



Pork Merchandiser's Profit Maximizer

Be inspiredSM

- Foodservice Edition -

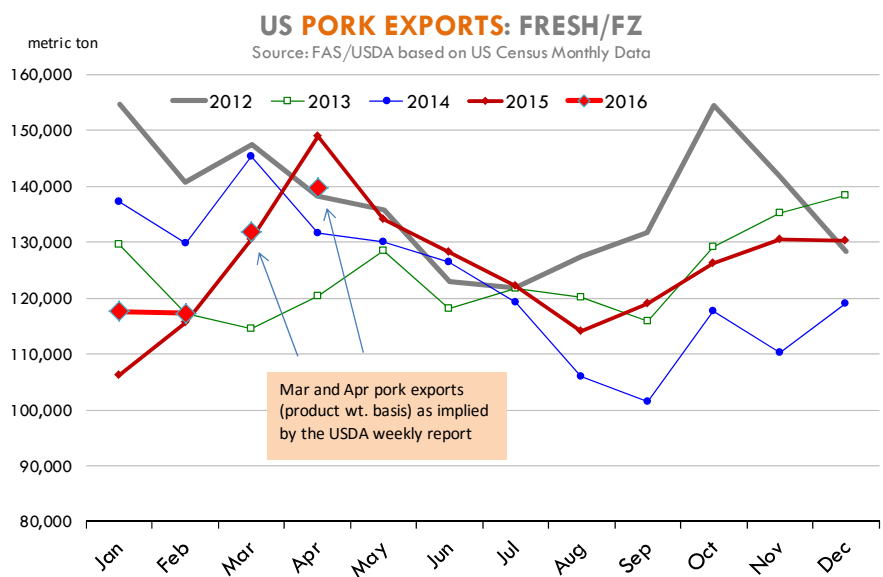
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Prepared by Steiner and Company, Manchester, NH 800-526-4612.

May 2, 2016

1. Hog Market Situation

Hog futures have gained ground in recent days following a steady improvement both in the value of the pork cutout as well as higher prices paid for hogs in the cash market. It is somewhat telling from a demand perspective that fat beef trimmings are down sharply at a time when pork trim has gained about 20 cents compared to where it was just four weeks. The gains in the value of pork trim have come even as hog slaughter remains quite large for this time of year. There continues to be a lot of **speculation about the role that bigger pork exports to China will have on pork export demand this year.** Weekly exports showed that shipments to China for the week ending April 21 were 5,299 MT, the largest volume so far this year. Overall exports for the week at 22,132 MT, however, were in line with expectations and they imply, according to our calculations, April exports that are about 6%

under year ago levels (see chart). But at this point markets are looking past the near term. The biggest question in terms of exports is what happens over the summer. Last year we saw a sharp decline in shipments, which pressured the entire complex lower. If exports hold up, something that we saw propel the market in 2012 and 2013, then current hog prices have some additional near term upside potential. It is a big if, however, and something that bears watching in the next few weeks.

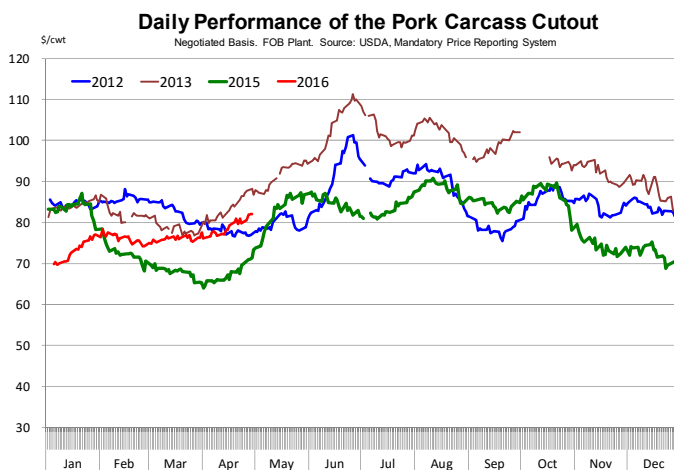
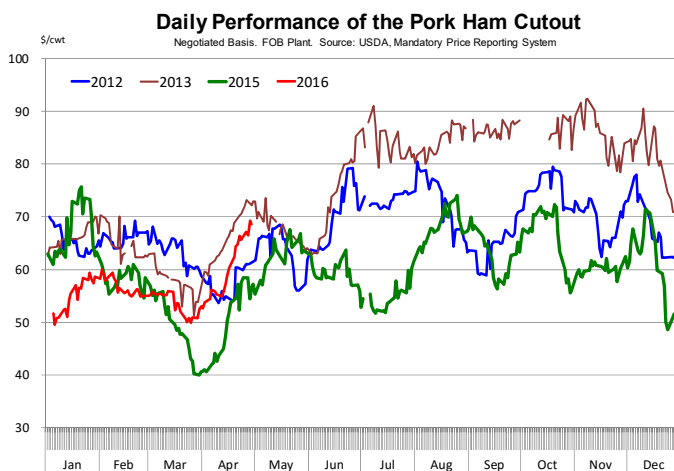
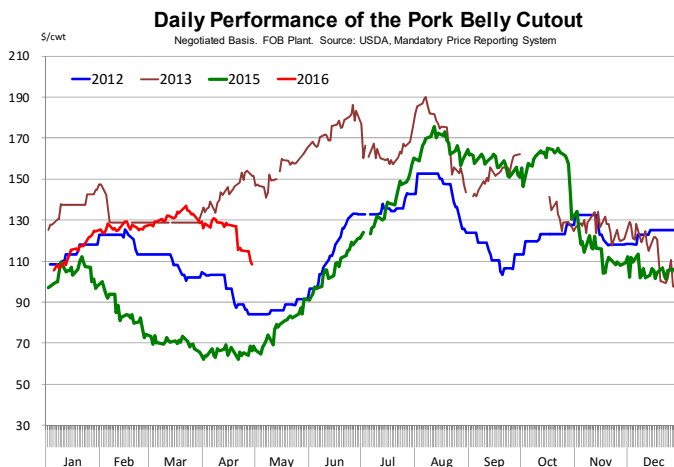


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Going forward, there are a number of issues that pork market participants will have to contend with. First, how big are hog pipeline supplies? Hog slaughter in the last two reported weeks has averaged 2.190 million head, 1.5% larger than a year ago. But before you make too much of this number consider that the previous three weeks hog slaughter had been running below its projected pace. That's why hog weights moved up in early April. The inventory of hogs 120-179 pounds as of March 1 was up 1.2% from the previous year. Last year average weekly slaughter during the period was around 2.14 million head implying hog slaughter of around 2.16 million, a fairly large number for this time of year.

The impact of large hog supplies on the ground can be seen in the big spread between hog carcass prices and the value of the pork cutout (bigger margins for packers). What is unknown at this point is how good those March estimates were, especially for the Dec-Feb pig crop. Summer futures have been quite volatile, precisely because market participants are unsure how the supply scenario will play out. An even bigger issue concerns Mar-May crop estimates (fall hog supplies). If producers understated the farrowing intentions for that period, we could very well be looking at a 1-2% increase in the pig crop. It seems to us that at this point futures are still trading steady supplies and robust export demand for that time period. After the June Hogs and Pigs report the picture should become clearer.

Another issue that is unknowable at this time is summer weather and the impact on hog weights. Hog weights normally drift lower between May and late July as temperatures rise. The timing and magnitude of the summer heat will be a critical factor. Finally, we come back to the question of pork demand. Already we have seen exports to China increase sharply compared to a year ago. Exports to Mexico also appear to be improving, which possibly accounts for the recovery in the ham market. Belly prices have declined, not unusual for this time of year but forcing market participants to reconsider



those March bullish projections. Lower beef and chicken prices will continue to present a challenge, likely limiting the summer upside but may be even more problematic in the fall.

2. More beef, pork and chicken in the pipeline should help keep meat prices in check

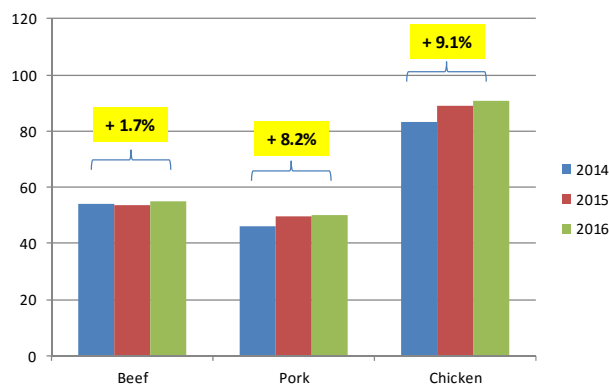
Competition for the “grilling dollar” will be tougher this year given the significant increase in supplies of all three main proteins. Feedlot operators are scrambling to accelerate marketings given the discounted forward prices and seasonal demand weakness in July and August. The large basis is offering a strong incentive to pull cattle forward. Hog producers also appear to have plenty of supply on the ground. Weekly hog slaughter this week should be above 2.2 million head, quite large for end of April. And yet, large as beef and pork supplies are, their increase dwarfs compares to the amount of chicken currently in the pipeline. Consider the chart to the right, showing per capita domestic disappearance in 2014, 2015 and projections for 2016. This year US consumers will have 7.6 pounds more chicken available than in 2014 (+9.1%), 3.8 pounds more pork (+8.2%) and 0.9 pounds more beef (+1.7%).

The increase in chicken supplies is not a surprise, producer margins were excellent in the last two years, fueling growth. And at this point there appear to be few threats to the feed price outlook. The benign cost structure may change this summer, with some analysts calling for a dry August in the US. Speculation aside, in the short to medium term, US chicken supplies are expected to steadily increase. Broiler chick placements imply that slaughter for the next six weeks will continue to run about 1.5% above year ago levels. Add to this another 1% increase in broiler weights and chicken output should continue to expand at a 2.5% pace into Memorial Day. Current USDA forecast is for broiler production this year to increase by a little over 1 billion pounds (+2.6%). So far we are right on track with that projection. But the supply available in the domestic market is a function not just of total domestic production but also how much we are able to sell to other markets. The latest USDA forecast calls for 2016 broiler exports to increase by around 421 million pounds (+6.7%). Still,

current export projections of 6.7 billion are well short of the 7.3 billion pounds that was exported in 2014. Why were exports down in 2015 and is there a chance to return to those levels this year? They were down because of Avian Influenza bans and Russia. Exports last year fell almost 1 billion pounds. Out of this total, about 305 million pounds were due to loss of Russian market. That business is unlikely to return this year. Exports to Angola were down 202 million pounds and exports to China were down 245 million pounds. Exports to Angola show signs of improving but prospects for more exports to China are dim. At this point the USDA forecast for higher

Per Capita Disappearance of Three Main Species

Source: USDA WASDE & Steiner Consulting



Upcoming holidays:

2016 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 30 slaughter was 2.139 million head, down 0.6% from a year ago. In the last two weeks hog slaughter is up 1.5% vs. year ago levels.

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass values at about 70.40 /cwt. on Friday were up \$4.8/cwt since Wed. April 20. Prices are down about one dollars compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at \$0.9370, up about 4.2 cent since the Wed. April

20 quote but down about 12 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.2973 for the strap on loins, up 4.1 cent since Wed. April 20 but down about 10 cent from the year ago levels. Strap off loins at \$1.3792 are up about 2.4 cent since Wed. April 20 but down about 16 cent compared to the year ago quote.

Boneless sirloins at \$1.0901 are up 13 cents from the Wed. April 20 quote but down about 6.9 cents from the year ago price.

Pork tenderloin finished last week at \$2.3039, up 12 cent from the Wed. April 20 quote and up about 27.4 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at \$1.1606, up 12.1 cents since Wed. April 20. Prices are up 9 cents from a year ago.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$1.5896, down about 12 cent since Wed. April 20 and down about 23 cents from year ago levels.

Rib inventories on March 31 were 146.5 million pounds, up 26.9% percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was \$0.6992/lb., up 12.0 cents compared to prices on Wed. April 20 and up about 7 cents from a year ago.

20/23 hams finished the week at 74.30 cents, up about 6.5 cents since Wed. April 20 and up about 14 cents from the year ago level.

23/27 hams finished the week at 71.54 , up about 4 cents from the Wed. April 20 quote and up about 13.6 cents from the year ago level.

Total ham cold storage stocks on March 31 at 96.5 million pounds were up 1.5% from year ago levels.

42 CL Pork Trim "FOB Basis". Prices finished the week at 47.70 cent, up about 5.9 cent

since Wed. April 20 and up about 22 cents from the year ago price.

72 CL Pork Trim “FOB Basis”. Prices finished the week at 84.25 cents, up about 9 cents since the Wed. April 20 quote and up about 24 cents from the year ago level.

Freezer stocks of all trimmings on March 31 were 44.8 million pounds, up 35.3% 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 \$111.75 was up 4.00 cents from a year ago.

The National Whole Bird price was quoted at 88.75 on Friday, April 30, down about 19 cents from a year ago.

Broiler slaughter for the week ending April 30 was 160.44 million head, up 1.10% from a year ago. For the last two weeks slaughter was up 2.0% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$1.1875, up 3 cents since Wed. April 20 but still down about 42 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 35.99 cents per pound prices were up 2 cents from a year ago. Bird flu has been a negative factor for dark meat exports so far this year.

Wings. Prices at \$1.7491 are up about 6 cents from year ago levels.

Turkeys

Hens finished last week at \$1.2200, down 0.0 cent since Wed. April 20 but up about 11 cents from the year ago price.

Toms finished last week at \$1.2200, down 0.0 cent since Wed. April 20 but up about 11 cent from the year ago price.

Total turkey supplies in the freezer on March 31 were up 6.5% from a year ago at 368.0 million pounds. Whole birds were up 10.5% from a year ago with an inventory of 160.4 million pounds.

Turkey slaughter was 4.4040 million head for the week ending April 23, up 2.28% from a year ago. For the last two weeks slaughter has been up 0.6%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$2.2500, down 35 cents since Wed. April 20. Prices are down about 103 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 \$7.2319 (weighted average quote) finished last week down about 48 cents since the Wed. April 20 quote and down about 137 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$6.8427 (weighted average quote) finished last week down about 51 cents since the Wed. April 20 quote but down about 92 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$0.3892 /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 \$1.9861 down about 30 cents since Wed. April 20 and down about 69 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$2.0480 down about 22 cents since Wed. April 20 and down about 82 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$1.9278 down about 5 cents since Wed. April 20 and down about 40 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$6.8939 (wt. avg.) down about 29 cents from the Wed. April 20 quote. Prices are about 119 cents over year ago levels.

Choice #184 Regular Heavy top butts finished at \$4.4028 (wt. avg.) down about 7 cents since Wed. April 20 and down about 22 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$4.4157 (wt. avg.) down about 30 cents since Wed. April 20 and down about 33 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$5.0468 (wt. avg.) down about 94 cents since Wed. April 20 and down about 289 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at \$1.5344 down about 12 cents since Wed. April 20 and down about 53 cents from year ago levels.

