



Pork Merchandiser's Profit Maximizer

Be inspiredSM

- Foodservice Edition

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

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1. Hog market following seasonal as panic subsides

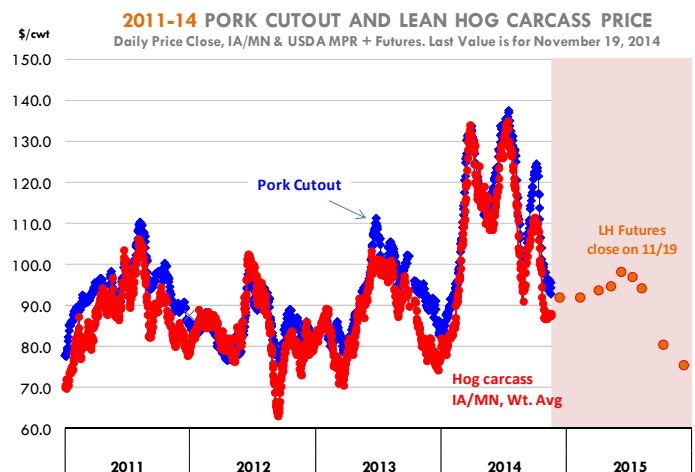
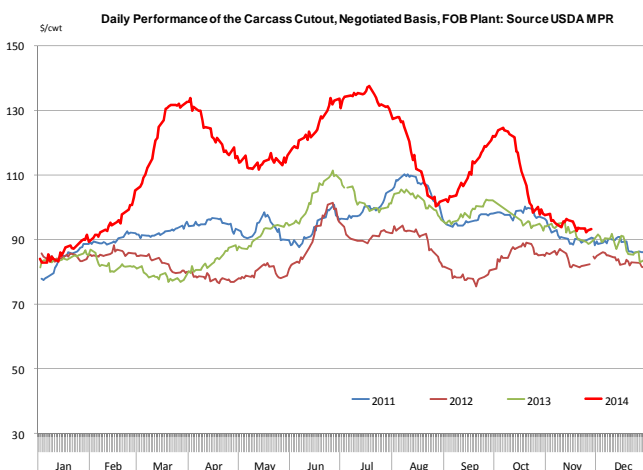
Nearby lean hog futures continued to move lower this past week on increasing pork supplies and weak wholesale pork values. Lean hog carcass futures have declined sharply from the levels established earlier in the year, largely due to the easing supply crunch and also significantly lower prices in the cash hog market. Normally there is a modest improvement in prices going into Christmas but so far wholesale prices have

been weak contributing to the negative sentiment in the futures markets. Going forward, there are mixed views as to where hog prices are likely to be over the spring and summer of 2015. Below is a review of what we see as both bullish and bearish arguments for hogs going forward and what is driving our forecast going forward:

Bullish argument:

- Record high cattle prices and a smaller than expected increase in poultry supplies (at least so far) should be supportive of pork prices, with retailers looking to feature more pork and

Pork Cutout Back to Year Ago Levels... And Futures Imply Further Declines in 2015



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foodservice operators ramping up pork features (bacon, pulled pork, ribs, etc).

- Hog slaughter rates still remain about 4% below year ago levels. Some of the decline in slaughter is offset by heavier weights (+1.5%) but overall pork production is down. As demand improves due to high prices for competing meats, limited production growth remains bullish for pork prices. The upcoming Hogs and Pigs report is highly anticipated, and it is expected to show a significant rebound in the pig crop compared to the distressed levels of a year ago. Significant growth in hog numbers is not expected to come until the summer of 2015, however.

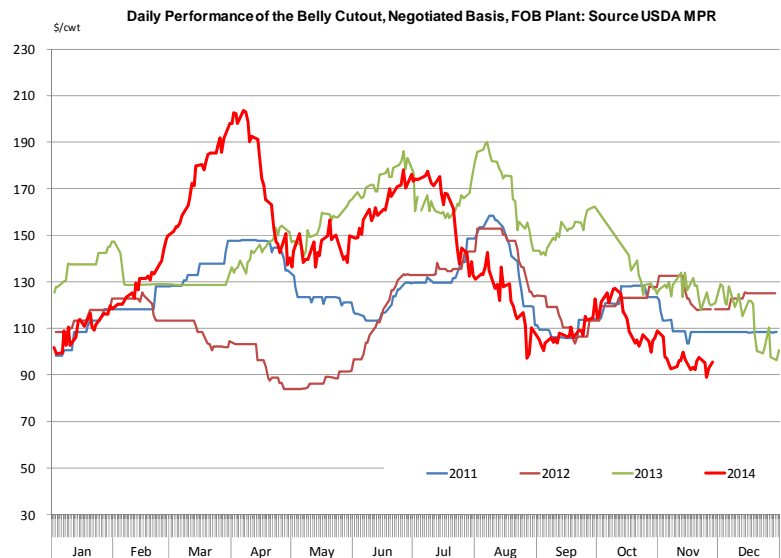
- PEDv is no longer in the headlines but winter weather is here, even though we are a few weeks away from its official start. There is still risk of PEDv cases increasing, which could further temper supply projections for 2015. Futures have not priced much of a risk premium for the summer months but AASV data continues to show PEDv positives each week. We are at a significantly different position today than in 2013. Still, endemic PEDv could trim US productivity rates and limit growth, especially for the summer. As you can see from futures, June, Jul and Aug currently have a much smaller premium than normal built in.

- Corn and meal prices have bounced back from the lows established in late September and early October. It remains to be seen where corn prices go from here. Increased on farm storage has provided producers with some flexibility and they do not seem to be in a big rush to sell. More corn will be carried over into the summer and possibly into next year's balance sheet

- Pork prices in China and in South America have been moving up even as prices in Europe continue to slump.

Bearish argument:

- Panic has subsided and end users see little reason to rush and book product. Expectations of expanding supplies going into winter will tend to keep end users on the sidelines, looking to



book product as needed rather than rushing to build inventories.

- While China hog prices are up, hog prices in a number of other key supplying countries (EU, Canada) are down. Russia ban has distorted the market, with Brazil benefiting. However, purchasing power in Russia, a large buyer, has declined significantly and that tends to be negative for global pork prices.

- The strong US dollar further erodes the competitiveness of US pork in the global market

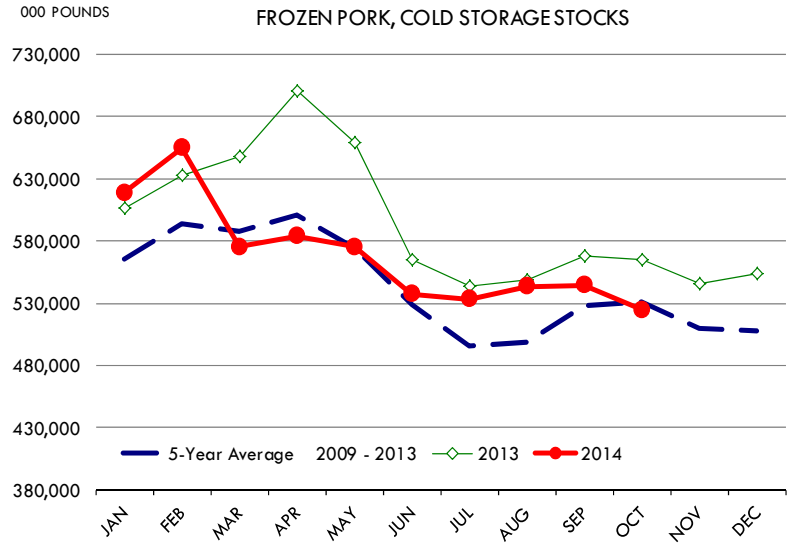
- Corn and meal prices may be off their lows but they still are significantly lower than in 2012 and 2013. There is some expectation that once the harvest is completed, prices could once again pull back given the magnitude of this year's supplies.

Bottom line: We expect pork prices to be soft in the short term, in part because seasonally foodservice demand is softer for items such as trimmings and bellies. The price spike last year distorted the market and caused end users, both retail and foodservice, to change the way they feature pork. Bellies are a prime example, as the lack of features has caused a glut in the market and prices down as much as a 30%. It will take some time for end users to once again start promoting pork. But even as prices are expected to be weak in the short term, we think that you need to prepare for a rebound going into the summer months. High beef prices will be supportive of the pork market at a time when

seasonally pork supplies are low. Producers are expected to ramp up production but it will not be a large enough increase to offset the normal seasonal pickup in demand. We think PEDv problems are not as significant as a year ago but there is a threat that disease may slow down growth over the winter. Again, this adds to the upside risk for the summer market. We do agree that pork prices will be lower still by the late fall and winter of 2015-16 as supplies continue to expand.

2. Cold Storage

Total beef inventories at the end of October were 374.9 million pounds, 14.8% lower than a year ago but slightly higher than the previous month. While the movement in inventory levels was in line with normal flows for this time of year, the fact is that inventories remain significantly below year ago levels and this continues to be supportive of the beef market in the short term. Pork inventories as of October 30 were down 7.1% from a year ago and also down 3.7% from the previous month. The drawdown in total pork stocks was larger than normal for this time of year. Ham inventories declined 16% from the previous month, a larger than normal decline. Belly stocks also were 17.5% lower than the previous months when normally we see belly stocks actually start to increase in October. It appears users are drawing down pork inventories in anticipation of larger supplies. We think the smaller pork inventories create notable upside price risk, especially if end users shift some of their features after the holidays to pork. Pork production is expected to increase but it may not increase as much or as fast as some expect. Chicken inventories were 659.3 million pounds, 8.6% lower than a year ago but 5.4% higher than the previous month. The increase in inventories was higher than normal for this time of year. Inventories of breast meat are up 20% compared to a year ago while inventories of leg quarters increased 10.2% from the previous month when normally they are steady to lower in October.



Upcoming holidays:

2014 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 29 slaughter was 1.991 million head, down 3.2% from a year ago. In the last two weeks hog slaughter is down 4.1% vs. year ago levels.

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass values at about 86.68 /cwt. on Friday were only slightly higher since Wed. November 19. 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 \$1.1717, up about 7 cent since the Wed. November 19 quote and up about 14 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.5485 for the strap on loins, down slightly since Wed. November 19 but up about 6 cents from the year ago levels. Strap off loins at \$1.8150 are up about 13.6 cent since Wed. November 19 and up about 6 cents compared to the year ago quote.

Boneless sirloins at \$1.3709 are up about 4 cents from the Wed. November 19 quote and up about 20 cents from the year ago price.

Pork tenderloin finished last week at \$2.5977, down about 5 cents since the Wed. November 19 quote but up about 21 cents from the year ago price.

5/10 Pork Butts (page 10), prices finished the week at \$1.2422, down about 4 cents since Wed. November 19.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$1.7015, up about 3 cent since Wed. November 19 and up about 24 cents from year ago levels.

Rib inventories on October 31 were 63.9 million pounds, down 15.7% percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was \$1.1213/lb., down 5.2 cents compared to prices on Wed. November 19 but up about 5 cents from a year ago.

20/23 hams finished the week at 99.83 cents, down about 4 cents since Wed. November 19 but up about 9 cents from the year ago level.

23/27 hams finished the week at 86.09 , down about 9 cents from the Wed. November 19 quote but up about 4 cents from the year ago level.

Total ham cold storage stocks on October 31 at 163.1 million pounds were down about 15.5% from year ago levels.

42 CL Pork Trim “FOB Basis”. Prices finished the week at 24.58 , down about 2.9 cent since Wed. November 19 and down about 7 cents from the year ago price.

72 CL Pork Trim “FOB Basis”. Prices finished the week at 69.34 cents, up about 2 cents since the Wed. November 19 quote and up about 4 cents from the year ago level.

Freezer stocks of all trimmings on October 31 were 36.7 million pounds, up about 5.6% 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 10 cents from a year ago.

The National Whole Bird price was quoted at 103.04 on Friday November 29, up about 9 cents from a year ago.

Broiler slaughter for the week ending November 29 was 125.14 million head, up 1.74% from a year ago. For the last two weeks slaughter was up 2.5% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$1.3932, up 2 cents since Wed. November 19 and also up about 17 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 0.8 cents vs. year ago price at 45.55 . 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 \$1.7792 are up about 54 cents from year ago levels.

Turkeys

Hens finished last week at \$1.2400, unchanged since Wed. November 19 but up about 14 cents from the year ago price.

Toms finished last week at \$1.2400, unchanged since Wed. November 19 but up about 17 cent from the year ago price.

Total turkey supplies in the freezer on October 31 were down about 10.2% percent from a year ago at 390.2 million pounds. Whole birds were down 6.4% percent from year ago with an inventory of 224.4 million pounds.

Turkey slaughter was 4.7870 million head for the week ending November 22, down -4.72% from a year ago. For the last two weeks slaughter has been down 5.3%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$3.9200, unchanged since Wed. November 19. Prices are up about 7 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 \$8.5870 (weighted average quote) finished last week up about 37 cents since the Wed. November 19 quote and up about 81 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$6.8914 (weighted average quote) finished last week up about 14 cents since the Wed. November 19 quote but up about 91 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$1.6956 /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 \$3.0673 up about 8 cents since Wed. November 19 and up about 90 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$3.1784 up about 14 cents since Wed. November 19 and up about 92 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$2.9244 up about 9 cents since Wed. November 19 and up about 74 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$5.4311 (wt. avg.) up about 4 cents from the Wed. November 19 quote. Prices are about 72 cents over year ago levels.

Choice #184 Regular Heavy top butts finished at \$3.5635 (wt. avg.) up about 22 cents since Wed. November 19 and up about 100 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$3.8058 (wt. avg.) up about 11 cents since Wed. November 19 and up about 98 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$4.2226 (wt. avg.) up about 5 cents since Wed. November 19 and up about 51 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at \$2.3392 down about 4 cents since Wed. November 19 but up about 70 cents from year ago levels.

