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# Pork Merchandiser's Profit Maximizer

**- Foodservice Edition -**

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

**June 13, 2016**

**1. Does weather grain rally have legs, or will it follow the same path as a year ago?**

Both spot corn prices and corn futures have moved up in the last few weeks even as corn stocks remain plentiful and US farmers are expected to plant significantly more corn than a year ago. December corn futures closed on Friday at \$4.3350/bushel, up 18% compared to where they were trading in early April. Why the increase? In part we think this reflects the normal weather jitters in the market ahead of the critical July time period when corn pollination is in full swing. There is growing speculation among market participants about the timing of the La Nina weather pattern. After three years of El Nino and above average moisture market participants worry that drought may return in time to decimate the

corn crop. To be sure current moisture conditions are quite positive and there appears to be little drought pressure. Those that hold a more bullish view of the market point to 2012 when drought conditions developed quite rapidly and led to a dramatic collapse in

**U.S. Corn Supply and Use**

	2014/15	2015/16	2016/17		% Change	
	USDA Actual	USDA Estimate	USDA May Est	USDA Jun Est	vs. 2014/15	vs. 2015/16
Planted	90.6	88.0	93.6	93.6	3.3%	6.4%
Harvested	83.1	80.7	85.9	85.9	3.4%	6.4%
Yield per harvested acre	171.0	168.4	168.0	168.0	-1.8%	-0.2%
Beginning stocks	1,232	1,731	1,803	1,708	38.6%	-1.3%
Production	14,216	13,601	14,430	14,430	1.5%	6.1%
Imports	32	60	40	40	25.0%	-33.3%
<b>Supply, total</b>	<b>15,479</b>	<b>15,392</b>	<b>16,273</b>	<b>16,178</b>	<b>4.5%</b>	<b>5.1%</b>
Feed and residual	5,323	5,250	5,550	5,550	4.3%	5.7%
Ethanol for fuel	5,200	5,250	5,300	5,300	1.9%	1.0%
Food, seed and residual	1,360	1,360	1,370	1,370	0.7%	0.7%
<b>Domestic use, total</b>	<b>11,883</b>	<b>11,860</b>	<b>12,220</b>	<b>12,220</b>	<b>2.8%</b>	<b>3.0%</b>
Exports	1,864	1,825	1,900	1,950	4.6%	6.8%
<b>Use, total</b>	<b>13,748</b>	<b>13,685</b>	<b>14,120</b>	<b>14,170</b>	<b>3.1%</b>	<b>3.5%</b>
Ending stocks	1,731	1,708	2,153	2,008	16.0%	17.6%
<b>Avg. farm price (\$/bu)</b>	<b>3.70</b>	<b>3.60-3.80</b>	<b>3.05-3.65</b>	<b>3.20-3.80</b>	<b>-5.4%</b>	<b>-2.8%</b>
Ending Stocks/Use	12.6%	12.5%	15.2%	14.2%		

Source: USDA

\*\* Corn crop marketing year starts September 1.

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corn yields. The recent drought in Brazil and corn crop losses also are a more recent reminder of the immediate impact that drought conditions can have. At this point it appears futures are building a risk premium for the summer months. We had a similar situation develop last year. In mid May 2015 December corn futures were around \$3.77 but they jumped to \$4.37 (+16%) following delays in plantings and drought fears. Those fears proved to be unfounded and corn yields last year were the second best on record.

Going forward the trend in the corn market will have profound implications for meat protein prices. There are two events that both grain and livestock producers will pay close attention to. USDA will release at the end of this month the annual 'Acreage' report, which provides an update as to the number of acres that were planted with various crops during the spring. The chart below shows the most recent USDA WASDE supply/demand table for corn. The 'Acreage' report will help to validate the assumptions on planted acres and thus implied production for the upcoming harvest. But acres are only part of the grain supply equation. Temperatures in late June and more critically July, will determine the fate of the just planted corn crop. The crop was planted a bit earlier than normal and thus should mature earlier as well. Subsoil moisture conditions appear to be normal and there is little indication of crop stress. USDA is using a trend yield in its projections. If corn yields remain near this projection, then it is likely corn prices through next spring should hover around \$4 per bushel. A major drought event, on the other hand, and robust export demand could quickly change the corn balance sheet, pushing the stocks/use ratio under 11% and implying +\$5 corn late this year and in 2017.

Bottom line: Recent moves in the corn

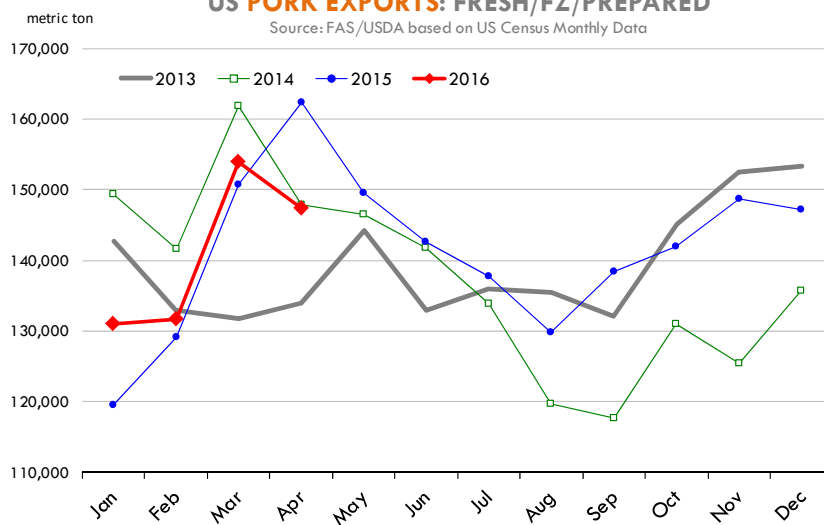
market simply reflect market fears rather any major shift in fundamentals. While global supplies are a bit tighter due to the recent drought losses in Brazil, the key for the market is weather in North America and the Black Sea region. The next six weeks are critical.

**2. April exports and outlook for summer export business**

So far this year US beef and pork exports have performed as expected but export business for chicken and chicken products continues to struggle. Below is a brief recap for each species and our outlook for the summer and fall:

**Pork:** US pork exports have benefited from a significant improvement in shipments to China so far this year. Market participants expect this robust Chinese demand to persist in the second half of the year, which helps explain the lofty price valuations relative to expected production levels. April exports of fresh, frozen and processed pork were 147,362 MT, down 9.3% from the inflated levels of a year ago but still up 1.1% for the year. Exports to China in April were 21,032 MT, more than double the levels we saw

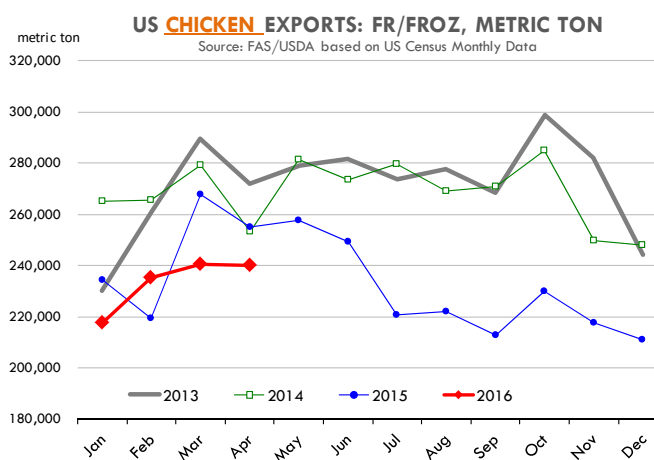
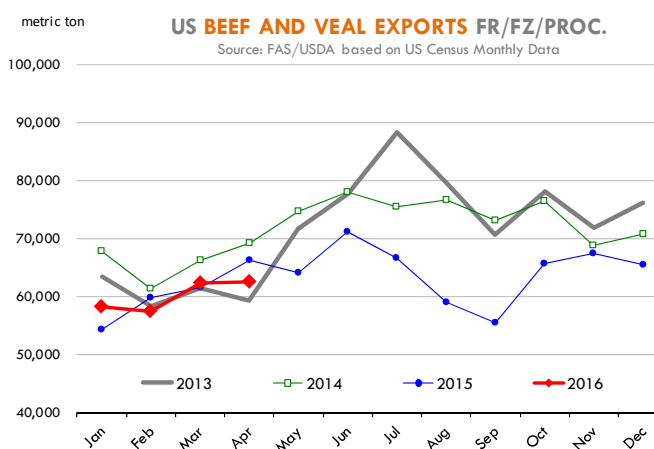
**US PORK EXPORTS: FRESH/FZ/PREPARED**  
Source: FAS/USDA based on US Census Monthly Data



last year. Exports to Japan were down 29% but one needs to consider that a lot of pork destined for Japan was backlogged in warehouses last year and was released in the month of April. Exports to Mexico, the top market for US pork, were 42,574 MT, 6.2% lower than last year and down 10% so far this year. This is by far the most negative factor for US pork prices. Our forecast is for US pork exports to be up 4.6% in Q2 and then increase 9.7% in the second half of the year.

**Beef:** Total US beef exports of fresh, frozen and cooked beef and veal in April were 62,531 MT, 5.7% lower than a year ago. In the first four months of the year US beef exports were down just 0.3% compared to year ago levels. Exports to Japan declined sharply in the second half of 2016 and April exports showed no improvement, down about 11% from the same period a year ago. Exports to Hong Kong also remain weak, down 38% from last year. Exports to Mexico showed a notable recovery in April, up 33% compared to a year ago. Shipments to this market are still down 2% for the year. Demand in the Canadian market remains limited, however, due to a combination of ample domestic supplies and a weak Canadian dollar. Exports to Canada in April were down 8% from a year ago and they are down 9% for the year. Our expectation is for Q2 beef exports to be up almost 5% compared to a year ago and then post a 15% y/y increase in the second half. May shipments appear to be on track for a 10% increase and we expect a similar gain in June.

**Chicken:** Chicken exports so far this year remain weak. April shipments were 240,005 MT, down 6% compared to a year ago. Exports to Angola were down 41%, Japan down 23% and Canada down 27%. Exports to Mexico also remain weak, down 3% so far this year. Forecasts are for a notable recovery in exports in the second half of the year. Lower prices in competing markets and global chicken expansion remains a key challenge going forward, however.



**Upcoming holidays:**

**2016** 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 June 11 slaughter was 2.086 million head, down 1.6% from a year ago. In the last two weeks hog slaughter is down 6.0% vs. year ago levels (one week was holiday shortened, however.**

**Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values.** Lean hog carcass values at about 78.63 /cwt. on Friday were up \$4.1/cwt since Wed. June 1. Prices are up about one dollar compared to year ago values.

**Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA** (page 8). Prices finished last week at \$1.1879, down about 7.0 cent since the Wed. June 1 quote and down about 3 cents from year ago levels.

**Bnls. Strap on Pork Loins.** Prices finished the week at \$1.3418 for the strap on loins, down

10.3 cent since Wed. June 1 and down about 9 cent from the year ago levels. Strap off loins at \$1.4954 are down about 6.4 cent since Wed. June 1 and down about 16 cent compared to the year ago quote.

**Boneless sirloins** at \$1.1109 are up 2 cents from the Wed. June 1 quote but down about 19.2 cents from the year ago price.

**Pork tenderloin** finished last week at \$2.9451, up 9 cent from the Wed. June 1 quote and up about 50.1 cents from the year ago price.

**1/4 Trim Pork Butts** (page 10), prices finished the week at \$1.1867, down 0.3 cents since Wed. June 1. Prices are down 26 cents from a year ago.

**Spare Ribs, Trimmed - LGT, Vac** (page 8). Prices finished the week at \$1.5972, down about 15 cent since Wed. June 1 and down about 56 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 \$0.7117/lb., up 3.5 cents compared to prices on Wed. June 1 and up about 1 cents from a year ago.

20/23 hams finished the week at 70.37 cents, up about 1.3 cents since Wed. June 1 and up about 8 cents from the year ago level.

23/27 hams finished the week at 71.48 , up about 4 cents from the Wed. June 1 quote and up about 10.5 cents from the year ago level.

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

**42 CL Pork Trim** “FOB Basis”. Prices finished the week at 44.52 cent, up about 2.2 cent since Wed. June 1 but down about 8 cents from the year ago price.

**72 CL Pork Trim** “FOB Basis”. Prices finished the week at 80.04 cents, up about 12

cents since the Wed. June 1 quote but down about 2 cents from the year ago level.

Freezer stocks of all trimmings on April 30 were 41.0 million pounds, down 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 99.17 on Friday, June 11, down about 1 cents from a year ago.

Broiler slaughter for the week ending June 11 was 165.57 million head, up 3.43% from a year ago. For the last two weeks slaughter was down 2.0% vs. a year ago.

**Breasts.** Prices on boneless skinless breasts finished the week at \$1.1290, down 1 cents since Wed. June 1 and still down about 34 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 down about 0.1 cents vs. two weeks ago but at 36.59 cents per pound prices were up 8 cents from a year ago.

**Wings.** Prices at \$1.5436 are down about 31 cents from year ago levels.

## **Turkeys**

**Hens** finished last week at \$1.2400, unchanged since Wed. June 1 but up about 7 cents from the year ago price.

**Toms** finished last week at \$1.2400, unchanged since Wed. June 1 but up about 7 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 down 16.6% from a year ago with an inventory of 180.5 million pounds.

Turkey slaughter was 3.5070 million head for the week ending June 4, down -7.22% from a year ago. For the last two weeks slaughter has been up 6.3%.

**Boneless Turkey Breast Meat.** Boneless skinless turkey breast meat prices finished last week at \$2.1500, unchanged since Wed. June 1. Prices are down about 220 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 \$8.5158 (weighted average quote) finished last week up about 18 cents since the Wed. June 1 quote and up about 83 cents vs. the year ago price.

**Select 112A Heavy Lip On Rib Eyes** at \$7.2602 (weighted average quote) finished last week down about 11 cents since the Wed. June 1 quote but down about 24 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$1.2556 /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 \$2.0992 down about 4 cents since

Wed. June 1 and down about 75 cents from the year ago price.

**Choice ¼ inch trimmed #168 insides** finished last week quoted at \$2.1540 up about 10 cents since Wed. June 1 and down about 85 cents from year ago levels.

**Choice #170 Gooseneck Rounds** finished last week at \$1.8963 up about 10 cents since Wed. June 1 but down about 54 cents from the year ago levels.

**Choice #180 (0x1) Bnls. Strip Loins** finished last week quoted at \$9.6344 (wt. avg.) up about 39 cents from the Wed. June 1 quote. Prices are about 210 cents over year ago levels.

**Choice #184 Regular Heavy top butts** finished at \$4.1205 (wt. avg.) down about 3 cents since Wed. June 1 but up about 61 cents from year ago levels.

**Choice #184 ¼ inch trimmed Top Butts** finished at \$4.1815 (wt. avg.) down about 26 cents since Wed. June 1 but up about 21 cents from the year ago levels.

**Choice #185A Flap Meat** prices finished Friday at \$5.7691 (wt. avg.) up about 13 cents since Wed. June 1 and up about 25 cents from year ago values.

## **COARSE GROUND BEEF –**

**73CL Coarse Ground** product finished last week at \$1.4794 down about 8 cents since Wed. June 1 and down about 46 cents from year ago levels.

**81CL Coarse Ground** product finished last week at \$1.8766 down about 8 cent since Wed. June 1 and down about 37 cents from the year ago quote.

**90CL Bnls. Beef** prices finished the week at \$2.1691 (wt. avg.) up about 0.22 cent since Wed. June 1 but down 69 compared to the year ago price quote.