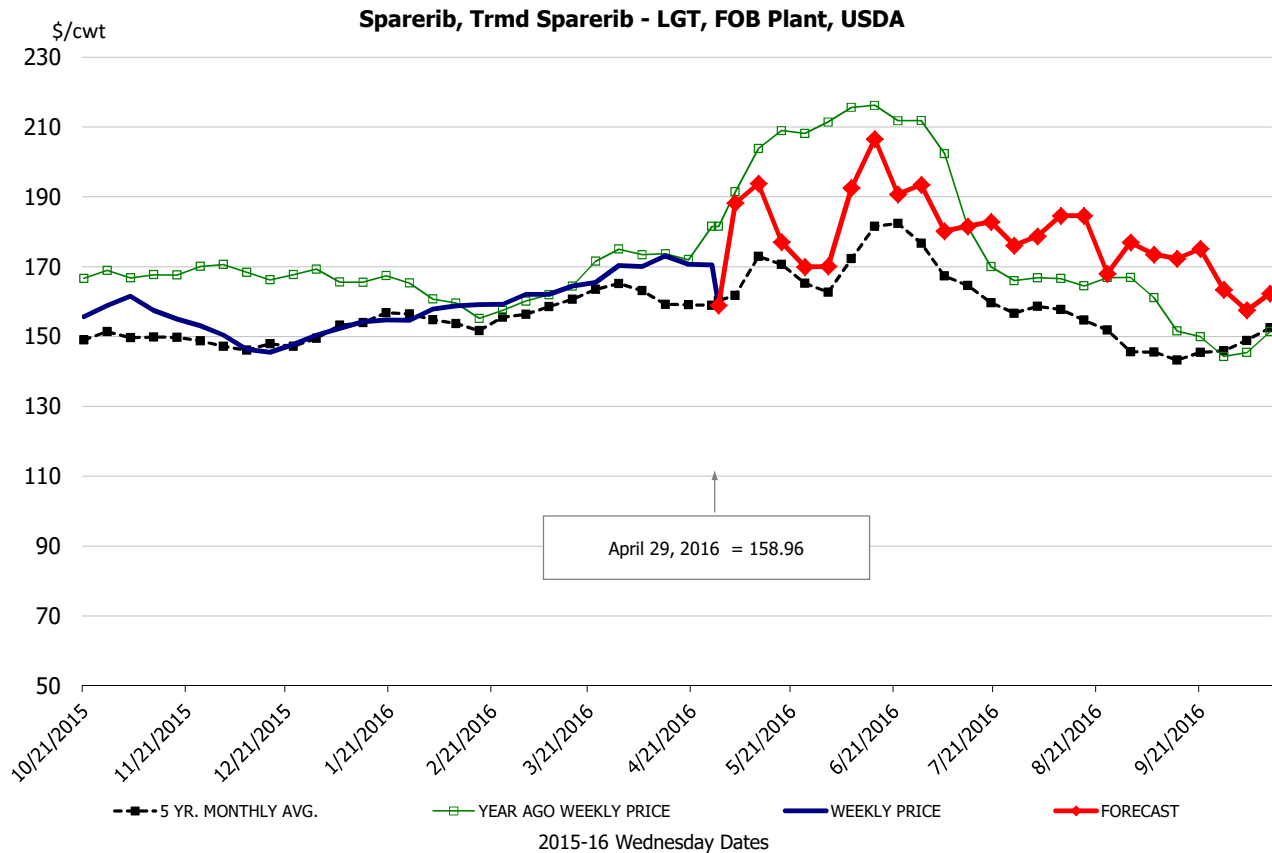
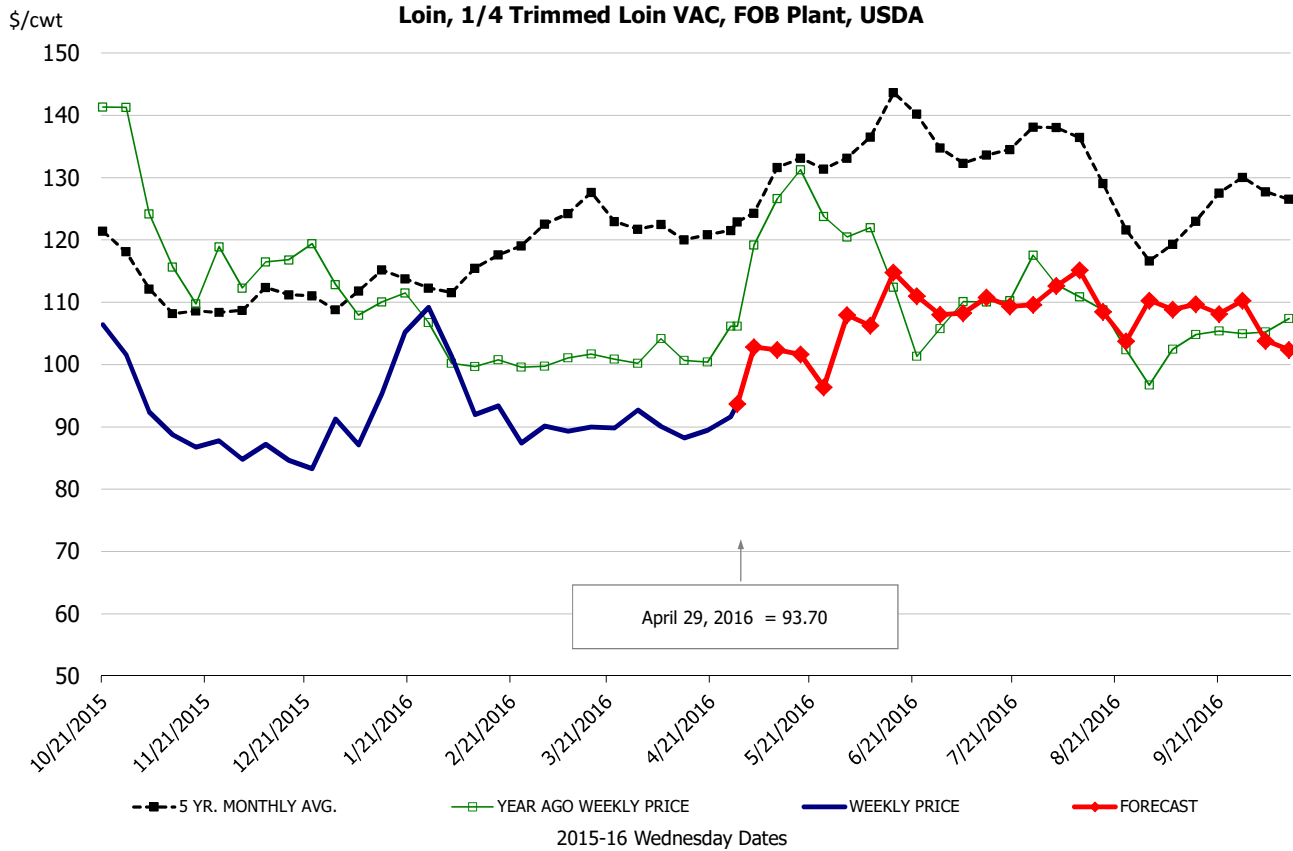
81CL Coarse Ground product finished last week at \$1.7846 down about 5 cent since Wed. April 20 and down about 56 cents from the year ago quote.

90CL Bnls. Beef prices finished the week at \$2.1741 (wt. avg.) up about 0.5 cent since Wed. April 20 but down 78 compared to the year ago price quote.

50 CL Beef Trim prices finished last week at \$0.5697, down about 17 cent since Wed. April 20 and down 57 compared to the year ago level.

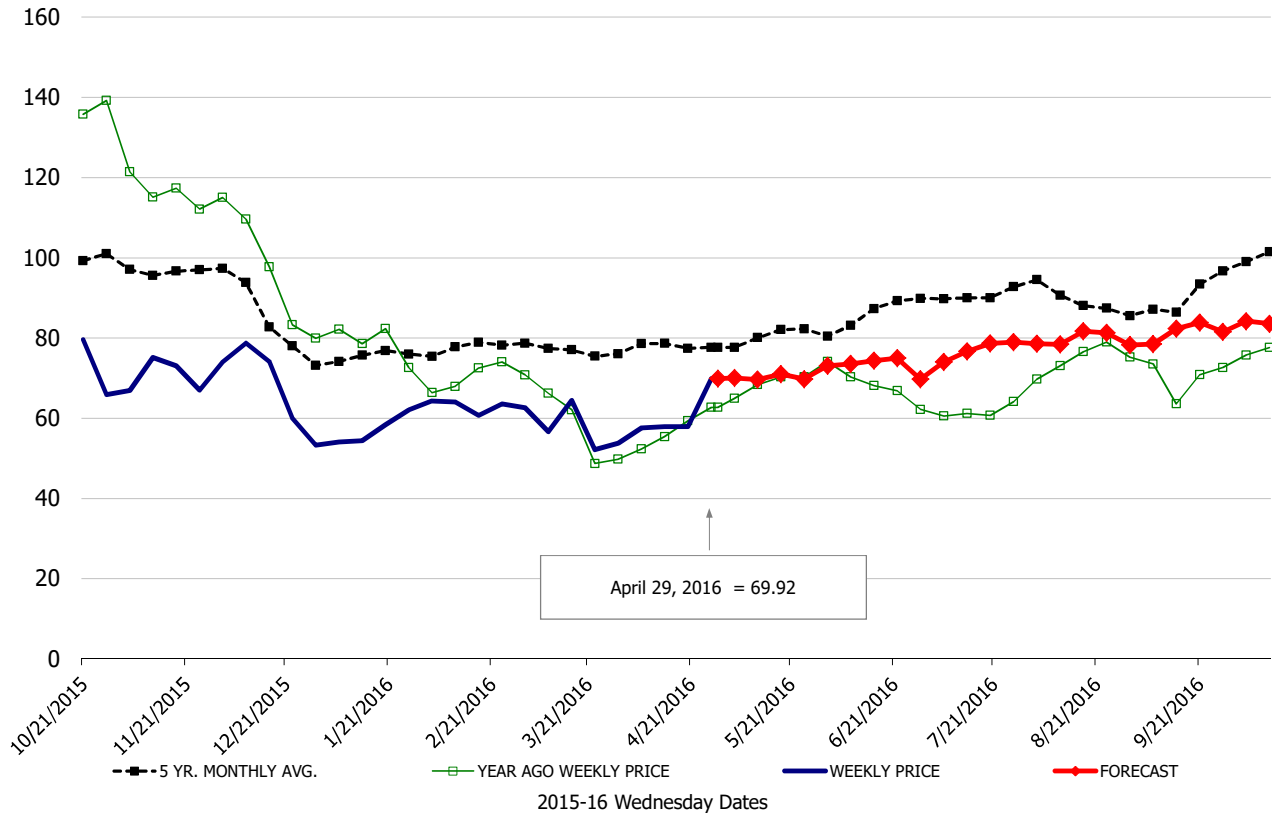
Food Service Summary Table - WT. AVE

	2015-16 History							2016 FORECAST							
	Nov	Dec	Jan	Feb	Mar	Apr	4/20/2016	4/29/2016	5/11/2016	May	Jun	Jul	Aug	Sep	Oct
<u>PORK</u>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	0.89	0.86	0.97	0.94	0.90	0.89	0.89	0.94	1.02	1.00	1.10	1.09	1.10	1.09	1.01
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	0.96	0.92	1.01	1.04	0.97	0.97	0.98	0.97	1.11	1.07	1.19	1.17	1.19	1.16	1.06
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.46	1.42	1.49	1.47	1.42	1.38	1.36	1.38	1.57	1.51	1.60	1.59	1.63	1.69	1.55
Loin, Tenderloin, FOB Plant, USDA	1.95	1.83	2.12	2.41	2.15	2.21	2.18	2.30	2.42	2.37	2.53	2.59	2.51	2.47	2.08
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	0.73	0.80	0.80	0.75	0.84	0.96	0.97	1.00	1.08	1.04	1.10	1.04	1.03	1.05	0.91
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.55	1.48	1.54	1.59	1.64	1.67	1.71	1.59	1.94	1.81	1.90	1.81	1.79	1.73	1.60
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.47	2.48	2.49	2.57	2.61	2.56	2.70	2.67	2.88	2.69	2.73	2.68	2.65	2.61	2.46
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.50	1.39	1.41	1.50	1.55	1.54	1.47	1.62	1.83	1.72	1.83	1.77	1.75	1.71	1.56
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.37	2.43	2.49	2.59	2.73	2.90	2.91	2.95	3.10	3.04	3.07	2.93	2.91	2.84	2.44
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.68	0.68	0.58	0.62	0.56	0.64	0.58	0.70	0.70	0.70	0.74	0.76	0.80	0.81	0.84
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.66	0.64	0.58	0.61	0.55	0.63	0.68	0.74	0.76	0.75	0.75	0.80	0.84	0.84	0.79
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.61	0.59	0.56	0.58	0.55	0.64	0.67	0.72	0.73	0.72	0.72	0.77	0.81	0.81	0.76
Ham, 5 Muscle Ham to Blue, FOB Plant, USDA	0.96	0.96	1.03	1.03	1.03	1.03	1.03	1.03	1.29	1.29	1.28	1.39	1.41	1.44	1.31
Belly, Skin-on Belly 14-16#, FOB Plant, USDA	1.36	1.11	1.20	1.35	1.40	1.32	1.31	1.17	1.19	1.20	1.45	1.59	1.70	1.53	1.38
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.41	1.34	1.42	1.59	1.65	1.51	1.61	1.42	1.60	1.60	1.87	2.00	2.14	1.92	1.73
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.44	1.29	1.44	1.57	1.64	1.50	1.43	1.39	1.59	1.59	1.86	1.98	2.12	1.90	1.71
Trim, 42% Trim Combo, FOB Plant, USDA	0.24	0.18	0.20	0.18	0.25	0.37	0.42	0.48	0.48	0.48	0.49	0.53	0.52	0.49	0.41
Trim, 72% Trim Combo, FOB Plant, USDA	0.50	0.37	0.46	0.58	0.55	0.69	0.75	0.84	0.84	0.84	0.90	0.92	0.83	0.81	0.77
<u>HOG CARCASS</u>															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	0.53	0.51	0.55	0.63	0.63	0.64	0.66	0.70	0.77	0.75	0.81	0.83	0.79	0.76	0.68
<u>BROILERS</u>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	0.75	0.82	0.88	0.82	0.85	0.88	0.89	0.89	0.91	0.90	0.89	0.86	0.82	0.83	0.81
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.06	1.02	1.08	1.07	1.11	1.16	1.16	1.19	1.30	1.29	1.28	1.29	1.29	1.24	1.09
N.E. BROILER BREAST LINE RUN, USDA	0.77	0.77	0.83	0.86	0.89	0.93	0.92	0.95	1.01	1.00	1.00	1.00	0.97	0.96	0.90
N.E. BROILER LEG QUARTERS, USDA	0.23	0.24	0.25	0.27	0.31	0.35	0.35	0.36	0.37	0.36	0.36	0.37	0.38	0.39	0.37
N.E. BROILER WINGS, USDA, WT.AVG.	1.63	1.63	1.90	1.94	1.79	1.79	1.80	1.75	1.77	1.78	1.78	1.80	1.86	1.98	2.00
<u>TURKEYS</u>															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.39	1.27	1.18	1.19	1.21	1.22	1.22	1.22	1.21	1.22	1.22	1.23	1.24	1.24	1.24
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	5.85	5.73	5.26	3.83	3.24	2.59	2.60	2.25	2.30	2.30	2.35	2.45	2.60	2.65	2.70
<u>LIVE STEERS</u>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.29	1.22	1.33	1.34	1.37	1.32	1.34	1.25	1.27	1.26	1.18	1.16	1.16	1.17	1.18
<u>BEEF</u>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	8.11	7.91	7.17	7.54	7.95	7.53	7.71	7.23	7.91	8.00	8.06	7.28	7.30	7.43	7.62
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.13	2.00	2.54	2.54	2.36	2.19	2.27	2.05	2.11	2.08	2.08	2.14	2.24	2.11	2.11
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.05	2.13	2.47	2.40	1.98	1.96	1.98	1.93	1.94	1.94	1.87	1.90	1.92	1.98	2.04
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	5.49	5.23	5.67	5.69	7.20	7.24	7.18	6.89	7.38	7.40	7.01	5.96	5.70	5.32	5.22
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	3.07	3.01	3.33	3.34	4.18	4.48	4.72	4.42	4.68	4.55	4.08	4.04	4.02	3.90	3.47
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	4.09	4.11	5.17	4.97	5.72	5.60	5.99	5.05	5.60	5.63	5.18	4.69	4.40	4.09	3.91
COARSE GROUND 73%, USDA	1.46	1.33	2.18	1.58	1.42	1.50	1.65	1.53	1.57	1.54	1.41	1.38	1.45	1.42	1.38
COARSE GROUND 81%, USDA	1.71	1.54	2.27	1.78	1.65	1.74	1.83	1.78	1.81	1.79	1.63	1.63	1.68	1.64	1.61
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.13	1.97	2.01	2.10	2.18	2.18	2.17	2.17	2.18	2.17	2.09	2.09	2.06	2.07	1.95
50CL BEEF TRIM, FRESH, NATIONAL, USDA	0.51	0.38	0.64	0.52	0.94	0.73	0.74	0.57	0.64	0.65	0.58	0.56	0.59	0.52	0.54



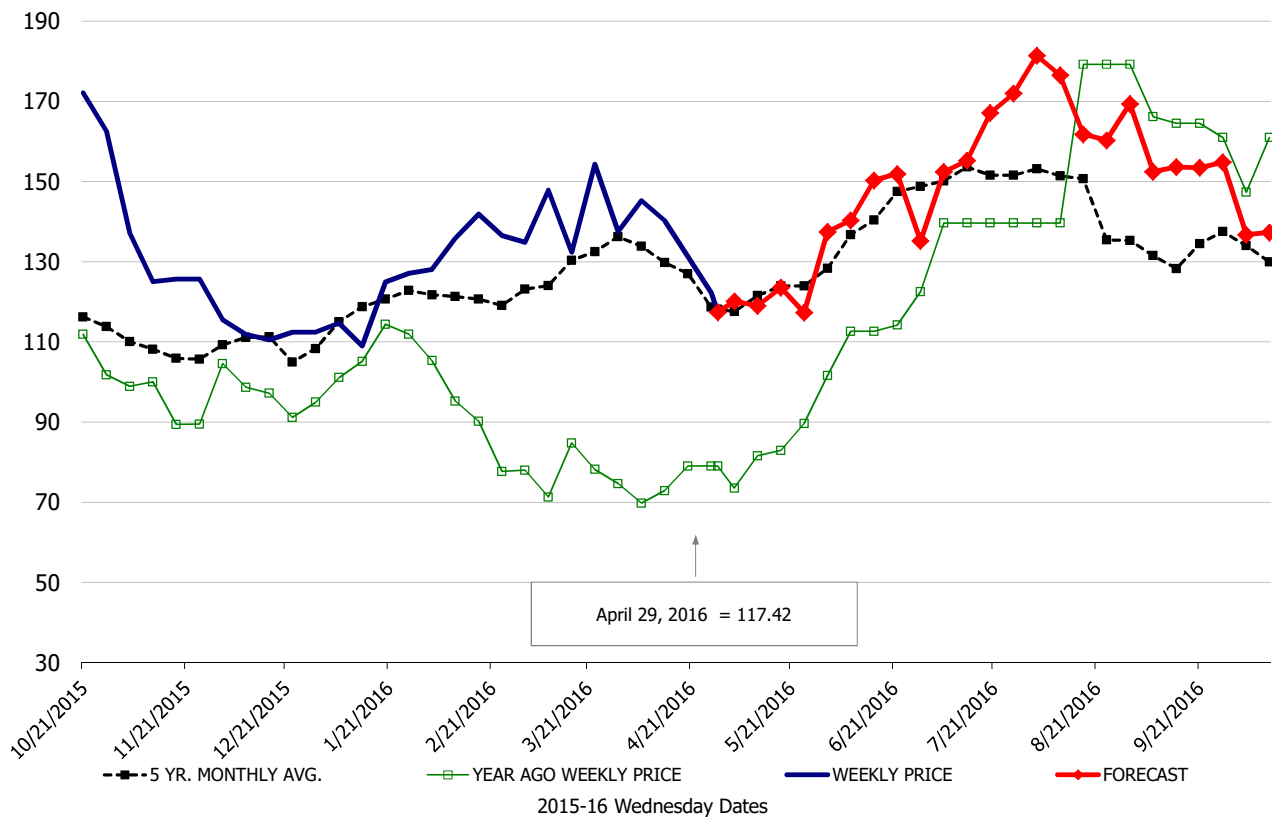
\$/cwt

Ham, 17-20# Trm'd Selected Ham, FOB Plant, USDA



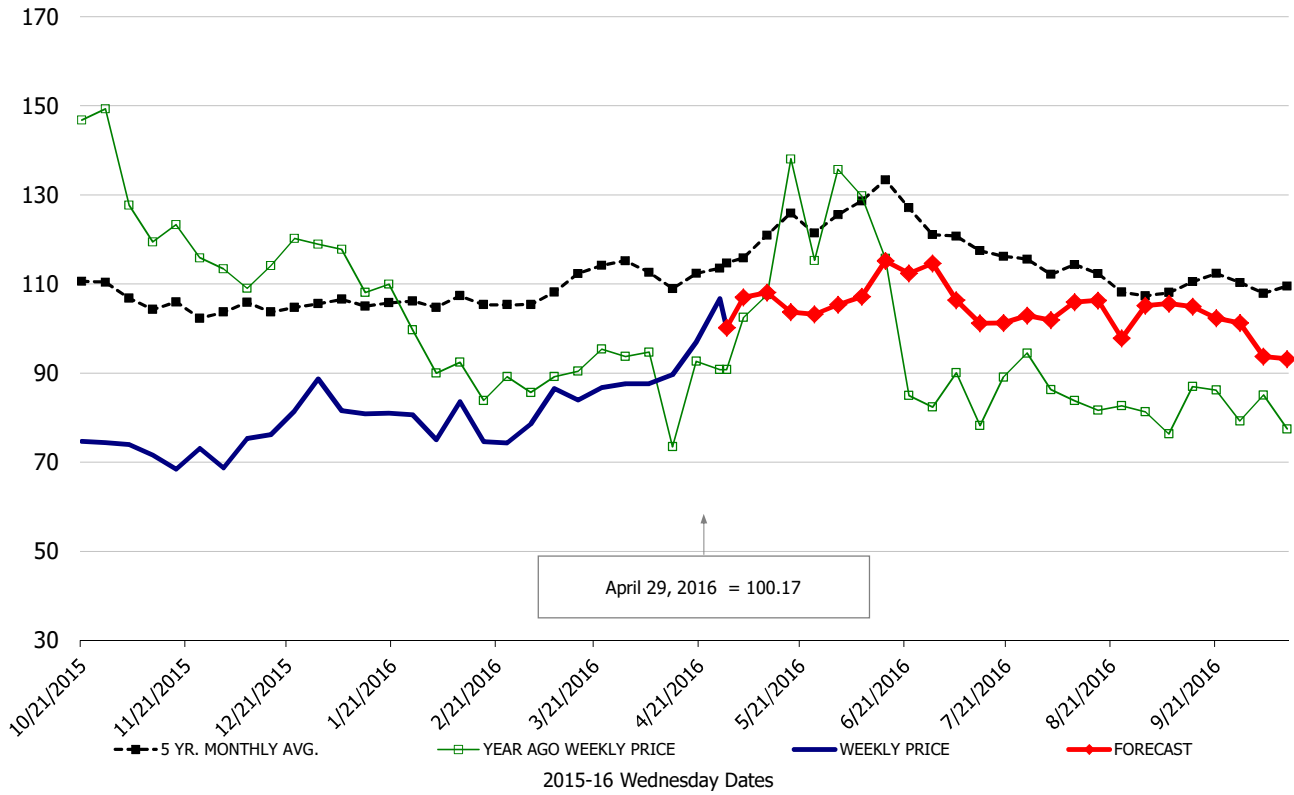
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Belly, Skin-On Belly 14-16#, FOB Plant, USDA



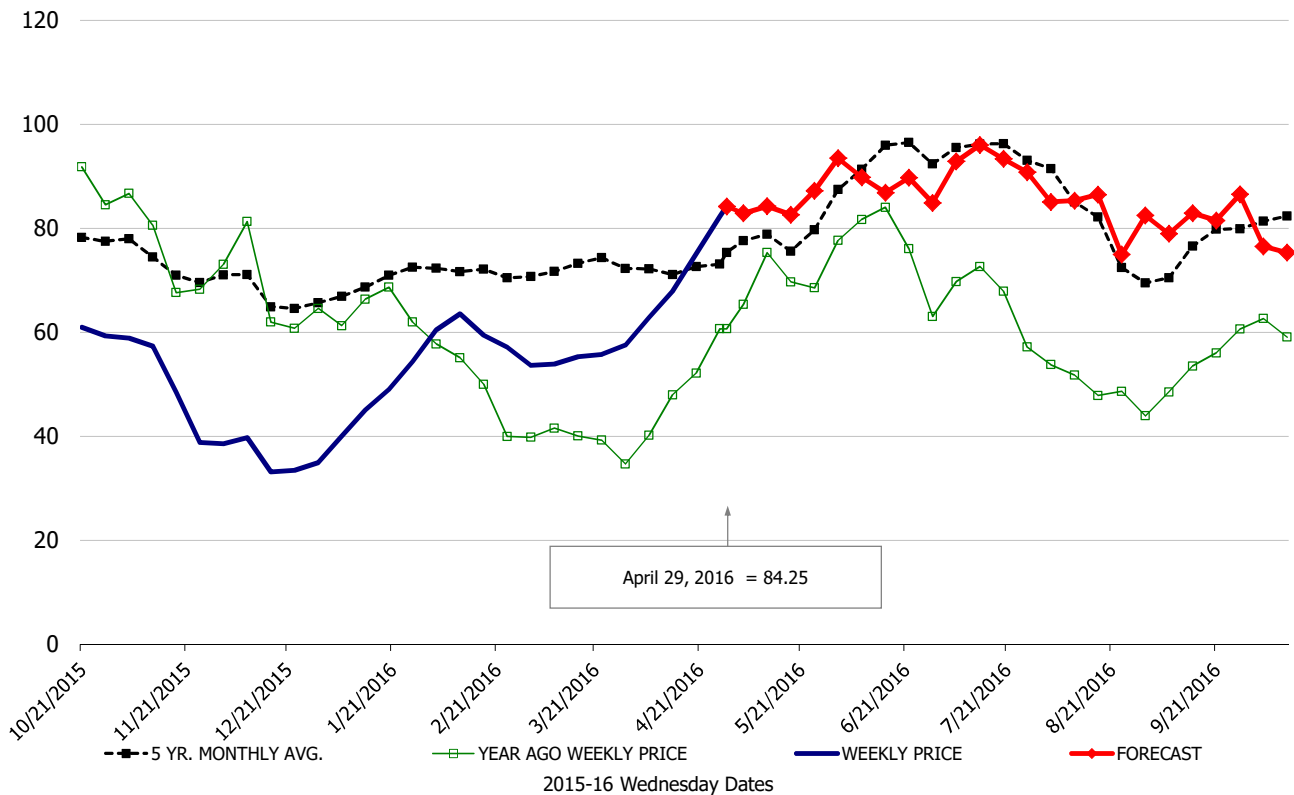
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Butt, 1/4 Trim Butt Combo, FOB Plant, USDA

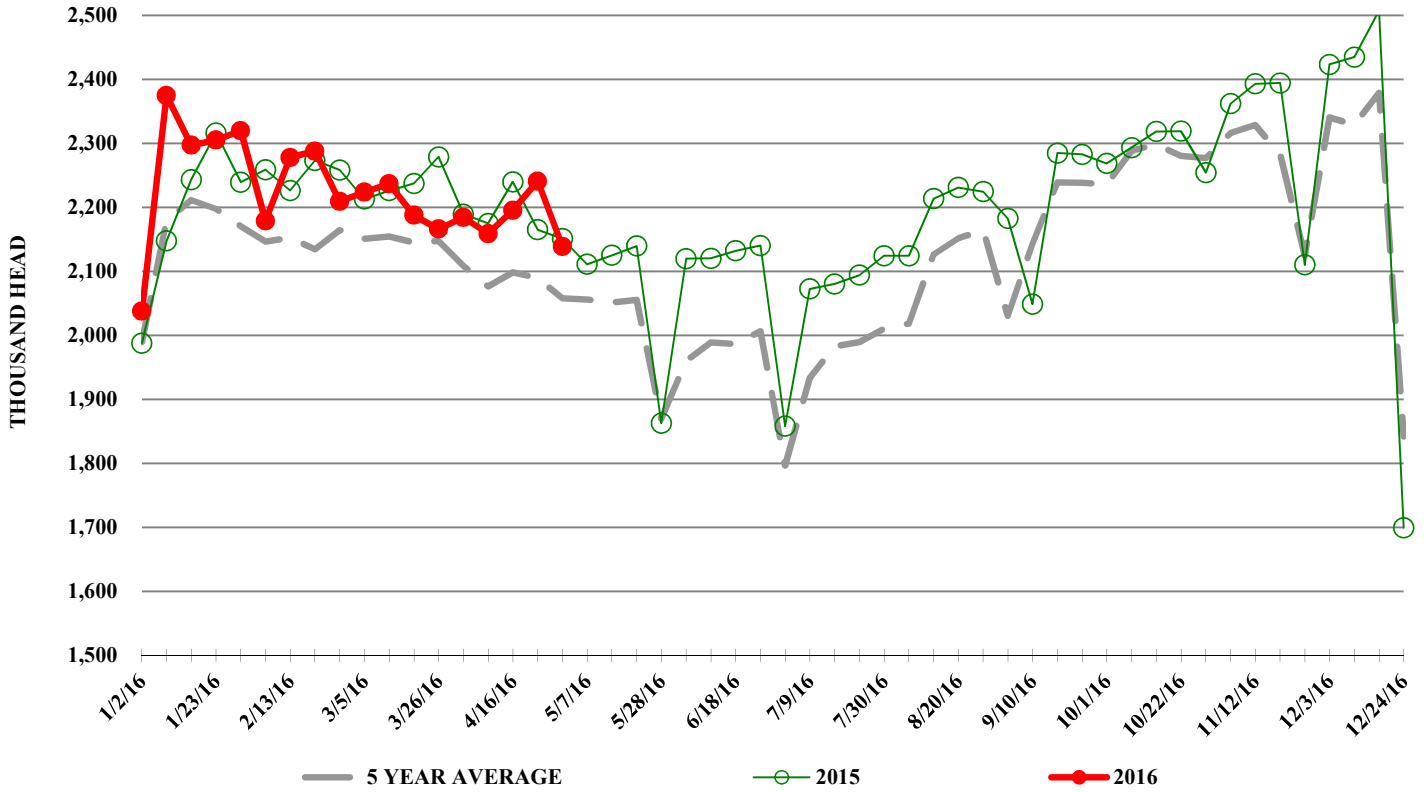


\$/cwt

Trim, 72% Trim Combo, FOB Plant, USDA



ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION