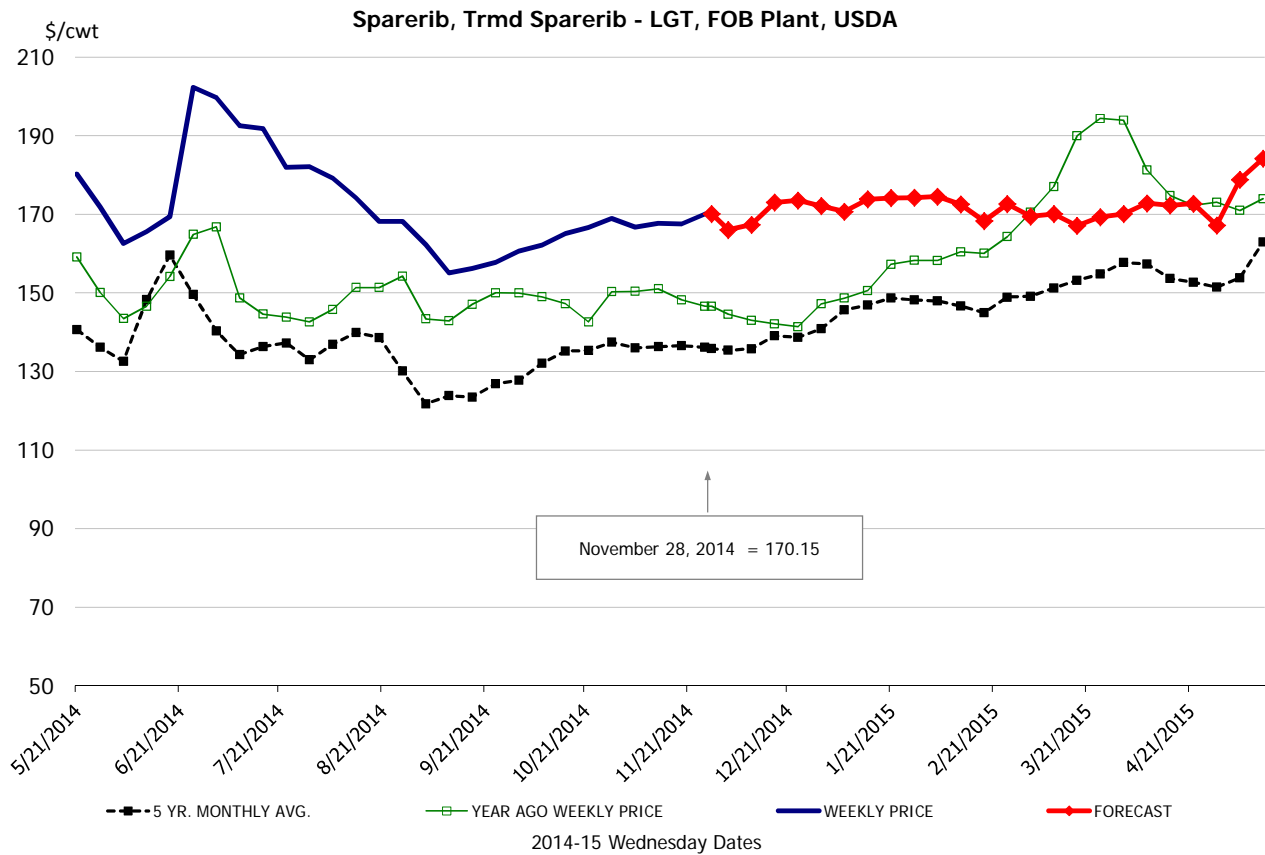
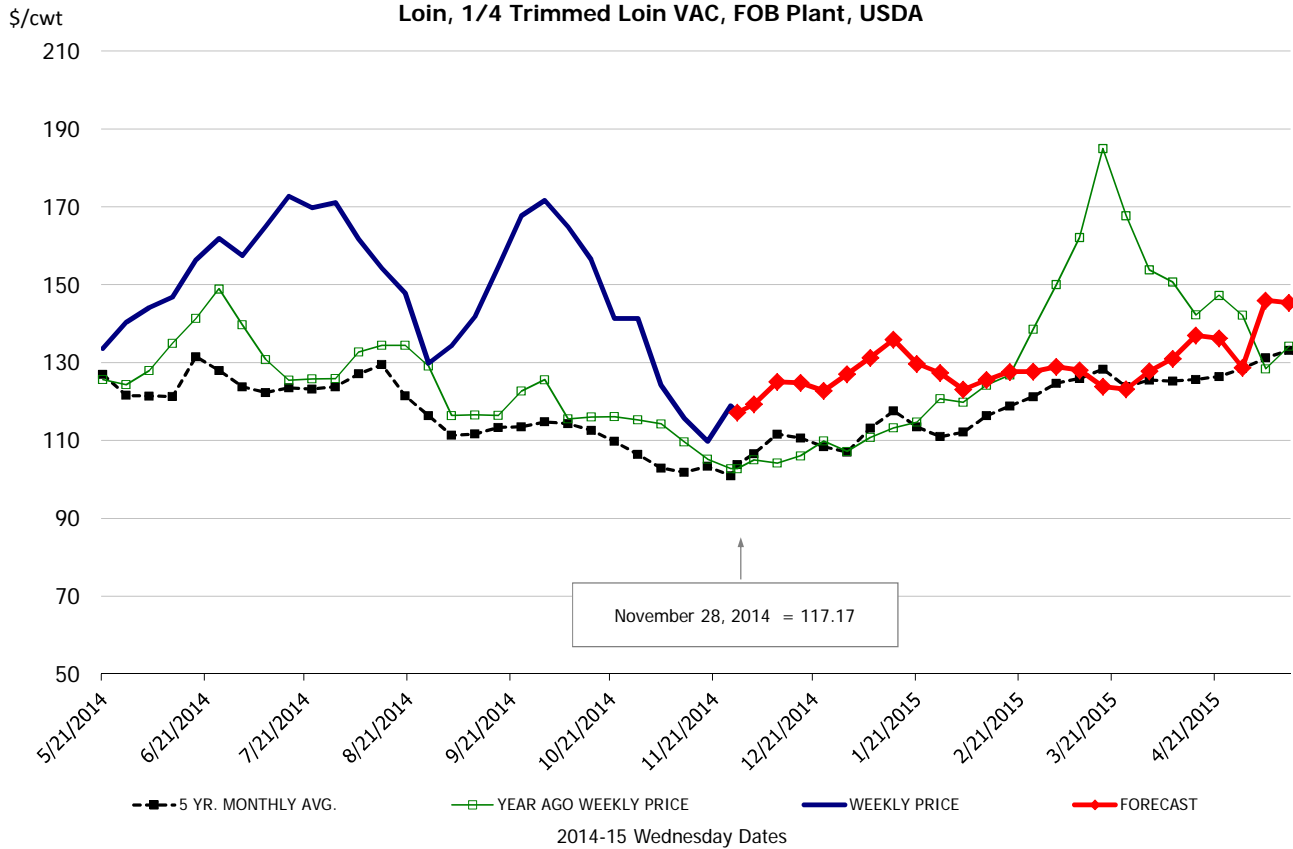
81CL Coarse Ground product finished last week at \$2.5692 down about 21 cent since Wed. November 19 but up about 76 cents from the year ago quote.

