



Pork Merchandiser's Profit Maximizer

Be inspiredSM

- Foodservice Edition

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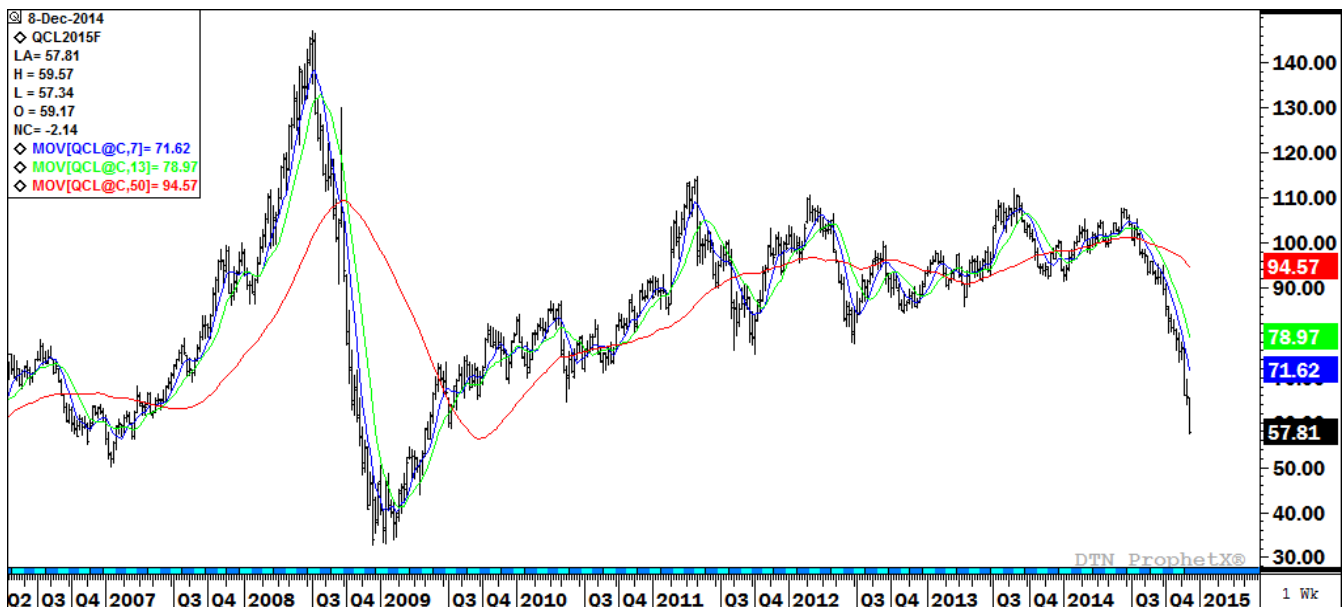
December 15, 2014

Tremors in Broader Commodity Markets Pressure Livestock Complex Lower

Both cattle and hog futures were down sharply last week, tracking a dramatic sell-off in the crude oil market which saw crude prices drop to \$57/barrel, the lowest level since 2009 (see chart). While on the face of it lower oil

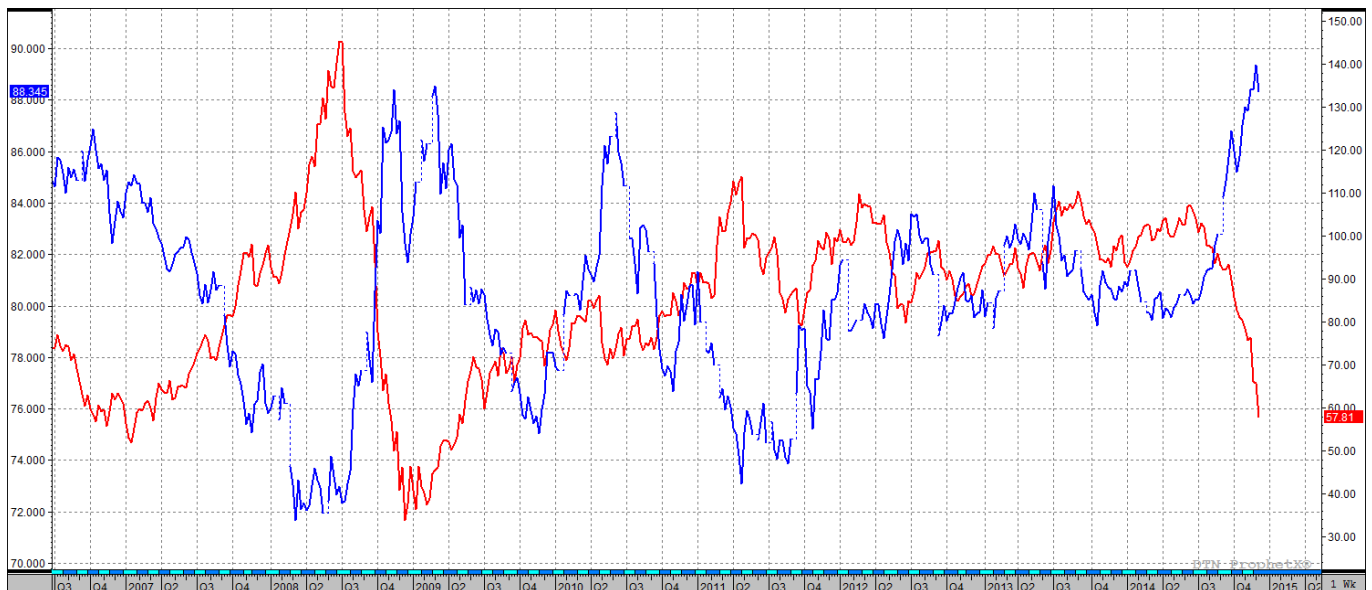
prices could be construed as supportive of US consumer spending, and hence meat demand, there are broader implications from the recent oil price decline which have caused market participants to adopt a more defensive stance. Below are some of the factors at play as we see them:

Nearby Crude Oil Futures, WTI



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Crude Oil (red line) Futures and the US Dollar Index (blue line)



1. The decline in crude oil prices largely reflects a slowdown in demand in emerging markets. China is a prime example but a number of other Asian markets also have shown disappointing growth. US red meat and poultry producers rely on exports to absorb a significant share of US production, with emerging markets in recent years accounting for a good portion of the growth. Slowing sales to those markets imply more products will need to be absorbed domestically, and lower prices will be needed to accomplish this.
2. The chill in relations between Russia and developed countries also has contributed to the slow growth in a number of areas.

The strong US dollar tends to depress exports and increase imports into the US. An increase in the value of the US dollar effectively raises the price for consumers of US products in global markets. Data already shows a significant decline in US exports of beef to Mexico and Canada following the sharp currency declines there. Slowing growth in Asia could be accompanied by a drop in sales to that region as well.

3. Some developing economies rely on oil to subsidize consumer spending, especially on food products. A decline in oil prices is

negative for the economy of these countries.

The broader implication from the recent drop in crude oil prices is that investors in livestock markets remain concerned about the outlook for red meat and poultry demand in 2015 at a time when supplies of pork and chicken are expected to increase. Weak exports certainly are a negative demand factor and futures are currently trying to price in some of the bearish implications from the drop in oil prices. Last year, panic over a potential shortage of product caused prices to rise faster than one would expect given simple changes in supply/demand fundamentals. Now, rising concern about a global economic slowdown and weak demand could push buyers to delay purchases, which then further feeds the downward spiral in prices. Volatility was quite significant last year and it appears we will get more of the same in 2015.

In light of current macro conditions and the potential impact on livestock commodities, we have revised lower our prices for red meat and poultry products in 2015. Keep in mind, however, that despite the recent pullback, prices for beef still are expected for the most part to be steady to higher compared to a year ago for the next several months. Pork prices have pulled

back faster than we expected and they are expected to be lower in 2015, in part reflecting slow export demand but also a notable increase in US domestic supplies. The spread of PEDv disease last year significantly impacted US pork industry output, especially over the summer months. So far PEDv appears to be very much controlled and it will likely have a marginal impact on US pork production this winter. The US pork industry is expanding and we will likely see a breeding herd that is up over 2% on December 1. Chicken supplies also are increasing, with total production next year expected to be around 4% higher than in 2014.

Bottom line: The crude oil selloff and the strong US dollar have added to speculation that additional meat protein supplies will be available in the domestic market and possibly pressure US domestic prices lower in 2015.

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 December 13 slaughter was 2.254 million head, down 2.9% from a year ago. In the last two weeks hog slaughter is down 3.2% vs. year ago levels.

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass values at about 81.44 /cwt. on Friday were down \$4/cwt since Wed. December 3. Prices are up about \$3 /cwt compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at \$1.1674, up about 4 cent since the Wed. December 3 quote and up about 13 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.5924 for the strap on loins, up slightly since Wed. December 3 and up about 18 cents from the year ago levels. Strap off loins at \$1.8038 are up about 2.9 cent since

Wed. December 3 and up about 11 cents compared to the year ago quote.

Boneless sirloins at \$1.3608 are down about one cents from the Wed. December 3 quote but up about 20 cents from the year ago price.

Pork tenderloin finished last week at \$2.5969, down slightly since the Wed. December 3 quote but up about 26 cents from the year ago price.

5/10 Pork Butts (page 10), prices finished the week at \$1.1979, down about 5 cents since Wed. December 3.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$1.6881, down about 2 cent since Wed. December 3 but up about 26 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 \$1.0467/lb., down 10.4 cents compared to prices on Wed. December 3 and down about 5 cents from a year ago.

20/23 hams finished the week at 97.41 cents, down about 2 cents since Wed. December 3 but up about 6 cents from the year ago level.

23/27 hams finished the week at 79.79 , down about 7 cents from the Wed. December 3 quote and down about 11 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 35.32 , up about 5.9 cent

since Wed. December 3 and up about 2 cents from the year ago price.

72 CL Pork Trim “FOB Basis”. Prices finished the week at 73.18 cents, up about 0 cents since the Wed. December 3 quote and up about 6 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 \$113.75 was up about 10 cents from a year ago.

The National Whole Bird price was quoted at 97.18 on Friday December 13, up about 2 cents from a year ago.

Broiler slaughter for the week ending December 13 was 160.43 million head, up 1.09% from a year ago. For the last two weeks slaughter was up 4.5% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$1.3205, down 6 cents since Wed. December 3 but also up about 6 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 0.2 cents vs. year ago price at 45.72 . 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 \$1.7442 are up about 51 cents from year ago levels.

Turkeys

Hens finished last week at \$1.1400, unchanged since Wed. December 3 but up about 4 cents from the year ago price.

Toms finished last week at \$1.1400, unchanged since Wed. December 3 but up about 8 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 4.4390 million head for the week ending December 6, up 4.45% from a year ago. For the last two weeks slaughter has been up 5.3%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$3.8900, unchanged since Wed. December 3. 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 \$8.1586 (weighted average quote) finished last week down about 29 cents since the Wed. December 3 quote but up about 5 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$6.9833 (weighted average quote) finished last week down about 2 cents since the Wed. December 3 quote but up about 93 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$1.1753 /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 \$2.8122 down about 26 cents since Wed. December 3 but up about 64 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$2.8946 down about 12 cents since Wed. December 3 and up about 64 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$2.8295 down about 10 cents since Wed. December 3 but up about 82 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$5.4948 (wt. avg.) down about 4 cents from the Wed. December 3 quote. Prices are about 80 cents over year ago levels.

Choice #184 Regular Heavy top butts finished at \$3.1025 (wt. avg.) down about 44 cents since Wed. December 3 but up about 59 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$3.4179 (wt. avg.) down about 11 cents since Wed. December 3 but up about 66 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$4.1677 (wt. avg.) down about 7 cents

since Wed. December 3 but up about 55 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at \$2.1441 down about 15 cents since Wed. December 3 but up about 44 cents from year ago levels.

81CL Coarse Ground product finished last week at \$2.5073 down about 18 cent since Wed. December 3 but up about 67 cents from the year ago quote.

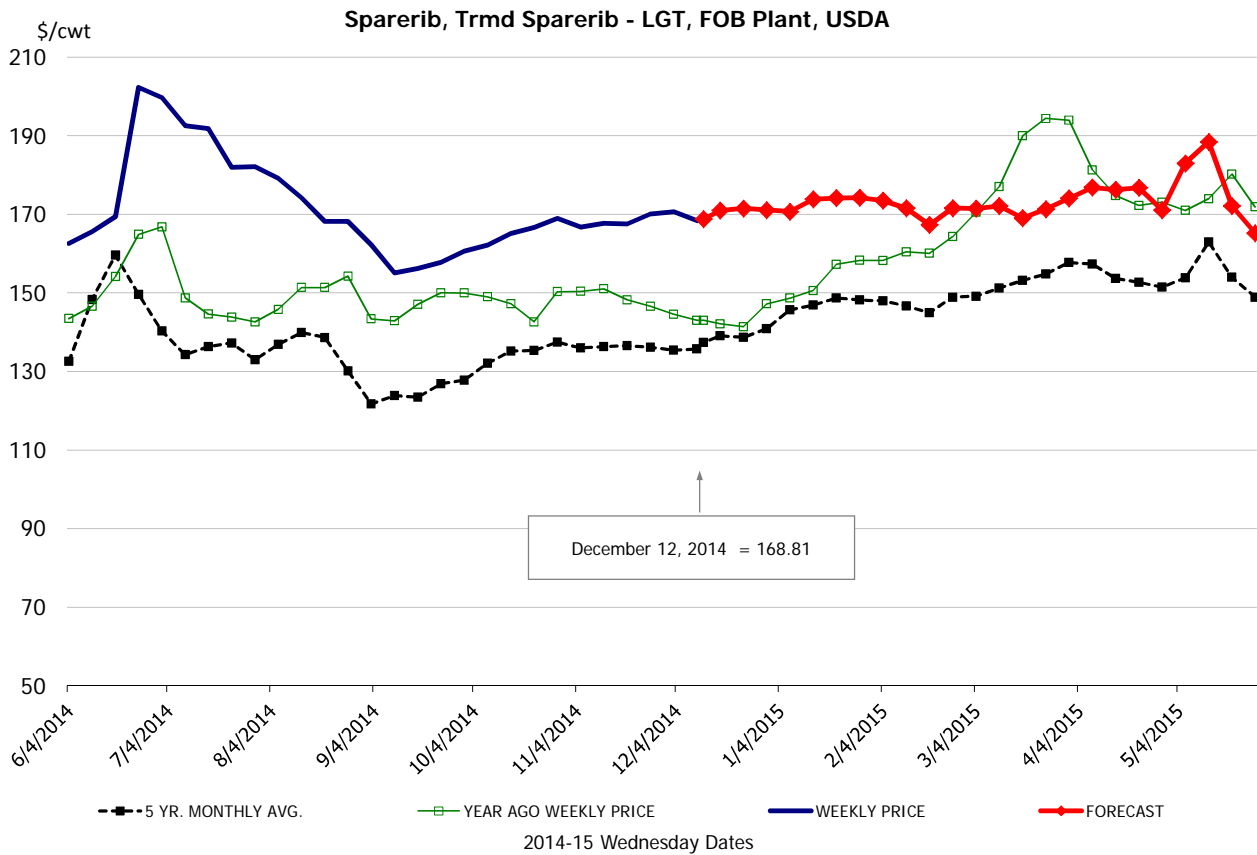
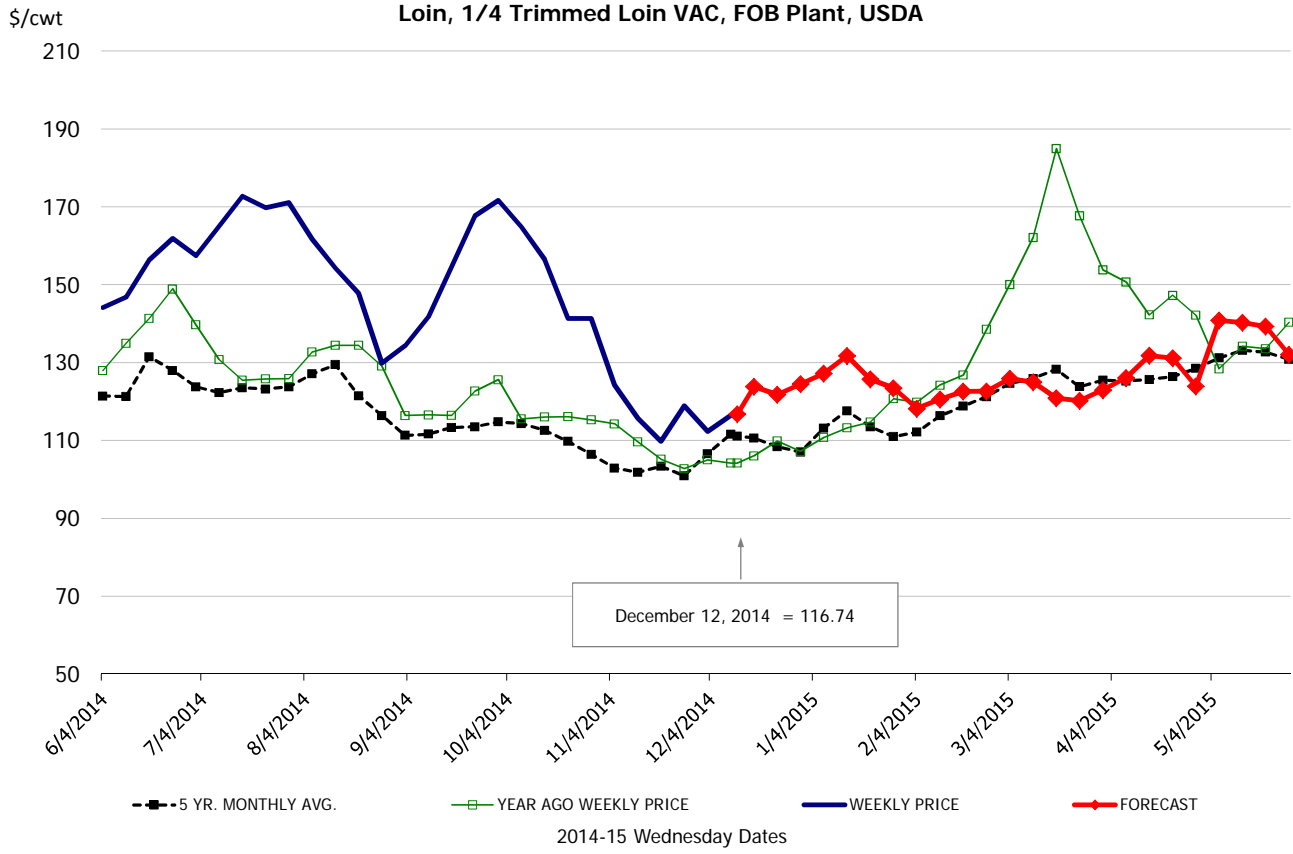
90CL Bnls. Beef prices finished the week at \$2.9786 (wt. avg.) up about 2 cent since Wed. December 3 and up 98 compared to the year ago price quote. Ranchers are trying to hold more beef cows and lean beef supplies remain in limited supply

