



Pork Merchandiser's Profit Maximizer

Be inspiredSM

- Foodservice Edition

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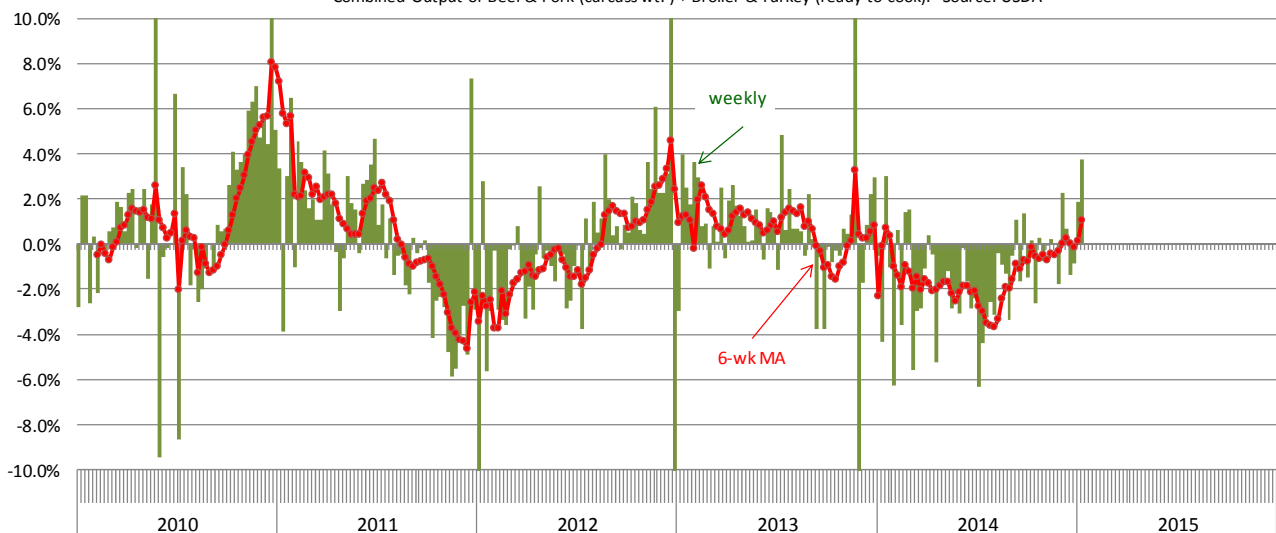
January 12, 2015

1. Prospects of higher domestic supply availability pressures meat prices.

Poultry production is now significantly above year ago levels and combined with a decline in US meat exports this has dramatically changed meat supply availability in the US. Prices for a number of products, particularly pork and chicken are well below levels established just a few months ago. Weekly poultry production

data is reported with a one week lag but we estimate ready to cook broiler production last week was 772 million pounds, 8% higher than the previous year. Broiler supplies have averaged 6% over year ago levels since November, an increase that has more than offset declines in beef output. Combined beef, pork and poultry production last week is estimated at 1.780 billion pounds, 65 million pounds (+3.8%) higher than a year ago. This is the highest weekly increase in total meat production since July 2013 and an early indication

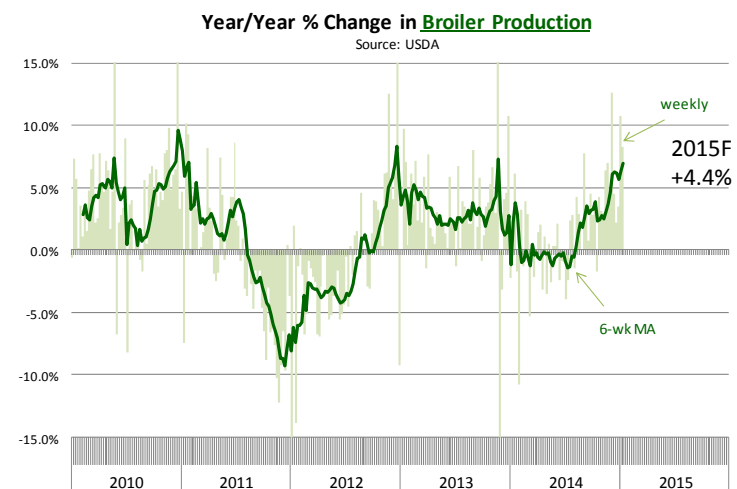
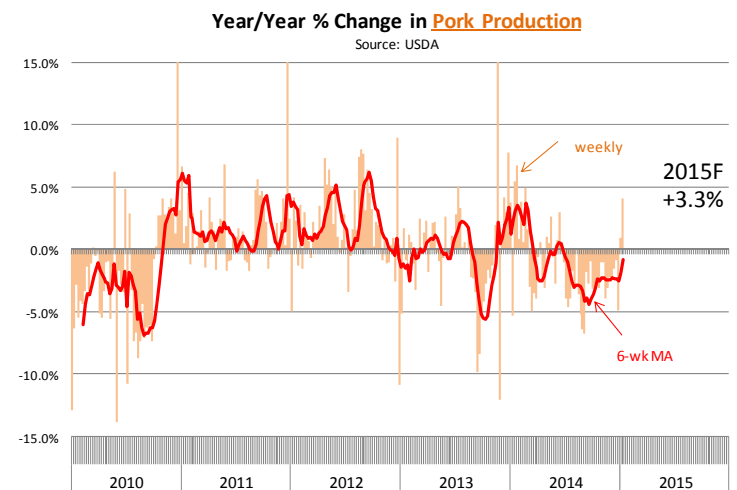
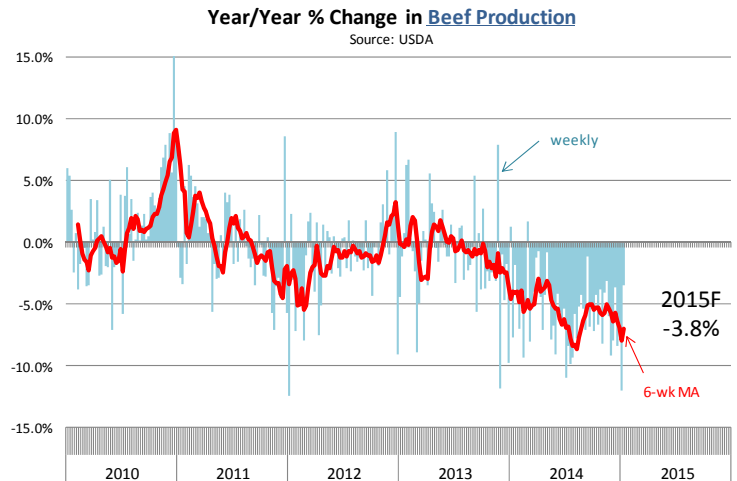
Year/Year % Change in Weekly Meat Protein Supplies
Combined Output of Beef & Pork (carcass wt.) + Broiler & Turkey (ready-to-cook). Source: USDA



