Pork Merchandiser's **Profit Maximizer**

- Foodservice Edition -

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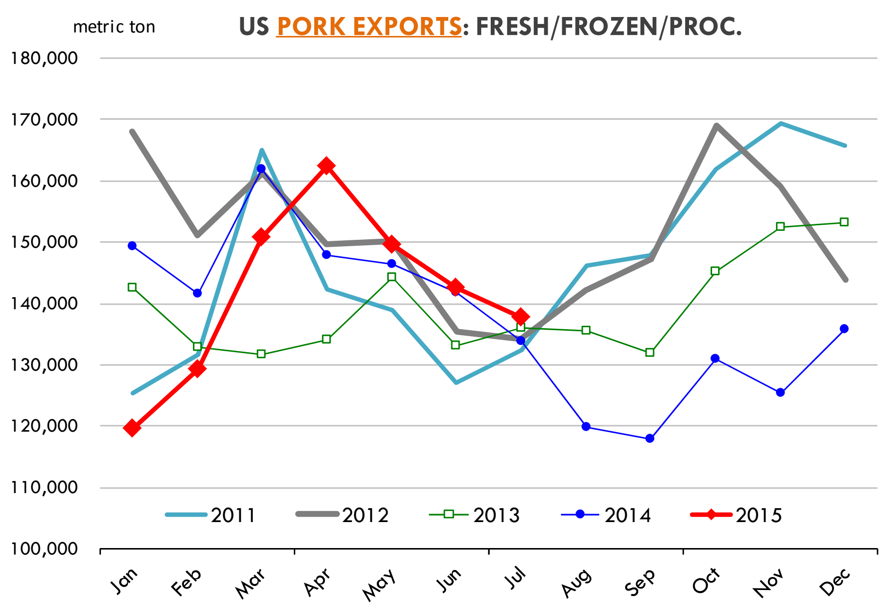
September 7, 2015

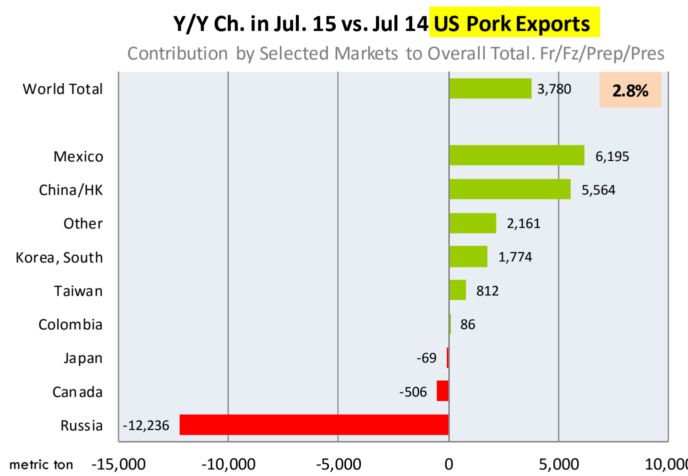
Pork Exports Higher than Year Ago in July, Expected to Be Stronger in Second half of 2015

USDA released on Friday its latest update on monthly US exports and the numbers continued to paint a relatively bearish picture for US export meat demand. Below are some of the highlights from the July export report:

Pork: There is plenty of speculation as to the possible trajectory for US pork exports in the fall and winter but July numbers for the most part were fairly close to a year ago. It is important to recognize the impact that Russia had for a couple of months last summer. **If we were to adjust for the Russian effect, July pork exports were quite strong**. Total exports were 137,686 MT, 3,780 MT (+2.8%) compared to a year ago. Exports to Mexico, the top market for US pork, were 47,744 MT, 6,195 MT (+14.9%) higher than last year. Exports to China/Hong Kong are also increasing. July shipments were 14,323 MT, 5,564 MT (+63.5%) higher than a year ago. In July 2011, US pork shipments to China/Hong Kong were 18,468 MT (higher than current levels) but then they jumped to almost 30,000 MT by

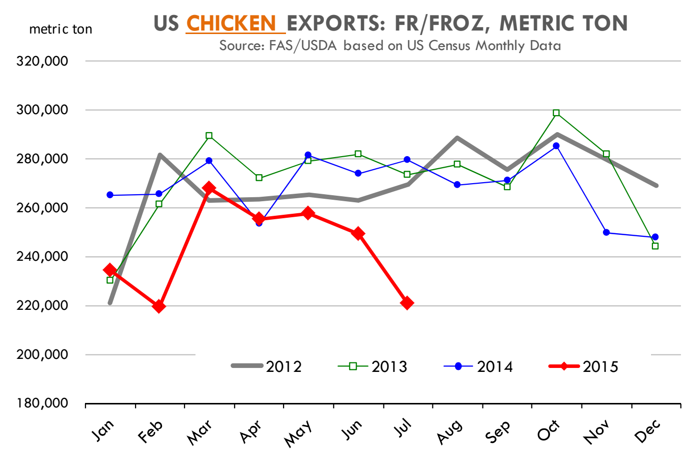


September and averaged 39,458 MT in Q4. Current market speculation is that we could see a similar ramp up. In our view, the availability of ractopamine free pork and strong competition from Europe remain the two main challenges for increasing pork exports to this market. Weekly export data for August shows exports to these two markets were much lower than in July. It will be interesting to see if the monthly official statistics confirm that.



Beef: Total US July exports of fresh/frozen and processed beef were 66,727 MT (product wt. basis), 11.6% lower than the same period a year ago. **Beef exports have been lower for much of this year (see chart), reflecting the impact of lower slaughter numbers but also softening demand from markets that last year were growing at a rapid pace**. Lower exports to Japan had the most impact in absolute terms. Total shipments to the Japanese market were 17,511 MT, down 5,157 MT (-23%) compared to the same month last year. Japan accounts for a little over a quarter of the overall export market but the decline of shipments there accounted for almost 60% of the reduction in beef exports. Shipments to Hong Kong, which was growing rapidly last year, were 5,881 MT, down 3,301 MT (-36%). Exports to Mexico and Canada also remain weak. Mexico at one time was the top market for US beef but no longer, Japan, Canada and South Korea all had larger export volumes than Mexico in July. Beef exports to Mexico in July were 9,091 MT, 2,740 MT (-23%) compared to a year ago.

Chicken: July shipments were down an astounding 59,061 MT (-21%), the biggest decline since January 2010. Bird flu, Russia,



a strong US dollar and expanding global chicken supplies have taken a toll on US exports. Chicken exports were down across the board. Last July Russia purchased 14,470 MT of US chicken, this year export volume is down to zero. Exports to China and South Korea were also non existent, due to ongoing bans related to Bird Flu. A return of Bird Flu this fall could further prolong resumption of chicken exports. There is continuing talk that if Bird Flu spreads in broiler areas USDA may resort to a vaccine. This could be particularly bearish for prices as the vaccine will likely limit the supply impact (fewer bird deaths) but it may close even more markets, adding to the supply of chicken available in domestic market.

Bottom line: US meat protein supplies are increasing but so far exports have been slow to develop, in part because of the strong US dollar but also due to non tariff barriers (bird flu bans) as well as lower prices in other markets, especially Canada, Brazil and EU.

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 September 5 slaughter was 2.171 million head, up 21.7% from a year ago. In the last two weeks hog slaughter is up 16.2% vs. year ago levels.

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass values at about 67.73 /cwt. on Friday were down $6.7/cwt since Wed. August 26. Prices are down about 26 dollars compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at $0.9809, down about 4.3 cent since the Wed. August 26 quote and down about 36 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at $1.3510 for the strap on loins, up 7.7 cent since Wed. August 26 but down about 35 cent from the year ago levels. Strap off loins at $1.5668 are up about 5.8 cent since Wed. August 26 but down about 35 cents compared to the year ago quote.

Boneless sirloins at $1.0358 are down about 17 cents from the Wed. August 26 quote and down about 53.1 cents from the year ago price.

Pork tenderloin finished last week at $2.1927, down slightly since the Wed. August 26 quote and down about 55.6 cents from the year ago price.

5/10 Pork Butts (page 10), prices finished the week at $0.9380, up about 4 cents since Wed. August 26.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at $1.5796, down about 9 cent since Wed. August 26 and down about 4 cents from year ago levels.

Rib inventories on July 31 were 75.6 million pounds, up 37.1% percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was $0.7526/lb., down 3.8 cents compared to prices on Wed. August 26 and down about 31 cents from a year ago.

20/23 hams finished the week at 70.74 cents, down about 6 cents since Wed. August 26 and down about 39 cents from the year ago level.

23/27 hams finished the week at 69.98 , down about 3 cents from the Wed. August 26 quote and down about 31 cents from the year ago level.

Total ham cold storage stocks on July 31 at 206.8 million pounds were up 38.9% from year ago levels.

42 CL Pork Trim "FOB Basis". Prices finished the week at 29.49 cent, up about 4.8 cent since Wed. August 26 but down about 17 cents from the year ago price.

72 CL Pork Trim "FOB Basis". Prices finished the week at 44.67 cents, down about 4 cents since the Wed. August 26 quote and down about 48 cents from the year ago level.

Freezer stocks of all trimmings on July 31 were 44.2 million pounds, up 4.2% percent from the year ago levels.

72 CL Picnic Meat "FOB Basis". Picnics prices should continue to command 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 2 cents from a year ago.

The National Whole Bird price was quoted at 78.11 on Friday September 5, down about 25 cents from a year ago.

Broiler slaughter for the week ending September 5 was 170.47 million head, up 18.01%

from a year ago. For the last two weeks slaughter was up 8.5% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at $1.3998, down 2 cents since Wed. August 26 and also down about 44 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 were up about 2.1 cents vs. two weeks ago but at 26.44 cents per pound prices were down 20 cents from a year ago. Bird flu has been a negative factor for dark meat exports so far this year.

Wings. Prices at $1.6748 are up about 10 cents from year ago levels.

Turkeys

Hens finished last week at $1.3400, up 3 cent since Wed. August 26 and up about 19 cents from the year ago price.

Toms finished last week at $1.3400, up 3 cent since Wed. August 26 and up about 19 cent from the year ago price.

Total turkey supplies in the freezer on July 31 were up 0.9% from a year ago at 494.0 million pounds. Whole birds were up 3.0% from a year ago with an inventory of 297.3 million pounds.

Turkey slaughter was 3.8190 million head for the week ending August 29, down -7.80% from a year ago. For the last two weeks slaughter has been down 9.5%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at $5.7000, up since Wed. August 26. Prices are up about 165 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 $7.6867 (weighted average quote) finished last week down about 40 cents since the Wed. August 26 quote but up about 54 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at $6.9901 (weighted average quote) finished last week down about 6 cents since the Wed. August 26 quote but up about 122 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are $0.6966 /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 $2.6593 down about 22 cents since Wed. August 26 and down about 6 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at $2.7707 down about 13 cents since Wed. August 26 and down about 4 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at $2.4042 up about 3 cents since Wed. August 26 but down about 13 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at $6.5116 (wt. avg.) down about 28 cents from the Wed. August 26 quote. Prices are about 62 cents over year ago levels.

Choice #184 Regular Heavy top butts finished at $4.4332 (wt. avg.) down about 10 cents since Wed. August 26 but up about 117 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at $4.6186 (wt. avg.) up about 11 cents since Wed. August 26 and up about 129 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at $4.8058 (wt. avg.) down about 39 cents since Wed. August 26 but up about 13 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at $1.8793 down about 16 cents since Wed. August 26 and down about 56 cents from year ago levels.

81CL Coarse Ground product finished last week at $2.1870 down about 26 cent since Wed. August 26 and down about 38 cents from the year ago quote.

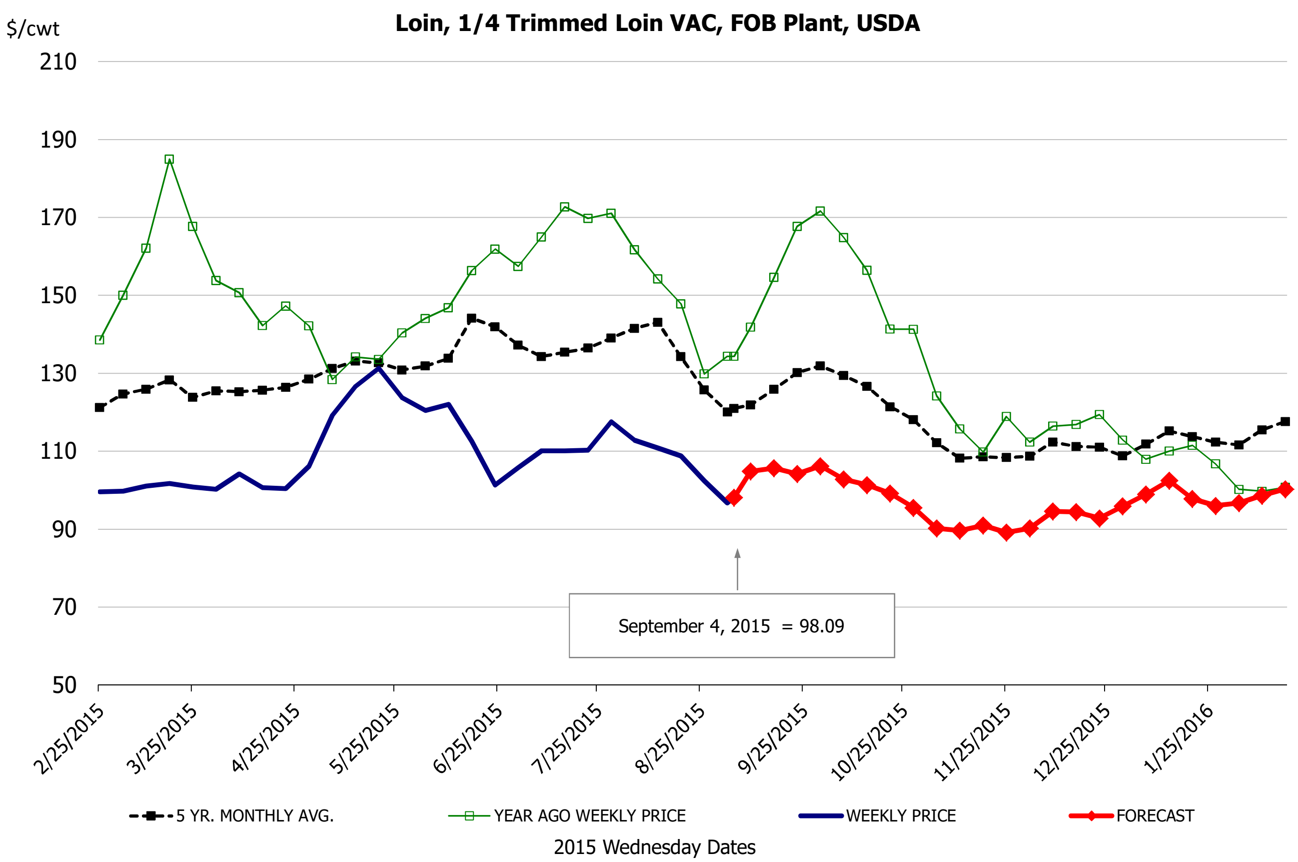
90CL Bnls. Beef prices finished the week at $2.8248 (wt. avg.) up about one cent since Wed. August 26 but down 18 compared to the year ago price quote.

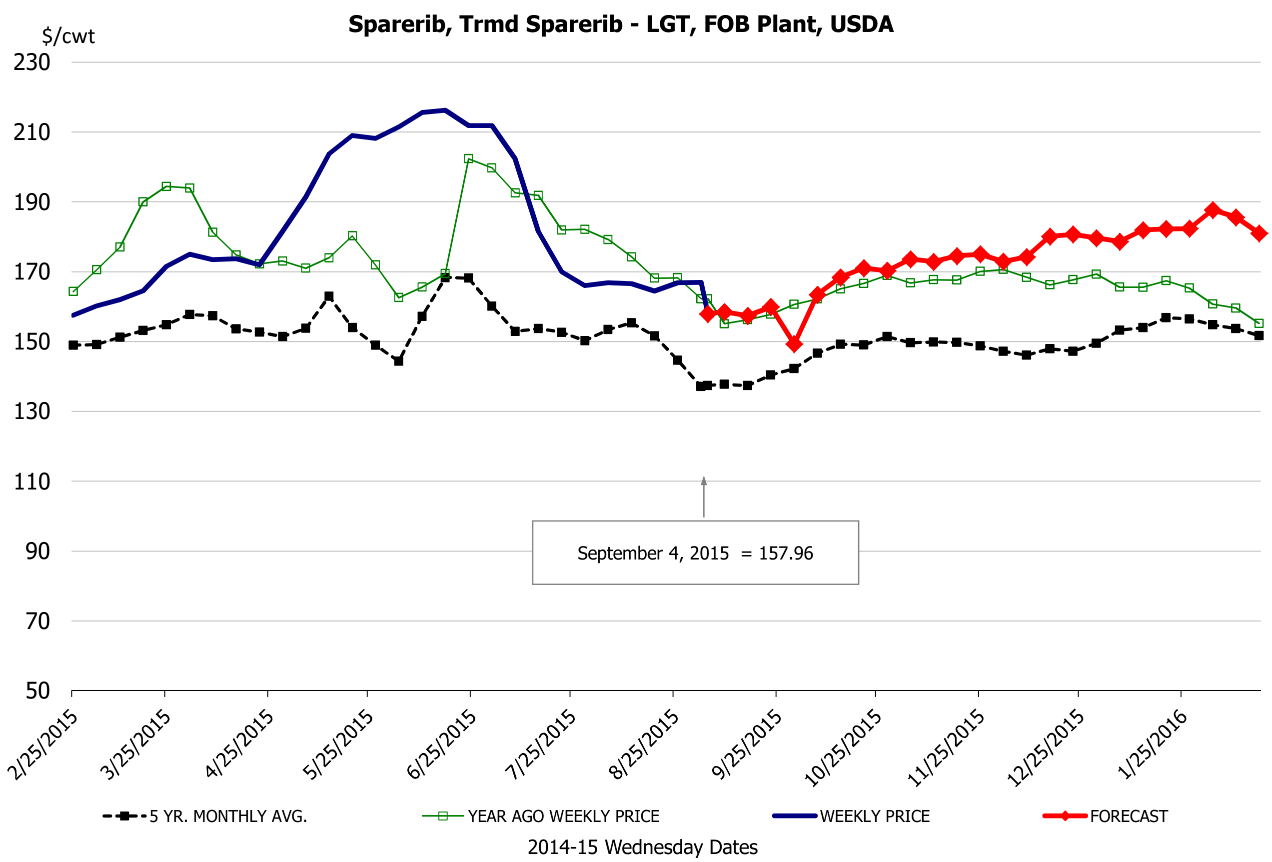
50 CL Beef Trim prices finished last week at $0.6279, down about 0 cent since Wed. August 26 and down 70 compared to the year ago level.

