



Pork Merchandiser's Profit Maximizer

Be inspiredSM

- Foodservice Edition

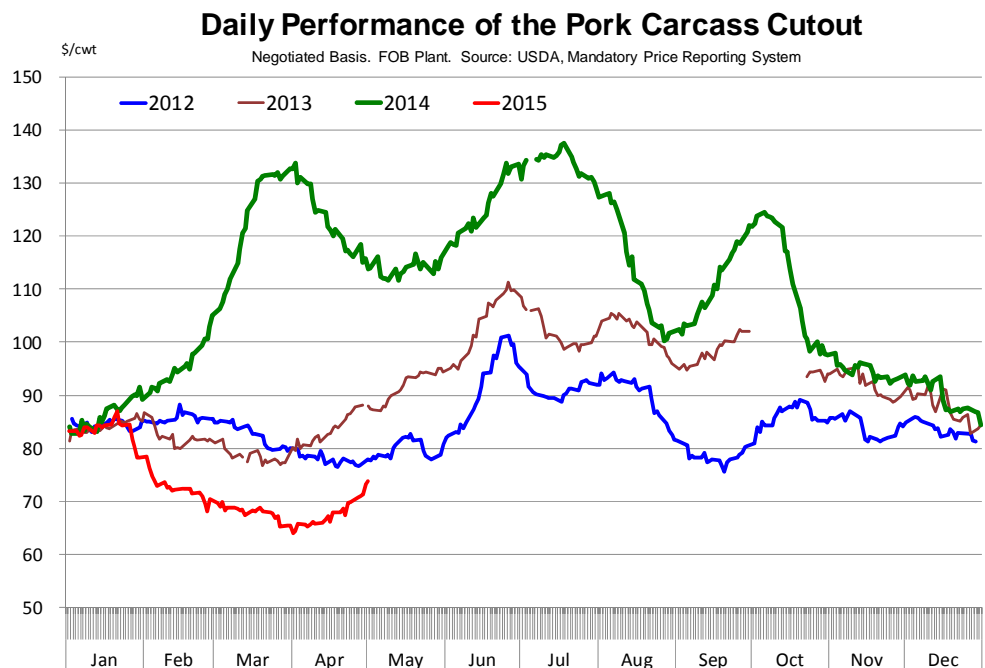
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Prepared by Steiner and Company, Manchester, NH 800-526-4612.

May 4, 2015

Seasonal Demand Improvement Supports Cash Hog Markets...But For How Long?

Cash hog and pork prices have gained ground in recent weeks and this has underpinned the rally in hog futures since late March. The pork cutout on Friday was higher once again. USDA quoted the overall cutout at \$73.86/cwt, 58 cents higher than the previous day and \$3.9/cwt higher than a week ago. The pork cutout still is about 35% lower than a year ago but year over year comparisons will provide a distorted picture for the next few months given the unusual situation created by PEDv last year. It is more instructive, both in terms of understanding trends and market expectations, to put current cutout values relative to 2012 and 2013 price

performance. Cash hog prices were also higher last night, providing further support for the rally in hog futures. The IA/MN Lean Hog carcass price was quoted at 74.94/cwt, \$8/cwt higher than where we started the week and the highest hog carcass value since January. IA/MN hog carcass price has increased 33% so far this month, far surpassing the normal seasonal increase that



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we see at this time of year. Hog prices came under significant pressure in February and March as markets adjusted from the inflationary price environment in the second half of 2014. Pork supplies were larger than expected in Q1 and when combined with high priced inventories and sticky retail prices this pressured hog values well below earlier targets. It appears that finally hog markets are normalizing and trading closer to historical price/supply relationships. To be sure, hog supplies remain large and this will contain price inflation in the pork market. Hog slaughter in the first two days of this week has averaged 429,000 head/day and for the week we currently project hog slaughter to be 2.179 million head, 8.1% higher than a year ago. If this slaughter number is correct, it would represent a 4.2% increase compared to the same week in 2013 and 4.9% increase compared to the same week in 2012.

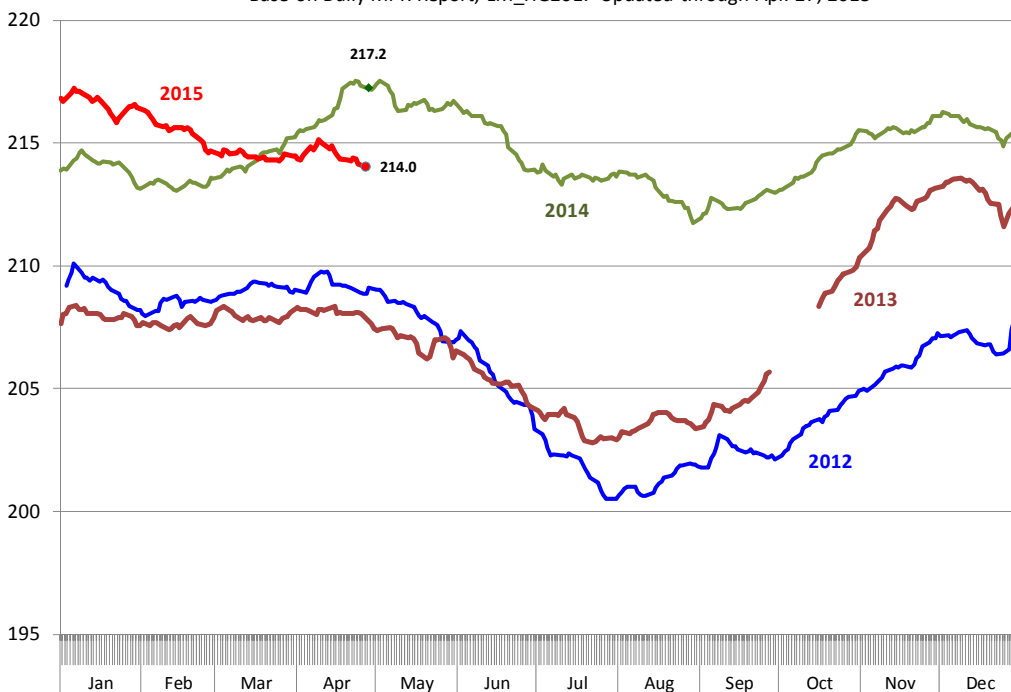
More hogs coming to market has only been part of the problem for pork, however. Hog carcass weights increased dramatically last year as producers held hogs back to