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of the expected shift in overall supply availability in 2015. Below is a brief recap of the supply situation for the main species and factors to watch in the coming weeks:

Beef: Cattle slaughter continues to track well below year ago levels, in part because cold weather has slowed down the flow of cattle out of feedlots. Market participants worry, however, that the slow pace of marketings and heavy carcass weight could cause feedlots to fall even further behind in marketings and eventually force them to sell in February and March, a time when beef demand normally is not that great. Steer and heifer slaughter last week was 426,000 head, 5% lower than last year. This level matches the lows for the year in 2014 and it is a level that will not be sustained for very long. The question is whether feedlots will eventually start showing more cattle, especially if weather improves and, if so, what kind of impact that will have on pricing. Futures already are discounting February cattle, with basis levels now exceeding \$10/cwt. The choice beef cutout has gained in the last few days, which is normal after the holidays as retailers start filling the meat case with more regular fare after the holidays. The issue is whether current prices will be sustained in February and March. Last year foodservice demand was poor during those two months and the choice cutout fell sharply between mid-January and mid-February. If that happens again, packers will have little choice but to further cut slaughter, which could be a problem for feedlots that are already behind in marketings. This is the bear argument for the cattle market in the short term. It certainly hinges on how beef sales will progress in the next two to three weeks. Weather as usual is a major wild card. Spring and summer cattle supplies are expected to remain tight. Lower pork and chicken prices are expected to help contain beef price inflation but their overall impact on beef demand is limited. More important, in our view, for beef demand is: a) the state of the US economy, especially income growth; and b) the state of the global economy and the impact it has on the US currency as well



as purchasing power of key trading partners. The US cattle industry is looking to rebuild, with more heifers retained for herd rebuilding. This should be reflected in the placement numbers in the next

few months and will tend to keep cattle prices near year ago levels despite the overall expansion in supplies of competing meats.

Pork: We covered the outlook for pork supplies at length in our last update following the release of the quarterly Hogs and Pigs report. So far, the slaughter data has been in line with the data from the report. New cases of PEDv remain quite low and this is a positive trend, implying producers have learned from the experience last year and are doing a much better job of keeping the disease under control. This implies that we should expect a notable improvement in the pig crop during Dec-Feb and thus a significant increase in slaughter numbers, (+5% or so) in the spring and early summer. A new case of PEDv was discovered recently but so far that remains an isolated case. The overall trend of the disease appears to be vastly different than a year ago. In addition to a steady improvement in overall pork production, pork exports (which account for more than 20% of total production) have begun to slow down.

Poultry: Broiler producers have sought to capitalize on the drop in feed costs and they are placing more eggs in incubators and then feeding those birds to heavier weights. Broiler live weights currently are running at an average 6.20 pounds, 3.3% higher than a year ago. Preliminary estimates of broiler slaughter for last week pegged it at 163.8 million head, up 4.8% compared to a year ago. The combination of heavier birds and larger slaughter implies an 8% jump in year/year broiler production. The hatching flock is currently running about 2.5% higher than a year ago. Last year, producers struggled with hatchability issues, which caused a sharp drop in the ratio of egg sets and chick placements. That ratio has begun to improve and this implies chick placements will increase at a faster pace than the hatching flock numbers imply.

Bottom line: Meat supplies are expected to recover in 2015. The more immediate impact has been in the broiler market but pork

production also has started to increase. This will lead to notable deflation in the price of various pork and chicken products. The value of the US currency and overall export demand remain a significant concern. The slowdown in the pace of exports has been a contributor to the decline in pork values recently.

Upcoming holidays:

2015 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 January 10 slaughter was 2.163 million head, up 3.5% from a year ago. In the last two weeks hog slaughter is up 2.0% vs. year ago levels.

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass values at about 72.46 /cwt. on Friday were down \$3/cwt since Wed. December 31. Prices are down about 6 dollar compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at \$1.0819, down about 5 cent since the Wed. December 31 quote and down about 3 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.4912 for the strap on loins, down 14 cent since Wed. December 31 and down about 6 cent from the year ago levels. Strap off loins at \$1.8207 are up about 7.0 cent since Wed. December 31 and up about 15 cents compared to the year ago quote.

Boneless sirloins at \$1.3109 are down about 6 cents from the Wed. December 31 quote but up about 9 cents from the year ago price.

Pork tenderloin finished last week at \$2.6041, down slightly since the Wed. December 31 quote but up about 27 cents from the year ago price.

5/10 Pork Butts (page 10), prices finished the week at \$1.1568, down about 6 cents since Wed. December 31.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$1.6633, down about

3 cent since Wed. December 31 but up about 18 cents from year ago levels.

Rib inventories on November 30 were 72.9 million pounds, down 26.3% percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was \$0.8216/lb., up 2.2 cents compared to prices on Wed. December 31 and up about 12 cents from a year ago.

