Pork Merchandiser's **Profit Maximizer**

- Foodservice Edition

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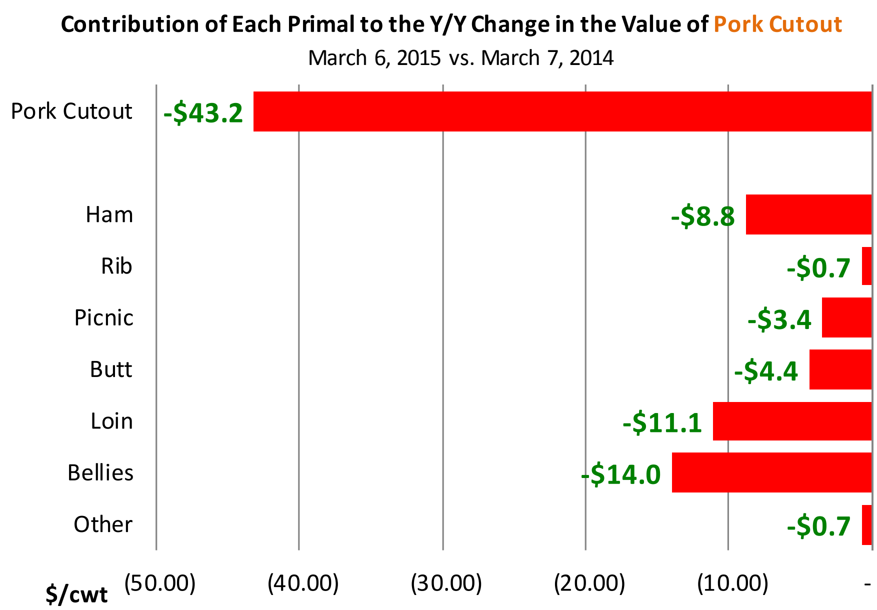
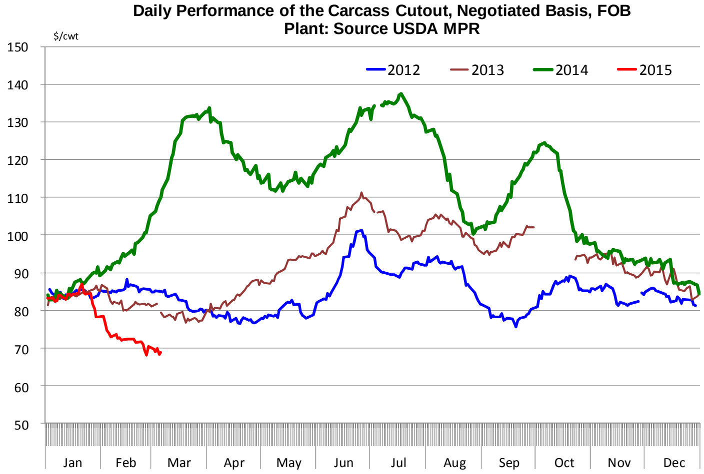
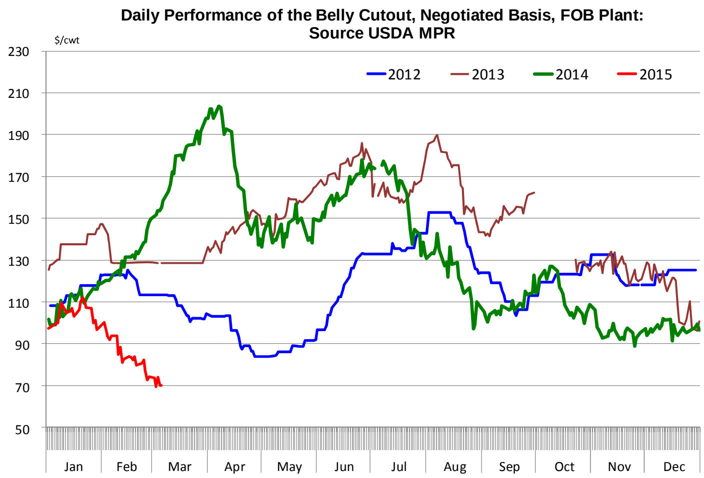
March 9, 2015

1. Pork prices continue to drift lower

Lean hog futures were lower this week on continued weakness in cash hog markets, large slaughter volume and a steady erosion in the pork cutout. Hopes of a market bottom, which permeated trading the previous week, appear to have been premature. For the moment, there appears to be a lot more pork in the market than previously expected and lower prices are required to absorb this additional supply. Inclement weather across heavily populated areas in the Northeast may be a short term factor. And then there is the residual impact of the sharply higher pork prices we saw last year, which still linger, be this as expensive processor inventories, high priced product contracted last fall and near record prices at the retail case. The pork cutout on Friday was quoted at $68.82/cwt, 39% lower than a year ago and almost 20% lower than where it was at the start of this year. The declines appear quite dramatic but, if you look at the price chart above, they are not really that surprising from a historical perspective. In 2012, the pork cutout drifted lower all the way into mid-April while in 2013 pork values did not bottom out until the end of March. This year, we have the complications of weaker than normal export sales due to a strong US$







and transportation issues at US West Coast ports and also the sticky retail prices that will take a while to adjust. On this last point, consider that all fresh retail pork price in January was $3.99, 6% higher than a year ago. Wholesale prices may be down sharply but retailers are taking their time adjusting prices. This is in part because that's what retailers normally do, they don't like sharp price adjustments that confuse shoppers. It also reflects the fact that a big reduction in pork prices at retail could lower their overall dollar revenue even if they were to sell a bit more product. Belly prices are a case in point. There appears to be a significant glut of pork bellies in the market. The belly cutout on Friday was quoted at $70.06/cwt, down 56% from a year ago. Bellies account for just 16% of the hog carcass but so far their lower prices are behind 1/3 of the drop in the value of the carcass. Still, looking at the consumer price index data, bacon prices at retail in January 2015 were only slightly lower than the prior year and 8% higher than where they were in January 2013. Now one can argue with the methodology used by BLS in collecting some of this retail data but the information provided seems to match what we are hearing from market participants. Retail prices remain high for a number of pork items and this is making it more difficult to move product. Foodservice sales appear to be ok but winter weather has certainly impacted some of the larger chains that normally sell a lot of bacon. They probably want to see their inventory positions get in line with their internal benchmarks before they start ordering more. And don't forget that many of them likely reduced their bacon features last year and it takes several months for new promotions to kick in. For now, the US domestic pork market is oversupplied and it will take some time for retail markets to adjust and the seasonal improvement in demand to kick in. Calling a market bottom is always fraught with risk and recent trading in hog futures seems to confirm that.

Upcoming holidays:

2015 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 March 7 slaughter was 2.222 million head, up 7.3% from a year ago. In the last two weeks hog slaughter is up 6.3% vs. year ago levels.

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass values at about 64.00 /cwt. on Friday were down $2/cwt since Wed. February 25. Prices are down about 39 dollar compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at $0.9768, down about 2 cent since the Wed. February 25 quote and down about 52 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at $1.3292 for the strap on loins, down 0.0 cent since Wed. February 25 and down about 67 cent from the year ago levels. Strap off loins at $1.5322 are up about 6.8 cent since Wed. February 25 but down about 61 cents compared to the year ago quote.

Boneless sirloins at $1.2596 are up about 0 cents from the Wed. February 25 quote but down about 25.4 cents from the year ago price.

Pork tenderloin finished last week at $2.2600, down slightly since the Wed. February 25 quote and down about 30.3 cents from the year ago price.

5/10 Pork Butts (page 10), prices finished the week at $0.9272, up about 0.2 cents since Wed. February 25.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at $1.5953, up about 2 cent since Wed. February 25 but down about 11 cents from year ago levels.

Rib inventories on January 31 were 94.9 million pounds, down 15.5% percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was $0.7081/lb., down 3.2 cents compared to prices on Wed. February 25 and down about 25 cents from a year ago.

20/23 hams finished the week at 59.78 cents, down about 4 cents since Wed. February 25 and down about 38 cents from the year ago level.

23/27 hams finished the week at 55.81 , down about 1 cents from the Wed. February 25 quote and down about 37 cents from the year ago level.

Total ham cold storage stocks on January 31 at 111.0 million pounds were down about 4.6% from year ago levels.

42 CL Pork Trim "FOB Basis". Prices finished the week at 28.02 , up about 3.8 cent since Wed. February 25 but down about 34 cents from the year ago price.

72 CL Pork Trim "FOB Basis". Prices finished the week at 43.08 cents, up about 3 cents since the Wed. February 25 quote but down about 65 cents from the year ago level.

Freezer stocks of all trimmings on January 31 were 59.3 million pounds, up about 42.7% 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 $114.00 was up about 9 cents from a year ago.

The National Whole Bird price was quoted at 96.47 on Friday March 7, down about 4 cents from a year ago.

Broiler slaughter for the week ending March 7 was 162.16 million head, up 8.25% from a year ago. For the last two weeks slaughter was up 1.5% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at $1.3592, up 0 cents since Wed. February 25 but also down about 2 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 1.6 cents vs. year ago price at 38.44 . 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 $1.8652 are up about 58 cents from year ago levels.

Turkeys

Hens finished last week at $1.0500, unchanged since Wed. February 25 and down about 0 cents from the year ago price.

Toms finished last week at $1.0500, unchanged since Wed. February 25 and down about 0 cent from the year ago price.

Total turkey supplies in the freezer on January 31 were down about 1.5% percent from a year ago at 279.9 million pounds. Whole birds were down 8.1% percent from year ago with an inventory of 116.3 million pounds.

Turkey slaughter was 3.9390 million head for the week ending February 28, down -5.83% from a year ago. For the last two weeks slaughter has been down 6.9%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at $2.9300, unchanged since Wed. February 25. Prices are down about 18 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 $7.5320 (weighted average quote) finished last week up about 34 cents since the Wed. February 25 quote and up about 158 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at $7.5986 (weighted average quote) finished last week up about 35 cents since the Wed. February 25 quote but up about 179 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are $(0.0666)/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 $2.7372 down about 17 cents since Wed. February 25 and down about 9 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at $2.8613 down about 15 cents since Wed. February 25 and down about 21 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at $2.5533 down about 13 cents since Wed. February 25 and down about 23 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at $6.0582 (wt. avg.) down about 8 cents from the Wed. February 25 quote. Prices are about 16 cents over year ago levels.

Choice #184 Regular Heavy top butts finished at $4.2678 (wt. avg.) up about 7 cents since Wed. February 25 and up about 119 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at $4.3221 (wt. avg.) down about 11 cents since Wed. February 25 but up about 94 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at $4.8300 (wt. avg.) down about 7 cents since Wed. February 25 but up about 33 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at $2.1099 down about 7 cents since Wed. February 25 and down about 13 cents from year ago levels.

81CL Coarse Ground product finished last week at $2.6067 up about 2 cent since Wed. February 25 but down about one cents from the year ago quote.