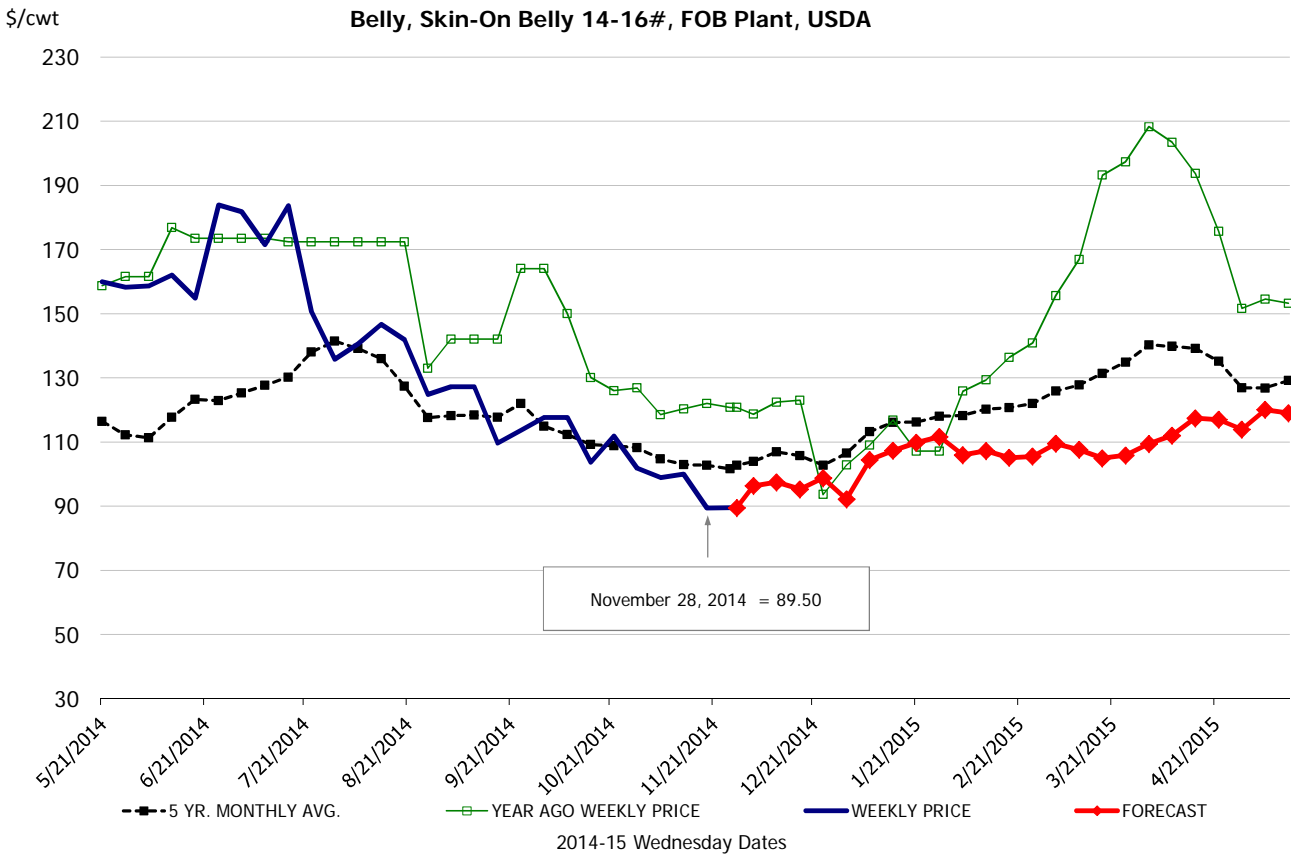
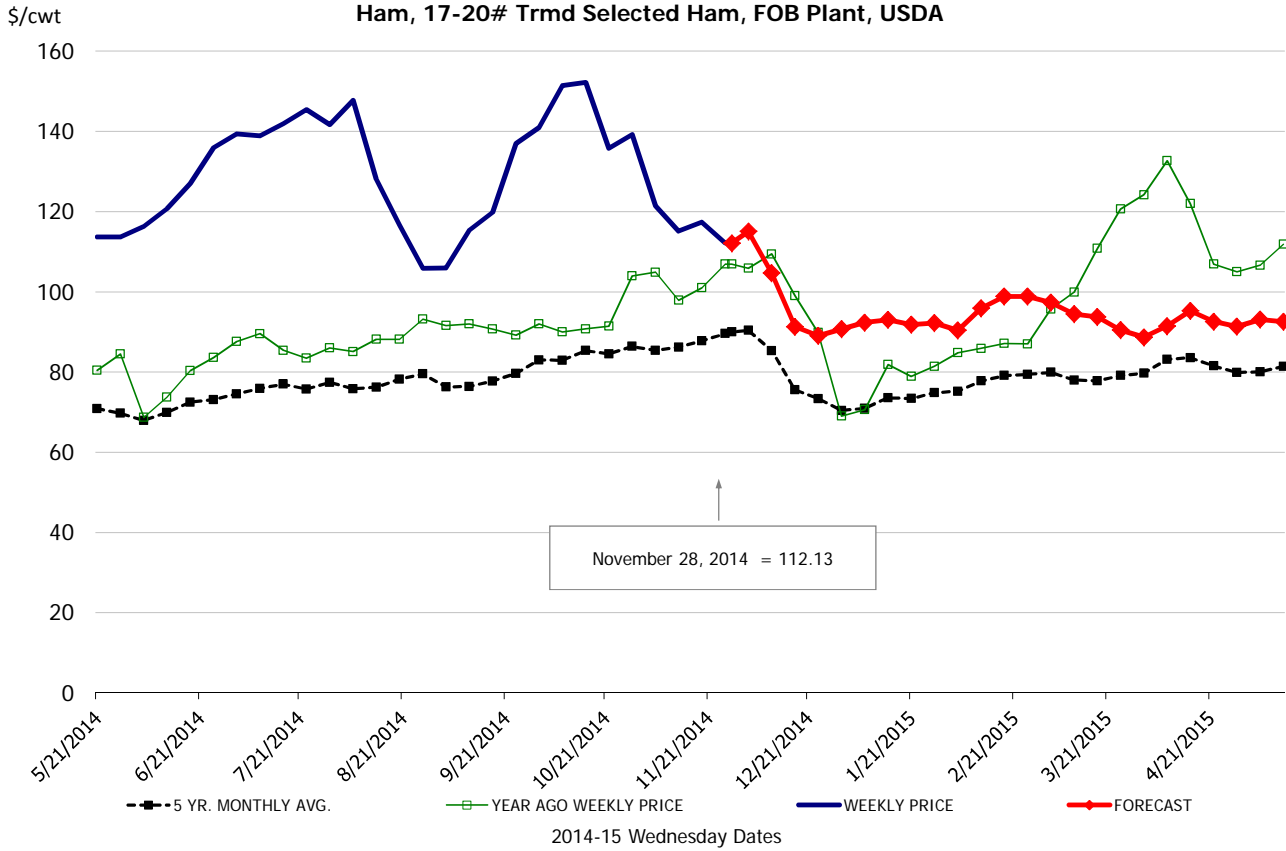
90CL Bnls. Beef prices finished the week at \$2.9739 (wt. avg.) up about 2 cent since Wed. November 19 and up 106 compared to the year ago price quote. Ranchers are trying to hold more beef cows and lean beef supplies remain in limited supply