20/23 hams finished the week at 70.64 cents, up about 0.3 cents since Wed. December 31 but down about 0.3 cents from the year ago level.

23/27 hams finished the week at 64.77 , down about 2 cents from the Wed. December 31 quote and down about 10 cents from the year ago level.

Total ham cold storage stocks on November 30 at 96.2 million pounds were down about 17.1% from year ago levels.

42 CL Pork Trim “FOB Basis”. Prices finished the week at 39.61 , up about 16.6 cent since Wed. December 31 and up about 6 cents from the year ago price.

72 CL Pork Trim “FOB Basis”. Prices finished the week at 62.79 cents, down about 2 cents since the Wed. December 31 quote and down about 5 cents from the year ago level.

Freezer stocks of all trimmings on November 30 were 41.0 million pounds, up about 6.2% 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 104.07 on Friday January 10, up about 6 cents from a year ago.

Broiler slaughter for the week ending January 10 was 163.84 million head, up 4.83% from a year ago. For the last two weeks slaughter was up 4.2% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$1.2787, down 1 cent since Wed. December 31 but also up about 3 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 4.3 cents vs. year ago price at 43.29. 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 \$1.8260 are up about 55 cents from year ago levels.

Turkeys

Hens finished last week at \$1.0500, unchanged since Wed. December 31 but up about 2 cents from the year ago price.

Toms finished last week at \$1.0500, unchanged since Wed. December 31 but up about 3 cent from the year ago price.

Total turkey supplies in the freezer on November 30 were down about 14.0% percent from a year ago at 190.3 million pounds. Whole birds were down 9.3% percent from year ago with an inventory of 68.0 million pounds.

Turkey slaughter was 3.4800 million head for the week ending January 3, up 27.57% from a year ago. For the last two weeks slaughter has been up 25.5%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$3.6000, unchanged since Wed.

December 31. Prices are down about 0 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 \$6.2711 (weighted average quote) finished last week down about 80 cents since the Wed. December 31 quote but up about 56 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$5.8185 (weighted average quote) finished last week up about 8 cents since the Wed. December 31 quote but up about 34 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$0.4526 /lb. over Select. The 2013 annual average spread (wt. average price) had the Choice at a premium to the Select by \$0.7477 per pound and the previous five years (2009 thru 2013) average spread was Choice at a premium to the Select by \$0.7950 per pound.

Choice regular #168 insides finished last week quoted at \$2.9686 up about 8 cents since Wed. December 31 and up about 54 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$3.0136 up about 7 cents since Wed. December 31 and up about 46 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$2.8456 down about 10 cents since Wed. December 31 but up about 41 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$6.3908 (wt. avg.) up about 31 cents from the Wed. December 31 quote. Prices are about 139 cents over year ago levels.

Choice #184 Regular Heavy top butts finished at \$3.5797 (wt. avg.) up about 3 cents since Wed. December 31 and up about 86 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$3.8212 (wt. avg.) up about 11 cents since Wed. December 31 and up about 98 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$4.6358 (wt. avg.) up about 28 cents since Wed. December 31 and up about 62 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at \$2.4650 up about 13 cents since Wed. December 31 and up about 50 cents from year ago levels.

