



Be inspiredSM

Pork Merchandiser's Profit Maximizer

- Foodservice Edition -

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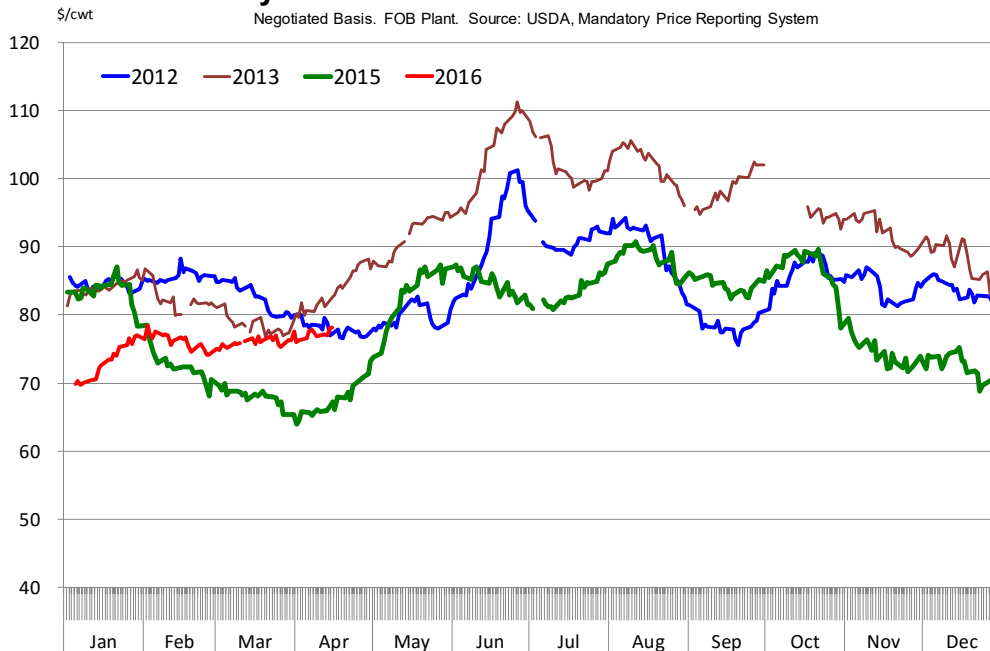
April 18, 2016

1. Anxiety builds in red meat markets as hog futures falter and fed cattle prices get little support from boxed beef rally

As with cattle, the mood in the hog complex is not as buoyant as it was in mid March. Cash prices have failed to advance as rapidly as some expected, in part

because wholesale prices have been range bound for the last two months. The pork cutout on Friday was quoted at \$78.16/cwt, up less than \$1 for the week. Current prices are only slightly higher than they were in mid February and over this period the pork cutout has averaged around \$76.3/cwt. The expectation/hope in early March was the cutout values would at

Daily Performance of the Pork Carcass Cutout



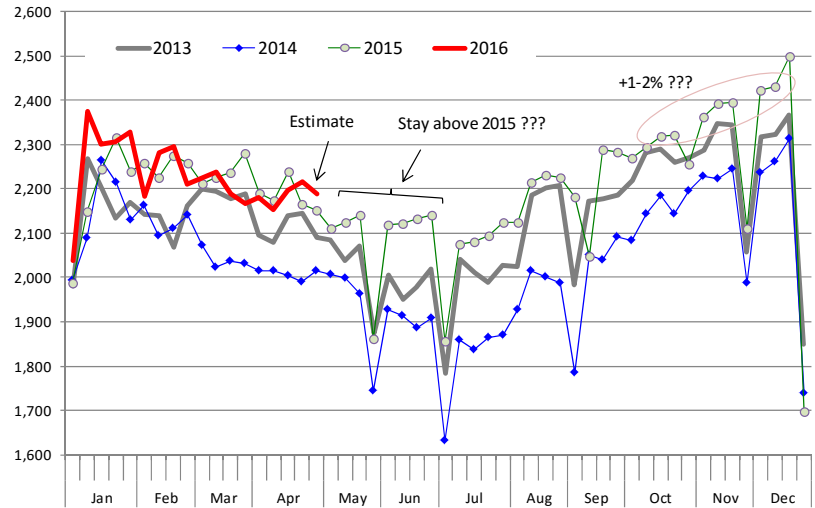
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this point be well above \$80, justifying base hog carcass prices above \$70. As it stands, base hog carcass values are stuck in the low to mid 60s, bolstering packer margins. We think part of the reason for the big spread between hog and meat prices is that producers have fallen behind in their marketings. Slaughter was light over the Easter holiday weekend and it has been well under projections for the last two weeks due to plant renovations. Hog slaughter for the period February 28 - April 16 was 15.347 million head, 1.4% lower than a year ago. This is well below the latest hog survey results showing the inventory of 180 pound hogs up 0.2% higher than last year. It could be the report overstated the inventory but we think a more likely explanation is that producers are behind in marketings. Hog weights have been trending higher in the last three weeks, further supporting the view that marketings are not keeping pace. In the short term this is bearish for hog prices especially because hog numbers are expected to be higher year/year in late April, May and early June. The inventory of hogs 120-179 pounds, which are hogs that will come to market mid April through mid May, was estimated up 1.2% from a year ago. As you will note in the slaughter chart on page 1, this implies weekly hog slaughter into Memorial Day above 2.1 million head.

Outlook for May - Aug: Hog slaughter should drift lower into the summer and combined with the seasonal improvement in demand this will continue to support higher pork prices. The question is not whether prices will be up, it is how much. We expect pork belly prices, which have languished for the last four weeks, to be higher in June and July, with the primal by the end of July at around \$165/cwt. Last year the belly primal peaked at \$174/cwt but a modest increase in supplies and less aggressive promotions should keep belly prices in check. Pork trim prices are moving higher but the upside is somewhat

Weekly Hog Slaughter

000 Head. Data Source: USDA. Calculations by Steiner Consulting



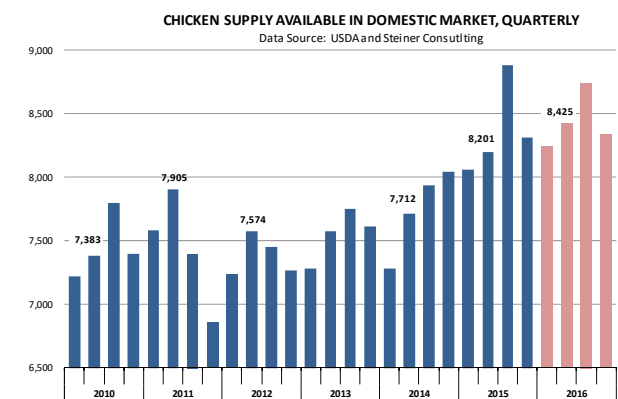
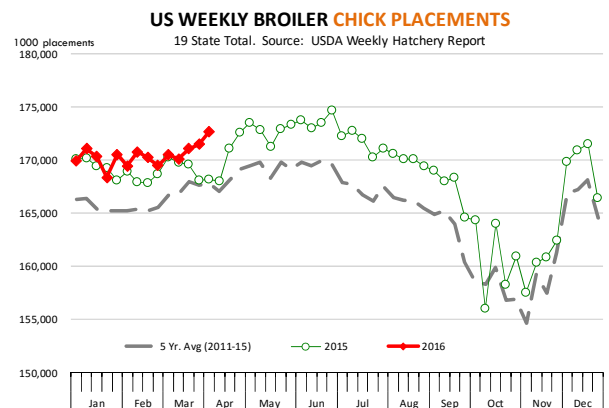
limited past Memorial Day. Ham and loin prices so far have been in line with the normal seasonal trends for this time of year. The expectation is for them to be higher in May and June but slightly under the levels we saw last year. There are two key wild cards for the pork market this summer: exports and weather. Export volumes in Q1 were higher than a year ago but it remains to be seen whether they will be sustained into July and August. Exports to China are up but exports to a number of other markets, Mexico, South Korea and Japan, have been disappointing. Hog weather in Iowa could negatively impact weights, which would be bullish for pork prices during the July-August timeframe.

Outlook for Sep - Dec: We expect hog prices in the fall and winter to be higher than a year ago but there is significant downside risk to that forecast. We expect pork exports to be much stronger than a year ago, implying lower per capita availability. If export growth does not materialize to the extent we think, then hog supplies risk overwhelming the market. Last year hog slaughter for one week was almost 2.5 million head, higher than rated capacity. This year we could see hog slaughter in Sep-Nov period surpass last year by 1-2%. At this point we think Q4 has more downside than upside risk.

2. Despite (some) lower chicken prices, **don't expect a significant slowdown, let alone a decline in chicken production anytime soon.** Low feed costs and a notable improvement in export volumes has offset some of the impact from lower prices for key items, such as chicken breasts. USDA quoted the weighted average price for boneless/skinless chicken breasts last night at \$117.60/cwt, 23% lower than the same time last year. Line run breasts, which is the component we use to calculate the implied cutout value, were quoted at \$91.02/cwt, 14.4% lower than last year. But this is only one component of the broiler carcass, other products are faring much better. The price of leg quarters was last quoted at \$34.19/cwt, 7.4% higher than a year ago while the price of wings at \$178.06 was 3.4% higher than a year ago. Before we go much further, take a look again at the numbers, wings are now priced almost double the price of line run breasts and 50% above the price of boneless skinless breast meat, it tells you where demand is these days, it is for fat and flavor. You can see this in the price of pork bellies (bacon) or the price of butter, for that matter. But we digress. The point is that we think the broiler industry continues to be profitable, albeit not at the same level as a couple of years ago. This in turn should continue to support chicken supply growth. It brings some context to the number of chicken processing plants being built at this time.

Based on the USDA weekly hatchery report issued yesterday, broiler chick placements for week ending April 9 were up 2.4% from the same period a year ago. For the last six reported weeks chick placements were up 2%. This should continue to support weekly slaughter numbers in May. In addition, producers continue to bring ever larger birds to market. The supply of birds sold whole is relatively stable given a saturated retail channel. Much of the growth in the industry in the last 30 years has come from the further processed sector and the key there is not size but yield. Larger birds yield better, which in turn improves overall profitability. According to the Nation-

al Chicken Council, in 1990 the further processed segment of the industry accounted for about 28% of the overall volume of chicken marketed in the US. Today, further processed chicken is about half of the entire volume, while whole birds are just 11-12%. Larger slaughter and heavier birds imply a significant net gain in US domestic availability. The chart to the right shows our calculation of the amount of chicken available to the US consumer by quarter. This is basically total ready-to-cook production (quarterly) minus exports plus minimal imports and adjusted for ending stocks. For the period 2010-2013 quarterly available volume averaged 7.455 billion pounds. In 2016, the average quarterly volume available is projected at 8.437 billion. And we are counting on a much more aggressive export volume than USDA. This is an additional billion pounds of chicken each quarter compared to the levels we saw in 2010-13. Given current prices, we don't think we have a demand problem with chicken. But what the concern for livestock producers should be is how much the extra chicken supply is crowding out beef and pork.



Upcoming holidays:

2016 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 April 16 slaughter was 2.197 million head, down 1.9% from a year ago. In the last two weeks hog slaughter is down 1.4% vs. year ago levels.

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass values at about 63.45 /cwt. on Friday were up \$0.2/cwt since Wed. April 6. Prices are up about one dollars compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at \$0.8863, down about 1.5 cent since the Wed.

April 6 quote and down about 12 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.2091 for the strap on loins, up 1.3 cent since Wed. April 6 but down about 17 cent from the year ago levels. Strap off loins at \$1.4147 are up about one cent since Wed. April 6 but down about 18 cent compared to the year ago quote.

Boneless sirloins at \$0.9403 are down 2 cents from the Wed. April 6 quote and down about 21.6 cents from the year ago price.

Pork tenderloin finished last week at \$2.1375, down 7 cent from the Wed. April 6 quote but up about 1.2 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at \$0.9971, up 2.4 cents since Wed. April 6. Prices are up 22 cents from a year ago.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$1.6100, down about 9 cent since Wed. April 6 and down about 13 cents from year ago levels.

Rib inventories on February 29 were 144.2 million pounds, up 35.0% percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was \$0.6366/lb., up 6.1 cents compared to prices on Wed. April 6 and up about 8 cents from a year ago.

20/23 hams finished the week at 63.35 cents, up about 6.2 cents since Wed. April 6 and up about 12 cents from the year ago level.

23/27 hams finished the week at 65.24 , up about 6 cents from the Wed. April 6 quote and up about 10.5 cents from the year ago level.

Total ham cold storage stocks on February 29 at 115.8 million pounds were up 9.3% from year ago levels.

42 CL Pork Trim "FOB Basis". Prices finished the week at 38.91 cent, up about 9.3 cent

since Wed. April 6 and up about 19 cents from the year ago price.

72 CL Pork Trim “FOB Basis”. Prices finished the week at 69.55 cents, up about 7 cents since the Wed. April 6 quote and up about 22 cents from the year ago level.

Freezer stocks of all trimmings on February 29 were 39.7 million pounds, up 41.1% 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 3.50 cents from a year ago.

The National Whole Bird price was quoted at 88.37 on Friday, April 16, down about 17 cents from a year ago.

Broiler slaughter for the week ending April 16 was 163.35 million head, up 3.73% from a year ago. For the last two weeks slaughter was up 3.5% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$1.1534, up 1 cents since Wed. April 6 but still down about 37 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 1.6 cents vs. two weeks ago but at 35.05 cents per pound prices were up 3 cents from a year ago. Bird flu has been a negative factor for dark meat exports so far this year.

Wings. Prices at \$1.8061 are up about 8 cents from year ago levels.

Turkeys

Hens finished last week at \$1.2200, down 0.0 cent since Wed. April 6 but up about 13 cents from the year ago price.

Toms finished last week at \$1.2200, down 0.0 cent since Wed. April 6 but up about 13 cent from the year ago price.

Total turkey supplies in the freezer on February 29 were up 5.3% from a year ago at 338.5 million pounds. Whole birds were up 14.3% from a year ago with an inventory of 137.0 million pounds.

Turkey slaughter was 4.3450 million head for the week ending April 9, up 0.09% from a year ago. For the last two weeks slaughter has been up 6.5%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$2.6500, down 20 cents since Wed. April 6. Prices are down about 40 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 \$7.7661 (weighted average quote) finished last week up about 8 cents since the Wed. April 6 quote but down about 80 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$7.3026 (weighted average quote) finished last week down about 5 cents since the Wed. April 6 quote but down about 102 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$0.4635 /lb. over Select. The 2015 annual average spread (wt. average price) had the Choice at a premium

to the Select by \$0.1123 per pound and the previous five years (2010 thru 2014) average spread was Choice at a premium to the Select by \$0.0948 per pound.

Choice regular #168 insides finished last week quoted at \$2.3191 up about 29 cents since Wed. April 6 but down about 47 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$2.3179 up about 12 cents since Wed. April 6 and down about 56 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$2.0344 up about 4 cents since Wed. April 6 but down about 41 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$7.3682 (wt. avg.) down about 15 cents from the Wed. April 6 quote. Prices are about 24 cents over year ago levels.

Choice #184 Regular Heavy top butts finished at \$4.5003 (wt. avg.) up about 21 cents since Wed. April 6 but down about 6 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$4.6476 (wt. avg.) up about 23 cents since Wed. April 6 but down about 12 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$5.4752 (wt. avg.) down about 52 cents since Wed. April 6 and down about 158 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at \$1.6525 up about 28 cents since Wed. April 6 but down about 56 cents from year ago levels.

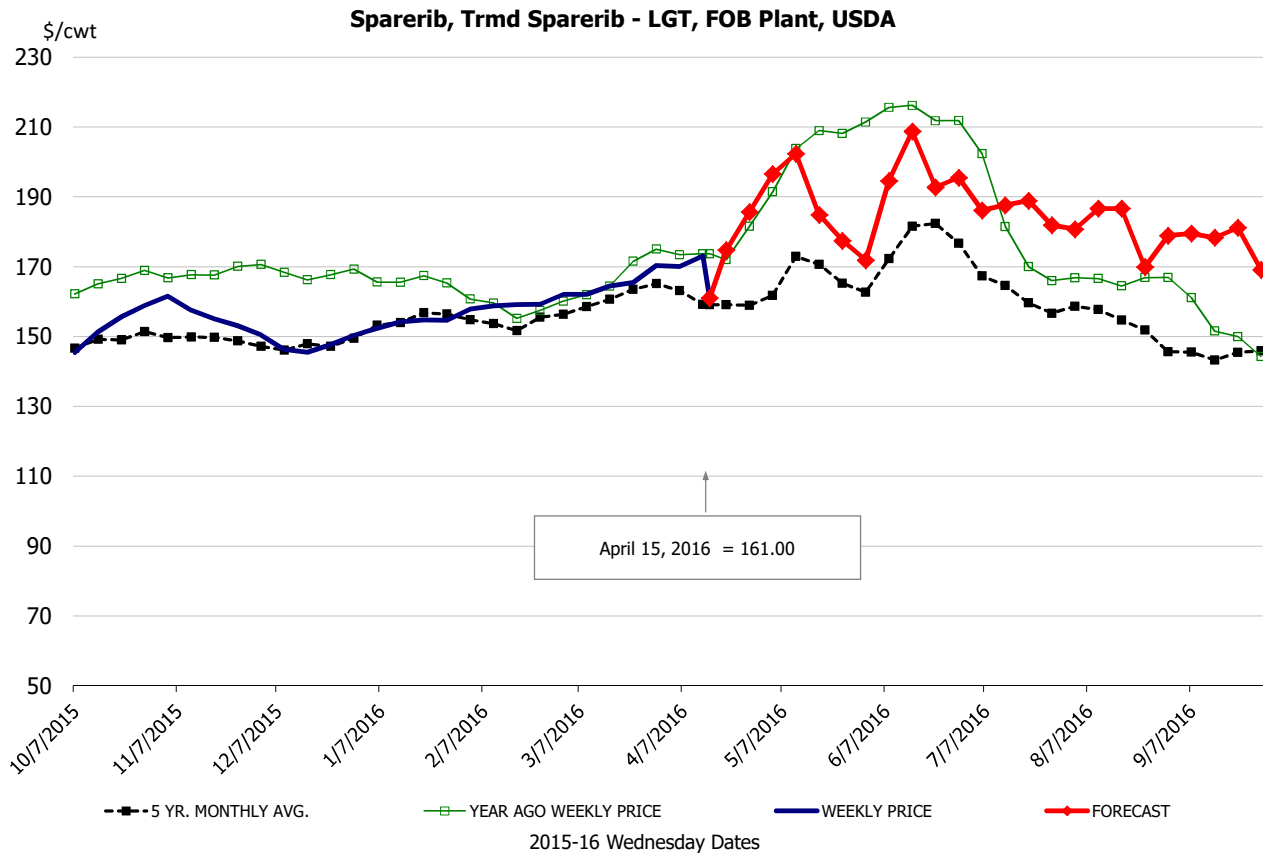
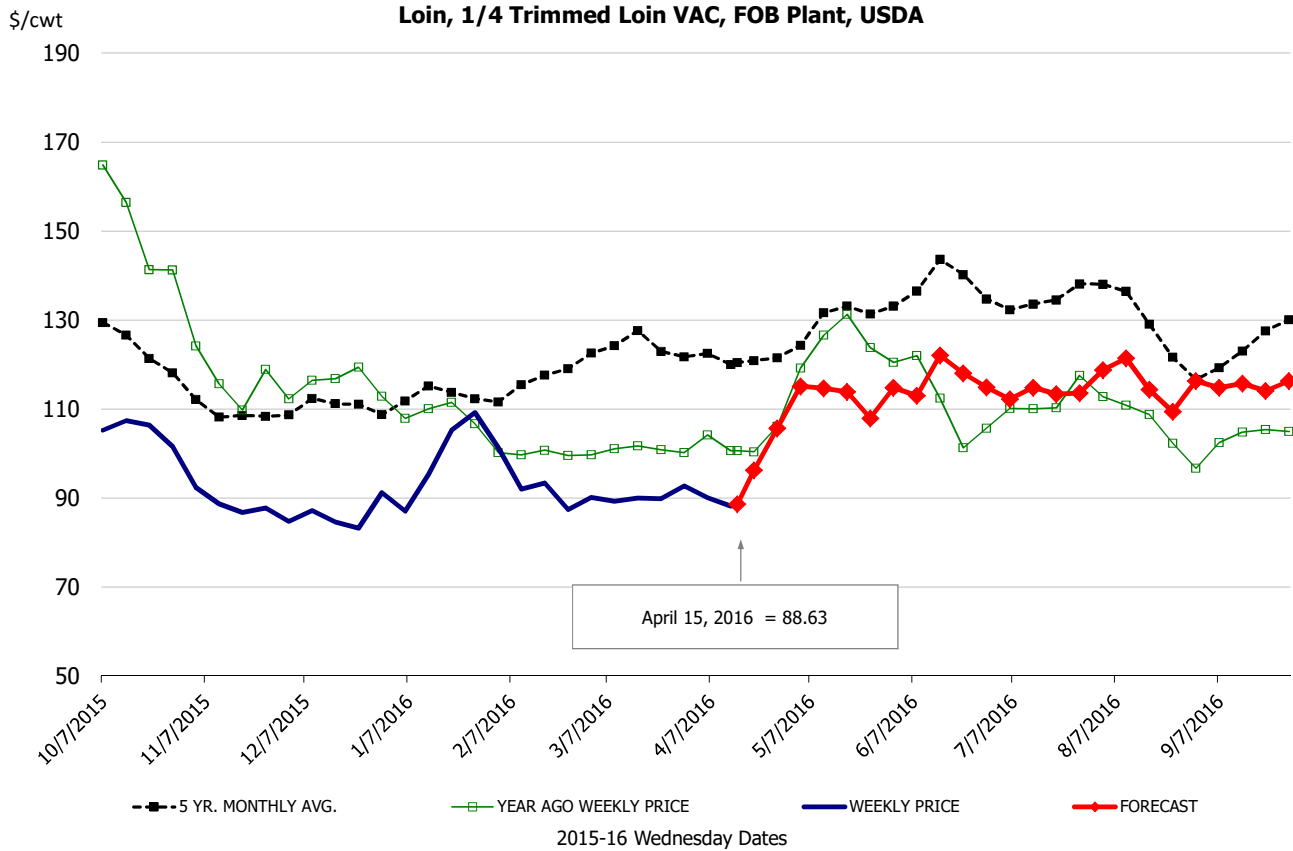
81CL Coarse Ground product finished last week at \$1.8923 up about 12 cent since Wed. April 6 but down about 57 cents from the year ago quote.

90CL Bnls. Beef prices finished the week at \$2.2009 (wt. avg.) up about 0.5 cent since Wed. April 6 but down 74 compared to the year ago price quote.

50 CL Beef Trim prices finished last week at \$0.7837, down about 5 cent since Wed. April 6 and down 45 compared to the year ago level.

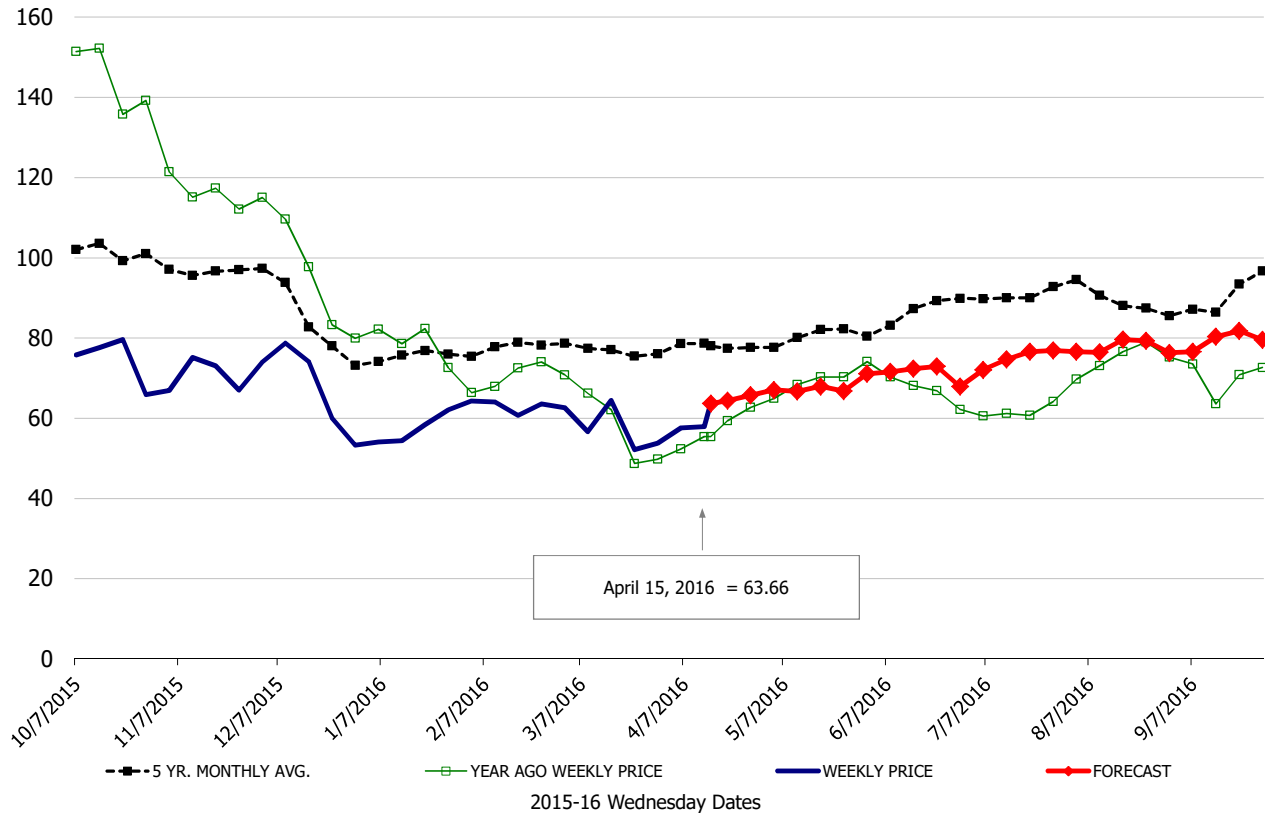
Food Service Summary Table - WT. AVE

	2015-16 History								2016 FORECAST						
	Oct	Nov	Dec	Jan	Feb	Mar	4/6/2016	4/15/2016	4/27/2016	Apr	May	Jun	Jul	Aug	Sep
<u>PORK</u>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.04	0.89	0.86	0.97	0.94	0.90	0.90	0.89	1.06	0.94	1.12	1.17	1.13	1.16	1.15
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.08	0.96	0.92	1.01	1.04	0.97	0.96	0.96	1.14	1.02	1.19	1.24	1.20	1.24	1.21
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.70	1.46	1.42	1.49	1.47	1.42	1.41	1.41	1.56	1.46	1.61	1.65	1.61	1.69	1.72
Loin, Tenderloin, FOB Plant, USDA	2.11	1.95	1.83	2.12	2.41	2.15	2.21	2.14	2.33	2.20	2.49	2.59	2.58	2.56	2.50
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	0.78	0.73	0.80	0.80	0.75	0.84	0.88	0.96	1.02	0.96	1.07	1.11	1.02	1.03	1.04
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.51	1.55	1.48	1.54	1.59	1.64	1.70	1.61	1.86	1.74	1.89	1.92	1.87	1.81	1.79
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.43	2.47	2.48	2.49	2.57	2.61	2.59	2.18	2.70	2.59	2.69	2.74	2.73	2.73	2.67
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.50	1.50	1.39	1.41	1.50	1.55	1.57	1.52	1.75	1.65	1.79	1.84	1.83	1.83	1.77
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.23	2.37	2.43	2.49	2.59	2.73	2.83	2.92	3.03	2.94	3.05	3.01	3.01	3.02	2.95
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.75	0.68	0.68	0.58	0.62	0.56	0.58	0.64	0.66	0.64	0.67	0.72	0.74	0.78	0.79
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.72	0.66	0.64	0.58	0.61	0.55	0.57	0.63	0.67	0.64	0.67	0.69	0.74	0.76	0.78
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.66	0.61	0.59	0.56	0.58	0.55	0.59	0.65	0.65	0.64	0.64	0.66	0.71	0.75	0.74
Ham, 5 Muscle Ham to Blue, FOB Plant, USDA	0.96	0.96	0.96	1.03	1.03	1.03	1.03	1.03	1.16	1.16	1.16	1.16	1.17	1.22	1.20
Belly, Skin-on Belly 14-16#, FOB Plant, USDA	1.61	1.36	1.11	1.20	1.35	1.40	1.45	1.29	1.35	1.35	1.41	1.59	1.61	1.69	1.55
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.97	1.41	1.34	1.42	1.59	1.65	1.61	1.59	1.66	1.70	1.79	2.01	2.09	2.10	1.96
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.95	1.44	1.29	1.44	1.57	1.64	1.61	1.57	1.65	1.69	1.75	2.01	2.09	2.09	1.96
Trim, 42% Trim Combo, FOB Plant, USDA	0.30	0.24	0.18	0.20	0.18	0.25	0.30	0.39	0.39	0.39	0.39	0.41	0.45	0.44	0.39
Trim, 72% Trim Combo, FOB Plant, USDA	0.60	0.50	0.37	0.46	0.58	0.55	0.63	0.70	0.69	0.70	0.72	0.78	0.79	0.71	0.67
<u>HOG CARCASS</u>															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	0.69	0.53	0.51	0.55	0.63	0.64	0.63	0.63	0.68	0.66	0.74	0.79	0.81	0.79	0.76
<u>BROILERS</u>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	0.74	0.75	0.82	0.88	0.82	0.85	0.87	0.88	0.87	0.89	0.90	0.89	0.86	0.82	0.83
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.11	1.06	1.02	1.08	1.07	1.11	1.15	1.15	1.15	1.17	1.29	1.32	1.33	1.33	1.28
N.E. BROILER BREAST LINE RUN, USDA	0.77	0.77	0.77	0.83	0.86	0.89	0.91	0.92	0.91	0.92	0.96	0.96	0.96	0.93	0.91
N.E. BROILER LEG QUARTERS, USDA	0.23	0.23	0.24	0.25	0.27	0.31	0.33	0.35	0.34	0.35	0.36	0.36	0.36	0.34	0.35
N.E. BROILER WINGS, USDA, WT.AVG.	1.71	1.63	1.63	1.90	1.94	1.79	1.81	1.81	1.78	1.77	1.72	1.70	1.77	1.80	1.90
<u>TURKEYS</u>															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.40	1.39	1.27	1.18	1.19	1.21	1.22	1.22	1.20	1.22	1.22	1.22	1.23	1.24	1.24
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	5.81	5.85	5.73	5.26	3.83	3.24	2.85	2.65	2.60	2.65	2.75	2.85	3.05	3.25	3.40
<u>LIVE STEERS</u>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.28	1.29	1.22	1.33	1.34	1.37	1.34	1.34	1.35	1.34	1.30	1.24	1.22	1.22	1.22
<u>BEEF</u>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	6.98	8.11	7.91	7.17	7.54	7.95	7.69	7.77	8.01	7.91	8.00	8.06	7.28	7.30	7.43
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.25	2.13	2.00	2.54	2.54	2.36	2.19	2.32	2.36	2.38	2.33	2.24	2.31	2.41	2.27
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.17	2.05	2.13	2.47	2.40	1.98	2.00	2.03	2.00	2.00	2.08	2.05	2.11	2.10	2.17
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	5.50	5.49	5.23	5.67	5.69	7.20	7.51	7.37	7.75	7.67	7.98	7.70	6.56	6.28	5.78
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	3.37	3.07	3.01	3.33	3.34	4.18	4.42	4.65	4.83	4.65	4.55	4.42	4.38	4.36	4.08
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	4.30	4.09	4.11	5.17	4.97	5.72	6.00	5.48	5.77	5.77	6.55	6.17	5.62	5.29	4.86
COARSE GROUND 73%, USDA	1.62	1.46	1.33	2.18	1.58	1.42	1.38	1.65	1.64	1.65	1.69	1.56	1.52	1.60	1.59
COARSE GROUND 81%, USDA	1.91	1.71	1.54	2.27	1.78	1.65	1.77	1.89	1.88	1.89	1.96	1.81	1.84	1.90	1.88
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.33	2.13	1.97	2.01	2.10	2.18	2.20	2.20	2.22	2.24	2.20	2.17	2.14	2.12	2.14
50CL BEEF TRIM, FRESH, NATIONAL, USDA	0.48	0.51	0.38	0.64	0.52	0.94	0.83	0.78	0.90	0.85	0.84	0.75	0.74	0.78	0.71



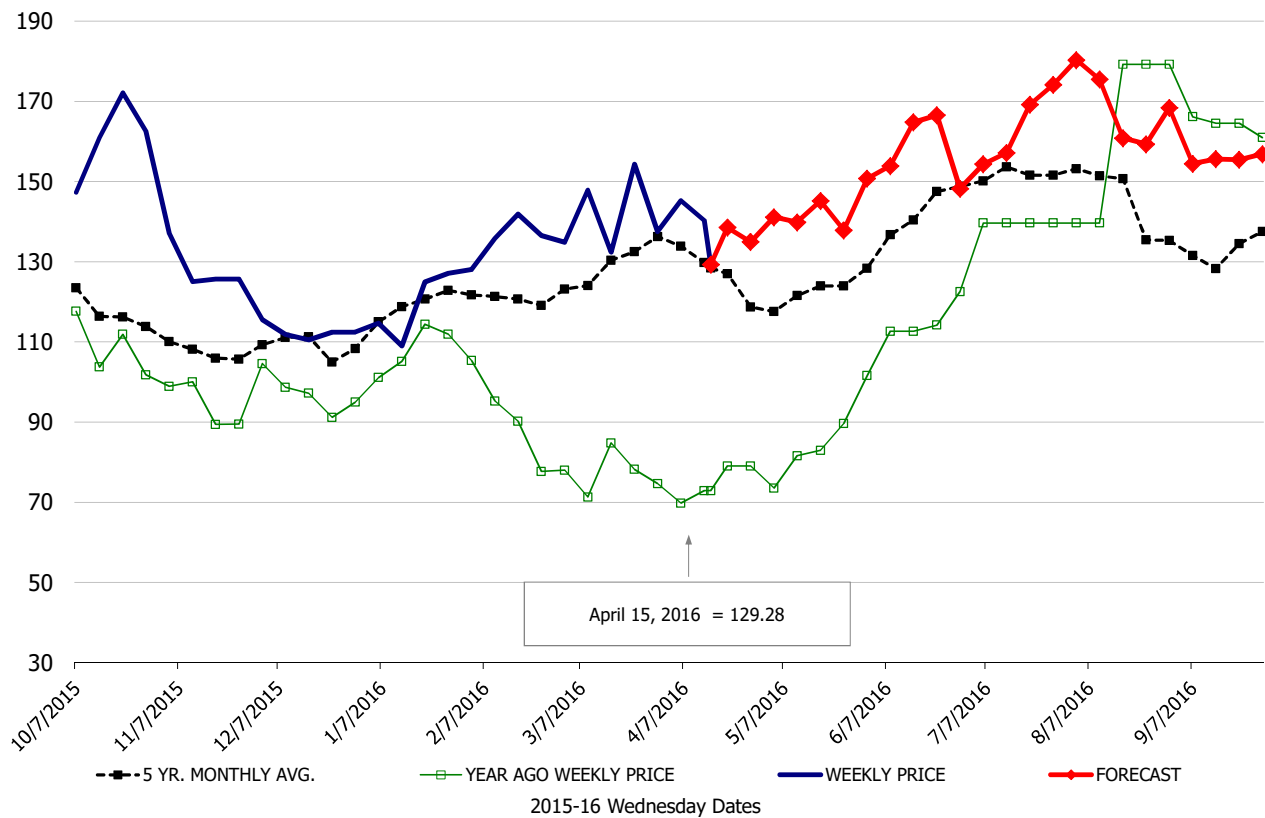
\$/cwt

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



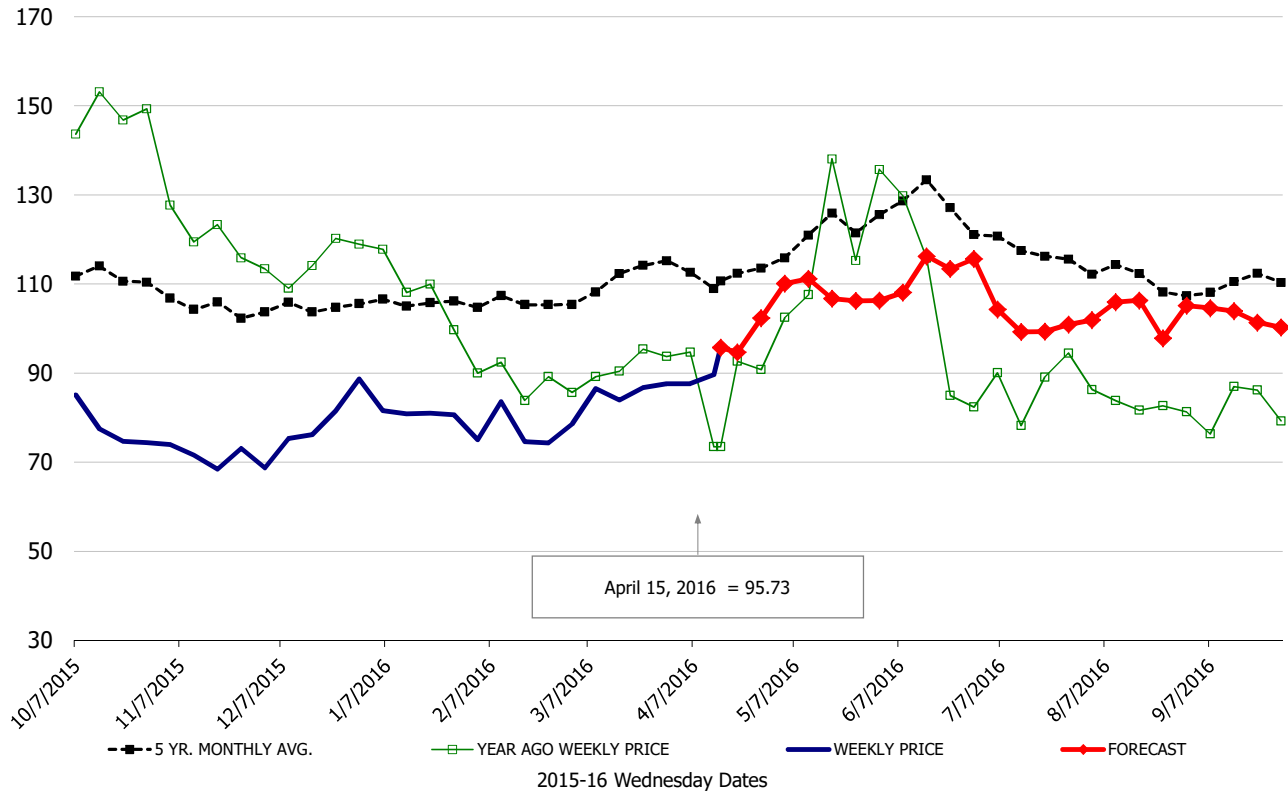
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Belly, Skin-On Belly 14-16#, FOB Plant, USDA



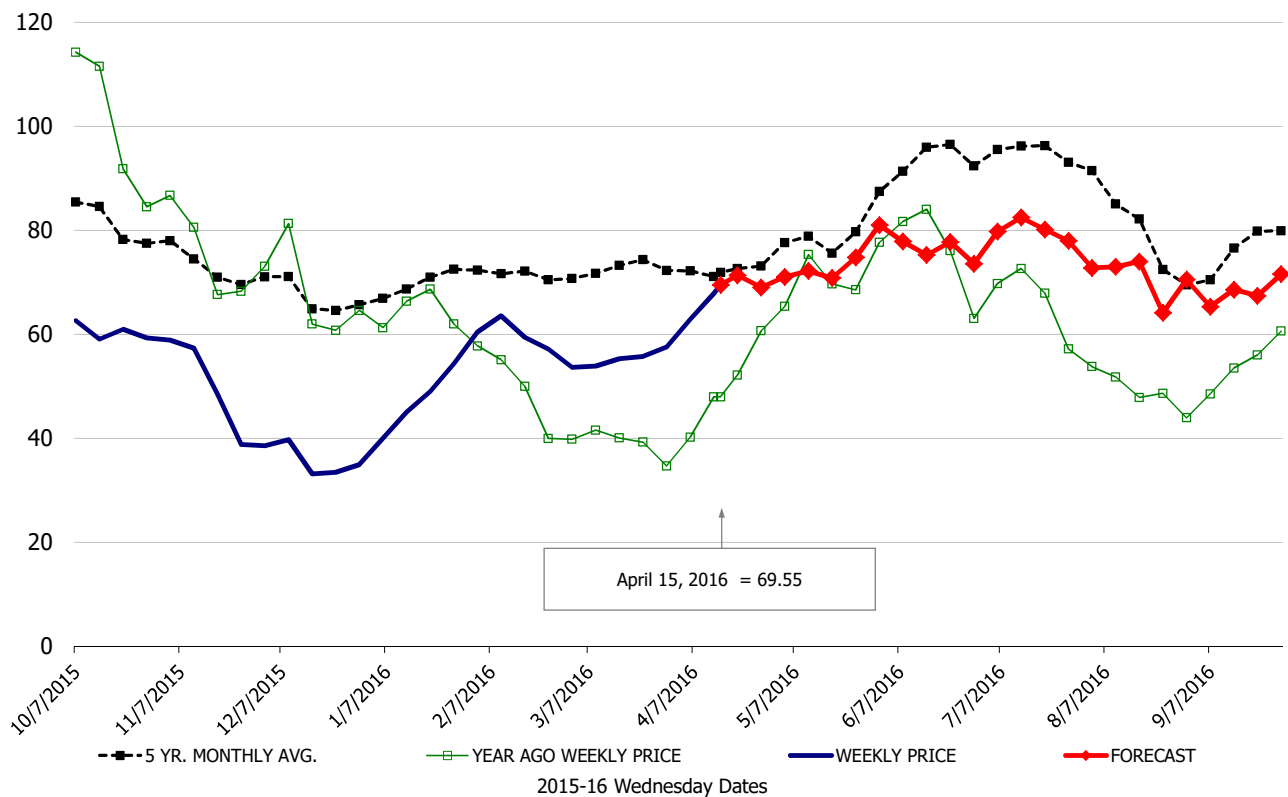
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Butt, 1/4 Trim Butt Combo, FOB Plant, USDA

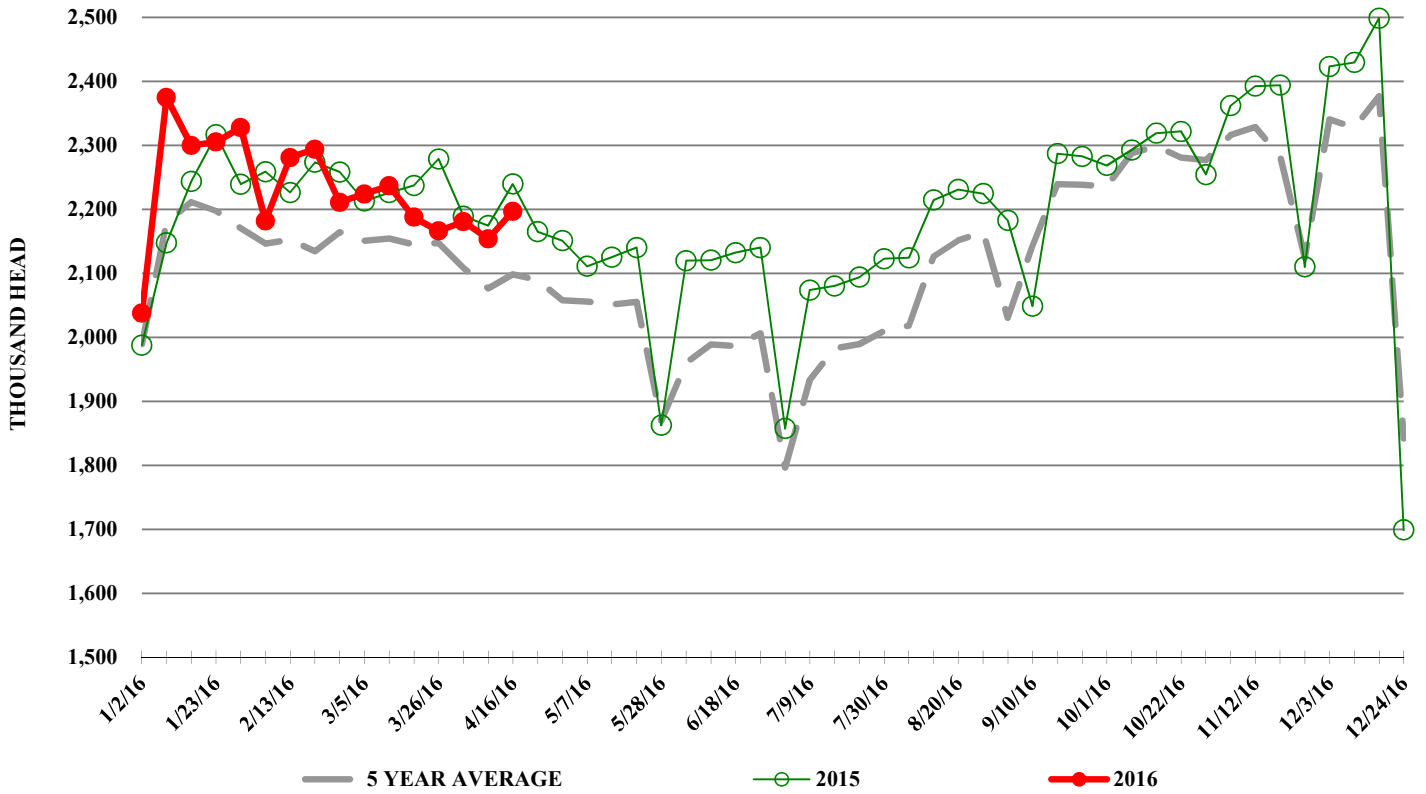


\$/cwt

Trim, 72% Trim Combo, FOB Plant, USDA



ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION

