



Pork Merchandiser's Profit Maximizer

Be inspiredSM

- Foodservice Edition -

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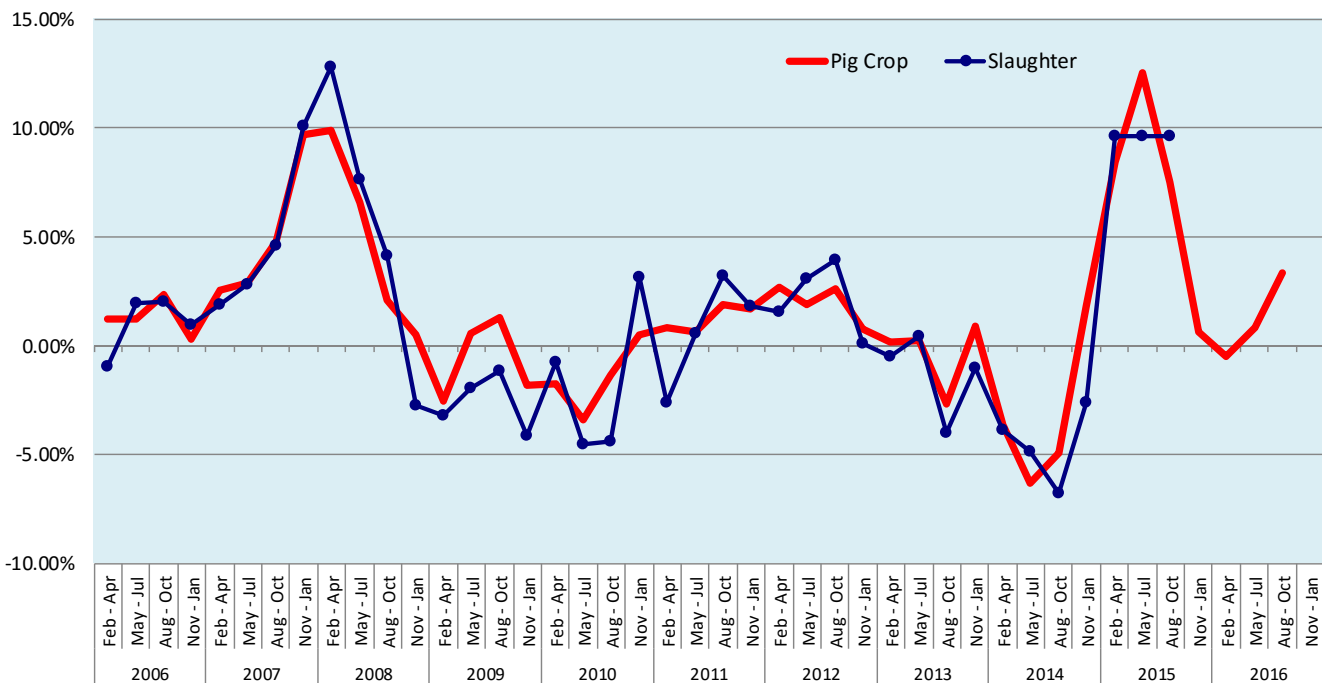
Hog Supplies Expected to be Steady to Slightly Lower Through Next Summer. Breeding herd remains key for prices in late 2016 and 2017.

implies that hog supplies in 2016 should be relatively close to 2015 levels. Barring any dramatic supply/demand shocks, we expect pork prices in 2016 to be only modestly higher than in 2015. Below is a brief discussion of the latest USDA survey and its implications:

The latest USDA "Hogs and Pigs" report

Quarterly Slaughter vs. Pig Crop (5-Month Forward): Y/Y % Change

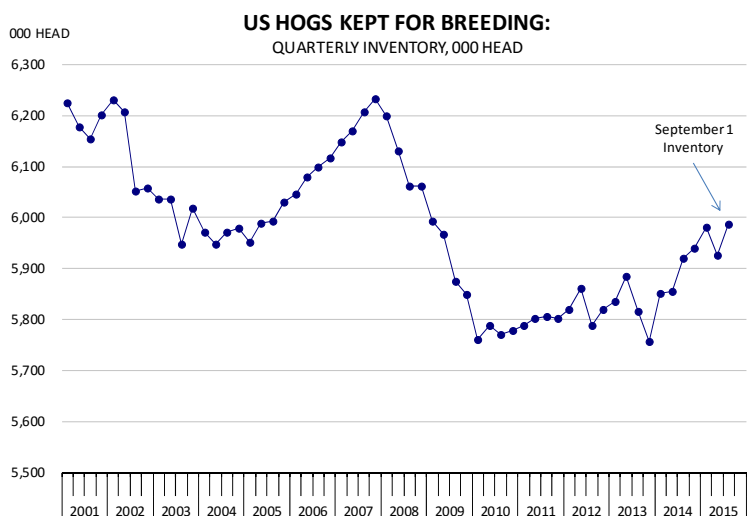
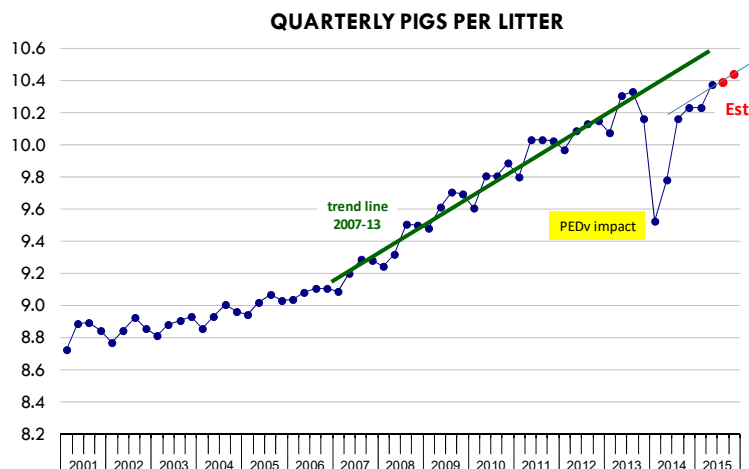
Pig Crop estimates are based on USDA Hogs & Pigs report farrowings for next three quarters + Steiner Estimates thru 2016



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Total hogs and pigs inventories as of September 1 were 68.395 million head, 3.7% higher than a year ago and 2.2% higher than in 2013. This is the largest hog inventory on record, surpassing the last record of 68.196 million head back in September 2008. The increase in the inventory reflects the impact of both a larger breeding herd as well as a return of litter productivity to pre-PEDv trend. The inventory of market hogs at 62.410 million head was 3.9% higher than last year.

- Hog supplies projected to come to market through the end of this year and early 2016 are expected to be up substantially compared to a year ago, especially the inventory of larger hogs. Based on the latest USDA data, we expect weekly hog slaughter to be as high as 2.4 million head for a few weeks in late October and early November and remain above 2.3 million head through mid December. Hog prices have rallied in the last few weeks, in part because slaughter was not as high as some early projections indicated. The seasonal for hog prices is to dip lower in the second half of October and in November as supplies seasonally increase. We expect that to be the case again this year.
- Farrowing intentions for the period Sep-Nov were 2.920 million head, 2.5% lower than the same quarter a year ago. This number appears to be a bit on the low side and may end up being revised higher when USDA publishes the actual farrowings in the December report. Keep in mind that USDA revised its Jun-Aug farrowing estimate by a full percentage point. At this point futures are pricing February and April hogs at \$68 and \$72, respectively. If the farrowings (and thus the pig crop) end up being larger than estimates, it could put some modest downward pressure on those months.
- **The breeding herd as of September 1 was estimated at 5.986 million head, 1.1% higher than a year ago.** Prior to the report ana-



lysts expected the breeding herd to be up just 0.3%. The larger breeding herd reflects decisions that were made before the supply recovery and it also shows that despite the lower hog prices, some producers remain profitable. Lower feed and energy costs certainly have helped bring down breakeven levels and it appears some producers are charging ahead with their expansion plans.

- The larger breeding herd could be seen in the context of recovering pigs per litter numbers. The latest report showed that during the Jun-Aug quarter producers saved on average 10.39 pigs per litter, 2.3% more than the same quarter a year ago. This is a key metric that will offset the effect of modestly lower farrowings. Farrowings for the Jun-Aug quarter, for instance, were down 1.6% but

due to the higher pigs per litter the overall pig crop was actually 0.6% higher.

The **key takeaway** from the report is that a larger breeding herd implies ongoing growth in the number of farrowings, at least for the next couple of quarters. Coupled with more pigs saved per litter, this implies hog supplies will be adequate in 2016 and help contain price inflation in the pork category.

Wild cards: PEDv remains a wild card but so far we have not seen signs of a return. Normally cold weather brings more cases so this bears watching and could impact the summer supplies/prices. Exports also may surprise us. So far, lower prices in the EU and a strong US dollar

have limited US pork exports.

Upcoming Holidays:

2015 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 October 3 slaughter was 2.270 million head, up 8.9% from a year ago. In the last two weeks hog slaughter is up 8.9% vs. year ago levels.

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass values at about 71.14 /cwt. on Friday were up \$2.3/cwt since Wed. September 23. Prices are down about 38 dollars compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at \$1.0446, down about 0.9 cent since the Wed. September 23 quote and down about 67 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.6495 for the strap on loins, up 21.3 cent since Wed. September 23 but down about 83 cent from the year ago levels. Strap off loins at \$1.6081 are up about 9.3 cent since Wed. September 23 but down about 92 cents compared to the year ago quote.

Boneless sirloins at \$0.9148 are down about 13 cents from the Wed. September 23 quote and down about 86.0 cents from the year ago price.

Pork tenderloin finished last week at \$2.0673, down slightly since the Wed. September 23 quote and down about 83.9 cents from the year ago price.

5/10 Pork Butts (page 10), prices finished the week at \$0.9951, down about one cents since Wed. September 23.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$1.4064, down about

9 cent since Wed. September 23 and down about 20 cents from year ago levels.

Rib inventories on August 31 were 72.9 million pounds, up 46.8% percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was \$0.7085/lb., up 0.0 cents compared to prices on Wed. September 23 but down about 70 cents from a year ago.

20/23 hams finished the week at 69.98 cents, up about 6 cents since Wed. September 23 but down about 64 cents from the year ago level.

23/27 hams finished the week at 64.62 , up about 6 cents from the Wed. September 23 quote but down about 70 cents from the year ago level.

Total ham cold storage stocks on August 31 at 237.5 million pounds were up 32.3% from year ago levels.

42 CL Pork Trim “FOB Basis”. Prices finished the week at 39.35 cent, up about 5.2 cent since Wed. September 23 but down about 21 cents from the year ago price.

72 CL Pork Trim “FOB Basis”. Prices finished the week at 64.86 cents, up about 9 cents since the Wed. September 23 quote but down about 43 cents from the year ago level.

Freezer stocks of all trimmings on August 31 were 42.6 million pounds, up 5.3% 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 \$114.75 was up about 1 cents from a year ago.

The National Whole Bird price was quoted at 73.84 on Friday October 3, down about 34 cents from a year ago.

Broiler slaughter for the week ending October 3 was 165.54 million head, up 5.13% from a year

ago. For the last two weeks slaughter was up 4.2% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$1.1826, down 3 cents since Wed. September 23 and also down about 74 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 down about 2.5 cents vs. two weeks ago but at 23.20 cents per pound prices were down 23 cents from a year ago. Bird flu has been a negative factor for dark meat exports so far this year.

Wings. Prices at \$1.7287 are down about 10 cents from year ago levels.

Turkeys

Hens finished last week at \$1.4000, up 2 cent since Wed. September 23 and up about 22 cents from the year ago price.

Toms finished last week at \$1.4000, up 2 cent since Wed. September 23 and up about 22 cent from the year ago price.

Total turkey supplies in the freezer on August 31 were up 3.8% from a year ago at 475.8 million pounds. Whole birds were up 3.9% from a year ago with an inventory of 289.2 million pounds.

Turkey slaughter was 4.0360 million head for the week ending September 26, down -12.56% from a year ago. For the last two weeks slaughter has been down 10.7%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$5.7500, unchanged since Wed. September 23. Prices are up about 170 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 \$6.5659 (weighted average quote) finished last week down about 25 cents since the Wed. September 23 quote and down about 48 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$6.4854 (weighted average quote) finished last week down about 39 cents since the Wed. September 23 quote but up about 102 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$0.0805 /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 \$2.0840 down about 41 cents since Wed. September 23 and down about 60 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$2.1573 down about 28 cents since Wed. September 23 and down about 58 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$2.3208 down about 7 cents since Wed. September 23 and down about 40 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$5.3116 (wt. avg.) down about 13 cents from the Wed. September 23 quote. Prices are about 40 cents over year ago levels.

Choice #184 Regular Heavy top butts finished at \$3.7028 (wt. avg.) down about 56 cents since Wed. September 23 but up about 57 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$3.9610 (wt. avg.) up about 11 cents since Wed. September 23 and up about 71 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$4.3580 (wt. avg.) down about 23 cents since Wed. September 23 but up about 18 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at \$1.6110 down about 7 cents since Wed. September 23 and down about 68 cents from year ago levels.

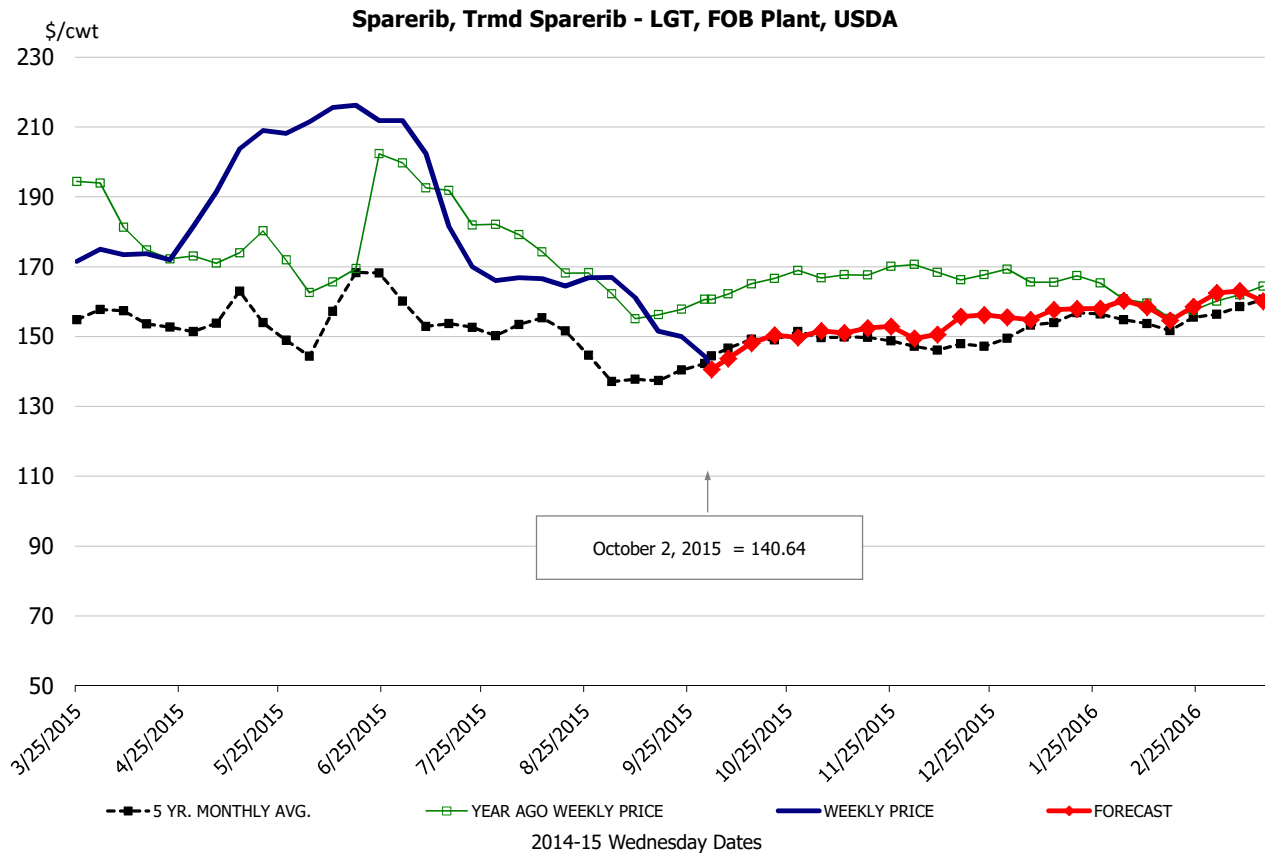
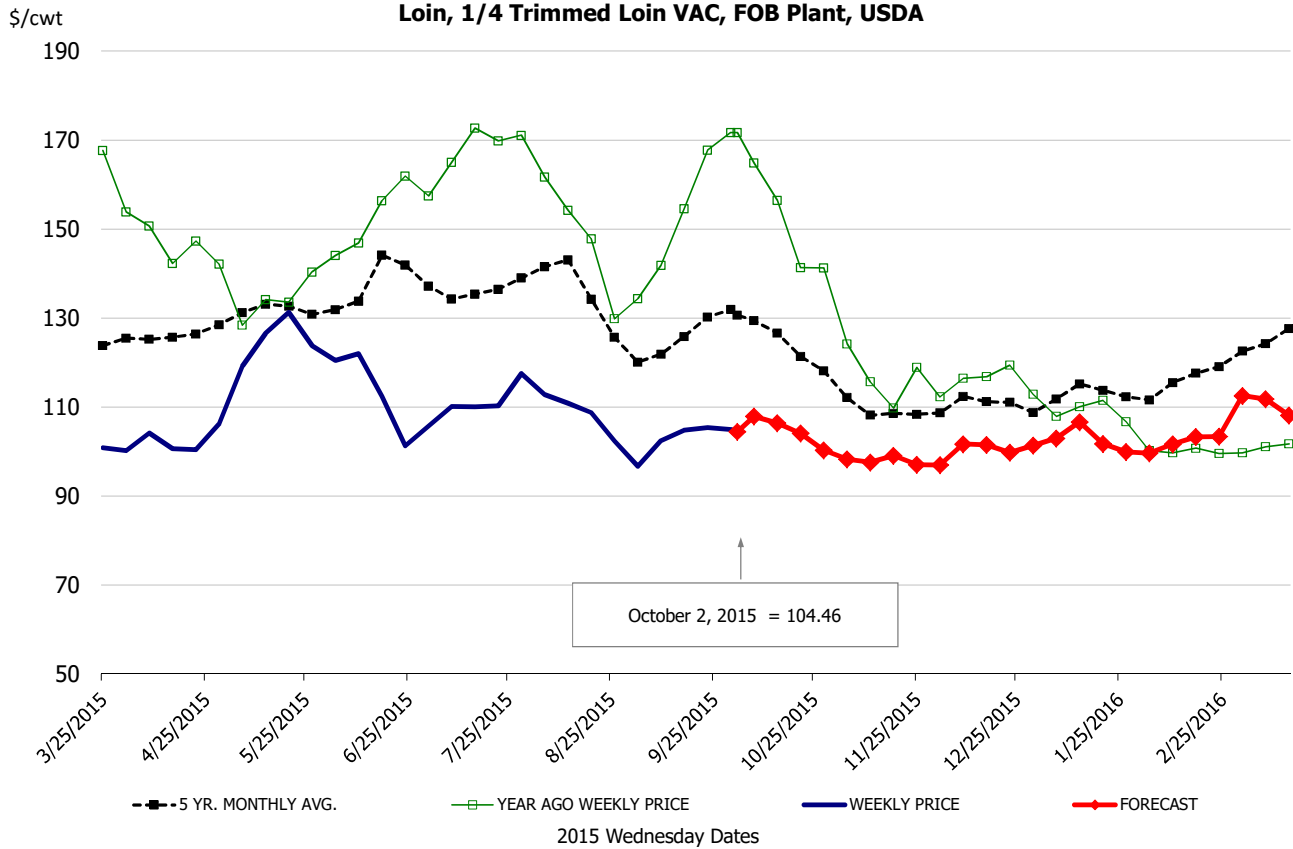
81CL Coarse Ground product finished last week at \$1.8649 up about one cent since Wed. September 23 but down about 54 cents from the year ago quote.

90CL Bnls. Beef prices finished the week at \$2.5083 (wt. avg.) down about 20 cent since Wed. September 23 and down 42 compared to the year ago price quote.

50 CL Beef Trim prices finished last week at \$0.3545, down about 7 cent since Wed. September 23 and down 68 compared to the year ago level.

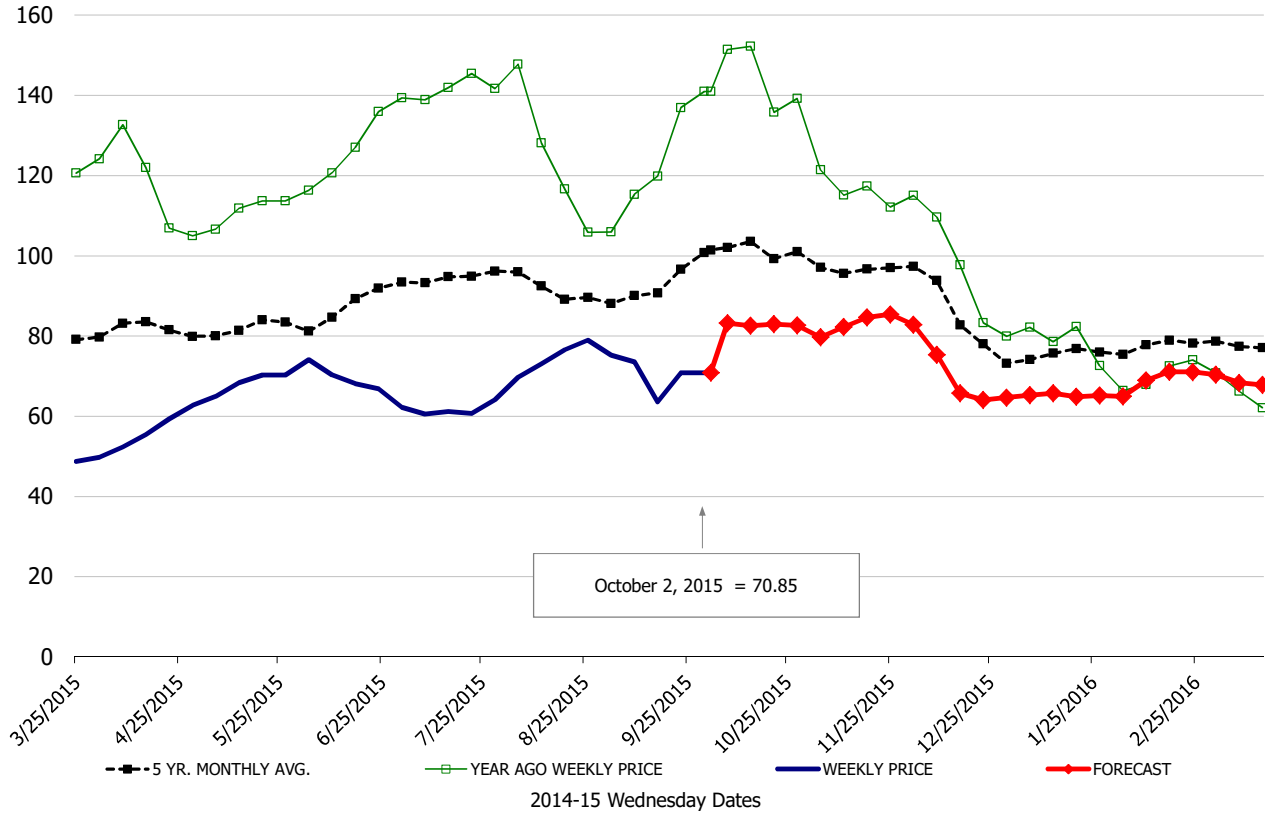
Food Service Summary Table - WT. AVE

| | 2015 History | | | | | | | 2015-16 FORECAST | | | | | | | |
|--|--------------|------|------|------|------|------|-----------|------------------|------------|------|------|------|------|------|------|
| | Apr | May | Jun | Jul | Aug | Sep | 9/23/2015 | 10/2/2015 | 10/14/2015 | Oct | Nov | Dec | Jan | Feb | Mar |
| <u>PORK</u> | | | | | | | | | | | | | | | |
| Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA | 1.02 | 1.24 | 1.12 | 1.11 | 1.07 | 1.02 | 1.05 | 1.04 | 1.06 | 1.05 | 0.98 | 1.00 | 1.02 | 1.02 | 1.10 |
| Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA | 1.08 | 1.30 | 1.20 | 1.17 | 1.14 | 1.07 | 1.05 | 1.09 | 1.11 | 1.09 | 1.04 | 1.08 | 1.09 | 1.08 | 1.18 |
| Loin, Bnls CC Strap-off, FOB Plant, USDA | 1.62 | 1.75 | 1.56 | 1.55 | 1.58 | 1.52 | 1.52 | 1.61 | 1.65 | 1.62 | 1.55 | 1.60 | 1.58 | 1.51 | 1.62 |
| Loin, Tenderloin, FOB Plant, USDA | 2.07 | 2.23 | 2.48 | 2.61 | 2.42 | 2.19 | 2.25 | 2.07 | 2.16 | 2.11 | 2.10 | 2.12 | 2.14 | 2.26 | 2.32 |
| Butt, 1/4 Trim Butt Combo, FOB Plant, USDA | 0.90 | 1.11 | 1.07 | 0.83 | 0.85 | 0.84 | 0.86 | 0.87 | 0.91 | 0.89 | 0.96 | 0.98 | 0.87 | 0.90 | 0.95 |
| Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA | 1.75 | 2.00 | 2.11 | 1.79 | 1.64 | 1.52 | 1.50 | 1.41 | 1.48 | 1.46 | 1.52 | 1.53 | 1.56 | 1.58 | 1.62 |
| Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA | 2.46 | 2.60 | 2.63 | 2.71 | 2.58 | 2.52 | 2.42 | 2.20 | 2.35 | 2.32 | 2.38 | 2.39 | 2.42 | 2.44 | 2.48 |
| Sparerib, Trmd Sparerib - MED, FOB Plant, USDA | 1.71 | 1.97 | 2.05 | 1.75 | 1.65 | 1.49 | 1.41 | 1.43 | 1.45 | 1.43 | 1.46 | 1.47 | 1.50 | 1.52 | 1.56 |
| Loin, Backribs 2.0#/up, FOB Plant, USDA | 2.62 | 2.92 | 2.93 | 2.61 | 2.43 | 2.26 | 2.21 | 2.18 | 2.18 | 2.18 | 2.20 | 2.23 | 2.24 | 2.32 | 2.43 |
| Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA | 0.56 | 0.68 | 0.68 | 0.63 | 0.73 | 0.70 | 0.71 | 0.71 | 0.83 | 0.83 | 0.83 | 0.72 | 0.65 | 0.69 | 0.68 |
| Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA | 0.54 | 0.68 | 0.64 | 0.58 | 0.72 | 0.67 | 0.64 | 0.70 | 0.74 | 0.74 | 0.78 | 0.69 | 0.63 | 0.67 | 0.67 |
| Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA | 0.50 | 0.67 | 0.61 | 0.56 | 0.72 | 0.62 | 0.59 | 0.65 | 0.65 | 0.68 | 0.70 | 0.65 | 0.61 | 0.65 | 0.63 |
| Ham, 5 Muscle Ham to Blue, FOB Plant, USDA | 1.19 | 1.11 | 0.98 | 0.93 | 0.96 | 0.96 | 0.96 | 0.96 | 1.08 | 1.13 | 1.07 | 1.03 | 0.97 | 1.00 | 1.01 |
| Belly, Skin-on Belly 14-16#, FOB Plant, USDA | 0.72 | 0.85 | 1.03 | 1.28 | 1.79 | 1.57 | 1.65 | 1.54 | 1.42 | 1.43 | 1.34 | 1.36 | 1.36 | 1.40 | 1.47 |
| Belly, Derind Belly 9-13#, FOB Plant, USDA | 0.81 | 0.97 | 1.28 | 1.71 | 2.08 | 1.92 | 1.86 | 1.95 | 1.82 | 1.85 | 1.69 | 1.71 | 1.69 | 1.73 | 1.83 |
| Belly, Derind Belly 13-17#, FOB Plant, USDA | 0.79 | 0.90 | 1.27 | 1.64 | 2.05 | 1.94 | 1.89 | 1.74 | 1.74 | 1.77 | 1.67 | 1.69 | 1.67 | 1.71 | 1.81 |
| Trim, 42% Trim Combo, FOB Plant, USDA | 0.22 | 0.36 | 0.45 | 0.35 | 0.29 | 0.32 | 0.34 | 0.39 | 0.33 | 0.35 | 0.26 | 0.22 | 0.30 | 0.31 | 0.35 |
| Trim, 72% Trim Combo, FOB Plant, USDA | 0.46 | 0.67 | 0.77 | 0.64 | 0.49 | 0.52 | 0.56 | 0.65 | 0.64 | 0.65 | 0.56 | 0.53 | 0.56 | 0.60 | 0.63 |
| <u>HOG CARCASS</u> | | | | | | | | | | | | | | | |
| IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div. | 0.62 | 0.79 | 0.77 | 0.76 | 0.75 | 0.69 | 0.69 | 0.71 | 0.68 | 0.69 | 0.65 | 0.66 | 0.66 | 0.68 | 0.72 |
| <u>BROILERS</u> | | | | | | | | | | | | | | | |
| BROILER, NATIONAL WHOLE BIRD PRICE, USDA | 1.05 | 1.07 | 1.01 | 0.91 | 0.83 | 0.77 | 0.77 | 0.74 | 0.77 | 0.77 | 0.78 | 0.78 | 0.79 | 0.80 | 0.83 |
| N.E. BROILER BREAST BONELESS-SKINLESS, USDA | 1.54 | 1.62 | 1.48 | 1.40 | 1.40 | 1.29 | 1.21 | 1.18 | 1.19 | 1.20 | 1.10 | 1.08 | 1.16 | 1.20 | 1.23 |
| N.E. BROILER BREAST LINE RUN, USDA | 1.04 | 1.10 | 1.07 | 1.01 | 0.91 | 0.83 | 0.84 | 0.78 | 0.80 | 0.80 | 0.78 | 0.78 | 0.80 | 0.81 | 0.82 |
| N.E. BROILER LEG QUARTERS, USDA | 0.34 | 0.34 | 0.28 | 0.26 | 0.24 | 0.24 | 0.26 | 0.23 | 0.24 | 0.23 | 0.24 | 0.24 | 0.25 | 0.25 | 0.26 |
| N.E. BROILER WINGS, USDA, WT.AVG. | 1.79 | 1.81 | 1.84 | 1.84 | 1.77 | 1.67 | 1.65 | 1.73 | 1.79 | 1.77 | 1.84 | 1.91 | 2.01 | 1.91 | 1.73 |
| <u>TURKEYS</u> | | | | | | | | | | | | | | | |
| UB HEN TURKEYS, EAST, FROZEN 10-12LBS | 1.09 | 1.14 | 1.18 | 1.24 | 1.30 | 1.37 | 1.38 | 1.40 | 1.40 | 1.40 | 1.42 | 1.29 | 1.18 | 1.10 | 1.05 |
| UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH | 3.08 | 3.74 | 4.44 | 5.20 | 5.64 | 5.72 | 5.75 | 5.75 | 5.80 | 5.80 | 5.55 | 5.25 | 4.70 | 4.10 | 3.90 |
| <u>LIVE STEERS</u> | | | | | | | | | | | | | | | |
| FIVE AREA DIRECT AVERAGE LIVE STEER, USDA | 1.64 | 1.61 | 1.55 | 1.49 | 1.49 | 1.37 | 1.34 | 1.20 | 1.25 | 1.26 | 1.34 | 1.38 | 1.40 | 1.41 | 1.42 |
| <u>BEEF</u> | | | | | | | | | | | | | | | |
| CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA | 8.49 | 8.62 | 7.79 | 7.10 | 7.64 | 6.96 | 6.82 | 6.57 | 6.65 | 6.63 | 7.47 | 7.21 | 6.34 | 6.41 | 6.75 |
| CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA | 2.86 | 2.94 | 2.96 | 2.86 | 2.99 | 2.51 | 2.44 | 2.16 | 2.23 | 2.21 | 2.41 | 2.61 | 2.72 | 2.55 | 2.70 |
| CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA | 2.38 | 2.37 | 2.48 | 2.46 | 2.45 | 2.38 | 2.39 | 2.32 | 2.32 | 2.32 | 2.29 | 2.32 | 2.51 | 2.49 | 2.42 |
| CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA | 7.52 | 9.03 | 7.32 | 5.91 | 6.39 | 5.85 | 5.44 | 5.31 | 5.08 | 5.09 | 4.98 | 5.03 | 5.30 | 5.40 | 6.07 |
| CHOICE, 184, 3 TOP BUTT, BONELESS, USDA | 4.71 | 4.54 | 3.99 | 4.06 | 4.45 | 4.35 | 3.88 | 3.96 | 3.82 | 3.90 | 3.83 | 3.79 | 3.82 | 3.88 | 3.98 |
| CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA | 6.92 | 7.33 | 5.45 | 4.83 | 4.99 | 4.67 | 4.59 | 4.36 | 4.11 | 4.16 | 4.09 | 4.17 | 4.46 | 4.62 | 5.13 |
| COARSE GROUND 73%, USDA | 2.06 | 2.07 | 1.96 | 1.79 | 1.97 | 1.80 | 1.68 | 1.61 | 1.63 | 1.61 | 1.65 | 1.68 | 2.05 | 1.90 | 1.90 |
| COARSE GROUND 81%, USDA | 2.37 | 2.32 | 2.30 | 2.31 | 2.35 | 2.04 | 1.85 | 1.86 | 1.88 | 1.88 | 1.97 | 2.05 | 2.43 | 2.27 | 2.21 |
| 90% BONELESS BEEF, CENTRAL, FRESH, USDA | 2.96 | 2.97 | 2.94 | 2.90 | 2.82 | 2.72 | 2.71 | 2.51 | 2.49 | 2.50 | 2.48 | 2.55 | 2.62 | 2.66 | 2.67 |
| 50CL BEEF TRIM, FRESH, NATIONAL, USDA | 1.15 | 0.95 | 0.81 | 0.66 | 0.68 | 0.49 | 0.43 | 0.35 | 0.37 | 0.36 | 0.45 | 0.57 | 0.68 | 0.66 | 0.83 |



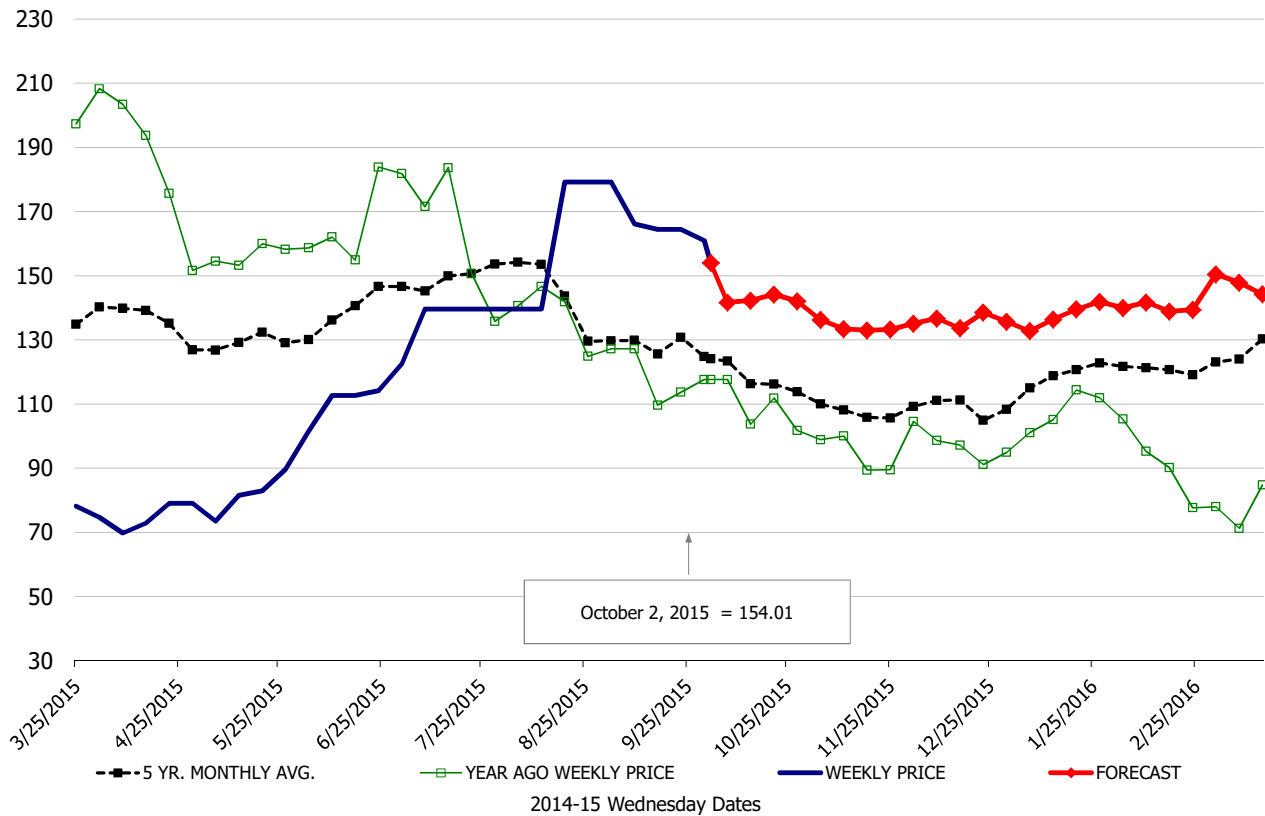
\$/cwt

Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA



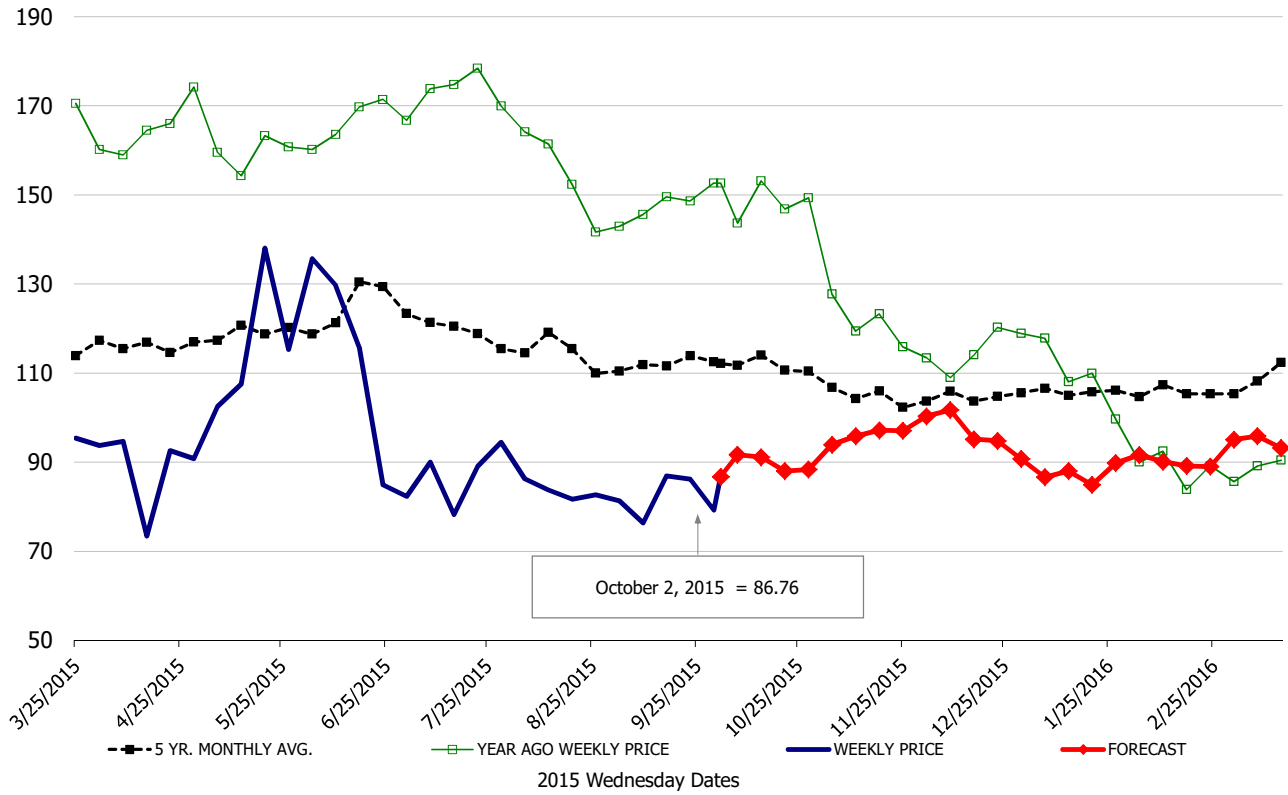
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Belly, Skin-On Belly 14-16#, FOB Plant, USDA



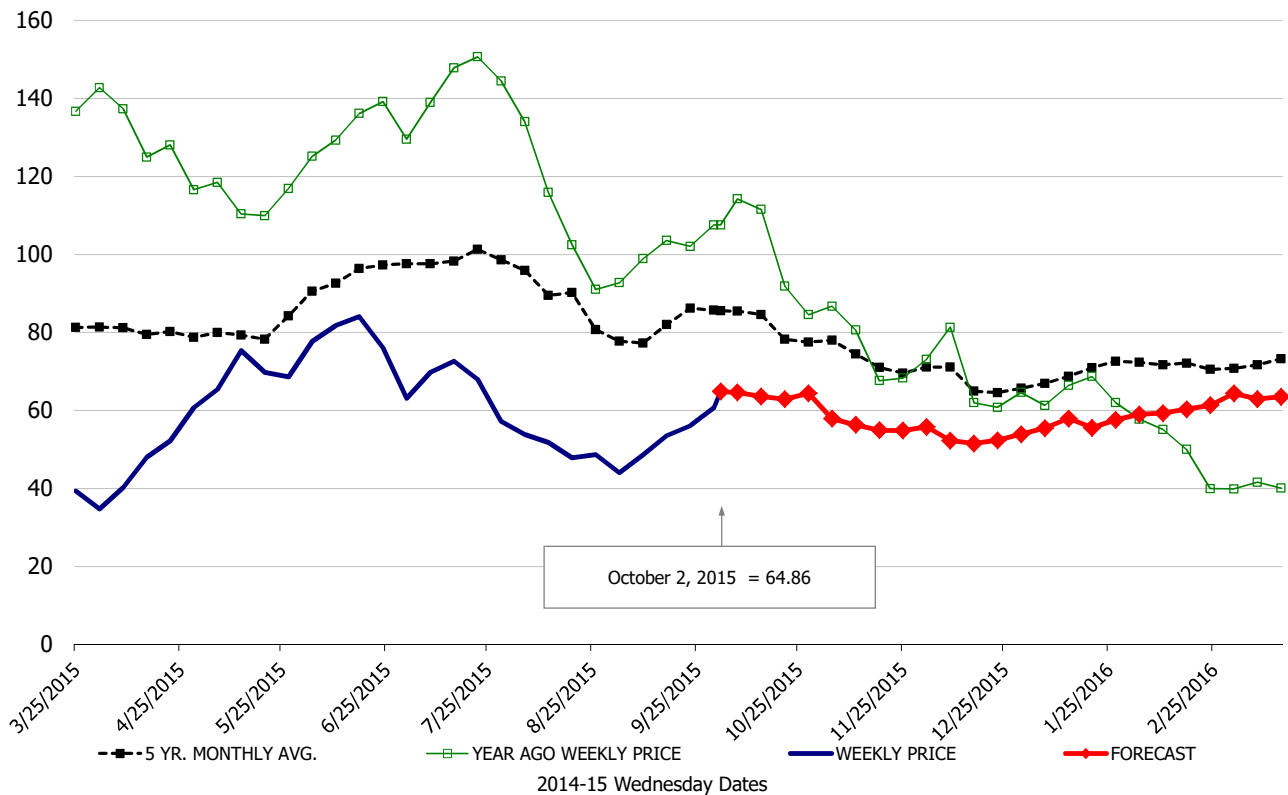
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Butt, 1/4 Trim Butt Combo, FOB Plant, USDA

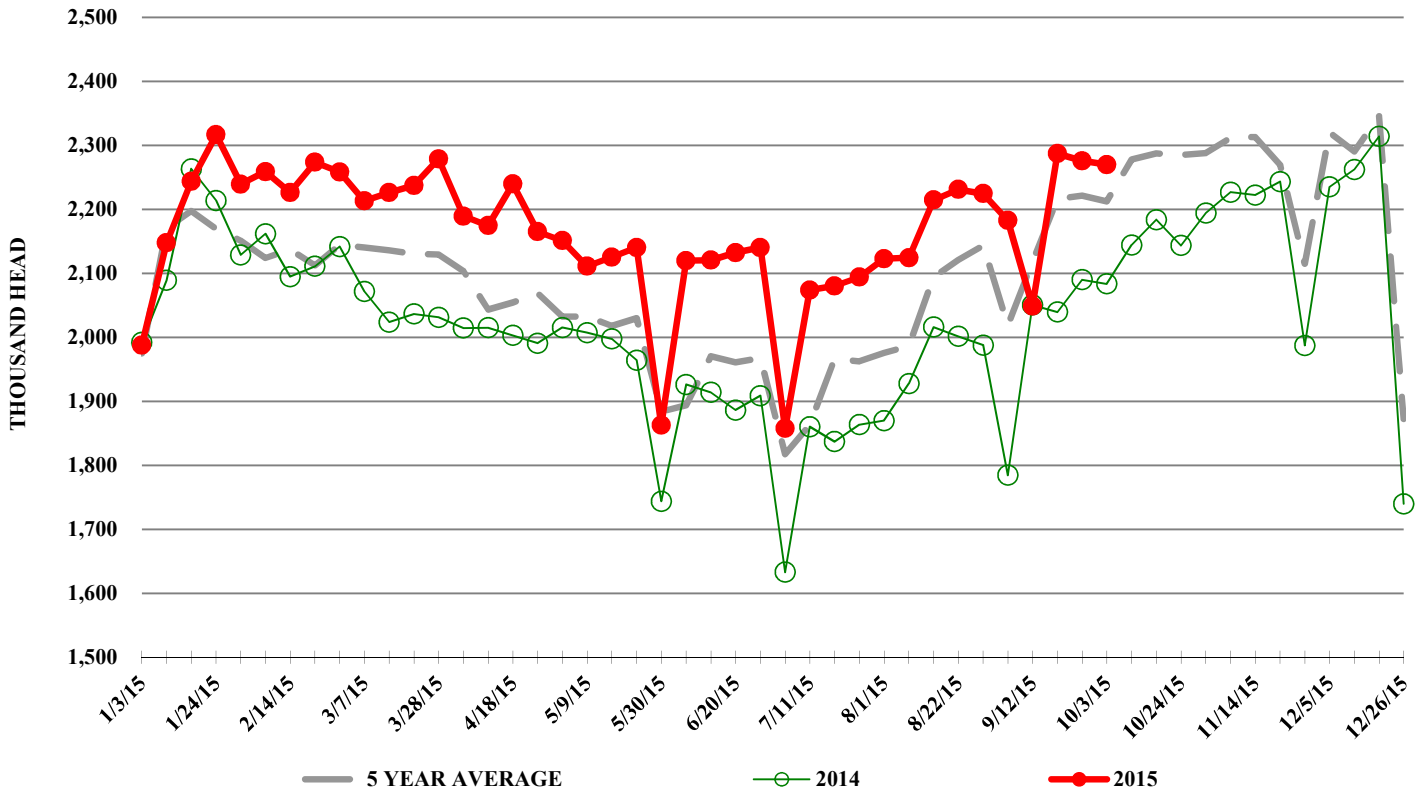


\$/cwt

Trim, 72% Trim Combo, FOB Plant, USDA



ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION