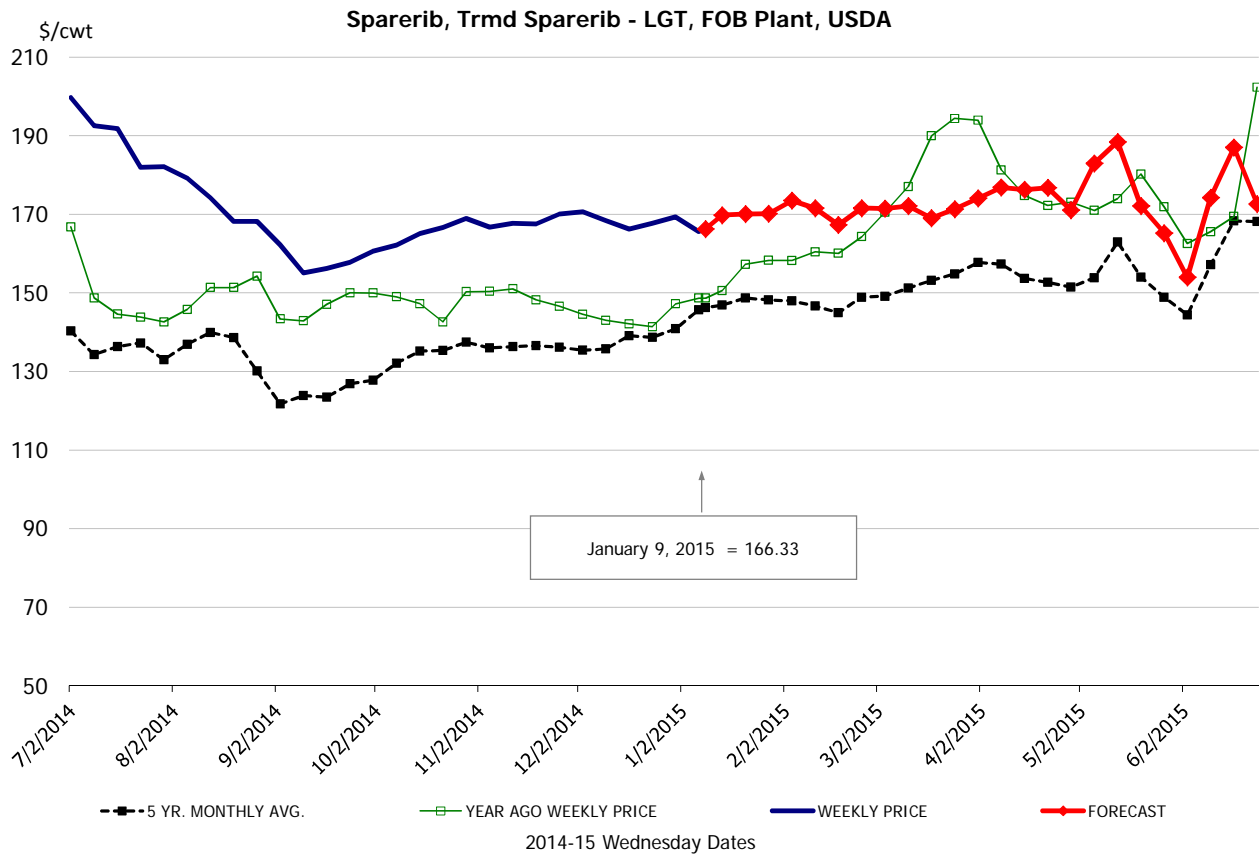
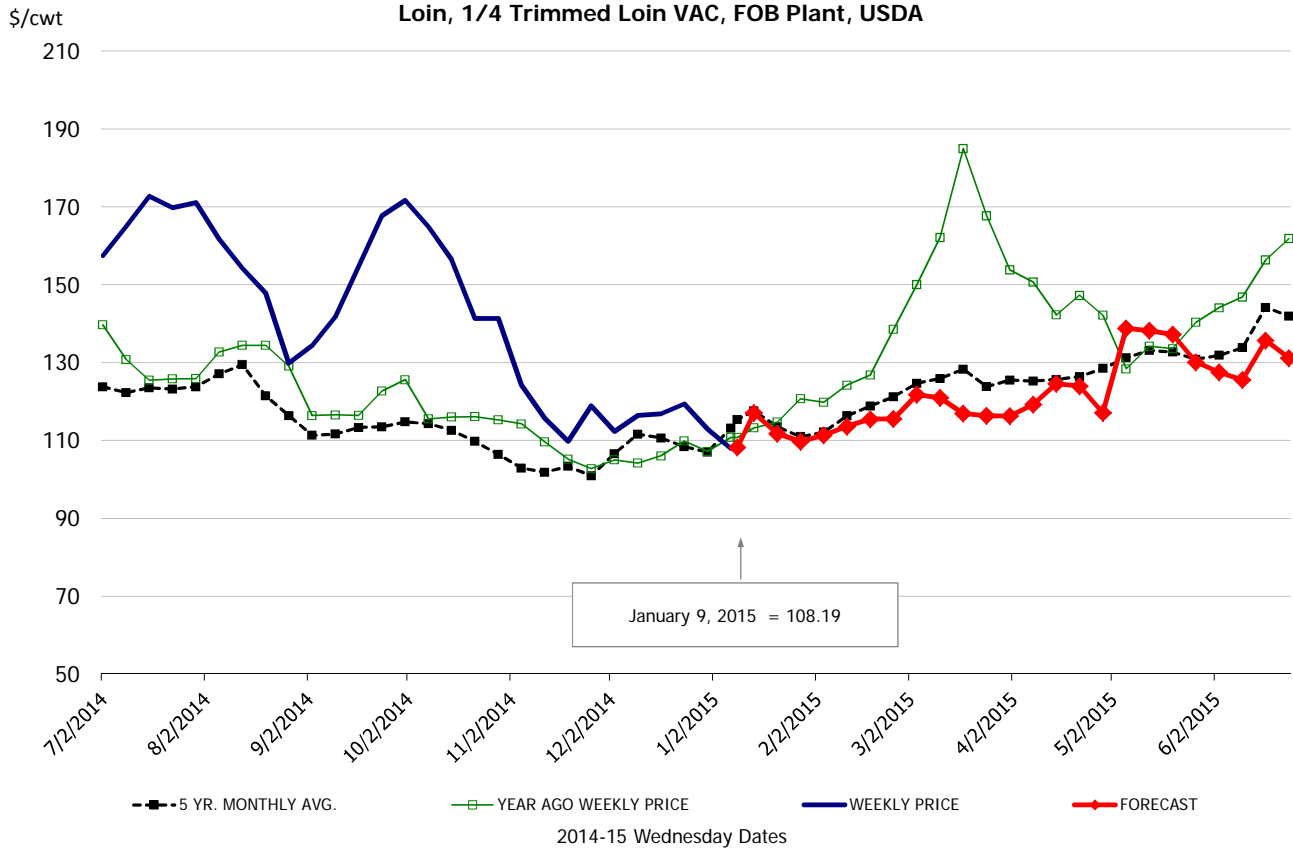
81CL Coarse Ground product finished last week at \$2.8550 up about 22 cent since Wed. December 31 and up about 70 cents from the year ago quote.

