



Pork Merchandiser's Profit Maximizer

Be inspiredSM

- Foodservice Edition

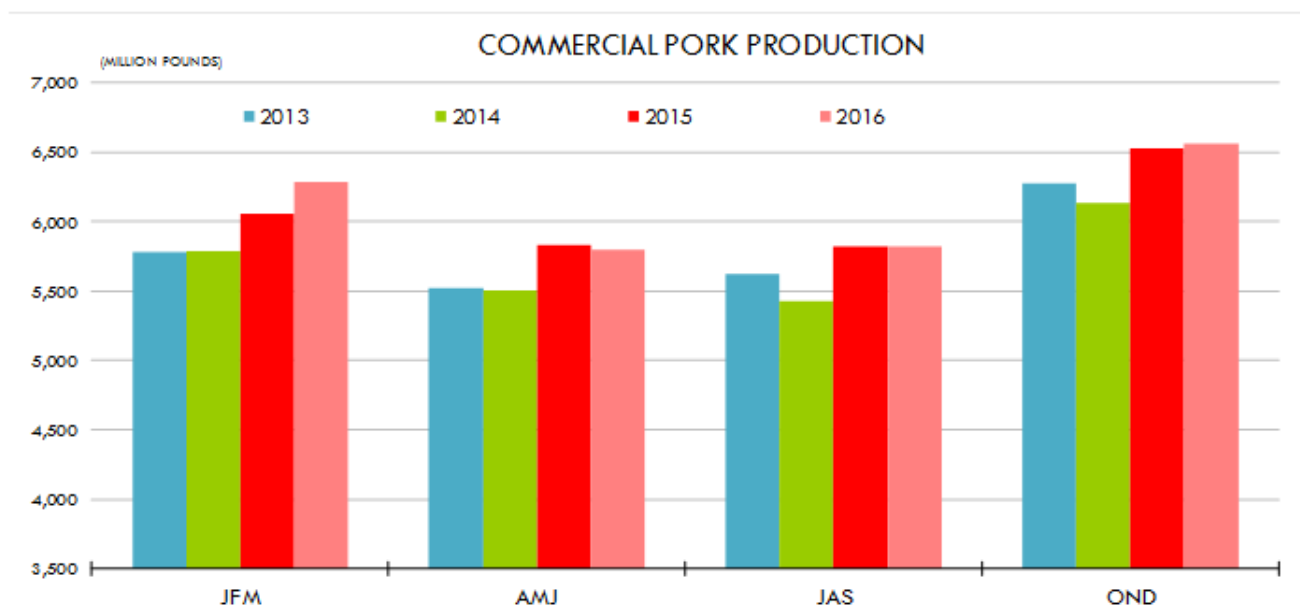
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Prepared by Steiner and Company, Manchester, NH 800-526-4612.

April 6, 2015

1. With PEDv behind us, hog industry expansion is back on track

USDA released on Friday, March 27, the results of its quarterly Hogs and Pigs inventory, showing a significant increase in the number of hogs going into the spring but also a smaller than expected increase in the size of the breeding herd. The reaction in the futures markets was predictable. The large inventory numbers were already built into the prices for nearby contracts

so there was limited impact there. Deferred futures contracts received some support from the lower breeding herd number and lower than expected pig crop for Jun-Aug. At the moment, however, market participants are particularly concerned with the demand side of the equation in the hog complex. Pork supplies have recovered from the PEDv impact last year but demand, especially export demand, appears to be weaker. One also needs to consider the whiplash effect from the high prices last year and the shift in buyer expectations. We think that end users have

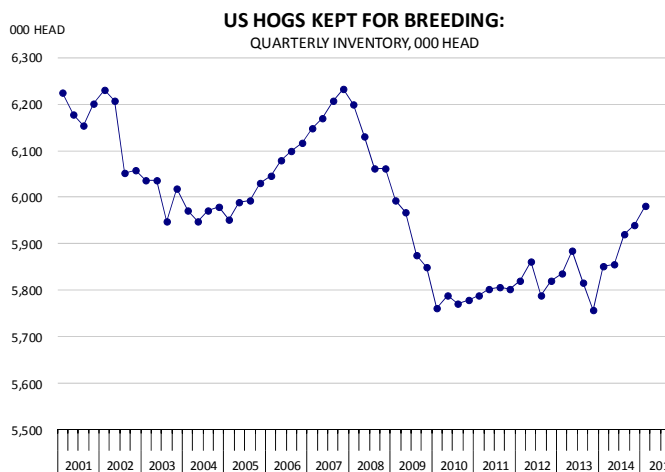
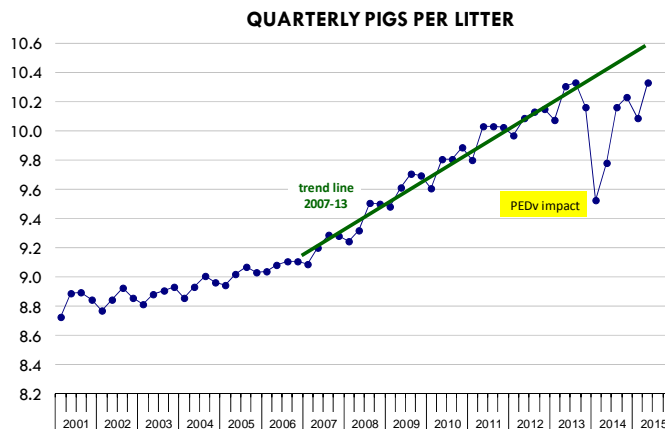


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significantly reduced their forward purchases due to expectations of lower prices, which has increased the net amount of pork available in the negotiated market each week. It will take some time before the deflationary mindset adjusts. In the short term, pork prices have declined by more than what one would expect given available supplies. Below is a brief recap of the data from the Hogs and Pigs report and supply implications going forward:

The inventory of hogs and pigs as of March 1 was 7.2% higher than a year ago and 1.3% higher than 2013 levels. Pre-report estimates on average expected the inventory to be up 6.8% from last year's levels. The pig crop for Dec – Feb was up 9.2% from the previous year exactly the same as the average of analyst's estimates. USDA published a smaller number of farrowings than analysts expected but the pigs saved per litter were 6.7% higher than the previous year. The number of pigs saved per litter has increased faster than most expected, an indication that PEDv impact this winter has been quite limited. Current pigs per litter remain below the trend levels during 2007-13 but they could approach that trend in the next four quarters.

The breeding herd as of March 1 was 5.982 million head, 2.2% higher than a year ago but much smaller than the 3.5% growth analysts expected prior to the report. The number of gilts retained appears to have declined compared to the same quarter the previous year. By our calculations (calculating retention as a residual of breeding herd numbers, slaughter and imports), gilt retention for the quarter was about 7% lower than the same quarter last year. The smaller than expected breeding herd implies lower farrowings for Mar-May and Jun-Aug. Prior to the report analysts expected Jun-Aug farrowings to increase 2.7% while the USDA survey actually shows farrowings during this period down 2.1%. Needless to say, this farrowing number may prove to be too low but, at least initially, it may have some market impact. Futures for late 2015 and 2016 have been trading lower on expectations that an expanding breeding herd and more pigs saved



per litter will continue to bring more hogs to market. The survey did show we will have more hogs coming to market in the next 12 months but the increases may be smaller than what futures have been pricing to this point.

Hog supplies have recovered from year ago levels but are only moderately higher than in 2013. The increase in the breeding herd is smaller than most have expected and producers will likely limit further expansion in light of recent price declines and troubles in export markets.

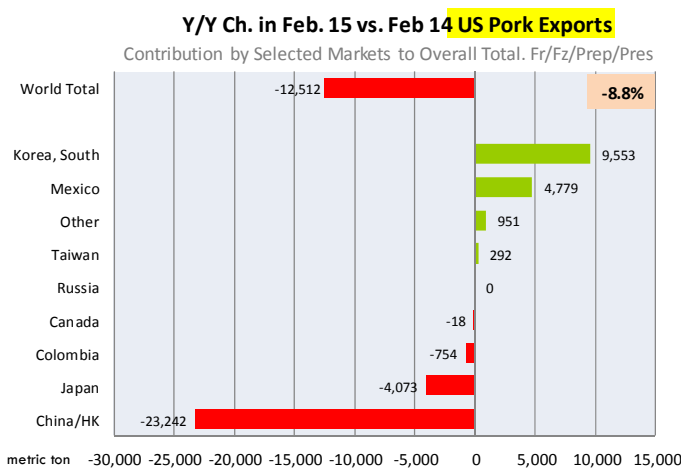
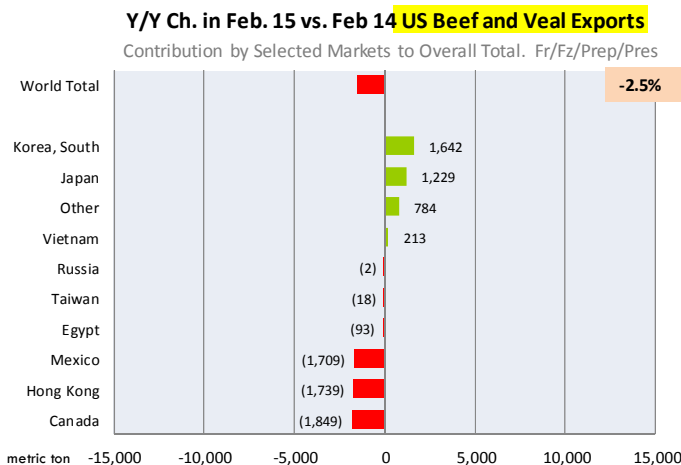
Why Are Hog/Pork Prices So Low?

A number of factors have contributed to the precipitous decline in hog prices. Pork exports were down 20% in January and down another 9% in February. By our estimates, March exports are likely to be about steady to 2% lower than a year ago. This would imply a Q1 pork export number of about 1.2 billion pounds, down 11% from a year ago but down just 1% compared to exports in

2013. Compared to 2013, the decline in exports in Q1 represents only about 15 million pounds. A very strong US\$ and lower prices in competing markets (especially Europe) will be much more challenging in 2015 than they were in 2013. We might export a similar volume of product but lower prices will be needed to accomplish that. Keep in mind that sales do not equal demand. The second issue to consider is the changes in production not just slaughter. While hog inventories as of March 1 are only 1.3% of what they were in 2013, pork production in the quarter is expected to be about 5% larger, mostly due to heavier carcass weights. The average hog carcass weight in 2013 was 207.3 pounds. In Q1 of 2015, hog carcass weights are expected to be around 214.5 pounds. The seven pound difference implies an additional 215 million pounds of pork in Q1 or about 3.8% of production. Larger production levels, lower exports and an increase in pork imports (largely from Canada) have increased pork availability in the domestic market. Per capita availability (on a carcass weight basis) in Q1 of 2015 will likely be up about 9% compared to the levels we saw in 2013. This kind of increase is indeed significant and helps explain a good part of the recent decline in prices. At this point futures have built in a 25% discount to hog prices in late spring and summer of 2015. What could change the level of that discount is an improvement in export demand (lowering domestic availability) and a reduction in hog weights. Pork inventory numbers show dramatic increases from 2014 but export demand, carcass weights and ultimately per capita availability deserve more attention.

Export market update

US beef, pork and chicken exports were down once again in February but the rate of decline, at least for red meat exports, was not as dramatic as the previous month. Keep in mind that the West Coast port situation was a factor in February. Early indications point to an improvement in export volumes for beef and pork in March. Poultry trade, on the other hand, will remain complicated due to the spread of High



Pathogenic Avian Influenza (HPAI) in key producing states. Below is a brief recap of the latest export data:

Pork: Exports of fresh/frozen and cooked pork in February were 129,145 MT, 8.8% lower than a year ago. Ample pork supplies and lower prices have stimulated export sales and we expect that to be reflected even more in the March and April numbers. The main drag for US exports at this point is sales to the Chinese market. While total US pork exports in February were down 12,512 MT, exports to China/Hong Kong were down 23,242 MT. Pork prices in the Chinese domestic market remains depressed and this has limited Chinese demand for US pork. The Chinese government insistence on allowing only ractopamine-free pork also has limited overall US shipments to this market. Mexico remains the top market for US pork, with total February shipments reported at 46,323 MT, 11.5% higher

than a year ago. Exports to Japan at 25,164 MT were down 13.9% from a year ago. We think this largely reflects the decline in the price of product from competing markets, particularly EU at a time when the US\$ continues to strengthen against the Japanese yen.

Beef: February exports of fresh/frozen and cooked beef and veal were 59,860 MT, 2.5% lower than a year ago. The decline in beef exports was expected due to the overall reduction in US fed beef slaughter in February and the strong US\$. Indeed, we are somewhat surprised that beef exports did not decline even more given the current headwinds in export markets. Asian demand for US beef remains very strong. Exports to Japan and South Korea were up 10% and 19%, respectively. Shipments to Hong Kong have declined, down 18% in February, as Chinese officials crack down on illegal transshipment of meat from Hong Kong to mainland China. Exports to Mexico at 9,527 MT were 15% lower than a year ago. Mexican beef purchases have been declining steadily due to the shift in both pricing and exchange rates. Some of those purchases have been replaced with pork, as pork shipments have increased.

Upcoming holidays:

2015 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

<p><u>NOTE: WE ARE NOW REPORTING AND FORECASTING MANDATORY PLANT WEIGHTED AVERAGE BLUE SHEET PRICES FOR PORK CUTS.</u></p>

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.

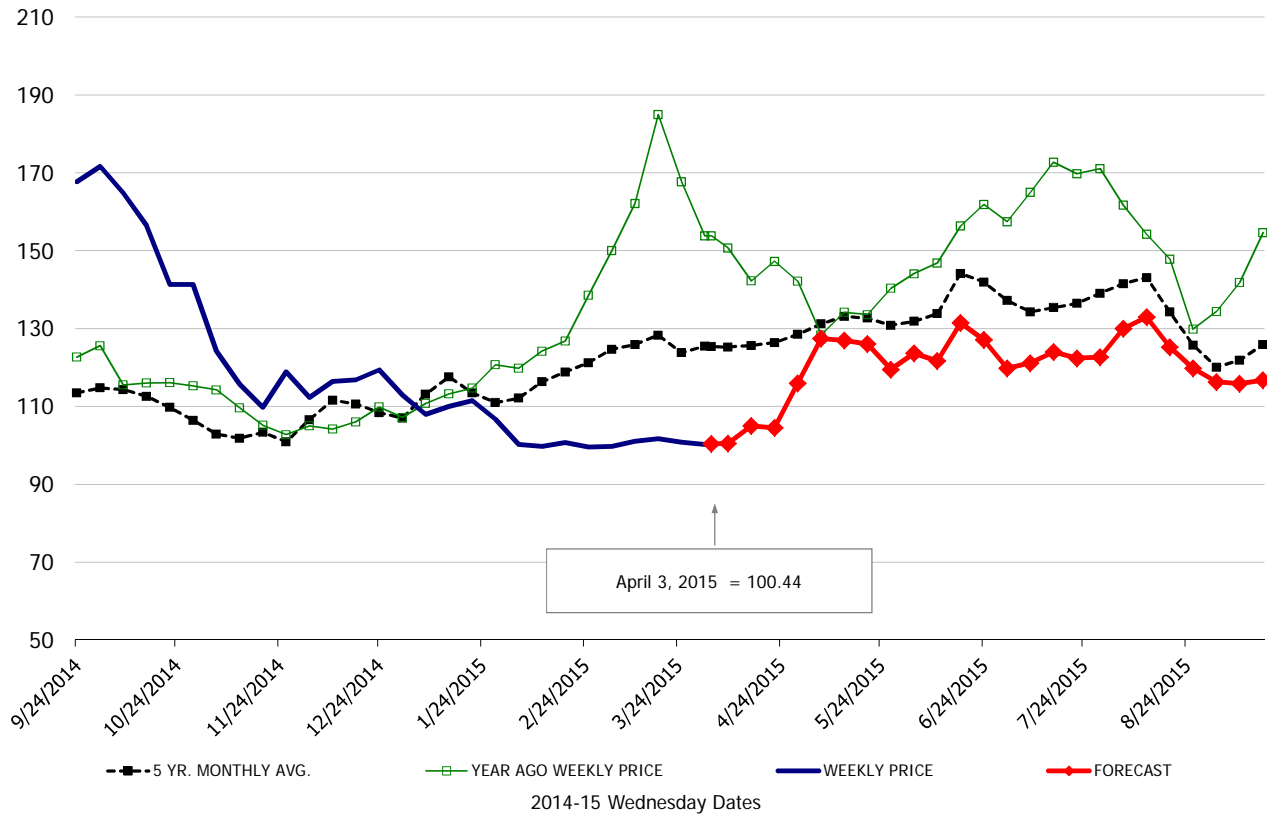
50 CL Beef Trim prices finished last week at \$0.8825, down about 2 cent since Wed. February 25 and down 45 compared to the year ago level.

Food Service Summary Table - WT. AVE

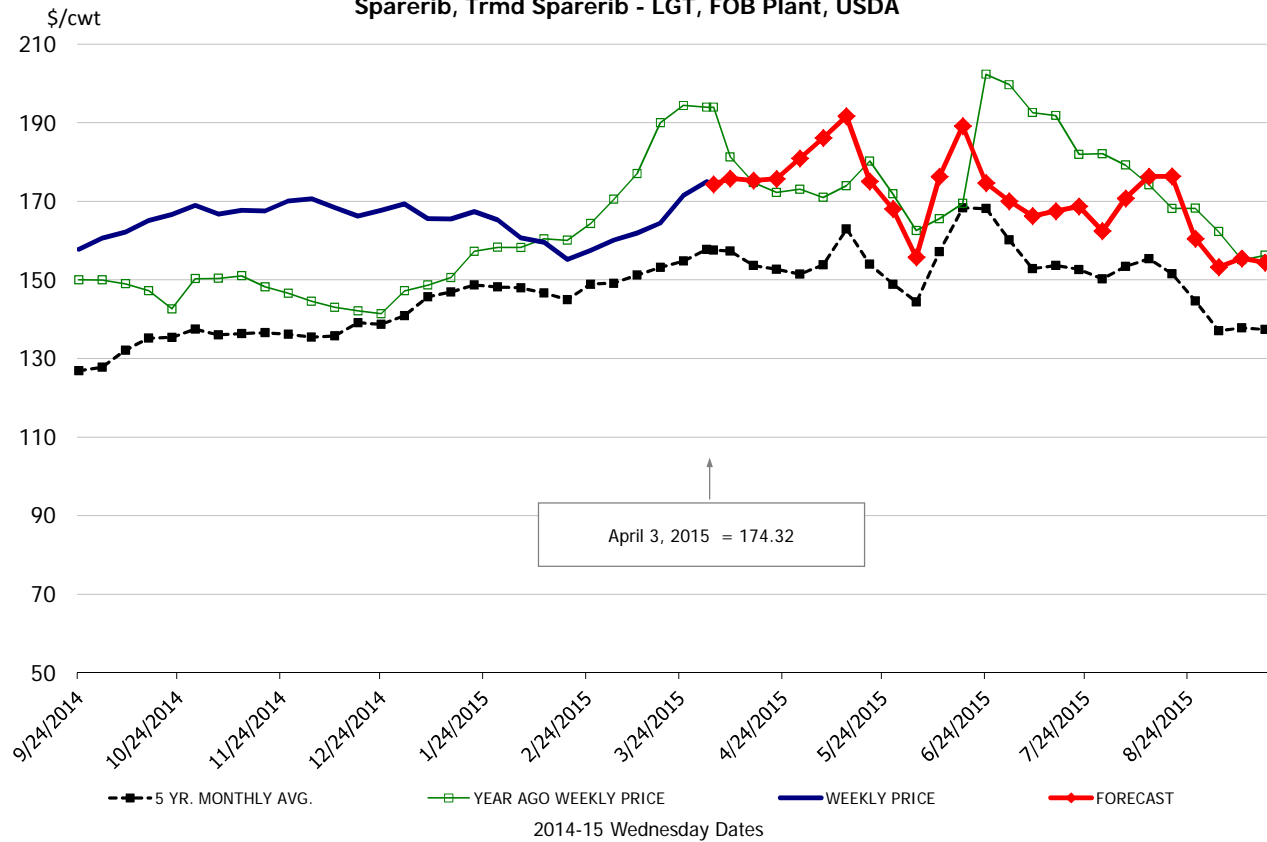
	2014-15 History								2015 FORECAST						
	Oct	Nov	Dec	Jan	Feb	Mar	3/25/2015	4/3/2015	4/15/2015	Apr	May	Jun	Jul	Aug	Sep
<u>PORK</u>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.51	1.16	1.15	1.08	1.00	1.00	1.01	1.00	1.05	1.02	1.24	1.26	1.22	1.27	1.16
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.60	1.23	1.23	1.16	1.07	1.08	1.10	1.04	1.09	1.07	1.31	1.33	1.30	1.35	1.23
Loin, Bnls CC Strap-off, FOB Plant, USDA	2.18	1.74	1.78	1.72	1.55	1.57	1.57	1.62	1.73	1.71	1.74	1.74	1.67	1.78	1.69
Loin, Tenderloin, FOB Plant, USDA	2.91	2.60	2.58	2.64	2.51	2.25	2.10	2.35	2.57	2.50	2.57	2.60	2.60	2.59	2.55
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	1.40	1.20	1.14	1.04	0.85	0.89	0.95	0.93	1.03	0.99	1.20	1.23	1.15	1.14	1.09
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.64	1.68	1.67	1.66	1.59	1.66	1.72	1.74	1.75	1.75	1.79	1.74	1.67	1.71	1.55
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.35	2.35	2.39	2.42	2.36	2.40	2.47	2.46	2.38	2.38	2.59	2.56	2.52	2.55	2.41
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.64	1.65	1.65	1.59	1.53	1.56	1.63	1.72	1.76	1.72	1.72	1.70	1.66	1.69	1.55
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.28	2.29	2.27	2.35	2.44	2.53	2.55	2.59	2.55	2.54	2.57	2.58	2.42	2.43	2.25
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	1.43	1.15	0.96	0.80	0.70	0.58	0.49	0.50	0.59	0.57	0.68	0.74	0.78	0.79	0.78
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	1.15	1.03	0.82	0.73	0.64	0.53	0.46	0.45	0.53	0.52	0.64	0.68	0.70	0.72	0.73
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	1.06	0.93	0.75	0.67	0.59	0.48	0.43	0.41	0.52	0.50	0.61	0.63	0.70	0.69	0.68
Ham, 5 Muscle Ham to Blue, FOB Plant, USDA	2.08	1.58	1.47	1.19	1.19	1.19	1.19	1.19	0.92	0.90	1.13	1.17	1.28	1.27	1.23
Belly, Skin-on Belly 14-16#, FOB Plant, USDA	1.05	0.95	0.98	1.08	0.86	0.76	0.78	0.65	0.76	0.74	0.92	0.96	0.99	0.98	0.89
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.32	1.16	1.21	1.27	1.01	0.87	0.88	0.80	1.00	0.96	1.18	1.22	1.26	1.25	1.15
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.34	1.15	1.20	1.24	1.05	0.83	0.80	0.78	0.98	0.94	1.16	1.20	1.24	1.23	1.13
Trim, 42% Trim Combo, FOB Plant, USDA	0.51	0.31	0.26	0.30	0.27	0.24	0.23	0.21	0.25	0.26	0.31	0.34	0.40	0.39	0.32
Trim, 72% Trim Combo, FOB Plant, USDA	0.98	0.75	0.67	0.64	0.48	0.39	0.39	0.37	0.41	0.41	0.58	0.70	0.71	0.64	0.57
<u>HOG CARCASS</u>															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	0.99	0.87	0.80	0.71	0.61	0.60	0.56	0.56	0.62	0.60	0.72	0.79	0.80	0.78	0.71
<u>BROILERS</u>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	1.07	1.04	0.98	0.99	0.92	0.99	1.01	1.01	1.00	1.00	1.00	0.99	0.96	0.93	0.93
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.68	1.43	1.31	1.38	1.38	1.41	1.51	1.51	1.53	1.54	1.67	1.63	1.65	1.68	1.60
N.E. BROILER BREAST LINE RUN, USDA	1.17	1.07	1.05	1.05	1.02	1.01	0.96	0.97	1.01	1.01	1.12	1.14	1.13	1.13	1.10
N.E. BROILER LEG QUARTERS, USDA	0.46	0.45	0.45	0.41	0.36	0.37	0.34	0.35	0.36	0.36	0.38	0.38	0.39	0.40	0.40
N.E. BROILER WINGS, USDA, WT.AVG.	1.87	1.78	1.73	1.96	1.94	1.85	1.85	1.84	1.77	1.79	1.51	1.77	1.84	1.85	1.85
<u>TURKEYS</u>															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.21	1.24	1.15	1.05	1.04	1.06	1.07	1.08	1.04	1.04	1.06	1.09	1.11	1.12	1.15
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	3.98	3.92	3.83	3.48	3.10	2.94	2.93	2.95	2.84	2.84	2.84	2.95	3.01	3.20	3.45
<u>LIVE STEERS</u>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.63	1.69	1.64	1.65	1.60	1.61	1.64	1.66	1.65	1.65	1.59	1.52	1.50	1.51	1.52
<u>BEEF</u>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	7.07	7.79	7.48	6.41	6.64	7.78	8.24	8.38	8.17	8.00	7.72	8.02	7.44	7.41	7.69
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.87	2.98	2.95	2.87	2.89	2.84	2.86	2.83	2.81	2.80	2.64	2.57	2.63	2.77	2.69
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.88	2.84	2.69	2.81	2.68	2.55	2.64	2.61	2.55	2.54	2.35	2.35	2.39	2.44	2.51
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	5.10	5.29	5.56	6.05	5.88	6.19	6.46	7.25	7.43	7.25	7.27	6.92	6.18	5.89	5.49
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	3.36	3.58	3.57	3.86	4.06	4.40	4.49	4.59	4.46	4.57	4.47	4.06	4.03	4.00	3.87
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	4.31	4.15	4.25	4.77	4.88	4.98	5.20	5.83	5.92	5.79	5.69	5.73	5.38	4.95	4.52
COARSE GROUND 73%, USDA	2.38	2.40	2.28	2.49	2.18	2.16	2.15	2.05	2.33	2.26	2.26	2.11	2.08	2.16	2.15
COARSE GROUND 81%, USDA	2.60	2.69	2.64	2.78	2.51	2.48	2.42	2.38	2.56	2.48	2.51	2.38	2.35	2.41	2.43
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.95	2.96	2.97	3.02	2.93	2.95	2.96	2.94	2.96	2.95	2.85	2.83	2.85	2.84	2.81
50CL BEEF TRIM, FRESH, NATIONAL, USDA	1.11	1.15	1.01	1.26	0.90	0.89	0.86	1.08	1.13	1.08	1.07	0.97	0.95	0.98	0.87

