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# Pork Merchandiser's Profit Maximizer

## - Foodservice Edition -

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

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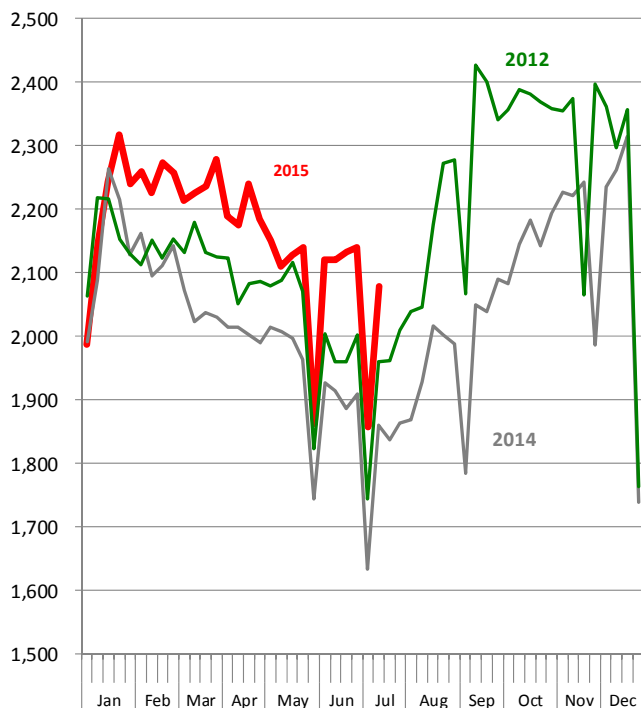
### Market fears wall of pork in Q4, discounts hog prices for later this fall and winter

Lean hog futures have declined sharply in recent days as market participants see ongoing large weekly slaughter this summer as an indica-

tor of much larger supplies in the fall. Recent trading has for the most part erased the gains made after the latest USDA Hogs and Pigs report. The June 1 inventories of the breeding herd as well as the farrowing intentions for Sep-Nov were smaller than expected. But as days go by and the

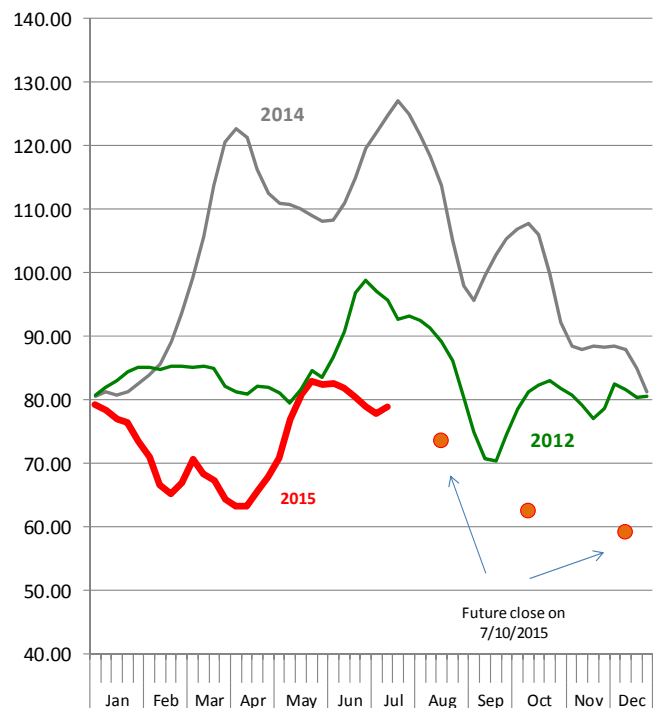
Weekly Hog Slaughter. USDA. '000 Head.

Comparison to year ago and the slaughter levels achieved in 2012



Weekly Hog Prices. USDA. \$/cwt

National Net Hog Price. USDA. Weekly Weighted Average

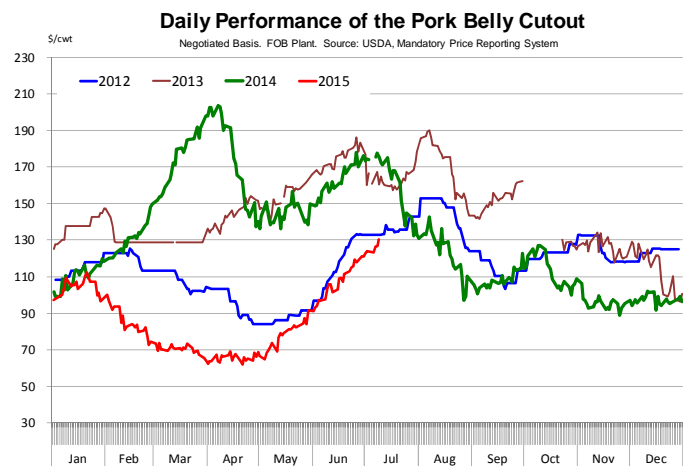
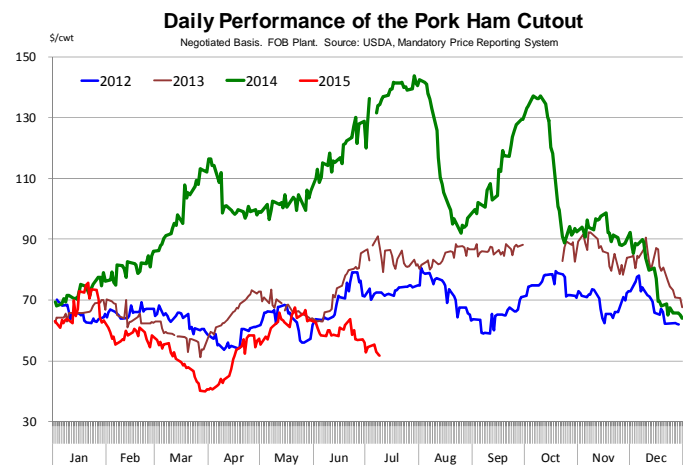
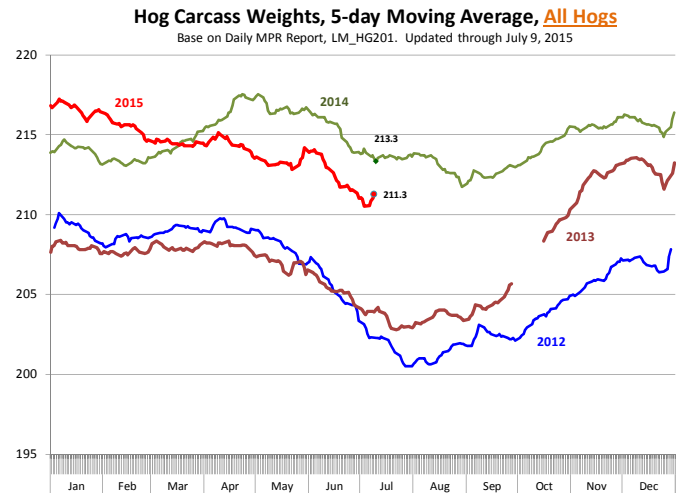


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number of hogs coming to market remains larger than expected, market participants are growing increasingly worried that hog supplies this fall could be particularly burdensome. Adding to the worry of larger than expected hog numbers is the recent trend in hog carcass weights. Normally hog weights decline in July and August as hot weather affects hog daily gains and impacts productivity. But weather in key production areas has been relatively cool and this week average hog carcass weights once again rose above 211 pounds per carcass, compared to 210.5 pounds late last week. There has been some speculation that hog slaughter is large because producers are accelerating marketings given prospects of lower prices in late July and early August. However, the numbers so far are consistent (if actually a bit lower) than what was indicated in the June 1 inventory report. Since the beginning of June (June 1 - July 10) hog slaughter has been 12.450 million head, 11.9% higher than the same period a year ago. The inventory of hogs over 180 pounds reported in the June 1 report was 13.4% higher than last year and 8% larger than in 2013. So while supplies are indeed quite large this summer, reflecting the notable improvement in pigs saved per litter last winter, the numbers are quite consistent with the hogs and pigs report.

**So what is the implication for supplies later this fall and are futures discounting prices too much for Q4?**

We thought it would be interesting to compare current slaughter and price trends vs. 2012. The reason is that we expect Q4 hog slaughter this year to be a little over 30 million head. The last time we saw those kind of Q4 numbers was in 2012. So far, hog slaughter and overall weights have been trending quite a bit above 2012 levels and prices have responded accordingly. Weekly hog slaughter approached 2.3 million head in March resulting in a sharp decline in cash hog values. We expect weekly hog slaughter this



year to approach 2.4 million head but stay under normal processing capacity levels. It is possible that we could see producers try to market hogs more aggressively in late summer and early fall so as to avoid weekly kills above 2.4 million. We did see that in 2012 and the result was lower prices for hogs in September but then a recovery

in the last three months of the year. One difference this year is that hog carcass weights are going to be much heavier than what they were in 2012, which will tend to keep the overall cutout under pressure and thus limit the upside. Still, it appears to us that futures are currently discounting October and especially December much more than what is warranted. If weekly slaughter remains under 2.4 million head/week in November and early December, which is what we expect, then hog prices for Oct - Dec period should trade in a range of 62-64 cents. We have also seen estimates of hog slaughter for Q4 that is under 30 million hogs. If that is the case, they we could see hog prices in Q4 trade around 65-68 cents, maybe as high as 70 cents during in pre-holiday weeks.

**Risks:** Demand for pork in Q4 generally is quite good. The reason why prices are lower is because supplies are seasonally so much bigger than during other times of the year. There are both upside and downside risk for hog/pork prices later this fall and into the winter months. At this point futures are pricing some very aggressive slaughter numbers for the fall and winter. Pig crop during Jun-Aug was estimated to be down 2.5% from the previous year and it could be that the final numbers coming to market are smaller than our forecasts. If that is the case, then we could see cash hog prices trading above current projected levels. The pork cutout has been supported so far by the seasonal increase in belly prices, although the price of other carcass components has been quite weak. As we go into September and October, belly prices will decline as demand weakens. This means other parts of the cutout will have to contribute, particularly hams. Ham values have been very weak so far but we could see some of the demand currently sitting on the sidelines come into the market at the same time. If slaughter is indeed very large, then the upside risk is limited. However, if weekly slaughter is in the 2.2-2.3 million range, then we could see a modest rally in ham values, espe-

cially for light hams that will continue to be in tight supply given heavy hog weights.

**Wild cards:** Exports remain a key driver. Part of the reason for the bearish trading in futures this week was all the negative news coming from China and the possibility of ongoing strength in the US dollar. However, should some of those trends change, they could also shift markets view of US pork export potential for later this year.

#### **Upcoming Holidays:**

**2015** 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 June 27 slaughter was 2.141 million head, up 12.1% from a year ago. In the last two weeks hog slaughter is up 12.6% vs. year ago levels.**

**Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values.** Lean hog carcass values at about 77.59 /cwt. on Friday were up \$3.0/cwt since Wed. July 1. Prices are down about 55 dollars compared to year ago values.

**Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA** (page 8). Prices finished last week at \$1.0874, up about 3.0 cent since the Wed. July 1 quote but down about 56 cents from year ago levels.

**Bnls. Strap on Pork Loins.** Prices finished the week at \$1.3008 for the strap on loins, down 1.7 cent since Wed. July 1 and down about 69 cent from the year ago levels. Strap off loins at \$1.5208 are down about one cent since Wed. July 1 and down about 64 cents compared to the year ago quote.

**Boneless sirloins** at \$1.3567 are down about 3 cents from the Wed. July 1 quote and down about 52.2 cents from the year ago price.

**Pork tenderloin** finished last week at \$2.6351, up slightly since the Wed. July 1 quote but down about 26.9 cents from the year ago price.

**5/10 Pork Butts** (page 10), prices finished the week at \$0.8588, down about one cents since Wed. July 1.

**Spare Ribs, Trimmed - LGT, Vac** (page 8). Prices finished the week at \$1.8377, down about

28 cent since Wed. July 1 and down about 9 cents from year ago levels.

Rib inventories on May 31 were 89.9 million pounds, down 0.3% percent from a year ago.

### **Bone-in Hams.**

17/20 hams (page 9) price was \$0.6057/lb., down 1.6 cents compared to prices on Wed. July 1 and down about 78 cents from a year ago.

20/23 hams finished the week at 53.11 cents, down about 6 cents since Wed. July 1 and down about 88 cents from the year ago level.

23/27 hams finished the week at 53.04 , down about 2 cents from the Wed. July 1 quote and down about 84 cents from the year ago level.

Total ham cold storage stocks on May 31 at 158.1 million pounds were down about 43.8% from year ago levels.

**42 CL Pork Trim** “FOB Basis”. Prices finished the week at 37.42 cent, up about 3.5 cent since Wed. July 1 but down about 24 cents from the year ago price.

**72 CL Pork Trim** “FOB Basis”. Prices finished the week at 72.20 cents, up about 9 cents since the Wed. July 1 quote but down about 67 cents from the year ago level.

Freezer stocks of all trimmings on May 31 were 50.6 million pounds, up about 5.7% 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.

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## POULTRY

**Georgia Dock Broilers.** The Georgia dock price last week at \$116.00 was up about 4 cents from a year ago.

The National Whole Bird price was quoted at 98.02 on Friday June 27, down about 14 cents from a year ago.

Broiler slaughter for the week ending June 27 was 162.76 million head, down 0.20% from a year

ago. For the last two weeks slaughter was up 0.6% vs. a year ago.

**Breasts.** Prices on boneless skinless breasts finished the week at \$1.4109, down 2 cents since Wed. July 1 and also down about 63 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. Leg quarter prices are were down about 3.9 cents vs. two weeks ago but at 26.19 cents per pound prices were still down 26 cents from a year ago. Bird flu has been a negative factor for dark meat exports so far this year.

**Wings.** Prices at \$1.8793 are up about 48 cents from year ago levels.

## **Turkeys**

**Hens** finished last week at \$1.2400, up 3 cent since Wed. July 1 and up about 13 cents from the year ago price.

**Toms** finished last week at \$1.2400, up 3 cent since Wed. July 1 and up about 13 cent from the year ago price.

Total turkey supplies in the freezer on May 31 were down about 3.8% percent from a year ago at 438.5 million pounds. Whole birds were down 2.7% percent from year ago with an inventory of 242.8 million pounds.

Turkey slaughter was 3.8300 million head for the week ending June 20, down -11.49% from a year ago. For the last two weeks slaughter has been down 12.8%.

**Boneless Turkey Breast Meat.** Boneless skinless turkey breast meat prices finished last week at \$5.1000, up 20 cents since Wed. July 1. Prices are down about 35 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 \$7.3356 (weighted average quote) finished last week down about 35 cents since the Wed. July 1 quote and down about 86 cents vs. the year ago price.

**Select 112A Heavy Lip On Rib Eyes** at \$7.2653 (weighted average quote) finished last week down about 38 cents since the Wed. July 1 quote but down about 52 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$0.0703 /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 \$2.6995 down about 41 cents since Wed. July 1 but up about 12 cents from the year ago price.

**Choice ¼ inch trimmed #168 insides** finished last week quoted at \$2.7833 down about 23 cents since Wed. July 1 and up about 9 cents from year ago levels.

**Choice #170 Gooseneck Rounds** finished last week at \$2.4686 down about 4 cents since Wed. July 1 but up about 4 cents from the year ago levels.

**Choice #180 (0x1) Bnls. Strip Loins** finished last week quoted at \$5.8019 (wt. avg.) down about 79 cents from the Wed. July 1 quote. Prices are about 102 cents over year ago levels.

**Choice #184 Regular Heavy top butts** finished at \$3.8543 (wt. avg.) down about 5 cents since Wed. July 1 and down about 14 cents from year ago levels.

**Choice #184 ¼ inch trimmed Top Butts** finished at \$4.0835 (wt. avg.) down about 11 cents since Wed. July 1 and down about 11 cents from the year ago levels.

**Choice #185A Flap Meat** prices finished Friday at \$5.0339 (wt. avg.) down about 71 cents since Wed. July 1 and down about 16 cents from year ago values.

### **COARSE GROUND BEEF –**

**73CL Coarse Ground** product finished last week at \$1.7260 down about 50 cents since Wed. July 1 and down about 63 cents from year ago levels.

**81CL Coarse Ground** product finished last week at \$2.3728 down about 21 cent since Wed. July 1 and down about 16 cents from the year ago quote.

**90CL Bnls. Beef** prices finished the week at \$2.9105 (wt. avg.) down about 3 cent since Wed. July 1 but up 4 compared to the year ago price quote.

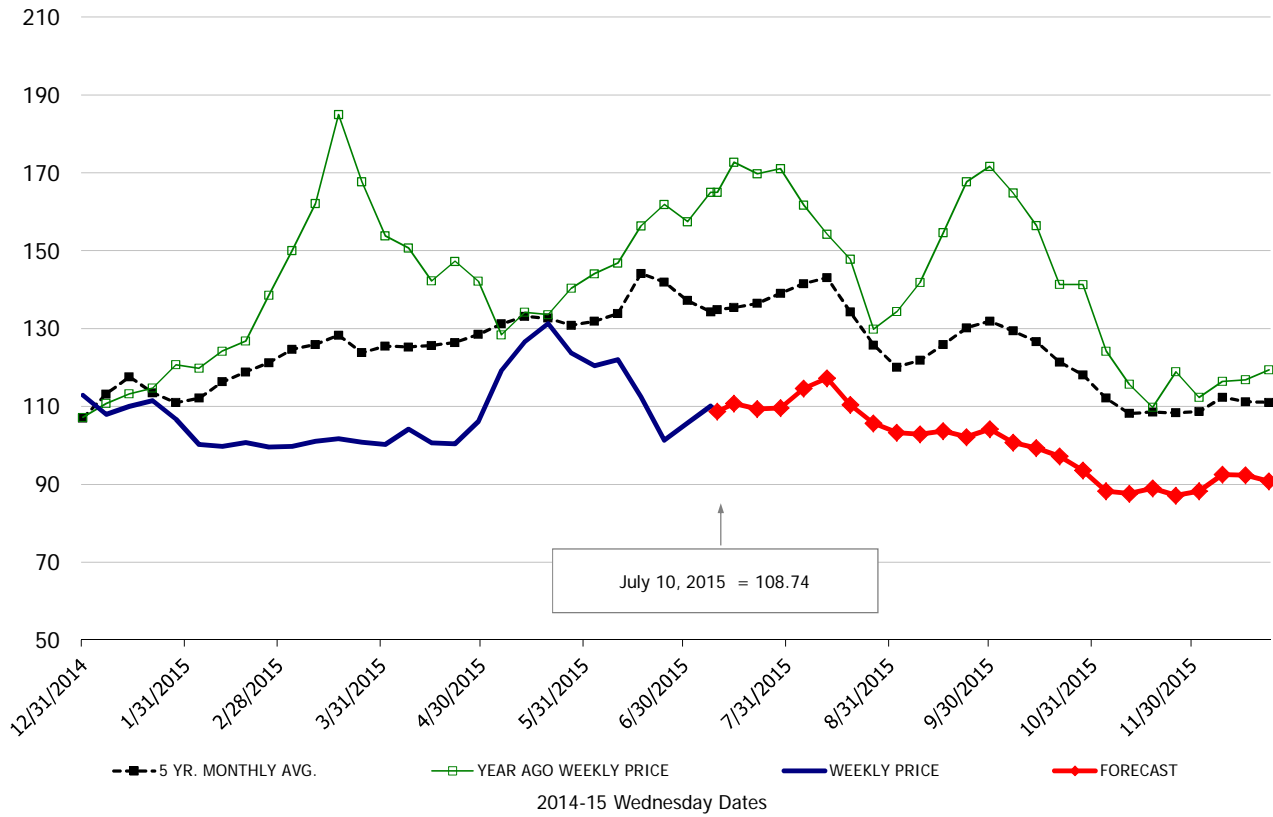
**50 CL Beef Trim** prices finished last week at \$0.6343, down about 7 cent since Wed. July 1 and down 61 compared to the year ago level.

## Food Service Summary Table - WT. AVE

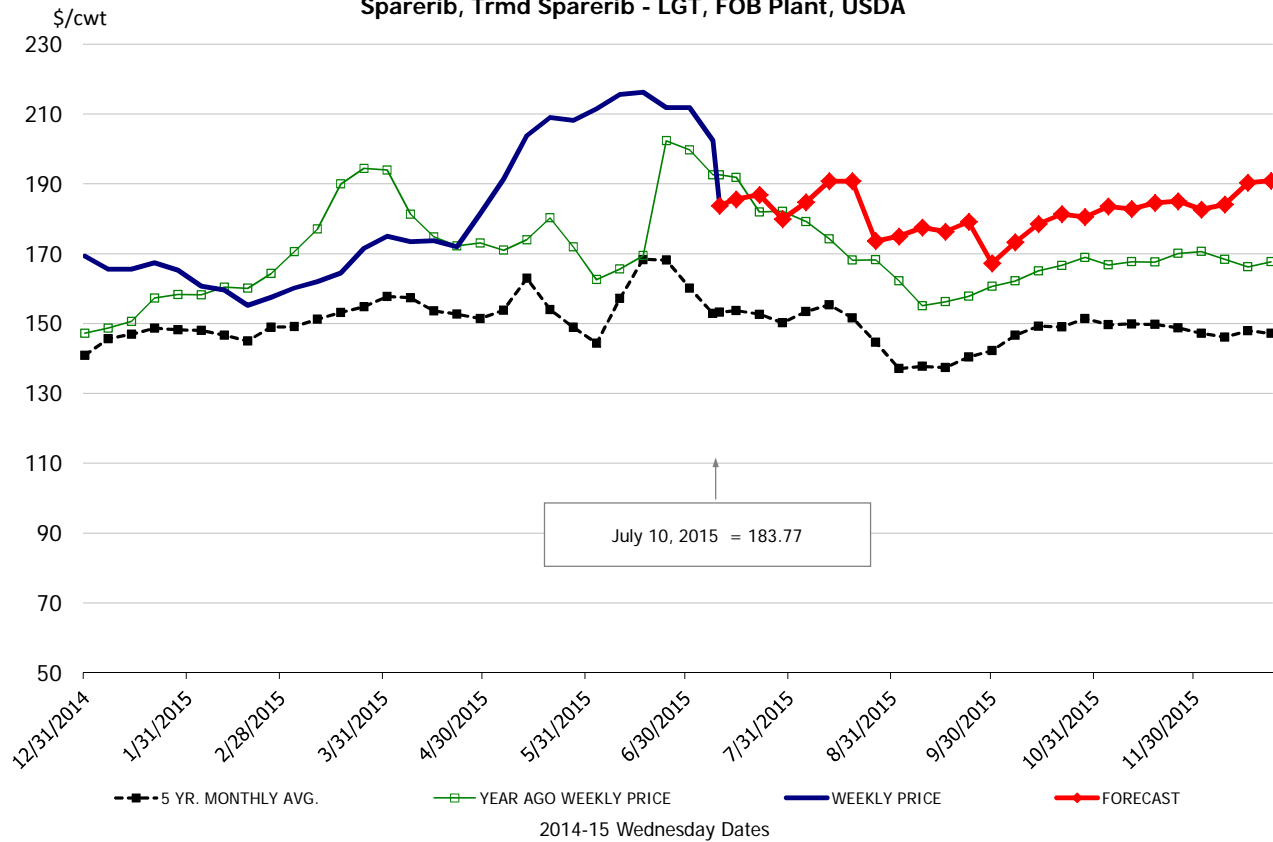
	2015 History							2015 FORECAST							
	Jan	Feb	Mar	Apr	May	Jun	7/1/2015	7/10/2015	7/22/2015	Jul	Aug	Sep	Oct	Nov	Dec
<b><u>PORK</u></b>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.08	1.00	1.00	1.02	1.24	1.12	1.06	1.09	1.09	1.09	1.12	1.03	0.98	0.88	0.91
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.16	1.07	1.08	1.08	1.30	1.20	1.13	1.13	1.17	1.15	1.22	1.10	1.04	0.95	1.00
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.72	1.55	1.57	1.62	1.75	1.56	1.53	1.52	1.62	1.56	1.69	1.59	1.56	1.44	1.51
Loin, Tenderloin, FOB Plant, USDA	2.64	2.51	2.25	2.07	2.23	2.48	2.62	2.64	2.71	2.64	2.56	2.30	2.16	2.09	2.13
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	1.04	0.85	0.89	0.90	1.11	1.07	0.82	0.79	0.94	0.97	0.98	0.95	0.92	0.90	0.93
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.66	1.59	1.66	1.75	2.00	2.11	2.12	1.84	1.87	1.85	1.85	1.77	1.76	1.84	1.87
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.42	2.36	2.40	2.46	2.60	2.63	2.82	2.57	2.78	2.75	2.70	2.60	2.57	2.63	2.66
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.59	1.53	1.56	1.71	1.97	2.05	2.08	1.78	1.80	1.80	1.80	1.72	1.70	1.76	1.78
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.35	2.44	2.53	2.62	2.92	2.93	2.76	2.48	2.52	2.53	2.50	2.45	2.36	2.33	2.44
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.80	0.70	0.58	0.56	0.68	0.68	0.62	0.61	0.67	0.65	0.70	0.71	0.75	0.74	0.67
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.73	0.64	0.53	0.54	0.68	0.64	0.59	0.53	0.60	0.58	0.66	0.66	0.65	0.61	0.60
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.67	0.59	0.48	0.50	0.67	0.61	0.55	0.53	0.62	0.60	0.62	0.63	0.61	0.59	0.58
Ham, 5 Muscle Ham to Blue, FOB Plant, USDA	1.19	1.19	1.19	1.19	1.11	0.98	0.98	0.91	1.05	1.02	1.04	1.02	1.03	0.94	0.90
Belly, Skin-on Belly 14-16#, FOB Plant, USDA	1.08	0.86	0.76	0.72	0.85	1.03	1.23	1.25	1.32	1.26	1.21	1.00	0.89	0.85	0.87
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.27	1.01	0.87	0.81	0.97	1.28	1.54	1.63	1.63	1.62	1.51	1.26	1.12	1.07	1.09
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.24	1.05	0.83	0.79	0.90	1.27	1.51	1.56	1.58	1.57	1.49	1.24	1.10	1.05	1.07
Trim, 42% Trim Combo, FOB Plant, USDA	0.30	0.27	0.24	0.22	0.36	0.45	0.34	0.37	0.40	0.38	0.37	0.33	0.29	0.23	0.21
Trim, 72% Trim Combo, FOB Plant, USDA	0.64	0.48	0.39	0.46	0.67	0.77	0.63	0.72	0.73	0.72	0.70	0.64	0.59	0.54	0.52
<b><u>HOG CARCASS</u></b>															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	0.71	0.61	0.60	0.62	0.79	0.78	0.75	0.78	0.78	0.76	0.75	0.68	0.64	0.60	0.62
<b><u>BROILERS</u></b>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	0.99	0.92	0.99	1.05	1.07	1.01	1.04	0.98	0.98	0.99	0.97	0.97	0.95	0.94	0.94
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.38	1.38	1.41	1.54	1.62	1.48	1.43	1.41	1.44	1.47	1.55	1.51	1.35	1.22	1.20
N.E. BROILER BREAST LINE RUN, USDA	1.05	1.02	1.01	1.04	1.10	1.07	1.07	1.07	1.05	1.07	1.08	1.05	0.99	0.92	0.90
N.E. BROILER LEG QUARTERS, USDA	0.41	0.36	0.37	0.34	0.34	0.28	0.30	0.26	0.26	0.26	0.26	0.26	0.25	0.24	0.24
N.E. BROILER WINGS, USDA, WT.AVG.	1.96	1.94	1.85	1.79	1.81	1.84	1.78	1.88	1.97	1.96	1.98	2.09	2.17	2.01	2.04
<b><u>TURKEYS</u></b>															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.05	1.04	1.06	1.09	1.14	1.18	1.21	1.24	1.25	1.24	1.25	1.28	1.32	1.32	1.25
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	3.48	3.10	2.94	3.08	3.74	4.44	4.90	5.10	5.20	5.20	5.20	5.40	5.50	5.30	5.00
<b><u>LIVE STEERS</u></b>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.65	1.60	1.61	1.64	1.61	1.55	1.49	1.52	1.48	1.49	1.50	1.52	1.54	1.54	1.54
<b><u>BEEF</u></b>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	6.41	6.64	7.78	8.49	8.62	7.79	7.68	7.34	7.39	7.56	7.66	8.02	8.35	8.82	8.22
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.87	2.89	2.84	2.86	2.94	2.96	3.02	2.78	2.78	2.80	2.95	2.84	2.84	2.81	2.88
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.81	2.68	2.55	2.38	2.37	2.48	2.51	2.47	2.44	2.47	2.54	2.54	2.64	2.54	2.49
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	6.05	5.88	6.19	7.52	9.03	7.32	6.59	5.80	5.62	5.81	5.75	5.70	5.58	5.51	5.59
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	3.86	4.06	4.40	4.71	4.54	3.99	4.09	4.08	4.14	4.10	4.10	3.96	3.65	3.66	3.74
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	4.77	4.88	4.98	6.92	7.33	5.45	5.74	5.03	4.99	5.04	4.95	4.86	4.63	4.51	4.63
COARSE GROUND 73%, USDA	2.43	2.12	2.11	2.06	2.07	1.96	2.23	1.73	1.95	1.97	2.04	2.08	2.01	2.04	2.09
COARSE GROUND 81%, USDA	2.72	2.40	2.42	2.37	2.32	2.30	2.58	2.37	2.29	2.34	2.35	2.37	2.30	2.30	2.36
90% BONELESS BEEF, CENTRAL, FRESH, USDA	3.02	2.93	2.95	2.96	2.97	2.94	2.94	2.91	2.91	2.93	2.91	2.87	2.74	2.72	2.81
50CL BEEF TRIM, FRESH, NATIONAL, USDA	1.26	0.90	0.89	1.15	0.95	0.81	0.70	0.63	0.69	0.69	0.73	0.70	0.73	0.83	0.73

\$/cwt

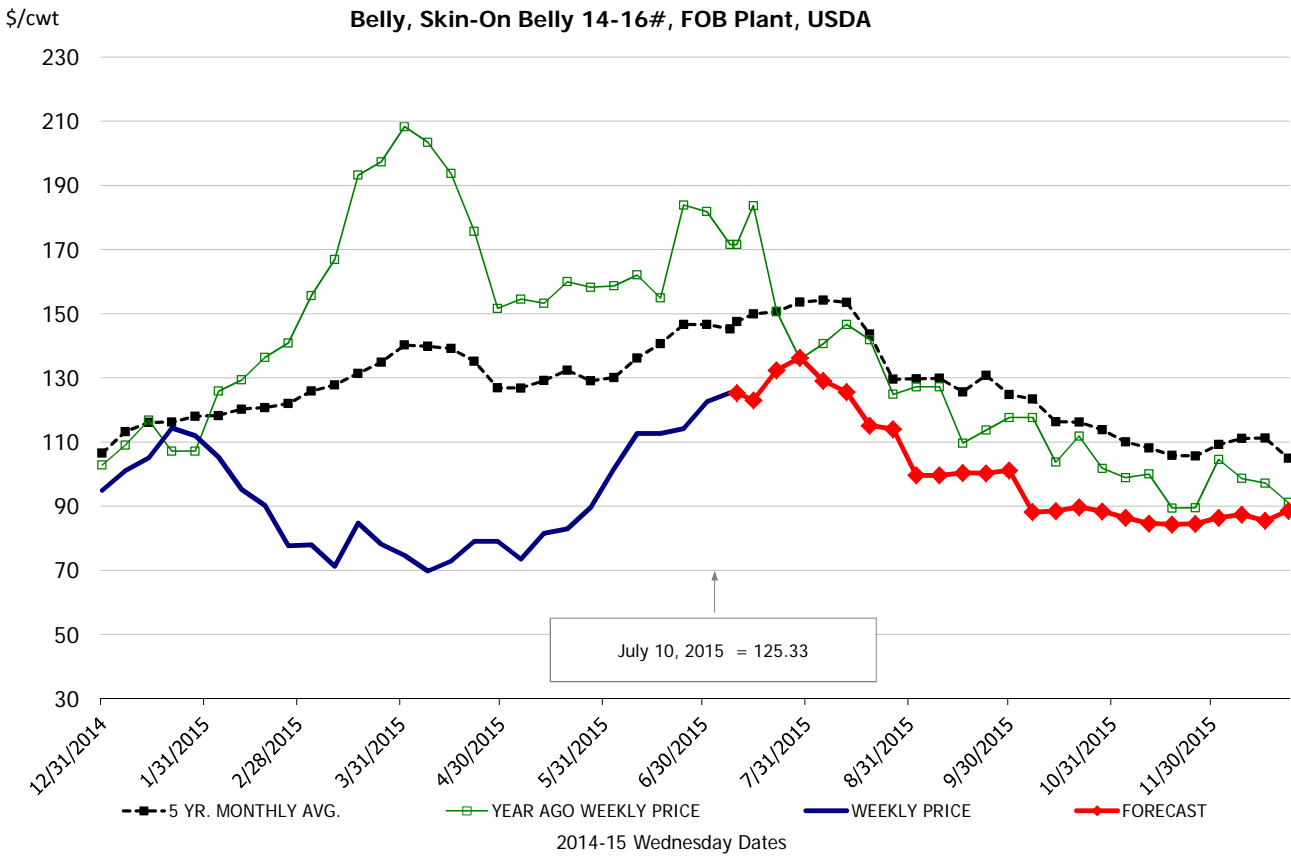
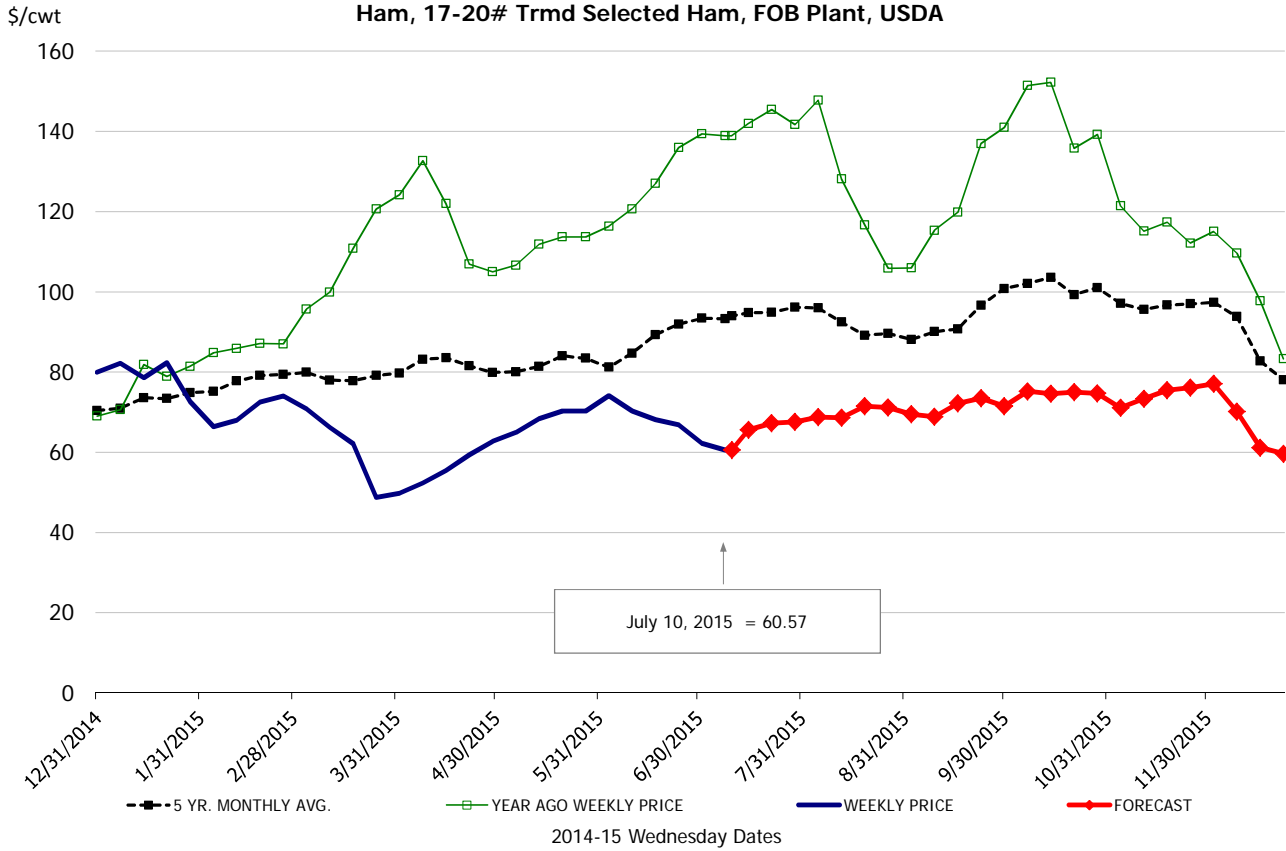
### Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA

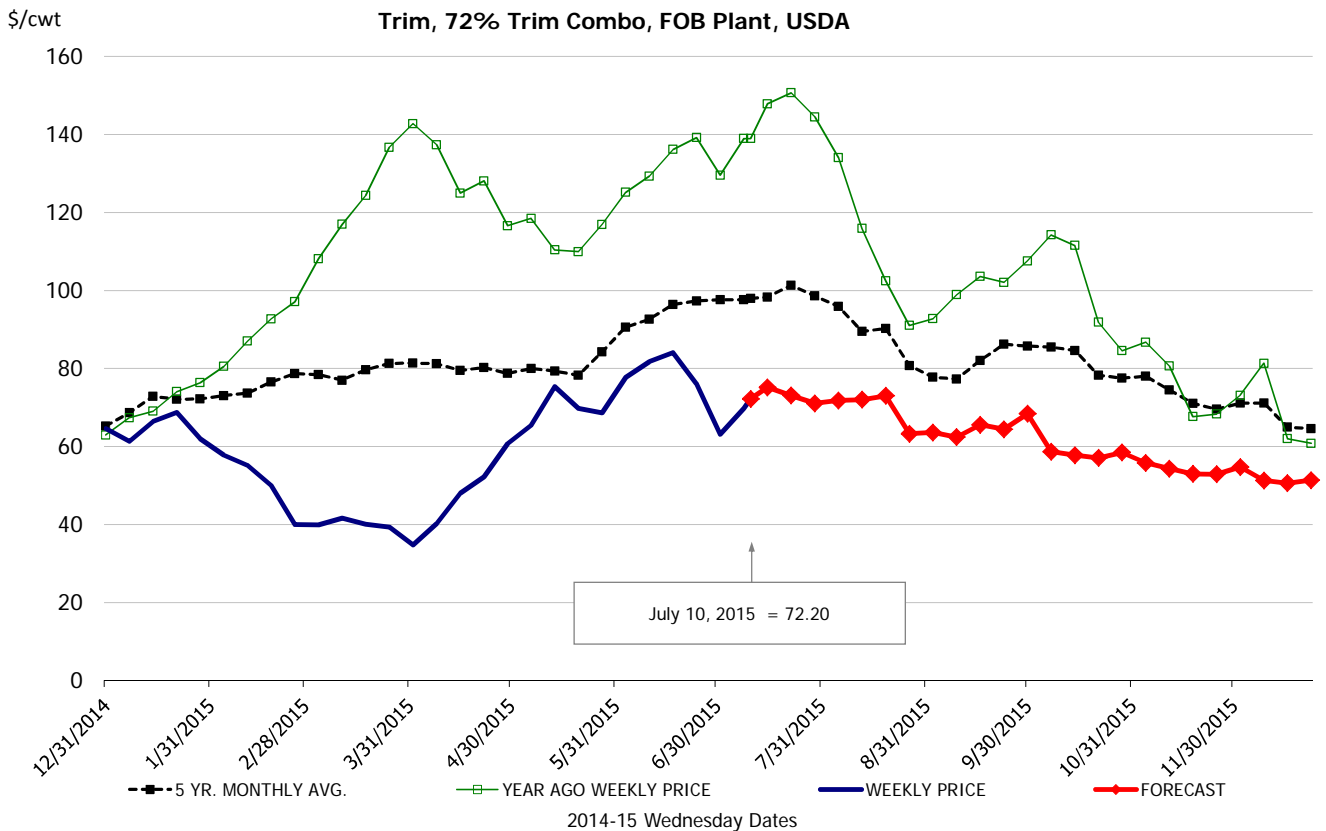
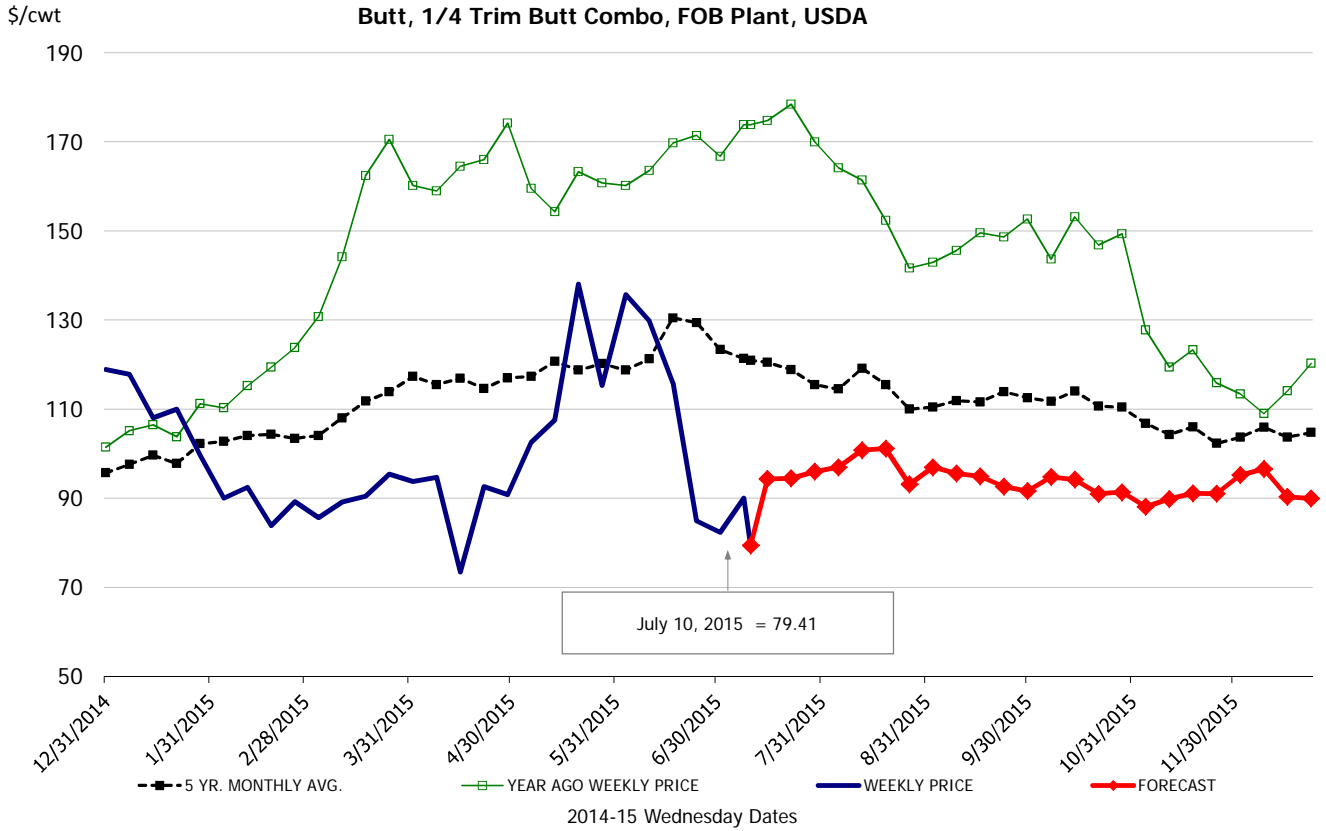


### Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA

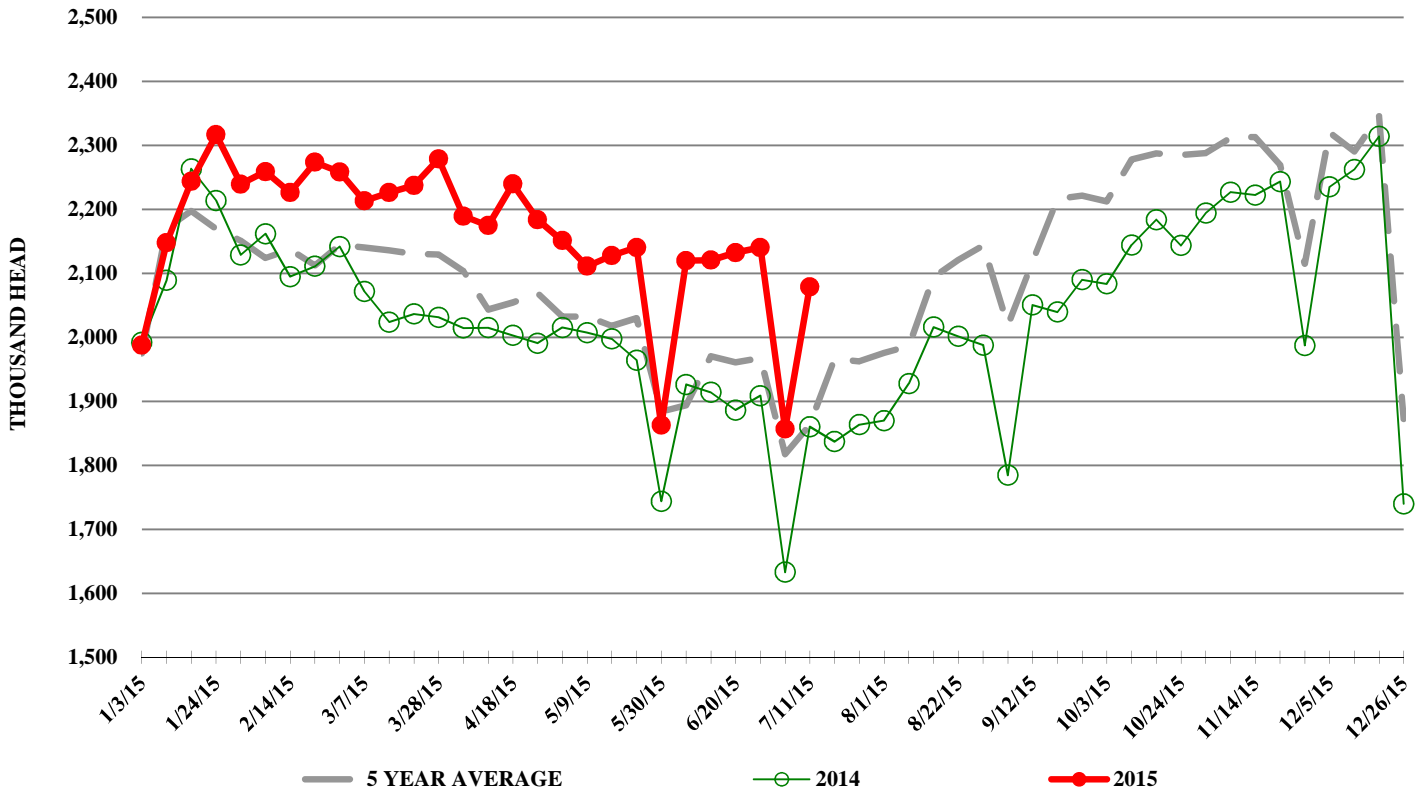








## ESTIMATED WEEKLY FI HOG SLAUGHTER



## ESTIMATED WEEKLY FI PORK PRODUCTION