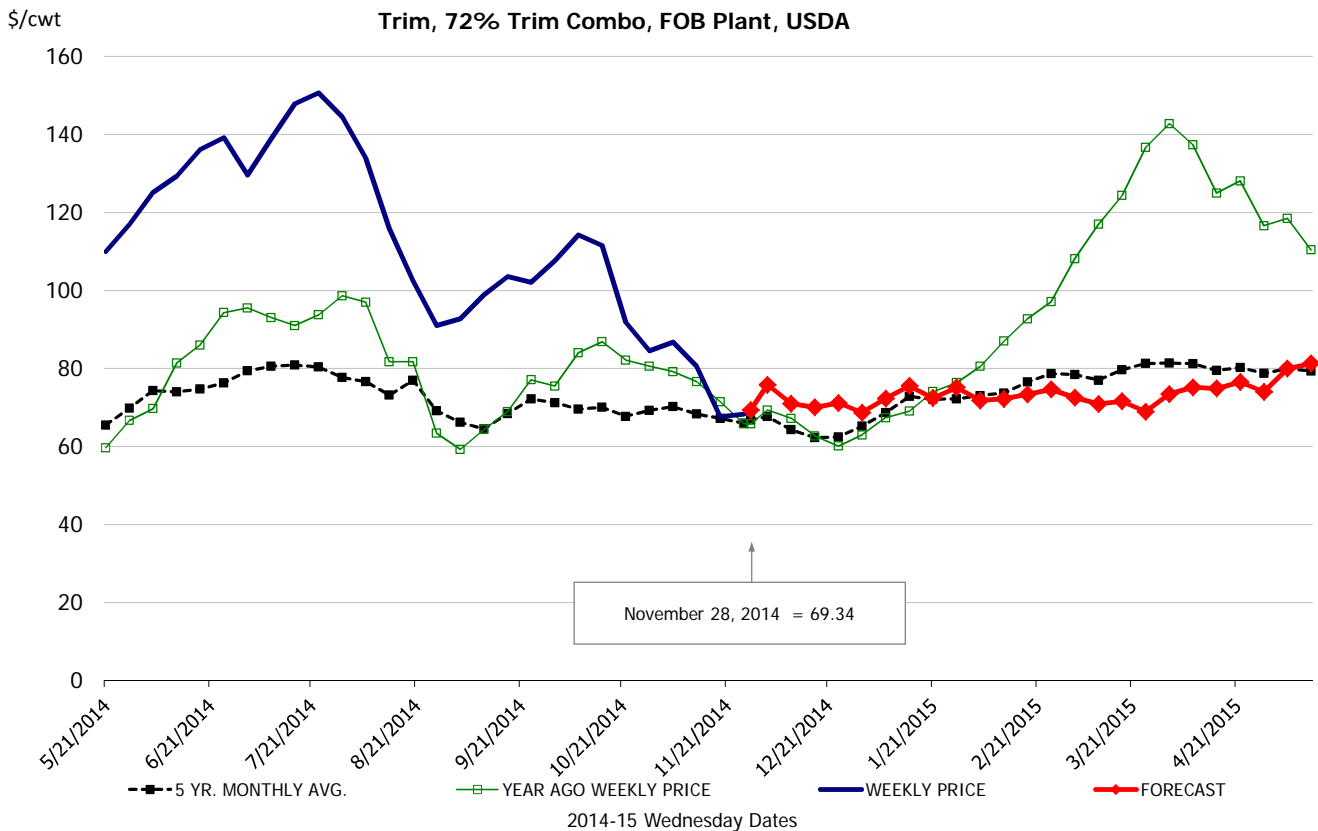
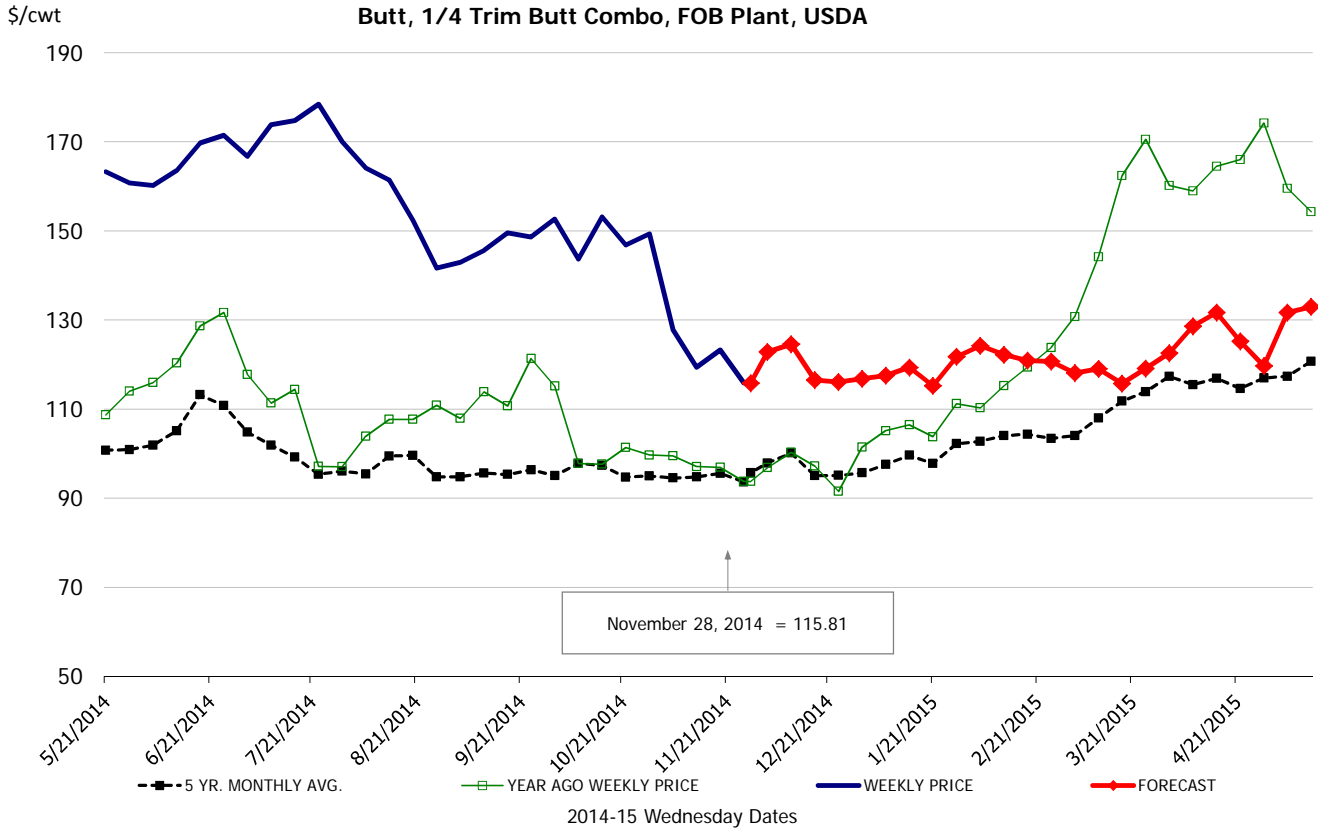
50 CL Beef Trim prices finished last week at \$1.1304, down about 6 cent since Wed. November 19 but up 2 compared to the year ago level.

Food Service Summary Table - WT. AVE

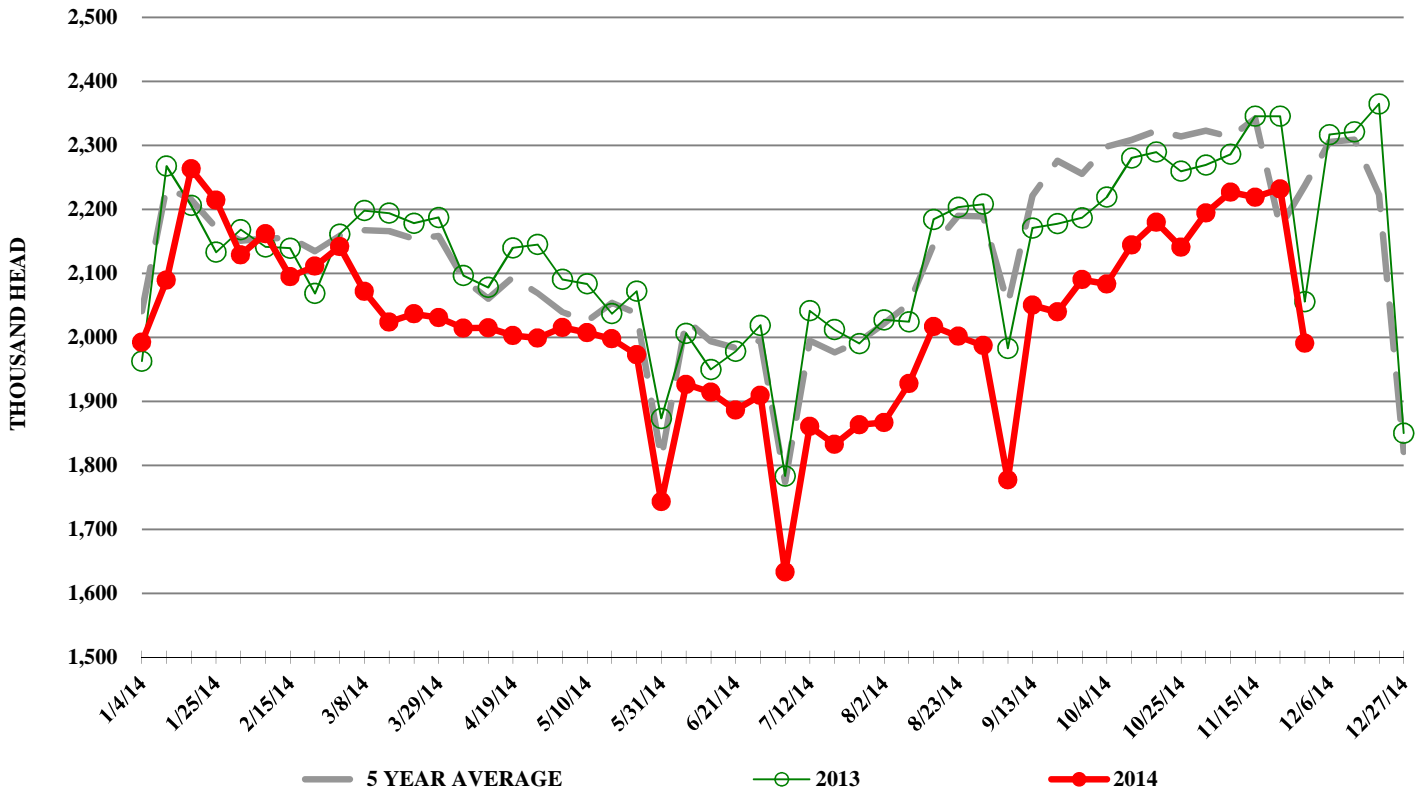
	2014 History							2014-15 FORECAST							
	Jun	Jul	Aug	Sep	Oct	Nov	11/19/2014	11/28/2014	12/10/2014	Dec	Jan	Feb	Mar	Apr	May
<u>PORK</u>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.52	1.67	1.48	1.53	1.51	1.16	1.10	1.17	1.25	1.23	1.30	1.26	1.26	1.33	1.42
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.60	1.79	1.57	1.58	1.60	1.23	1.22	1.25	1.38	1.35	1.40	1.35	1.36	1.40	1.49
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.97	2.15	1.91	2.13	2.18	1.73	1.68	1.82	2.04	2.03	2.01	1.90	1.80	1.86	1.92
Loin, Tenderloin, FOB Plant, USDA	2.84	2.88	2.78	2.78	2.91	2.61	2.65	2.60	2.61	2.56	2.69	2.77	2.78	2.83	3.02
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	1.68	1.72	1.58	1.44	1.40	1.21	1.23	1.16	1.25	1.20	1.18	1.22	1.18	1.27	1.28
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.73	1.88	1.73	1.57	1.64	1.68	1.68	1.70	1.67	1.70	1.72	1.72	1.69	1.72	1.72
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.55	2.63	2.54	2.40	2.35	2.34	2.37	2.49	2.29	2.33	2.33	2.32	2.33	2.28	2.29
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.70	1.84	1.64	1.56	1.64	1.65	1.66	1.66	1.65	1.64	1.65	1.62	1.60	1.62	1.62
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.77	2.70	2.53	2.35	2.28	2.30	2.29	2.27	2.30	2.31	2.40	2.42	2.43	2.57	2.66
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	1.28	1.41	1.21	1.24	1.43	1.16	1.17	1.12	1.05	1.00	0.92	0.96	0.94	0.92	0.93
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	1.27	1.44	1.12	1.18	1.15	1.03	1.04	1.00	1.05	1.00	0.88	0.89	0.86	0.83	0.86
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	1.21	1.41	1.12	1.14	1.06	0.94	0.95	0.86	0.97	0.92	0.84	0.86	0.82	0.81	0.84
Ham, 5 Muscle Ham to Blue, FOB Plant, USDA	1.73	2.07	2.33	2.16	2.08		1.58	1.58	1.48	1.47	1.32	1.33	1.29	1.30	1.35
Belly, Skin-on Belly 14-16#, FOB Plant, USDA	1.66	1.61	1.27	1.13	1.05	0.96	0.89	0.90	0.98	0.97	1.07	1.06	1.07	1.14	1.20
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.96	1.92	1.47	1.27	1.32	1.16	1.14	1.21	1.25	1.24	1.37	1.36	1.36	1.45	1.51
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.91	1.93	1.41	1.26	1.34	1.15	1.12	1.10	1.23	1.22	1.35	1.34	1.35	1.43	1.49
Trim, 42% Trim Combo, FOB Plant, USDA	0.68	0.69	0.58	0.56	0.51	0.31	0.28	0.25	0.27	0.27	0.35	0.33	0.35	0.42	0.50
Trim, 72% Trim Combo, FOB Plant, USDA	1.32	1.40	1.10	1.00	0.98	0.76	0.68	0.69	0.71	0.72	0.73	0.73	0.71	0.75	0.81
<u>HOG CARCASS</u>															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	1.18	1.27	1.04	1.03	0.99	0.87	0.86	0.87	0.91	0.91	0.89	0.89	0.88	0.93	0.95
<u>BROILERS</u>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	1.18	1.13	1.07	1.00	1.07	1.07	1.04	1.04	1.07	1.04	1.02	1.00	0.98	1.02	1.00
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.87	2.00	2.00	1.85	1.88	1.68	1.51	1.43	1.46	1.43	1.43	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	1.12	1.06	1.05	1.06	1.04	1.04	1.05	1.12	1.15
N.E. BROILER LEG QUARTERS, USDA	0.50	0.50	0.52	0.50	0.47	0.46	0.45	0.44	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	1.84	1.72	1.87	1.82	1.89	1.90	1.92	1.76	1.59
<u>TURKEYS</u>															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.09	1.11	1.11	1.14	1.17	1.21	1.24	1.24	1.21	1.24	1.09	1.01	1.01	1.03	1.05
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	3.57	3.71	4.01	4.05	4.05	3.98	3.92	3.92	3.83	3.90	3.75	3.15	2.88	2.72	2.78
<u>LIVE STEERS</u>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.47	1.57	1.57	1.58	1.63	1.69	1.70	1.71	1.68	1.70	1.71	1.71	1.72	1.74	1.69
<u>BEEF</u>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	7.94	7.34	7.03	6.96	7.07	7.71	8.22	8.59	8.66	8.19	7.15	7.28	7.70	7.86	8.01
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.33	2.89	3.13	2.83	2.87	2.97	3.04	3.18	3.17	3.25	3.30	3.01	3.04	3.02	2.98
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.25	2.57	2.61	2.66	2.88	2.84	2.83	2.92	2.82	2.90	3.01	2.95	2.82	2.72	2.67
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	6.44	6.66	6.40	5.25	5.10	5.26	5.39	5.43	5.45	5.51	6.16	6.26	7.67	8.13	7.74
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	4.05	4.05	3.53	3.36	3.36	3.57	3.56	3.81	3.76	3.80	3.93	4.05	4.29	4.49	4.35
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	5.21	4.82	4.82	4.43	4.31	4.13	4.17	4.22	4.38	4.41	4.72	4.91	5.48	5.59	5.85
COARSE GROUND 73%, USDA	1.98	2.36	2.40	2.42	2.38	2.40	2.38	2.34	2.44	2.54	2.88	2.70	2.62	2.71	2.76
COARSE GROUND 81%, USDA	2.11	2.56	2.64	2.58	2.60	2.69	2.78	2.57	2.62	2.72	3.17	2.96	2.85	2.88	3.00
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.50	2.88	2.96	2.99	2.95	2.95	2.95	2.97	3.06	3.09	3.31	3.41	3.39	3.41	3.38
50CL BEEF TRIM, FRESH, NATIONAL, USDA	1.26	1.36	1.41	1.14	1.11	1.15	1.19	1.13	1.35	1.32	1.34	1.29	1.47	1.44	1.46







ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION