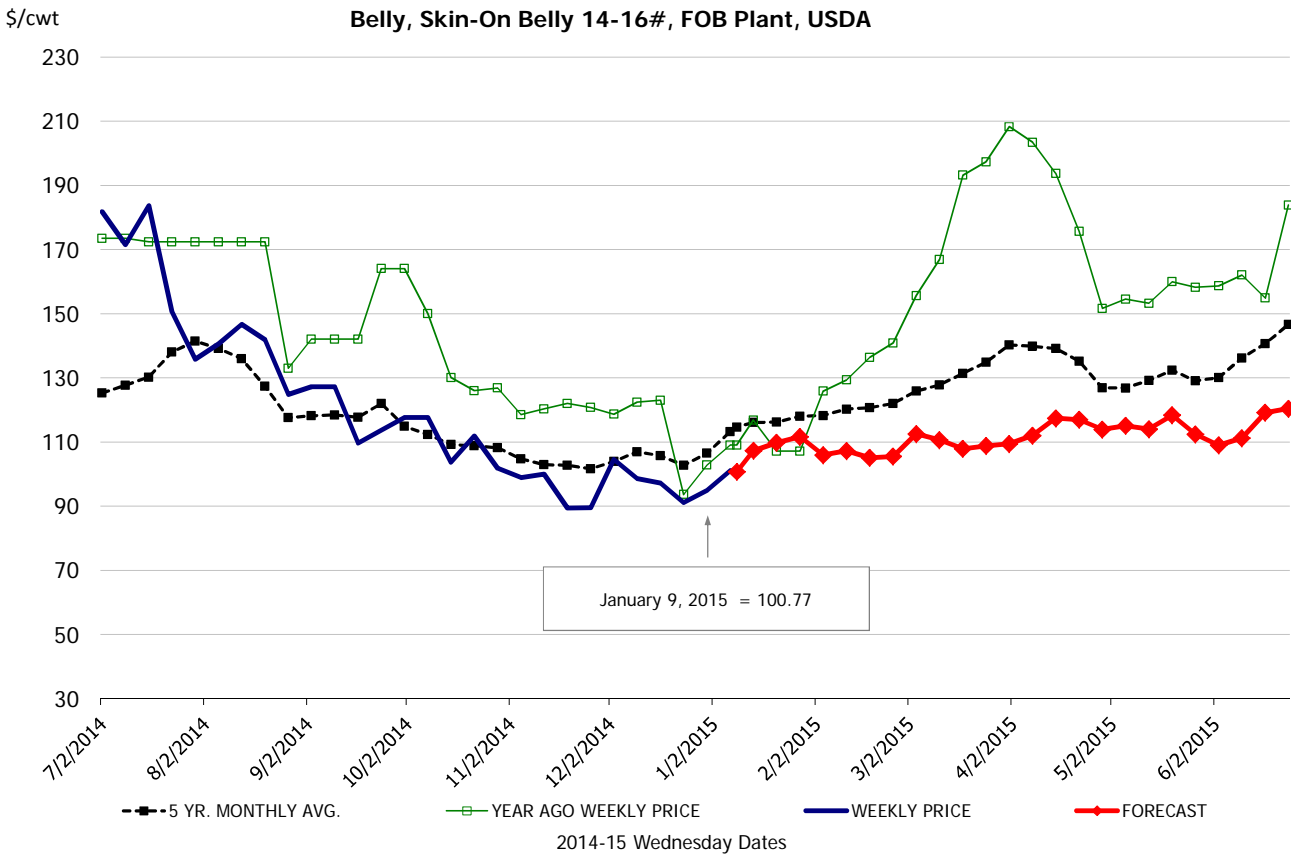
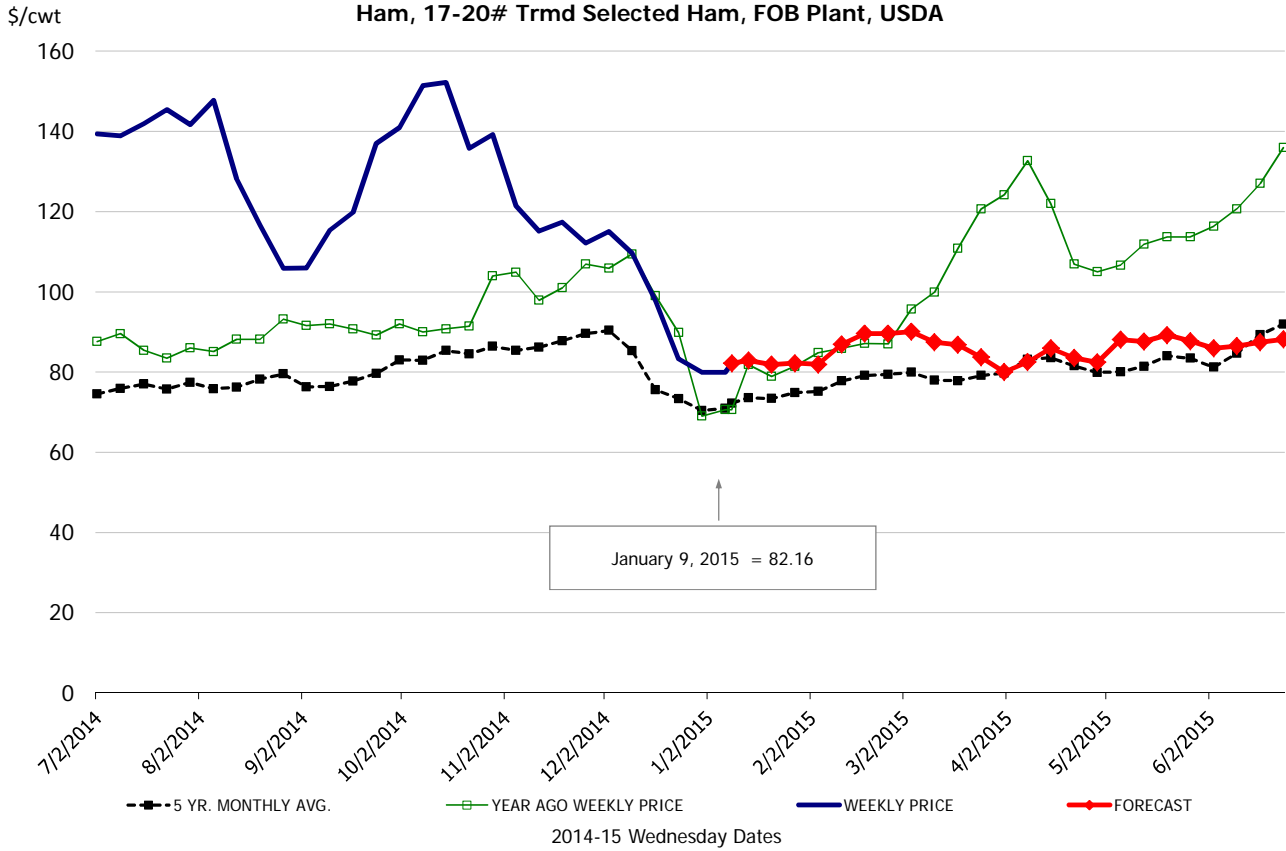
90CL Bnls. Beef prices finished the week at \$3.0134 (wt. avg.) down about one cent since Wed. December 31 but up 84 compared to the year ago price quote. Ranchers are trying to hold more beef cows and lean beef supplies remain in limited supply

50 CL Beef Trim prices finished last week at \$1.3050, up about 24 cent since Wed. December 31 and up 28 compared to the year ago level.