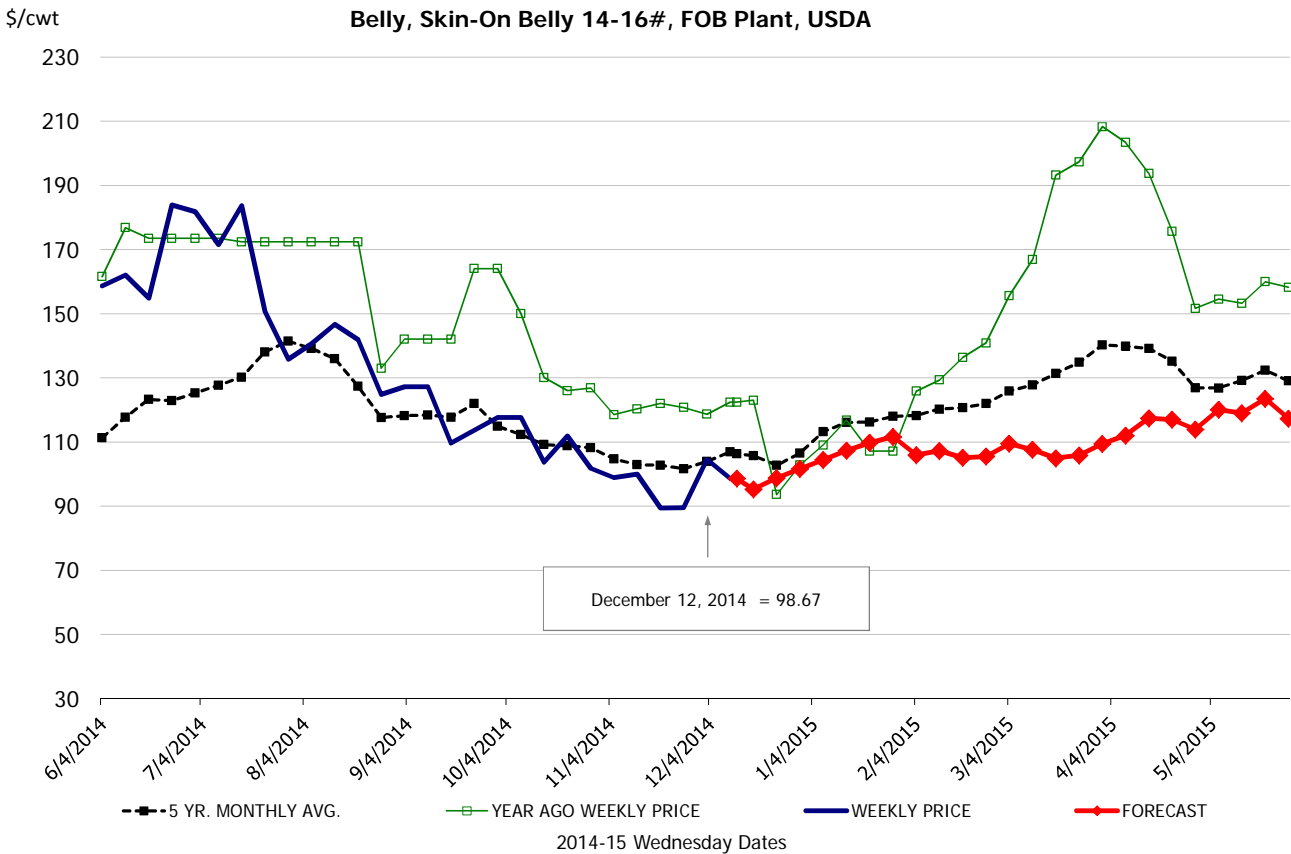
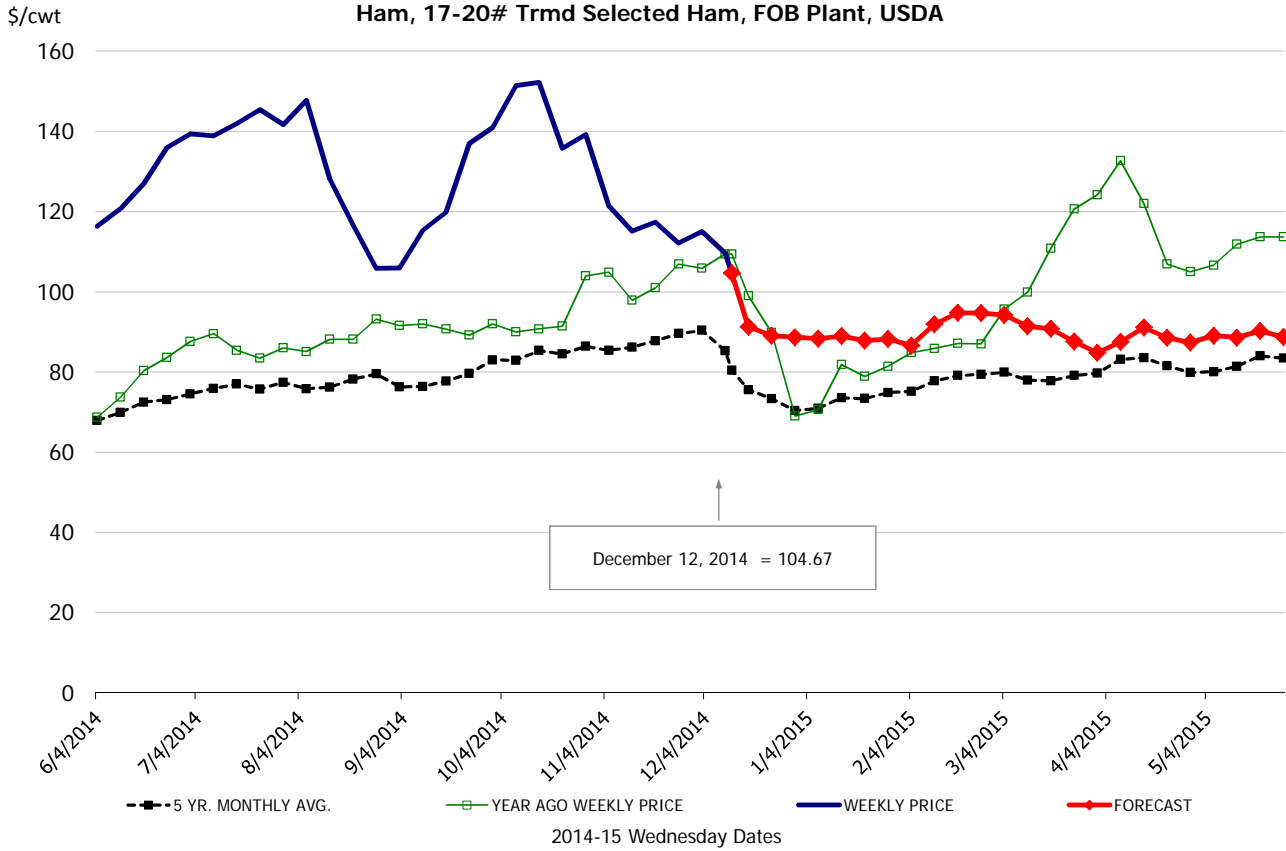
50 CL Beef Trim prices finished last week at \$1.1169, up about 2 cent since Wed. December 3 and up 24 compared to the year ago level.

Food Service Summary Table - WT. AVE

	2014 History							2014-15 FORECAST							
	Jun	Jul	Aug	Sep	Oct	Nov	12/3/2014	12/12/2014	12/24/2014	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	1.12	1.17	1.22	1.22	1.26	1.21	1.23	1.28	1.37
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.60	1.79	1.57	1.58	1.60	1.23	1.27	1.25	1.33	1.33	1.35	1.28	1.33	1.36	1.44
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.97	2.15	1.91	2.13	2.18	1.74	1.77	1.80	1.91	1.85	1.87	1.71	1.75	1.80	1.86
Loin, Tenderloin, FOB Plant, USDA	2.84	2.88	2.78	2.78	2.91	2.60	2.60	2.60	2.58	2.59	2.63	2.72	2.75	2.80	2.93
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	1.68	1.72	1.58	1.44	1.40	1.20	1.13	1.08	1.11	1.15	1.14	1.16	1.14	1.23	1.23
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.73	1.88	1.73	1.57	1.64	1.68	1.71	1.69	1.72	1.68	1.72	1.71	1.71	1.76	1.76
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.55	2.63	2.54	2.40	2.35	2.35	2.46	2.40	2.39	2.34	2.42	2.38	2.40	2.44	2.43
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.70	1.84	1.64	1.56	1.64	1.65	1.67	1.63	1.64	1.63	1.65	1.62	1.64	1.68	1.67
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.77	2.70	2.53	2.35	2.28	2.29	2.26	2.22	2.23	2.22	2.30	2.30	2.36	2.49	2.58
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	1.28	1.41	1.21	1.24	1.43	1.15	1.15	1.05	0.89	1.00	0.88	0.92	0.91	0.88	0.89
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	1.27	1.44	1.12	1.18	1.15	1.03	0.99	0.97	0.87	1.00	0.83	0.84	0.82	0.81	0.82
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	1.21	1.41	1.12	1.14	1.06	0.93	0.86	0.80	0.72	0.80	0.79	0.79	0.78	0.79	0.81
Ham, 5 Muscle Ham to Blue, FOB Plant, USDA	1.73	2.07	2.33	2.16	2.08		1.58	1.58	1.42	1.47	1.26	1.27	1.25	1.26	1.29
Belly, Skin-on Belly 14-16#, FOB Plant, USDA	1.66	1.61	1.27	1.13	1.05	0.95	1.05	0.99	0.99	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	1.24	1.28	1.30	1.28	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	1.20	1.23	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	0.29	0.35	0.34	0.36	0.43	0.41	0.44	0.47	0.48
Trim, 72% Trim Combo, FOB Plant, USDA	1.32	1.40	1.10	1.00	0.98	0.75	0.73	0.73	0.72	0.73	0.74	0.74	0.74	0.73	0.76
<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	0.81	0.89	0.89	0.86	0.85	0.85	0.90	0.92
<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	1.71	1.66	1.66	1.65	1.63	1.63	1.64	1.66	1.63
<u>BEEF</u>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	7.94	7.34	7.03	6.96	7.07	7.79	8.45	8.16	7.05	8.00	6.71	6.84	7.24	7.39	7.63
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.33	2.89	3.13	2.83	2.87	2.98	3.01	2.89	3.06	2.91	3.05	2.86	2.90	2.88	2.87
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.25	2.57	2.61	2.66	2.88	2.84	2.93	2.83	2.87	2.79	2.87	2.81	2.69	2.59	2.58
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	6.44	6.66	6.40	5.25	5.10	5.29	5.53	5.49	5.61	5.51	5.87	5.97	6.38	7.31	7.84
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	4.05	4.05	3.53	3.36	3.36	3.58	3.77	3.42	3.58	3.50	3.75	3.85	4.08	4.28	4.19
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	5.21	4.82	4.82	4.43	4.31	4.15	4.24	4.17	4.30	4.22	4.58	4.79	5.25	5.36	5.68
COARSE GROUND 73%, USDA	1.98	2.36	2.40	2.42	2.38	2.40	2.29	2.14	2.41	2.27	2.55	2.37	2.30	2.39	2.47
COARSE GROUND 81%, USDA	2.11	2.56	2.64	2.58	2.60	2.69	2.69	2.51	2.72	2.53	2.92	2.72	2.62	2.65	2.79
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.50	2.88	2.96	2.99	2.95	2.96	2.96	2.98	3.07	2.99	3.15	3.25	3.20	3.23	3.23
50CL BEEF TRIM, FRESH, NATIONAL, USDA	1.26	1.36	1.41	1.14	1.11	1.15	1.10	1.12	1.16	1.16	1.19	1.15	1.29	1.26	1.29

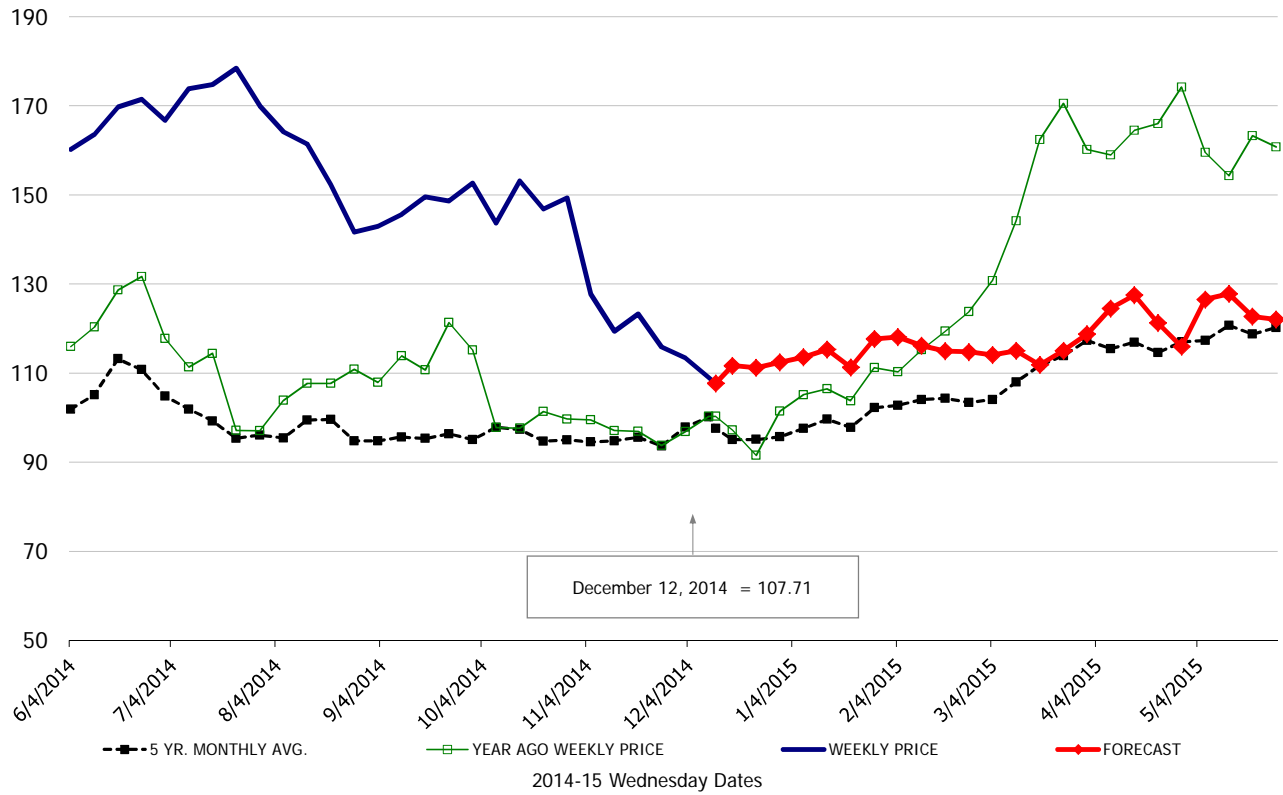
*St. Louis 2 1/4 dn rib prices are estimated at 3 1/2 dn plus \$1.10





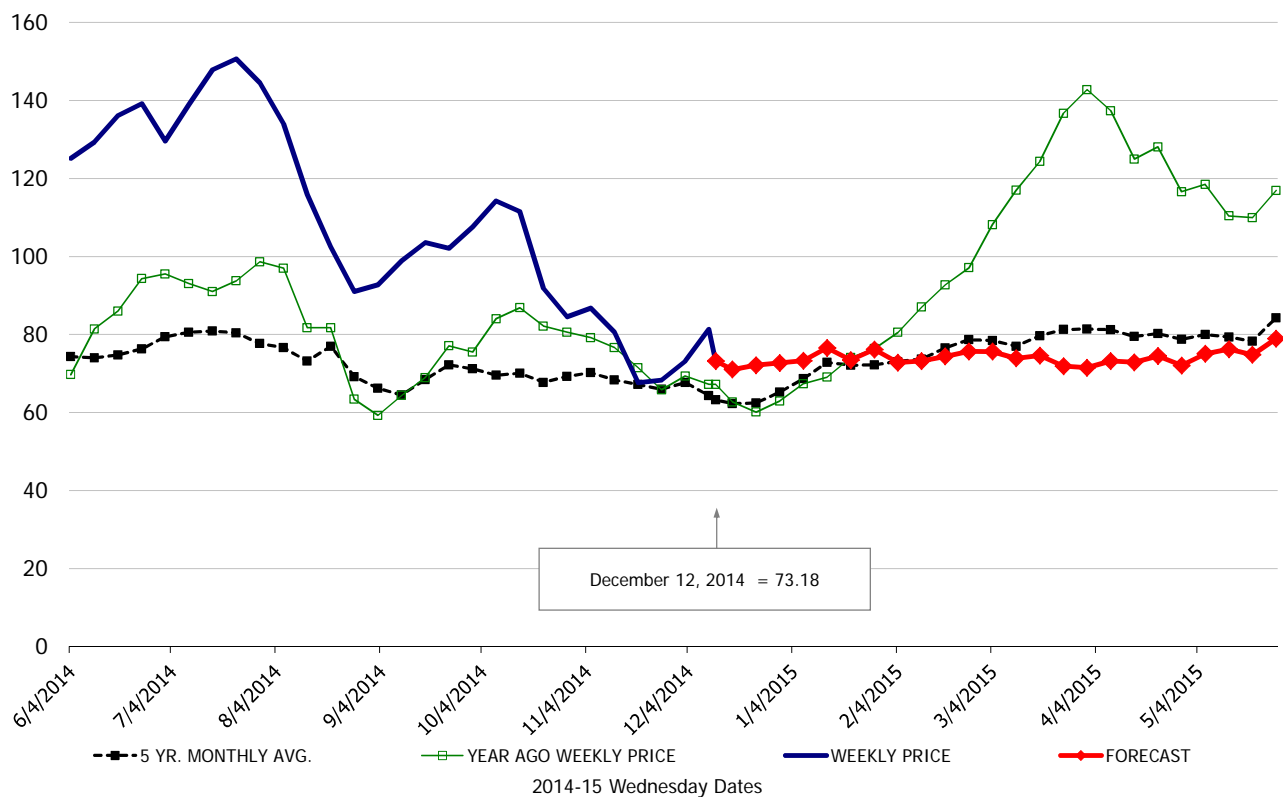
\$/cwt

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

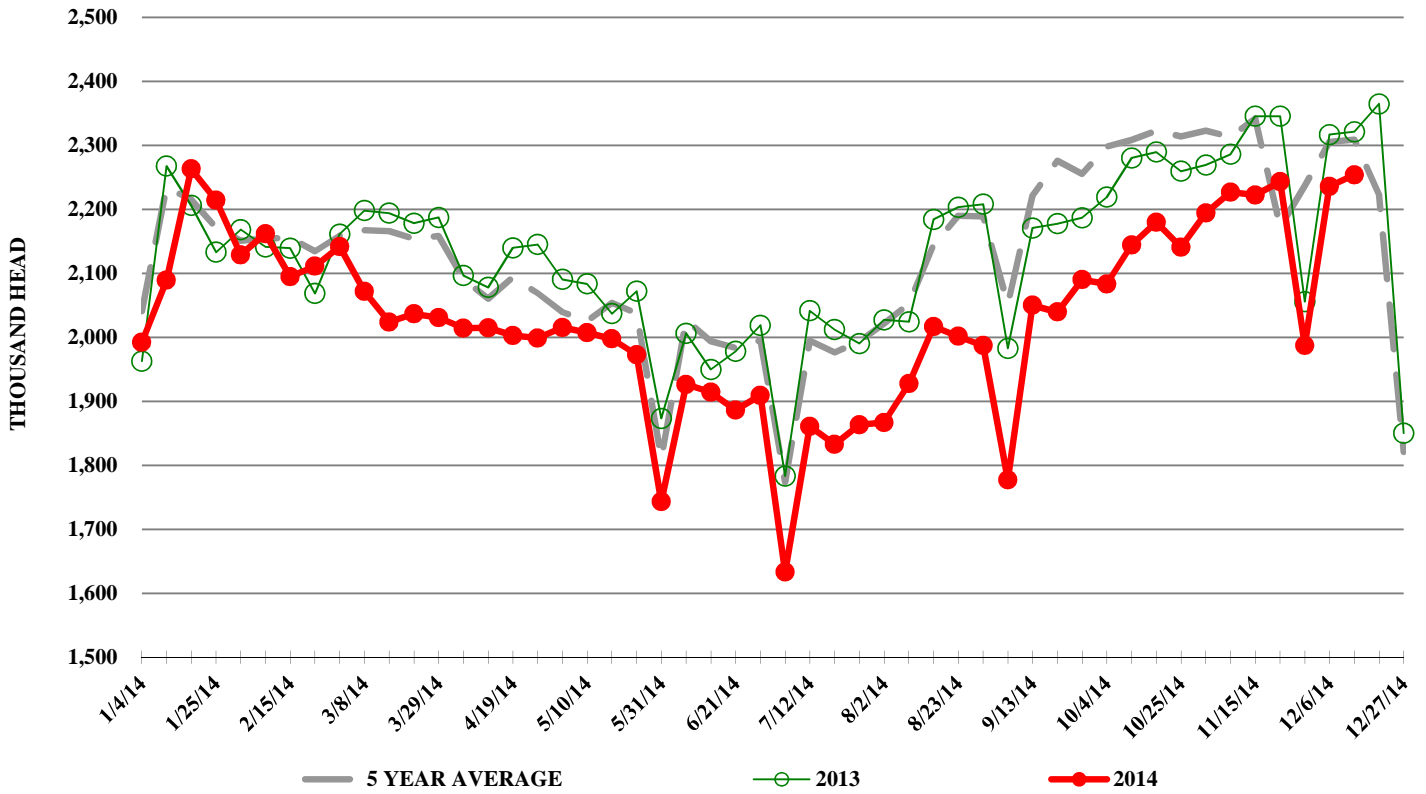


\$/cwt

Trim, 72% Trim Combo, FOB Plant, USDA



ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION