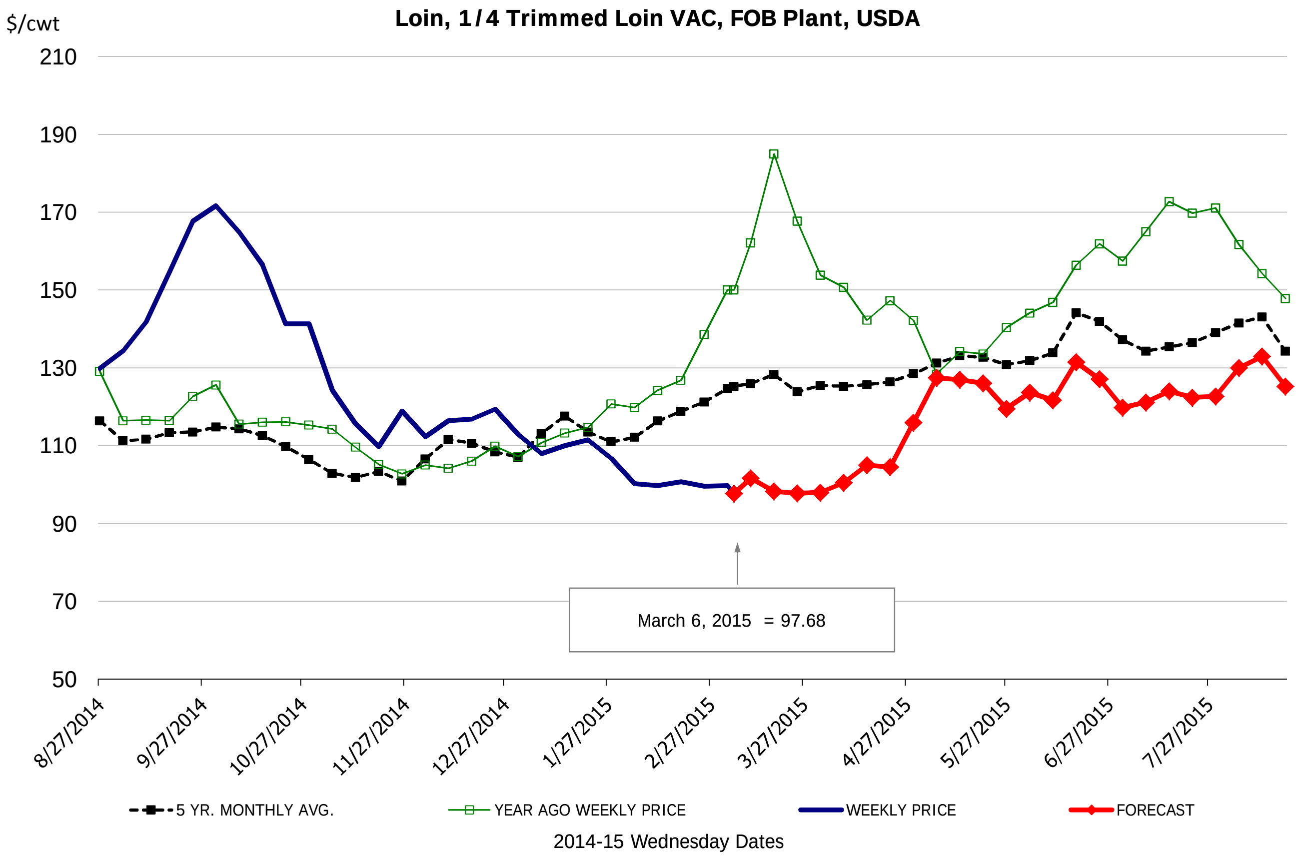
90CL Bnls. Beef prices finished the week at $2.9420 (wt. avg.) up about 4 cent since Wed. February 25 and up 38 compared to the year ago price quote. Fat grinding beef prices have been higher in the last two weeks on tight slaughter supplies but the drop in ground beef prices should help cool off that market.

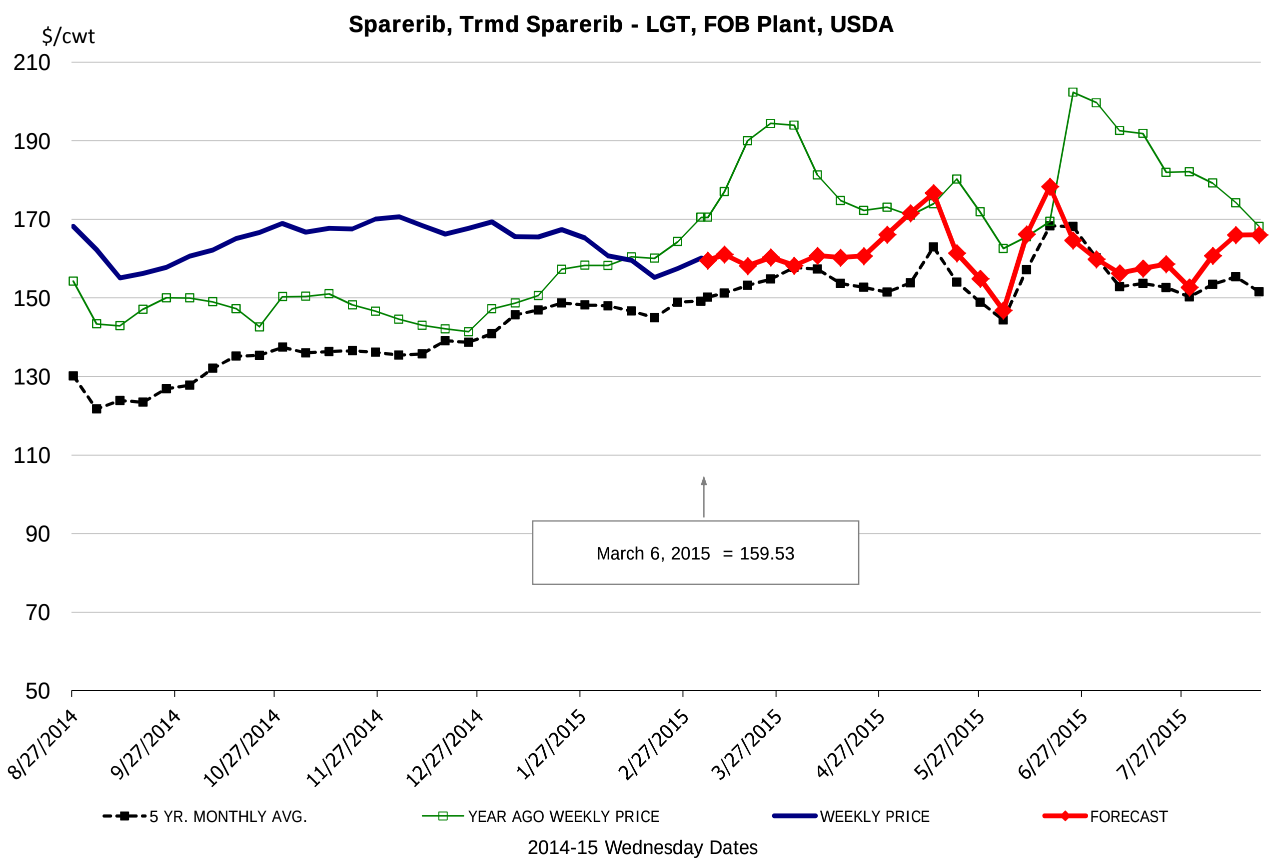
50 CL Beef Trim prices finished last week at $0.8825, down about 2 cent since Wed. February 25 and down 45 compared to the year ago level.

Food Service Summary Table - WT. AVE

	2014-15 History								2015 FORECAST						
	Sep	Oct	Nov	Dec	Jan	Feb	2/25/2015	3/6/2015	3/18/2015	Mar	Apr	May	Jun	Jul	Aug
PORK															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.53	1.51	1.16	1.15	1.08	1.00	1.00	0.98	0.98	1.00	1.02	1.24	1.26	1.22	1.27
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.58	1.60	1.23	1.23	1.16	1.07	1.07	1.02	1.06	1.05	1.07	1.31	1.33	1.30	1.35
Loin, Bnls CC Strap-off, FOB Plant, USDA	2.13	2.18	1.74	1.78	1.72	1.55	1.46	1.53	1.54	1.55	1.57	1.74	1.74	1.67	1.78
Loin, Tenderloin, FOB Plant, USDA	2.78	2.91	2.60	2.58	2.64	2.51	2.44	2.26	2.36	2.36	2.60	2.67	2.70	2.70	2.69
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	1.44	1.40	1.20	1.14	1.04	0.85	0.89	0.86	0.90	0.92	0.99	1.20	1.23	1.15	1.14
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.57	1.64	1.68	1.67	1.66	1.59	1.57	1.60	1.58	1.60	1.60	1.65	1.64	1.57	1.61
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.40	2.35	2.35	2.39	2.42	2.36	2.40	2.41	2.27	2.30	2.33	2.44	2.46	2.42	2.45
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.56	1.64	1.65	1.65	1.59	1.53	1.51	1.49	1.52	1.52	1.52	1.58	1.60	1.56	1.59
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.35	2.28	2.29	2.27	2.35	2.44	2.46	2.53	2.41	2.39	2.40	2.57	2.58	2.42	2.43
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	1.24	1.43	1.15	0.96	0.80	0.70	0.74	0.71	0.72	0.72	0.75	0.84	0.90	0.94	0.95
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	1.18	1.15	1.03	0.82	0.73	0.64	0.64	0.60	0.62	0.62	0.66	0.79	0.83	0.90	0.88
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	1.14	1.06	0.93	0.75	0.67	0.59	0.57	0.56	0.59	0.59	0.62	0.76	0.78	0.86	0.85
Ham, 5 Muscle Ham to Blue, FOB Plant, USDA	2.16	2.08	1.58	1.47	1.19	1.19	1.19	1.19	1.12	1.11	1.11	1.31	1.35	1.47	1.46
Belly, Skin-on Belly 14-16#, FOB Plant, USDA	1.13	1.05	0.95	0.98	1.08	0.86	0.78	0.78	0.79	0.81	0.92	1.09	1.12	1.15	1.14
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.27	1.32	1.16	1.21	1.27	1.01	0.95	0.92	0.97	1.00	1.18	1.37	1.41	1.45	1.44
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.26	1.34	1.15	1.20	1.24	1.05	0.95	0.82	0.90	0.92	1.17	1.35	1.39	1.43	1.42
Trim, 42% Trim Combo, FOB Plant, USDA	0.56	0.51	0.31	0.26	0.30	0.27	0.24	0.28	0.32	0.32	0.35	0.39	0.42	0.48	0.47
Trim, 72% Trim Combo, FOB Plant, USDA	1.00	0.98	0.75	0.67	0.64	0.48	0.40	0.43	0.49	0.49	0.57	0.73	0.85	0.87	0.79
HOG CARCASS															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Dlv.	1.03	0.99	0.87	0.80	0.71	0.61	0.66	0.64	0.64	0.65	0.70	0.82	0.85	0.85	0.83
BROILERS															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	1.07	1.07	1.04	0.98	0.99	0.92	0.95	0.96	0.98	0.97	0.98	1.00	0.99	0.96	0.93
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.88	1.68	1.43	1.31	1.38	1.38	1.36	1.36	1.41	1.40	1.57	1.67	1.63	1.65	1.68
N.E. BROILER BREAST LINE RUN, USDA	1.19	1.17	1.07	1.05	1.05	1.02	1.01	1.02	1.03	1.02	1.09	1.15	1.14	1.13	1.13
N.E. BROILER LEG QUARTERS, USDA	0.47	0.46	0.45	0.45	0.41	0.36	0.37	0.38	0.39	0.39	0.40	0.43	0.42	0.43	0.44
N.E. BROILER WINGS, USDA, WT.AVG.	1.66	1.87	1.78	1.73	1.96	1.94	1.85	1.87	1.74	1.76	1.65	1.46	1.52	1.59	1.60
TURKEYS															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.17	1.21	1.24	1.15	1.05	1.04	1.05	1.05	1.04	1.04	1.03	1.06	1.09	1.11	1.12
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	4.05	3.98	3.92	3.83	3.48	3.10	3.00	2.93	2.76	2.75	2.78	2.84	2.95	3.01	3.20
LIVE STEERS															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.58	1.63	1.69	1.64	1.65	1.60	1.59	1.59	1.58	1.58	1.59	1.54	1.47	1.46	1.47
BEEF															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	6.96	7.07	7.79	7.48	6.41	6.64	7.19	7.53	7.48	7.45	7.25	7.14	7.40	6.82	6.67
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.83	2.87	2.98	2.95	2.87	2.89	3.01	2.86	2.88	2.85	2.78	2.62	2.55	2.61	2.75
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.66	2.88	2.84	2.69	2.81	2.68	2.68	2.55	2.60	2.57	2.43	2.34	2.34	2.38	2.43
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	5.25	5.10	5.29	5.56	6.05	5.88	6.13	6.06	6.27	6.19	6.65	6.67	6.82	6.08	5.79
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	3.36	3.36	3.58	3.57	3.86	4.06	4.34	4.32	4.26	4.30	4.32	4.22	4.01	3.98	3.95
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	4.43	4.31	4.15	4.25	4.77	4.88	4.90	4.83	5.29	5.17	5.14	5.24	5.48	5.13	4.80
COARSE GROUND 73%, USDA	2.42	2.38	2.40	2.28	2.49	2.18	2.18	2.11	2.22	2.21	2.26	2.26	2.11	2.08	2.16
COARSE GROUND 81%, USDA	2.58	2.60	2.69	2.64	2.78	2.51	2.59	2.61	2.61	2.60	2.48	2.51	2.38	2.35	2.41
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.99	2.95	2.96	2.97	3.02	2.93	2.90	2.94	2.93	2.93	2.95	2.85	2.83	2.85	2.84
50CL BEEF TRIM, FRESH, NATIONAL, USDA	1.14	1.11	1.15	1.01	1.26	0.90	0.91	0.88	1.11	1.11	1.03	1.02	1.02	1.00	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
March 6, 2015 = 97.68
8/27/2014
9/27/2014
10/27/2014
11/27/2014
12/27/2014
1/27/2015
2/27/2015
3/27/2015
4/27/2015
5/27/2015
6/27/2015
7/27/2015
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
March 6, 2015 = 159.53
8/27/2014
9/27/2014
10/27/2014
11/27/2014
12/27/2014
1/27/2015
2/27/2015
3/27/2015
4/27/2015
5/27/2015
6/27/2015
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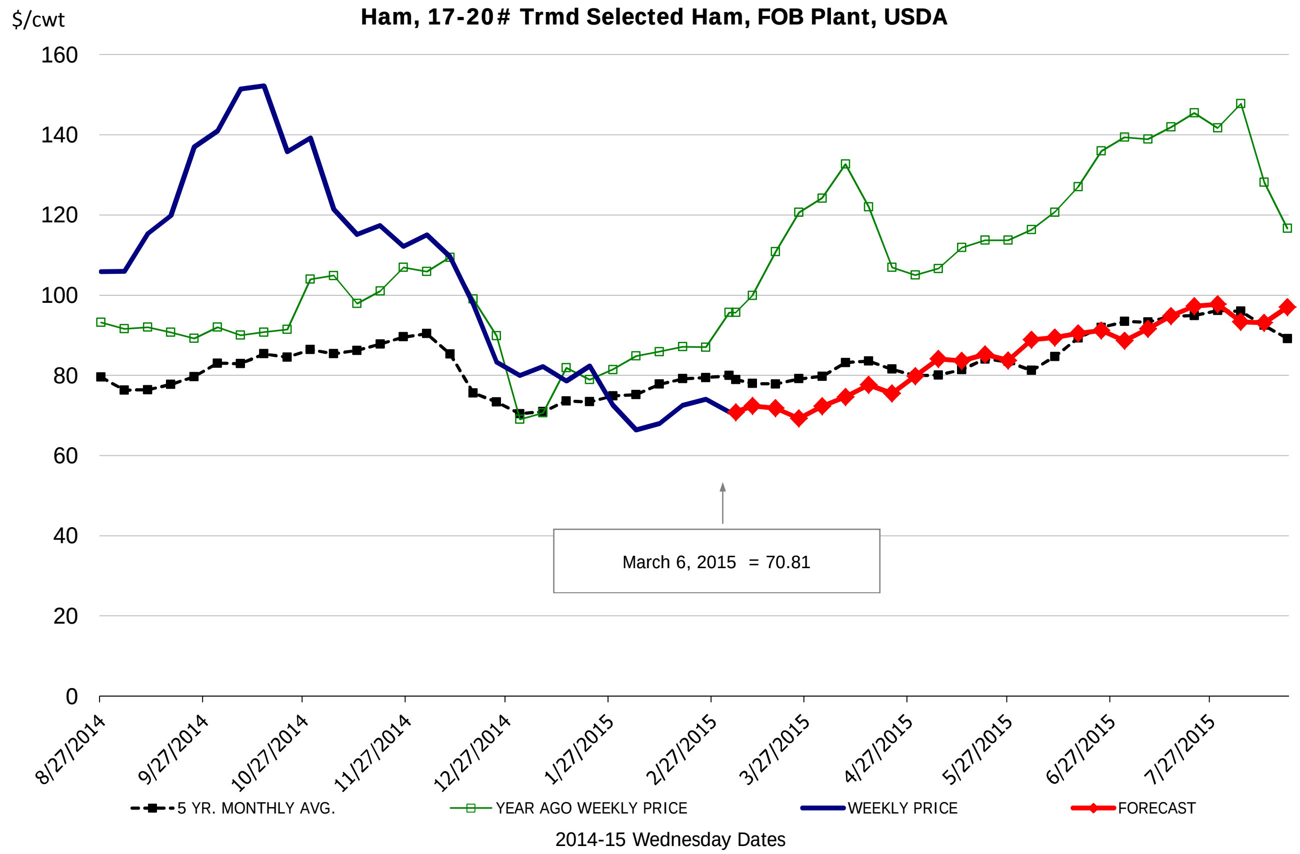
$/cwt
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA
160
140
120
100
80
60
40
20
0
March 6, 2015 = 70.81
8/27/2014
9/27/2014
10/27/2014
11/27/2014
12/27/2014
1/27/2015
2/27/2015
3/27/2015
4/27/2015
5/27/2015
6/27/2015
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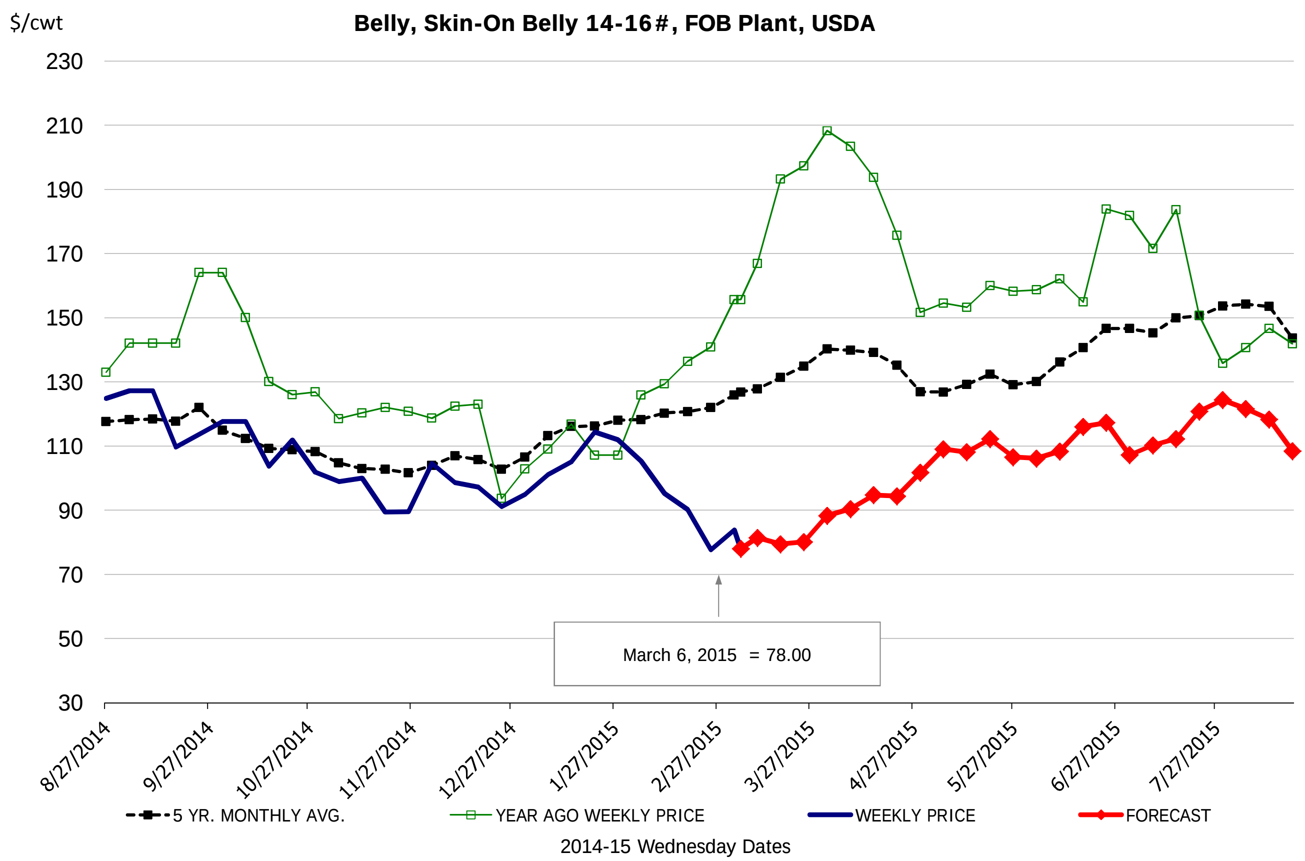
$/cwt
Belly, Skin-On Belly 14-16#, FOB Plant, USDA
230
210
190
170
150
130
110
90
70
50
30
March 6, 2015 = 78.00
8/27/2014
9/27/2014
10/27/2014
11/27/2014
12/27/2014
1/27/2015
2/27/2015
3/27/2015
4/27/2015
5/27/2015
6/27/2015
7/27/2015
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
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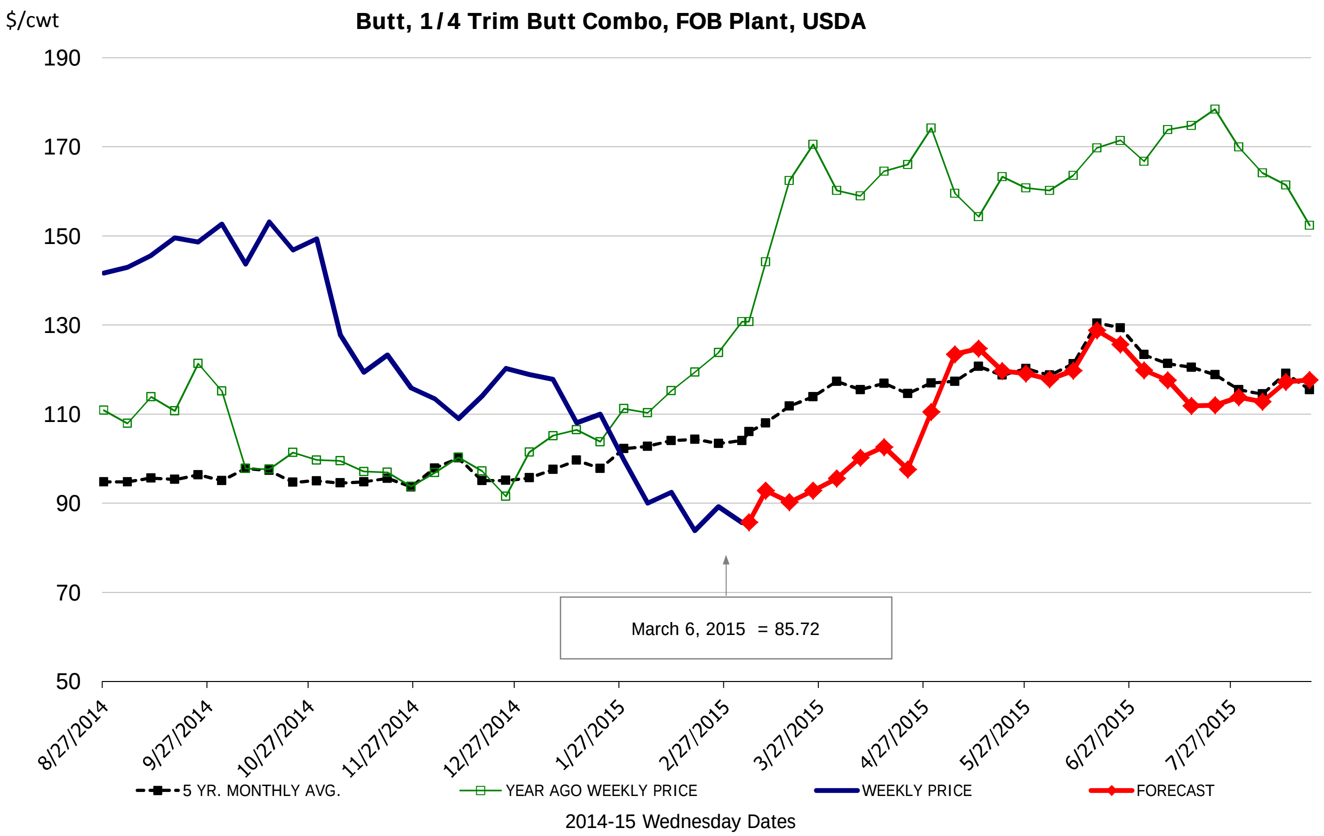
FORECAST
2014-15 Wednesday Dates


$/cwt
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA
190
170
150
130
110
90
70
50
March 6, 2015 = 85.72
8/27/2014
9/27/2014
10/27/2014
11/27/2014
12/27/2014
1/27/2015
2/27/2015
3/27/2015
4/27/2015
5/27/2015
6/27/2015
7/27/2015
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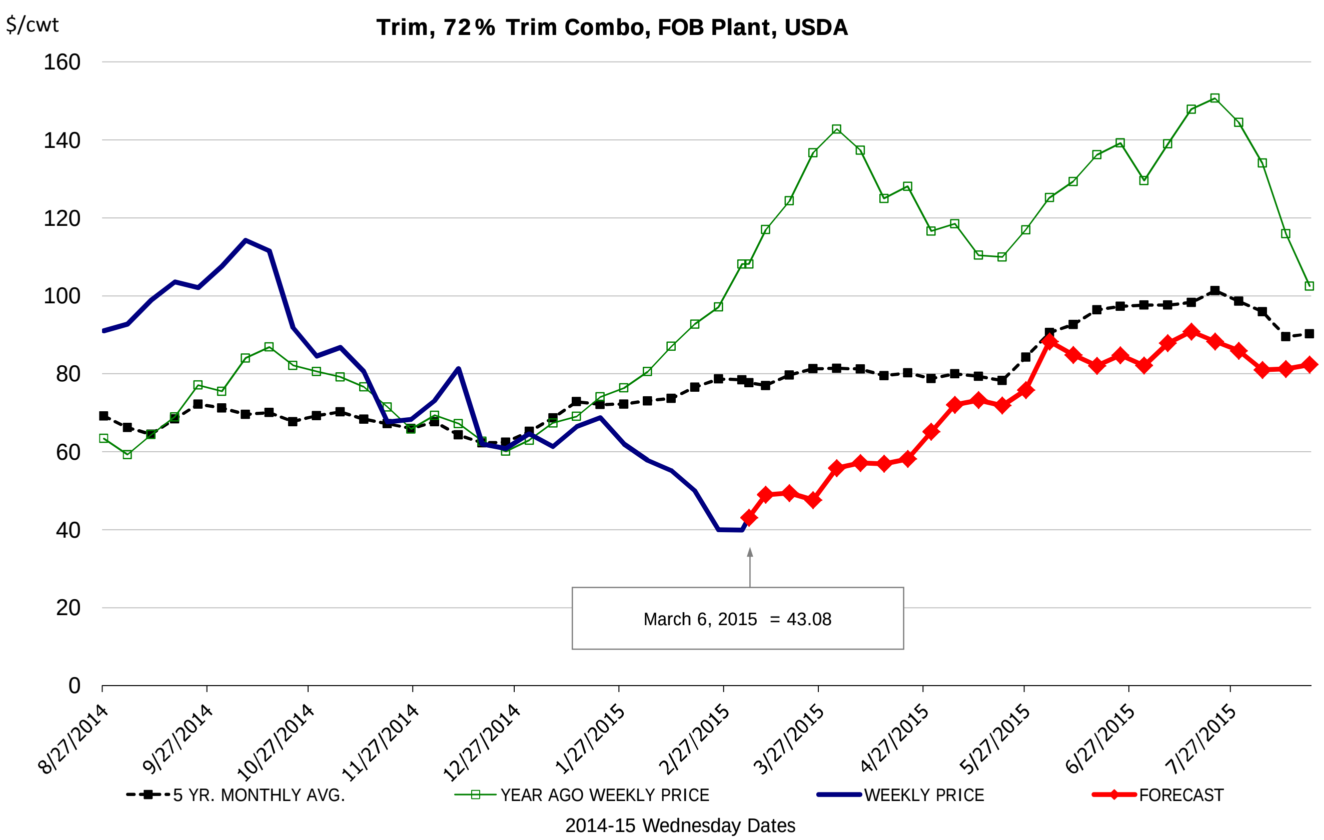
$/cwt
Trim, 72% Trim Combo, FOB Plant, USDA
160
140
120
100
80
60
40
20
0
March 6, 2015 = 43.08
8/27/2014
9/27/2014
10/27/2014
11/27/2014
12/27/2014
1/27/2015
2/27/2015
3/27/2015
4/27/2015
5/27/2015
6/27/2015
7/27/2015
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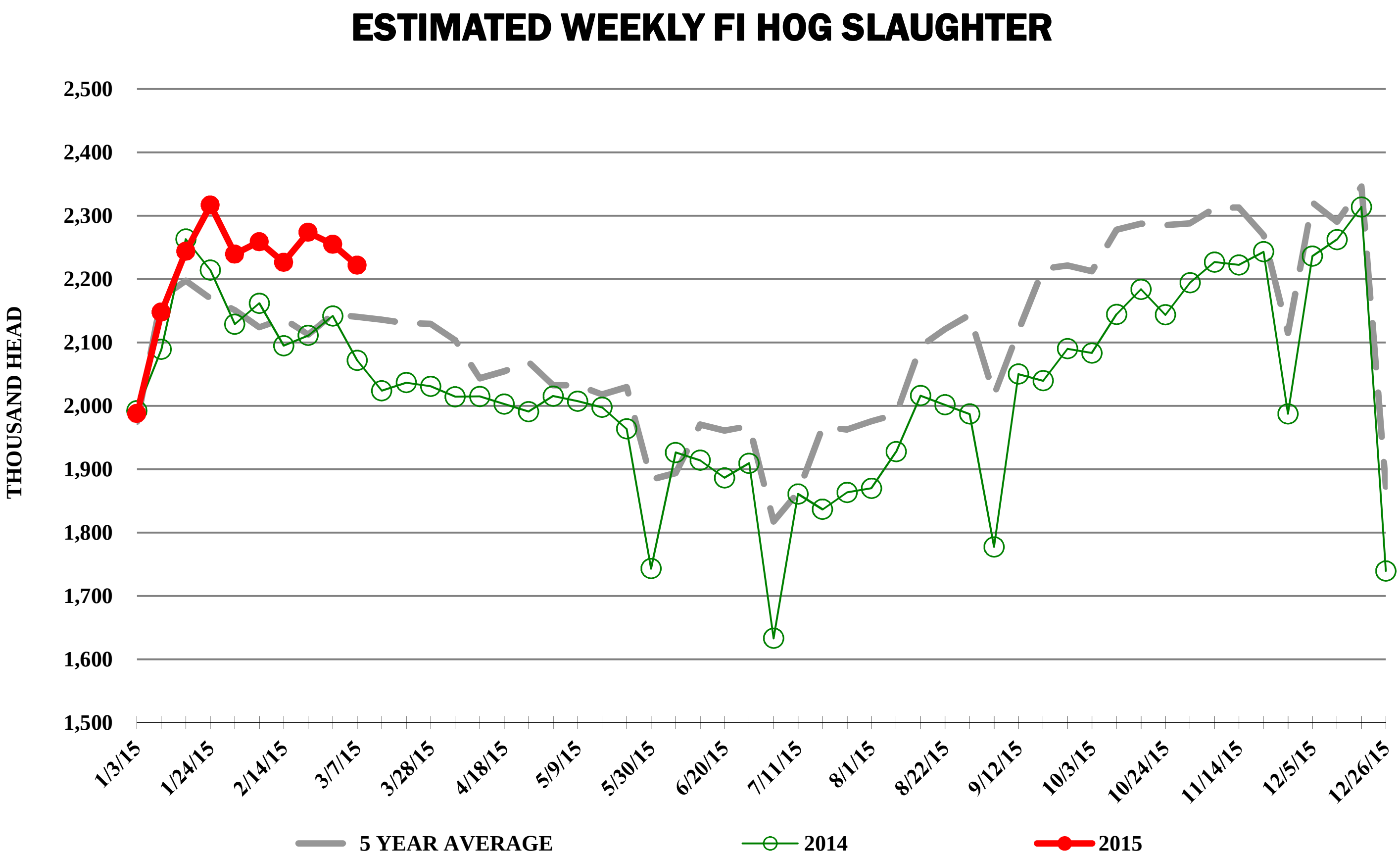
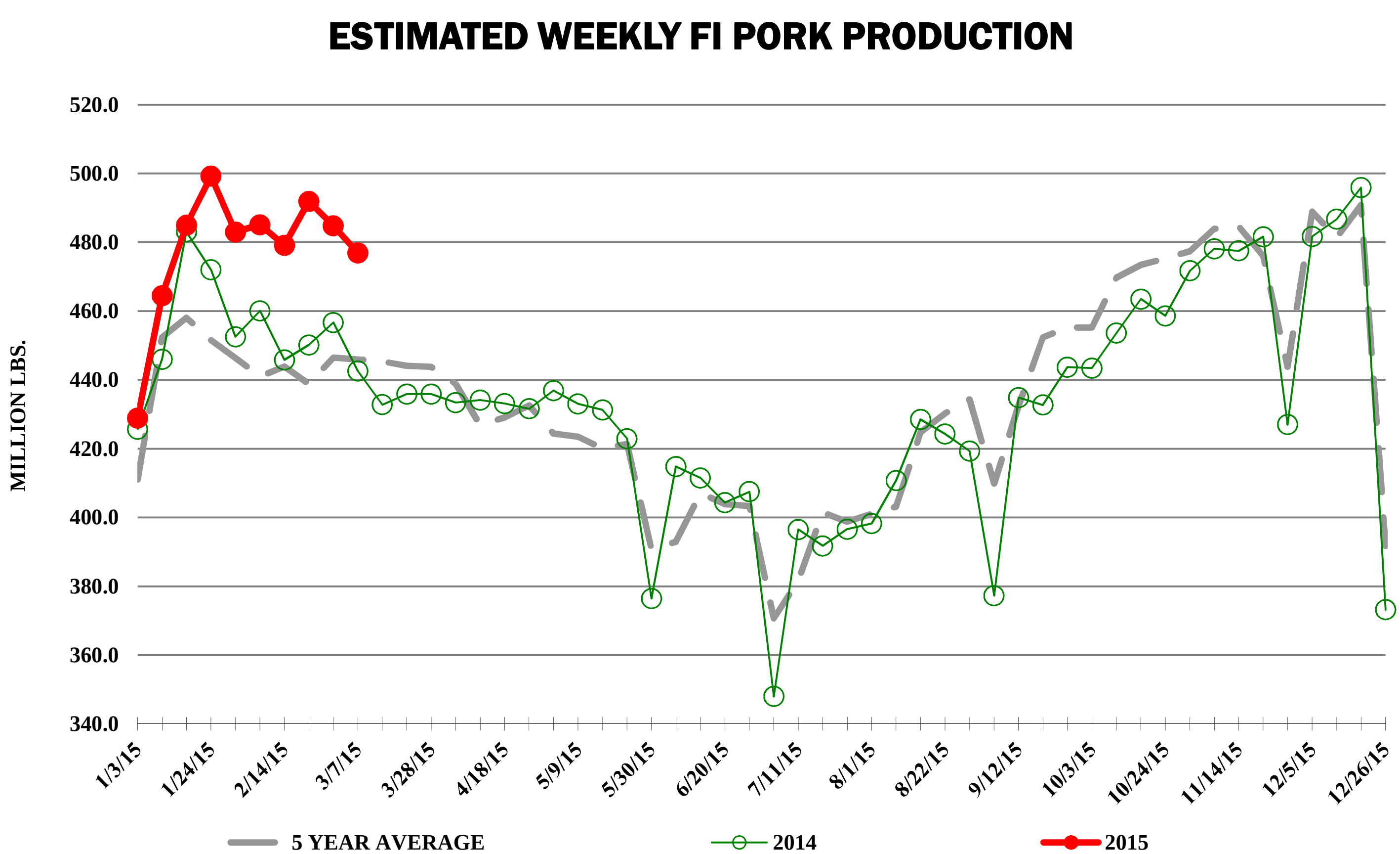
2014-15 Wednesday Dates


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