Food Service Summary Table - WT. AVE

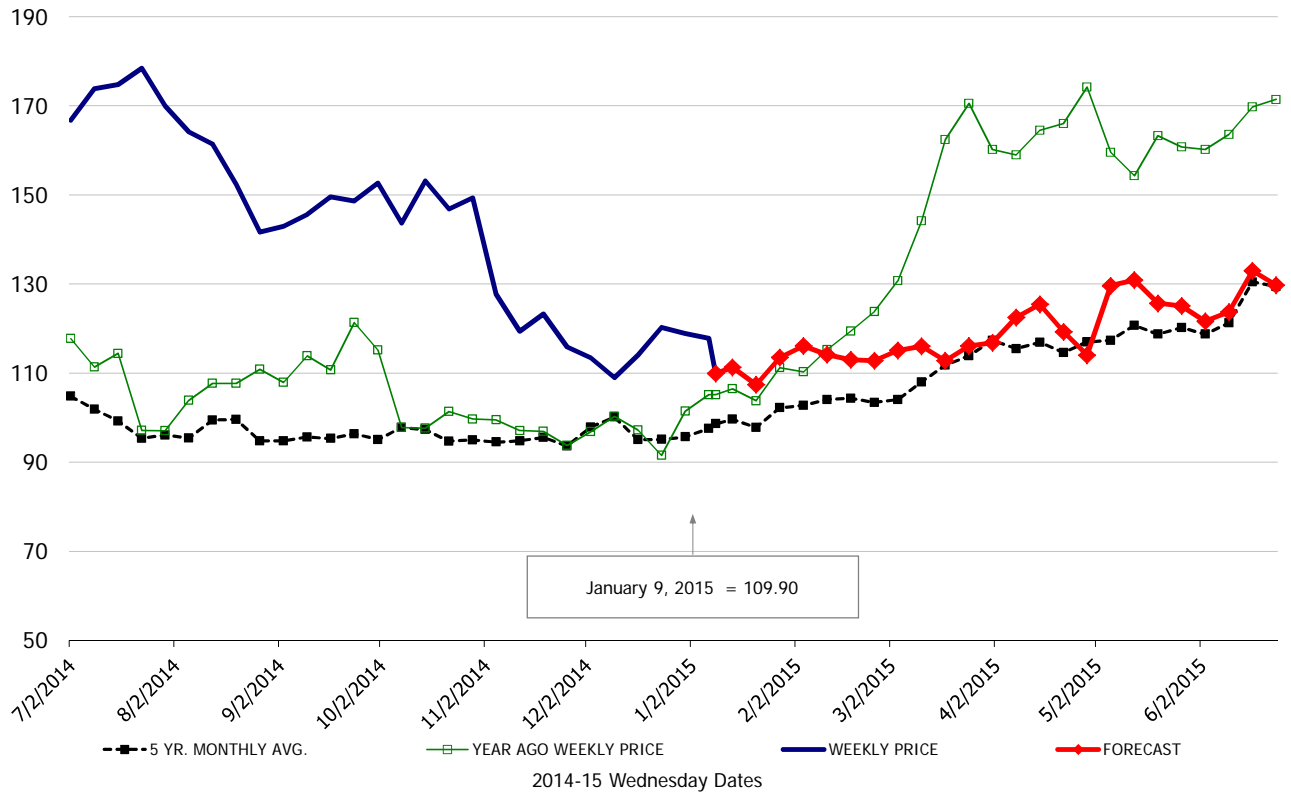
	2014-15 History								2015 FORECAST						
	Jul	Aug	Sep	Oct	Nov	Dec	12/31/2014	1/9/2015	1/21/2015	Jan	Feb	Mar	Apr	May	Jun
<u>PORK</u>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.67	1.48	1.53	1.51	1.16	1.15	1.13	1.08	1.12	1.12	1.14	1.19	1.21	1.35	1.30
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.79	1.57	1.58	1.60	1.23	1.23	1.21	1.19	1.23	1.22	1.21	1.28	1.28	1.42	1.39
Loin, Bnls CC Strap-off, FOB Plant, USDA	2.15	1.91	2.13	2.18	1.74	1.78	1.75	1.82	1.85	1.87	1.74	1.78	1.79	1.93	1.87
Loin, Tenderloin, FOB Plant, USDA	2.88	2.78	2.78	2.91	2.60	2.58	2.64	2.60	2.58	2.62	2.72	2.82	2.87	2.93	2.98
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	1.72	1.58	1.44	1.40	1.20	1.14	1.19	1.10	1.07	1.10	1.14	1.15	1.21	1.26	1.27
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.88	1.73	1.57	1.64	1.68	1.67	1.69	1.66	1.70	1.68	1.71	1.71	1.76	1.76	1.72
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.63	2.54	2.40	2.35	2.35	2.39	2.49	2.48	2.25	2.22	2.28	2.35	2.44	2.43	2.44
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.84	1.64	1.56	1.64	1.65	1.65	1.62	1.59	1.64	1.62	1.62	1.64	1.68	1.67	1.68
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.70	2.53	2.35	2.28	2.29	2.27	2.30	2.30	2.31	2.30	2.31	2.36	2.49	2.55	2.46
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	1.41	1.21	1.24	1.43	1.15	0.96	0.80	0.82	0.82	0.82	0.87	0.87	0.83	0.88	0.87
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	1.44	1.12	1.18	1.15	1.03	0.82	0.70	0.71	0.73	0.72	0.75	0.75	0.72	0.77	0.75
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	1.41	1.12	1.14	1.06	0.93	0.75	0.67	0.65	0.68	0.69	0.70	0.71	0.70	0.75	0.73
Ham, 5 Muscle Ham to Blue, FOB Plant, USDA	2.07	2.33	2.16	2.08		1.47	1.47	1.47	1.09	1.13	1.16	1.17	1.15	1.23	1.21
Belly, Skin-on Belly 14-16#, FOB Plant, USDA	1.61	1.27	1.13	1.05	0.95	0.98	0.95	1.01	1.10	1.07	1.06	1.10	1.14	1.15	1.15
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.92	1.47	1.27	1.32	1.16	1.21	1.20	1.35	1.39	1.37	1.33	1.38	1.43	1.45	1.45
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.93	1.41	1.26	1.34	1.15	1.20	1.21	1.35	1.38	1.36	1.32	1.37	1.42	1.44	1.44
Trim, 42% Trim Combo, FOB Plant, USDA	0.69	0.58	0.56	0.51	0.31	0.26	0.23	0.40	0.42	0.40	0.39	0.42	0.44	0.47	0.51
Trim, 72% Trim Combo, FOB Plant, USDA	1.40	1.10	1.00	0.98	0.75	0.67	0.65	0.63	0.64	0.65	0.67	0.69	0.72	0.80	0.85
<u>HOG CARCASS</u>															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	1.27	1.04	1.03	0.99	0.87	0.80	0.76	0.72	0.81	0.80	0.80	0.82	0.85	0.91	0.91
<u>BROILERS</u>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	1.07	1.00	1.07	1.07	1.04	0.98	1.00	1.04	1.04	1.05	1.03	1.02	1.00	1.01	1.01
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	2.00	1.85	1.88	1.68	1.43	1.31	1.29	1.28	1.27	1.26	1.35	1.45	1.55	1.65	1.60
N.E. BROILER BREAST LINE RUN, USDA	1.22	1.17	1.19	1.17	1.07	1.05	1.06	1.05	1.04	1.02	1.03	1.08	1.10	1.21	1.17
N.E. BROILER LEG QUARTERS, USDA	0.52	0.50	0.47	0.46	0.45	0.45	0.48	0.43	0.44	0.44	0.44	0.44	0.46	0.49	0.49
N.E. BROILER WINGS, USDA, WT.AVG.	1.45	1.43	1.66	1.87	1.78	1.73	1.72	1.83	1.82	1.81	1.89	1.76	1.59	1.44	1.48
<u>TURKEYS</u>															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.11	1.14	1.17	1.21	1.24	1.15	1.11	1.05	1.07	1.07	1.02	1.03	1.05	1.07	1.10
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	4.01	4.05	4.05	3.98	3.92	3.83	3.75	3.60	3.36	3.45	3.00	2.75	2.78	2.84	2.95
<u>LIVE STEERS</u>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.57	1.57	1.58	1.63	1.69	1.64	1.62	1.70	1.63	1.64	1.63	1.63	1.64	1.60	1.53
<u>BEEF</u>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	7.34	7.03	6.96	7.07	7.79	7.48	7.07	6.27	6.31	6.41	6.84	7.24	7.39	7.63	7.83
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.89	3.13	2.83	2.87	2.98	2.95	2.94	3.01	3.05	3.10	2.96	3.00	2.96	2.94	2.78
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.57	2.61	2.66	2.88	2.84	2.69	2.94	2.85	2.87	2.87	2.81	2.69	2.58	2.55	2.47
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	6.66	6.40	5.25	5.10	5.29	5.56	6.08	6.39	6.18	6.19	6.19	6.38	7.27	7.75	7.50
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	4.05	3.53	3.36	3.36	3.58	3.57	3.77	3.82	3.88	3.85	3.95	4.18	4.35	4.24	3.89
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	4.82	4.82	4.43	4.31	4.15	4.25	4.36	4.64	4.65	4.63	4.79	5.25	5.33	5.61	5.80
COARSE GROUND 73%, USDA	2.36	2.40	2.42	2.38	2.40	2.28	2.34	2.47	2.65	2.60	2.42	2.35	2.48	2.54	2.25
COARSE GROUND 81%, USDA	2.56	2.64	2.58	2.60	2.69	2.64	2.64	2.86	2.99	2.92	2.72	2.63	2.76	2.47	2.37
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.88	2.96	2.99	2.95	2.96	2.97	3.02	3.01	3.10	3.08	3.18	3.10	3.13	3.11	3.04
50CL BEEF TRIM, FRESH, NATIONAL, USDA	1.36	1.41	1.14	1.11	1.15	1.01	1.07	1.31	1.17	1.19	1.15	1.19	1.15	1.17	0.98





