



# Pork Merchandiser's Profit Maximizer

# Be inspired<sup>SM</sup>

## - Foodservice Edition

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May 18, 2015

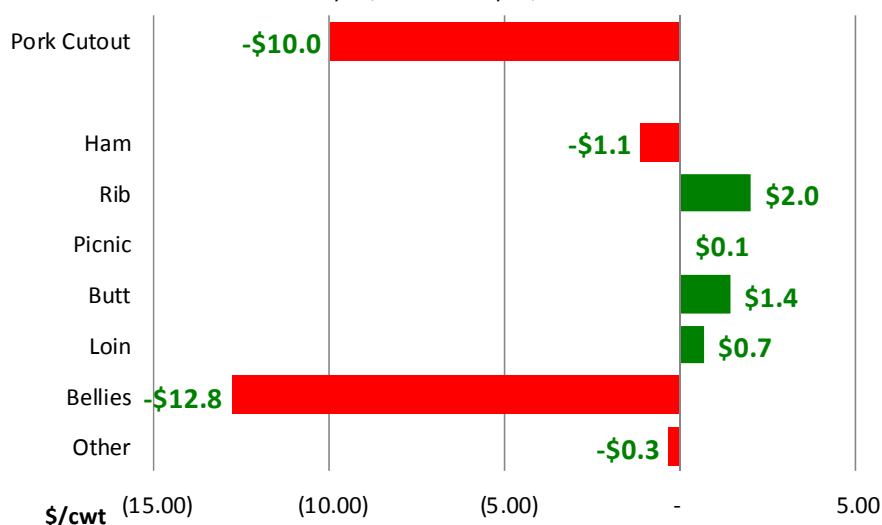
### Hog Markets Continue to Gain Ground as Memorial Day Needs Come into Focus

Hog futures have mounted a significant rally in the last few weeks on improving seasonal demand in retail markets, good export sales and a return to a more normal

order flow from processors. Since late March, the June lean hog futures contract has gained \$11/cwt (+15%). Hog prices in the cash market have fared even better. The IA/MN lean hog carcass price (wt. avg basis) closed on Friday at \$81.85/cwt, \$1.6 higher than the previous day and up some \$26/cwt (+45%) compared to where it was trading at the end of March. Futures have been trading behind the

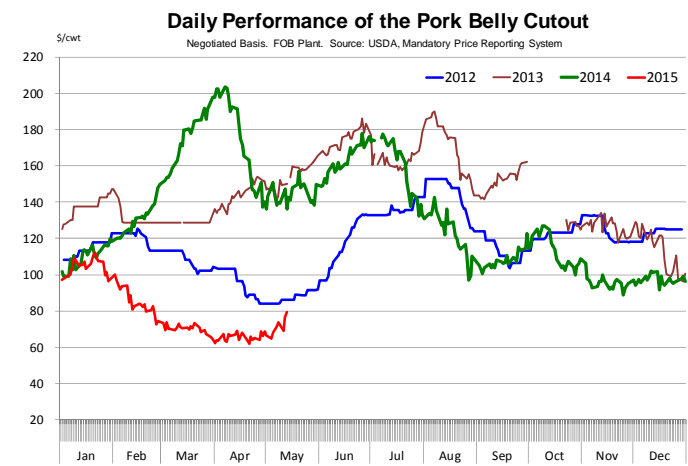
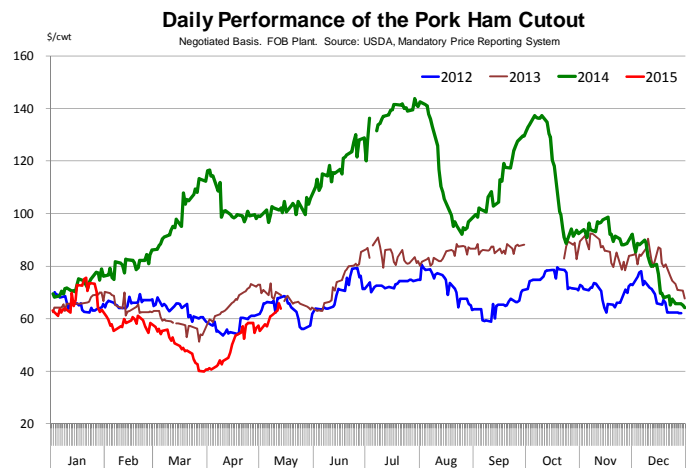
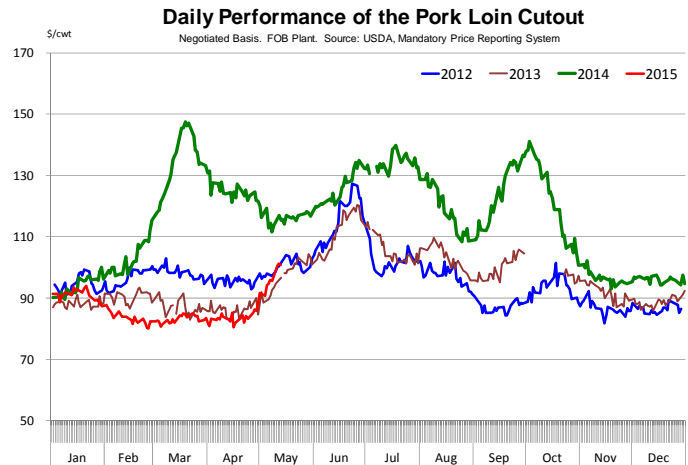
cash hog market for the last few weeks, reluctant to place significant premiums on summer contracts given expectations of larger supplies. But as wholesale prices have continued to trend higher and packers have become more aggressive in chasing hogs summer futures have had little choice but to oblige.

Contribution of Each Primal to the Y/Y Change in the Value of **Pork Cutout**  
May 14, 2015 vs. May 16, 2013



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So what explains the rapid improvement in hog prices and what should we expect for the remainder of the year? A number of factors are at play but the first thing to consider is that prices in late February and March declined by more than what fundamentals warranted. Supplies were indeed larger than a year ago but they were not as burdensome as markets traded. Comparisons to 2014 are a bit skewed due to the effect of PEDv so it is best to compare to 2013. Average daily pork production in March was around 96 million pounds compared to around 92 million pounds in March 2013, a 4.3% increase. Exports did not perform well in March so that left some additional pork to be absorbed in the domestic market but again this was not enough to justify hog prices trading in the 56 cent area compared to 78-80 cents in March 2013. Producers were looking to become more current so they sold hogs aggressively and that explains some of the decline. Processors and end users were also slow in responding to the increase in supply since they still had some expensive inventory they needed to use up or they took their time adjusting final prices. But as usual, the cure to low prices is low prices. We think the sharp decline in hog futures created opportunities for retailers and processors to book product at advantageous for the spring and pork is expected to be heavily featured going into Memorial Day. If we look at the performance of the various primals, we can see that for the most part retail items are now performing quite well. The chart on page 1 shows how each component of the pork cutout compares to the same period in 2013. Ribs, loins and butts are up significantly compared to 2013, an indication of strong retail demand. Pork butts are up 15% compared to same time in May 2013 while ribs are up 30%. The ham primal is down 7% but in line with what one would expect



given the increase in pork supplies. The only item that continues to struggle is the belly primal. The belly primal value last night was quoted at \$79.22/cwt, \$81/cwt (-50%) lower than what it was at the same time in 2013.

Bellies are about 16% of the carcass but the decline in value is so large that it has offset any of the gains from the other primals and then some. What kind of pork cutout should we expect if bellies return to a more normal trading range (be this due to promotions, seasonal improvement) while other primals continue to follow the seasonal pattern they have so far? If belly market improves, say in the \$120 range by July, then a \$100 cutout appears quite possible. In turn this would imply hog prices above what current futures are pricing. But that remains a big if. Market participants remain nervous about pricing for loins and trimmings past Memorial Day. For now, cash markets are dictating direction. The panic of winter has been replaced by the euphoria of spring. In a couple of months we will likely be talking about the effect of +2.4 mill head slaughter weeks this fall but for now let's all enjoy spring blossoms, clean out the grill and savor the brats and ribs bought on sale at the local grocery store.

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### Upcoming holidays:

**2015** 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).

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## PORK

<p><b><u>NOTE: WE ARE NOW REPORTING AND FORECASTING MANDATORY PLANT WEIGHTED AVERAGE BLUE SHEET PRICES FOR PORK CUTS.</u></b></p>
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**Live hogs. For the week ending May 16 slaughter was 2.128 million head, up 6.5% from a year ago. In the last two weeks hog slaughter is up 5.8% vs. year ago levels.**

**Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values.** Lean hog carcass values at about 81.85 /cwt. on Friday were up \$4.3/cwt since Wed. May 6. Prices are down about 27 dollar compared to year ago values.

**Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA** (page 8). Prices finished last week at \$1.2969, up about 10.5 cent since the

Wed. May 6 quote but down about 5 cents from year ago levels.

**Bnls. Strap on Pork Loins.** Prices finished the week at \$1.5611 for the strap on loins, down 3.6 cent since Wed. May 6 and down about 15 cent from the year ago levels. Strap off loins at \$1.7880 are up about 11.2 cent since Wed. May 6 but down about 9 cents compared to the year ago quote.

**Boneless sirloins** at \$1.2591 are up about 7 cents from the Wed. May 6 quote but down about 40.3 cents from the year ago price.

**Pork tenderloin** finished last week at \$2.2381, up slightly since the Wed. May 6 quote but down about 58.7 cents from the year ago price.

**5/10 Pork Butts** (page 10), prices finished the week at \$1.3624, up about 18 cents since Wed. May 6.

**Spare Ribs, Trimmed - LGT, Vac** (page 8). Prices finished the week at \$2.0693, up about 16 cent since Wed. May 6 and up about 33 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 \$0.7009/lb., up 5.2 cents compared to prices on Wed. May 6 but down about 42 cents from a year ago.

20/23 hams finished the week at 69.70 cents, up about 6 cents since Wed. May 6 but down about 42 cents from the year ago level.

23/27 hams finished the week at 67.34 , up about 4 cents from the Wed. May 6 quote but down about 36 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 37.11 cent, up about 6.5 cent since Wed. May 6 but down about 28 cents from the year ago price.

**72 CL Pork Trim** “FOB Basis”. Prices finished the week at 67.70 cents, up about 2 cents since the Wed. May 6 quote but down about 43 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.

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## **POULTRY**

**Georgia Dock Broilers.** The Georgia dock price last week at \$116.00 was up about 7 cents from a year ago.

The National Whole Bird price was quoted at 107.19 on Friday May 16, down about 10 cents from a year ago.

Broiler slaughter for the week ending May 16 was 160.44 million head, up 4.05% from a year ago. For the last two weeks slaughter was up 3.1% vs. a year ago.

**Breasts.** Prices on boneless skinless breasts finished the week at \$1.6594, down 1 cent since Wed. May 6 and also down about 19 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 3.8 cents vs. year ago price at 33.09 . 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 \$1.8390 are up about 46 cents from year ago levels.

## **Turkeys**

**Hens** finished last week at \$1.1300, unchanged since Wed. May 6 and up about 4 cents from the year ago price.

**Toms** finished last week at \$1.1300, unchanged since Wed. May 6 and up about 4 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 3.9890 million head for the week ending May 9, down -4.39% from a year ago. For the last two weeks slaughter has been down 1.7%.

**Boneless Turkey Breast Meat.** Boneless skinless turkey breast meat prices finished last week at \$3.8000, unchanged since Wed. May 6. 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 \$8.6437 (weighted average quote)

finished last week up about 5 cents since the Wed. May 6 quote and up about 145 cents vs. the year ago price.

**Select 112A Heavy Lip On Rib Eyes** at \$7.6867 (weighted average quote) finished last week down about 0 cents since the Wed. May 6 quote but up about 98 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$0.9570 /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 \$2.9173 up about 11 cents since Wed. May 6 and up about 58 cents from the year ago price.

**Choice ¼ inch trimmed #168 insides** finished last week quoted at \$2.9945 up about 4 cents since Wed. May 6 and up about 67 cents from year ago levels.

**Choice #170 Gooseneck Rounds** finished last week at \$2.3302 up about 0 cents since Wed. May 6 and up about 15 cents from the year ago levels.

**Choice #180 (0x1) Bnls. Strip Loins** finished last week quoted at \$9.4530 (wt. avg.) up about 74 cents from the Wed. May 6 quote. Prices are about 376 cents over year ago levels.

**Choice #184 Regular Heavy top butts** finished at \$3.7118 (wt. avg.) down about 91 cents since Wed. May 6 but up about 17 cents from year ago levels.

**Choice #184 ¼ inch trimmed Top Butts** finished at \$4.6034 (wt. avg.) up about 11

cents since Wed. May 6 and up about 83 cents from the year ago levels.

**Choice #185A Flap Meat** prices finished Friday at \$7.7540 (wt. avg.) down about 12 cents since Wed. May 6 but up about 267 cents from year ago values.

### **COARSE GROUND BEEF –**

**73CL Coarse Ground** product finished last week at \$1.9939 down about 6 cents since Wed. May 6 but up about 8 cents from year ago levels.

**81CL Coarse Ground** product finished last week at \$2.3050 up about 0 cent since Wed. May 6 and up about 32 cents from the year ago quote.

**90CL Bnls. Beef** prices finished the week at \$2.9592 (wt. avg.) up about 2 cent since Wed. May 6 and up 54 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.

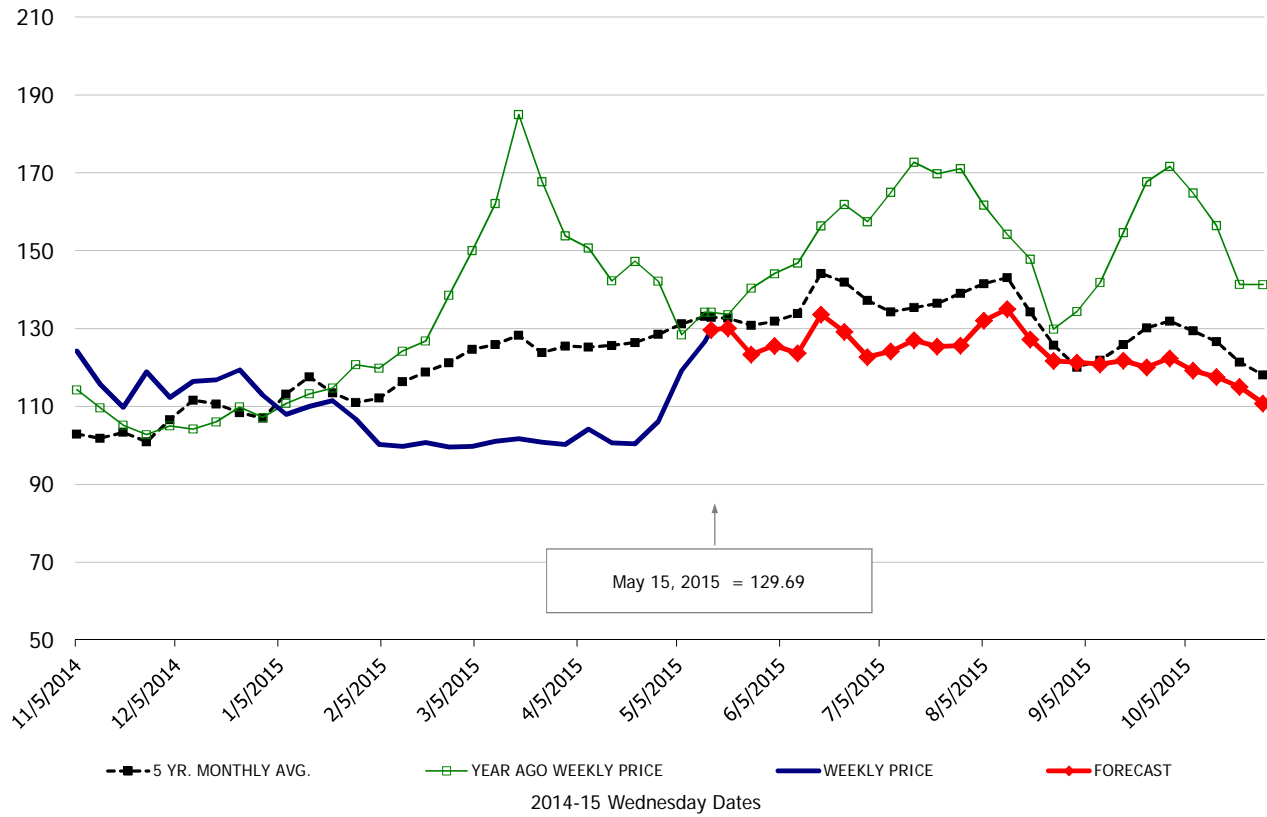
**50 CL Beef Trim** prices finished last week at \$1.0115, up about 7 cent since Wed. May 6 but down 29 compared to the year ago level.

## Food Service Summary Table - WT. AVE

	2014-15 History							2015 FORECAST							
	Nov	Dec	Jan	Feb	Mar	Apr	5/6/2015	5/15/2015	5/27/2015	May	Jun	Jul	Aug	Sep	Oct
<b><u>PORK</u></b>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.16	1.15	1.08	1.00	1.00	1.01	1.19	1.30	1.23	1.28	1.28	1.25	1.29	1.21	1.16
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.23	1.23	1.16	1.07	1.08	1.08	1.25	1.39	1.34	1.38	1.39	1.35	1.39	1.28	1.22
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.74	1.78	1.72	1.55	1.57	1.62	1.68	1.79	1.79	1.84	1.86	1.81	1.93	1.86	1.83
Loin, Tenderloin, FOB Plant, USDA	2.60	2.58	2.64	2.51	2.25	2.07	2.10	2.24	2.23	2.25	2.37	2.59	2.54	2.38	2.21
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	1.20	1.14	1.04	0.85	0.89	0.90	1.02	1.20	1.18	1.19	1.22	1.16	1.15	1.12	1.07
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.68	1.67	1.66	1.59	1.66	1.74	1.91	2.07	1.93	2.06	2.03	1.98	2.02	1.87	1.90
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.35	2.39	2.42	2.36	2.40	2.47	2.72	2.45	2.59	2.76	2.80	2.78	2.82	2.68	2.69
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.65	1.65	1.59	1.53	1.56	1.71	1.91	2.04	1.91	2.03	1.95	1.92	1.96	1.82	1.83
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.29	2.27	2.35	2.44	2.53	2.61	2.81	3.01	2.93	3.00	2.93	2.78	2.79	2.62	2.47
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	1.15	0.96	0.80	0.70	0.58	0.56	0.65	0.70	0.70	0.70	0.77	0.82	0.84	0.87	0.93
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	1.03	0.82	0.73	0.64	0.53	0.54	0.64	0.70	0.69	0.70	0.72	0.79	0.79	0.83	0.82
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.93	0.75	0.67	0.59	0.48	0.50	0.63	0.67	0.66	0.67	0.69	0.76	0.77	0.79	0.76
Ham, 5 Muscle Ham to Blue, FOB Plant, USDA	1.58	1.47	1.19	1.19	1.19	1.19	1.06	1.06	1.05	1.04	1.11	1.23	1.23	1.25	1.21
Belly, Skin-on Belly 14-16#, FOB Plant, USDA	0.95	0.98	1.08	0.86	0.76	0.72	0.74	0.85	0.83	0.85	0.97	0.94	1.08	0.95	0.85
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.16	1.21	1.27	1.01	0.87	0.80	0.89	1.00	1.12	1.07	1.20	1.26	1.36	1.19	1.07
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.15	1.20	1.24	1.05	0.83	0.79	0.82	0.95	1.10	1.05	1.18	1.24	1.34	1.17	1.05
Trim, 42% Trim Combo, FOB Plant, USDA	0.31	0.26	0.30	0.27	0.24	0.22	0.31	0.37	0.38	0.37	0.39	0.44	0.43	0.38	0.32
Trim, 72% Trim Combo, FOB Plant, USDA	0.75	0.67	0.64	0.48	0.39	0.45	0.65	0.68	0.71	0.68	0.76	0.79	0.72	0.67	0.66
<b><u>HOG CARCASS</u></b>															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	0.87	0.80	0.71	0.61	0.60	0.62	0.78	0.82	0.80	0.81	0.85	0.86	0.84	0.78	0.74
<b><u>BROILERS</u></b>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	1.04	0.98	0.99	0.92	0.99	1.05	1.08	1.07	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	1.67	1.66	1.68	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	1.09	1.08	1.14	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	0.37	0.33	0.35	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	1.79	1.79	1.84	1.86	1.87	1.92	2.01	2.03	2.14	2.17
<b><u>TURKEYS</u></b>															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.24	1.15	1.05	1.04	1.06	1.09	1.12	1.13	1.15	1.13	1.16	1.20	1.22	1.25	1.28
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	3.92	3.83	3.48	3.10	2.94	3.08	3.30	3.80	3.87	3.80	3.90	4.10	4.28	4.48	4.47
<b><u>LIVE STEERS</u></b>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.69	1.64	1.65	1.60	1.61	1.64	1.61	1.62	1.56	1.59	1.54	1.52	1.53	1.54	1.55
<b><u>BEEF</u></b>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	7.79	7.48	6.41	6.64	7.78	8.49	8.59	8.64	8.64	8.64	8.87	8.14	7.96	8.12	8.35
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.98	2.95	2.87	2.89	2.84	2.86	2.96	2.99	2.96	2.97	2.84	2.80	2.95	2.84	2.84
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.84	2.69	2.81	2.68	2.55	2.38	2.33	2.33	2.35	2.35	2.43	2.48	2.48	2.54	2.64
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	5.29	5.56	6.05	5.88	6.19	7.51	8.71	9.45	9.42	9.45	8.61	7.76	6.95	5.99	5.62
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	3.58	3.57	3.86	4.06	4.40	4.72	4.58	4.60	4.48	4.60	4.59	4.45	4.38	4.21	3.88
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	4.15	4.25	4.77	4.88	4.98	6.85	7.88	7.75	7.77	7.75	7.11	6.23	5.55	4.95	4.65
COARSE GROUND 73%, USDA	2.40	2.28	2.49	2.18	2.16	2.17	2.06	1.99	2.12	2.19	2.15	2.10	2.18	2.16	2.03
COARSE GROUND 81%, USDA	2.69	2.64	2.78	2.51	2.48	2.46	2.30	2.31	2.37	2.41	2.42	2.37	2.44	2.44	2.30
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.96	2.97	3.02	2.93	2.95	2.96	2.94	2.96	2.95	2.97	2.97	2.98	2.97	2.91	2.75
50CL BEEF TRIM, FRESH, NATIONAL, USDA	1.15	1.01	1.26	0.90	0.89	1.15	0.95	1.01	0.94	1.01	0.98	0.95	0.98	0.87	0.90

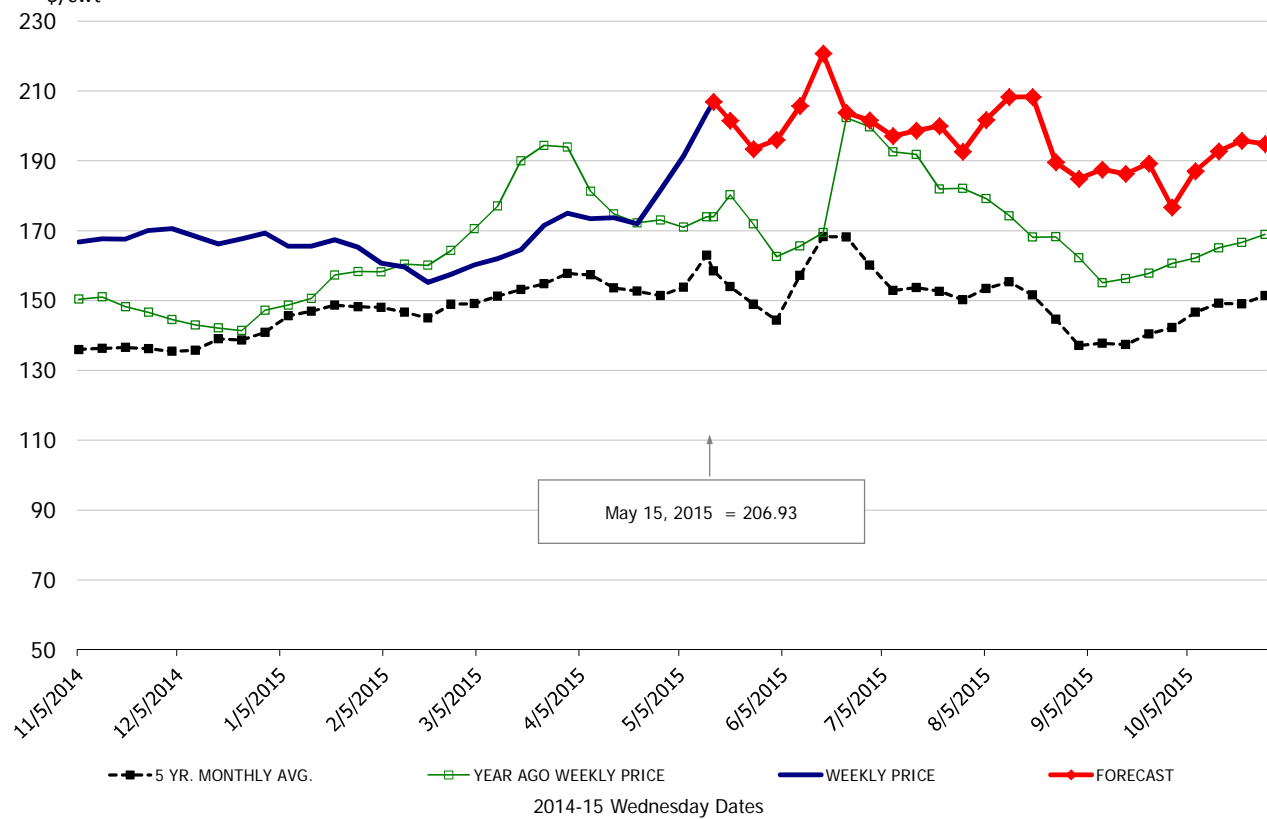
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### Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA



\$/cwt

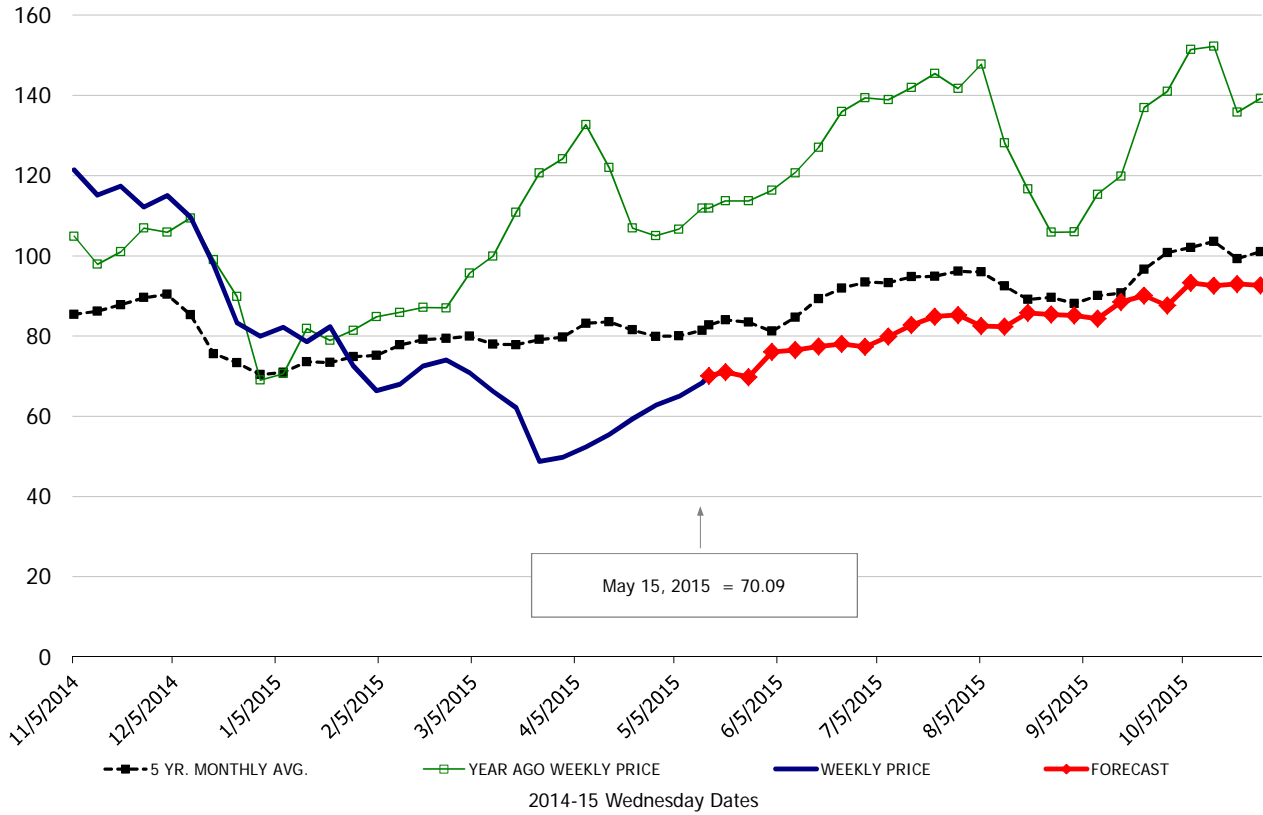
### Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA





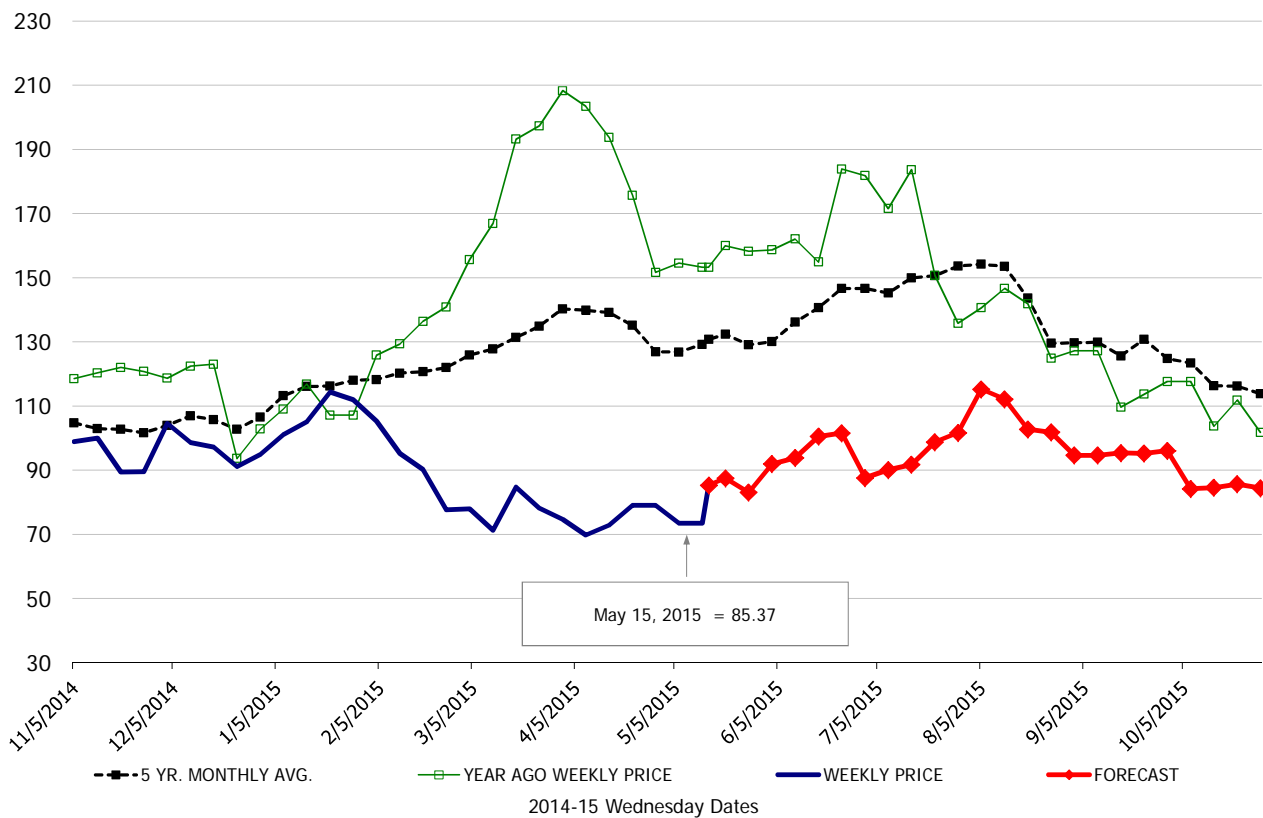
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### Ham, 17-20# Trm'd Selected Ham, FOB Plant, USDA



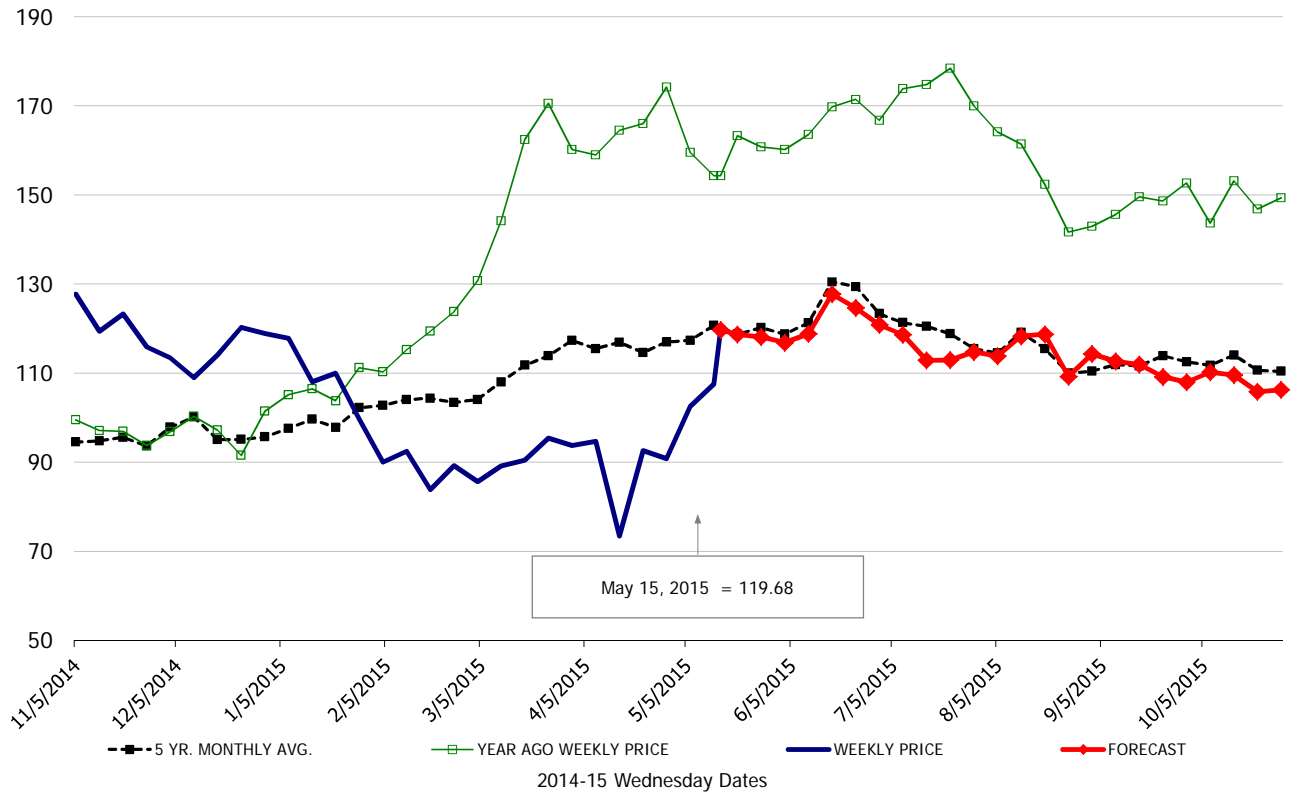
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### Belly, Skin-On Belly 14-16#, FOB Plant, USDA



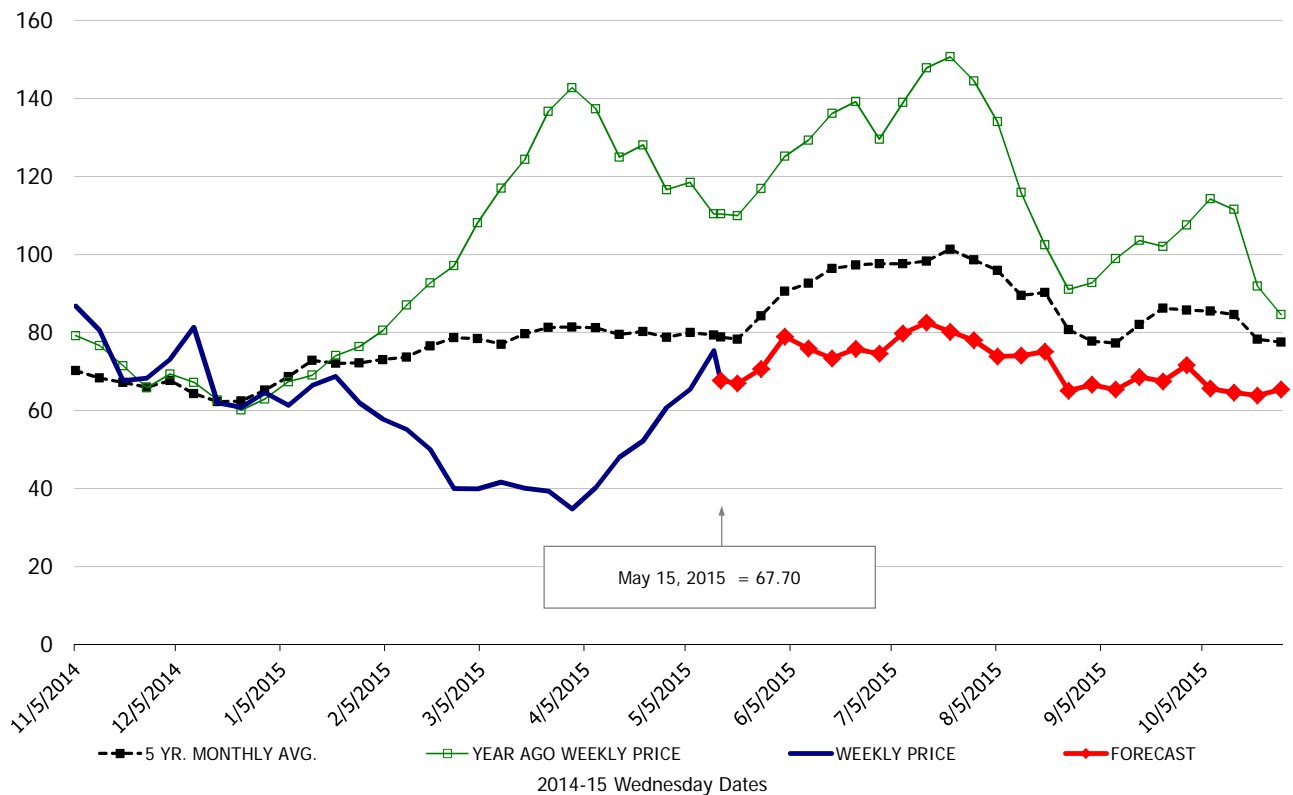
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### Butt, 1/4 Trim Butt Combo, FOB Plant, USDA

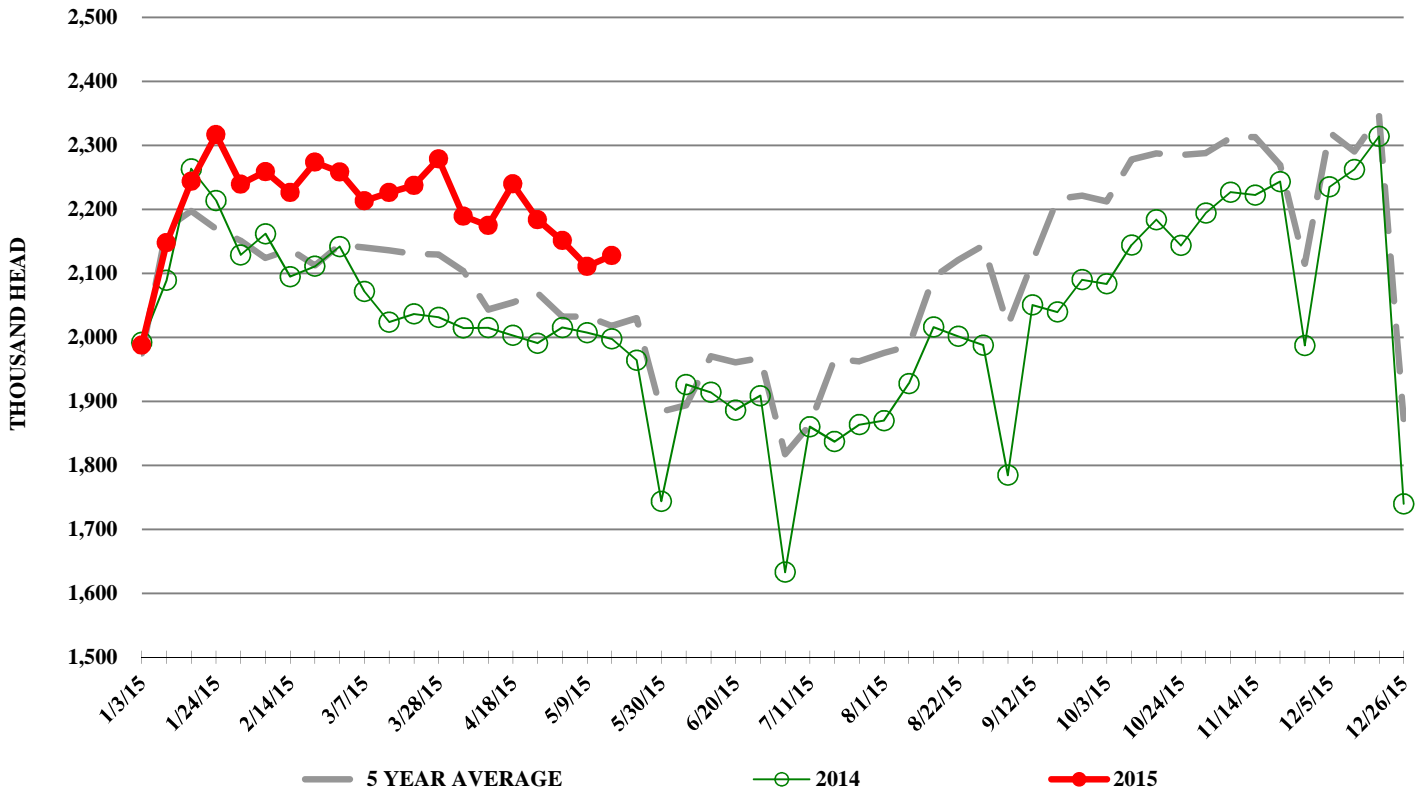


\$/cwt

### Trim, 72% Trim Combo, FOB Plant, USDA



## ESTIMATED WEEKLY FI HOG SLAUGHTER



## ESTIMATED WEEKLY FI PORK PRODUCTION

