



Pork Merchandiser's Profit Maximizer

Be inspiredSM

- Foodservice Edition -

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May 31, 2016

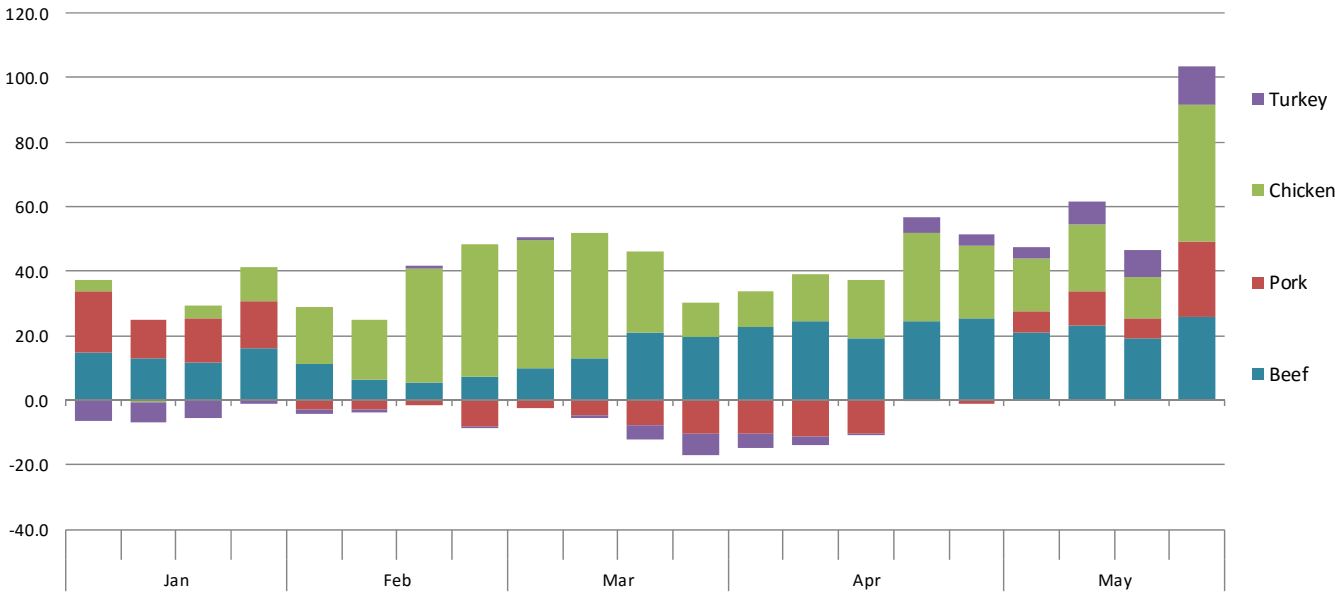
1. Protein supplies bolstered by higher beef and chicken production. Will the pace be sustained in the second half of the year?

We calculate combined beef, pork and poultry production for week ending May 28 to be 1.832 billion pounds (dressed wt. basis), well above year ago levels.

For the last four reported weeks red meat and poultry production is up 5.4%. And since the beginning of the year weekly protein supplies have on average been 3% higher than the same period a year ago and 7% higher than in 2014. As the chart below shows, the increase in supplies has been broad based but higher beef and chicken production have accounted for much

Weekly Increase in Beef, Pork, Chicken and Turkey Production vs. Year Ago.

Million Pounds. 4-wk MA. Carcass Wt. Basis. Source: USDA Weekly Production Reports



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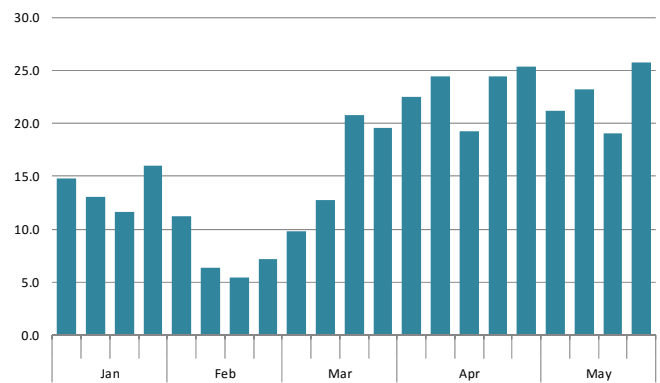
of the year/year increase. The increase in production, for some items, has not been matched by similar changes in net trade flows. As a result, with more product left to be absorbed by domestic markets, prices have declined. In the next page we outline the situation for the three main species and what we expect supplies to do in the next few months. Grain prices and exchange rates remain key wild cards that could produce short shifts in both the timing of animals and trade flows.

Beef production has by far contributed the biggest increase in weekly protein supplies, at least since March.

The increase coincides with the sharp decline in fed cattle prices and underscores the impact from the beef cattle herd expansion that began in the second half of 2014. Cattle feeding is a very seasonal enterprise, with producers putting more calves on feed during the fall in order to market them in the spring when beef demand starts to improve. In 2014 and the first half of 2015 feedlots struggled to find feeder stock, in part because producers were holding back female calves so as to expand the herd. As a result, the focus became maximizing the amount of beef on the carcass in order to offset the decline in slaughter. Now that cattle numbers are slowly increasing, feedlots have been forced to market cattle in a more timely fashion, hence the increase in fed cattle slaughter in Q2. Weekly beef production in March, April and May has averaged 463 million pounds per week, 24 million pounds (+5.4%) higher than the same period a year ago. US beef exports have been slowly increasing but they have likely absorbed just an additional 2-2.5 million pounds per week. The bulk of the increase has ended up in the domestic market. Feedlot supplies are higher than a year ago and this will continue to bolster the supply of beef coming to market. As a result, we expect beef prices to remain well below year ago and the five year average. Our current forecast is for fed cattle prices in the second half of the year to be down 12% from last year and 11% lower than the five year average. Our forecasts, however, re-

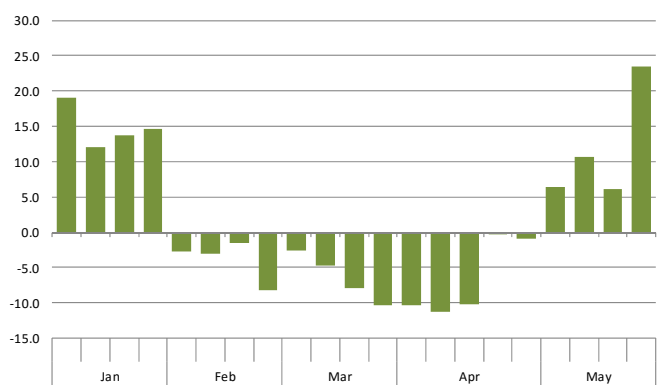
Weekly Increase in **Beef Production** vs. Year Ago.

Million Pounds. 4-wk MA. Carcass Wt. Basis. Source: USDA Weekly Production Reports



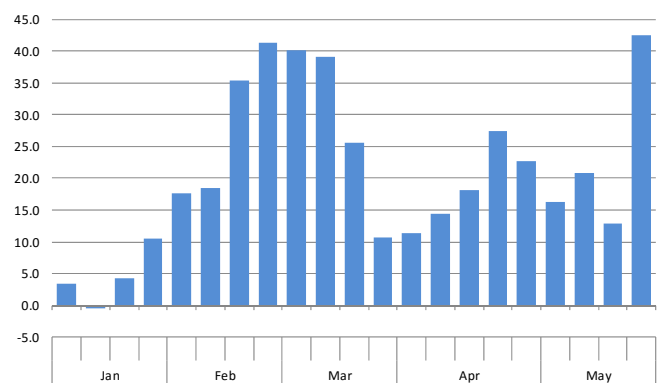
Weekly Increase in **Pork Production** vs. Year Ago.

Million Pounds. 4-wk MA. Carcass Wt. Basis. Source: USDA Weekly Production Reports



Weekly Increase in **Broiler Production** vs. Year Ago.

Million Pounds. 4-wk MA. Carcass Wt. Basis. Source: USDA Weekly Production Reports



main above futures prices for the fall and winter. Beef production in the second half of the year is forecast to increase 563 million pounds (+4.2%).

Growth in pork supplies has been somewhat more muted and combined with robust exports it has helped bolster pork and hog prices compared to year ago levels. During the period March, April and May weekly pork production averaged 465 million pounds per week, just 3 million pounds larger

(+0.8%) than the same period a year ago. Much of that higher production, however, has gone to exports, especially to China and Hong Kong, with exports to those markets more than double year ago levels. The average pork cutout price since March has been 10% higher than the previous year but still about 11% lower than the five year average. Going forward, we expect supply growth into the summer to be modest compared to a year ago but still large compared to 2013 and 2014. Hog slaughter numbers should continue to expand into the fall by 1 to 1.5% more than a year ago. Firm exports should help absorb much of the increase and we expect the pork cutout in the second half of the year to average 3% above year ago levels.

Increases in **chicken production have brought just as much additional meat protein into the market as beef**. Since March US broiler production has averaged 747 million pounds per week (ready to cook), 25 million pounds more (+3.5%) than the same period a year ago. And while exports are slowly recovering, the industry has yet to adjust to the loss of the Russia, Chinese and some African markets. Higher freezer supplies and continued growth in bird weights also has added to the glut of chicken breast meat and pressured prices. The average price of boneless skinless breast meat in the last three months was down 24% compared to a year ago. Leg quarters, by comparison, are down just 1% in the last three quarters and up 8.7% in May. Going forward we expect the increase in chicken supplies to moderate but still be about 2 to 2.5% higher than a year ago.

Bottom line: Meat supplies remain plentiful and this will continue to support deflationary trends. Grain markets this summer are critical. Sudden drought conditions could lead to rapid grain price inflation and impact the supply growth outlook in late 2016 and first half of 2017. Exchange rates also remain key. Higher exports will be needed to absorb some

of the additional supplies. However, a stronger dollar would require even bigger wholesale price declines in order to maintain export demand. Lower grain prices and a strong US dollar are deflationary for prices. On the other hand, higher grain prices and a weaker currency will be precursors to more inflationary price environment in 2017.

2. Pork Cold Storage Inventories

Total pork in cold storage at the end of April was 635.4 million pounds, 3.5% higher than the previous month but still some 9.4% lower than last year. The April inventory build was in line with what we normally see at this time of year so we view the pork stocks number as generally neutral for the market. The only negative were larger ham inventories, which increased at a faster pace than we normally see at this time of year. Total ham inventories were 130.2 million pounds, 35% higher than the previous month but still 4.4% higher than last year. One thing to keep in mind, however, is that the timing of Easter will significantly impact March-April inventory shifts. Pork belly inventories jumped 11.6% from March levels and they are now up 3.1% from a year ago and 7.2% higher than the five year average. The increase in belly stocks appears to have been a precursor of the value erosion we observed in May and indicative that packers are finding demand for bellies a bit softer than they expected.

Supplies of all meat in cold storage remain plentiful and should help keep meat price inflation in check over the summer months. Below are some of the highlights and implications for livestock and poultry markets:

Upcoming holidays:

2016 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 May 28 slaughter was 2.181 million head, up 17.1% from a year ago. In the last two weeks hog slaughter is up 7.3% vs. year ago levels.

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass values at about 73.21 /cwt. on Friday were down \$3.4/cwt since Wed. May 18. Prices are down about 7 dollars compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at \$1.2290, up about 6.2 cent since the Wed. May 18 quote but down about one cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.4081 for the strap on loins, down

1.9 cent since Wed. May 18 and down about 21 cent from the year ago levels. Strap off loins at \$1.5457 are up about 5.4 cent since Wed. May 18 but down about 20 cent compared to the year ago quote.

Boneless sirloins at \$1.0861 are down 8 cents from the Wed. May 18 quote and down about 20.4 cents from the year ago price.

Pork tenderloin finished last week at \$2.7545, up 20 cent from the Wed. May 18 quote and up about 44.8 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at \$1.1669, down 7.3 cents since Wed. May 18. Prices are down 6 cents from a year ago.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$1.7429, up about 4 cent since Wed. May 18 but down about 34 cents from year ago levels.

Rib inventories on April 30 were 138.1 million pounds, up 21.3% percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was \$0.6602/lb., up 0.1 cents compared to prices on Wed. May 18 but down about 4 cents from a year ago.

20/23 hams finished the week at 66.73 cents, up about 0.7 cents since Wed. May 18 but down about 4 cents from the year ago level.

23/27 hams finished the week at 66.47 , up about 2 cents from the Wed. May 18 quote but down about 4.8 cents from the year ago level.

Total ham cold storage stocks on April 30 at 130.2 million pounds were up 4.4% from year ago levels.

42 CL Pork Trim “FOB Basis”. Prices finished the week at 40.84 cent, down about 6.0 cent since Wed. May 18 but up about 3 cents from the year ago price.

72 CL Pork Trim “FOB Basis”. Prices finished the week at 63.18 cents, down about 4

cents since the Wed. May 18 quote and down about 5 cents from the year ago level.

Freezer stocks of all trimmings on April 30 were 41.0 million pounds, up 36.8% 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 \$112.00 was down 4.00 cents from a year ago.

The National Whole Bird price was quoted at 98.27 on Friday, May 28, down about 6 cents from a year ago.

Broiler slaughter for the week ending May 28 was 167.30 million head, up 17.09% from a year ago. For the last two weeks slaughter was up 6.9% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$1.1798, down 6 cents since Wed. May 18 and still down about 39 cents from year ago levels.

Leg Quarters. Improvements in export demand have provided support and prices are now well above levels we saw in late 2015 and early 2016. Last week leg quarter prices were up about 1.4 cents vs. two weeks ago and at 37.80 cents per pound prices were up 5 cents from a year ago.

Wings. Prices at \$1.5186 are down about 31 cents from year ago levels.

Turkeys

Hens finished last week at \$1.2400, up 1.0 cent since Wed. May 18 and up about 9 cents from the year ago price.

Toms finished last week at \$1.2400, up 1.0 cent since Wed. May 18 and up about 9 cent from the year ago price.

Total turkey supplies in the freezer on April 30 were up 0.7% from a year ago at 397.1 million pounds. Whole birds were up 16.6% from a year ago with an inventory of 180.5 million pounds.

Turkey slaughter was 4.3590 million head for the week ending May 21, up 6.24% from a year ago. For the last two weeks slaughter has been up 8.3%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$2.1500, unchanged cents since Wed. May 18. Prices are down about 190 cents vs. year ago levels.

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 \$8.1051 (weighted average quote) finished last week up about 16 cents since the Wed. May 18 quote but down about 50 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$7.2177 (weighted average quote) finished last week down about 19 cents since the Wed. May 18 quote but down about 45 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$0.8874 /lb. over Select. The 2015 annual average spread (wt. average price) had the Choice at a premium to the Select by \$0.0929 per pound and the previous five years (2010 thru 2014) average spread was Choice at a premium to the Select by \$0.0909 per pound.

Choice regular #168 insides finished last week quoted at \$2.1909 down about 0 cents since

Wed. May 18 and down about 75 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$2.0228 down about 27 cents since Wed. May 18 and down about 96 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$2.1483 up about 2 cents since Wed. May 18 but down about 27 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$8.9297 (wt. avg.) up about 50 cents from the Wed. May 18 quote. Prices are about 43 cents over year ago levels.

Choice #184 Regular Heavy top butts finished at \$4.2055 (wt. avg.) down about 20 cents since Wed. May 18 and down about one cent from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$4.4063 (wt. avg.) down about 25 cents since Wed. May 18 but up about 15 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$6.0006 (wt. avg.) up about 13 cents since Wed. May 18 but down about 88 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at \$1.5852 down about 4 cents since Wed. May 18 and down about 53 cents from year ago levels.

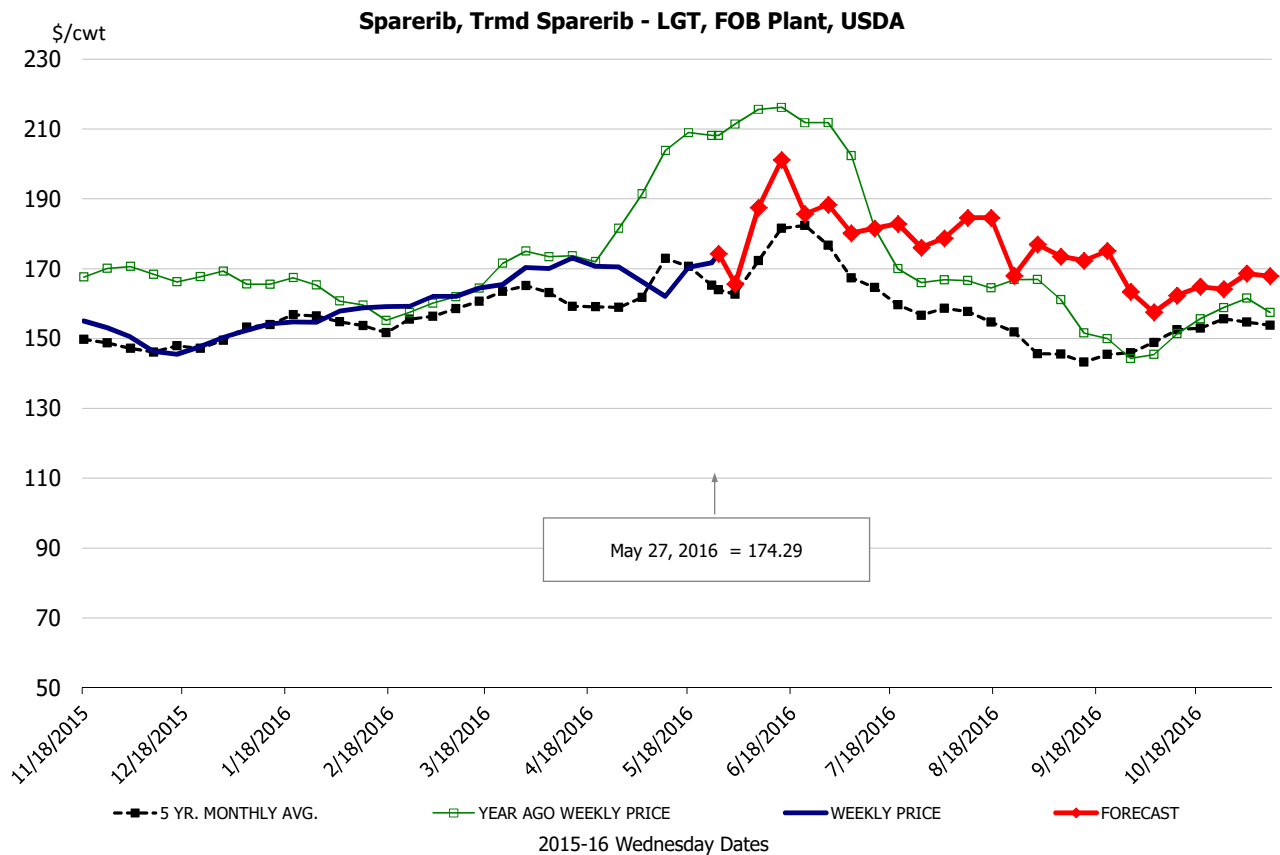
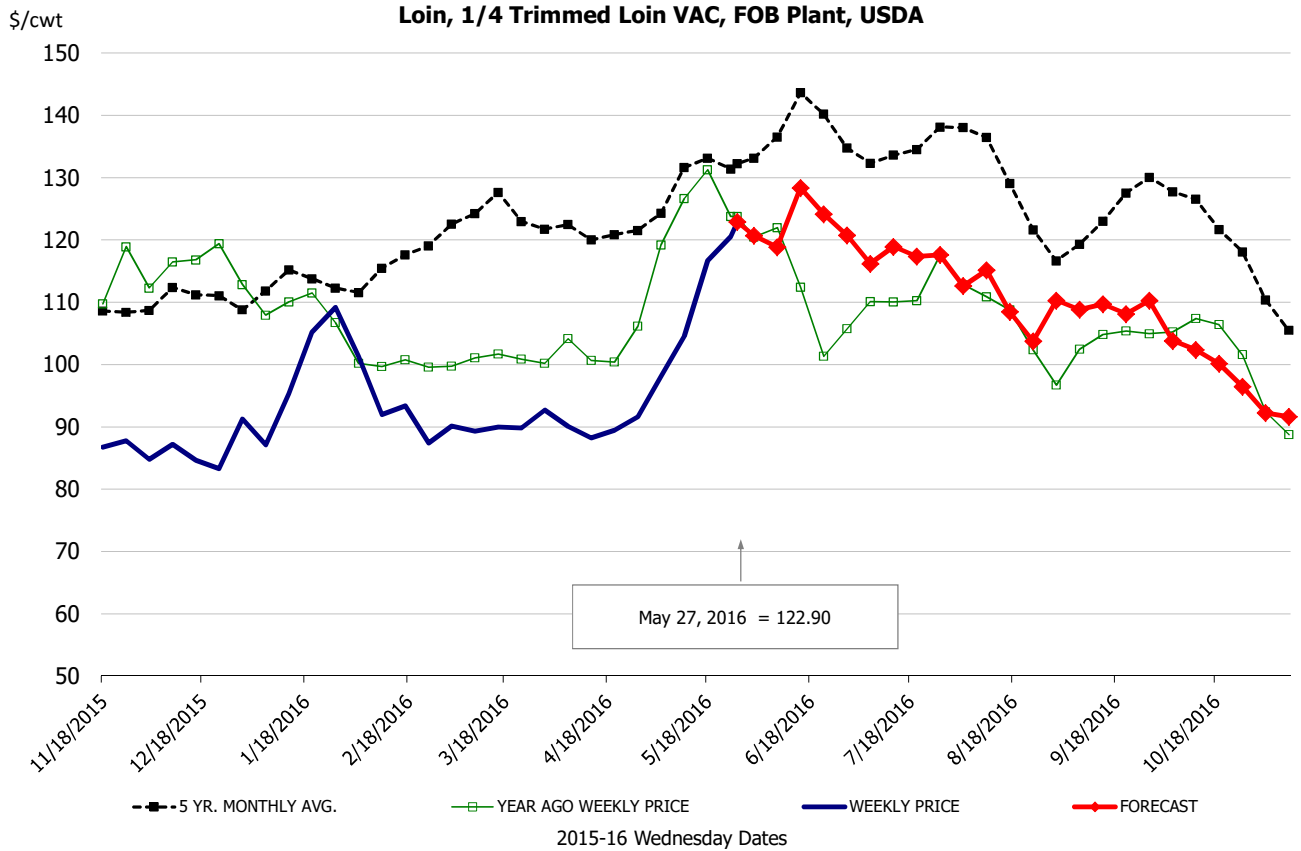
81CL Coarse Ground product finished last week at \$1.8690 down about 18 cent since Wed. May 18 and down about 45 cents from the year ago quote.

90CL Bnls. Beef prices finished the week at \$2.1636 (wt. avg.) down about one cent since Wed. May 18 and down 81 compared to the year ago price quote.

50 CL Beef Trim prices finished last week at \$0.5567, up about 6 cent since Wed. May 18 but down 40 cent compared to the year ago level.