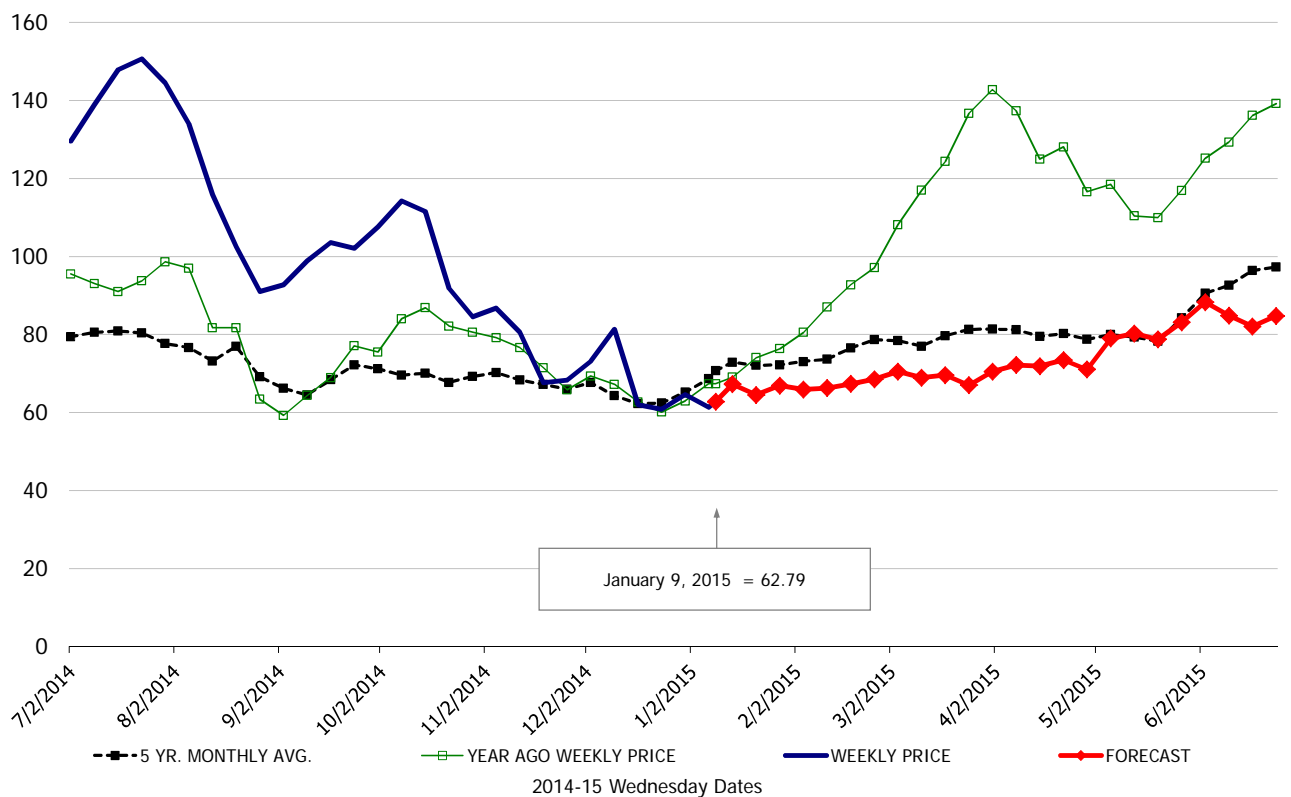
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Butt, 1/4 Trim Butt Combo, FOB Plant, USDA