offset the losses caused by PEDv. Hog carcass weights are now below year ago levels. But we would argue that current weights are only slightly higher than what trend growth would be had it not been for PEDv. According to the data from Mandatory Price Reporting, the average weight of all hogs (not just producer hogs) coming to market is running at around 214 pounds per carcass, 1.5% lower than a year ago. In 2013, hog carcass weights at this time of year were around 208 pounds. Using a trend growth of around 1%, current weights should have been around 212 pounds. Going forward, hog weights are expected to drift lower and summer weather remains a significant wild card. Hog supplies are plentiful, as evidenced by the increase in slaughter numbers and the data from the USDA Hogs and Pigs survey. This will make for more timely marketings and weights should follow the pre-2014 trend, especially in late June, July and August. Hot weather takes a toll on hog weights and above average temps could see hog carcass weights drop in the 207-08 range, about 2% under year ago levels.

More likely we will see hog carcass weights for summer months in 208-209 range. This will tend to limit some of the supply increase implied by the latest pig crop numbers. It is not a surprise at this point that futures have rallied for the summer months considering the improvement in cash prices and the normal seasonal for prices in June and July. Prices for the last quarter of the year have also benefited from the recent rally but fall prices are somewhat

Hog Carcass Weights, 5-day Moving Average, All Hogs

Base on Daily MPR Report, LM_HG201. Updated through Apr. 27, 2015



more problematic. Hog slaughter for Q4 is expected to be around 30.6 million head, compared to 30.4 million in 2012. At this point we do not expect slaughter capacity to be an issue but it remains a concern and something the market will have to grapple with as we go forward.

PORK

NOTE: WE ARE NOW REPORTING AND FORECASTING MANDATORY PLANT WEIGHTED AVERAGE BLUE SHEET PRICES FOR PORK CUTS.

Live hogs. For the week ending May 2 slaughter was 2.164 million head, up 7.4% from a year ago. In the last two weeks hog slaughter is up 8.5% vs. year ago levels.

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).

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass values at about 74.94 /cwt. on Friday were up \$11.9/cwt since Wed. April 22. Prices are down about 37 dollar compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at \$1.1168, up about 11.3 cent since the Wed. April 22 quote but down about 30 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.4758 for the strap on loins, up 13.8 cent since Wed. April 22 but down about 35 cent from the year ago levels. Strap off loins at \$1.6126 are up about 8.0 cent since Wed. April 22 but down about 54 cents compared to the year ago quote.

Boneless sirloins at \$1.1658 are up about 3 cents from the Wed. April 22 quote but down about 57.6 cents from the year ago price.

Pork tenderloin finished last week at \$2.1365, up slightly since the Wed. April 22 quote but down about 66.8 cents from the year ago price.

5/10 Pork Butts (page 10), prices finished the week at \$1.0867, up about 15 cents since Wed. April 22.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$1.8720, up about 15 cent since Wed. April 22 and up about 14 cents from year ago levels.

Rib inventories on March 31 were 113.7 million pounds, down 5.8% percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was \$0.6274/lb., up 3.4 cents compared to prices on Wed. April 22 but down about 42 cents from a year ago.

20/23 hams finished the week at 60.06 cents, up about 2 cents since Wed. April 22 but down about 46 cents from the year ago level.

23/27 hams finished the week at 58.83 , down about 2 cents from the Wed. April 22 quote and down about 41 cents from the year ago level.

Total ham cold storage stocks on March 31 at 100.7 million pounds were down about 12.6% from year ago levels.

42 CL Pork Trim “FOB Basis”. Prices finished the week at 27.28 cent, up about 8.0 cent since Wed. April 22 but down about 33 cents from the year ago price.

72 CL Pork Trim “FOB Basis”. Prices finished the week at 62.14 cents, up about 10 cents since the Wed. April 22 quote but down about 54 cents from the year ago level.

Freezer stocks of all trimmings on March 31 were 68.9 million pounds, up about 86.8% 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 \$115.75 was up about 8 cents from a year ago.

The National Whole Bird price was quoted at 107.78 on Friday May 2, down about 3 cents from a year ago.

Broiler slaughter for the week ending May 2 was 160.65 million head, up 4.19% from a year ago. For the last two weeks slaughter was up 3.7% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$1.6049, up 6 cents since Wed. April 22 but also down about 17 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 0.7 cents vs. year ago price at 34.37 . 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 \$1.7799 are up about 37 cents from year ago levels.

Turkeys

Hens finished last week at \$1.1200, unchanged since Wed. April 22 and up about 3 cents from the year ago price.

Toms finished last week at \$1.1200, unchanged since Wed. April 22 and up about 3 cent from the year ago price.

Total turkey supplies in the freezer on March 31 were down about 3.3% percent from a year ago at 347.6 million pounds. Whole birds were down 11.1% percent from year ago with an inventory of 181.2 million pounds.

Turkey slaughter was 4.3060 million head for the week ending April 25, up 2.06% from a year ago. For the last two weeks slaughter has been up 10.4%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$3.3000, unchanged since Wed. April 22. 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 \$8.5539 (weighted average quote) finished last week down about one cents since the Wed. April 22 quote but up about 148 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$7.6562 (weighted average quote) finished last week down about 34 cents since the Wed. April 22 quote but up about 99 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$0.8977 /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 \$2.7862 down about 8 cents since Wed. April 22 but up about 15 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$2.8802 up about 2 cents since Wed. April 22 and up about 25 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$2.4028 up about 7 cents since Wed. April 22 and up about 20 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$8.1923 (wt. avg.) up about 43 cents from the Wed. April 22 quote. Prices are about 173 cents over year ago levels.

Choice #184 Regular Heavy top butts finished at \$4.6233 (wt. avg.) up about 6 cents since Wed. April 22 and up about 105 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$4.7952 (wt. avg.) up about 11 cents since Wed. April 22 and up about 102 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$7.6034 (wt. avg.) up about 2 cents since Wed. April 22 and up about 240 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at \$1.9142 down about 32 cents since Wed. April 22 but up about 2 cents from year ago levels.

81CL Coarse Ground product finished last week at \$2.2826 down about 12 cent since

Wed. April 22 but up about 23 cents from the year ago quote.

90CL Bnls. Beef prices finished the week at \$2.9699 (wt. avg.) up about 2 cent since Wed. April 22 and up 51 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 \$0.9014, down about 41 cent since Wed. April 22 and down 42 compared to the year ago level.

