Pork Merchandiser's **Profit Maximizer**

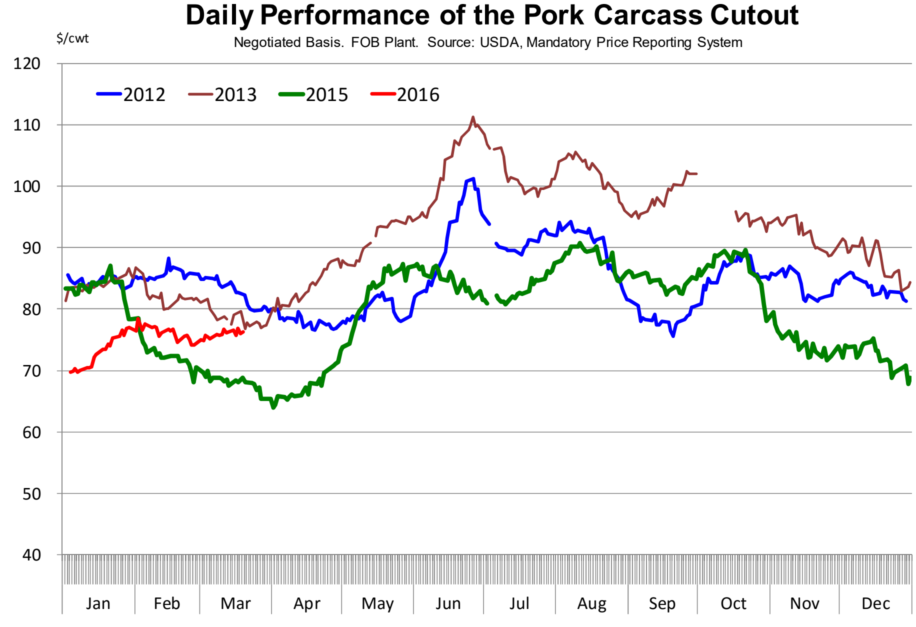
- Foodservice Edition -

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

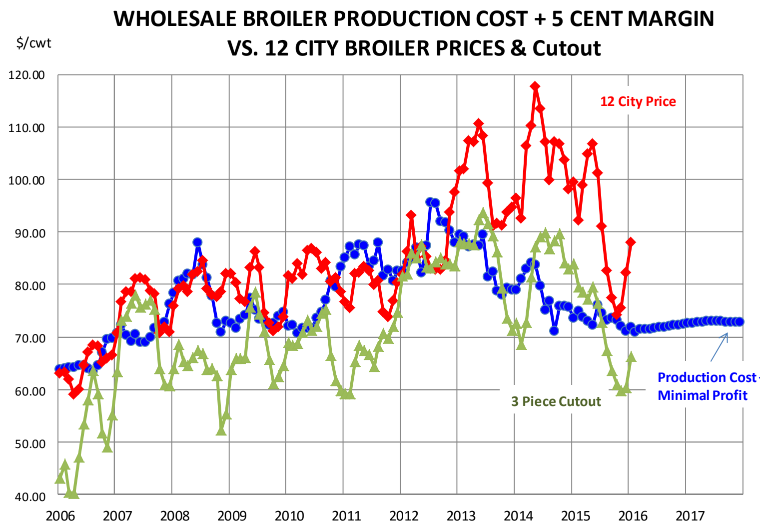
March 21, 2016

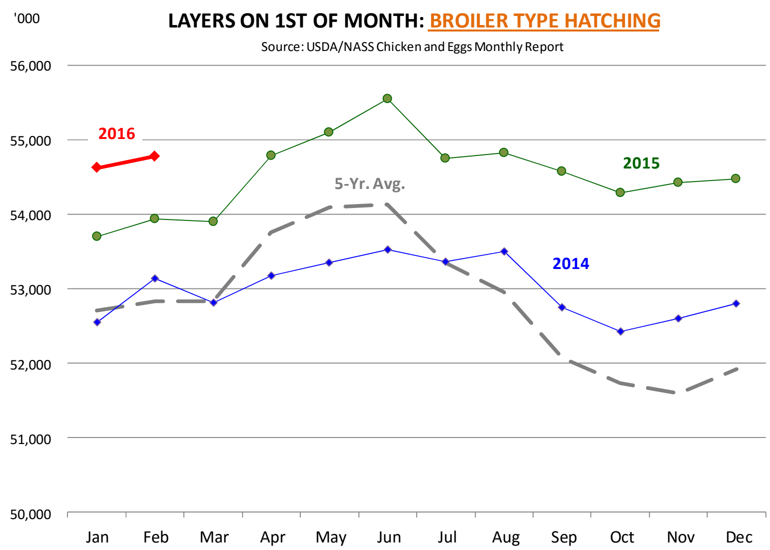
Improved export demand and seasonally lower slaughter helping support the pork cutout

The value of the pork cutout on Friday was quoted at $76.35/cwt, 12.2% higher than a year ago and only slightly lower than the levels we saw in 2013 (we have not included 2014 in the chart given how much prices were skewed by the PEDv outbreak). The increase in pork values has come at a time when overall pork supplies are only slightly under year ago levels. Hog slaughter in the last two weeks has averaged 2.214 million head, 0.8% lower than a year ago. Indeed, slaughter would have been a bit higher if not for some production disruptions. Total pork production in the last two weeks has averaged 470.5 million pounds per week, 1.4% lower than last year. Part of the reason why prices have held up so well is that export demand continues to outperform year ago. Weekly export volumes imply that March exports were likely 14% higher than a year ago, driven largely by China demand. Weekly hog slaughter will seasonally decline in the spring and summer and this is expected to underpin pork prices in the short term. We expect slaughter for the next three months to be down about 1.5 to 2 % compared to the previous year and hog weights are also expected to remain under year ago levels. Out current forecast is for the pork



cutout to hold somewhere in the low 90 cent range by mid to late June and then start to drift lower in July. Pork belly prices remain key to the pork market this summer, however. Belly prices are now almost double what they were a year ago and this has had a dramatic impact in the value of the cutout. Should pork belly prices fade earlier than normal (highly dependent on retail promotions this summer) then the peak in pork prices will happen earlier. Based on current forecasts for the pork cutout, we have increased our hog price for hogs this summer and there is now a good possibility that hog prices may reach in the high 80s depending on what happens with pork belly prices. At the end of the week USDA will release its results of the latest Hogs and Pigs survey, which should give us an indication about pork supplies over the summer and fall months. At that point we will be a bit more confident about our price projections for the second half of the year. For now, however, robust demand has helped underpin pork and hog values, helping producers avoid the kind of price collapse we experienced a year ago.





2. **Broiler supply growth remains on track, in line with our early forecasts**

Weekly broiler production has far surpassed expectations and this is expected to contain price inflation in the broiler complex. Broiler slaughter for the week ending March 19 was estimated at 160.5 million head, 0.8% higher than a year ago. For the last six weeks broiler slaughter has averaged 3.3% above last year. The increase in slaughter has been larger than what was implied by number of eggs set in incubators and chick placements. Chick placements during the six week period that corresponds to weekly slaughter (5-week lag) was up just 0.3% compared to the previous year. One reason for the discrepancy may be that last year's numbers were skewed by adverse weather events. Chick placements are currently running about 1% above year ago levels and this implies continued increases in the number of birds coming to market. Hatchery flocks continue to run above year ago levels and we expect this to continue to drive higher placements at least through the spring and summer months.

But larger broiler slaughter is only part of the supply growth in the broiler complex. Broiler weights are currently running some 2.5% above year ago levels and there is little indication that the trend to heavier birds will reverse anytime soon. The combination of 1 to 1.5% higher slaughter and +2% higher bird weights should continue to drive broiler production for much of 2016. Our current working forecast is for broiler production to be up 3.2% in Q2 and average up 2.7% for all of 2016. Broiler breast meat and leg quarter prices are significantly lower than five year average benchmarks but we think that producer margins are still hovering near breakeven levels. For the most efficient producers margins are likely in the black. And this is before we consider the impact that value added operations have on the bottom line. Many large, vertically integrated producers also have processing operations that have much better and stable profit margins. Strong growth in foodservice demand and the increase in demand for special attribute products (whole muscle, antibiotic free, etc) has bolstered processing margins and thus will provide vertically integrated operators with an incentive to stay on the current growth path.

Bottom line: We expect broiler and broiler part prices to be lower in 2016 compared to 2015 levels. Breast meat price average for the year currently projected down 11.6% from a year ago, leg quarters down 2.8% and wings down 2.2%.

Upcoming holidays:

2016 Easter (Sunday March 27); Passover (Saturday April 23); Cinco de Mayo (Thursday May 5); Mother's Day (Sunday May 8); Victoria Day [Canada] (Monday May 23); Memorial Day (Monday May 30); Father's Day [US and Canada] (Sunday June 19); Canada Day [Canada] (Friday July 1); Independence Day (Monday July 4); Labor Day [US and Canada] (Monday September 5); Rosh Hashanah (Monday October 3); Yom Kippur (Wednesday October 12); Columbus Day (Monday October 10; Canadian Thanksgiving Day (Monday October 10); Daylight Savings Time Ends [US and Canada] (Sunday November 6); Veterans Day (Friday November 11); Remembrance Day [Canada] (Friday November 11); Thanksgiving (Thursday November 24); Hanukkah (Sunday December 25); Christmas Day (Sunday December 25); Boxing Day [Canada] (Monday 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 March 19 slaughter was 2.187 million head, down 2.3% from a year ago. In the last two weeks hog slaughter is down 0.8% vs. year ago levels.

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass values at about 61.06 /cwt. on Friday were down $3.3/cwt since Wed. March 9. Prices are up about 2 dollars compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at $0.9202, up about 2.7 cent since the Wed. March 9 quote but down about 10 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at $1.2451 for the strap on loins, down 1.8 cent since Wed. March 9 and down about 26 cent from the year ago levels. Strap off loins at $1.4082 are up about 3.0 cent since Wed. March 9 but down about 16 cent compared to the year ago quote.

Boneless sirloins at $0.9454 are up one cents from the Wed. March 9 quote but down about 18.2 cents from the year ago price.

Pork tenderloin finished last week at $2.0996, down 8 cent from the Wed. March 9 quote and down about 8.8 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at $0.9246, down 0.3 cents since Wed. March 9. Prices are down 8 cents from a year ago.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at $1.6279, up about one cent since Wed. March 9 but down about 2 cents from year ago levels.

Rib inventories on January 31 were 139.9 million pounds, up 47.5% percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was $0.5562/lb., down 1.0 cents compared to prices on Wed. March 9 and down about 7 cents from a year ago.

20/23 hams finished the week at 53.97 cents, down about 4.8 cents since Wed. March 9 but up about 3 cents from the year ago level.

23/27 hams finished the week at 52.43 , down about 5 cents from the Wed. March 9 quote but up about 3.9 cents from the year ago level.

Total ham cold storage stocks on January 31 at 111.2 million pounds were up 0.7% from year ago levels.

42 CL Pork Trim "FOB Basis". Prices finished the week at 25.79 cent, down about 0.1

cent since Wed. March 9 but up about 1 cents from the year ago price.

72 CL Pork Trim "FOB Basis". Prices finished the week at 55.16 cents, up about 1 cents since the Wed. March 9 quote and up about 15 cents from the year ago level.

Freezer stocks of all trimmings on January 31 were 53.9 million pounds, up 9.1% 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 $111.50 was down 3.00 cents from a year ago.

The National Whole Bird price was quoted at 86.56 on Friday, March 19, down about 13 cents from a year ago.

Broiler slaughter for the week ending March 19 was 160.51 million head, up 0.76% 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 $1.1023, up 3 cents since Wed. March 9 but still down about 32 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 3.1 cents vs. two weeks ago but at 32.91 cents per pound prices were down 5 cents from a year ago. Bird flu has been a negative factor for dark meat exports so far this year.

Wings. Prices at $1.7751 are down about 8 cents from year ago levels.

Turkeys

Hens finished last week at $1.2100, up 1.0 cent since Wed. March 9 and up about 15 cents from the year ago price.

Toms finished last week at $1.2100, up 1.0 cent since Wed. March 9 and up about 15 cent from the year ago price.

Total turkey supplies in the freezer on January 31 were up 3.3% from a year ago at 289.7 million pounds. Whole birds were up 9.7% from a year ago with an inventory of 105.4 million pounds.

Turkey slaughter was 4.1530 million head for the week ending March 12, down -5.27% from a year ago. For the last two weeks slaughter has been down 0.6%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at $3.3000, unchanged 0 cents since Wed. March 9. Prices are up about 37 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 $8.6078 (weighted average quote) finished last week up about 27 cents since the Wed. March 9 quote and up about 67 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at $7.6289 (weighted average quote) finished last week up about 15 cents since the Wed. March 9 quote but down about 40 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are $0.9789 /lb. over Select. The 2015 annual average spread (wt. average price) had the Choice at a premium to the Select by $0.1074 per pound and the previous five years (2010 thru 2014) average spread was Choice at a premium to the Select by $0.0938 per pound.

<u>Choice regular #168 insides</u> finished last week quoted at $2.3584 up about 3 cents since Wed. March 9 but down about 43 cents from the year ago price.

<u>Choice ¼ inch trimmed #168 insides</u> finished last week quoted at $2.3905 up about 3 cents since Wed. March 9 and down about 45 cents from year ago levels.

<u>Choice #170 Gooseneck Rounds</u> finished last week at $2.1527 up about 10 cents since Wed. March 9 but down about 48 cents from the year ago levels.

<u>Choice #180 (0x1) Bnls. Strip Loins</u> finished last week quoted at $7.8582 (wt. avg.) up about 62 cents from the Wed. March 9 quote. Prices are about 174 cents over year ago levels.

<u>Choice #184 Regular Heavy top butts</u> finished at $4.1259 (wt. avg.) up about 24 cents since Wed. March 9 but down about 16 cents from year ago levels.

<u>Choice #184 ¼ inch trimmed Top Butts</u> finished at $4.3895 (wt. avg.) up about 40 cents since Wed. March 9 but down about 12 cents from the year ago levels.

<u>Choice #185A Flap Meat</u> prices finished Friday at $6.1395 (wt. avg.) up about 58 cents since Wed. March 9 and up about 101 cents from year ago values.

<u>COARSE GROUND BEEF –</u>

<u>73CL Coarse Ground</u> product finished last week at $1.4689 up about 10 cents since Wed. March 9 but down about 64 cents from year ago levels.

<u>81CL Coarse Ground</u> product finished last week at $1.6027 down about 0 cent since Wed. March 9 and down about 90 cents from the year ago quote.

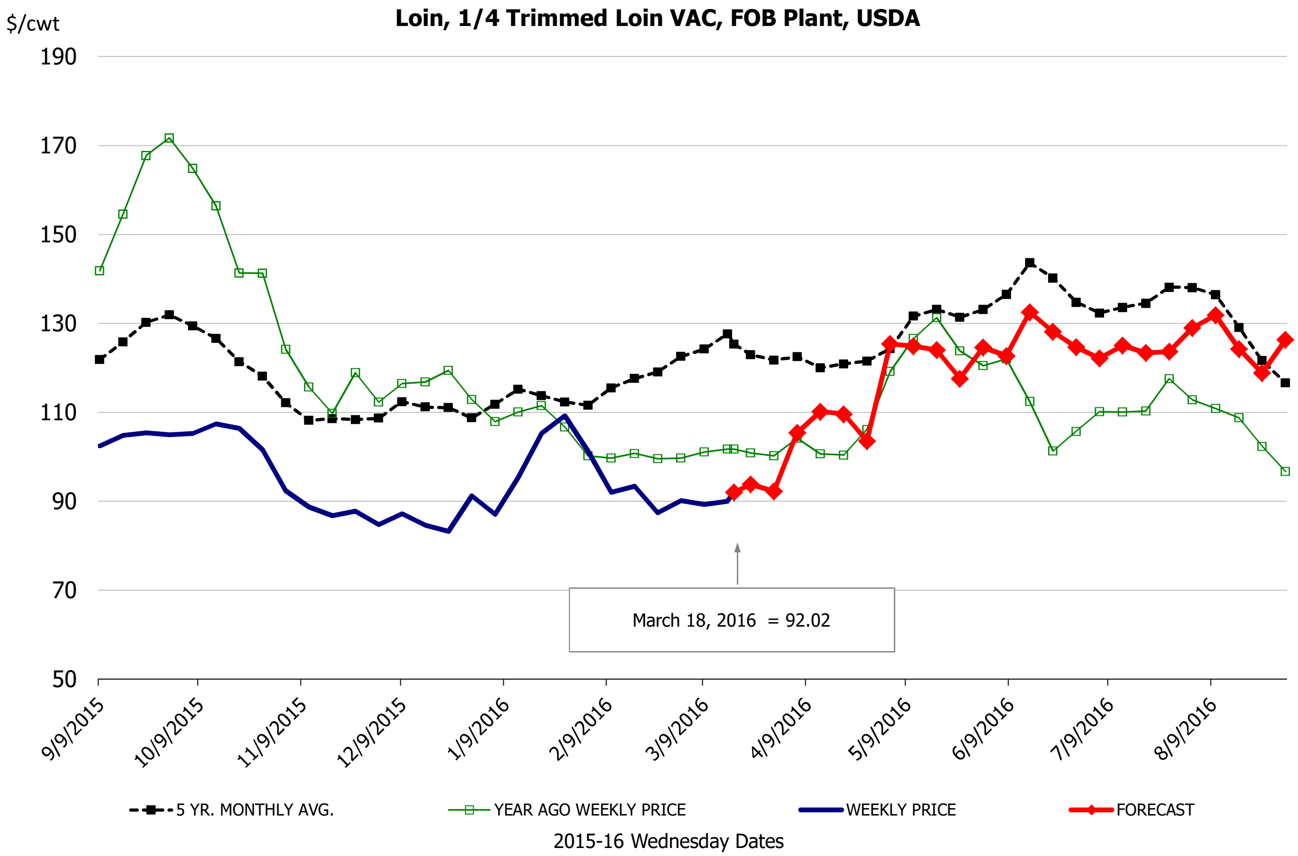
<u>90CL Bnls. Beef</u> prices finished the week at $2.1541 (wt. avg.) down about 3 cent since Wed. March 9 and down 78 compared to the year ago price quote.

