



# Pork Merchandiser's Profit Maximizer

# Be inspired<sup>SM</sup>

## - Foodservice Edition

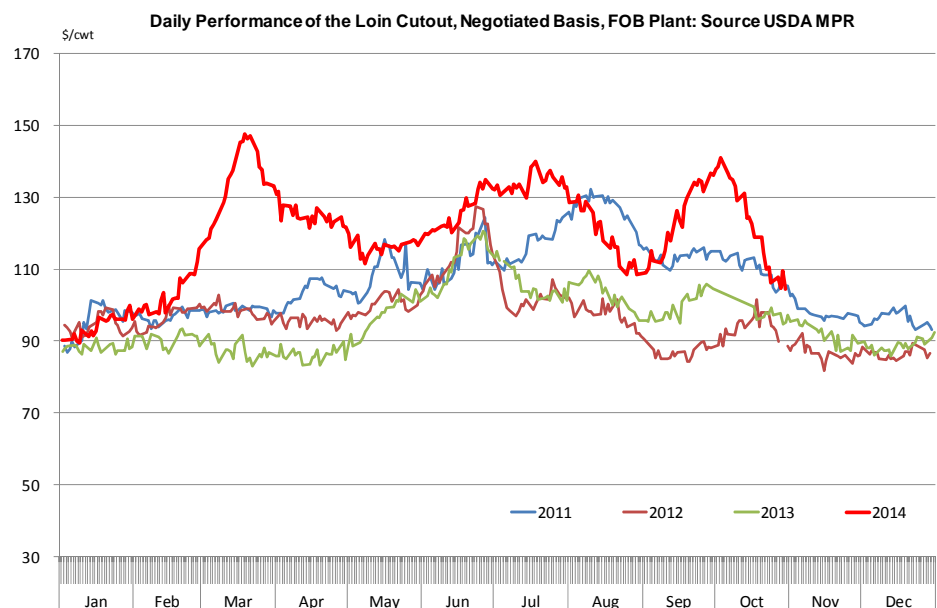
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Prepared by Steiner and Company, Manchester, NH 800-526-4612.

November 3, 2014

**Lean hog futures traded lower this week and the nearby December contract is now down almost \$8/cwt (-8%) for the month of October.**

While hog futures tried to rally late last week and early this week, gains proved to be short lived given continuing weakness in wholesale pork markets and sharp declines in cash hog prices. Last night the IA/MN Lean Hog Carcass price was quoted at \$86.77/cwt, some \$22/cwt (-20%) since October 1. It is not unusual for the cash hog market in late October and early November to trade below the December hog contract (negative basis) but the magnitude of the declines in the cash market seem to have caught some futures markets participants by

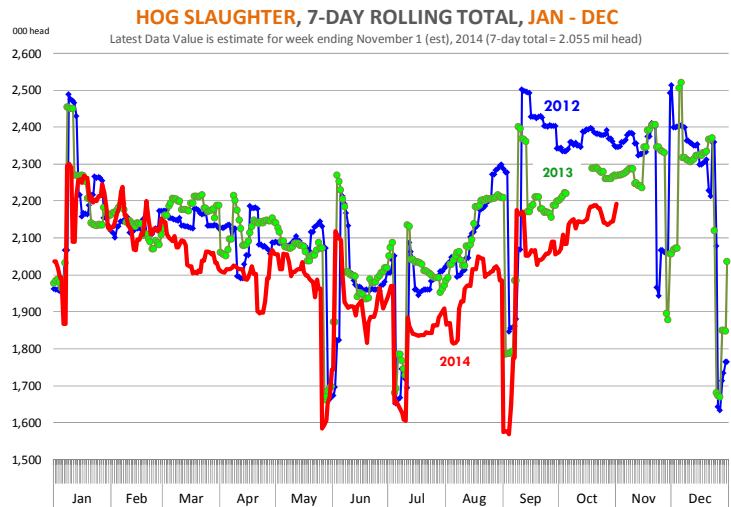
surprise. Hog slaughter numbers remain below year ago levels but with carcass weights still hovering near record levels, overall pork supplies are currently near year ago levels. We are coming into the time of year when hog supplies will continue to increase and there is little incentive for producers to hold back hogs, as they did over the summer months. The push is to get hogs



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sold more aggressively and daily slaughter has averaged 428,000 head this week. The problem is that so far Friday and Saturday slaughter remains light and hog carcass weights have been steadily advancing in recent days. We calculate that the average hog carcass weights for both packer and producer hogs (5-day average) currently stands at 215.1 pounds per carcass, 2.5% higher than a year ago. Keep this number in mind when you look at the USDA weekly hog carcass weight number that will be published on Friday afternoon. That number actually reflects the moving average for the past few weeks and thus does not really capture the actual weight of hogs coming to market this week.

The seasonal increase in pork supplies has been enough to pressure pork prices lower. One would think that with the lower pork prices, retailers and foodservice operators would be quick to take advantage of the opportunity but retail sales unfortunately do not react that quickly. Many end users likely are facing significantly higher costs for the products they will put on their shelves during the holiday period. That is particularly so for those products that first have to go through a processor (think cooked hams for instance). It takes time to secure raw material, process it and build enough inventory for the rush of orders during the holidays. Those processors had to secure a good portion of their needs during July, August and September, which is why you saw the big spikes in price as they struggled to find product. The inventory these processors (and their customers) hold has a much higher price tag on it. Packers have now put a sale tag on many of the



products they sell but we will have to go through the high priced product currently in storage before markets normalize and reflect current supply conditions. But while current markets are weak on account of the drop in cash hog values, it is interesting that futures also sold spring and summer 2015 hogs quite aggressively. That may be more of a knee jerk reaction to short term conditions rather than a reflection of any shifts in supply/demand situation for next spring. The current premiums for spring and summer of 2015 are smaller than the normal seasonal would suggest.

**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).

**2015** New Year's Day (Thursday January 1); Martin Luther King Day (Monday January 19); Super Bowl XLIX (Sunday February 1, in Glendale, Arizona); Valentine's Day (Saturday February 14); President's Day (Monday February 16); Ash Wednesday (Wednesday February 18); Chinese New Year (Thursday February 19); Daylight Savings Time Begins in US (Sunday March 8); St. Patrick's Day (Tuesday March 17); Passover (Saturday April 4); Easter (Sunday April 5); Cinco de Mayo (Tuesday May 5); Mother's Day (Sunday May 10); Victoria Day [Canada] (Monday May 18); Memorial Day (Monday May 25); Father's Day [US and Canada] (Sunday June 21); Canada Day [Canada] (Wednesday July 1); Independence Day (Saturday July 4); Labor Day [US and Canada] (Monday September 7); Rosh Hashanah (Monday September 14); Yom Kippur (Wednesday September 23); Columbus Day (Monday October 12); Canadian Thanksgiving Day (Monday October 12); Daylight Savings Time Ends [US and Canada] (Sunday November 1); Veterans Day (Wednesday November 11); Remembrance Day [Canada] (Wednesday November 11); Thanksgiving (Thursday November 26); Hanukkah (Monday December 7); Christmas Day (Friday December 25); Boxing Day [Canada] (Saturday December 26).

**PORK**

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

**Live hogs. For the week ending November 1 slaughter was 2.193 million head, down 3.4% from a year ago. In the last two weeks hog slaughter is down 4.3% vs. year ago levels.**

**Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values.** Lean hog carcass values at about 86.02 /cwt. on Friday were down about \$6/cwt since Wed. October 22. Prices are up about \$2 /cwt compared to year ago values.

**Loins, 1/4 Trimmed Loins VAC, FOB Plant, USDA** (page 8). Prices finished last week at \$1.2655, down about 15 cent since the Wed. October 22 quote but up about 11 cents from year ago levels.

**Bnls. Strap on Pork Loins.** Prices finished the week at \$1.4940 for the strap on loins, down about 22 cents since Wed. October 22 and down about 7 cents from the year ago levels. Strap off loins at \$1.8350 are down about 12.1 cent since Wed. October 22 but up about 7 cents compared to the year ago quote.

**Boneless sirloins** at \$1.5179 are down about 10 cents from the Wed. October 22 quote but up about 23 cents from the year ago price.

**Pork tenderloin** finished last week at \$2.8040, down about 7 cents since the Wed. October 22 quote but up about 40 cents from the year ago price.

**5/10 Pork Butts** (page 10), prices finished the week at \$1.3216, down about 8 cents since Wed. October 22.

**Spare Ribs, Trimmed - LGT, Vac** (page 8). Prices finished the week at \$1.6736, up about one cent since Wed. October 22 and up about 17 cents from year ago levels.

Rib inventories on September 30 were 50.9 million pounds, down 9.3% percent from a year ago.

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

17/20 hams (page 9) price was \$1.3923/lb., up 3.4 cents compared to prices on Wed. October 22 and up about 35 cents from a year ago.

20/23 hams finished the week at 105.04 cents, up about 3 cents since Wed. October 22 and up about 12 cents from the year ago level.

23/27 hams finished the week at 95.76 , up about 2 cents from the Wed. October 22 quote and up about 4 cents from the year ago level.

Total ham cold storage stocks on September 30 at 194.1 million pounds were down about 12.4% from year ago levels.

**42 CL Pork Trim** “FOB Basis”. Prices finished the week at 42.76 , down about 5.8 cent since Wed. October 22 and down about 1 cents from the year ago price.

**72 CL Pork Trim** “FOB Basis”. Prices finished the week at 81.91 cents, down about 10 cents since the Wed. October 22 quote but up about 1 cents from the year ago level.

Freezer stocks of all trimmings on September 30 were 35.0 million pounds, up about 8.6% 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.

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## **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 103.73 on Friday November 1, up about 15 cents from a year ago.

Broiler slaughter for the week ending November 1 was 161.49 million head, up 2.19% from a year ago. For the last two weeks slaughter was up 0.8% vs. a year ago.

**Breasts.** Prices on boneless skinless breasts finished the week at \$1.4926, down 5 cents since Wed. October 22 but also up about 20 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 0.9 cents vs. year ago price at 45.21 . 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 \$1.8756 are up about 52 cents from year ago levels.

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## **Turkeys**

**Hens** finished last week at \$1.2400, unchanged since Wed. October 22 and up about 15 cents from the year ago price.

**Toms** finished last week at \$1.2400, unchanged since Wed. October 22 and up about 17 cent from the year ago price.

Total turkey supplies in the freezer on September 30 were down about 10.5% percent from a year ago at 484.5 million pounds. Whole birds were down 8.6% percent from year ago with an inventory of 297.2 million pounds.

Turkey slaughter was 5.2000 million head for the week ending October 25, up 9.20% from a year ago. For the last two weeks slaughter has been up 9.8%.

**Boneless Turkey Breast Meat.** Boneless skinless turkey breast meat prices finished last week at \$3.9200, unchanged since Wed. October 22. Prices are up about 32 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 \$6.9141 (weighted average quote) finished last week down about 38 cents since the Wed. October 22 quote and down about 21 cents vs. the year ago price.

**Select 112A Heavy Lip On Rib Eyes** at \$5.9298 (weighted average quote) finished last week up about 26 cents since the Wed. October 22 quote but up about 56 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$0.9843 /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 \$2.8219 up about 6 cents since Wed. October 22 and up about 60 cents from the year ago price.

**Choice ¼ inch trimmed #168 insides** finished last week quoted at \$2.9738 up about 19 cents since Wed. October 22 and up about 64 cents from year ago levels.

**Choice #170 Gooseneck Rounds** finished last week at \$2.8388 down about 8 cents since Wed. October 22 but up about 58 cents from the year ago levels.

**Choice #180 (0x1) Bnls. Strip Loins** finished last week quoted at \$5.1667 (wt. avg.) down about one cents from the Wed. October 22 quote. Prices are about 10 cents over year ago levels.

**Choice #184 Regular Heavy top butts** finished at \$3.3623 (wt. avg.) up about 7 cents since Wed. October 22 and up about 61 cents from year ago levels.

**Choice #184 ¼ inch trimmed Top Butts** finished at \$3.4824 (wt. avg.) up about 11 cents since Wed. October 22 and up about 62 cents from the year ago levels.

**Choice #185A Flap Meat** prices finished Friday at \$4.3639 (wt. avg.) up about 11 cents since Wed. October 22 and up about 69 cents from year ago values.

### **COARSE GROUND BEEF –**

**73CL Coarse Ground** product finished last week at \$2.3965 up about 2 cents since Wed. October 22 and up about 67 cents from year ago levels.

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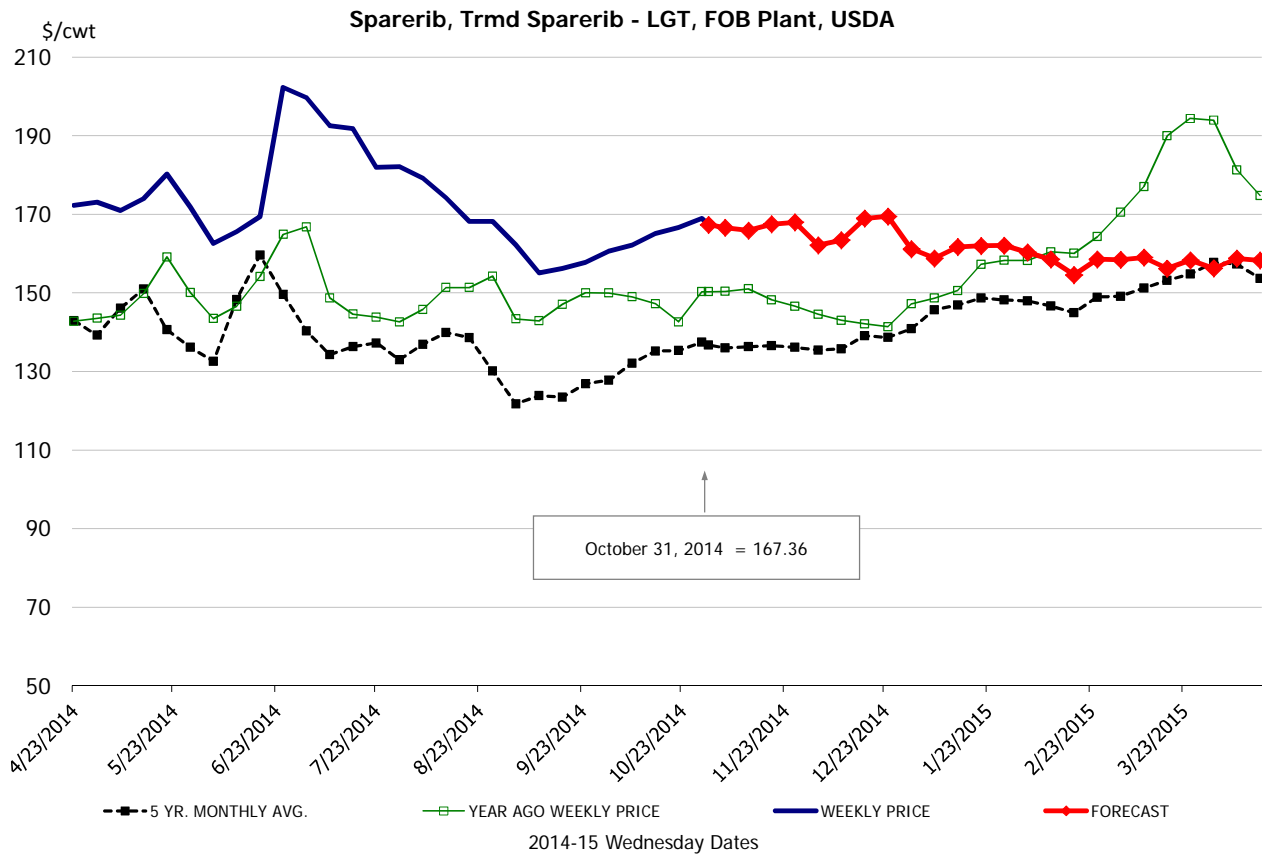
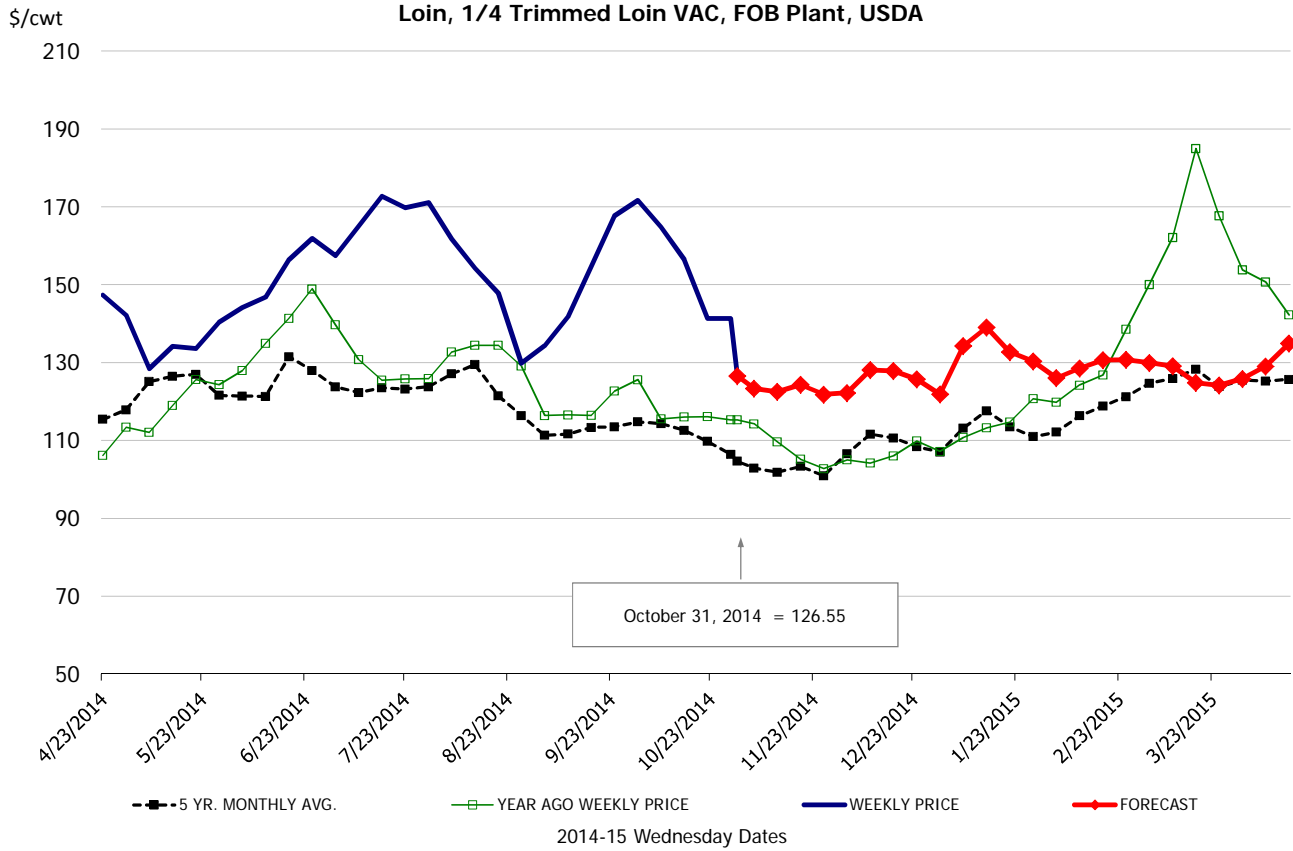
**81CL Coarse Ground** product finished last week at \$2.6580 down about 3 cent since Wed. October 22 but up about 76 cents from the year ago quote.

**90CL Bnls. Beef** prices finished the week at \$2.9562 (wt. avg.) down about 0 cent since Wed. October 22 but up 104 compared to the year ago price quote. Ranchers are trying to hold more beef cows and lean beef supplies remain in limited supply

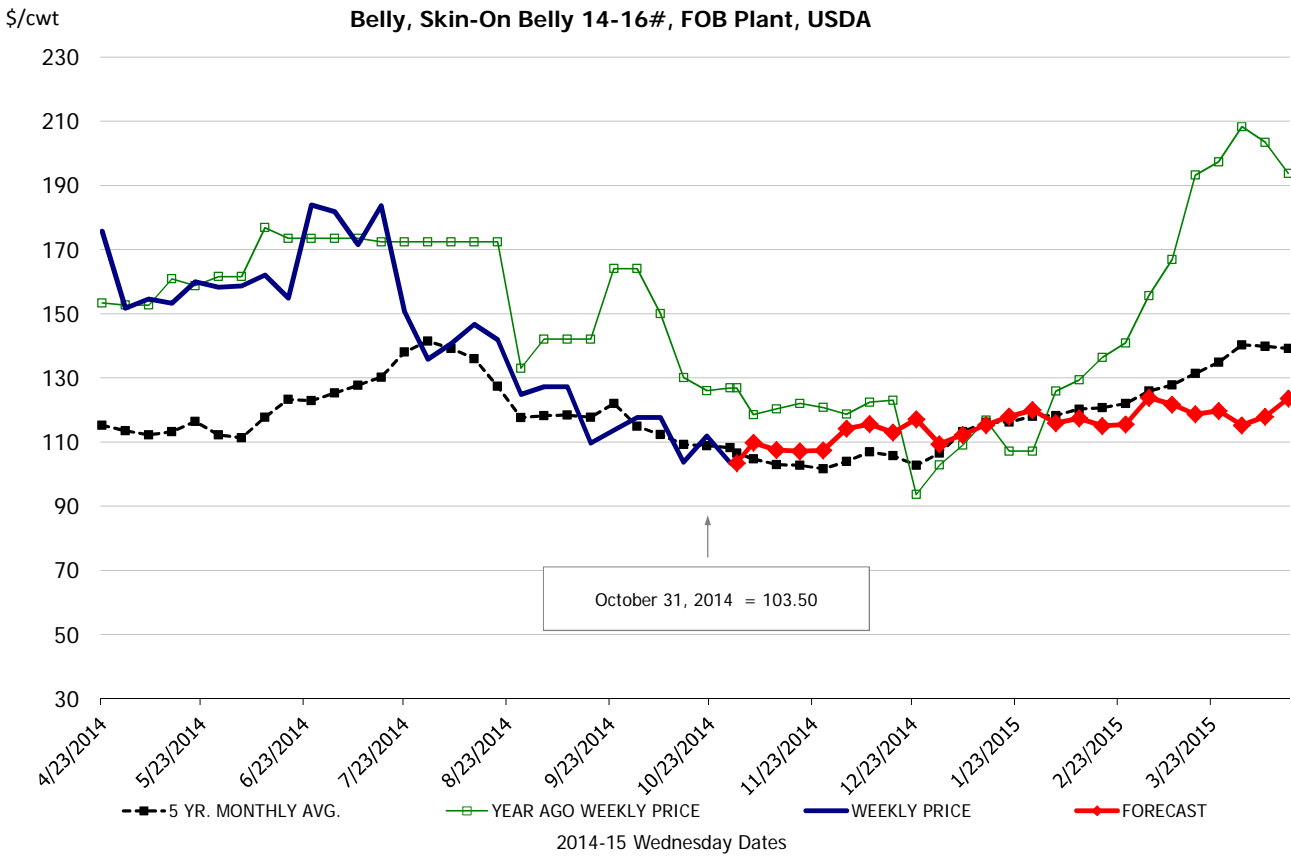
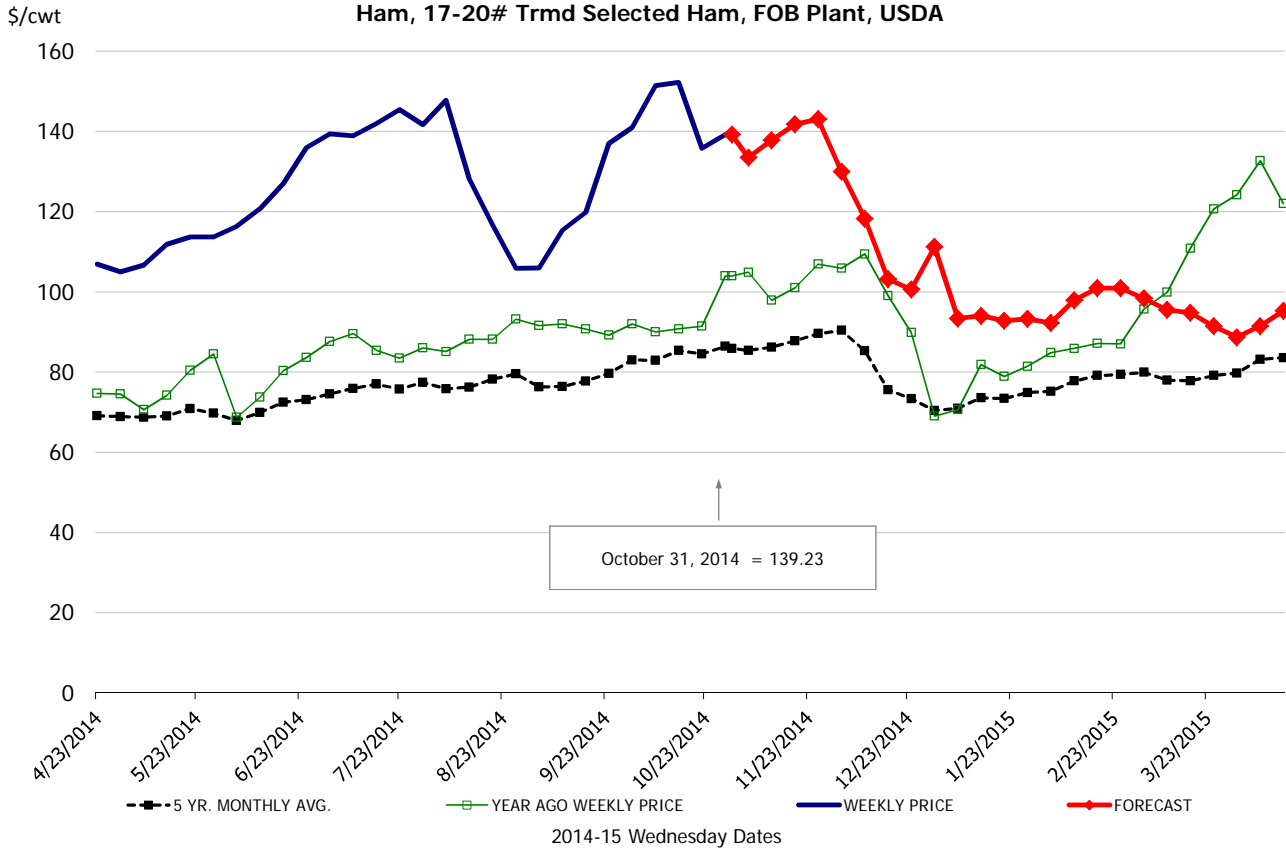
**50 CL Beef Trim** prices finished last week at \$1.1716, down about 0 cent since Wed. October 22 but up 2 compared to the year ago level.

## Food Service Summary Table - WT. AVE

	2014 History							2014-15 FORECAST							
	May	Jun	Jul	Aug	Sep	Oct	10/22/2014	10/31/2014	11/12/2014	Nov	Dec	Jan	Feb	Mar	Apr
<b><u>PORK</u></b>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.35	1.52	1.67	1.48	1.53	1.53	1.41	1.27	1.22	1.23	1.26	1.33	1.29	1.27	1.31
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.45	1.60	1.79	1.57	1.58	1.62	1.52	1.24	1.26	1.28	1.35	1.43	1.35	1.36	1.38
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.91	1.97	2.15	1.91	2.13	2.19	1.96	1.84	1.84	1.84	2.06	2.04	1.89	1.78	1.82
Loin, Tenderloin, FOB Plant, USDA	2.77	2.84	2.88	2.78	2.78	2.91	2.87	2.80	2.63	2.60	2.58	2.72	2.80	2.81	2.83
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	1.60	1.68	1.72	1.58	1.44	1.41	1.47	1.21	1.30	1.30	1.32	1.19	1.21	1.17	1.25
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.70	1.73	1.88	1.73	1.57	1.64	1.67	1.67	1.66	1.67	1.66	1.60	1.58	1.58	1.58
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.59	2.55	2.63	2.54	2.40	2.36	2.37	2.30	2.22	2.23	2.25	2.29	2.24	2.24	2.26
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.61	1.70	1.84	1.64	1.56	1.64	1.69	1.56	1.56	1.56	1.54	1.53	1.49	1.49	1.51
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.65	2.77	2.70	2.53	2.35	2.28	2.20	2.33	2.31	2.30	2.29	2.38	2.38	2.41	2.52
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	1.08	1.28	1.41	1.21	1.24	1.43	1.36	1.39	1.38	1.39	1.13	0.93	0.98	0.95	0.92
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	1.13	1.27	1.44	1.12	1.18	1.16	1.02	1.05	1.15	1.21	1.05	0.89	0.90	0.87	0.83
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	1.05	1.21	1.41	1.12	1.14	1.06	0.93	0.96	1.00	1.05	0.97	0.88	0.88	0.83	0.81
Ham, 5 Muscle Ham to Blue, FOB Plant, USDA	1.48	1.73	2.07	2.33	2.16	2.08	1.58	1.58	1.53	1.60	1.54	1.35	1.35	1.30	1.30
Belly, Skin-on Belly 14-16#, FOB Plant, USDA	1.54	1.66	1.61	1.27	1.13	1.05	1.12	1.04	1.08	1.08	1.15	1.15	1.16	1.21	1.20
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.76	1.96	1.92	1.47	1.27	1.32	1.25	1.33	1.33	1.33	1.34	1.47	1.46	1.46	1.50
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.69	1.91	1.93	1.41	1.26	1.35	1.19	1.29	1.32	1.32	1.32	1.45	1.44	1.45	1.48
Trim, 42% Trim Combo, FOB Plant, USDA	0.66	0.68	0.69	0.58	0.56	0.52	0.49	0.43	0.42	0.42	0.37	0.45	0.43	0.45	0.47
Trim, 72% Trim Combo, FOB Plant, USDA	1.14	1.32	1.40	1.10	1.00	0.98	0.92	0.82	0.88	0.87	0.87	0.83	0.83	0.81	0.79
<b><u>HOG CARCASS</u></b>															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	1.10	1.18	1.27	1.04	1.03	1.01	0.92	0.86	0.84	0.87	0.90	0.89	0.88	0.87	0.91
<b><u>BROILERS</u></b>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	1.18	1.13	1.07	1.00	1.07	1.07	1.05	1.04	1.01	1.02	1.00	0.98	0.96	1.00	0.98
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.87	2.00	2.00	1.85	1.88	1.68	1.54	1.49	1.49	1.49	1.47	1.48	1.46	1.59	1.66
N.E. BROILER BREAST LINE RUN, USDA	1.20	1.24	1.22	1.17	1.19	1.17	1.17	1.13	1.08	1.07	1.02	1.02	1.03	1.10	1.13
N.E. BROILER LEG QUARTERS, USDA	0.50	0.50	0.52	0.50	0.47	0.46	0.46	0.45	0.45	0.45	0.44	0.45	0.45	0.44	0.46
N.E. BROILER WINGS, USDA, WT.AVG.	1.38	1.45	1.45	1.43	1.66	1.87	1.91	1.88	1.86	1.87	1.89	1.90	1.92	1.76	1.59
<b><u>TURKEYS</u></b>															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.09	1.11	1.11	1.14	1.17	1.21	1.23	1.24	1.24	1.22	1.07	0.99	0.99	1.01	1.03
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	3.57	3.71	4.01	4.05	4.05	3.98	3.92	3.92	3.88	3.85	3.60	3.05	2.78	2.62	2.68
<b><u>LIVE STEERS</u></b>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.47	1.47	1.57	1.57	1.58	1.63	1.64	1.69	1.68	1.68	1.68	1.68	1.67	1.71	1.73
<b><u>BEEF</u></b>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	7.24	7.94	7.34	7.03	6.96	7.07	7.29	6.91	8.45	8.33	7.79	7.02	7.11	7.66	7.81
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.33	2.33	2.89	3.13	2.83	2.86	2.79	2.97	2.96	2.96	2.81	3.16	2.98	3.03	3.00
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.14	2.25	2.57	2.61	2.66	2.88	2.92	2.84	2.80	2.82	2.78	2.96	2.89	2.81	2.71
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	6.02	6.44	6.66	6.40	5.25	5.09	5.17	5.17	5.35	5.33	5.27	6.05	6.11	6.65	7.62
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	3.82	4.05	4.05	3.53	3.36	3.36	3.41	3.48	3.47	3.45	3.56	3.86	3.95	4.26	4.46
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	5.15	5.21	4.82	4.82	4.43	4.31	4.26	4.36	4.30	4.33	4.41	4.72	4.91	5.48	5.59
COARSE GROUND 73%, USDA	1.98	1.98	2.36	2.40	2.42	2.38	2.38	2.40	2.45	2.41	2.49	2.82	2.62	2.59	2.68
COARSE GROUND 81%, USDA	2.07	2.11	2.56	2.64	2.58	2.60	2.69	2.66	2.65	2.62	2.61	3.13	2.92	2.85	2.88
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.44	2.50	2.88	2.96	2.99	2.95	2.96	2.96	2.94	2.95	3.09	3.30	3.38	3.39	3.41
50CL BEEF TRIM, FRESH, NATIONAL, USDA	1.26	1.26	1.36	1.41	1.14	1.11	1.17	1.17	1.40	1.38	1.32	1.34	1.29	1.47	1.44