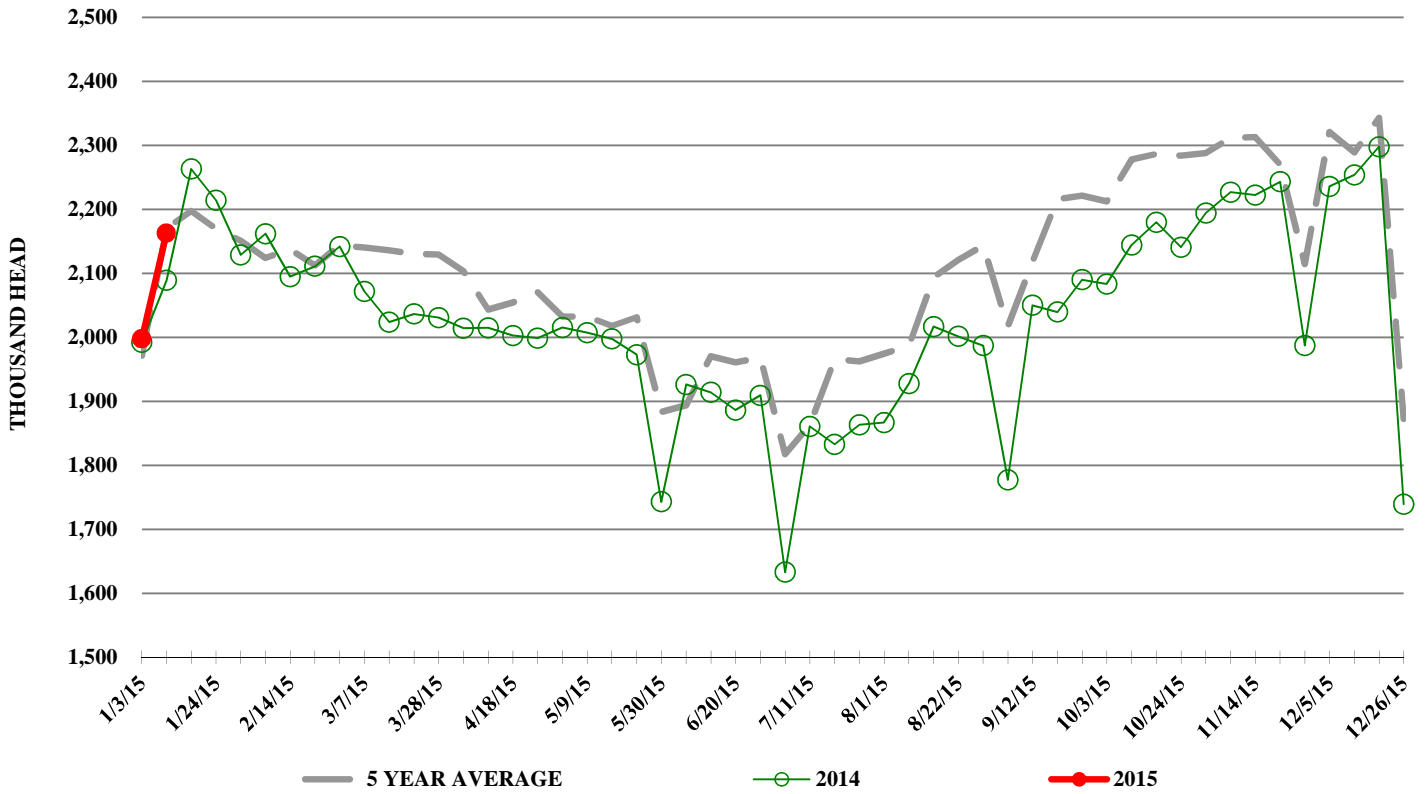


\$/cwt

Trim, 72% Trim Combo, FOB Plant, USDA



ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION

