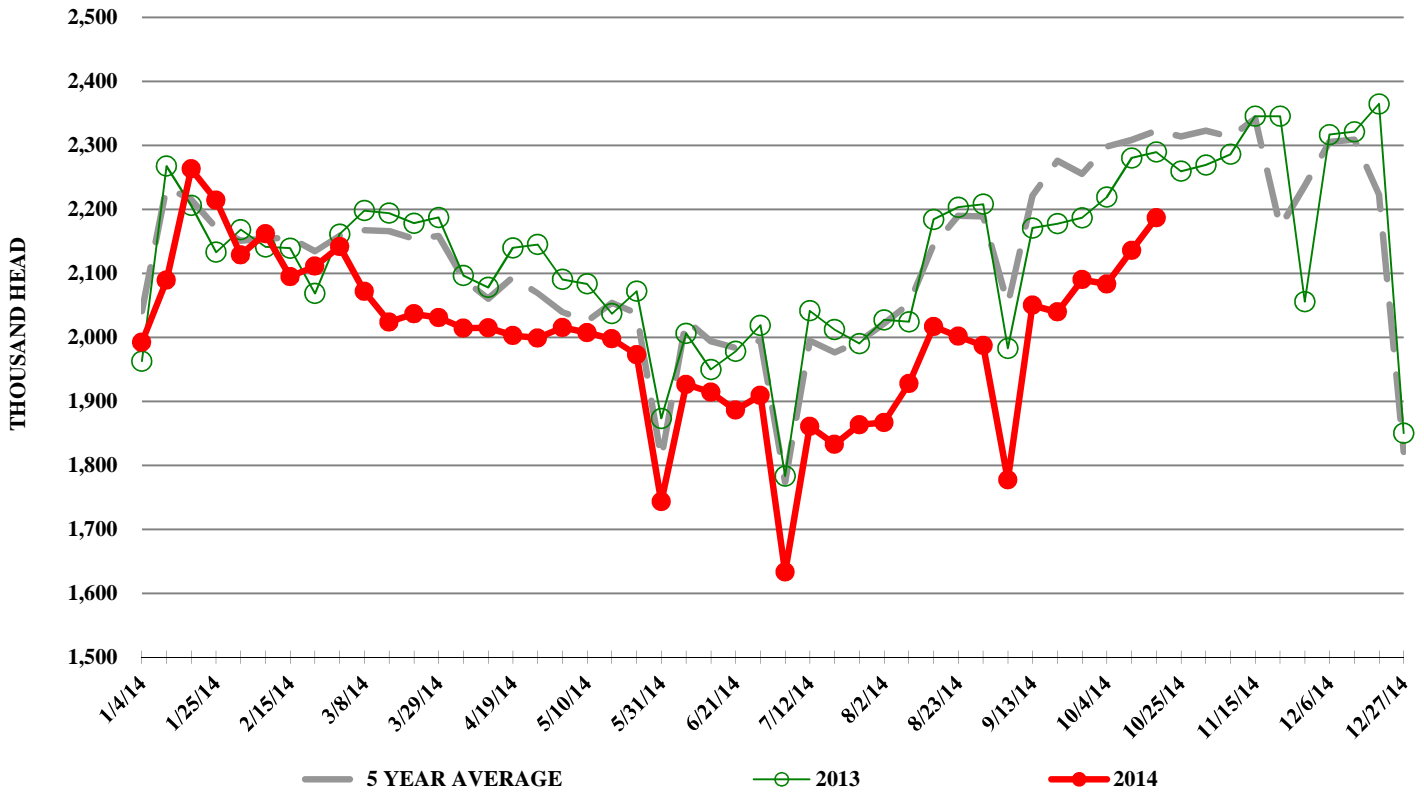


\$/cwt

Trim, 72% Trim Combo, FOB Plant, USDA



ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION

