Pork Merchandiser's **Profit Maximizer**

- Foodservice Edition -

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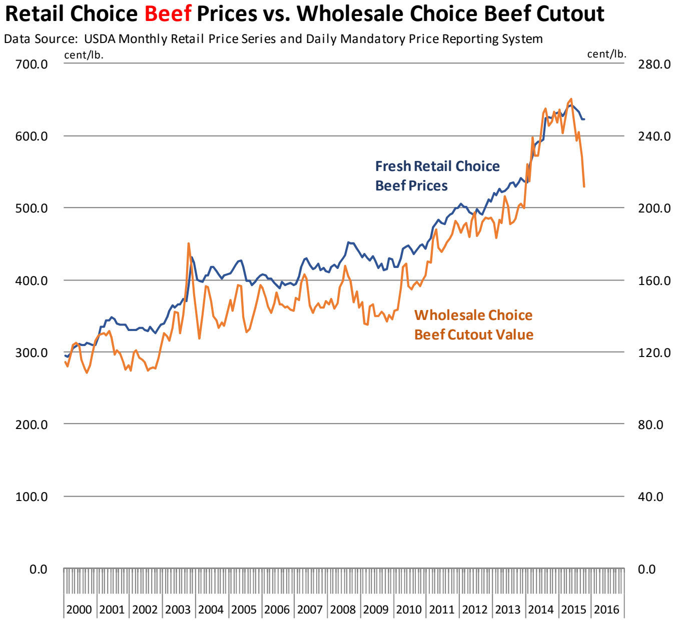
November 30, 2015

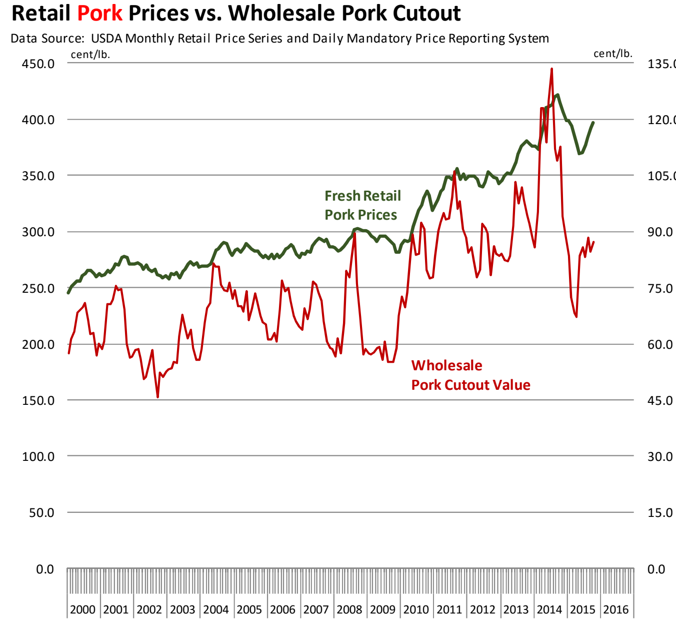
High retail prices continue to limit beef volumes, especially for ground beef. Pork prices also high despite sharp wholesale price correction

Beef and pork prices at the wholesale level have declined sharply since their peaks in 2014 but that has yet to show up in any significant way at the retail level. The latest retail meat price data collected by the Bureau of Labor Statistics and reported by USDA shows that October retail prices for beef, pork and chicken were higher than the previous month and only marginally lower than last year's levels. Indeed, while prices for a number of beef, pork and chicken products are now at some of the lowest levels in the last four years, retail prices remain dramatically higher than what they were in 2011 or 2012. And as the charts below show, once retail prices hit certain levels, it is particularly difficult for retailers to bring them down at the same rate or even t0 the

Retail Choice Beef Prices vs. Wholesale Choice Beef Cutout

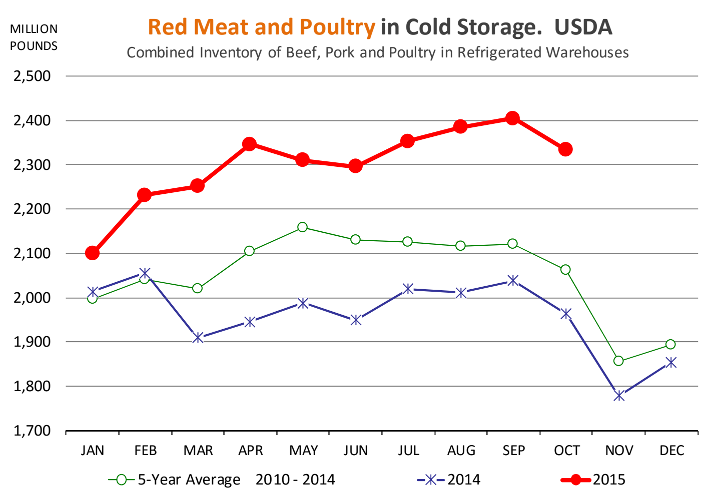


Retail Pork Prices vs. Wholesale Pork Cutout



same level as what they used to be. In part this reflects overall inflation in other components of running a business, from labor costs to healthcare to transportation. This disconnect between wholesale and retail price transmission (which is not new by the way but much more dramatic this year) tends to add to the volatility and short term downward pressure for a number of meat items. One caveat that we always like to mention when discussing the retail price series is that it does not give a weighted average price based on promotions and other discounts. As a result, the series may miss short term adjustments, especially when retailers for instance offer deals like buy one get one free or sell a large volume of a given product at a special discount. It is an important caveat that has plagued the retail price series as long as we can remember.

The latest data showed that the choice retail beef price in October was $6.23 per pound, slightly above September prices and just 0.2% lower than a year ago. The wholesale choice beef cutout in October, however, was quoted at $2.11 per pound, 14.7% lower than a year ago. The decline in the choice beef cutout the last three months is one of the biggest we have seen in the last 20 years. The only comparable correction is from 2003 when a case of BSE shut down many US beef export markets and forced more supply into domestic channels. It is interesting to note that back then retail beef prices adjusted modestly following the wholesale price decline but three years later retail prices were still hovering near pre-BSE levels while wholesale prices had pulled back lower. The current spread between the choice retail beef price and wholesale prices may be the biggest on record but the ratio of the two is not. Currently the retail price / wholesale price ratio is about 2.95. In the last quarter of 2009 the ratio was around 3.05. The difference, of course, was that in the last quarter of 2009 the US economy was going through the biggest crisis since the Great Depression while today US growth is relatively good. Still, the takeaway is that whenever there are either demand or supply shocks, the impact on wholesale prices is much more immediate and dramatic than at the retail level. Pork wholesale prices in October were quoted at $3.97 per pound, 1.4% higher than the previous month and just 4.2% lower than year ago levels. After falling in the first half of the year following the sharp correction in wholesale pork prices, pork prices at retail have been moving higher in the last few months, quite an interesting development given that the increase in wholesale pork prices actually has been quite minor. The pork cutout for October was quoted at by USDA at $0.87 per pound, 22.5% lower than a year ago. The current pork cutout value is comparable to the levels we saw in the last quarter of 2009 and then again the last quarter of 2012 (see chart). And yet, current retail pork prices are near $4 per pound while in 2009 they were under $3 per pound and in 2012 they were around $3.50.

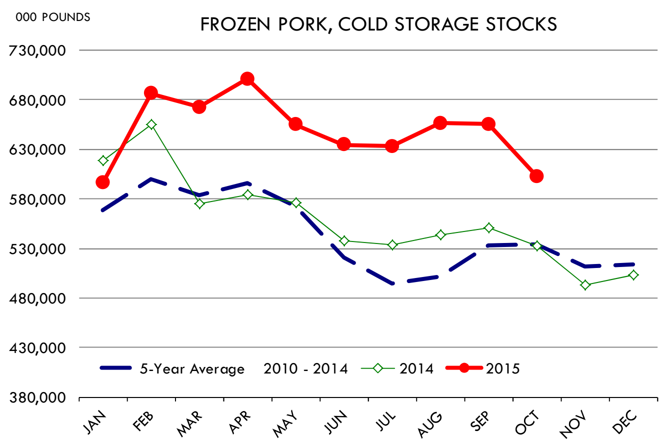


2. Cold Storage Supplies

The total supply of beef, pork and poultry in cold storage at the end of October was 2.333 billion pounds, down 3% from the previous month but still about 18.8% higher than a year ago and 13.1% higher than the five year average. The drawdown in stocks in October was in line with what is normal for this time of year but overall inventories remain burdensome. The inventory of boneless beef in cold storage remains very heavy although USDA does not give us a breakout of what this product is. We suspect part of the reason for the large boneless beef stocks is because of the large amount of imported beef that came to the US over the summer and early fall. Also, weak demand for fat beef trim likely backed up some of this product in freezers. In the case of fat trim, shelf life is a concern and we will likely see some drawdown during January. This will tend to keep 50CL beef prices in check and negatively impact overall cattle values.

Pork inventory at the end of October was 602.7 million pounds, 13.1% higher than a year ago and 12.8% higher than the five year average. While overall pork supplies are heavy, we think the survey results may be viewed as neutral to modestly bullish by futures tomorrow. We saw this because the drawdown in stocks in October was larger than what was expected and much larger than normal for this time of year. Total stocks were down 8% compared to the previous month while normally the drawdown would be 1-3%. The decline was largely driven by a sharp reduction in ham inventories, at 197.3 million pounds they were 20% lower than the previous month. Ham stocks remain 21.7% higher than a year ago and 18.8% higher than the five year average. We expect an even bigger decline in ham inventories in November. Belly inventories seasonally increased but at 17.8 million pounds they remain 38.6% lower than a year ago. Inventories of loins, trimmings and picnics all declined from the previous month at a faster pace than expected.

Chicken supplies are also quite heavy for this time of year. Inventories of chicken breasts at 162.9 million pounds were 28.9% higher than a year ago and 42.4% higher than the five year average. Inventories of leg quarters were 26% higher than last year and 35% higher than the five year average.



Upcoming Holidays:

2015 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 November 28 slaughter was 2.129 million head, up 7.1% from a year ago. In the last two weeks hog slaughter is up 6.7% vs. year ago levels.

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass values at about 51.57 /cwt. on Friday were up $1.1/cwt since Wed. November 18. Prices are down about 35 dollars compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at $0.8711, up about 0.3 cent since the Wed. November 18 quote but down about 32 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at $1.2557 for the strap on loins, up 1.6 cent since Wed. November 18 but down about 33 cent from the year ago levels. Strap off loins at $1.4284 are up about 6.1 cent since Wed. November 18 but down about 27 cents compared to the year ago quote.

Boneless sirloins at $0.8836 are down slightly from the Wed. November 18 quote and down about 46.1 cents from the year ago price.

Pork tenderloin finished last week at $1.6940, down 15 cent from the Wed. November 18 quote and down about 78.8 cents from the year ago price.

¼ Trim Pork Butts (page 10), prices finished the week at $0.8467, up slightly since Wed. November 18.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at $1.4932, down about 6 cent since Wed. November 18 and down about 21 cents from year ago levels.

Rib inventories on October 31 were 97.7 million pounds, up 40.8% percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was $0.6904/lb., down 4.1 cents compared to prices on Wed. November 18 and down about 43 cents from a year ago.

20/23 hams finished the week at 68.66 cents, up about 4 cents since Wed. November 18 but down about 32 cents from the year ago level.

23/27 hams finished the week at 62.03 , up about 2 cents from the Wed. November 18 quote but down about 29 cents from the year ago level.

Total ham cold storage stocks on October 31 at 197.3 million pounds were up 21.7% from year ago levels.

42 CL Pork Trim "FOB Basis". Prices finished the week at 22.60 cent, up about 0.0 cent since Wed. November 18 but down about 4 cents from the year ago price.

72 CL Pork Trim "FOB Basis". Prices finished the week at 38.32 cents, down about 10 cents since the Wed. November 18 quote and down about 30 cents from the year ago level.

Freezer stocks of all trimmings on October 31 were 36.9 million pounds, up 1.2% 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 $113.25 was down 0.75 cents from a year ago.

The National Whole Bird price was quoted at 79.21 on Friday, November 28, down about 24 cents from a year ago.

Broiler slaughter for the week ending November 28 was 124.70 million head, up 0.60% from a year ago. For the last two weeks slaughter was up 0.5% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at $1.0509, up 0.5 cents since Wed. November 18 but still down about 34 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 1.5 cents vs. two weeks ago but at 21.80 cents per pound prices were down 24 cents from a year ago. Bird flu has been a negative factor for dark meat exports so far this year.

Wings. Prices at $1.6209 are down about 16 cents from year ago levels.

Turkeys

Hens finished last week at $1.3600, unchanged since Wed. November 18 but up about 12 cents from the year ago price.

Toms finished last week at $1.3600, down slightly since Wed. November 18 but up about 12 cent from the year ago price.

Total turkey supplies in the freezer on October 31 were up 8.9% from a year ago at 356.0 million pounds. Whole birds were up 13.9% from a year ago with an inventory of 193.6 million pounds.

Turkey slaughter was 4.3610 million head for the week ending November 21, down -8.90% from a year ago. For the last two weeks slaughter has been down 5.0%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at $5.8500, unchanged since Wed. November 18. 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 $8.0792 (weighted average quote) finished last week down about 16 cents since the Wed. November 18 quote and down about 43 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at $7.2315 (weighted average quote) finished last week down about 23 cents since the Wed. November 18 quote but up about 15 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are $0.8477 /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 $1.9887 up about 3 cents since Wed. November 18 but down about 107 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at $2.0718 up about 7 cents since Wed. November 18 and down about 100 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at $2.0267 up about 15 cents since Wed. November 18 but down about 86 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at $5.3266 (wt. avg.) down about 37 cents from the Wed. November 18 quote. Prices are about 17 cents over year ago levels.

Choice #184 Regular Heavy top butts finished at $2.7939 (wt. avg.) down about 13 cents since Wed. November 18 and down about 80 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at $2.9961 (wt. avg.) down about 11 cents since Wed. November 18 and down about 75 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at $4.2554 (wt. avg.) up about 17 cents since Wed. November 18 but down about 0 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at $1.4972 up about 13 cents since Wed. November 18 but down about 90 cents from year ago levels.

81CL Coarse Ground product finished last week at $1.4951 down about 24 cent since Wed. November 18 and down about 105 cents from the year ago quote.

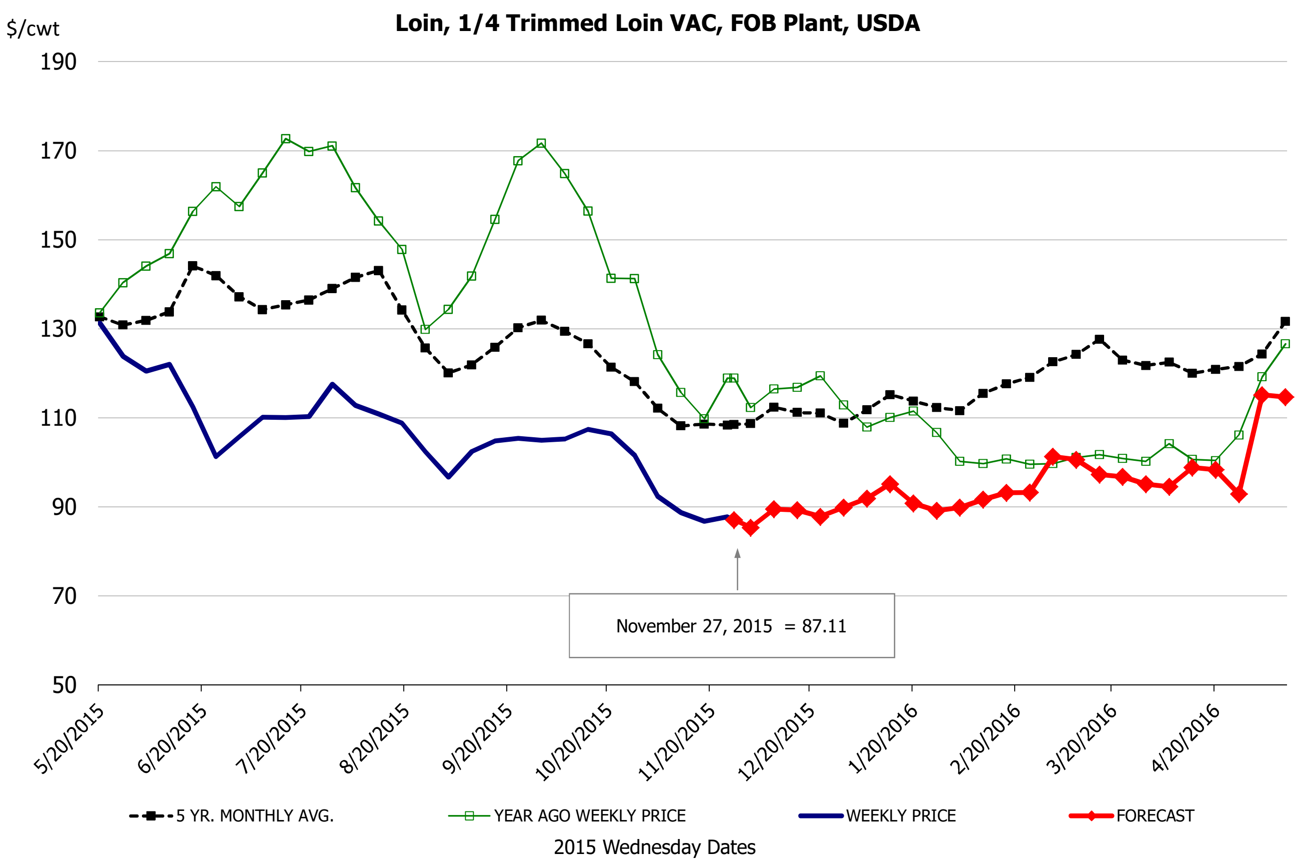
90CL Bnls. Beef prices finished the week at $2.0024 (wt. avg.) down about 10 cent since Wed. November 18 and down 97 compared to the year ago price quote.

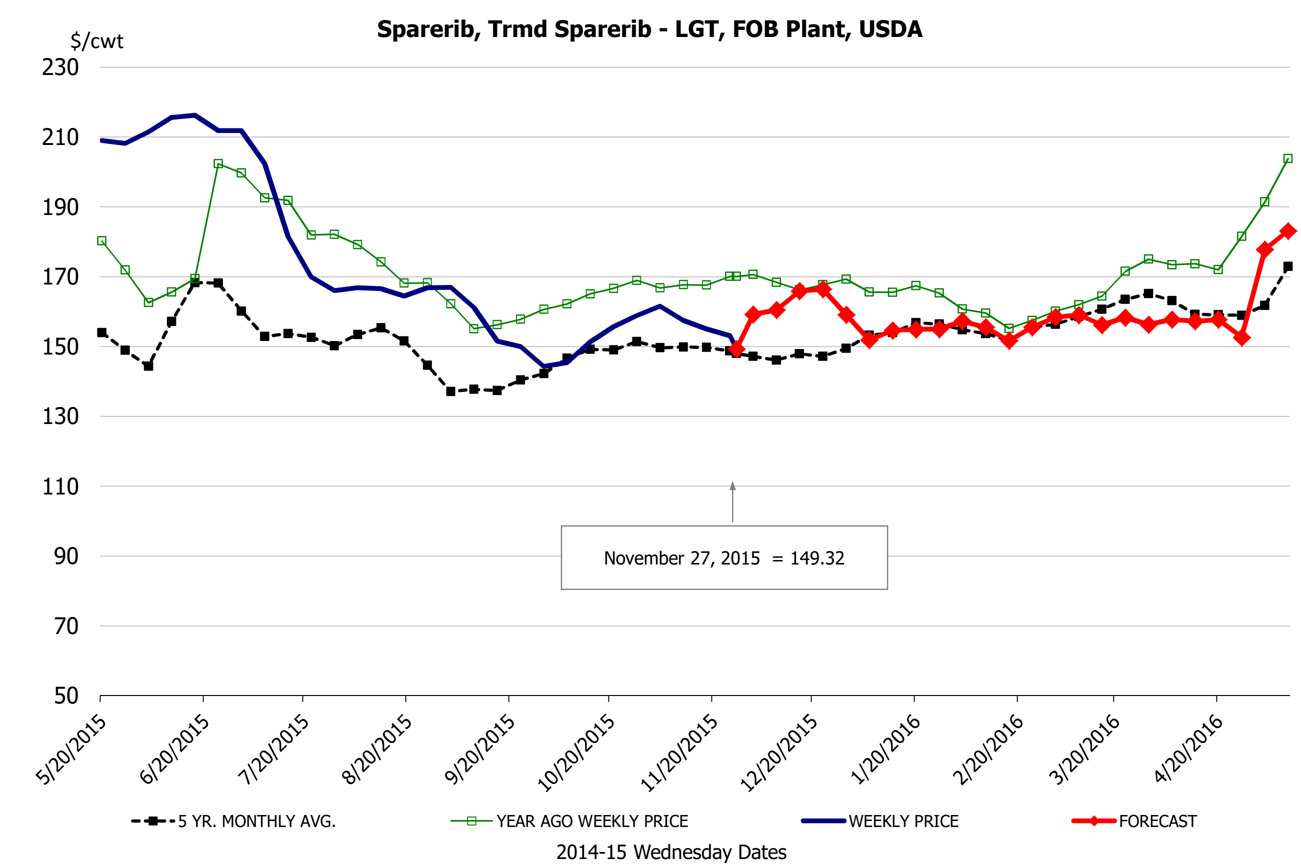
50 CL Beef Trim prices finished last week at $0.4520, up about one cent since Wed. November 18 but down 65 compared to the year ago level.

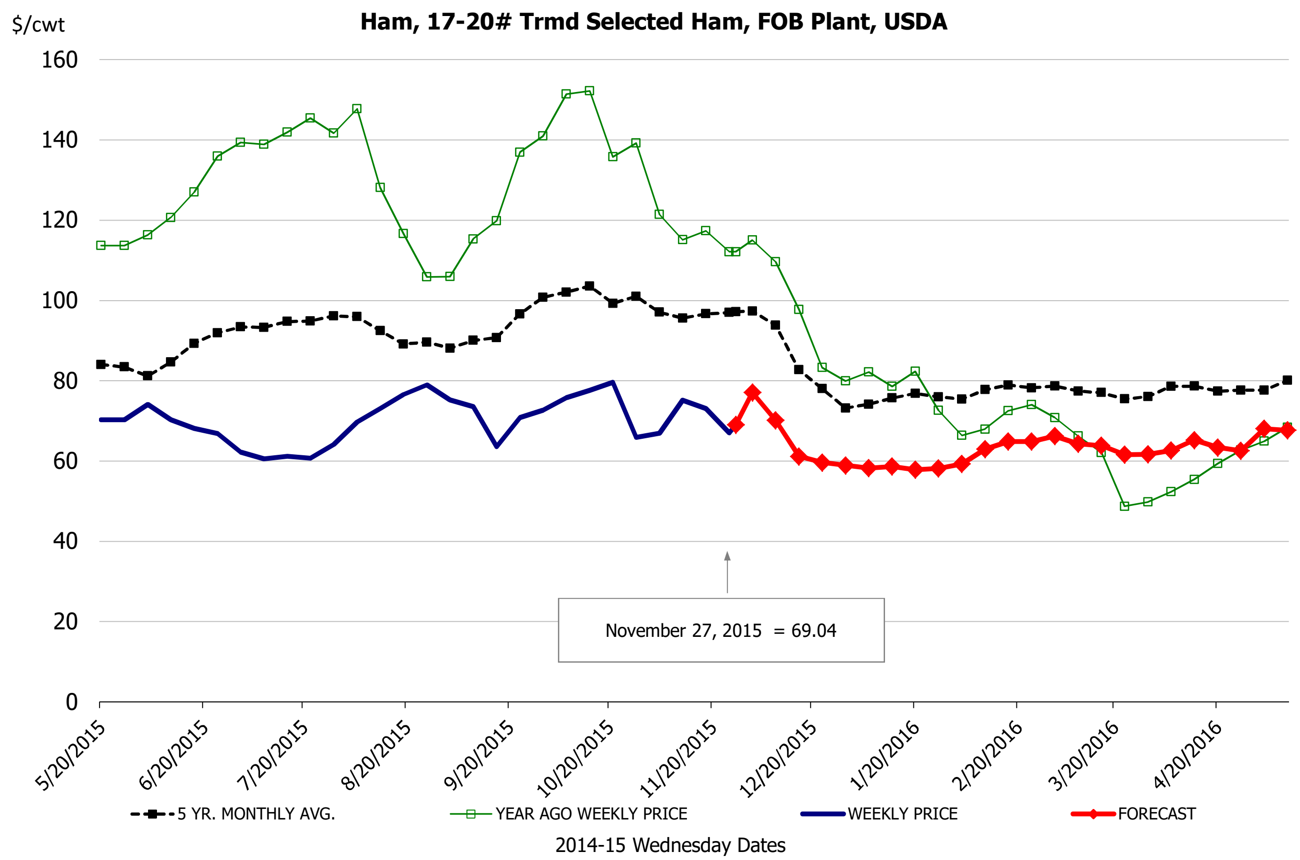
Food Service Summary Table - WT. AVE

	2015 History								2015-16 FORECAST						
	Jun	Jul	Aug	Sep	Oct	Nov	11/18/2015	11/27/2015	12/9/2015	Dec	Jan	Feb	Mar	Apr	May
PORK															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.12	1.11	1.07	1.02	1.04	0.89	0.87	0.87	0.89	0.88	0.91	0.92	0.99	0.96	1.12
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.20	1.17	1.14	1.07	1.08	0.97	0.90	0.93	0.97	0.95	0.98	0.98	1.06	1.02	1.19
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.56	1.55	1.58	1.52	1.70	1.46	1.37	1.43	1.47	1.46	1.46	1.40	1.53	1.47	1.64
Loin, Tenderloin, FOB Plant, USDA	2.48	2.61	2.42	2.19	2.11	1.96	1.84	1.69	2.02	1.98	1.96	2.08	2.14	2.11	2.45
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	1.07	0.83	0.85	0.84	0.78	0.73	0.68	0.70	0.85	0.82	0.75	0.79	0.83	0.84	0.97
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	2.11	1.79	1.64	1.52	1.51	1.55	1.55	1.49	1.60	1.63	1.53	1.55	1.58	1.57	1.71
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.63	2.71	2.58	2.52	2.43	2.47	2.50	2.53	2.50	2.54	2.46	2.47	2.52	2.49	2.63
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	2.05	1.75	1.65	1.49	1.50	1.50	1.47	1.45	1.56	1.55	1.48	1.48	1.53	1.50	1.64
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.93	2.61	2.43	2.26	2.23	2.36	2.39	2.44	2.39	2.40	2.35	2.32	2.40	2.41	2.70
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.68	0.63	0.73	0.70	0.75	0.68	0.73	0.69	0.70	0.67	0.58	0.63	0.64	0.63	0.68
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.64	0.58	0.72	0.67	0.72	0.66	0.65	0.69	0.68	0.64	0.58	0.62	0.63	0.61	0.67
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.61	0.56	0.72	0.62	0.66	0.61	0.60	0.62	0.62	0.59	0.56	0.59	0.59	0.58	0.65
Ham, 5 Muscle Ham to Blue, FOB Plant, USDA	0.98	0.93	0.96	0.96	0.96		0.96	0.96	1.04	1.04	1.02	1.06	1.06	1.05	1.16
Belly, Skin-on Belly 14-16#, FOB Plant, USDA	1.03	1.28	1.79	1.57	1.61	1.37	1.26	1.26	1.19	1.18	1.16	1.22	1.31	1.32	1.36
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.28	1.71	2.08	1.92	1.97	1.41	1.28	1.37	1.50	1.49	1.46	1.54	1.66	1.67	1.72
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.27	1.64	2.05	1.94	1.95	1.45	1.37	1.33	1.48	1.47	1.44	1.52	1.64	1.65	1.70
Trim, 42% Trim Combo, FOB Plant, USDA	0.45	0.35	0.29	0.32	0.30	0.24	0.23	0.23	0.30	0.30	0.32	0.33	0.36	0.38	0.41
Trim, 72% Trim Combo, FOB Plant, USDA	0.77	0.64	0.49	0.52	0.60	0.51	0.49	0.38	0.53	0.54	0.54	0.58	0.60	0.58	0.63
HOG CARCASS															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Dlv.	0.77	0.76	0.75	0.69	0.70	0.53	0.50	0.52	0.59	0.59	0.59	0.61	0.64	0.65	0.73
BROILERS															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	1.01	0.91	0.83	0.77	0.74	0.74	0.75	0.79	0.75	0.76	0.77	0.78	0.81	0.82	0.86
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.48	1.40	1.40	1.29	1.11	1.06	1.05	1.05	1.05	1.06	1.13	1.17	1.20	1.32	1.44
N.E. BROILER BREAST LINE RUN, USDA	1.07	1.01	0.91	0.83	0.77	0.77	0.77	0.77	0.77	0.77	0.79	0.80	0.81	0.89	0.97
N.E. BROILER LEG QUARTERS, USDA	0.28	0.26	0.24	0.24	0.23	0.23	0.23	0.22	0.22	0.22	0.23	0.24	0.25	0.26	0.28
N.E. BROILER WINGS, USDA, WT.AVG.	1.84	1.84	1.77	1.67	1.71	1.63	1.63	1.62	1.72	1.75	1.91	1.81	1.68	1.67	1.59
TURKEYS															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.18	1.24	1.30	1.37	1.40	1.39	1.40	1.36	1.31	1.29	1.18	1.10	1.05	1.05	1.05
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	4.44	5.20	5.64	5.72	5.81	5.85	5.85	5.85	5.56	5.50	5.00	4.50	4.10	3.60	3.30
LIVE STEERS															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.55	1.49	1.49	1.37	1.28	1.29	1.27	1.25	1.31	1.32	1.36	1.38	1.38	1.39	1.35
BEEF															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	7.79	7.10	7.64	6.96	6.98	8.10	8.24	8.08	8.50	8.40	6.50	6.58	6.93	7.07	7.28
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.96	2.86	2.99	2.51	2.25	2.13	2.00	2.07	2.24	2.29	2.48	2.44	2.56	2.49	2.40
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.48	2.46	2.45	2.38	2.17	2.05	1.88	2.03	2.08	2.14	2.39	2.38	2.30	2.16	2.13
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	7.32	5.91	6.39	5.85	5.50	5.51	5.70	5.33	5.14	5.20	5.53	5.67	6.31	6.82	7.01
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	3.99	4.06	4.45	4.35	3.37	3.08	3.03	3.00	3.25	3.29	3.50	3.60	3.74	3.84	3.84
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	5.45	4.83	4.99	4.67	4.30	4.08	4.08	4.26	4.12	4.14	4.32	4.47	4.94	4.94	5.17
COARSE GROUND 73%, USDA	1.96	1.79	1.97	1.80	1.62	1.46	1.37	1.50	1.39	1.45	1.89	1.82	1.81	1.80	1.82
COARSE GROUND 81%, USDA	2.30	2.31	2.35	2.04	1.91	1.72	1.74	1.50	1.74	1.81	2.20	2.16	2.08	2.02	2.10
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.94	2.90	2.82	2.72	2.33	2.14	2.10	2.00	2.17	2.19	2.29	2.42	2.41	2.40	2.35
50CL BEEF TRIM, FRESH, NATIONAL, USDA	0.81	0.66	0.68	0.49	0.48	0.51	0.44	0.45	0.50	0.49	0.60	0.58	0.70	0.65	0.67

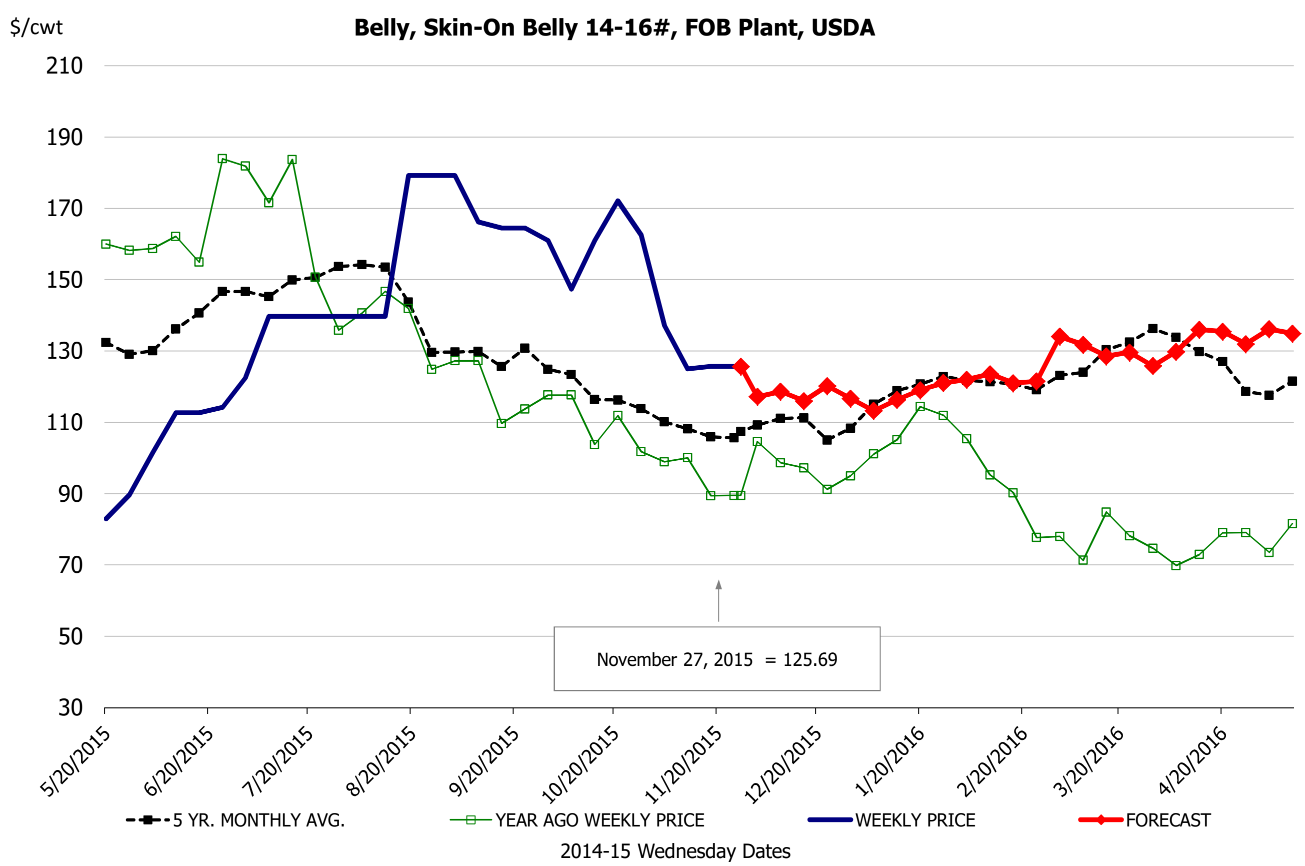
*St. Louis 2 1/4 dn rib prices are estimated at 3 1/2 dn plus $1.10


Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA
$/cwt
190
170
150
130
110
90
70
50
November 27, 2015 = 87.11
5/20/2015
6/20/2015
7/20/2015
8/20/2015
9/20/2015
10/20/2015
11/20/2015
12/20/2015
1/20/2016
2/20/2016
3/20/2016
4/20/2016
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2015 Wednesday Dates

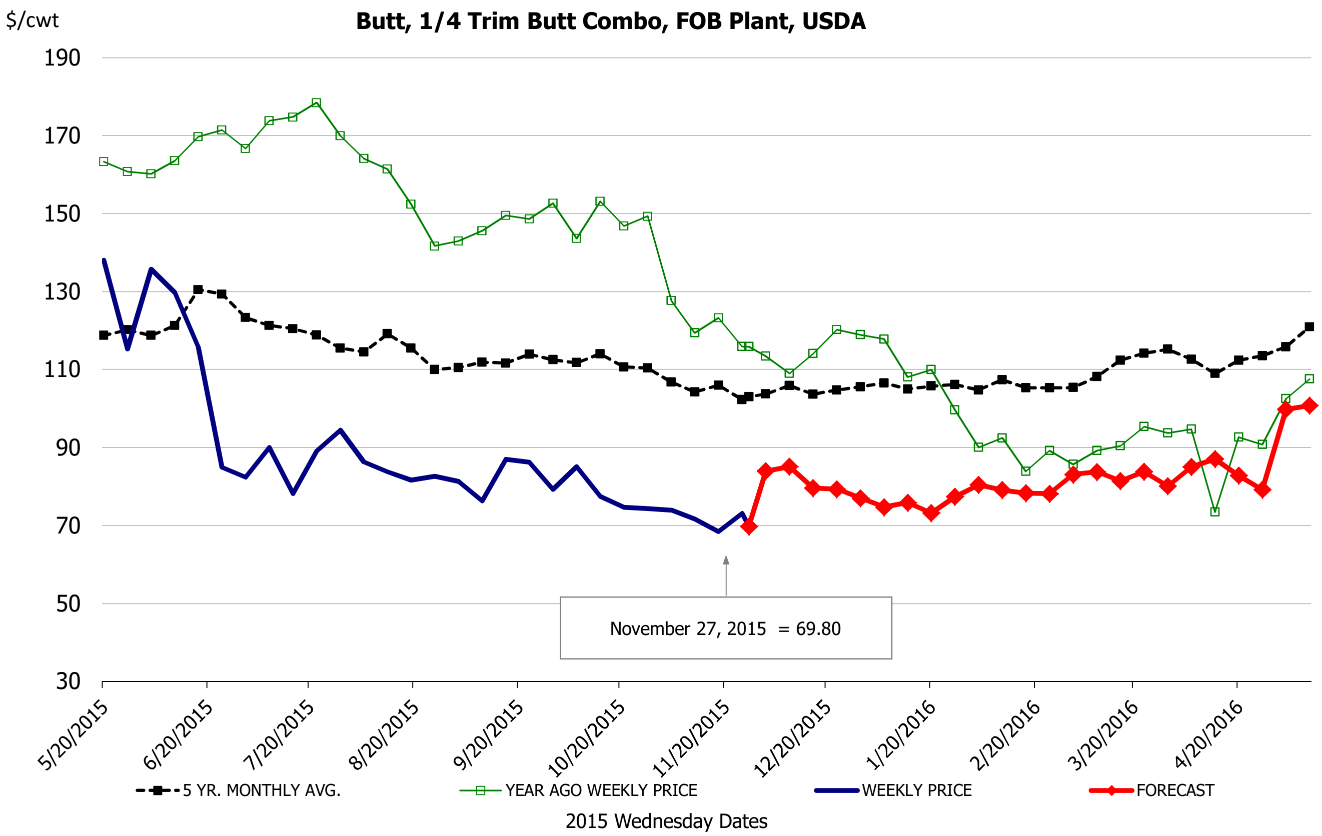

Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA
$/cwt
230
210
190
170
150
130
110
90
70
50
November 27, 2015 = 149.32
5/20/2015
6/20/2015
7/20/2015
8/20/2015
9/20/2015
10/20/2015
11/20/2015
12/20/2015
1/20/2016
2/20/2016
3/20/2016
4/20/2016
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2014-15 Wednesday Dates

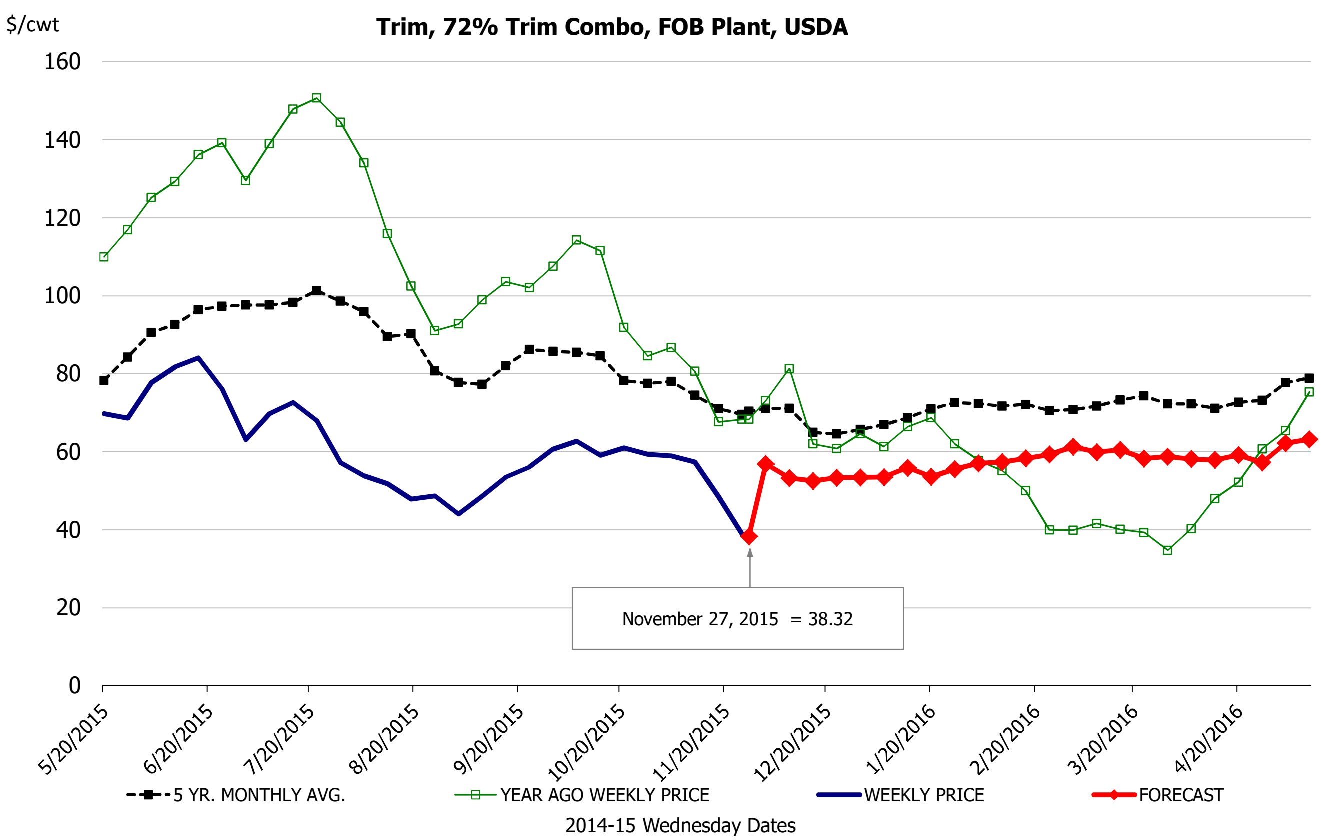


$/cwt
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA
160
140
120
100
80
60
40
20
0
November 27, 2015 = 69.04
5/20/2015
6/20/2015
7/20/2015
8/20/2015
9/20/2015
10/20/2015
11/20/2015
12/20/2015
1/20/2016
2/20/2016
3/20/2016
4/20/2016
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2014-15 Wednesday Dates

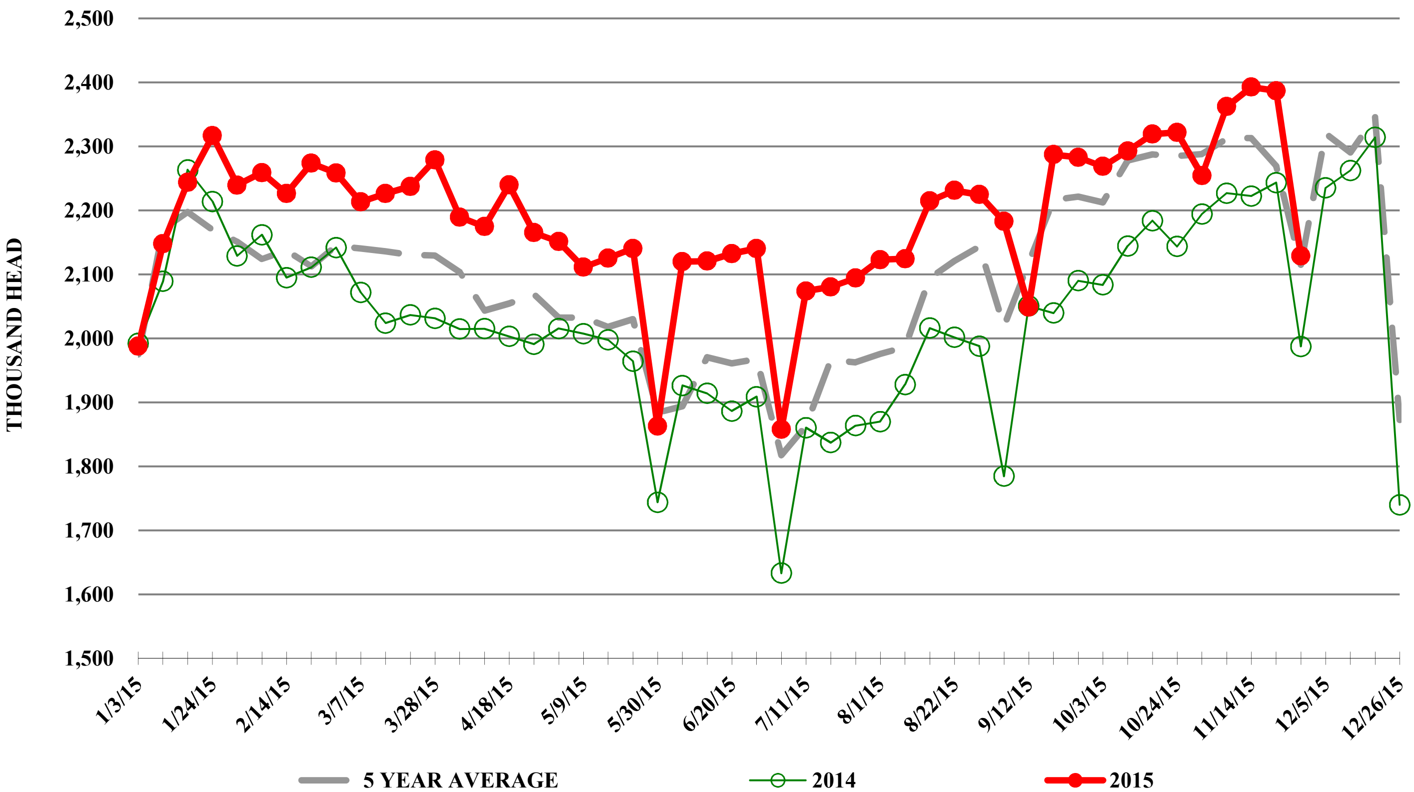


$/cwt
Belly, Skin-On Belly 14-16#, FOB Plant, USDA
210
190
170
150
130
110
90
70
50
30
November 27, 2015 = 125.69
5/20/2015
6/20/2015
7/20/2015
8/20/2015
9/20/2015
10/20/2015
11/20/2015
12/20/2015
1/20/2016
2/20/2016
3/20/2016
4/20/2016
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2014-15 Wednesday Dates


$/cwt
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA
190
170
150
130
110
90
70
50
30
November 27, 2015 = 69.80
5/20/2015
6/20/2015
7/20/2015
8/20/2015
9/20/2015
10/20/2015
11/20/2015
12/20/2015
1/20/2016
2/20/2016
3/20/2016
4/20/2016
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2015 Wednesday Dates


$/cwt
Trim, 72% Trim Combo, FOB Plant, USDA
160
140
120
100
80
60
40
20
0
November 27, 2015 = 38.32
5/20/2015
6/20/2015
7/20/2015
8/20/2015
9/20/2015
10/20/2015
11/20/2015
12/20/2015
1/20/2016
2/20/2016
3/20/2016
4/20/2016
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