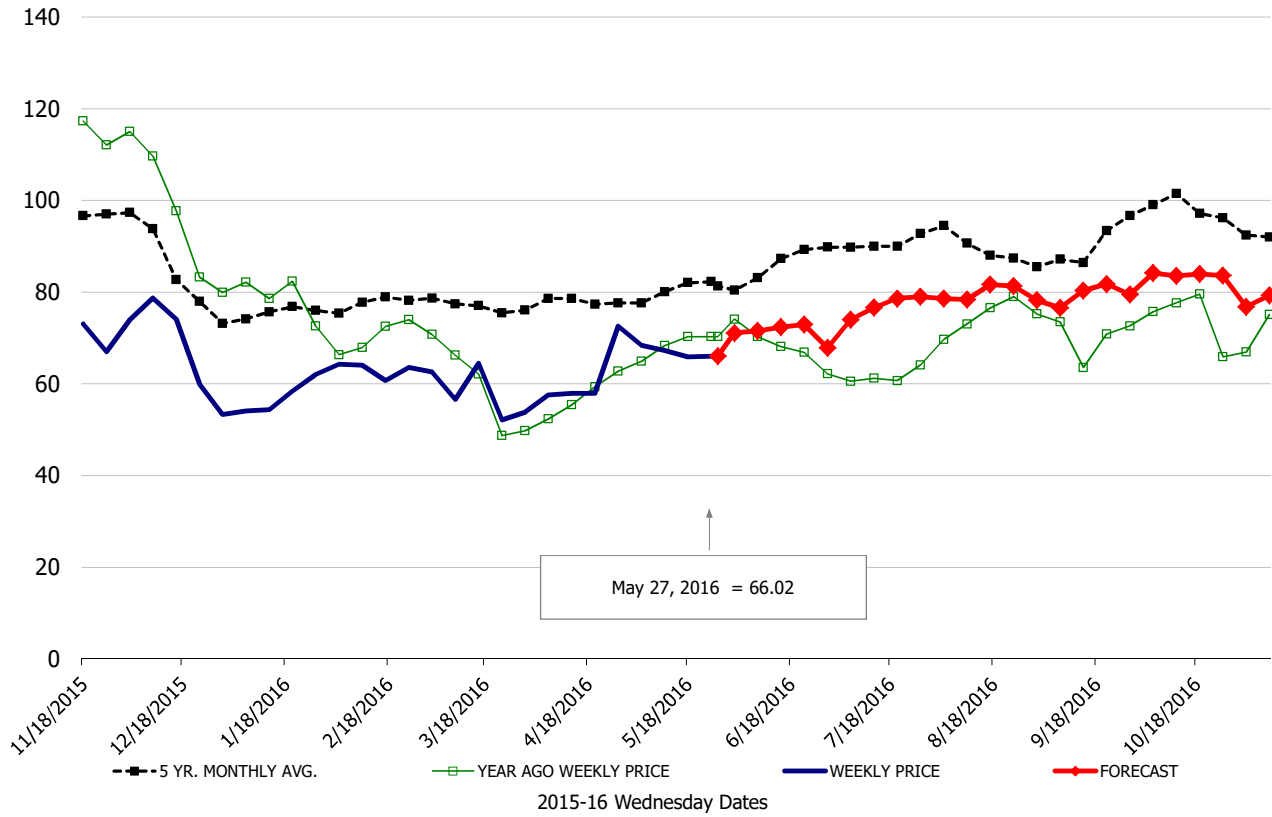
Food Service Summary Table - WT. AVE

	2015-16 History								2016 FORECAST						
	Dec	Jan	Feb	Mar	Apr	May	5/18/2016	5/27/2016	6/8/2016	Jun	Jul	Aug	Sep	Oct	Nov
<u>PORK</u>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	0.86	0.97	0.94	0.90	0.89	1.08	1.17	1.23	1.19	1.23	1.17	1.10	1.09	1.01	0.92
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	0.92	1.01	1.04	0.97	0.97	1.12	1.21	1.29	1.31	1.32	1.25	1.19	1.16	1.06	0.96
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.42	1.49	1.47	1.42	1.38	1.48	1.49	1.55	1.64	1.70	1.67	1.63	1.69	1.55	1.40
Loin, Tenderloin, FOB Plant, USDA	1.83	2.12	2.41	2.15	2.21	2.50	2.56	2.75	2.76	2.79	2.67	2.51	2.47	2.08	2.03
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	0.80	0.80	0.75	0.84	0.96	1.13	1.16	1.10	1.09	1.12	1.10	1.03	1.05	0.91	0.89
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.48	1.54	1.59	1.64	1.67	1.66	1.70	1.74	1.87	1.85	1.81	1.79	1.73	1.60	1.69
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.48	2.49	2.57	2.61	2.56	2.60	2.62	2.70	2.77	2.73	2.68	2.65	2.61	2.46	2.53
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.39	1.41	1.50	1.55	1.54	1.65	1.78	1.63	1.79	1.80	1.77	1.75	1.71	1.56	1.62
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.43	2.49	2.59	2.73	2.90	2.98	3.00	2.91	3.10	3.07	2.93	2.91	2.84	2.44	2.52
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.68	0.58	0.62	0.56	0.64	0.67	0.66	0.66	0.72	0.72	0.76	0.80	0.79	0.84	0.80
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.64	0.58	0.61	0.55	0.63	0.68	0.66	0.67	0.70	0.71	0.77	0.79	0.78	0.79	0.77
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.59	0.56	0.58	0.55	0.64	0.66	0.64	0.66	0.69	0.70	0.74	0.76	0.76	0.76	0.73
Ham, 5 Muscle Ham to Blue, FOB Plant, USDA	0.96	1.03	1.03	1.03	1.03		1.03	1.03	1.32	1.34	1.36	1.34	1.35	1.31	1.27
Belly, Skin-on Belly 14-16#, FOB Plant, USDA	1.11	1.20	1.35	1.40	1.32	1.13	1.13	1.13	1.24	1.28	1.51	1.70	1.53	1.38	1.25
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.34	1.42	1.59	1.65	1.51	1.33	1.25	1.34	1.53	1.57	1.90	2.14	1.92	1.73	1.57
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.29	1.44	1.57	1.64	1.50	1.24	1.23	1.28	1.52	1.56	1.88	2.12	1.90	1.71	1.55
Trim, 42% Trim Combo, FOB Plant, USDA	0.18	0.20	0.18	0.25	0.38	0.46	0.47	0.41	0.45	0.46	0.55	0.52	0.49	0.41	0.35
Trim, 72% Trim Combo, FOB Plant, USDA	0.37	0.46	0.58	0.55	0.69	0.69	0.67	0.63	0.75	0.75	0.87	0.79	0.77	0.75	0.71
<u>HOG CARCASS</u>															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	0.51	0.55	0.63	0.63	0.65	0.74	0.77	0.73	0.82	0.82	0.84	0.80	0.76	0.68	0.63
<u>BROILERS</u>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	0.82	0.88	0.82	0.85	0.88	0.94	0.96	0.98	0.96	0.95	0.87	0.84	0.83	0.81	0.82
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.02	1.08	1.07	1.11	1.16	1.23	1.24	1.18	1.25	1.28	1.29	1.29	1.24	1.09	1.01
N.E. BROILER BREAST LINE RUN, USDA	0.77	0.83	0.86	0.89	0.93	0.97	0.97	0.99	1.00	1.00	1.00	0.97	0.96	0.90	0.87
N.E. BROILER LEG QUARTERS, USDA	0.24	0.25	0.27	0.31	0.35	0.37	0.36	0.38	0.39	0.38	0.38	0.38	0.39	0.37	0.36
N.E. BROILER WINGS, USDA, WT.AVG.	1.63	1.90	1.94	1.79	1.79	1.61	1.56	1.52	1.61	1.60	1.68	1.86	1.98	2.00	1.89
<u>TURKEYS</u>															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.27	1.18	1.19	1.21	1.22	1.23	1.23	1.24	1.24	1.24	1.25	1.26	1.26	1.27	1.27
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	5.73	5.26	3.83	3.24	2.59	2.18	2.15	2.15	2.19	2.20	2.30	2.45	2.50	2.55	2.60
<u>LIVE STEERS</u>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.22	1.33	1.34	1.37	1.32	1.28	1.32	1.26	1.22	1.22	1.16	1.16	1.17	1.18	1.19
<u>BEEF</u>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	7.91	7.17	7.54	7.95	7.52	7.30	7.95	8.11	7.95	8.06	7.28	7.30	7.43	7.62	8.21
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.00	2.54	2.54	2.36	2.19	2.11	2.29	2.02	2.07	2.08	2.14	2.24	2.11	2.11	2.08
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.13	2.47	2.40	1.98	1.96	1.92	2.13	2.15	1.99	1.95	1.90	1.92	1.98	2.04	1.95
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	5.23	5.67	5.69	7.20	7.23	7.19	8.43	8.93	7.85	7.90	6.10	5.70	5.32	5.22	5.22
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	3.01	3.33	3.34	4.18	4.48	4.40	4.66	4.41	4.33	4.38	4.04	4.02	3.90	3.47	3.33
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	4.11	5.17	4.97	5.72	5.59	5.16	5.87	6.00	5.76	5.78	4.89	4.40	4.09	3.91	3.81
COARSE GROUND 73%, USDA	1.33	2.18	1.58	1.42	1.50	1.54	1.63	1.59	1.40	1.41	1.38	1.45	1.42	1.38	1.36
COARSE GROUND 81%, USDA	1.54	2.27	1.78	1.65	1.74	1.89	2.05	1.87	1.61	1.63	1.63	1.68	1.64	1.61	1.59
90% BONELESS BEEF, CENTRAL, FRESH, USDA	1.97	2.01	2.10	2.18	2.18	2.18	2.17	2.16	2.06	2.09	2.09	2.06	2.07	1.95	1.91
50CL BEEF TRIM, FRESH, NATIONAL, USDA	0.38	0.64	0.52	0.94	0.72	0.51	0.49	0.56	0.55	0.54	0.56	0.59	0.52	0.54	0.60



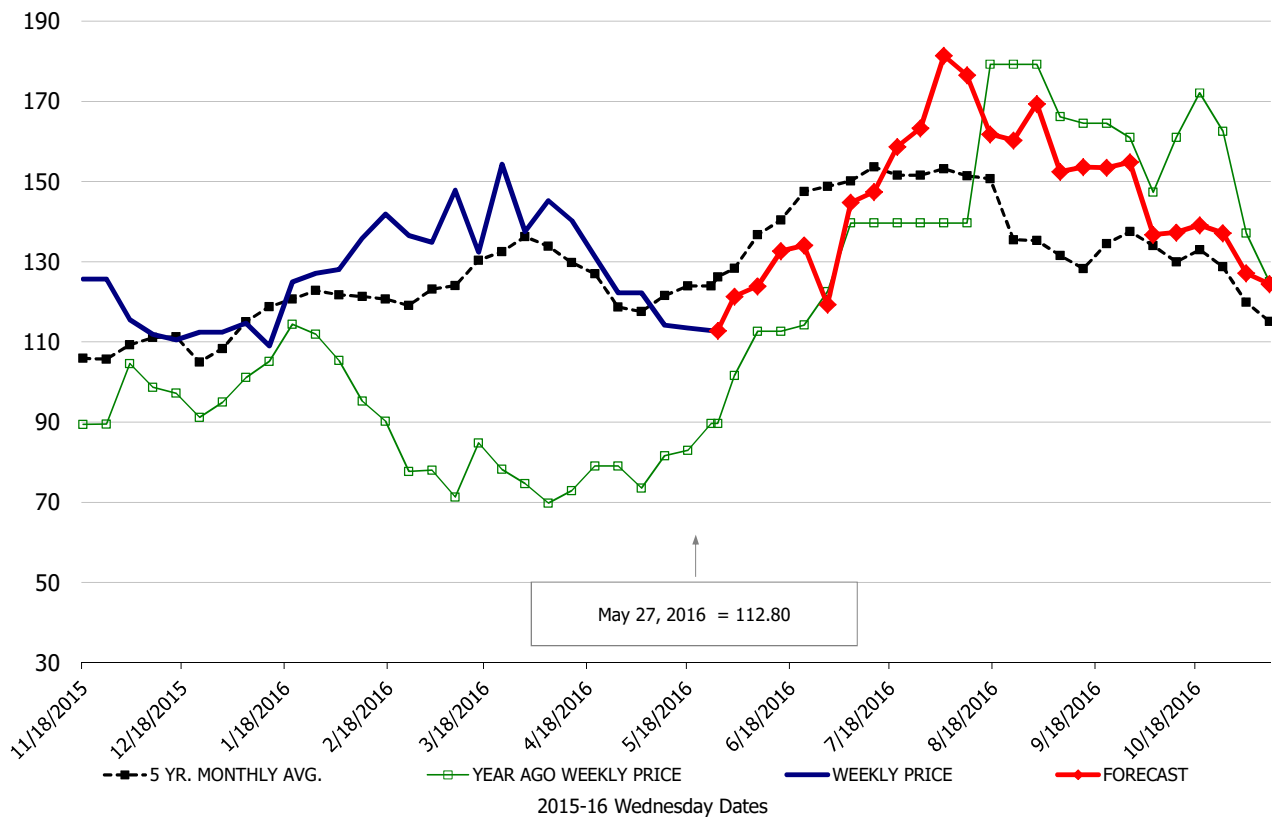
\$/cwt

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



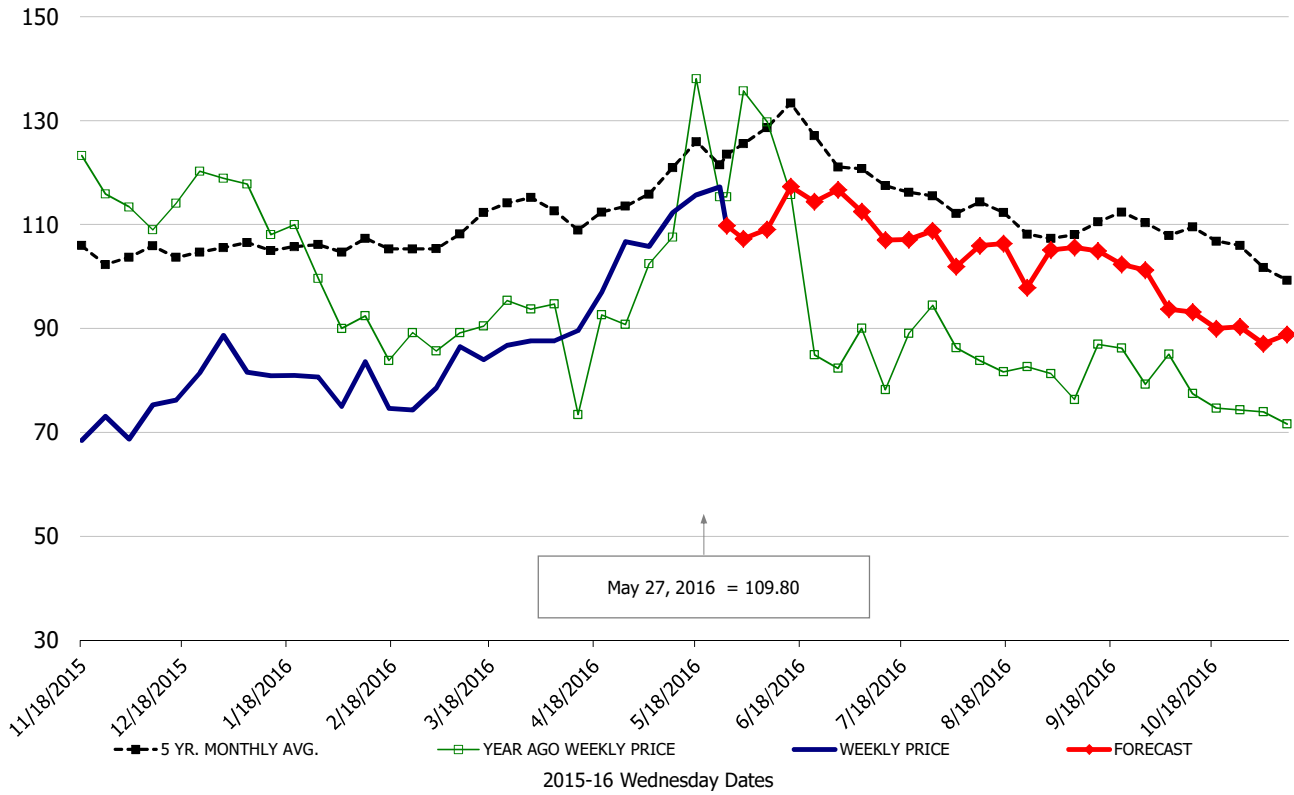
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Belly, Skin-On Belly 14-16#, FOB Plant, USDA



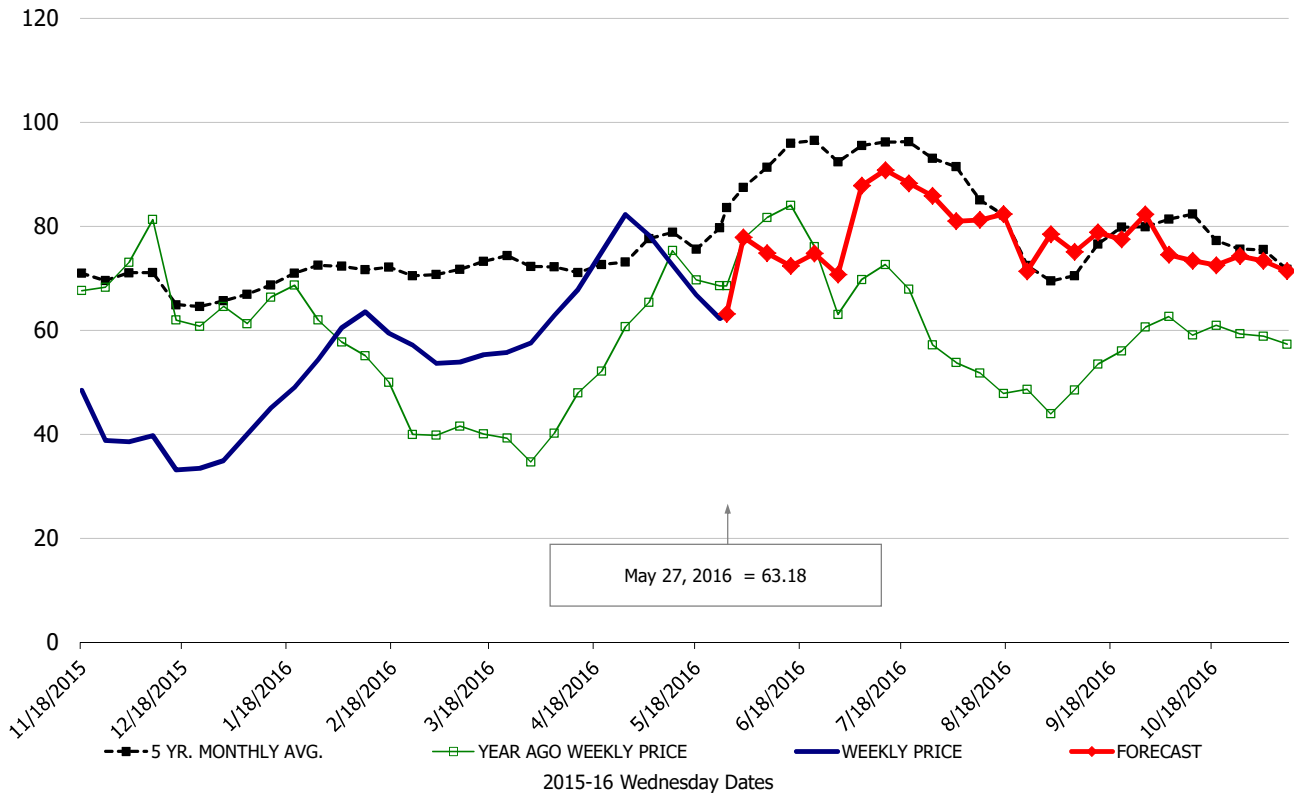
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Butt, 1/4 Trim Butt Combo, FOB Plant, USDA

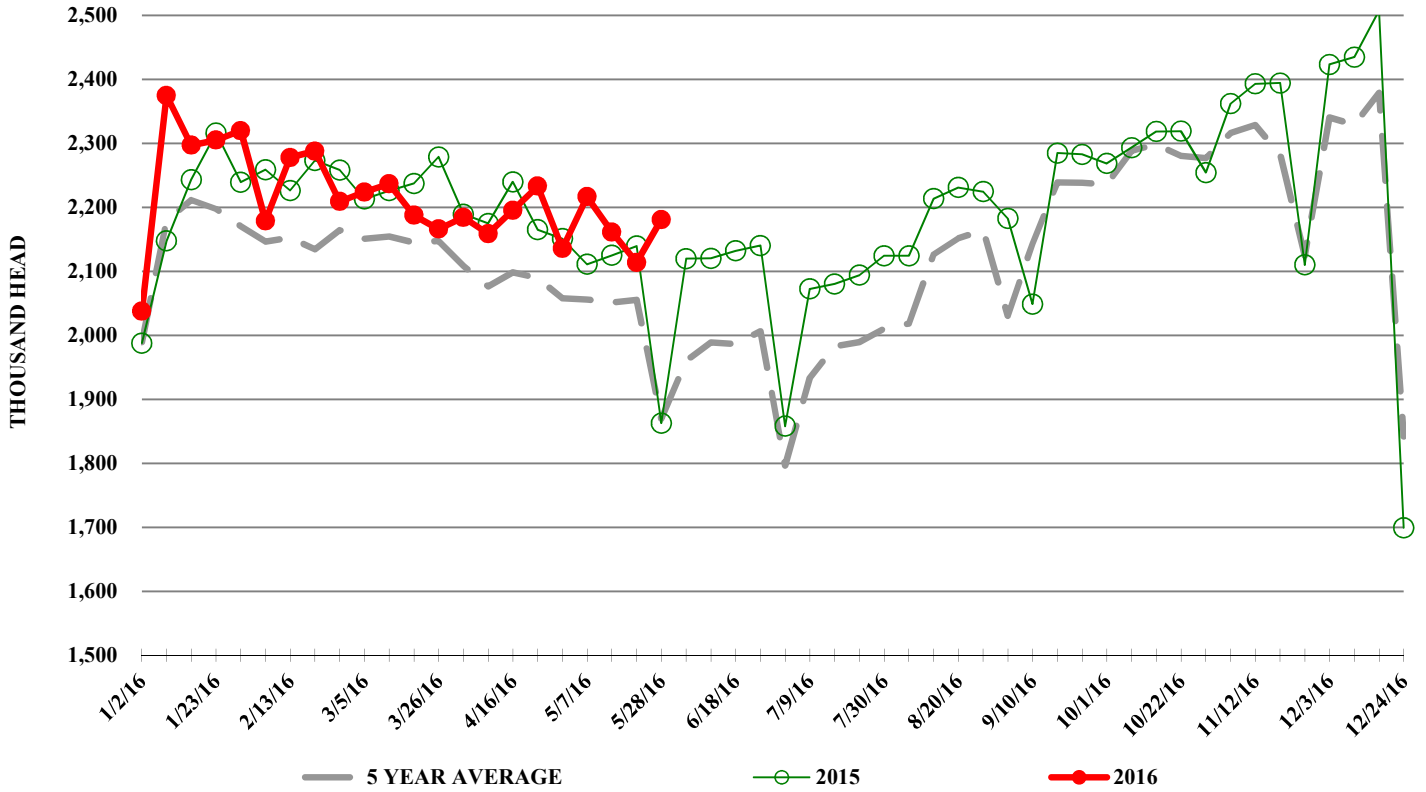


\$/cwt

Trim, 72% Trim Combo, FOB Plant, USDA



ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION

