Pork Merchandiser's **Profit Maximizer**

- Foodservice Edition

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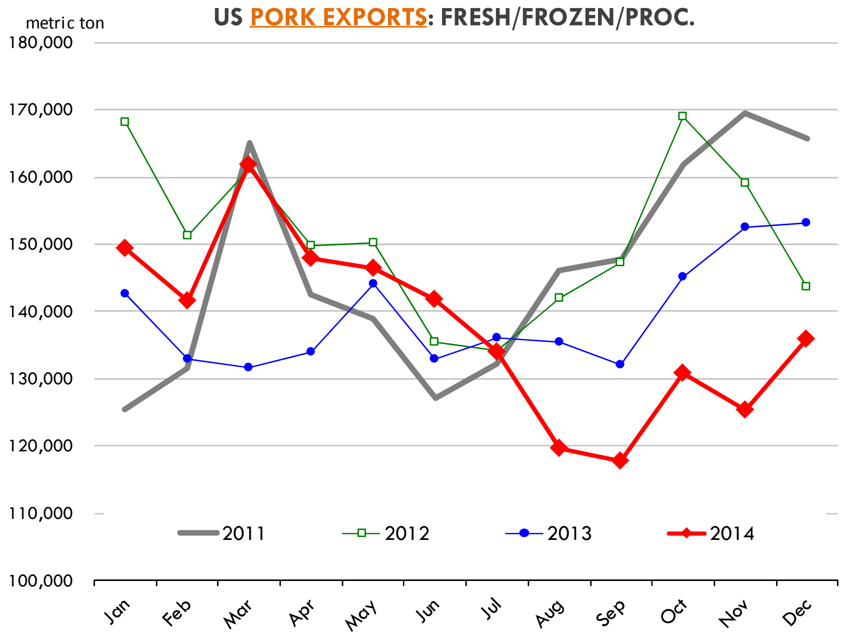
February 9, 2015

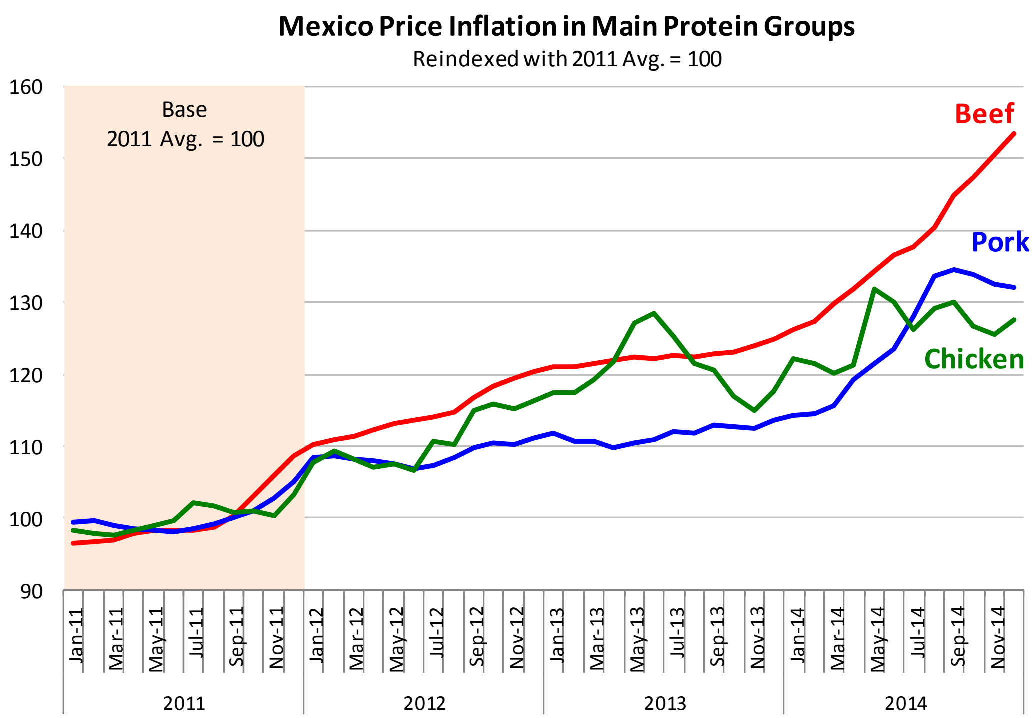
1. Exports Will Be a Key Driver for Pork Market in 2015

Pork exports were seasonally higher in December but overall volume remained significantly below levels we have seen in recent years. According to the latest USDA data, total shipments of fresh/frozen and cooked pork on a product weight basis were 135,790 MT in December, 11.4% lower than a year ago. This was the seventh consecutive month of lower y/y pork export sales. The decline reflects lower supply availability and sharply higher prices in the US. The negative price impact has been further enhanced by the very strong value of the US dollar, which acts as an additional price increase for foreign buyers looking to source product in the US market. The congestion in West Coast ports has been a negative factor as well. Exports to Asian markets are down sharply. Japan, which used to be the top market for US pork, has seen a dramatic slowdown in volume. Shipments in December were 28,851 MT, 14.3% lower than a year ago and down 16.9% in the last six months. The loss of Chinese business, however, has been even more problematic for the US pork industry. Pork shipments to China and Hong Kong in December were a mere 7,234 MT, down 8,447 MT (-54%) compared to the previous year. This decline accounted for almost



half of the overall reduction in US pork export volume in December. Domestic pork prices in China have declined as production there has recovered following PEDv a few years ago and, more importantly, lower feed costs. China has been an opportunistic buyer of pork in world markets, looking to fill short term needs but always intent on relying on the domestic industry for supplying the most popular meat protein in that country – pork. Exports to other markets also were lower. Shipments to Canada were 15,149 MT, down 1,036 MT(-6%). Mexico has been the top market for US pork and it will likely maintain that position in 2015. Rampant meat price inflation and lower domestic production have forced Mexican buyers to source product in the US despite the sharply higher prices. Pork exports to Mexico in December were 50,729 MT, 0.9% lower than a year ago. For the year, however, shipments to Mexico increased by almost 150,000 MT (+41%), making it by far the most important market for US pork.

Bottom line: Exports account for about 20% of US pork production. A slowdown in export demand, be this due to the currency impact, port situation, expansion in other markets, etc, implies that more pork will need to be absorbed by the domestic market. At the same time, US pork supplies are increasing, with slaughter up 5% in the last three weeks and hog carcass weights adding another 1.5% to total supplies.



Upcoming holidays:

2015 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 February 7 slaughter was 2.250 million head, up 4.1% from a year ago. In the last two weeks hog slaughter is up 5.0% vs. year ago levels.

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass values at about 60.93 /cwt. on Friday were down $7/cwt since Wed. January 28. Prices are down about 22 dollar compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at $1.0024, down about 6 cent since the Wed. January 28 quote and down about 20 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at $1.3138 for the strap on loins, down 13 cent since Wed. January 28 and down about 35 cent from the year ago levels. Strap off loins at $1.6164 are down about 1.9 cent since Wed. January 28 and down about 20 cents compared to the year ago quote.

Boneless sirloins at $1.3384 are up about 6 cents from the Wed. January 28 quote and up about 0.4 cents from the year ago price.

Pork tenderloin finished last week at $2.5560, down slightly since the Wed. January 28 quote and down about 0.5 cents from the year ago price.

5/10 Pork Butts (page 10), prices finished the week at $0.8470, down about 14 cents since Wed. January 28.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at $1.6021, down about 5 cent since Wed. January 28 but up about 2 cents from year ago levels.

Rib inventories on December 31 were 82.0 million pounds, down 23.0% percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was $0.6636/lb., down 6.2 cents compared to prices on Wed. January 28 and down about 18 cents from a year ago.

20/23 hams finished the week at 62.04 cents, down about 7 cents since Wed. January 28 and down about 19 cents from the year ago level.

23/27 hams finished the week at 56.35 , down about 8 cents from the Wed. January 28 quote and down about 25 cents from the year ago level.

Total ham cold storage stocks on December 31 at 66.0 million pounds were down about 14.0% from year ago levels.

42 CL Pork Trim "FOB Basis". Prices finished the week at 28.58 , up about 2.5 cent since Wed. January 28 but down about 6 cents from the year ago price.

72 CL Pork Trim "FOB Basis". Prices finished the week at 55.60 cents, down about 6 cents since the Wed. January 28 quote and down about 25 cents from the year ago level.

Freezer stocks of all trimmings on December 31 were 50.4 million pounds, up about 28.7% 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 9 cents from a year ago.

The National Whole Bird price was quoted at 91.12 on Friday February 7, down about 1 cents from a year ago.

Broiler slaughter for the week ending February 7 was 159.81 million head, down 0.14% from a year ago. For the last two weeks slaughter was up 6.9% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at $1.4002, down 5 cents since Wed. January 28 but also up about 12 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 0.5 cents vs. year ago price at 36.22 . Russian and Chinese bans on US chicken have 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 $2.0090 are up about 68 cents from year ago levels.

Turkeys

Hens finished last week at $1.0400, unchanged since Wed. January 28 but up about 2 cents from the year ago price.

Toms finished last week at $1.0400, unchanged since Wed. January 28 but up about 2 cent from the year ago price.

Total turkey supplies in the freezer on December 31 were down about 18.6% percent from a year ago at 193.2 million pounds. Whole birds were down 12.3% percent from year ago with an inventory of 59.6 million pounds.

Turkey slaughter was 4.3030 million head for the week ending January 31, up 9.60% from a year ago. For the last two weeks slaughter has been up 12.1%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at $3.1500, unchanged since Wed. January 28. Prices are down about 15 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 $6.4646 (weighted average quote) finished last week up about one cents since the Wed. January 28 quote and up about 70 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at $6.2809 (weighted average quote) finished last week up about 8 cents since the Wed. January 28 quote but up about 57 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are $0.1837 /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 $2.7151 up about 5 cents since Wed. January 28 and up about 26 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at $2.8845 up about 13 cents since Wed. January 28 and up about 40 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at $2.7608 down about 6 cents since Wed. January 28 but up about 10 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at $5.8574 (wt. avg.) up about 16 cents from the Wed. January 28 quote. Prices are about 65 cents over year ago levels.

Choice #184 Regular Heavy top butts finished at $3.8141 (wt. avg.) up about 9 cents since Wed. January 28 and up about 94 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at $4.0718 (wt. avg.) up about 11 cents since Wed. January 28 and up about 102 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at $5.0557 (wt. avg.) down about 20 cents since Wed. January 28 but up about 78 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at $2.1973 down about 20 cents since Wed. January 28 but up about 16 cents from year ago levels.

81CL Coarse Ground product finished last week at $2.4270 down about 34 cent since Wed. January 28 but up about 35 cents from the year ago quote.

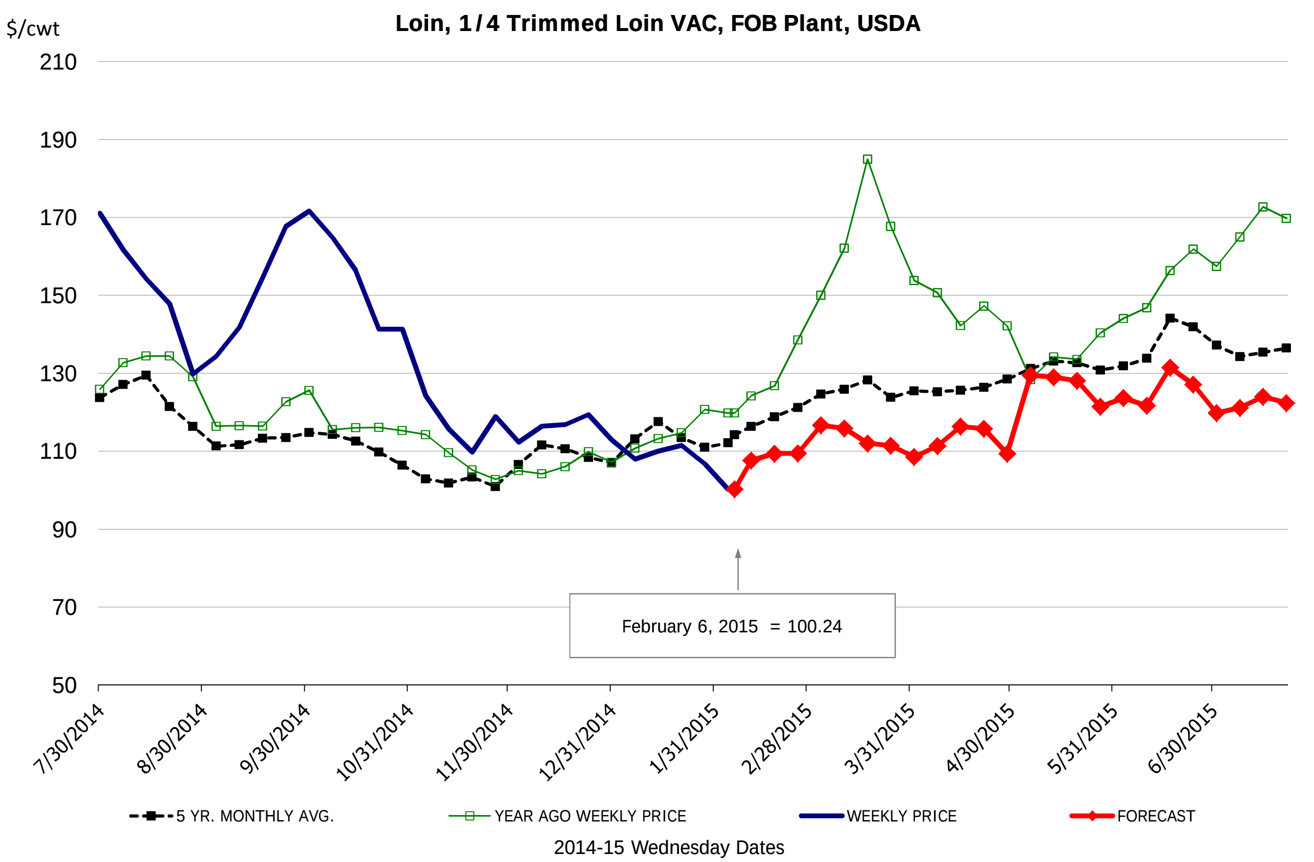
90CL Bnls. Beef prices finished the week at $2.9452 (wt. avg.) down about 9 cent since Wed. January 28 but up 70 compared to the year ago price quote. Fat grinding beef prices have been higher in the last two weeks on tight slaughter supplies but the drop in ground beef prices should help cool off that market.

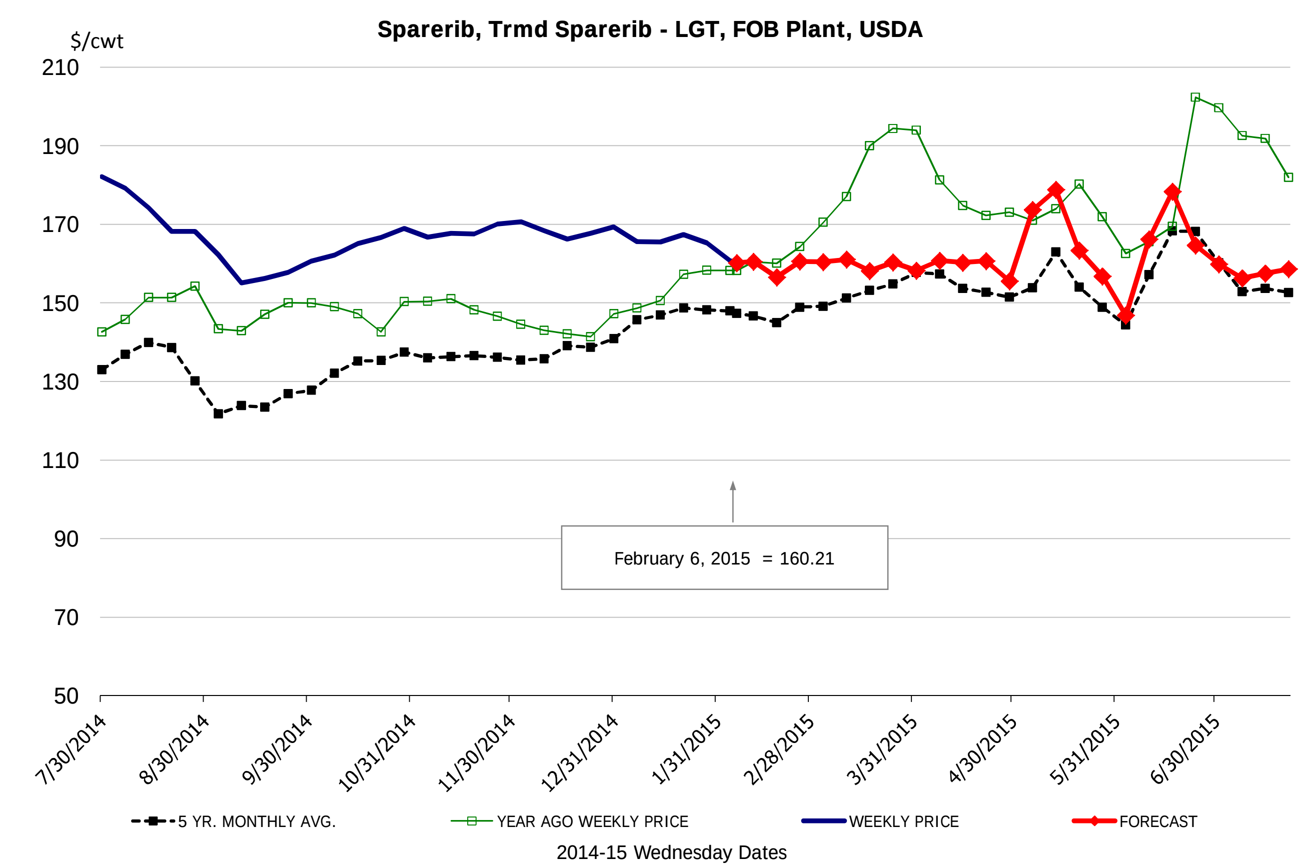
50 CL Beef Trim prices finished last week at $0.9408, down about 33 cent since Wed. January 28 and down 3 compared to the year ago level.

Food Service Summary Table - WT. AVE

	2014-15 History								2015 FORECAST						
	Aug	Sep	Oct	Nov	Dec	Jan	1/28/2015	2/6/2015	2/18/2015	Feb	Mar	Apr	May	Jun	Jul
PORK															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.48	1.53	1.51	1.16	1.15	1.08	1.07	1.00	1.09	1.08	1.14	1.13	1.26	1.26	1.22
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.57	1.58	1.60	1.23	1.23	1.16	1.19	1.11	1.15	1.14	1.21	1.19	1.33	1.33	1.30
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.91	2.13	2.18	1.74	1.78	1.72	1.64	1.62	1.60	1.61	1.64	1.62	1.76	1.74	1.67
Loin, Tenderloin, FOB Plant, USDA	2.78	2.78	2.91	2.60	2.58	2.64	2.59	2.56	2.75	2.77	2.76	2.77	3.06	3.11	3.03
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	1.58	1.44	1.40	1.20	1.14	1.04	1.00	0.90	0.91	0.92	0.96	1.05	1.22	1.23	1.15
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.73	1.57	1.64	1.68	1.67	1.66	1.65	1.60	1.57	1.60	1.60	1.60	1.67	1.64	1.57
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.54	2.40	2.35	2.35	2.39	2.42	2.41	2.41	2.12	2.17	2.27	2.26	2.35	2.36	2.32
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.64	1.56	1.64	1.65	1.65	1.59	1.58	1.54	1.51	1.51	1.51	1.50	1.59	1.60	1.56
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.53	2.35	2.28	2.29	2.27	2.35	2.37	2.39	2.40	2.38	2.38	2.40	2.67	2.58	2.42
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	1.21	1.24	1.43	1.15	0.96	0.80	0.73	0.66	0.82	0.80	0.83	0.83	0.88	0.93	0.97
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	1.12	1.18	1.15	1.03	0.82	0.73	0.69	0.62	0.73	0.73	0.77	0.76	0.84	0.86	0.93
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	1.12	1.14	1.06	0.93	0.75	0.67	0.65	0.56	0.68	0.68	0.71	0.71	0.80	0.81	0.89
Ham, 5 Muscle Ham to Blue, FOB Plant, USDA	2.33	2.16	2.08		1.47	1.19	1.19	1.19	1.14	1.16	1.22	1.23	1.35	1.38	1.50
Belly, Skin-on Belly 14-16#, FOB Plant, USDA	1.27	1.13	1.05	0.95	0.98	1.08	1.12	1.02	1.03	1.04	1.08	1.11	1.13	1.15	1.18
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.47	1.27	1.32	1.16	1.21	1.27	1.23	1.20	1.32	1.30	1.35	1.39	1.42	1.44	1.48
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.41	1.26	1.34	1.15	1.20	1.24	1.24	1.14	1.30	1.28	1.33	1.37	1.40	1.42	1.46
Trim, 42% Trim Combo, FOB Plant, USDA	0.58	0.56	0.51	0.31	0.26	0.30	0.26	0.29	0.31	0.30	0.34	0.37	0.39	0.42	0.48
Trim, 72% Trim Combo, FOB Plant, USDA	1.10	1.00	0.98	0.75	0.67	0.64	0.62	0.56	0.62	0.62	0.74	0.74	0.79	0.90	0.92
HOG CARCASS															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Dlv.	1.04	1.03	0.99	0.87	0.80	0.71	0.68	0.61	0.75	0.76	0.79	0.81	0.87	0.89	0.90
BROILERS															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	1.00	1.07	1.07	1.04	0.98	0.99	0.94	0.91	0.95	0.94	0.99	0.99	1.02	1.01	0.98
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.85	1.88	1.68	1.43	1.31	1.38	1.45	1.40	1.39	1.40	1.46	1.59	1.70	1.67	1.69
N.E. BROILER BREAST LINE RUN, USDA	1.17	1.19	1.17	1.07	1.05	1.05	1.07	1.03	1.03	1.03	1.03	1.10	1.17	1.16	1.16
N.E. BROILER LEG QUARTERS, USDA	0.50	0.47	0.46	0.45	0.45	0.41	0.37	0.36	0.38	0.38	0.39	0.41	0.44	0.43	0.43
N.E. BROILER WINGS, USDA, WT.AVG.	1.43	1.66	1.87	1.78	1.73	1.96	2.04	2.01	1.87	1.93	1.72	1.56	1.49	1.54	1.62
TURKEYS															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.14	1.17	1.21	1.24	1.15	1.05	1.04	1.04	1.01	1.01	1.02	1.04	1.06	1.09	1.11
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	4.05	4.05	3.98	3.92	3.83	3.48	3.30	3.15	2.83	2.85	2.75	2.78	2.84	2.95	3.01
LIVE STEERS															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.57	1.58	1.63	1.69	1.64	1.65	1.60	1.59	1.55	1.54	1.54	1.55	1.49	1.48	1.48
BEEF															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	7.03	6.96	7.07	7.79	7.48	6.41	6.45	6.46	6.33	6.36	6.64	6.77	6.93	7.48	6.94
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	3.13	2.83	2.87	2.98	2.95	2.87	2.75	2.88	2.72	2.70	2.83	2.75	2.63	2.57	2.65
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.61	2.66	2.88	2.84	2.69	2.81	2.82	2.76	2.66	2.65	2.55	2.41	2.35	2.37	2.42
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	6.40	5.25	5.10	5.29	5.56	6.05	5.70	5.86	5.61	5.53	6.15	6.65	6.76	6.96	6.24
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	3.53	3.36	3.36	3.58	3.57	3.86	4.01	4.07	4.02	4.07	4.07	4.02	3.98	3.99	3.98
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	4.82	4.43	4.31	4.15	4.25	4.77	5.25	5.06	5.19	5.05	5.14	5.14	5.30	5.58	5.26
COARSE GROUND 73%, USDA	2.40	2.42	2.38	2.40	2.28	2.49	2.40	2.20	2.21	2.25	2.29	2.24	2.27	2.14	2.12
COARSE GROUND 81%, USDA	2.64	2.58	2.60	2.69	2.64	2.78	2.76	2.43	2.57	2.58	2.58	2.46	2.53	2.41	2.39
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.96	2.99	2.95	2.96	2.97	3.02	3.03	2.95	2.99	2.98	2.96	2.95	2.86	2.86	2.91
50CL BEEF TRIM, FRESH, NATIONAL, USDA	1.41	1.14	1.11	1.15	1.01	1.26	1.27	0.94	1.07	1.03	1.20	1.13	1.14	1.04	1.03

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


Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA
$/cwt
210
190
170
150
130
110
90
70
50
February 6, 2015 = 100.24
7/30/2014
8/30/2014
9/30/2014
10/31/2014
11/30/2014
12/31/2014
1/31/2015
2/28/2015
3/31/2015
4/30/2015
5/31/2015
6/30/2015
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2014-15 Wednesday Dates


Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA
$/cwt
210
190
170
150
130
110
90
70
50
February 6, 2015 = 160.21
7/30/2014
8/30/2014
9/30/2014
10/31/2014
11/30/2014
12/31/2014
1/31/2015
2/28/2015
3/31/2015
4/30/2015
5/31/2015
6/30/2015
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
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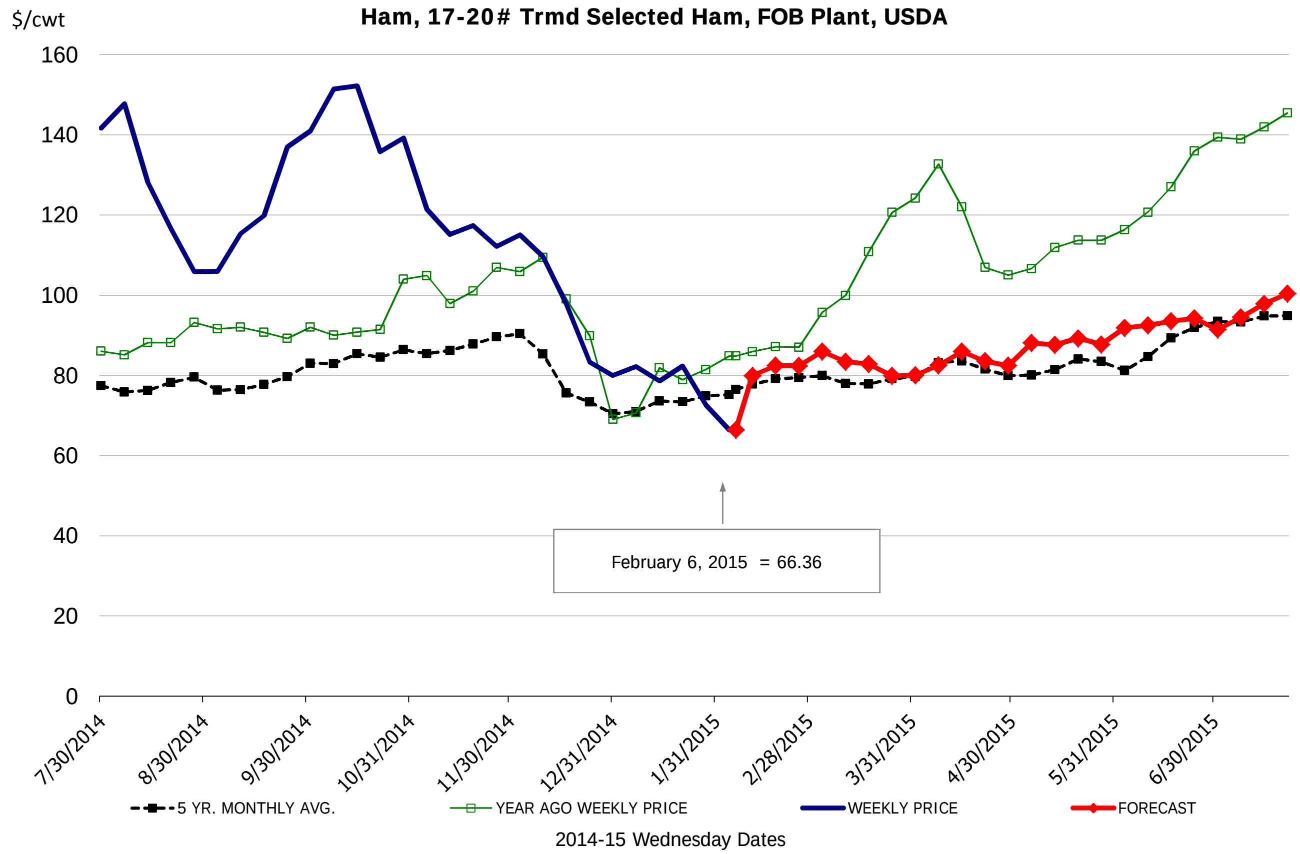
FORECAST
2014-15 Wednesday Dates


$/cwt
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA
160
140
120
100
80
60
40
20
0
February 6, 2015 = 66.36
7/30/2014
8/30/2014
9/30/2014
10/31/2014
11/30/2014
12/31/2014
1/31/2015
2/28/2015
3/31/2015
4/30/2015
5/31/2015
6/30/2015
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
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FORECAST
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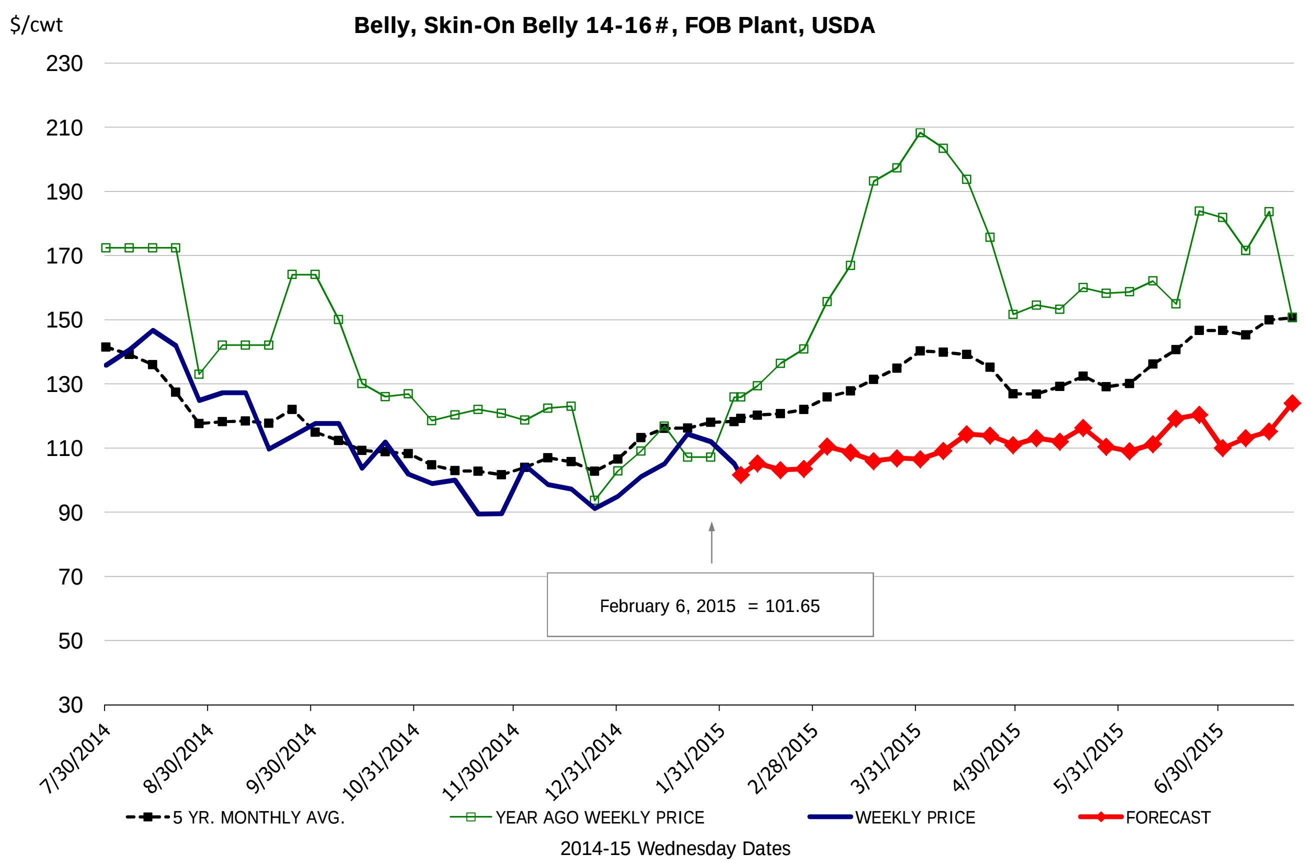
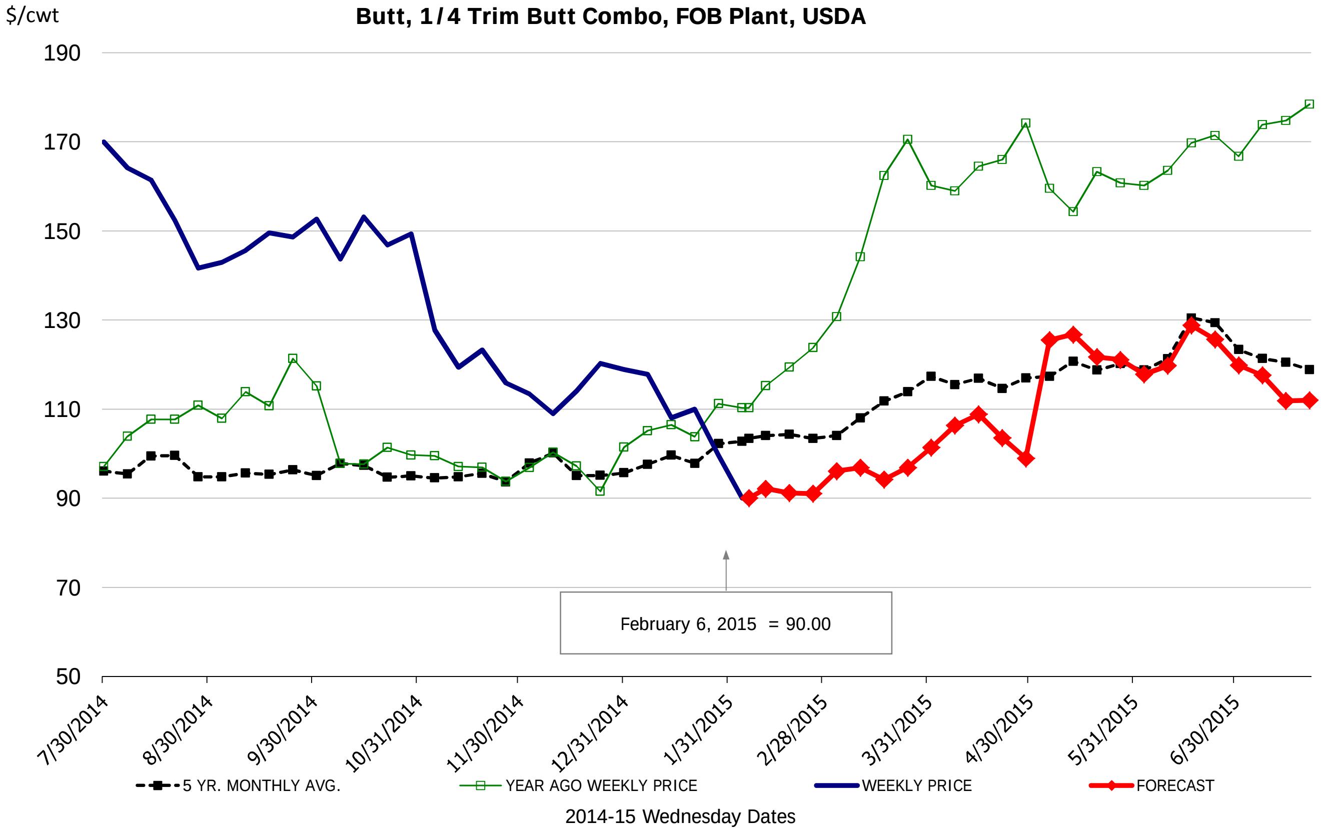
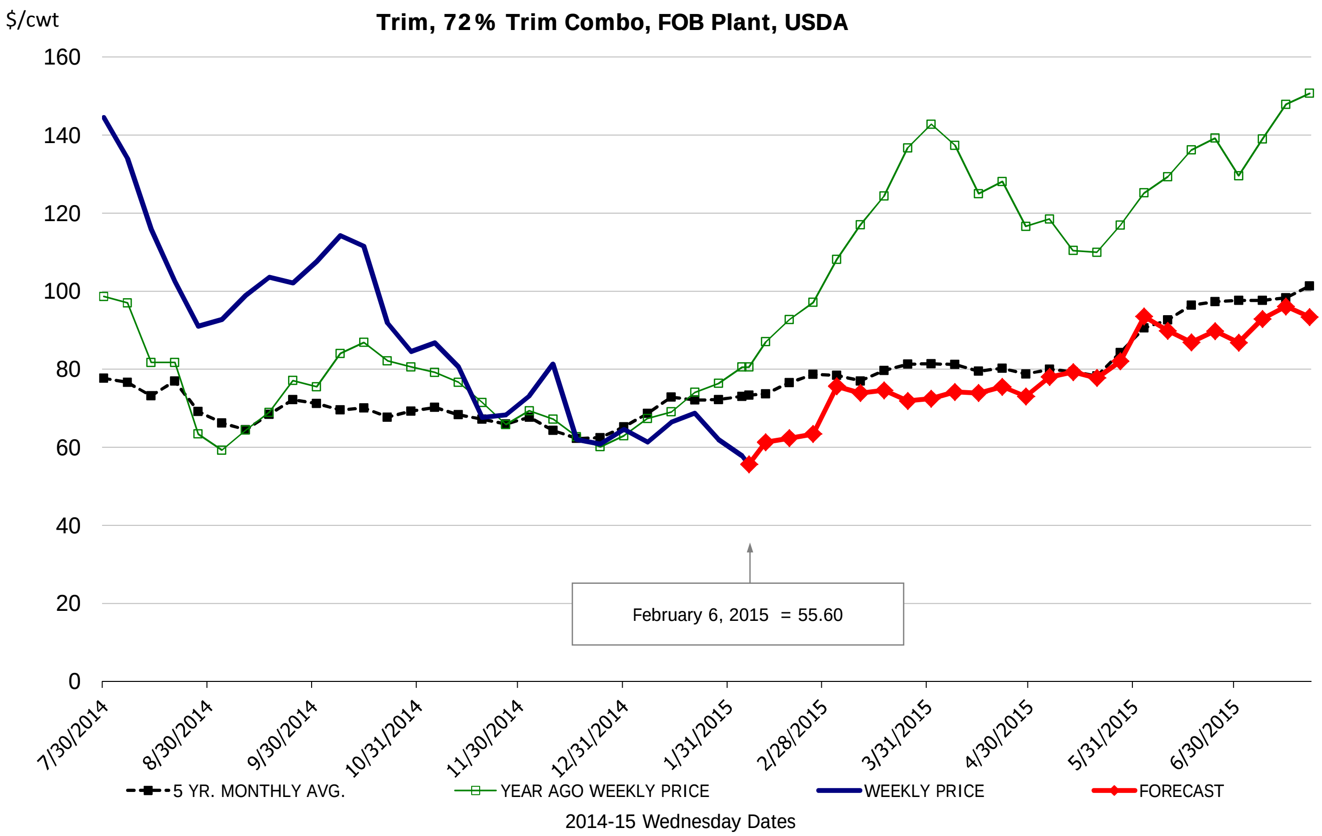

$/cwt
Belly, Skin-On Belly 14-16#, FOB Plant, USDA
230
210
190
170
150
130
110
90
70
50
30
February 6, 2015 = 101.65
7/30/2014
8/30/2014
9/30/2014
10/31/2014
11/30/2014
12/31/2014
1/31/2015
2/28/2015
3/31/2015
4/30/2015
5/31/2015
6/30/2015
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2014-15 Wednesday Dates


$/cwt
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA
190
170
150
130
110
90
70
50
February 6, 2015 = 90.00
7/30/2014
8/30/2014
9/30/2014
10/31/2014
11/30/2014
12/31/2014
1/31/2015
2/28/2015
3/31/2015
4/30/2015
5/31/2015
6/30/2015
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2014-15 Wednesday Dates


$/cwt
Trim, 72% Trim Combo, FOB Plant, USDA
160
140
120
100
80
60
40
20
0
February 6, 2015 = 55.60
7/30/2014
8/30/2014
9/30/2014
10/31/2014
11/30/2014
12/31/2014
1/31/2015
2/28/2015
3/31/2015
4/30/2015
5/31/2015
6/30/2015
5 YR. MONTHLY AVG.
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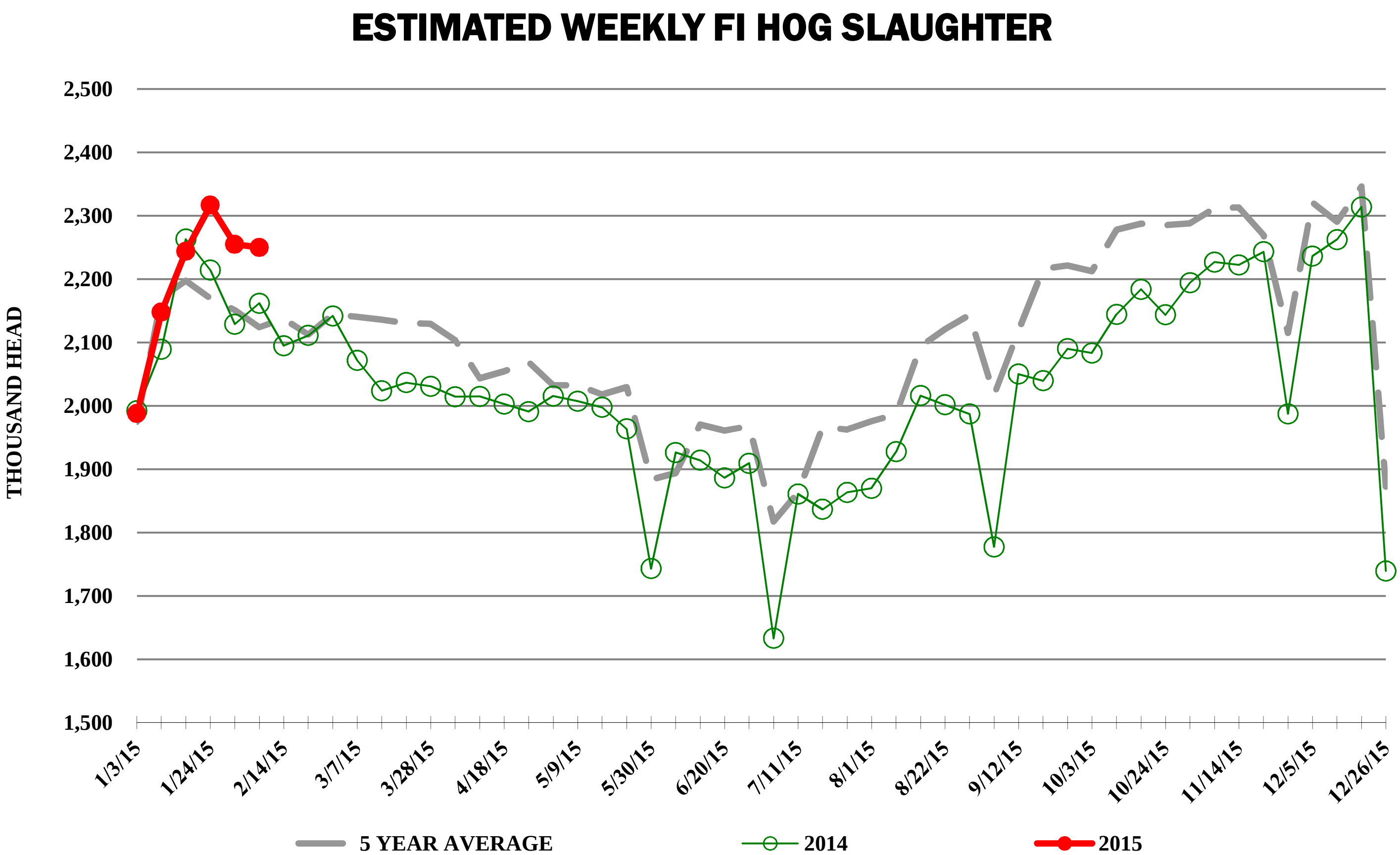
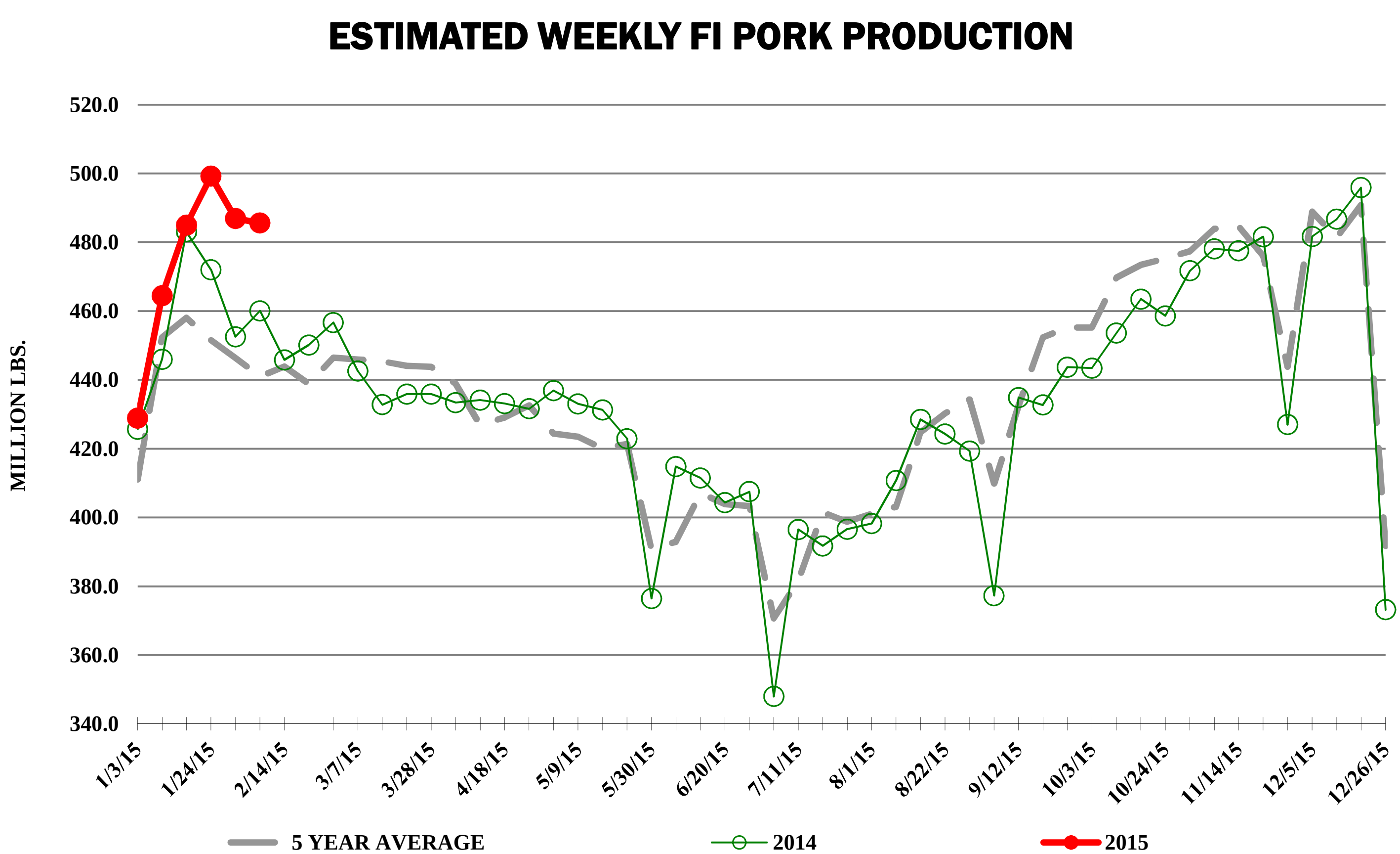
WEEKLY PRICE
FORECAST
2014-15 Wednesday Dates



ESTIMATED WEEKLY FI HOG SLAUGHTER
THOUSAND HEAD
2,500
2,400
2,300
2,200
2,100
2,000
1,900
1,800
1,700
1,600
1,500
1/3/15
1/24/15
2/14/15
3/7/15
3/28/15
4/18/15
5/9/15
5/30/15
6/20/15
7/11/15
8/1/15
8/22/15
9/12/15
10/3/15
10/24/15
11/14/15
12/5/15
12/26/15
5 YEAR AVERAGE
2014
2015



ESTIMATED WEEKLY FI PORK PRODUCTION
MILLION LBS.
520.0
500.0
480.0
460.0
440.0
420.0
400.0
380.0
360.0
340.0
1/3/15
1/24/15
2/14/15
3/7/15
3/28/15
4/18/15
5/9/15
5/30/15
6/20/15
7/11/15
8/1/15
8/22/15
9/12/15
10/3/15
10/24/15
11/14/15
12/5/15
12/26/15
5 YEAR AVERAGE
2014
2015