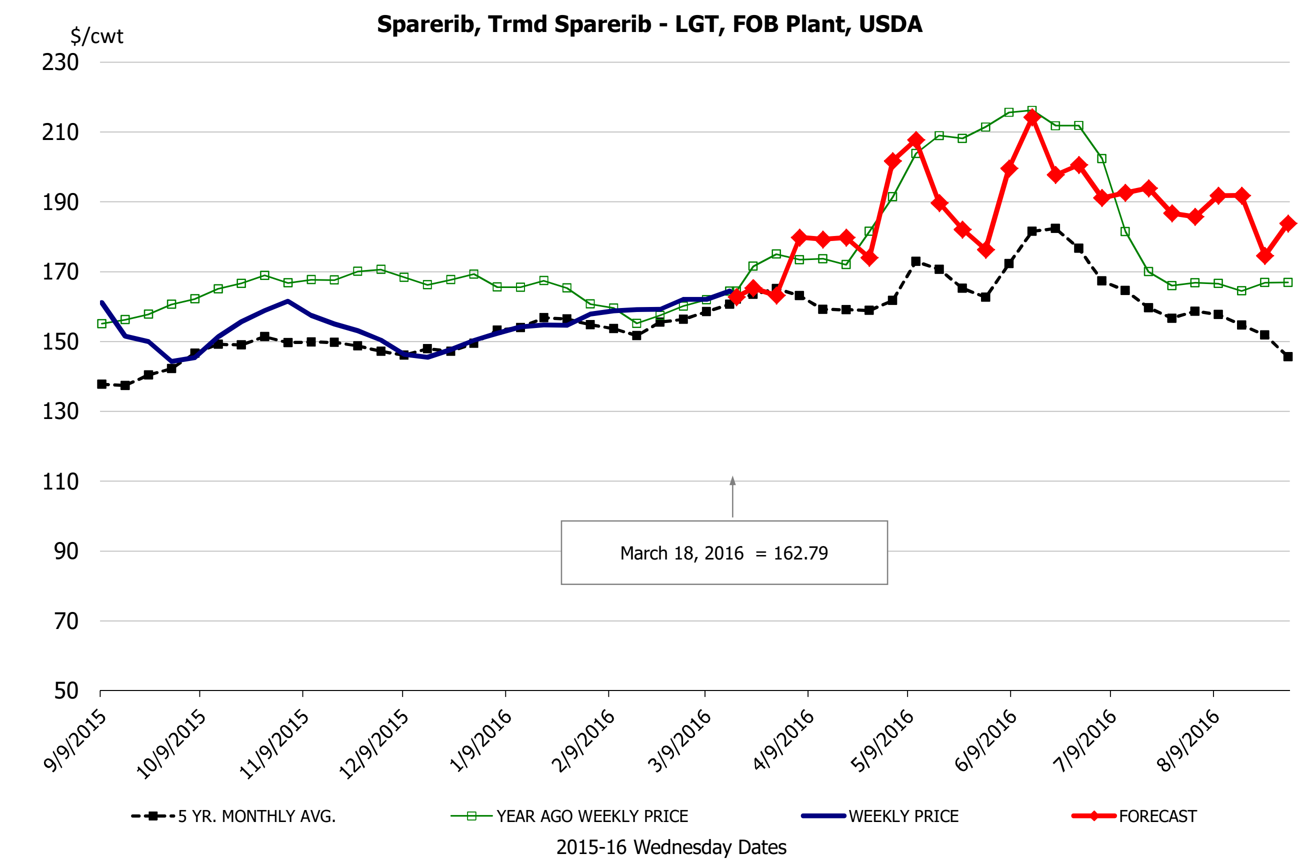
<u>50 CL Beef Trim</u> prices finished last week at $1.1344, up about 15 cent since Wed. March 9 and up 27 compared to the year ago level.

Food Service Summary Table - WT. AVE

	2015-16 History								2016 FORECAST						
	Sep	Oct	Nov	Dec	Jan	Feb	3/9/2016	3/18/2016	3/30/2016	Mar	Apr	May	Jun	Jul	Aug
PORK															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.02	1.04	0.89	0.86	0.97	0.94	0.89	0.92	0.92	0.96	1.07	1.22	1.27	1.23	1.26
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.07	1.08	0.96	0.92	1.01	1.04	0.96	0.95	0.93	0.98	1.13	1.29	1.34	1.30	1.34
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.52	1.70	1.46	1.42	1.49	1.47	1.38	1.41	1.44	1.49	1.57	1.71	1.75	1.71	1.79
Loin, Tenderloin, FOB Plant, USDA	2.19	2.11	1.95	1.83	2.12	2.41	2.17	2.10	2.13	2.16	2.41	2.69	2.79	2.78	2.76
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	0.84	0.78	0.73	0.80	0.80	0.75	0.87	0.83	0.83	0.86	0.92	1.12	1.16	1.07	1.08
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.52	1.51	1.55	1.48	1.54	1.59	1.62	1.63	1.63	1.65	1.79	1.94	1.97	1.92	1.86
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.52	2.43	2.47	2.48	2.49	2.57	2.67	2.55	2.60	2.63	2.69	2.74	2.79	2.78	2.78
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.49	1.50	1.50	1.39	1.41	1.50	1.52	1.59	1.56	1.60	1.70	1.84	1.89	1.88	1.88
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.26	2.23	2.37	2.43	2.49	2.59	2.69	2.80	2.74	2.80	3.11	3.15	3.11	3.11	3.12
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.70	0.75	0.68	0.68	0.58	0.62	0.57	0.56	0.58	0.60	0.64	0.70	0.75	0.77	0.81
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.67	0.72	0.66	0.64	0.58	0.61	0.59	0.54	0.57	0.59	0.62	0.70	0.72	0.77	0.79
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.62	0.66	0.61	0.59	0.56	0.58	0.57	0.52	0.54	0.56	0.58	0.67	0.69	0.74	0.78
Ham, 5 Muscle Ham to Blue, FOB Plant, USDA	0.96	0.96	0.96	0.96	1.03	1.03	1.03	1.03	0.98	1.03	1.12	1.13	1.16	1.19	1.23
Belly, Skin-on Belly 14-16#, FOB Plant, USDA	1.57	1.61	1.36	1.11	1.20	1.35	1.48	1.32	1.29	1.34	1.44	1.41	1.59	1.66	1.79
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.92	1.97	1.41	1.34	1.42	1.59	1.62	1.68	1.56	1.68	1.81	1.79	2.01	2.09	2.26
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.94	1.95	1.44	1.29	1.44	1.57	1.62	1.68	1.56	1.68	1.81	1.79	2.01	2.09	2.26
Trim, 42% Trim Combo, FOB Plant, USDA	0.32	0.30	0.24	0.18	0.20	0.18	0.26	0.26	0.25	0.26	0.32	0.37	0.41	0.45	0.44
Trim, 72% Trim Combo, FOB Plant, USDA	0.52	0.60	0.50	0.37	0.46	0.58	0.54	0.55	0.59	0.60	0.64	0.71	0.81	0.82	0.74
HOG CARCASS															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Dlv.	0.69	0.69	0.53	0.51	0.55	0.63	0.64	0.61	0.62	0.65	0.72	0.79	0.84	0.84	0.82
BROILERS															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	0.77	0.74	0.75	0.82	0.88	0.82	0.83	0.87	0.87	0.87	0.87	0.90	0.89	0.86	0.82
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.29	1.11	1.06	1.02	1.08	1.07	1.07	1.10	1.11	1.11	1.21	1.33	1.32	1.33	1.33
N.E. BROILER BREAST LINE RUN, USDA	0.83	0.77	0.77	0.77	0.83	0.86	0.88	0.90	0.89	0.90	0.92	0.96	0.96	0.96	0.93
N.E. BROILER LEG QUARTERS, USDA	0.24	0.23	0.23	0.24	0.25	0.27	0.30	0.33	0.32	0.33	0.33	0.34	0.34	0.34	0.32
N.E. BROILER WINGS, USDA, WT.AVG.	1.67	1.71	1.63	1.63	1.90	1.94	1.79	1.78	1.82	1.78	1.70	1.67	1.67	1.76	1.75
TURKEYS															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.37	1.40	1.39	1.27	1.18	1.19	1.20	1.21	1.20	1.21	1.21	1.21	1.21	1.21	1.22
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	5.72	5.81	5.85	5.73	5.26	3.83	3.30	3.30	3.29	3.30	3.30	3.35	2.45	3.65	3.85
LIVE STEERS															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.37	1.28	1.29	1.22	1.33	1.34	1.36	1.38	1.38	1.38	1.42	1.35	1.29	1.27	1.27
BEEF															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	6.96	6.98	8.11	7.91	7.17	7.54	8.34	8.61	8.13	8.40	8.15	8.24	8.30	7.52	7.54
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.51	2.25	2.13	2.00	2.54	2.54	2.36	2.39	2.52	2.51	2.51	2.46	2.37	2.44	2.54
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.38	2.17	2.05	2.13	2.47	2.40	2.05	2.15	2.18	2.20	2.20	2.16	2.13	2.16	2.18
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	5.85	5.50	5.49	5.23	5.67	5.69	7.24	7.86	7.90	7.85	7.97	7.98	7.70	6.56	6.28
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	4.35	3.37	3.07	3.01	3.33	3.34	3.99	4.39	4.33	4.38	4.31	4.25	4.12	4.08	4.06
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	4.67	4.30	4.09	4.11	5.17	4.97	5.56	6.14	6.19	6.14	6.27	6.55	6.17	5.62	5.29
COARSE GROUND 73%, USDA	1.80	1.62	1.46	1.33	2.18	1.58	1.37	1.47	1.64	1.55	1.72	1.79	1.66	1.62	1.70
COARSE GROUND 81%, USDA	2.04	1.91	1.71	1.54	2.27	1.78	1.61	1.60	1.82	1.73	1.95	2.06	1.91	1.94	2.00
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.72	2.33	2.13	1.97	2.01	2.10	2.19	2.15	2.30	2.20	2.39	2.30	2.27	2.24	2.22
50CL BEEF TRIM, FRESH, NATIONAL, USDA	0.49	0.48	0.51	0.38	0.64	0.52	0.99	1.13	1.07	1.13	1.05	0.99	0.89	0.86	0.90

*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
March 18, 2016 = 92.02
9/9/2015
10/9/2015
11/9/2015
12/9/2015
1/9/2016
2/9/2016
3/9/2016
4/9/2016
5/9/2016
6/9/2016
7/9/2016
8/9/2016
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2015-16 Wednesday Dates


Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA
$/cwt
230
210
190
170
150
130
110
90
70
50
March 18, 2016 = 162.79
9/9/2015
10/9/2015
11/9/2015
12/9/2015
1/9/2016
2/9/2016
3/9/2016
4/9/2016
5/9/2016
6/9/2016
7/9/2016
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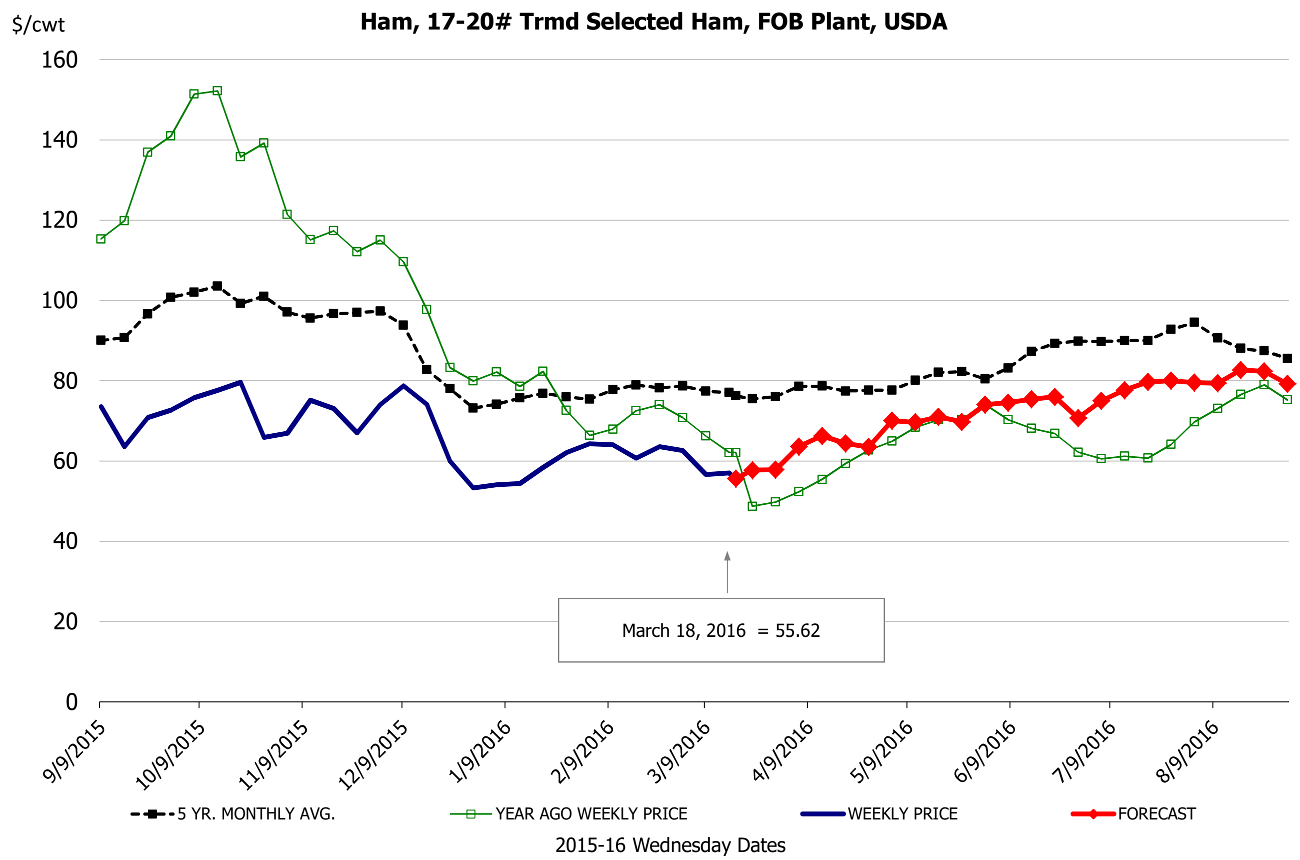
$/cwt
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA
160
140
120
100
80
60
40
20
0
March 18, 2016 = 55.62
9/9/2015
10/9/2015
11/9/2015
12/9/2015
1/9/2016
2/9/2016
3/9/2016
4/9/2016
5/9/2016
6/9/2016
7/9/2016
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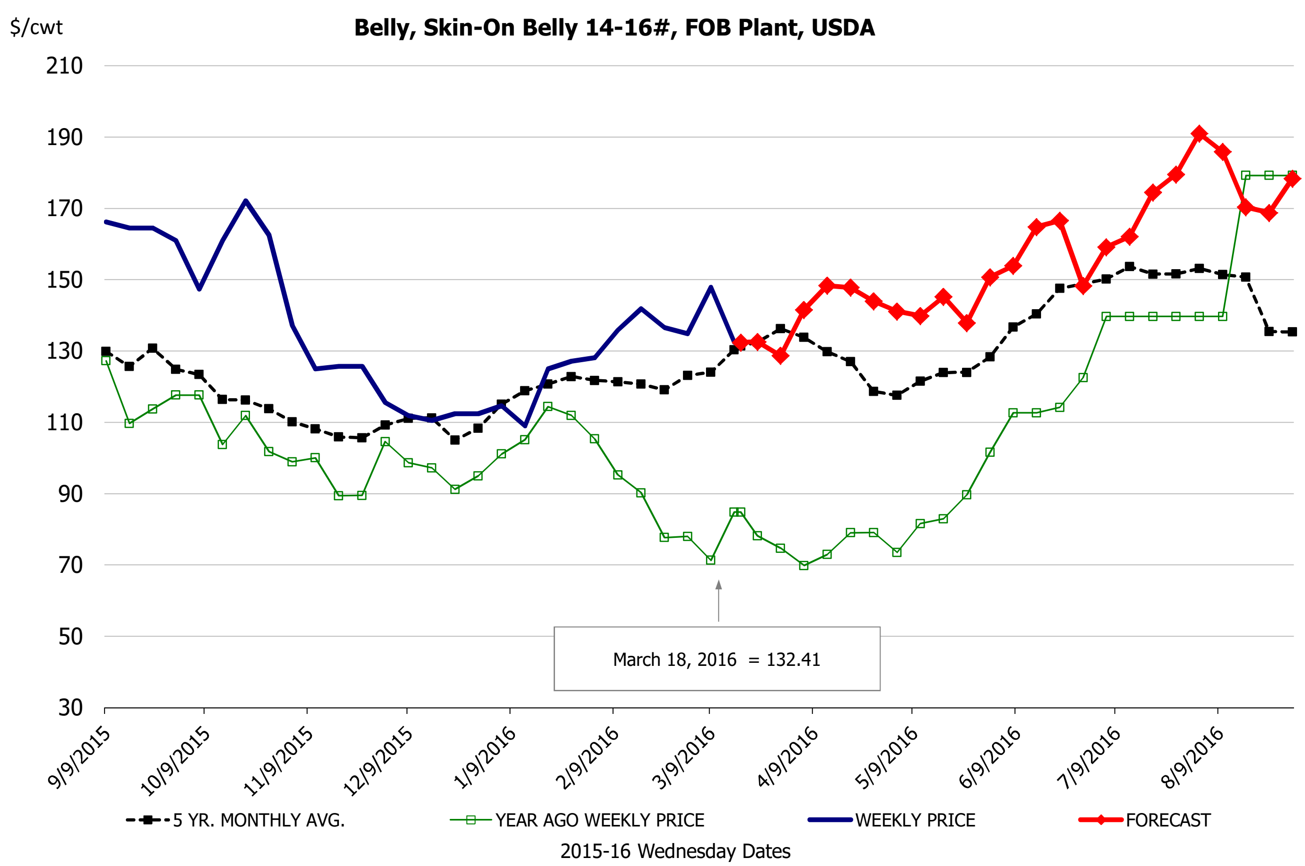
$/cwt
Belly, Skin-On Belly 14-16#, FOB Plant, USDA
210
190
170
150
130
110
90
70
50
30
March 18, 2016 = 132.41
9/9/2015
10/9/2015
11/9/2015
12/9/2015
1/9/2016
2/9/2016
3/9/2016
4/9/2016
5/9/2016
6/9/2016
7/9/2016
8/9/2016
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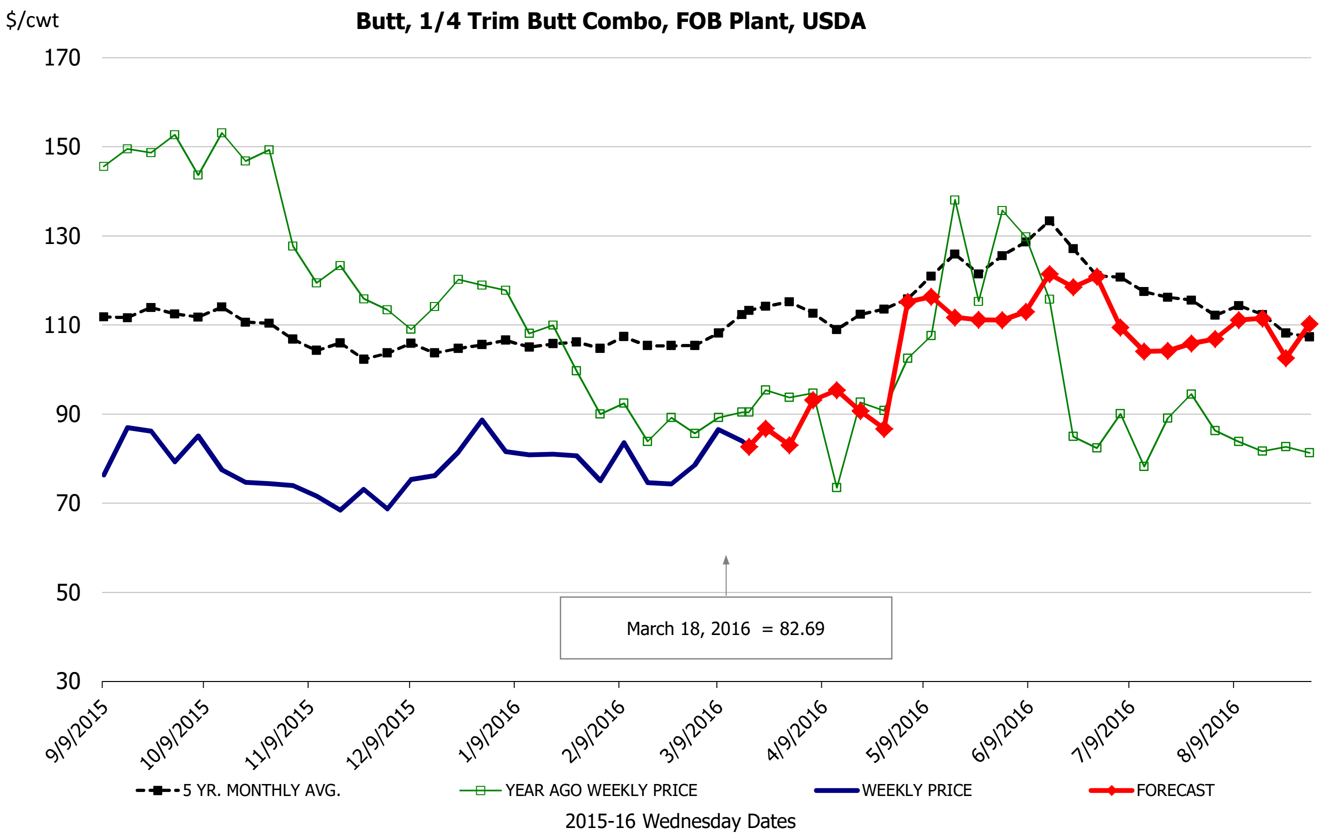
$/cwt
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA
170
150
130
110
90
70
50
30
March 18, 2016 = 82.69
9/9/2015
10/9/2015
11/9/2015
12/9/2015
1/9/2016
2/9/2016
3/9/2016
4/9/2016
5/9/2016
6/9/2016
7/9/2016
8/9/2016
5 YR. MONTHLY AVG.
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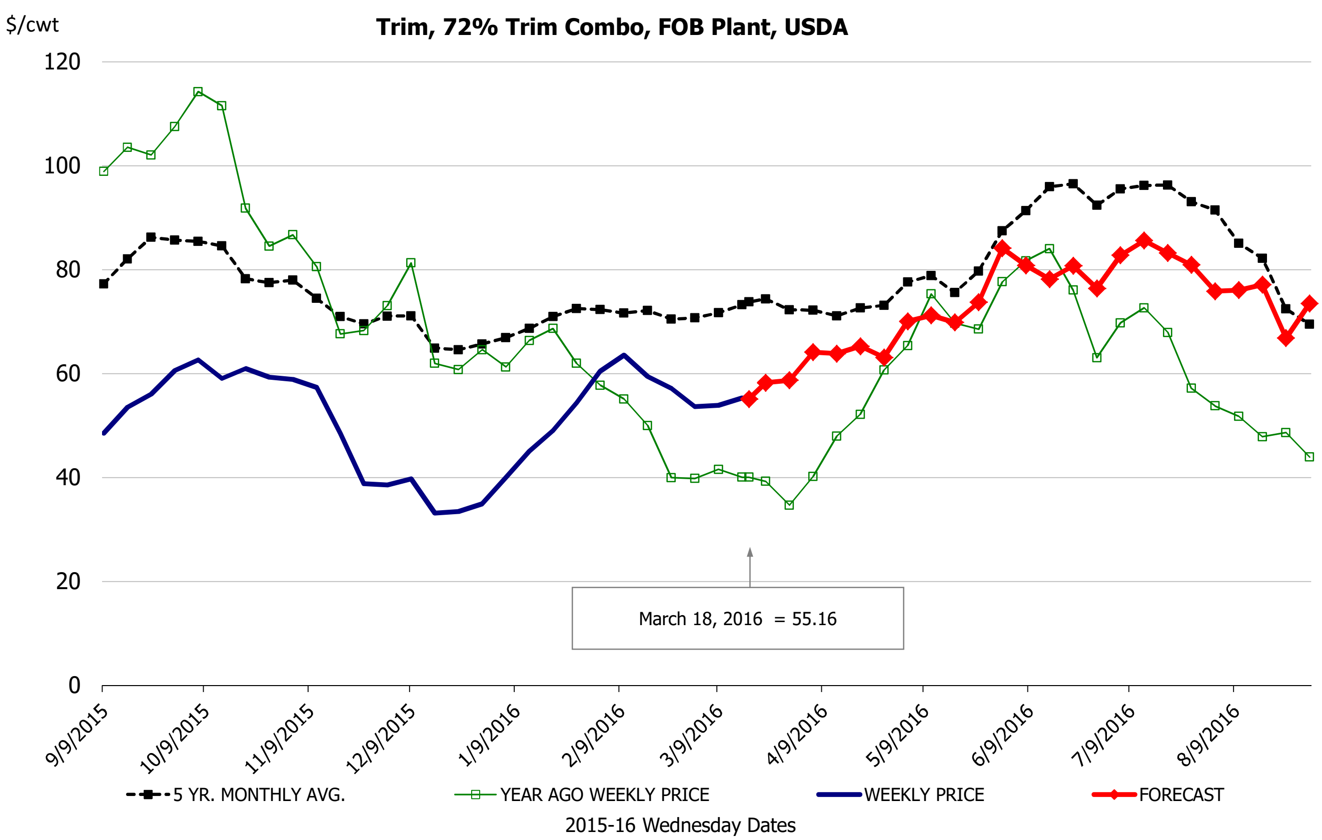
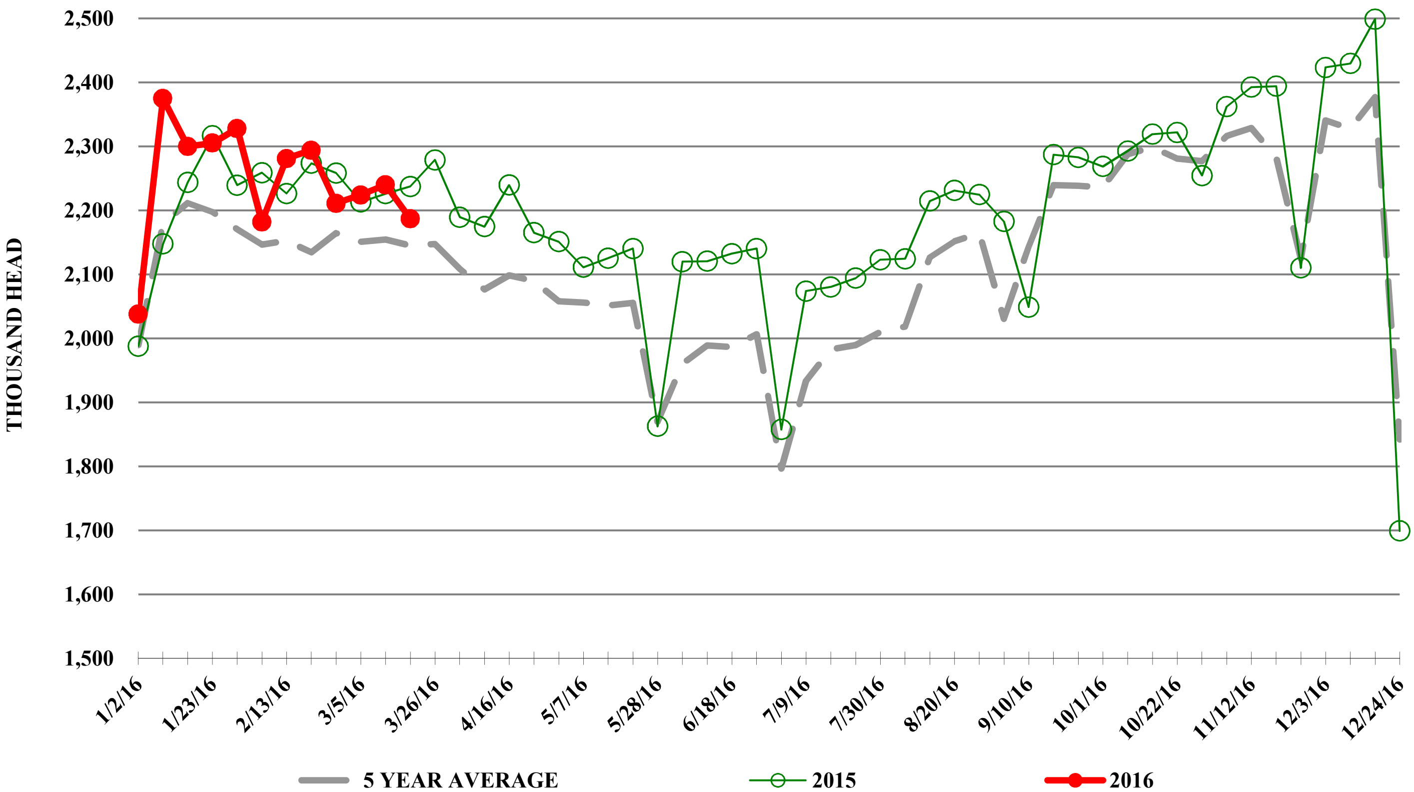
FORECAST
2015-16 Wednesday Dates


$/cwt
Trim, 72% Trim Combo, FOB Plant, USDA
120
100
80
60
40
20
0
March 18, 2016 = 55.16
9/9/2015
10/9/2015
11/9/2015
12/9/2015
1/9/2016
2/9/2016
3/9/2016
4/9/2016
5/9/2016
6/9/2016
7/9/2016
8/9/2016
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2015-16 Wednesday Dates

ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION