



Be inspiredSM

Pork Merchandiser's Profit Maximizer

- Foodservice Edition -

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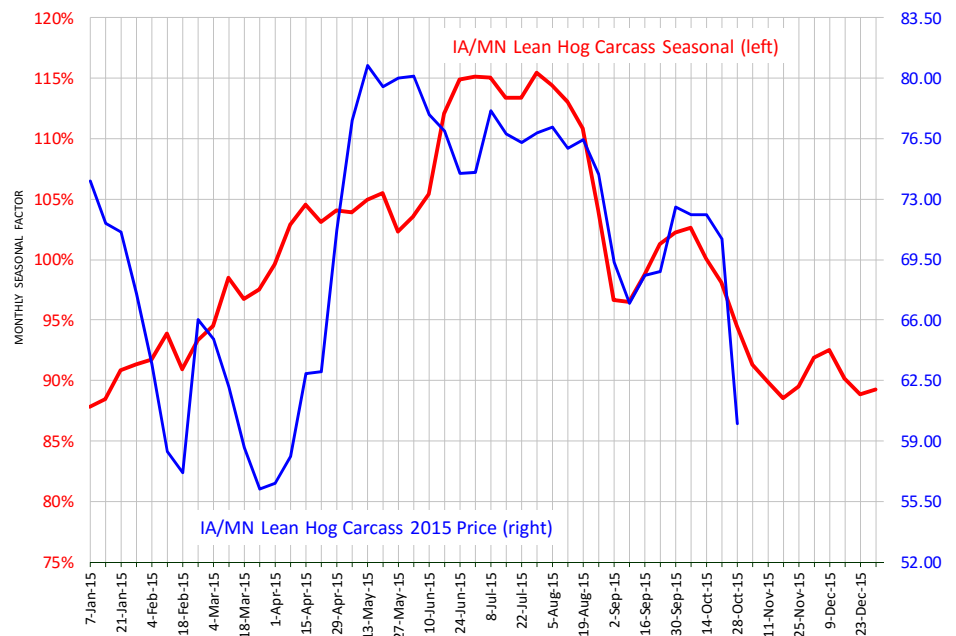
November 2, 2015

1. Hog prices sharply lower on seasonally higher supplies but also signs of weakening demand for bellies

Hog futures were lower for much of the past week on reports of notably lower prices for both hogs and pork in cash markets. The price of IA/MN lean hog carcass on Friday was quoted at \$60.97/cwt, \$2 lower than the previous week and down \$7.5/cwt from a week ago. This may appear like a very dramatic decline, warranting the futures response but a quick look at the seasonal trends reveals that current prices are very much in line with the normal pullback we see in late October and early November. We have shown

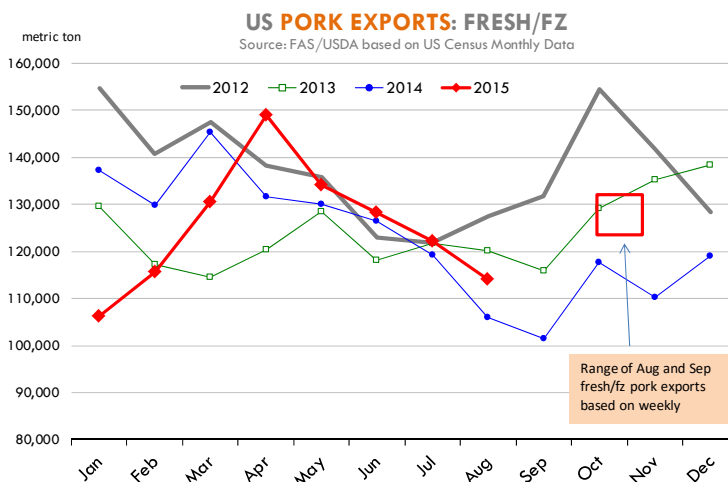
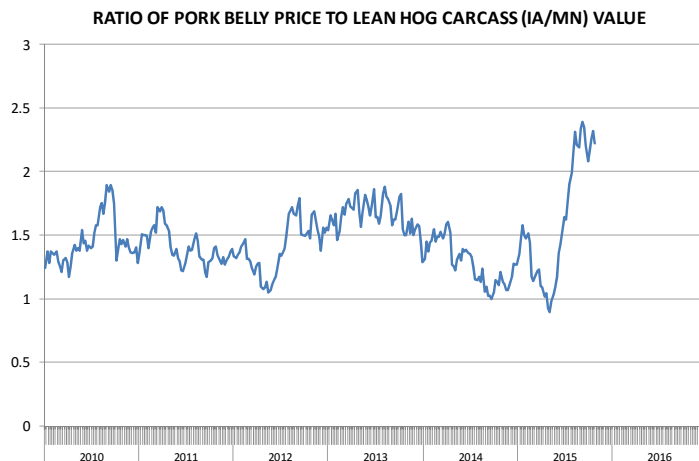
the attached chart before but it bears showing it with the latest numbers, which continue to track quite closely with the five year average seasonal trend. After briefly outperforming the seasonal trend in early October, cash hog prices have adjusted lower and the trend is for prices to drift lower a bit more into mid

Comparing Cash Hog Seasonal to Current Cash Hog Prices



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November. Hog slaughter for week ending October 31 was 2.253 million head, 2.6% lower than the previous week much lower than 2.365 million head we were projecting at the start of the week. So if slaughter is lower why is it that prices for pork products are down so much? We think that the reverse is true. Packers likely found demand quickly disappear on them, maybe because some export orders were already filled or domestic end users likely completed their purchases for the holidays. The result was that packers quickly limited their bids for hogs while at the same time lowering the price in order to become more current. Producers, on the other hand, are coming into the time of year when supplies are quite heavy. The slowdown in marketings will likely show up in carcass weight numbers in the next few days. One factor that appeared to catch market participants by surprise and added to the downward momentum in price was the sharp decline in the value of pork bellies on Thursday and Friday. In two days, the pork belly primal has declined by \$27/cwt, the biggest such decline we could find. But some perspective is warranted here as well. Belly prices had been dramatically higher relative to the value of hogs for much of the summer and early fall. The price multiple jumped from under 1 earlier this year (with bellies significantly undervalued) to well over 2. The decline in belly prices was very much in line with the sharp correction in hog prices. Using a belly primal value of \$130 and cash hog IA/MN price of \$62 the multiple still is around 2.17. With hog supplies actually relatively low this week, the



sharp decline in belly prices may imply some demand erosion. But it is still early to tell. How demand for bellies develops in the next three months will certainly be critical for overall hog prices. Should demand soften, lowering the multiple to around 2, this would imply belly prices in the high 120 by the end of November. Foodservice demand has been particularly strong and normally it takes some time for foodservice operators to change their purchasing behavior. This makes it unlikely for bellies to collapse (say to 70-80 cents in the next couple of months). For now, December hog futures appear to be trading sub 100 bellies and hams in the 50

cent area, which would be quite a bit lower than what fundamentals indicate. How these items perform, especially in late November, will be critical in where the December hog futures ends up.

Upcoming Holidays:

2015 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 31 slaughter was 2.253 million head, up 2.7% from a year ago. In the last two weeks hog slaughter is up 5.2% vs. year ago levels.

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass values at about 60.97 /cwt. on Friday were down \$9.7/cwt since Wed. October 21. Prices are down about 25 dollars compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at \$0.9502, down about 11.4 cent since the Wed. October 21 quote and down about 46 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.5033 for the strap on loins, down 16.3 cent since Wed. October 21 and down about 14 cent from the year ago levels. Strap off loins at \$1.6146 are down about 8.5 cent since Wed. October 21 and down about 22 cents compared to the year ago quote.

Boneless sirloins at \$0.9970 are down slightly from the Wed. October 21 quote and down about 58.8 cents from the year ago price.

Pork tenderloin finished last week at \$2.1260, up one cent from the Wed. October 21 quote but down about 75.4 cents from the year ago price.

¼ Trim Pork Butts (page 10), prices finished the week at \$0.8456, up slightly since Wed. October 21.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$1.6094, up about 5

cent since Wed. October 21 but down about 8 cents from year ago levels.

Rib inventories on September 30 were 84.9 million pounds, up 57.3% percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was \$0.6589/lb., down 13.7 cents compared to prices on Wed. October 21 and down about 73 cents from a year ago.

20/23 hams finished the week at 60.39 cents, down about 18 cents since Wed. October 21 and down about 42 cents from the year ago level.

23/27 hams finished the week at 56.48 , down about 16 cents from the Wed. October 21 quote and down about 38 cents from the year ago level.

Total ham cold storage stocks on September 30 at 247.4 million pounds were up 27.5% from year ago levels.

42 CL Pork Trim “FOB Basis”. Prices finished the week at 38.17 cent, up about 8.5 cent since Wed. October 21 but down about 10 cents from the year ago price.

72 CL Pork Trim “FOB Basis”. Prices finished the week at 58.21 cents, down about 3 cents since the Wed. October 21 quote and down about 26 cents from the year ago level.

Freezer stocks of all trimmings on September 30 were 40.2 million pounds, up 14.4% 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 \$114.00 was u from a year ago.

The National Whole Bird price was quoted at 73.09 on Friday October 31, down about 31 cents from a year ago.

Broiler slaughter for the week ending October 31 was 155.32 million head, down 1.46% from a

year ago. For the last two weeks slaughter was up 0.7% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$1.0848, up slightly since Wed. October 21 but down about 41 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 1.3 cents vs. two weeks ago but at 23.72 cents per pound prices were down 21 cents from a year ago. Bird flu has been a negative factor for dark meat exports so far this year.

Wings. Prices at \$1.6725 are down about 20 cents from year ago levels.

Turkeys

Hens finished last week at \$1.4000, unchanged since Wed. October 21 but up about 17 cents from the year ago price.

Toms finished last week at \$1.4000, down slightly since Wed. October 21 but up about 17 cent from the year ago price.

Total turkey supplies in the freezer on September 30 were up 6.4% from a year ago at 453.4 million pounds. Whole birds were up 9.8% from a year ago with an inventory of 268.0 million pounds.

Turkey slaughter was 5.0530 million head for the week ending October 24, down -2.83% from a year ago. For the last two weeks slaughter has been down 2.0%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$5.8500, unchanged since Wed. October 21. Prices are up about 193 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 \$7.6002 (weighted average quote) finished last week up about 10 cents since the Wed. October 21 quote and up about 21 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$7.3095 (weighted average quote) finished last week up about 21 cents since the Wed. October 21 quote but up about 146 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$0.2907 /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 \$2.3111 up about 3 cents since Wed. October 21 but down about 55 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$2.3713 up about 2 cents since Wed. October 21 and down about 58 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$2.2684 down about 3 cents since Wed. October 21 and down about 67 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$5.8716 (wt. avg.) up about 18 cents from the Wed. October 21 quote. Prices are about 55 cents over year ago levels.

Choice #184 Regular Heavy top butts finished at \$3.2000 (wt. avg.) down about 13 cents since Wed. October 21 and down about 20 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$3.3250 (wt. avg.) down about 11 cents since Wed. October 21 and down about 20 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$4.4920 (wt. avg.) up about 6 cents since Wed. October 21 and up about 10 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at \$1.6161 down about 8 cents since Wed. October 21 and down about 84 cents from year ago levels.

81CL Coarse Ground product finished last week at \$1.9146 down about 16 cent since Wed. October 21 and down about 85 cents from the year ago quote.

90CL Bnls. Beef prices finished the week at \$2.2035 (wt. avg.) down about 6 cent since Wed. October 21 and down 75 compared to the year ago price quote.

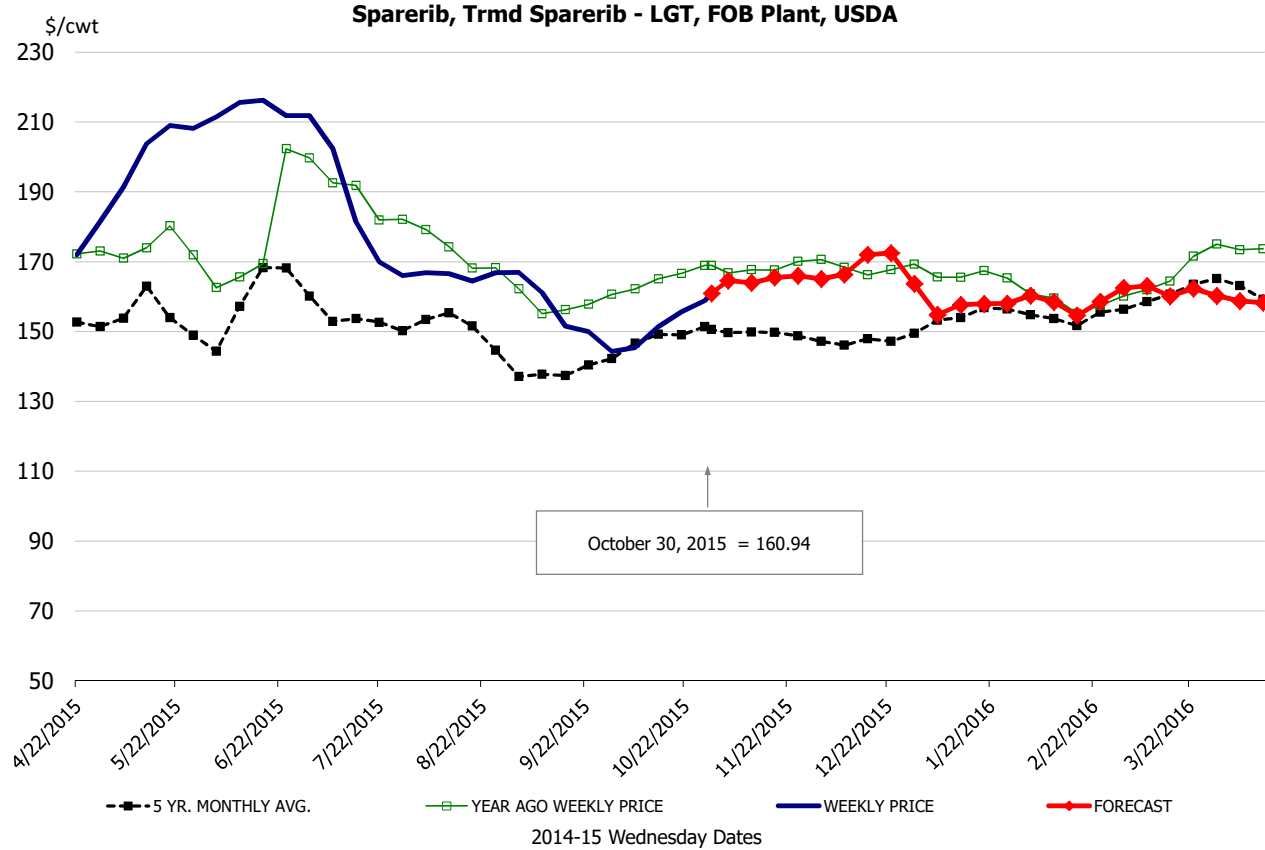
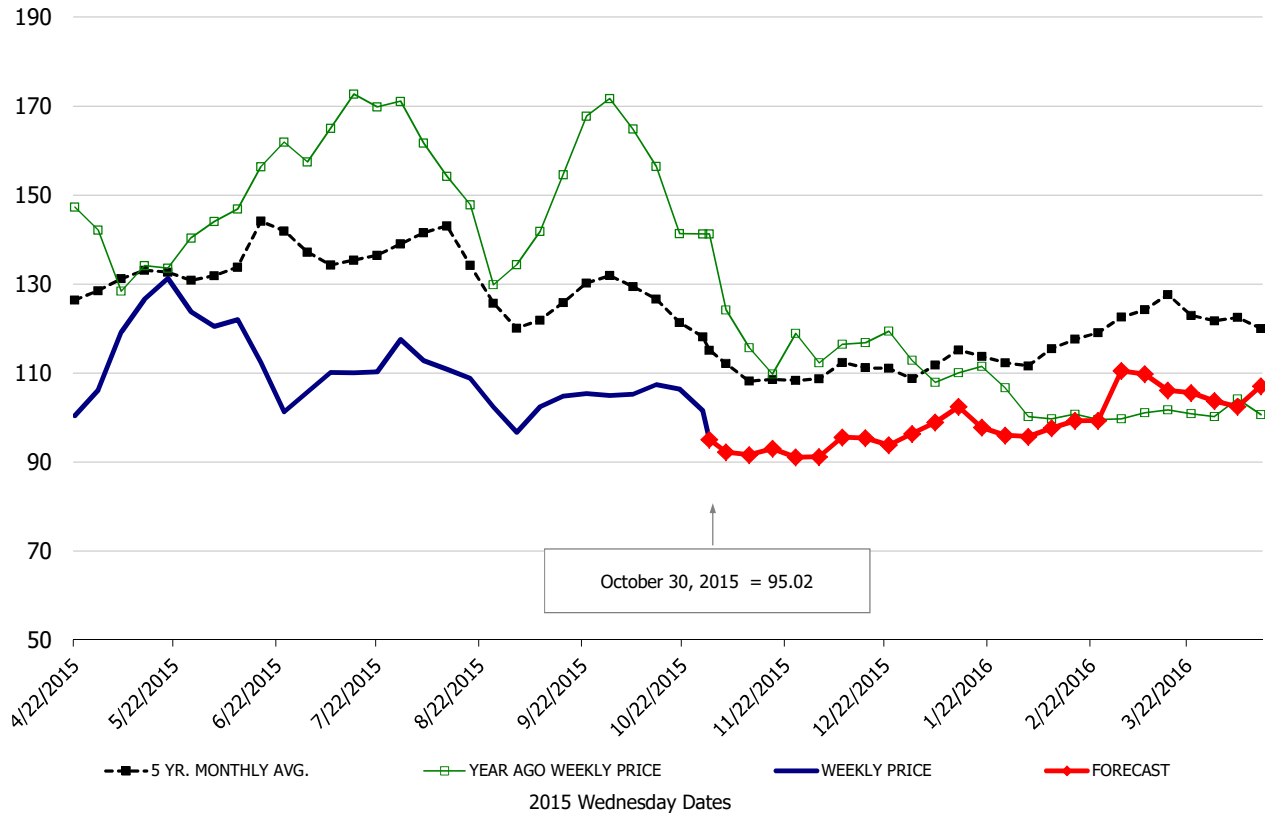
50 CL Beef Trim prices finished last week at \$0.6517, up about 6 cent since Wed. October 21 but down 54 compared to the year ago level.

Food Service Summary Table - WT. AVE

	2015 History								2015-16 FORECAST						
	May	Jun	Jul	Aug	Sep	Oct	10/21/2015	10/30/2015	11/11/2015	Nov	Dec	Jan	Feb	Mar	Apr
<u>PORK</u>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.24	1.12	1.11	1.07	1.02	1.04	1.06	0.95	0.92	0.92	0.94	0.98	0.98	1.08	1.04
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.30	1.20	1.17	1.14	1.07	1.09	1.11	0.93	0.93	0.95	1.02	1.05	1.04	1.15	1.10
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.75	1.56	1.55	1.58	1.52	1.70	1.70	1.61	1.55	1.55	1.58	1.58	1.51	1.63	1.56
Loin, Tenderloin, FOB Plant, USDA	2.23	2.48	2.61	2.42	2.19	2.11	2.12	2.13	2.09	2.07	2.08	2.10	2.22	2.32	2.27
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	1.11	1.07	0.83	0.85	0.84	0.78	0.75	0.74	0.80	0.80	0.86	0.82	0.85	0.92	0.93
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	2.00	2.11	1.79	1.64	1.52	1.51	1.56	1.61	1.64	1.65	1.69	1.56	1.58	1.62	1.58
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.60	2.63	2.71	2.58	2.52	2.43	2.52	2.48	2.36	2.38	2.41	2.25	2.25	2.32	2.27
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.97	2.05	1.75	1.65	1.49	1.50	1.56	1.56	1.56	1.56	1.65	1.49	1.49	1.56	1.52
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.92	2.93	2.61	2.43	2.26	2.23	2.26	2.32	2.24	2.24	2.27	2.27	2.29	2.43	2.43
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.68	0.68	0.63	0.73	0.70	0.75	0.80	0.66	0.74	0.75	0.67	0.60	0.65	0.67	0.65
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.68	0.64	0.58	0.72	0.67	0.72	0.79	0.60	0.65	0.68	0.63	0.58	0.62	0.64	0.62
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.67	0.61	0.56	0.72	0.62	0.66	0.72	0.56	0.58	0.61	0.58	0.56	0.59	0.60	0.59
Ham, 5 Muscle Ham to Blue, FOB Plant, USDA	1.11	0.98	0.93	0.96	0.96	0.96	0.96	0.96	1.06	1.11	1.04	1.02	1.06	1.08	1.06
Belly, Skin-on Belly 14-16#, FOB Plant, USDA	0.85	1.03	1.28	1.79	1.57	1.61	1.72	1.63	1.20	1.21	1.22	1.22	1.28	1.38	1.38
Belly, Derind Belly 9-13#, FOB Plant, USDA	0.97	1.28	1.71	2.08	1.92	1.98	2.03	1.66	1.53	1.53	1.54	1.54	1.62	1.75	1.75
Belly, Derind Belly 13-17#, FOB Plant, USDA	0.90	1.27	1.64	2.05	1.94	1.97	2.01	1.58	1.51	1.51	1.52	1.52	1.60	1.73	1.73
Trim, 42% Trim Combo, FOB Plant, USDA	0.36	0.45	0.35	0.29	0.32	0.30	0.30	0.38	0.33	0.33	0.30	0.33	0.34	0.39	0.40
Trim, 72% Trim Combo, FOB Plant, USDA	0.67	0.77	0.64	0.49	0.52	0.60	0.61	0.58	0.56	0.56	0.54	0.56	0.60	0.63	0.61
<u>HOG CARCASS</u>															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	0.79	0.77	0.76	0.75	0.69	0.70	0.71	0.61	0.60	0.62	0.63	0.64	0.66	0.71	0.72
<u>BROILERS</u>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	1.07	1.01	0.91	0.83	0.77	0.74	0.74	0.73	0.74	0.75	0.76	0.77	0.78	0.81	0.82
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.62	1.48	1.40	1.40	1.29	1.11	1.08	1.08	1.09	1.09	1.08	1.12	1.16	1.22	1.33
N.E. BROILER BREAST LINE RUN, USDA	1.10	1.07	1.01	0.91	0.83	0.77	0.77	0.77	0.78	0.77	0.76	0.77	0.79	0.82	0.89
N.E. BROILER LEG QUARTERS, USDA	0.34	0.28	0.26	0.24	0.24	0.23	0.22	0.24	0.24	0.24	0.24	0.25	0.26	0.26	0.28
N.E. BROILER WINGS, USDA, WT.AVG.	1.81	1.84	1.84	1.77	1.67	1.71	1.73	1.67	1.72	1.73	1.78	1.85	1.78	1.65	1.61
<u>TURKEYS</u>															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.14	1.18	1.24	1.30	1.37	1.40	1.40	1.40	1.44	1.42	1.29	1.18	1.10	1.05	1.05
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	3.74	4.44	5.20	5.64	5.72	5.81	5.85	5.85	5.59	5.55	5.25	4.70	4.10	3.90	3.50
<u>LIVE STEERS</u>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.61	1.55	1.49	1.49	1.37	1.28	1.33	1.36	1.40	1.40	1.42	1.44	1.45	1.46	1.47
<u>BEEF</u>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	8.62	7.79	7.10	7.64	6.96	6.97	7.50	7.60	7.88	7.77	7.41	6.50	6.58	6.93	7.07
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.94	2.96	2.86	2.99	2.51	2.24	2.35	2.37	2.42	2.42	2.58	2.72	2.55	2.70	2.63
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.37	2.48	2.46	2.45	2.38	2.16	2.30	2.27	2.27	2.29	2.32	2.53	2.50	2.42	2.28
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	9.03	7.32	5.91	6.39	5.85	5.49	5.69	5.87	5.58	5.56	5.72	5.84	5.94	6.65	7.19
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	4.54	3.99	4.06	4.45	4.35	3.38	3.47	3.33	3.44	3.52	3.64	3.71	3.78	3.98	4.06
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	7.33	5.45	4.83	4.99	4.67	4.30	4.44	4.49	4.26	4.29	4.34	4.50	4.66	5.15	5.15
COARSE GROUND 73%, USDA	2.07	1.96	1.79	1.97	1.80	1.62	1.70	1.62	1.72	1.69	1.72	2.05	1.90	1.90	1.89
COARSE GROUND 81%, USDA	2.32	2.30	2.31	2.35	2.04	1.91	2.08	1.91	2.02	1.99	2.05	2.43	2.27	2.21	2.14
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.97	2.94	2.90	2.82	2.72	2.33	2.27	2.20	2.23	2.23	2.35	2.42	2.54	2.54	2.53
50CL BEEF TRIM, FRESH, NATIONAL, USDA	0.95	0.81	0.66	0.68	0.49	0.48	0.60	0.65	0.71	0.70	0.67	0.70	0.67	0.81	0.76

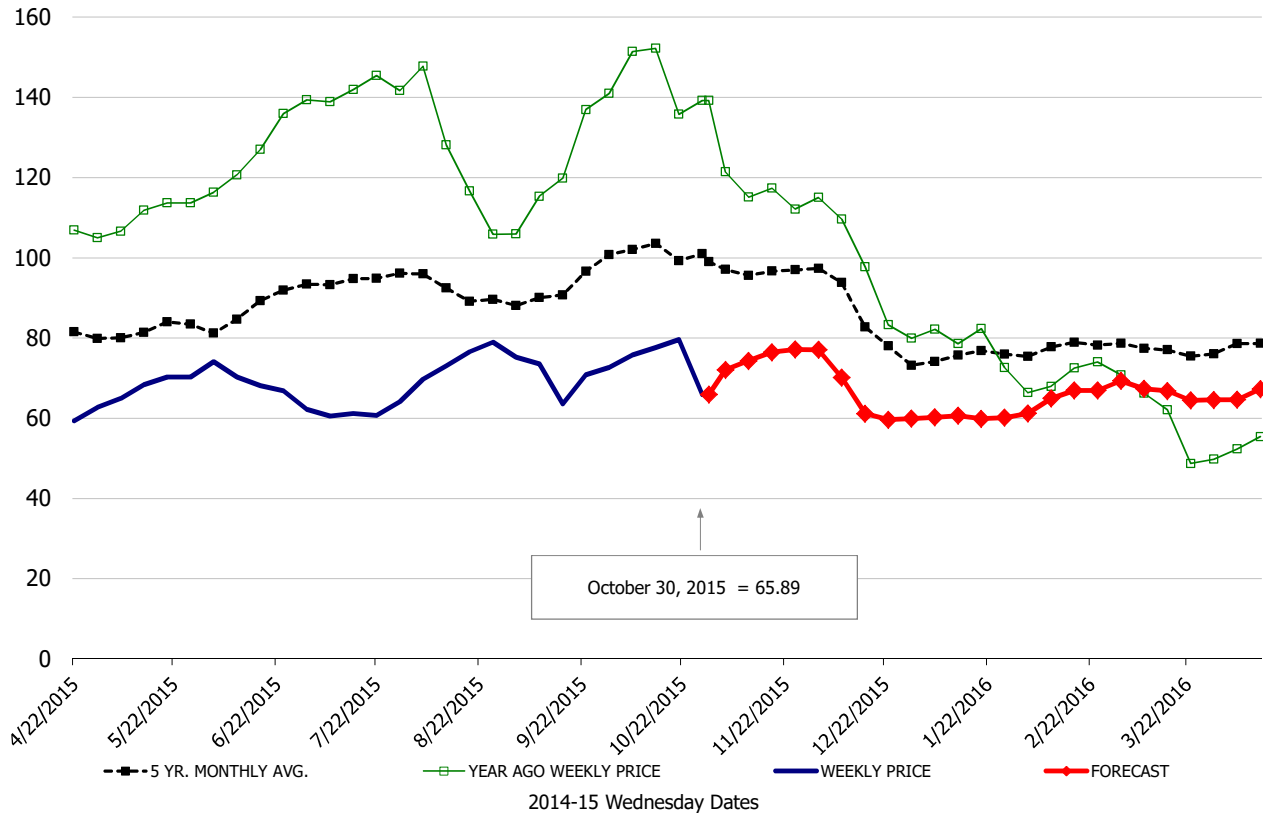
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Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA



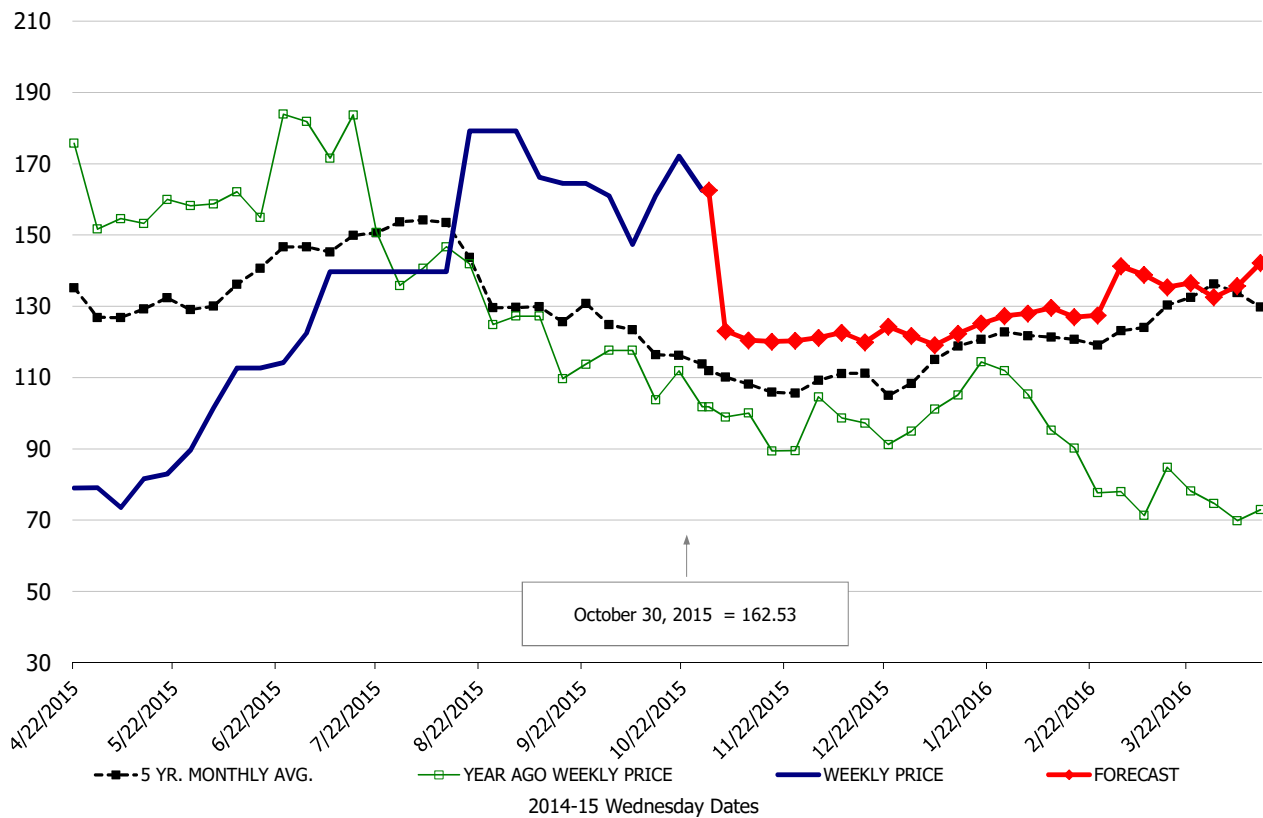
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Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA



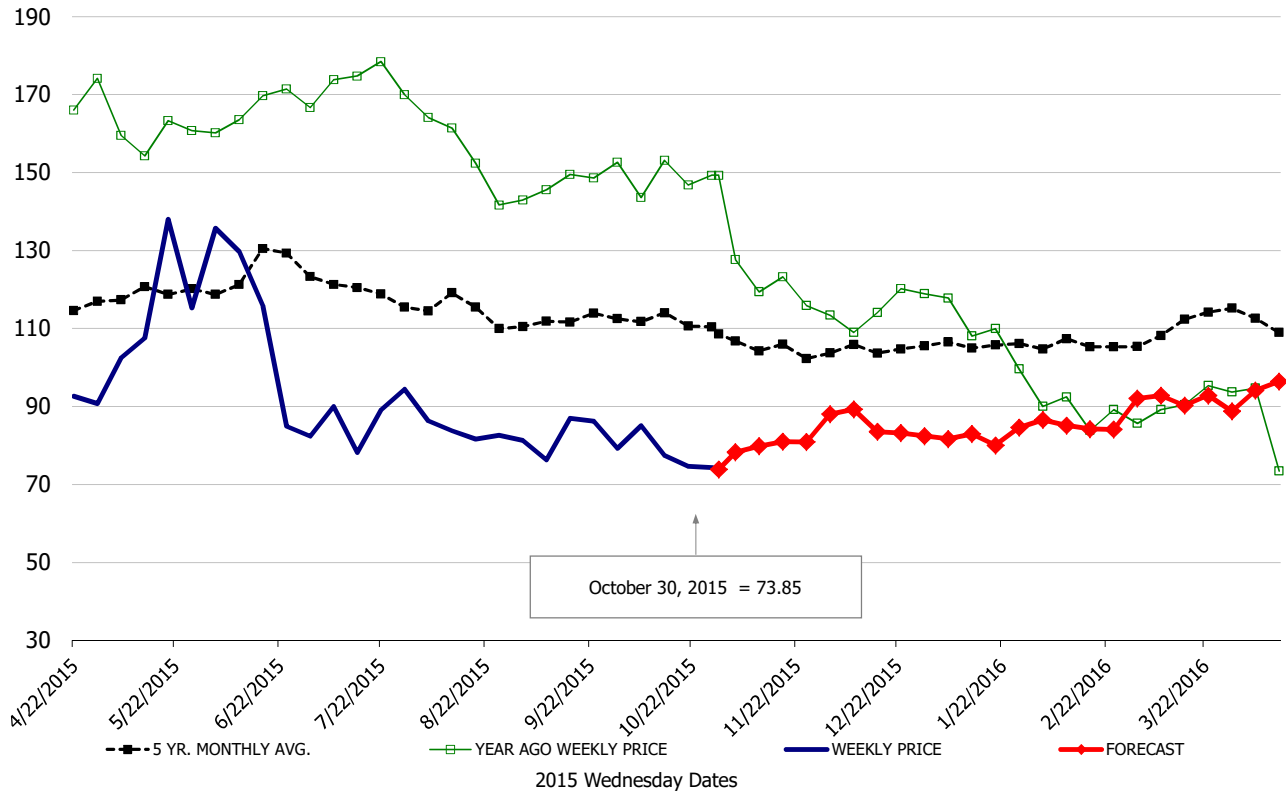
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Belly, Skin-On Belly 14-16#, FOB Plant, USDA



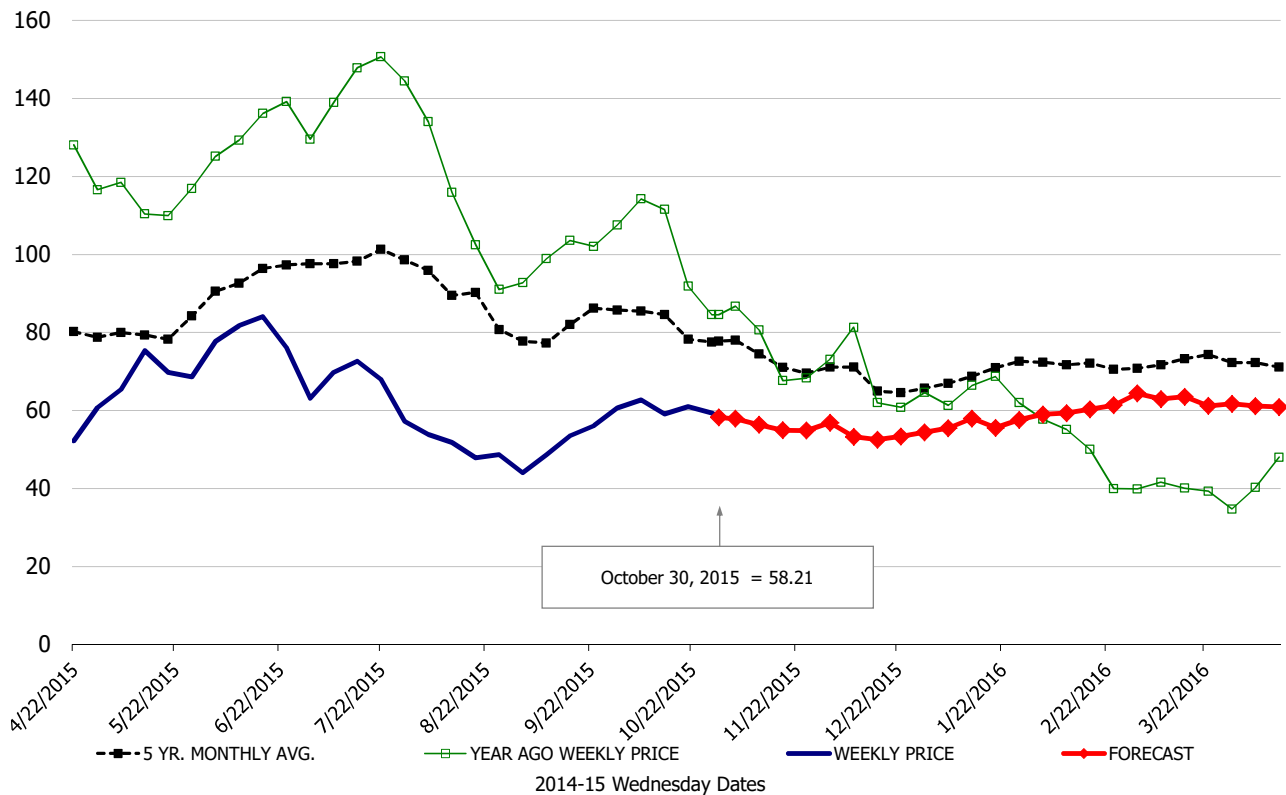
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Butt, 1/4 Trim Butt Combo, FOB Plant, USDA

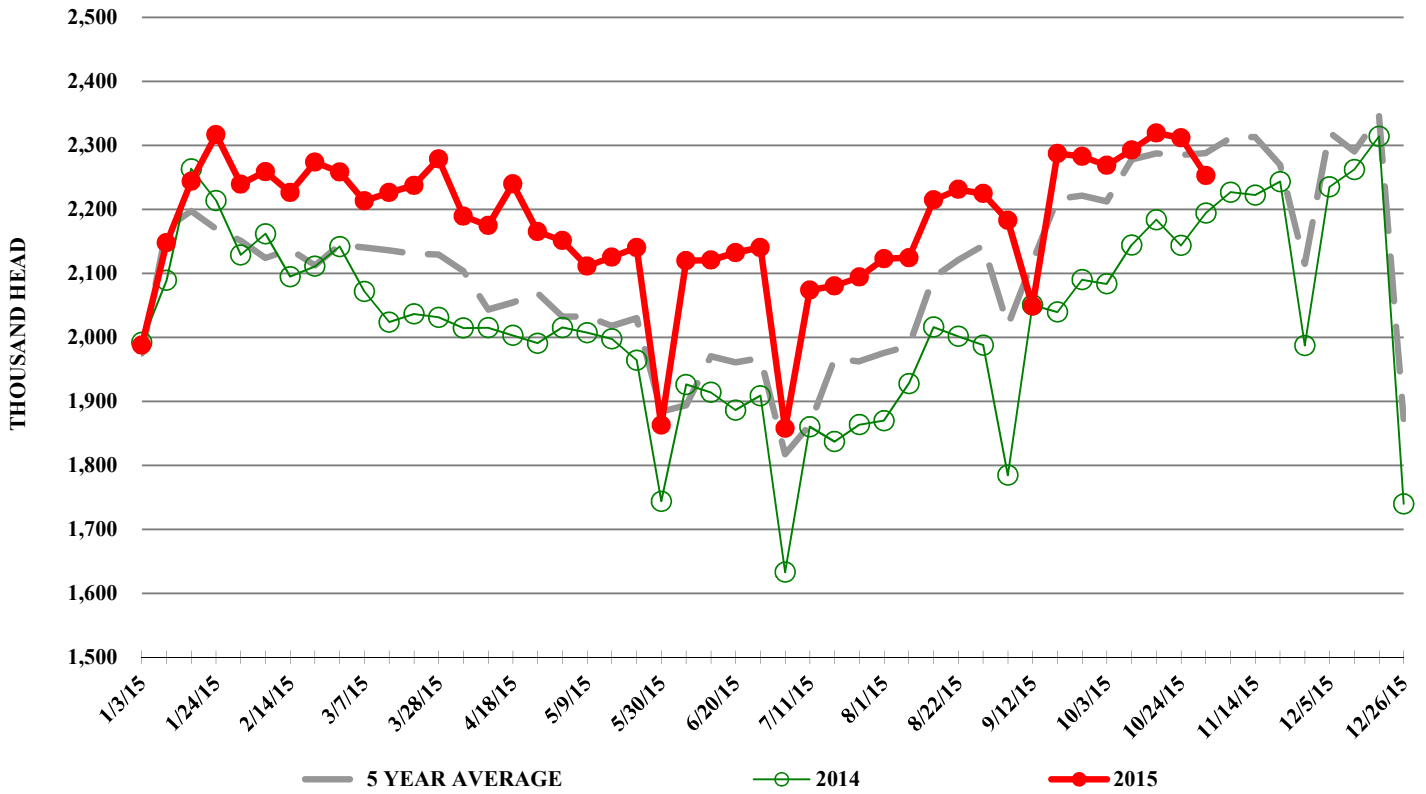


\$/cwt

Trim, 72% Trim Combo, FOB Plant, USDA



ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION