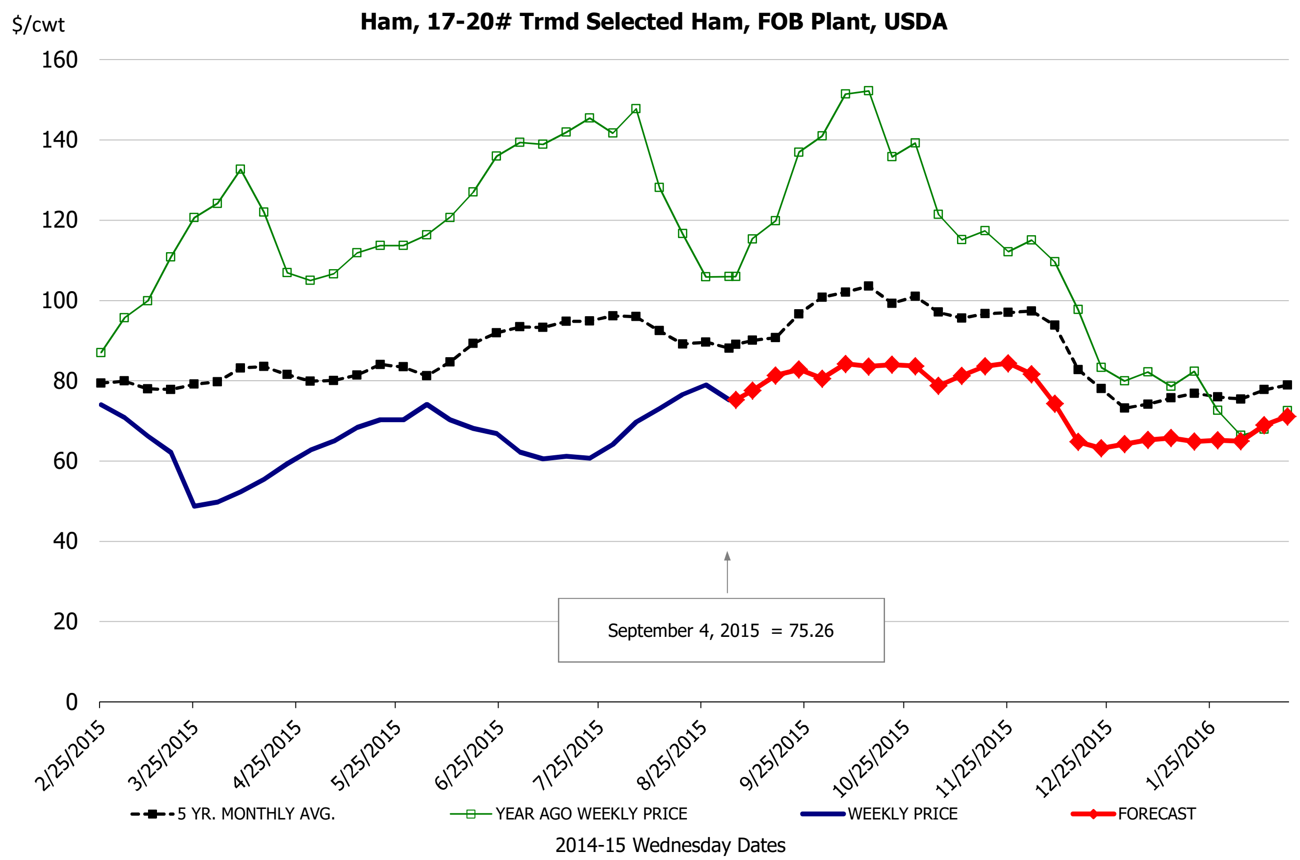
Food Service Summary Table - WT. AVE

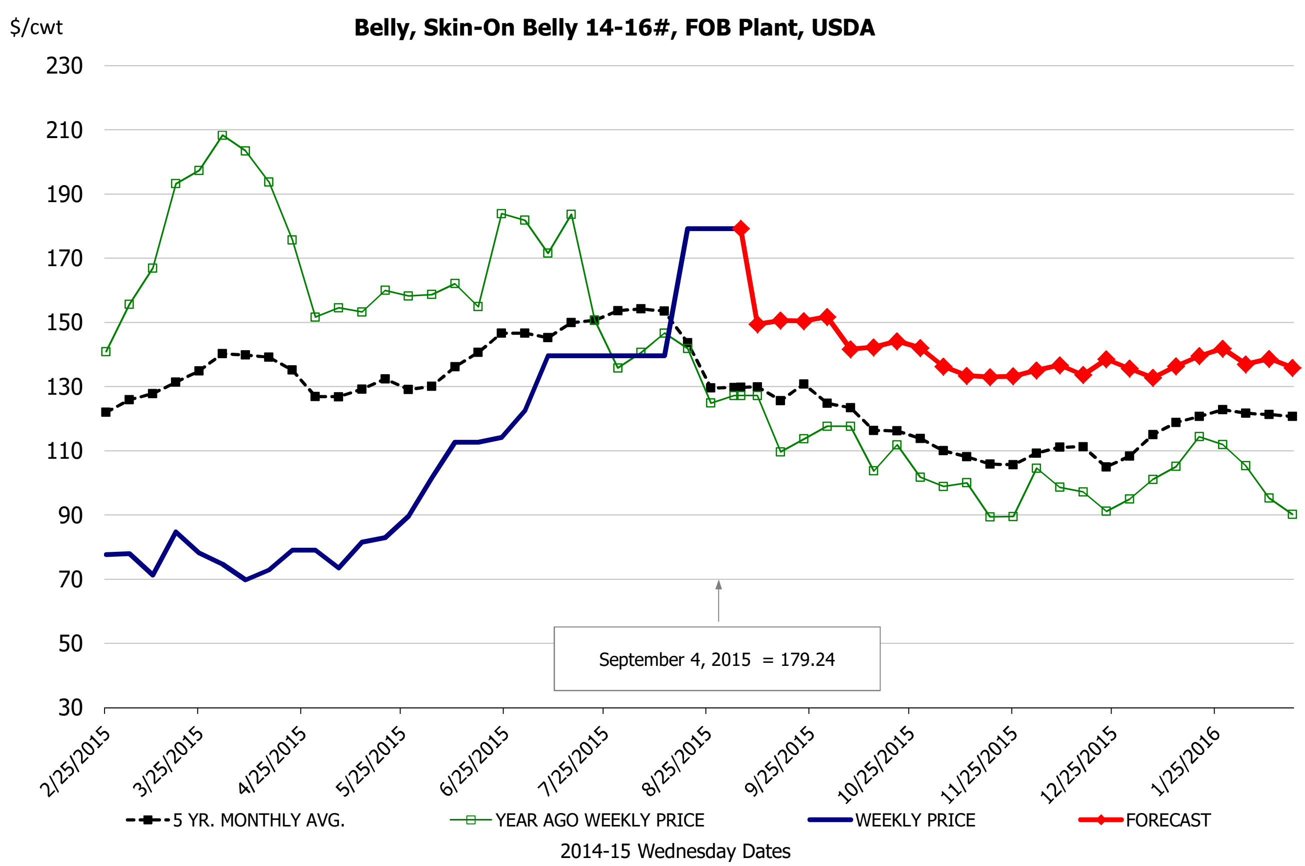
	2015 History								2015-16 FORECAST						
	Mar	Apr	May	Jun	Jul	Aug	8/26/2015	9/4/2015	9/16/2015	Sep	Oct	Nov	Dec	Jan	Feb
PORK															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.00	1.02	1.24	1.12	1.11	1.07	1.02	0.98	1.06	1.05	1.00	0.90	0.93	0.98	0.99
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.08	1.08	1.30	1.20	1.17	1.14	1.00	1.05	1.12	1.10	1.04	0.96	1.01	1.06	1.05
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.57	1.62	1.75	1.56	1.55	1.58	1.51	1.57	1.60	1.59	1.56	1.44	1.51	1.51	1.47
Loin, Tenderloin, FOB Plant, USDA	2.25	2.07	2.23	2.48	2.61	2.42	2.27	2.19	2.14	2.20	2.16	2.09	2.13	2.17	2.31
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	0.89	0.90	1.11	1.07	0.83	0.85	0.83	0.75	0.84	0.84	0.89	0.87	0.90	0.82	0.88
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.66	1.75	2.00	2.11	1.79	1.64	1.67	1.58	1.57	1.58	1.66	1.74	1.77	1.80	1.85
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.40	2.46	2.60	2.63	2.71	2.58	2.58	2.55	2.49	2.50	2.47	2.53	2.56	2.61	2.66
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.56	1.71	1.97	2.05	1.75	1.65	1.69	1.56	1.54	1.56	1.60	1.66	1.68	1.72	1.77
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.53	2.62	2.92	2.93	2.61	2.43	2.33	2.28	2.25	2.26	2.12	2.13	2.19	2.15	2.26
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.58	0.56	0.68	0.68	0.63	0.73	0.79	0.75	0.81	0.80	0.84	0.82	0.71	0.65	0.69
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.53	0.54	0.68	0.64	0.58	0.72	0.77	0.71	0.77	0.76	0.75	0.73	0.65	0.62	0.65
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.48	0.50	0.67	0.61	0.56	0.72	0.73	0.70	0.74	0.72	0.69	0.66	0.63	0.61	0.62
Ham, 5 Muscle Ham to Blue, FOB Plant, USDA	1.19	1.19	1.11	0.98	0.93	0.96	0.96	0.96	1.25	1.23	1.13	1.07	1.03	0.90	0.95
Belly, Skin-on Belly 14-16#, FOB Plant, USDA	0.76	0.72	0.85	1.03	1.28	1.79	1.79	1.79	1.51	1.50	1.43	1.34	1.36	1.36	1.37
Belly, Derind Belly 9-13#, FOB Plant, USDA	0.87	0.81	0.97	1.28	1.71	2.08	2.05	1.92	1.89	1.91	1.79	1.69	1.71	1.64	1.73
Belly, Derind Belly 13-17#, FOB Plant, USDA	0.83	0.79	0.90	1.27	1.64	2.05	1.97	1.99	1.90	1.93	1.77	1.67	1.69	1.62	1.71
Trim, 42% Trim Combo, FOB Plant, USDA	0.24	0.22	0.36	0.45	0.35	0.29	0.25	0.29	0.30	0.30	0.29	0.23	0.21	0.28	0.30
Trim, 72% Trim Combo, FOB Plant, USDA	0.39	0.46	0.67	0.77	0.64	0.49	0.49	0.45	0.48	0.47	0.52	0.51	0.49	0.53	0.57
HOG CARCASS															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Dlv.	0.60	0.62	0.79	0.77	0.76	0.75	0.74	0.68	0.69	0.69	0.67	0.63	0.63	0.63	0.66
BROILERS															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	0.99	1.05	1.07	1.01	0.91	0.83	0.82	0.78	0.79	0.79	0.82	0.82	0.82	0.83	0.83
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.41	1.54	1.62	1.48	1.40	1.40	1.42	1.40	1.38	1.40	1.26	1.15	1.13	1.21	1.24
N.E. BROILER BREAST LINE RUN, USDA	1.01	1.04	1.10	1.07	1.01	0.91	0.90	0.84	0.87	0.87	0.86	0.83	0.82	0.84	0.85
N.E. BROILER LEG QUARTERS, USDA	0.37	0.34	0.34	0.28	0.26	0.24	0.24	0.26	0.25	0.26	0.27	0.27	0.27	0.27	0.27
N.E. BROILER WINGS, USDA, WT.AVG.	1.85	1.79	1.81	1.84	1.84	1.77	1.62	1.67	1.78	1.75	1.83	1.89	1.91	2.01	1.91
TURKEYS															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.06	1.09	1.14	1.18	1.24	1.30	1.31	1.34	1.34	1.34	1.36	1.36	1.27	1.15	1.08
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	2.94	3.08	3.74	4.44	5.20	5.64	5.65	5.70	5.75	5.70	5.80	5.55	5.25	4.70	4.10
LIVE STEERS															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.61	1.64	1.61	1.55	1.49	1.49	1.47	1.43	1.47	1.46	1.47	1.49	1.49	1.48	#N/A
BEEF															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	7.78	8.49	8.62	7.79	7.10	7.64	8.09	7.69	8.04	7.99	8.17	8.56	7.99	7.05	#N/A
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.84	2.86	2.94	2.96	2.86	2.99	2.90	2.77	2.85	2.81	2.87	2.87	2.94	2.98	#N/A
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.55	2.38	2.37	2.48	2.46	2.45	2.37	2.40	2.53	2.53	2.70	2.61	2.56	2.77	#N/A
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	6.19	7.52	9.03	7.32	5.91	6.39	6.79	6.51	5.61	5.60	5.24	5.23	5.28	5.65	5.75
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	4.40	4.71	4.54	3.99	4.06	4.45	4.59	4.62	4.43	4.38	3.88	3.91	3.98	3.98	4.04
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	4.98	6.92	7.33	5.45	4.83	4.99	5.19	4.81	4.60	4.66	4.37	4.29	4.38	4.65	4.81
COARSE GROUND 73%, USDA	2.11	2.06	2.07	1.96	1.79	1.97	2.04	1.88	1.87	1.87	1.77	1.79	1.81	2.18	2.01
COARSE GROUND 81%, USDA	2.42	2.37	2.32	2.30	2.31	2.35	2.45	2.19	2.18	2.19	2.17	2.20	2.22	2.59	2.42
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.95	2.96	2.97	2.94	2.90	2.82	2.81	2.82	2.80	2.82	2.70	2.71	2.78	2.84	2.88
50CL BEEF TRIM, FRESH, NATIONAL, USDA	0.89	1.15	0.95	0.81	0.66	0.68	0.63	0.63	0.63	0.64	0.67	0.79	0.70	0.81	0.79

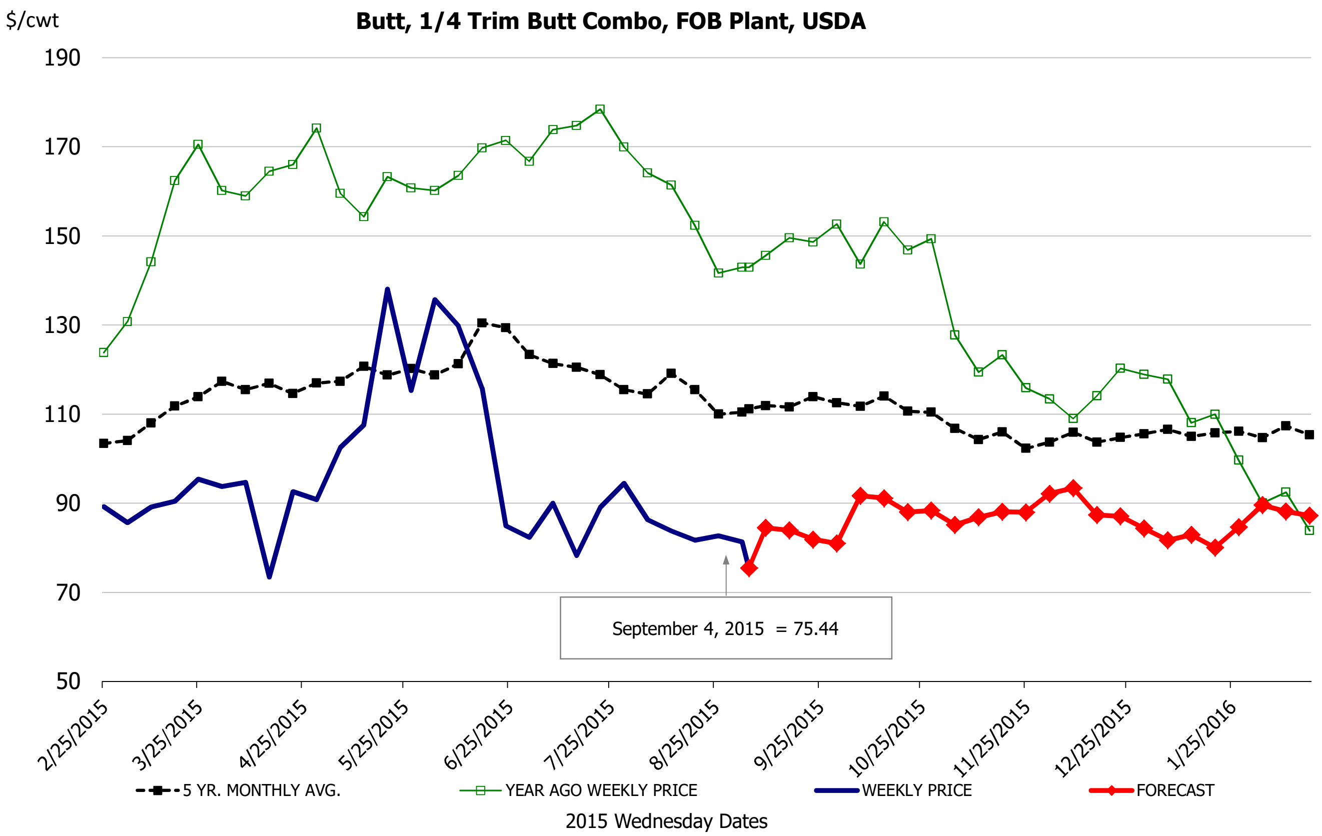
*St. Louis 2 1/4 dn rib prices are estimated at 3 1/2 dn plus $1.10


Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA
$/cwt
210
190
170
150
130
110
90
70
50
September 4, 2015 = 98.09
2/25/2015
3/25/2015
4/25/2015
5/25/2015
6/25/2015
7/25/2015
8/25/2015
9/25/2015
10/25/2015
11/25/2015
12/25/2015
1/25/2016
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2015 Wednesday Dates


Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA
$/cwt
230
210
190
170
150
130
110
90
70
50
September 4, 2015 = 157.96
2/25/2015
3/25/2015
4/25/2015
5/25/2015
6/25/2015
7/25/2015
8/25/2015
9/25/2015
10/25/2015
11/25/2015
12/25/2015
1/25/2016
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2014-15 Wednesday Dates


$/cwt
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA
160
140
120
100
80
60
40
20
0
September 4, 2015 = 75.26
2/25/2015
3/25/2015
4/25/2015
5/25/2015
6/25/2015
7/25/2015
8/25/2015
9/25/2015
10/25/2015
11/25/2015
12/25/2015
1/25/2016
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2014-15 Wednesday Dates


$/cwt
Belly, Skin-On Belly 14-16#, FOB Plant, USDA
230
210
190
170
150
130
110
90
70
50
30
September 4, 2015 = 179.24
2/25/2015
3/25/2015
4/25/2015
5/25/2015
6/25/2015
7/25/2015
8/25/2015
9/25/2015
10/25/2015
11/25/2015
12/25/2015
1/25/2016
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2014-15 Wednesday Dates



$/cwt
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA
190
170
150
130
110
90
70
50
September 4, 2015 = 75.44
2/25/2015
3/25/2015
4/25/2015
5/25/2015
6/25/2015
7/25/2015
8/25/2015
9/25/2015
10/25/2015
11/25/2015
12/25/2015
1/25/2016
5 YR. MONTHLY AVG.
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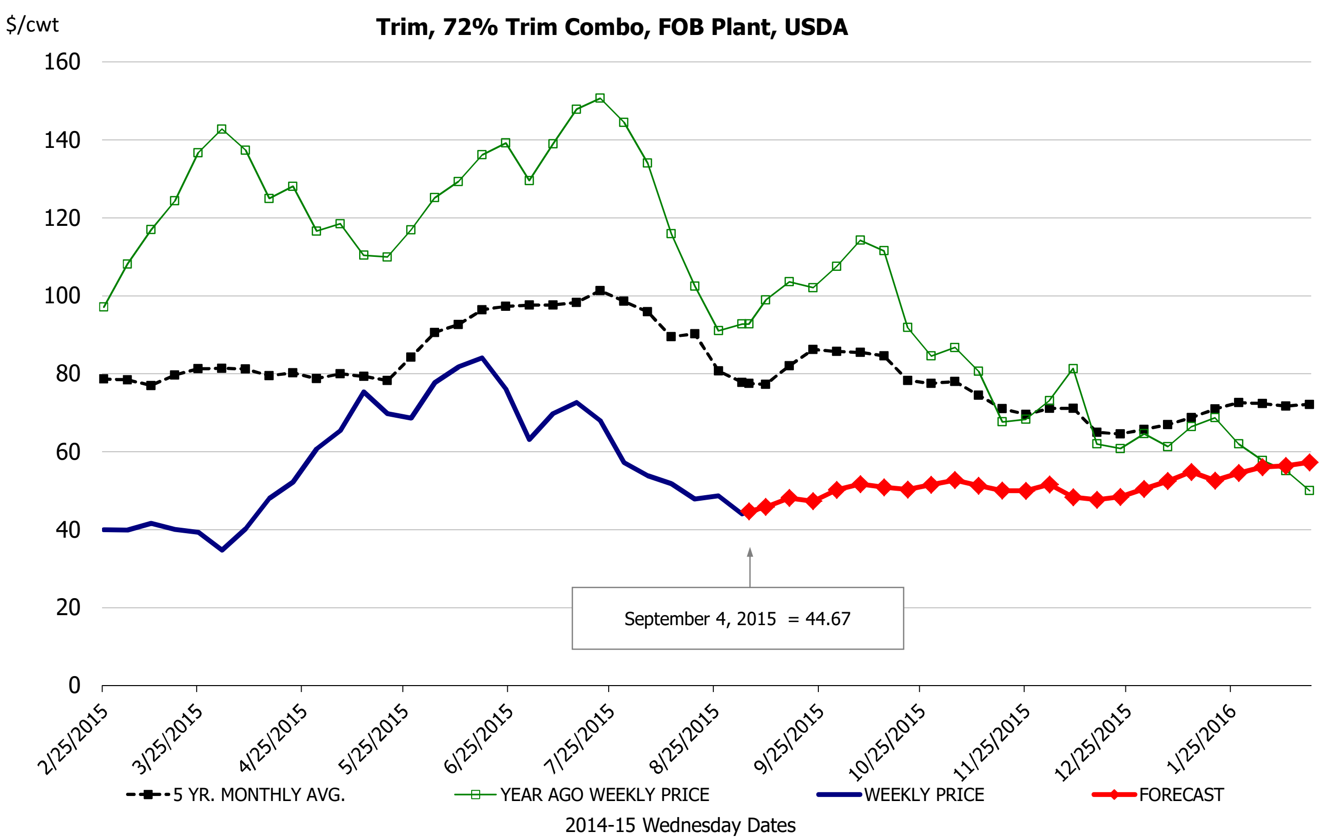
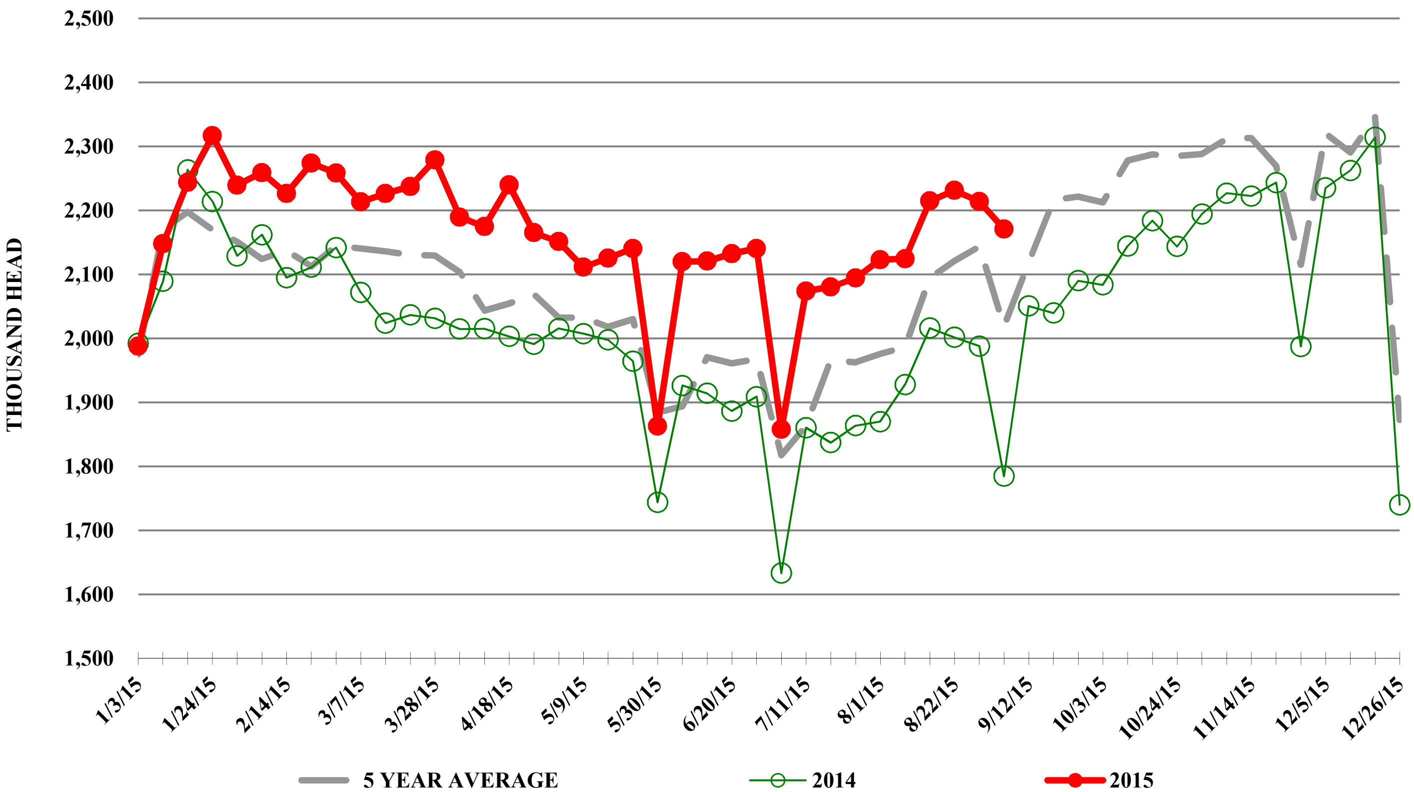
2015 Wednesday Dates



$/cwt
Trim, 72% Trim Combo, FOB Plant, USDA
160
140
120
100
80
60
40
20
0
September 4, 2015 = 44.67
2/25/2015
3/25/2015
4/25/2015
5/25/2015
6/25/2015
7/25/2015
8/25/2015
9/25/2015
10/25/2015
11/25/2015
12/25/2015
1/25/2016
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2014-15 Wednesday Dates

ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION