



Pork Merchandiser's Profit Maximizer

Be inspiredSM

- Foodservice Edition

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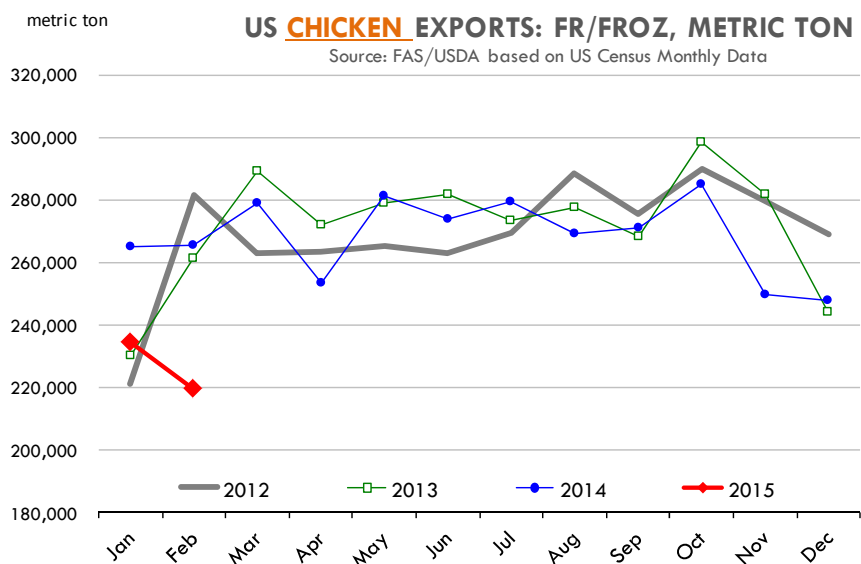
April 20, 2015

1. Bird flu could create additional headwinds for meat markets in the spring and summer of 2015

Since April 1, there have been 18 cases of Highly Pathogenic Avian Influenza (HPAI) identified in the US. In most cases HPAI has affected turkey farm but the latest case was in a commercial broiler layer flock in Jefferson County, Wisconsin. This is the second such case in a commercial chicken operation and the first case in a chicken operation location in the Mississippi flyway. Given the spread of HPAI along the Mississippi flyway, one could argue that it was just a matter of time before cases of HPAI would be found in some commercial chicken operations. The main vector for the spread of the disease appears to be migratory wild birds although we have not seen a comprehensive review of the situation. USDA/APHIS at this point is working closely with local government and industry to quarantine affected operations and eliminate the disease before it get a

chance to spread. The US poultry industry unfortunately has a long experience with HPAI, although it had been several years since we have seen such an outbreak. There are three concerns for market participants at this time.

- Will the spread of HPAI impact poultry supplies? At this point we think the supply impact is negligible. In the case of chickens we are looking at one layer operation with 200,000 birds. This is a tragedy for the operation in question and will cause significant economic harm to it. However, US broiler slaughter in 2014

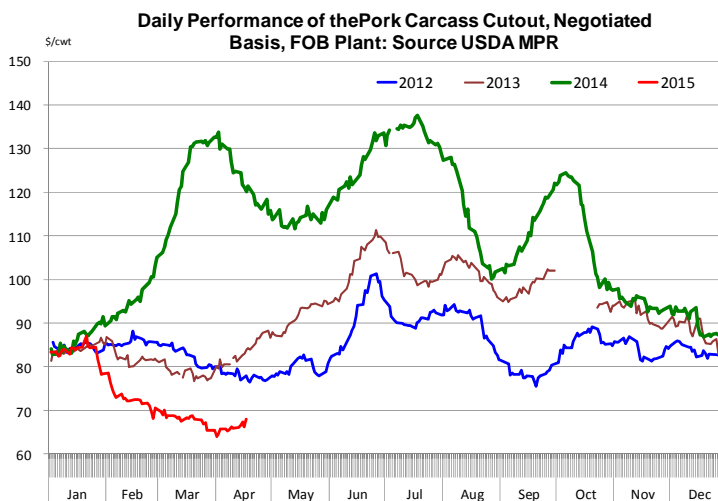
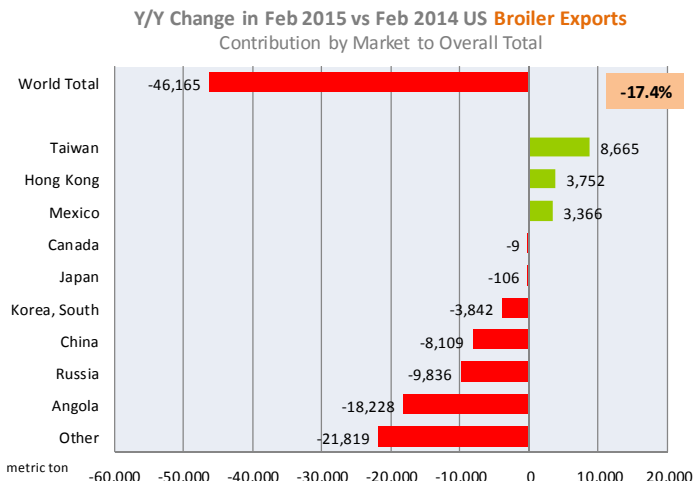


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was 8.5 billion head and in the larger context the depopulation of one or even several bird houses will have a very limited supply impact. At this point, HPAI is not comparable to the PEDv in hogs last year, which reduced slaughter numbers by several percentage points.

- Will the cases of HPAI impact US consumer demand? In the past this has not been an issue. In previous cases US consumers have not overreacted to cases of bird flu and we have no reason to think this year this will be any different. The US consumer response to HPAI is different than in Asia, largely because of how poultry is consumed here. In Asia, consumers purchase a significant amount of poultry in live markets and some variants of HPAI, such as H5N1 and H7N9 have caused infections in people. Those infections came from direct contact between people and poultry. The variant of HPAI currently in the US has not been shown to infect people. In addition, we think the US consumer is confident in the control systems put in place by both government and industry. This is different than purchasing a live chicken from the back of a truck in some Asian market.

- Will the cases of HPAI limit US exports and what does this mean for chicken prices in the domestic market? February broiler exports were down 17.4% and we think some of this was due to bans put in place following cases of HPAI in a number of states. The most prominent case is China, which banned all US chicken imports. But exports to a number of smaller markets also were down significantly. Exports accounted for 19% of US chicken production last year so the loss of exports is a much more significant factor than any loss in supply due to HPAI. USDA currently projects chicken exports to drop 8.5% compared to a year ago. Half of that, however, is due to the lack of access to the Russian market. If China remains closed at least until June, it would explain another 2% of the annual reduction. But exports to other markets are down sharply as well. A strong US dollar and poultry expansion in other large exporting countries also will present significant headwinds for US chicken in 2015. The number to remember is 6% - this is the increase in per



capita consumption forecast for 2015. Any downward revisions to export forecast will further increase product availability in the domestic market. We are asking the US consumer to eat more chicken and pork (the extra supply needs to be used up) and lower prices are needed to clear the market.

2. Pork market looking for a bottom. Tepid seasonal improvement so far.

While fed and feeder cattle futures are currently debating how high is high enough, lean hog futures are looking to establish a bottom and set the stage for the seasonal increase in May and June. June lean hog futures mounted a modest rally in the last three weeks although prices retreated this past week. As with cattle, market participants are paying close attention to cash

trade and Friday the IA/MN lean hog carcass price was quoted at \$61.97/cwt, only modestly higher from the previous week. Weekly exports are pointing to robust sales in March and early April. Early estimates indicate that March pork exports were about 4% lower than a year ago but still one of the largest export months on record. April pork exports currently are projected to be up 2% from last year. For the week the pork cutout was quoted at \$66.77/cwt, 1.6% higher than the week before. Ham and pork belly prices, which hold the key to the seasonal increase in the cutout, were up 15.4% and 1.9%, respectively. Hog carcass weights are currently running below year ago levels and this is a factor that bears watching as we go into the summer months. Hog slaughter is expected to be up but lower weights could limit some of the production increase. Another wild card for the pork market is what happens with bird flu. We will review this topic in more detail in the next section. Suffice to say, however, that expanding bird flu cases and export limits could leave more chicken to be absorbed by the domestic market and put some downward pressure on pork values during the grilling season.

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 April 18 slaughter was 2.243 million head, up 12.0% from a year ago. In the last two weeks hog slaughter is up 9.9% vs. year ago levels.

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass values at about 61.97 /cwt. on Friday were up \$3.9/cwt since Wed. April 8. Prices are down about 53 dollar compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at \$0.9857, down about 5.6 cent since the Wed. April 8 quote and down about 44 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.3427 for the strap on loins, down 11.6 cent since Wed. April 8 and down about 59 cent from the year ago levels. Strap off loins at \$1.6315 are up about one cent since Wed. April 8 but down about 55 cents compared to the year ago quote.

Boneless sirloins at \$1.1821 are up about 2 cents from the Wed. April 8 quote but down about 55.0 cents from the year ago price.

Pork tenderloin finished last week at \$1.9185, down slightly since the Wed. April 8 quote and down about 85.9 cents from the year ago price.

5/10 Pork Butts (page 10), prices finished the week at \$0.8886, down about 8 cents since Wed. April 8.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$1.7252, down about one cent since Wed. April 8 and down about 2 cents from year ago levels.

Rib inventories on February 28 were 106.8 million pounds, down 13.1% percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was \$0.5783/lb., up 5.5 cents compared to prices on Wed. April 8 but down about 64 cents from a year ago.

20/23 hams finished the week at 51.01 cents, up about 4 cents since Wed. April 8 but down about 58 cents from the year ago level.

23/27 hams finished the week at 57.90 , up about 12 cents from the Wed. April 8 quote but down about 40 cents from the year ago level.

Total ham cold storage stocks on February 28 at 127.7 million pounds were down about 8.7% from year ago levels.

42 CL Pork Trim “FOB Basis”. Prices finished the week at 19.19 , down about 6.0 cent since Wed. April 8 and down about 51 cents from the year ago price.

72 CL Pork Trim “FOB Basis”. Prices finished the week at 47.17 cents, up about 7 cents since the Wed. April 8 quote but down about 78 cents from the year ago level.

Freezer stocks of all trimmings on February 28 were 67.5 million pounds, up about 80.1% 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 \$115.00 was up about 8 cents from a year ago.

The National Whole Bird price was quoted at 105.73 on Friday April 18, down about 6 cents from a year ago.

Broiler slaughter for the week ending April 18 was 160.98 million head, up 9.75% from a year ago. For the last two weeks slaughter was up 4.9% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$1.5211, up 0 cents since Wed. April 8 but also down about 26 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 1.3 cents vs. year ago price at 31.83 . 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 \$1.7219 are up about 29 cents from year ago levels.

Turkeys

Hens finished last week at \$1.0900, unchanged since Wed. April 8 and up about 1 cents from the year ago price.

Toms finished last week at \$1.0900, unchanged since Wed. April 8 and up about 1 cent from the year ago price.

Total turkey supplies in the freezer on February 28 were down about 4.1% percent from a year ago at 323.3 million pounds. Whole birds

were down 13.9% percent from year ago with an inventory of 159.9 million pounds.

Turkey slaughter was 4.3410 million head for the week ending April 11, up 2.75% from a year ago. For the last two weeks slaughter has been down 6.7%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$3.0800, unchanged since Wed. April 8. Prices are down about 32 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 \$8.3781 (weighted average quote) finished last week down about 22 cents since the Wed. April 8 quote but up about 172 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$7.8866 (weighted average quote) finished last week down about 49 cents since the Wed. April 8 quote but up about 197 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$0.4915 /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 \$2.7672 down about 4 cents since Wed. April 8 but up about 21 cents from the year ago price.

Choice 1/4 inch trimmed #168 insides finished last week quoted at \$2.8706 down about

10 cents since Wed. April 8 and up about 27 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$2.3580 down about 14 cents since Wed. April 8 but up about 16 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$7.5268 (wt. avg.) up about 4 cents from the Wed. April 8 quote. Prices are about 141 cents over year ago levels.

Choice #184 Regular Heavy top butts finished at \$4.4824 (wt. avg.) down about 7 cents since Wed. April 8 but up about 115 cents from year ago levels.

Choice #184 1/4 inch trimmed Top Butts finished at \$4.7793 (wt. avg.) up about 11 cents since Wed. April 8 and up about 125 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$7.2131 (wt. avg.) up about 106 cents since Wed. April 8 and up about 210 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at \$2.1038 down about 4 cents since Wed. April 8 but up about 27 cents from year ago levels.

81CL Coarse Ground product finished last week at \$2.4214 down about 15 cent since Wed. April 8 but up about 42 cents from the year ago quote.

90CL Bnls. Beef prices finished the week at \$2.9455 (wt. avg.) up about 0 cent since Wed. April 8 and up 47 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.

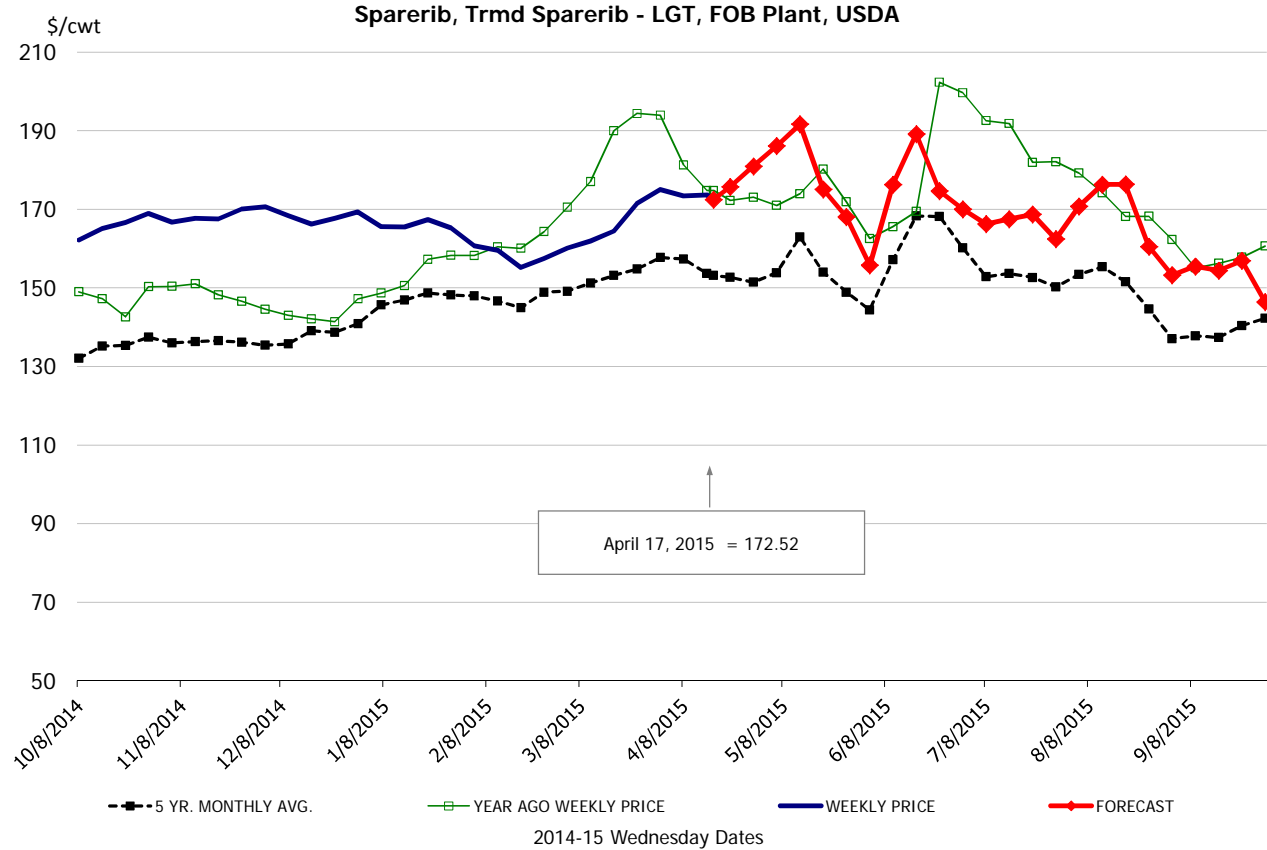
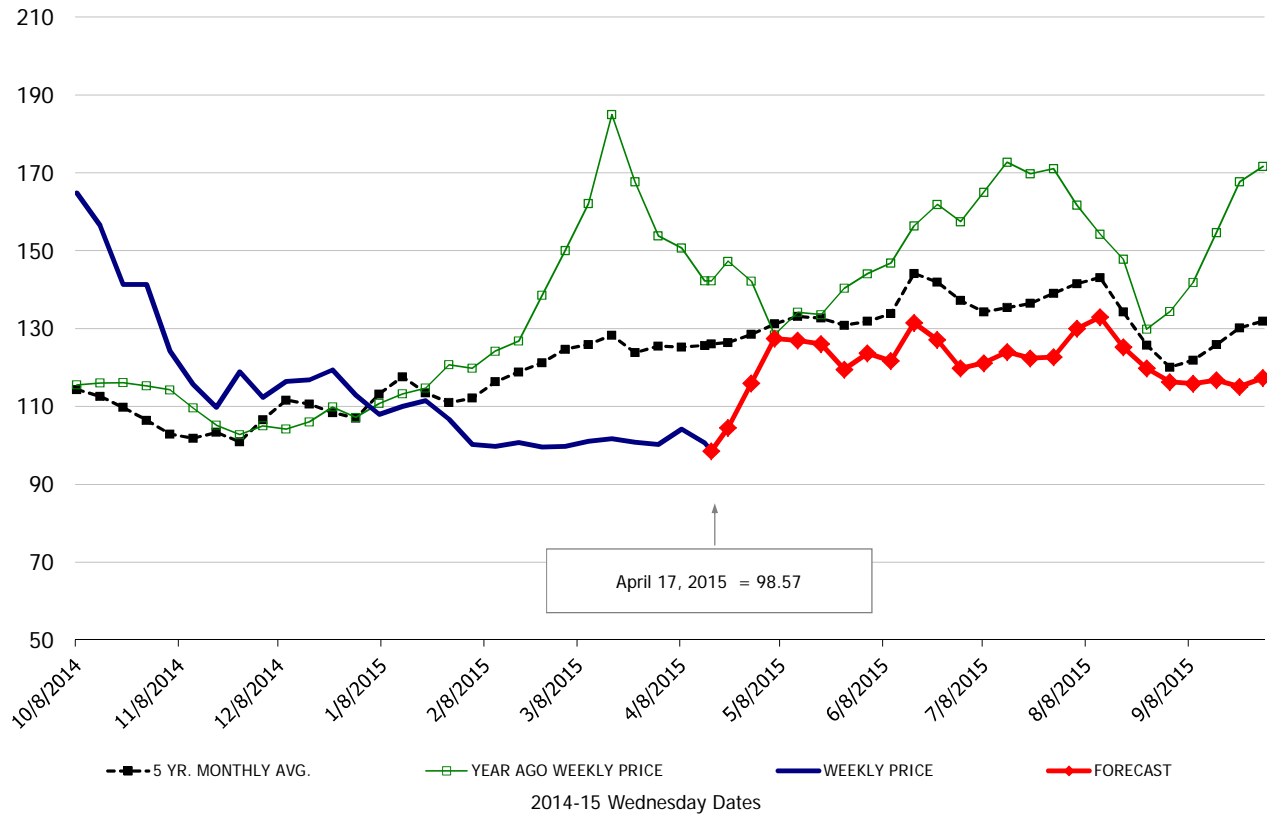
50 CL Beef Trim prices finished last week at \$1.3059, up about 24 cent since Wed. April 8 and up 15 compared to the year ago level.

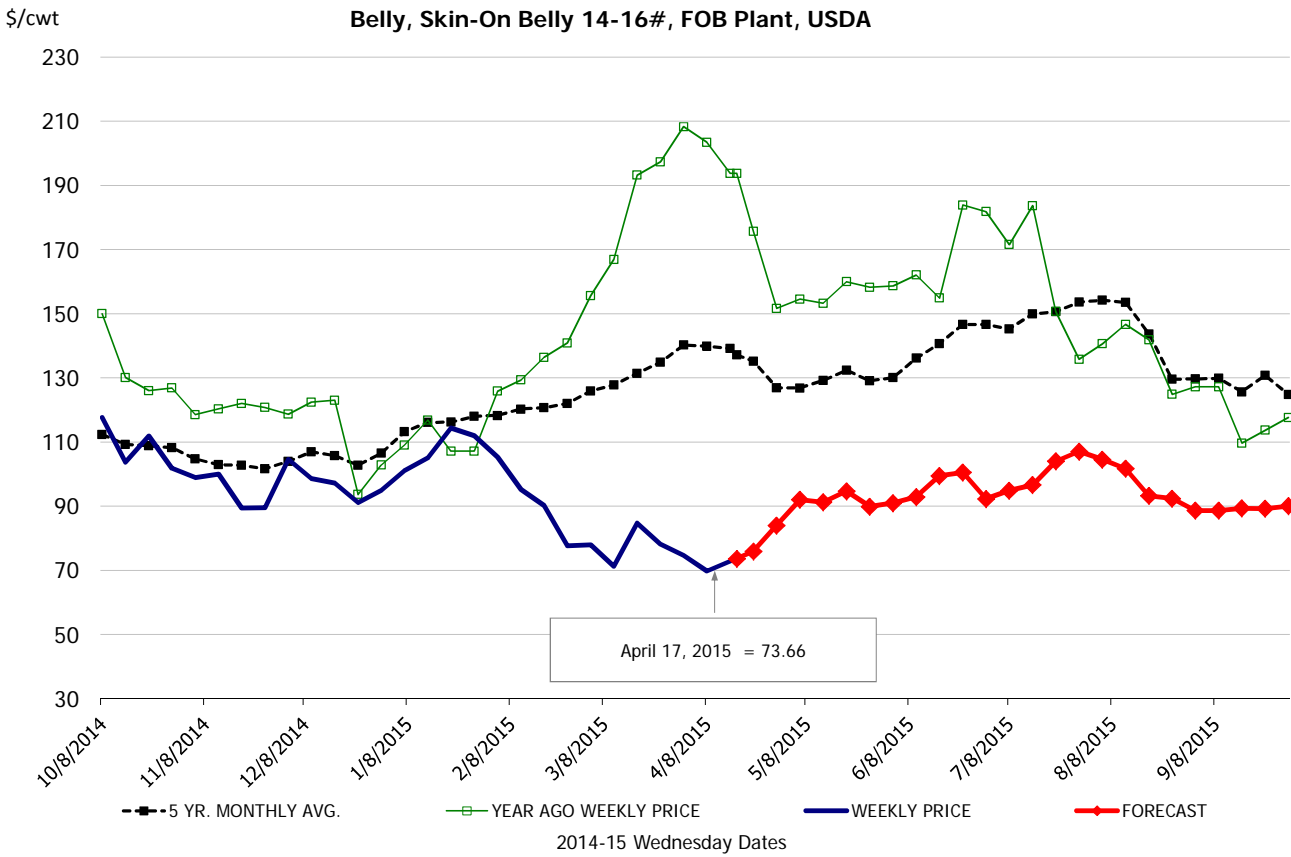
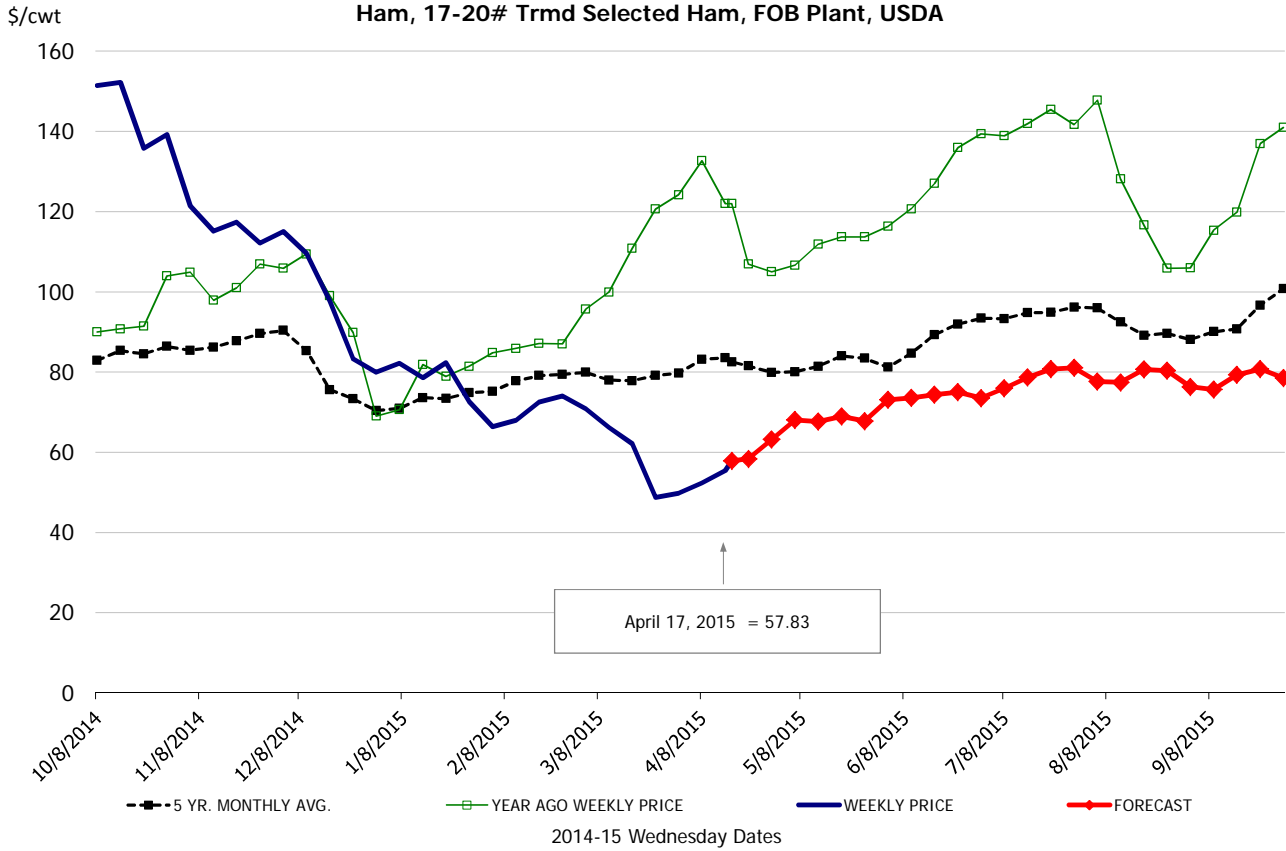
Food Service Summary Table - WT. AVE

	2014-15 History							2015 FORECAST							
	Oct	Nov	Dec	Jan	Feb	Mar	4/8/2015	4/17/2015	4/29/2015	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	1.04	0.99	1.16	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	1.07	1.09	1.23	1.09	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	1.62	1.63	1.75	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	2.07	1.92	2.27	2.20	2.37	2.50	2.57	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	0.79	1.00	0.89	1.10	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	1.73	1.73	1.81	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	2.40	2.39	2.39	2.46	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	1.73	1.69	1.75	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	2.57	2.58	2.61	2.58	2.59	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	0.52	0.58	0.63	0.58	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	0.47	0.51	0.59	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	0.46	0.58	0.59	0.54	0.62	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	1.01	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	0.70	0.74	0.84	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	0.76	0.82	0.86	0.88	1.09	1.20	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	0.81	0.83	0.92	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	0.25	0.19	0.29	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	0.40	0.47	0.53	0.48	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	0.58	0.62	0.69	0.62	0.72	0.79	0.79	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	1.03	1.06	1.05	1.05	1.05	1.03	1.00	0.97	0.97
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.68	1.43	1.31	1.38	1.38	1.41	1.52	1.52	1.62	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	1.03	1.06	1.13	1.06	1.17	1.18	1.17	1.17	1.14
N.E. BROILER LEG QUARTERS, USDA	0.46	0.45	0.45	0.41	0.36	0.37	0.33	0.32	0.34	0.32	0.35	0.35	0.37	0.38	0.38
N.E. BROILER WINGS, USDA, WT.AVG.	1.87	1.78	1.73	1.96	1.94	1.85	1.90	1.72	1.62	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	1.08	1.09	1.09	1.09	1.09	1.10	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	2.98	3.08	3.06	3.08	3.08	3.19	3.24	3.35	3.55
<u>LIVE STEERS</u>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.63	1.69	1.64	1.65	1.60	1.61	1.67	1.64	1.66	1.64	1.56	1.51	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	8.60	8.38	8.45	8.35	7.94	8.00	7.42	7.27	7.46
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.87	2.98	2.95	2.87	2.89	2.84	2.97	2.87	2.78	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	2.49	2.36	2.35	2.35	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	7.49	7.53	7.60	7.52	7.57	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	4.72	4.78	4.96	4.77	4.57	4.16	4.13	4.10	3.87
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	4.31	4.15	4.25	4.77	4.88	4.98	6.16	7.21	6.79	6.79	5.99	5.73	5.38	4.95	4.52
COARSE GROUND 73%, USDA	2.38	2.40	2.28	2.49	2.18	2.16	2.14	2.10	2.15	2.16	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	2.57	2.42	2.47	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	2.94	2.95	2.93	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	1.07	1.31	1.35	1.28	1.15	0.97	0.95	0.98	0.87

\$/cwt

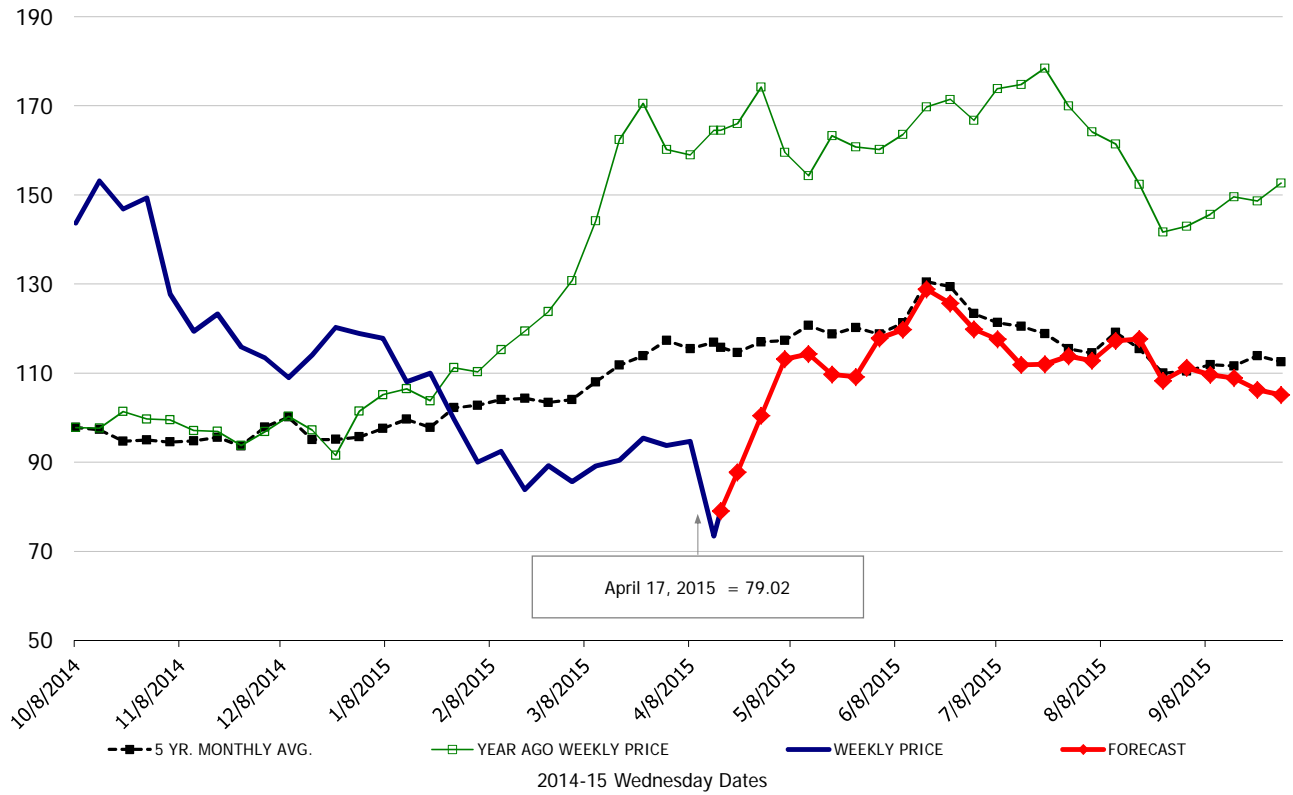
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA





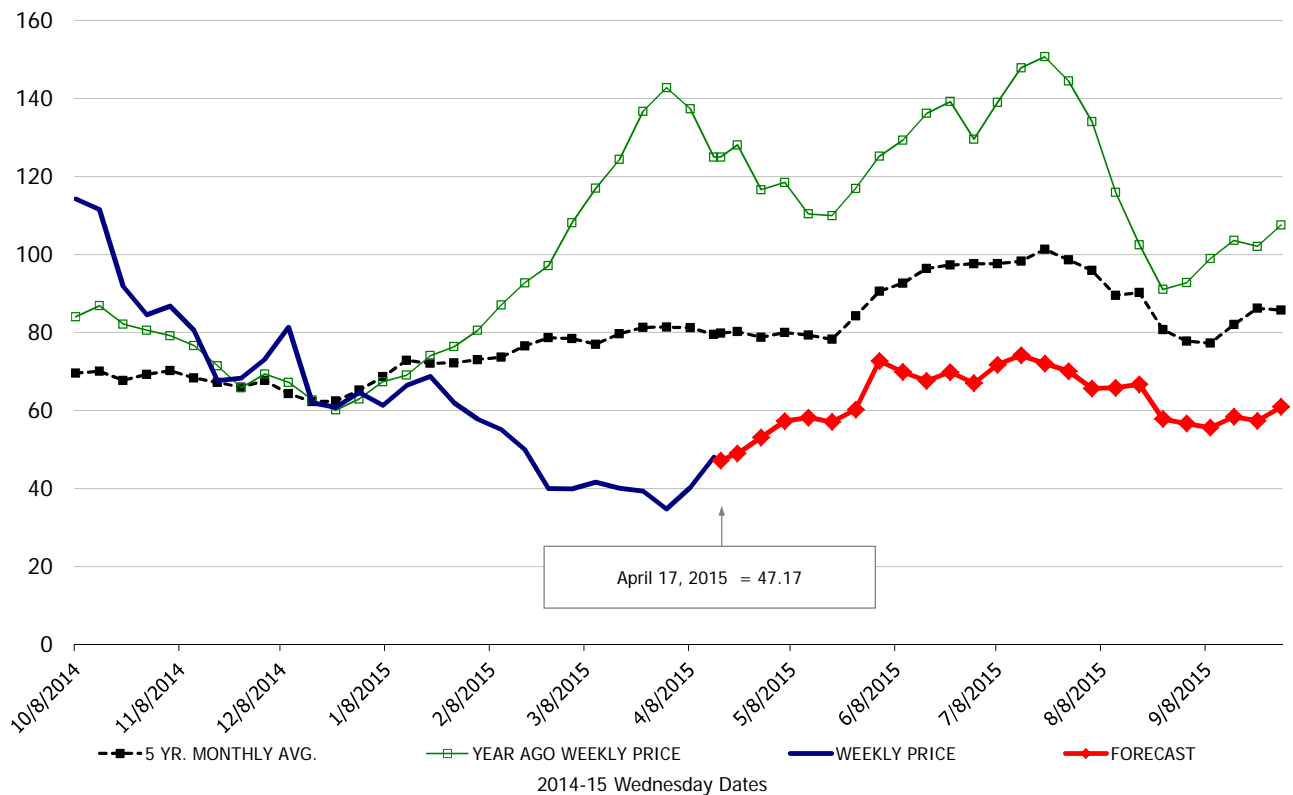
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Butt, 1/4 Trim Butt Combo, FOB Plant, USDA

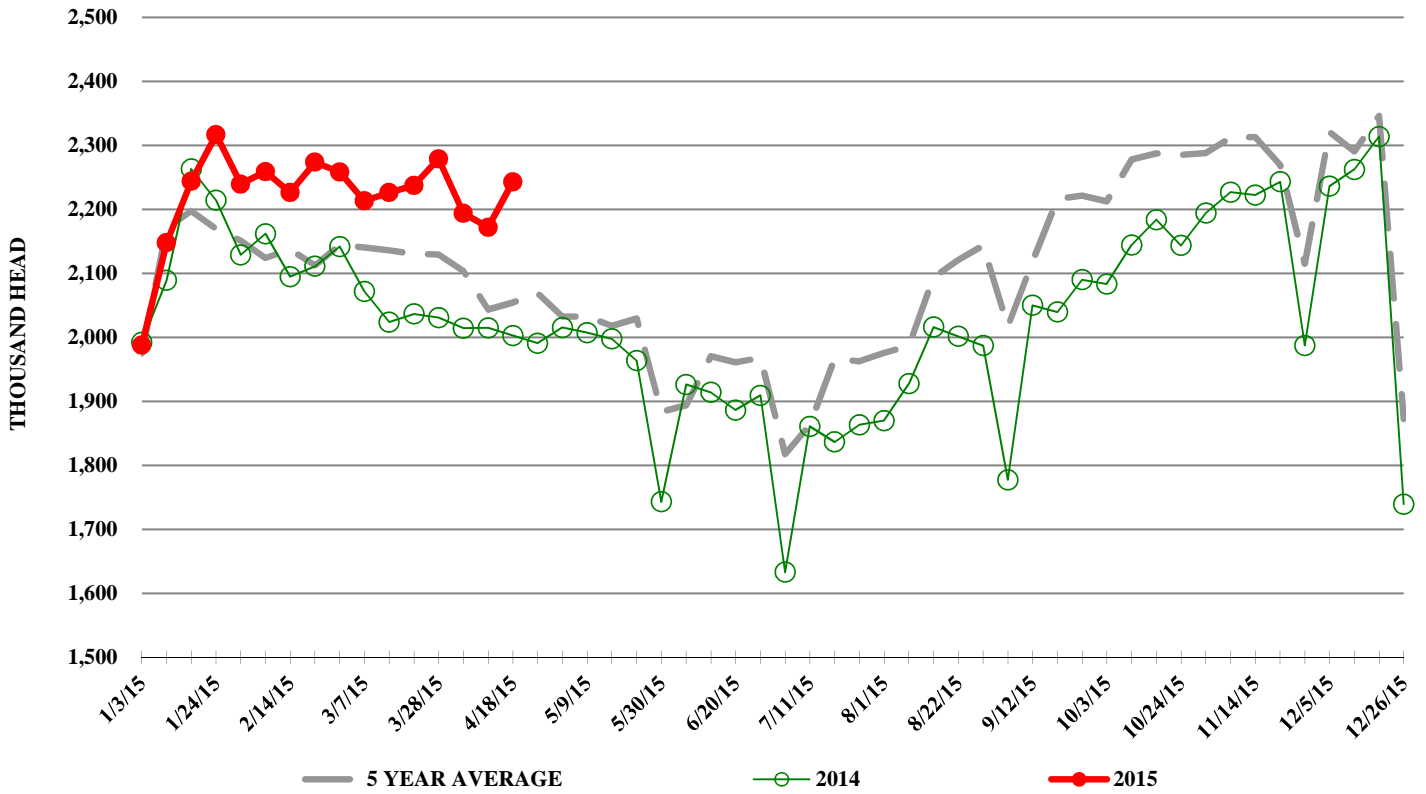


\$/cwt

Trim, 72% Trim Combo, FOB Plant, USDA



ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION