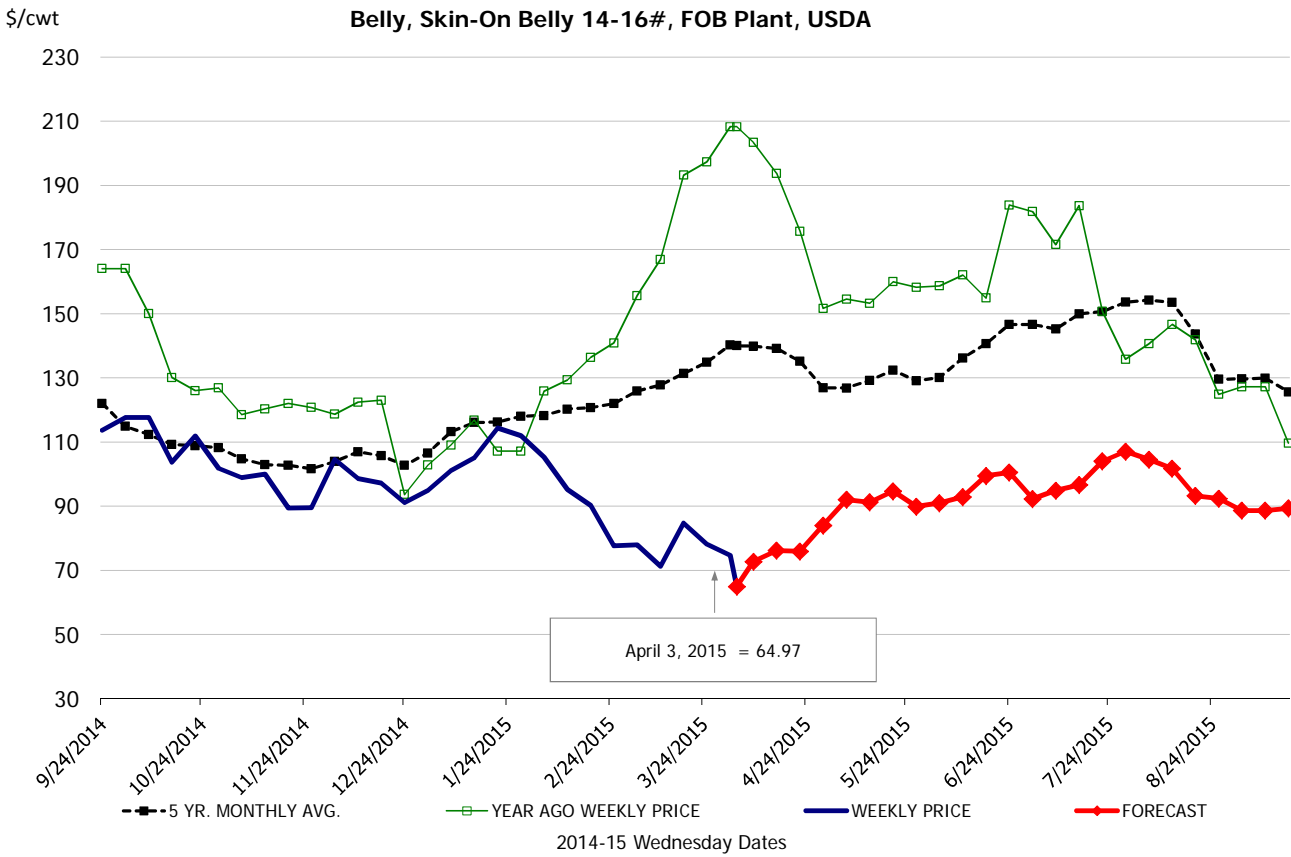
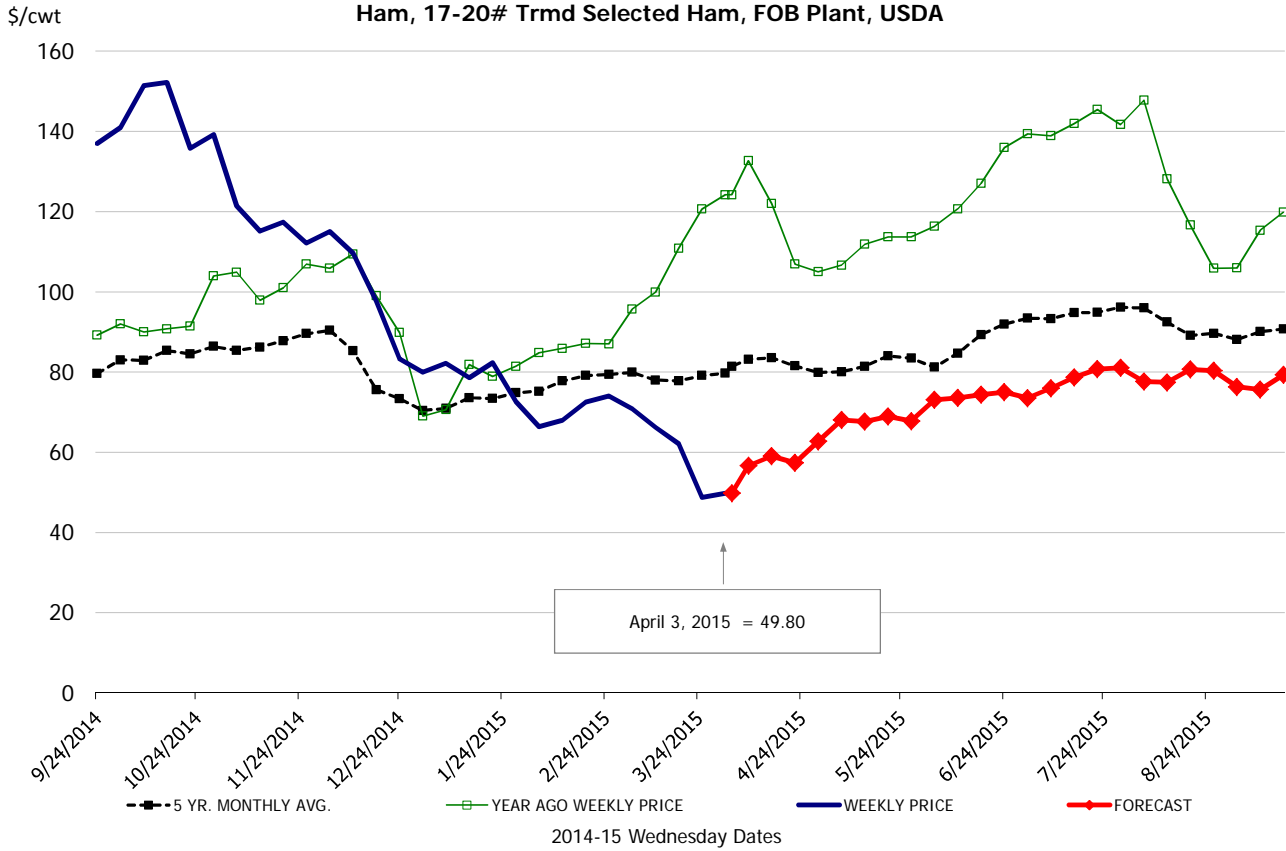
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Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA



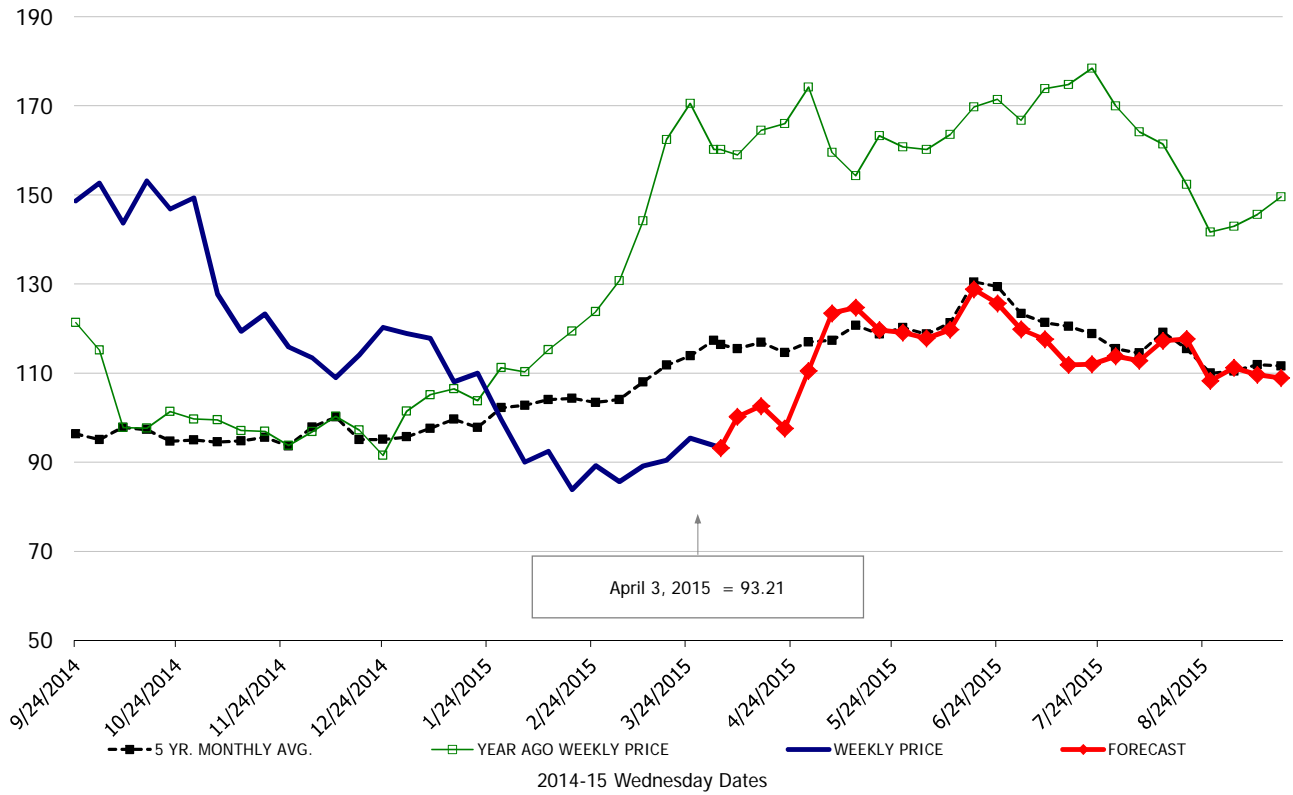
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA





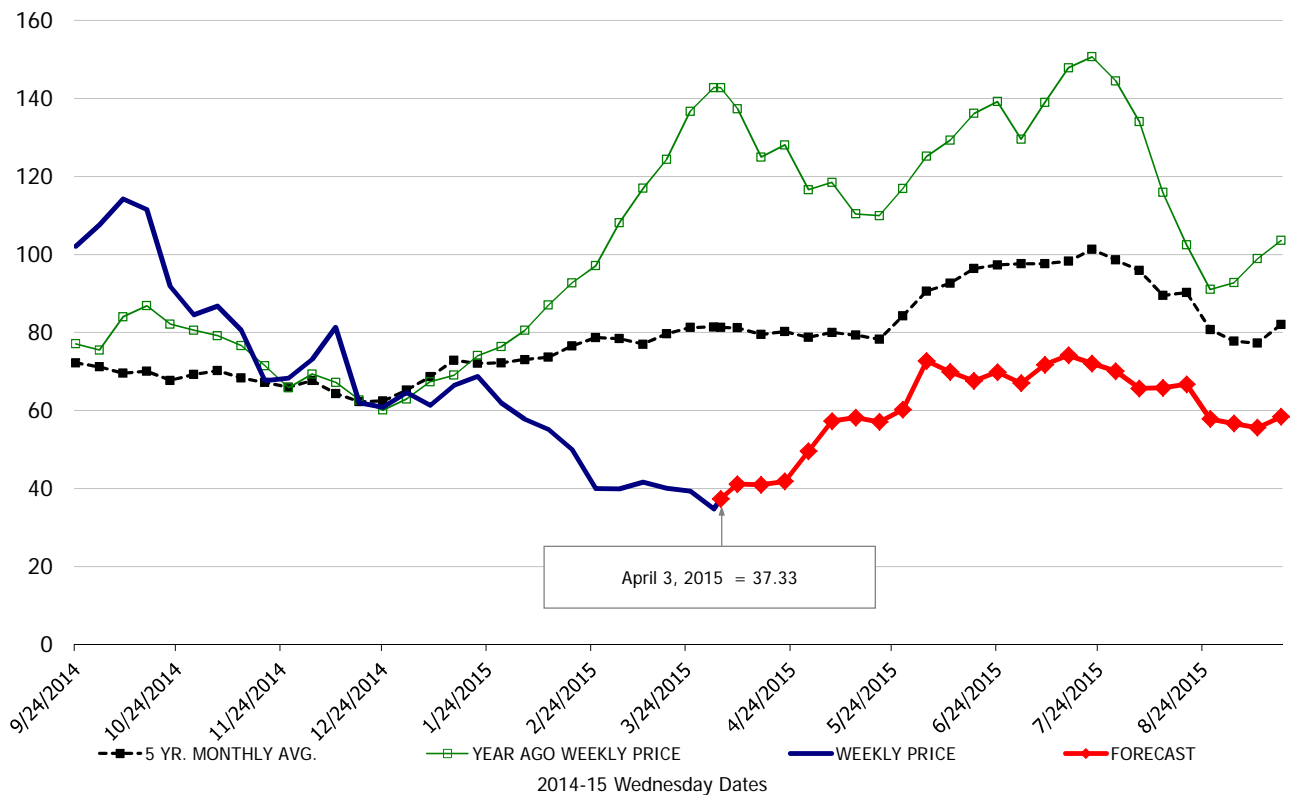
\$/cwt

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

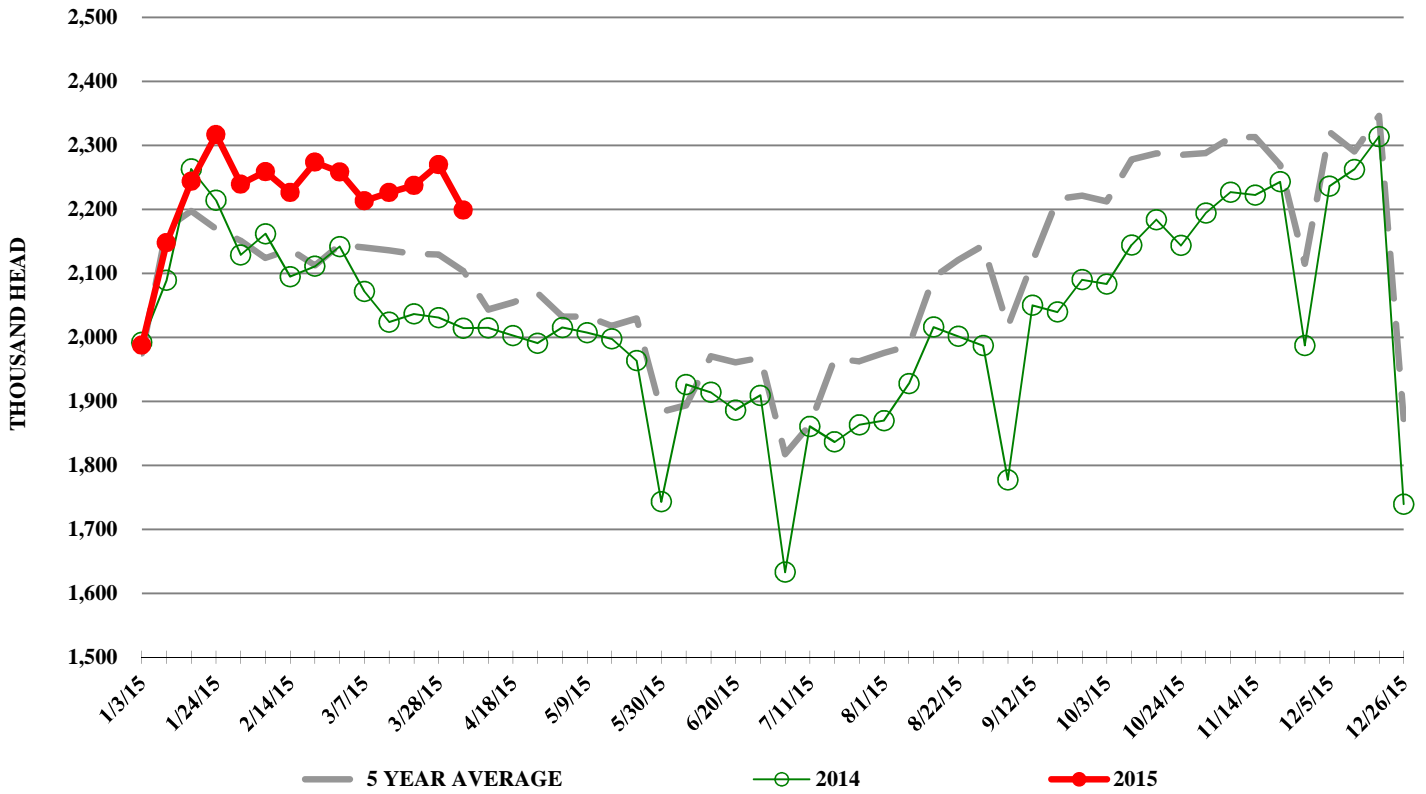


\$/cwt

Trim, 72% Trim Combo, FOB Plant, USDA



ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION