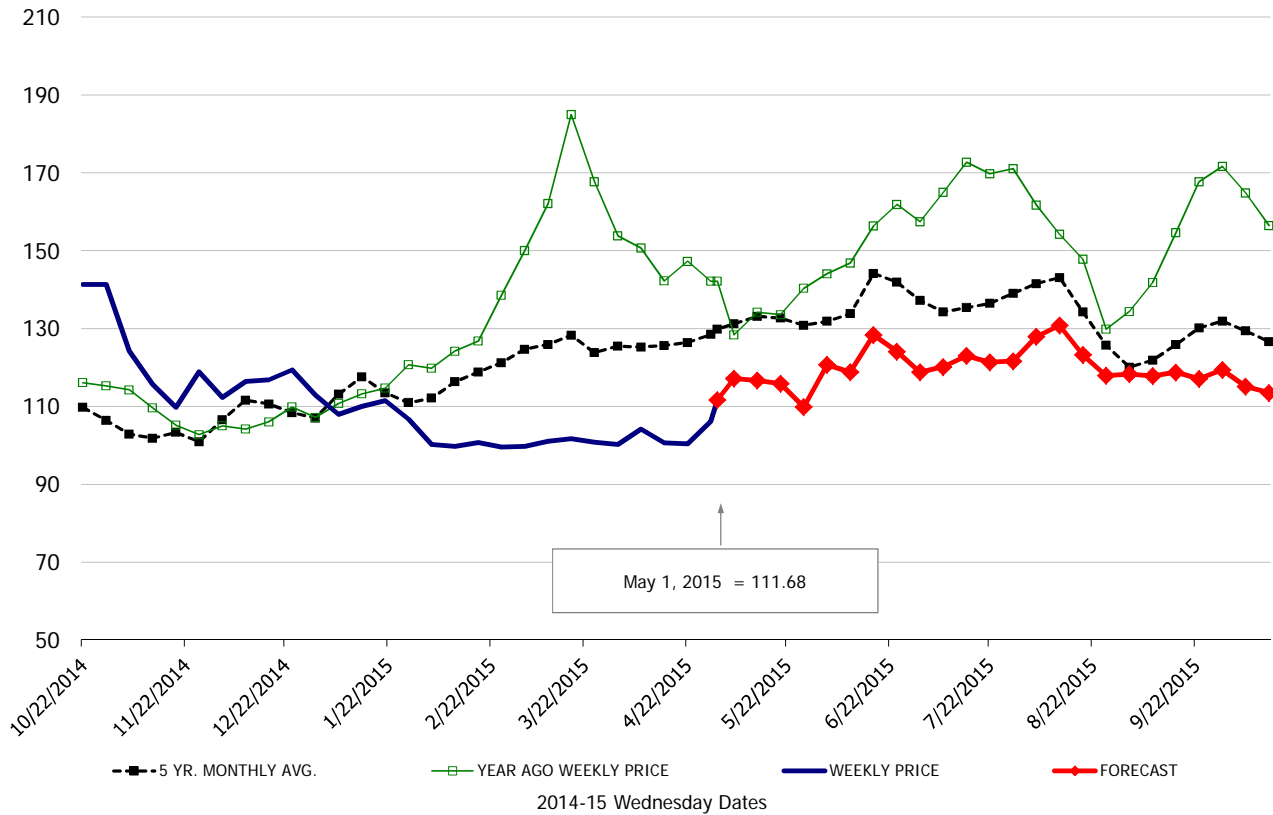
Food Service Summary Table - WT. AVE

	2014-15 History							2015 FORECAST							
	Nov	Dec	Jan	Feb	Mar	Apr	4/22/2015	5/1/2015	5/13/2015	May	Jun	Jul	Aug	Sep	Oct
<u>PORK</u>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.16	1.15	1.08	1.00	1.00	1.01	1.00	1.12	1.17	1.14	1.23	1.21	1.25	1.18	1.12
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.23	1.23	1.16	1.07	1.08	1.08	1.08	1.16	1.25	1.21	1.31	1.29	1.34	1.25	1.19
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.74	1.78	1.72	1.55	1.57	1.62	1.53	1.61	1.76	1.70	1.80	1.75	1.86	1.82	1.79
Loin, Tenderloin, FOB Plant, USDA	2.60	2.58	2.64	2.51	2.25	2.07	1.97	2.14	2.30	2.25	2.37	2.49	2.44	2.32	2.16
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	1.20	1.14	1.04	0.85	0.89	0.90	0.93	0.99	1.02	0.98	1.12	1.07	1.06	1.04	0.99
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.68	1.67	1.66	1.59	1.66	1.74	1.72	1.87	2.01	1.88	1.97	1.92	1.96	1.72	1.75
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.35	2.39	2.42	2.36	2.40	2.47	2.51	2.49	2.79	2.61	2.74	2.71	2.75	2.53	2.54
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.65	1.65	1.59	1.53	1.56	1.71	1.73	1.79	1.86	1.75	1.88	1.86	1.89	1.67	1.68
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.29	2.27	2.35	2.44	2.53	2.61	2.64	2.85	2.82	2.76	2.84	2.69	2.70	2.56	2.42
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	1.15	0.96	0.80	0.70	0.58	0.56	0.59	0.63	0.68	0.68	0.76	0.82	0.83	0.85	0.90
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	1.03	0.82	0.73	0.64	0.53	0.54	0.58	0.60	0.65	0.64	0.72	0.79	0.78	0.81	0.80
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.93	0.75	0.67	0.59	0.48	0.50	0.61	0.59	0.63	0.62	0.69	0.76	0.75	0.76	0.73
Ham, 5 Muscle Ham to Blue, FOB Plant, USDA	1.58	1.47	1.19	1.19	1.19	1.19	1.19	1.19	1.13	1.13	1.17	1.28	1.27	1.23	1.18
Belly, Skin-on Belly 14-16#, FOB Plant, USDA	0.95	0.98	1.08	0.86	0.76	0.72	0.79	0.79	0.84	0.85	0.97	0.94	1.05	0.92	0.83
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.16	1.21	1.27	1.01	0.87	0.80	0.83	0.86	1.07	1.07	1.20	1.26	1.31	1.16	1.04
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.15	1.20	1.24	1.05	0.83	0.79	0.79	0.80	1.05	1.05	1.18	1.24	1.29	1.14	1.02
Trim, 42% Trim Combo, FOB Plant, USDA	0.31	0.26	0.30	0.27	0.24	0.22	0.19	0.27	0.31	0.31	0.37	0.42	0.41	0.36	0.31
Trim, 72% Trim Combo, FOB Plant, USDA	0.75	0.67	0.64	0.48	0.39	0.45	0.52	0.62	0.64	0.64	0.73	0.76	0.70	0.65	0.64
<u>HOG CARCASS</u>															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	0.87	0.80	0.71	0.61	0.60	0.62	0.63	0.75	0.77	0.75	0.82	0.83	0.81	0.76	0.72
<u>BROILERS</u>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	1.04	0.98	0.99	0.92	0.99	1.05	1.07	1.08	1.08	1.07	1.05	1.02	0.99	0.99	0.97
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.43	1.31	1.38	1.38	1.41	1.54	1.55	1.60	1.73	1.71	1.66	1.68	1.71	1.64	1.43
N.E. BROILER BREAST LINE RUN, USDA	1.07	1.05	1.05	1.02	1.01	1.04	1.05	1.09	1.15	1.14	1.15	1.15	1.15	1.12	1.01
N.E. BROILER LEG QUARTERS, USDA	0.45	0.45	0.41	0.36	0.37	0.34	0.34	0.34	0.36	0.35	0.35	0.35	0.37	0.37	0.35
N.E. BROILER WINGS, USDA, WT.AVG.	1.78	1.73	1.96	1.94	1.85	1.81	1.78	1.78	1.86	1.87	1.92	2.01	2.03	2.14	2.17
<u>TURKEYS</u>															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.24	1.15	1.05	1.04	1.06	1.09	1.10	1.12	1.12	1.12	1.16	1.19	1.20	1.23	1.26
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	3.92	3.83	3.48	3.10	2.94	3.08	3.15	3.30	3.49	3.48	3.70	3.90	4.08	4.28	4.27
<u>LIVE STEERS</u>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.69	1.64	1.65	1.60	1.61	1.64	1.62	1.60	1.57	1.56	1.51	1.50	1.51	1.52	1.53
<u>BEEF</u>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	7.79	7.48	6.41	6.64	7.78	8.49	8.57	8.55	8.43	8.53	8.70	8.03	7.86	8.02	8.25
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.98	2.95	2.87	2.89	2.84	2.86	2.86	2.88	2.86	2.82	2.69	2.77	2.91	2.81	2.81
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.84	2.69	2.81	2.68	2.55	2.38	2.33	2.40	2.35	2.35	2.35	2.39	2.45	2.51	2.61
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	5.29	5.56	6.05	5.88	6.19	7.51	7.76	8.19	7.93	7.95	7.47	6.68	6.37	5.91	5.54
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	3.58	3.57	3.86	4.06	4.40	4.72	4.76	4.80	4.73	4.60	4.59	4.45	4.33	4.16	3.82
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	4.15	4.25	4.77	4.88	4.98	6.85	7.58	7.60	7.40	7.44	7.11	6.23	5.55	4.85	4.60
COARSE GROUND 73%, USDA	2.40	2.28	2.49	2.18	2.16	2.17	2.23	1.91	2.33	2.29	2.11	2.08	2.16	2.15	2.02
COARSE GROUND 81%, USDA	2.69	2.64	2.78	2.51	2.48	2.46	2.40	2.28	2.54	2.51	2.38	2.35	2.41	2.43	2.29
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.96	2.97	3.02	2.93	2.95	2.96	2.95	2.97	2.98	2.97	2.92	2.95	2.94	2.87	2.73
50CL BEEF TRIM, FRESH, NATIONAL, USDA	1.15	1.01	1.26	0.90	0.89	1.15	1.31	0.90	0.98	1.00	0.95	0.93	0.96	0.85	0.88

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

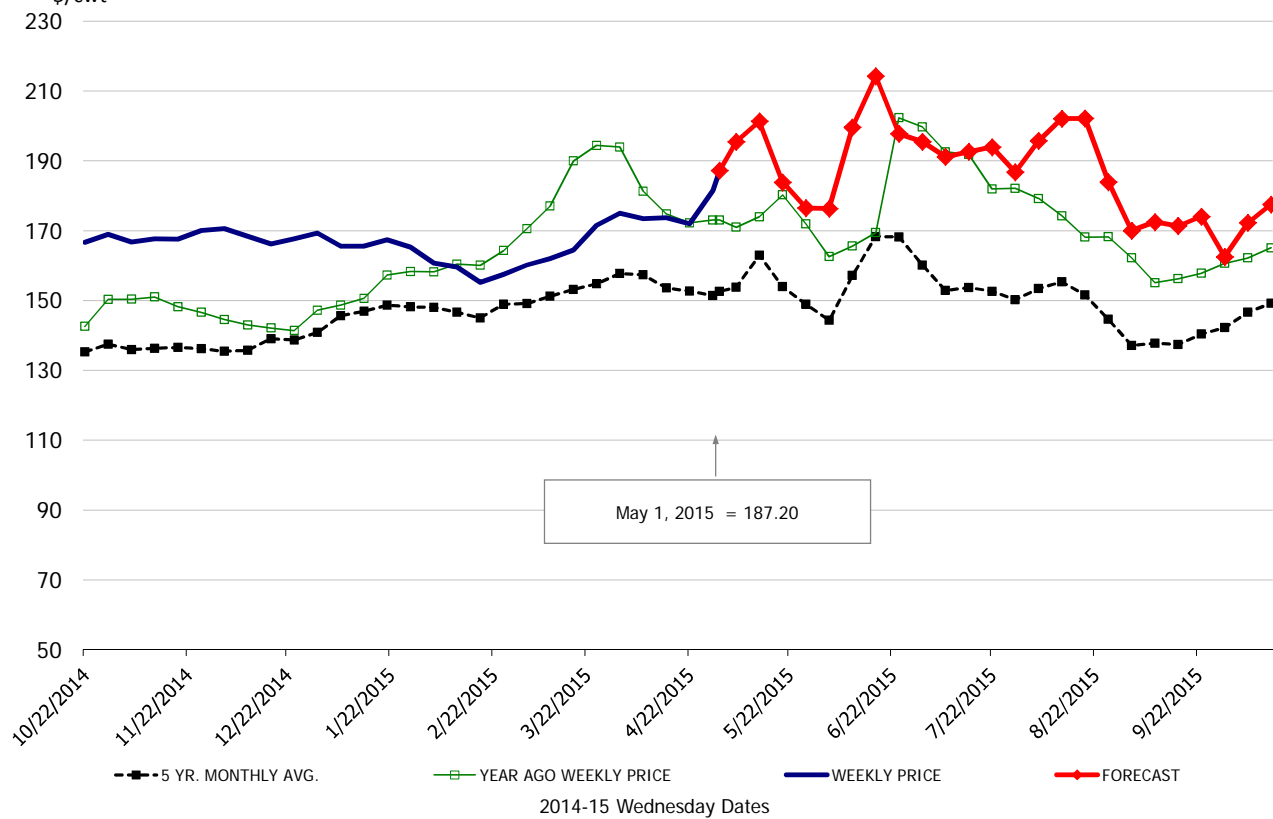
\$/cwt

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



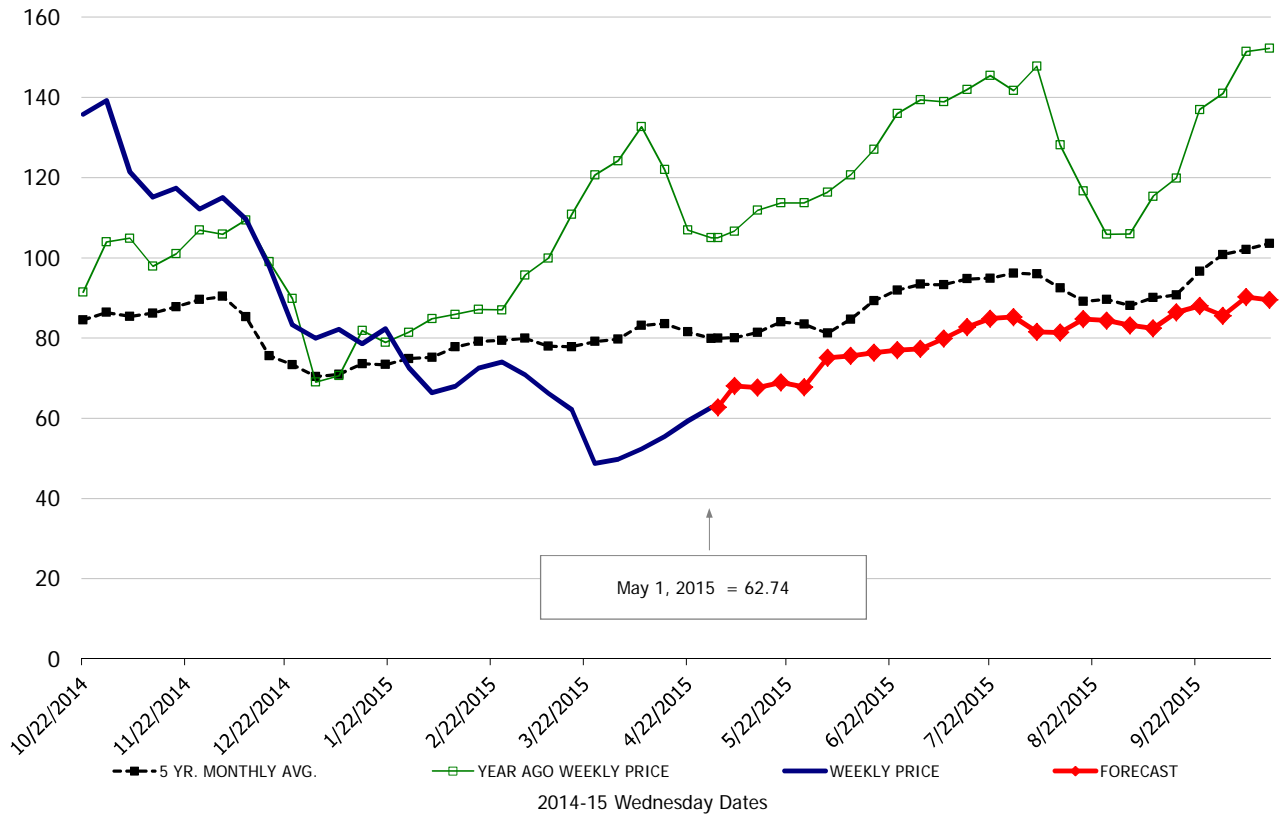
\$/cwt

Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA



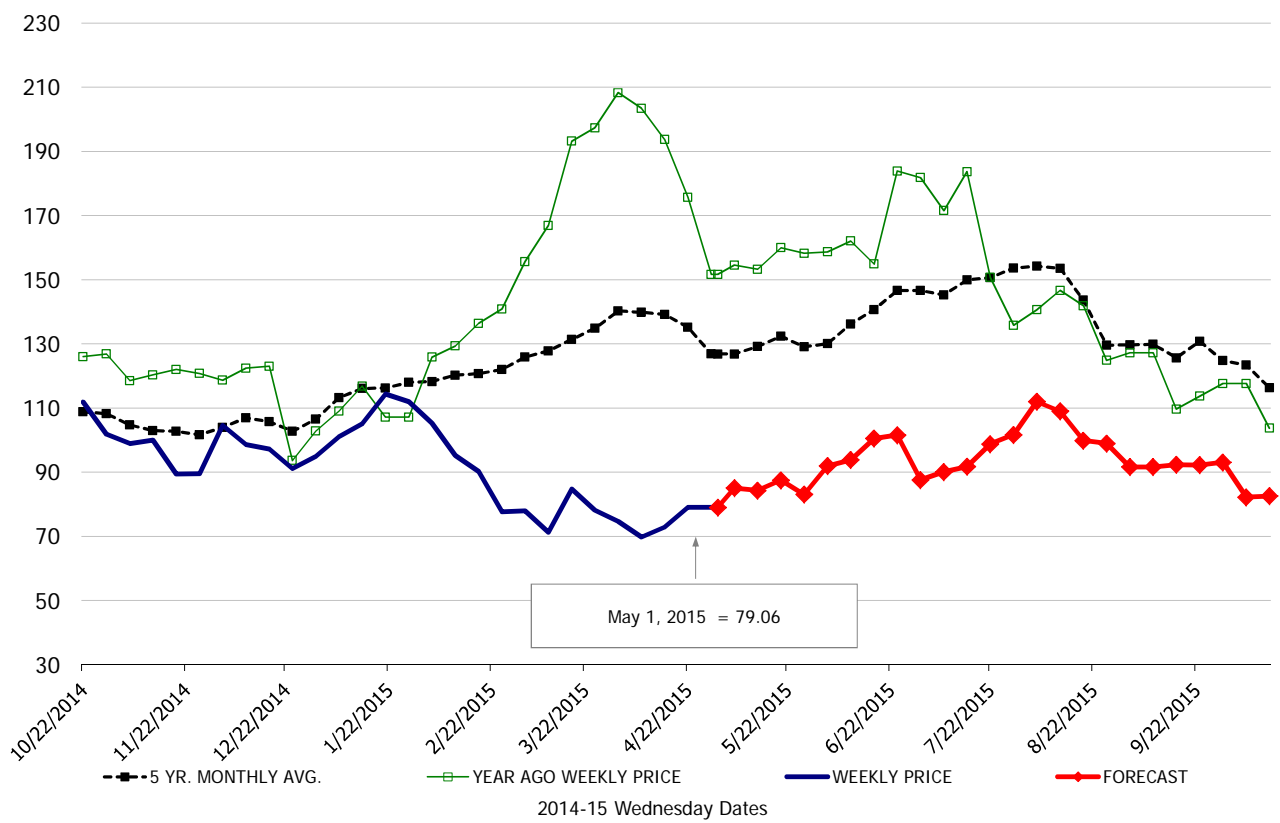