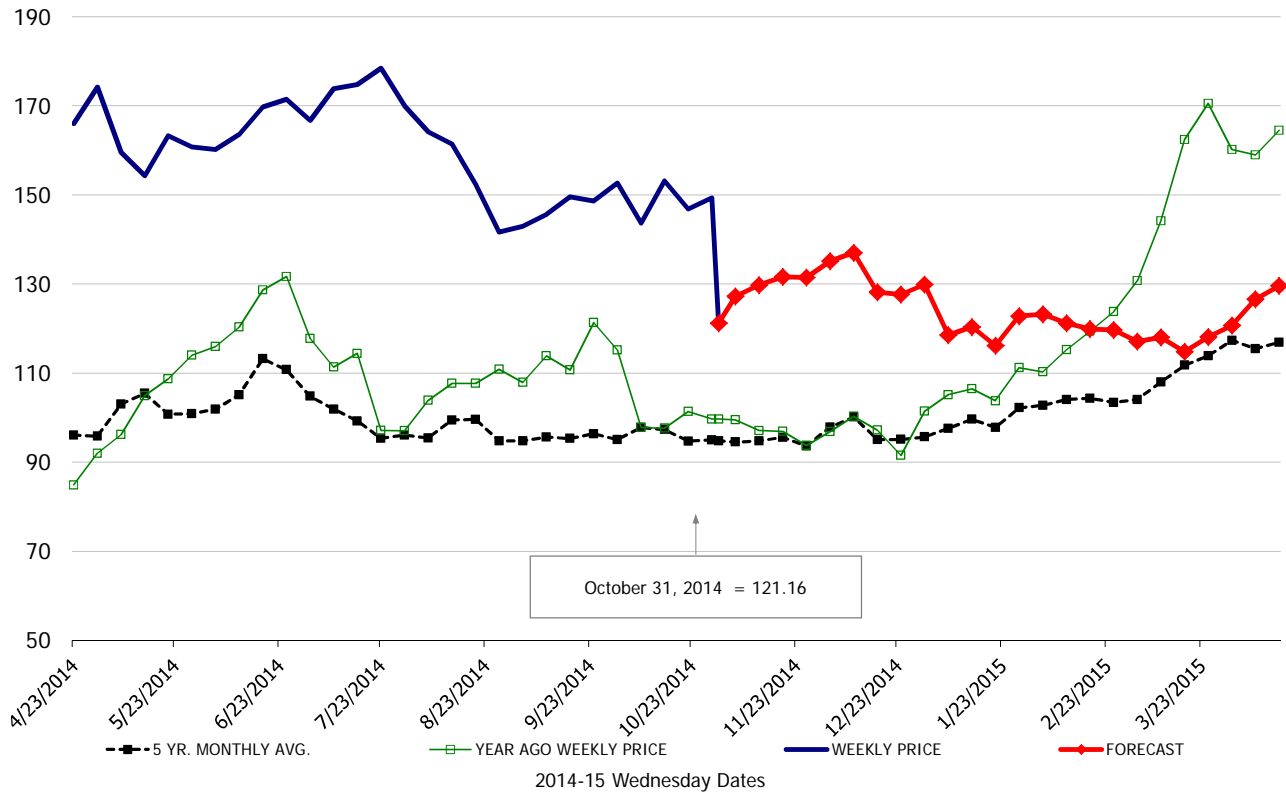






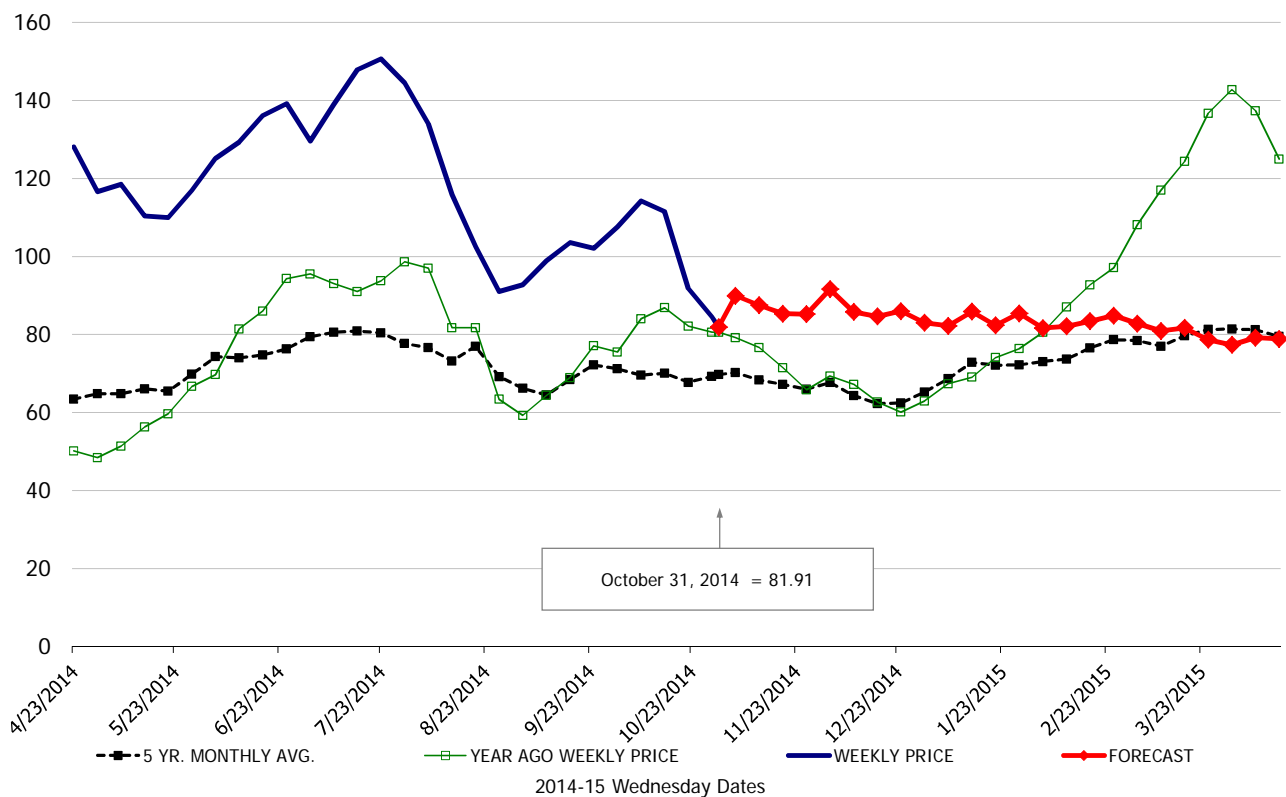
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### Butt, 1/4 Trim Butt Combo, FOB Plant, USDA

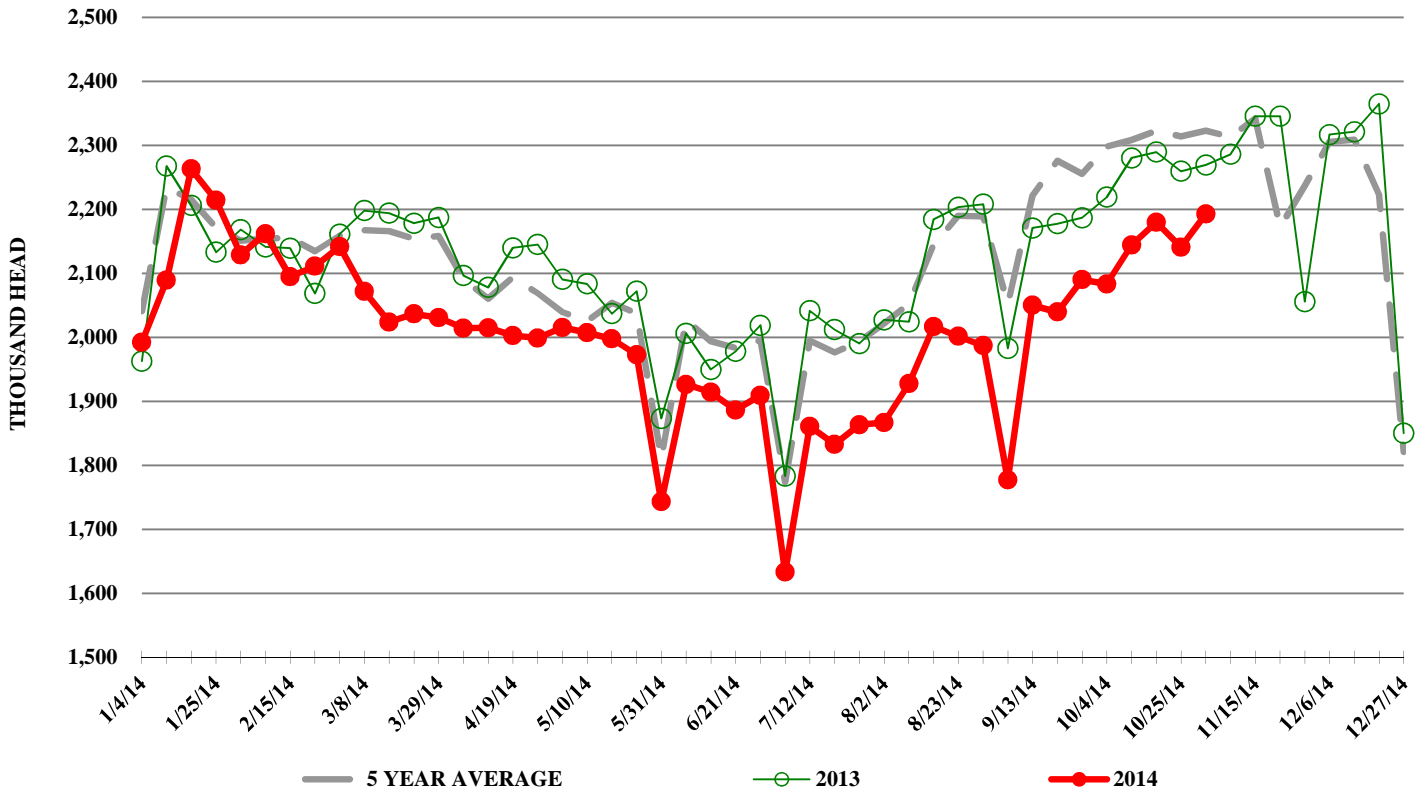


\$/cwt

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



## ESTIMATED WEEKLY FI HOG SLAUGHTER



## ESTIMATED WEEKLY FI PORK PRODUCTION