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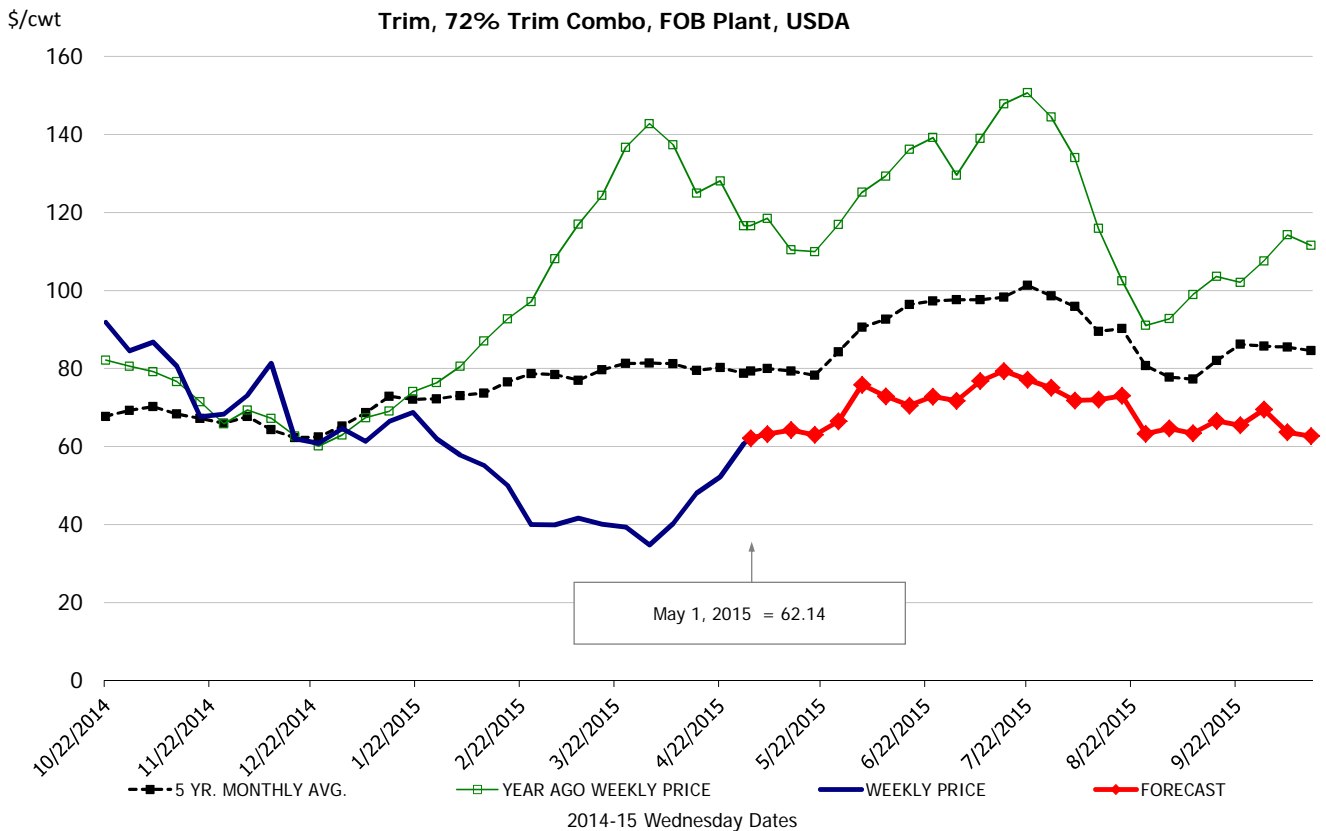
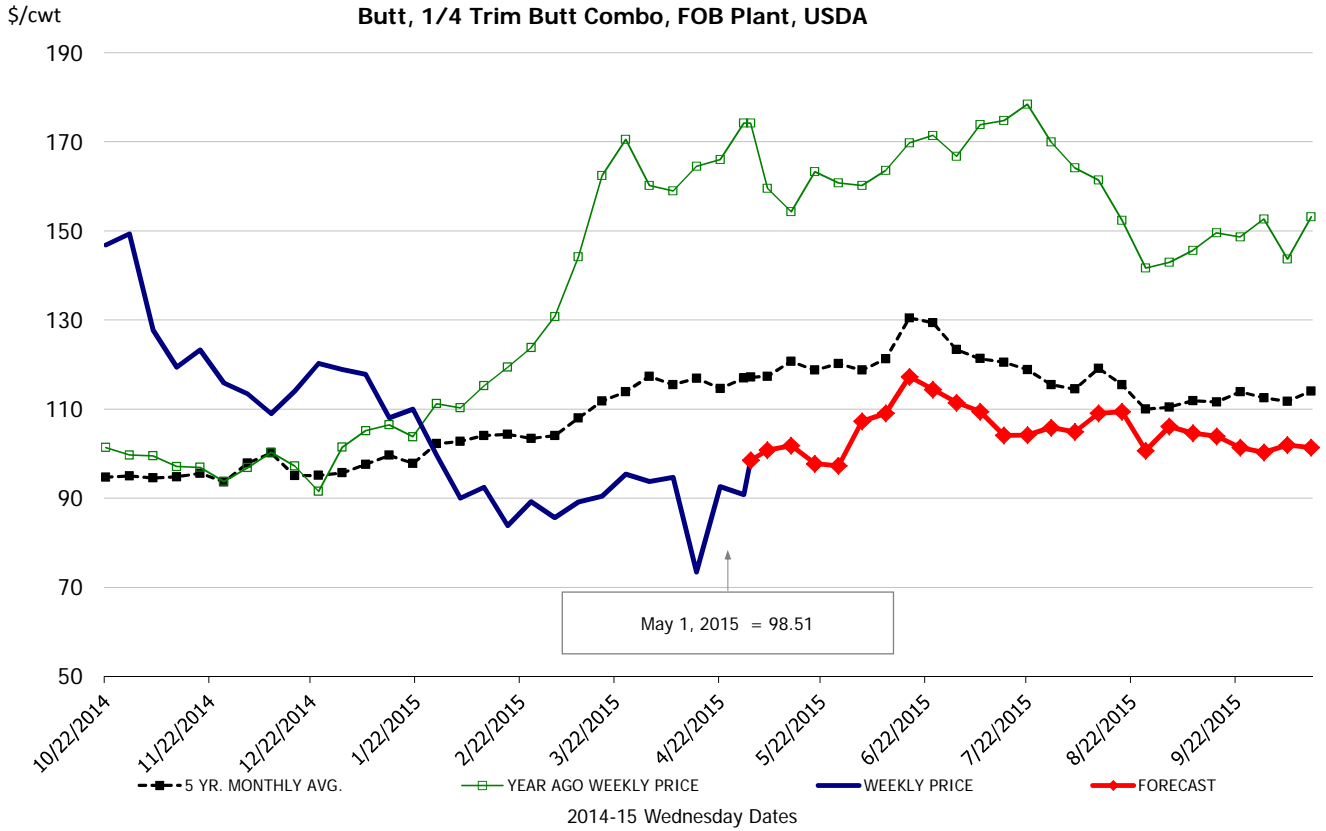
Ham, 17-20# Trm'd Selected Ham, FOB Plant, USDA



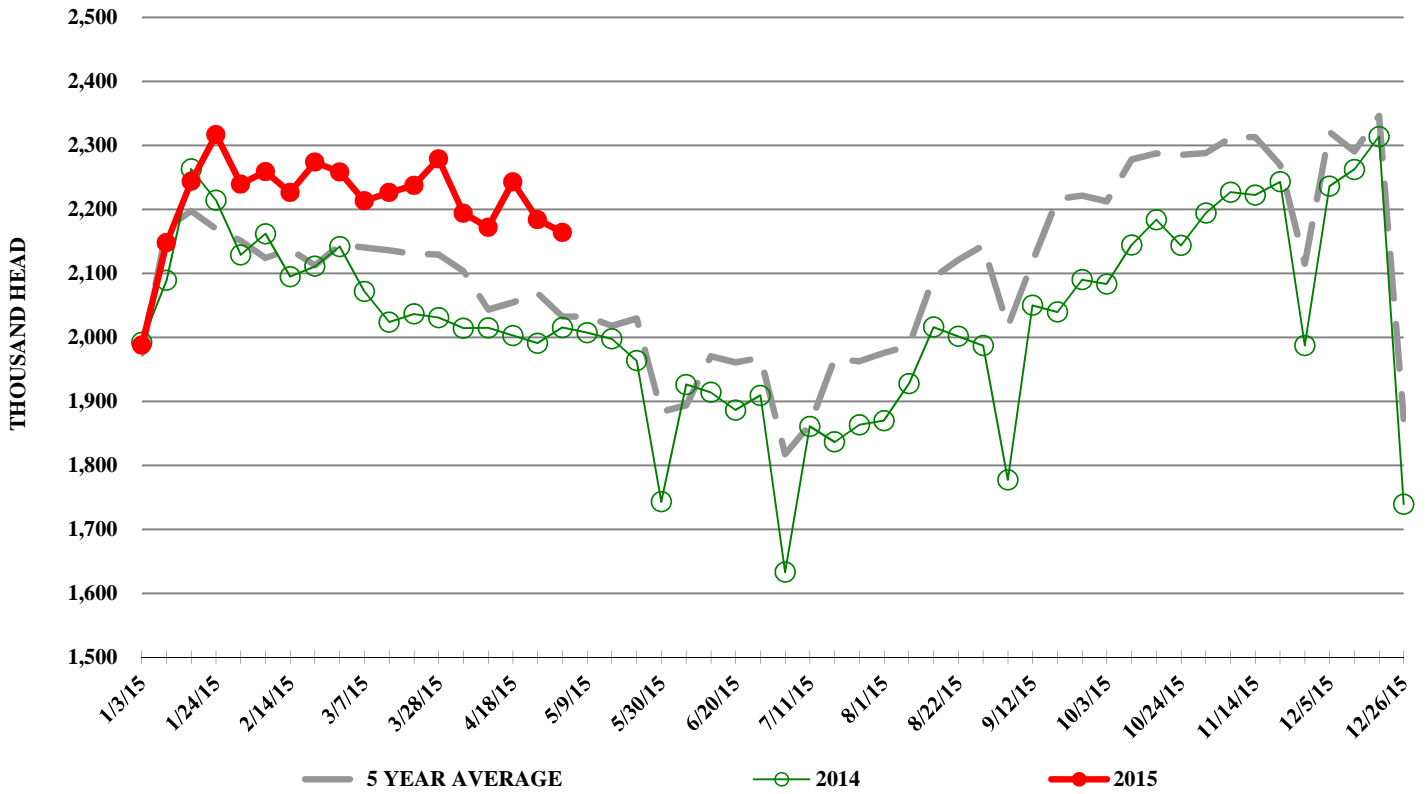
\$/cwt

Belly, Skin-On Belly 14-16#, FOB Plant, USDA





ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION