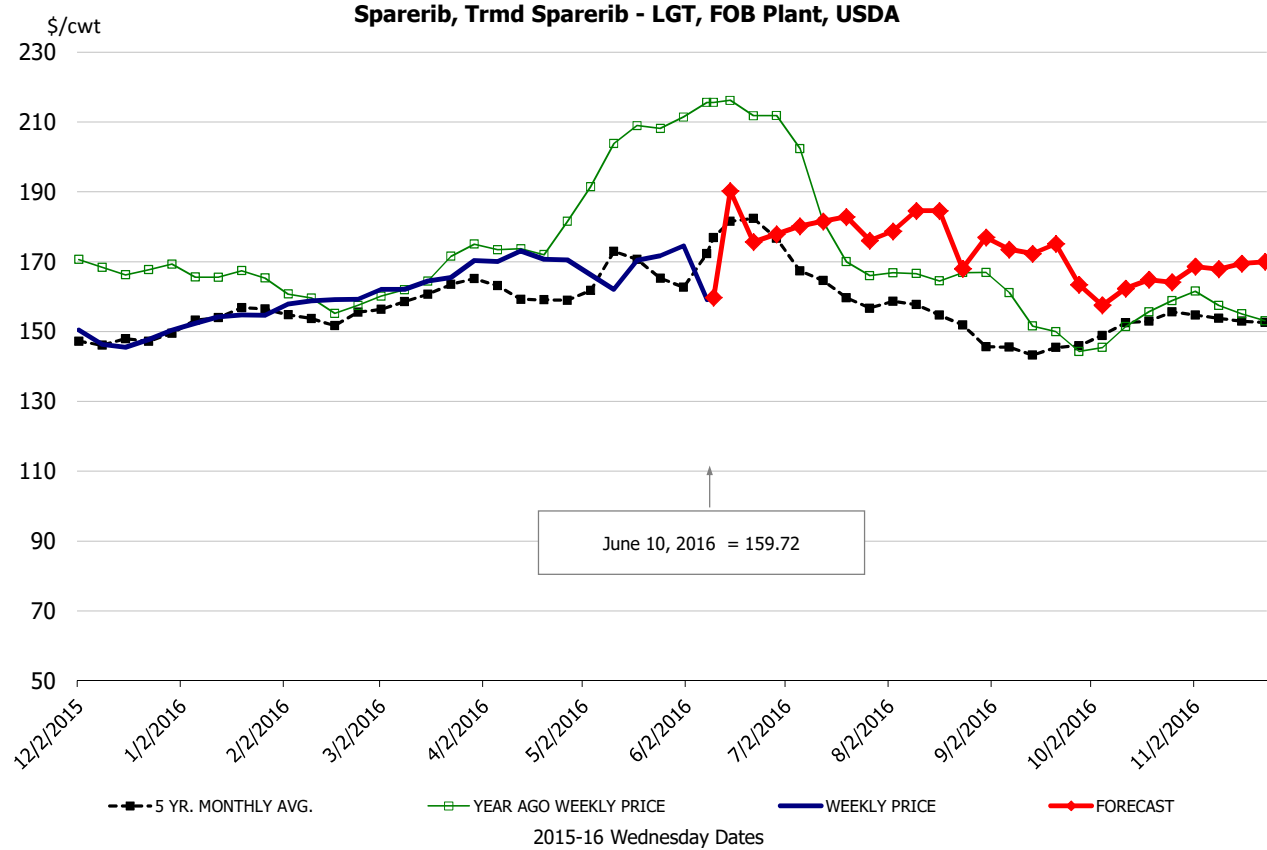
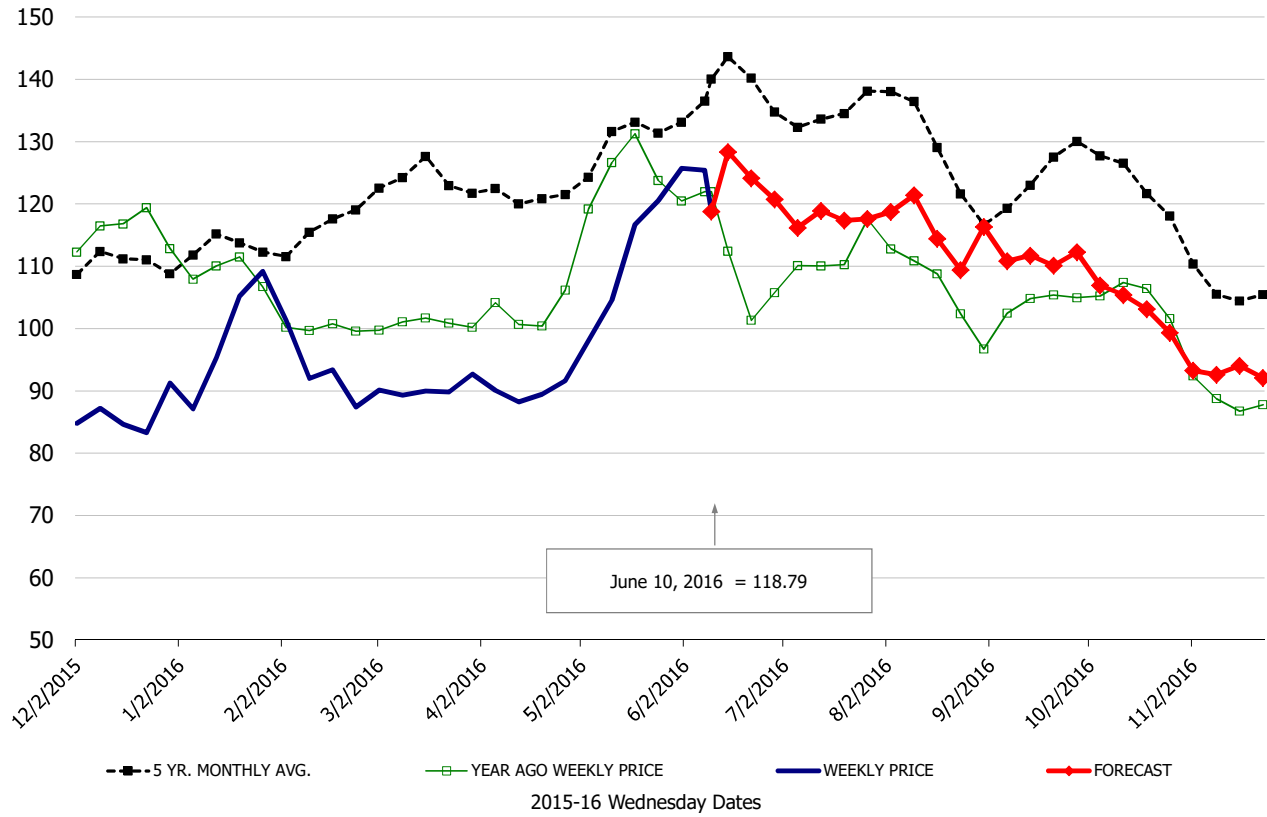
**50 CL Beef Trim** prices finished last week at \$0.9070, up about 25 cent since Wed. June 1 and up 12 cent compared to the year ago level.

## Food Service Summary Table - WT. AVE

	2015-16 History							2016 FORECAST							
	Dec	Jan	Feb	Mar	Apr	May	6/1/2016	6/10/2016	6/22/2016	Jun	Jul	Aug	Sep	Oct	Nov
<b><u>PORK</u></b>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	0.86	0.97	0.94	0.90	0.89	1.08	1.26	1.19	1.24	1.23	1.17	1.16	1.11	1.04	0.93
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	0.92	1.01	1.04	0.97	0.97	1.12	1.28	1.29	1.38	1.35	1.28	1.25	1.19	1.09	0.98
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.42	1.49	1.47	1.42	1.38	1.48	1.56	1.50	1.64	1.62	1.67	1.71	1.72	1.59	1.41
Loin, Tenderloin, FOB Plant, USDA	1.83	2.12	2.41	2.15	2.21	2.50	2.86	2.95	3.05	2.96	2.87	2.74	2.54	2.14	2.06
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	0.80	0.80	0.75	0.84	0.96	1.13	1.12	1.04	1.15	1.13	1.10	1.07	1.07	0.93	0.90
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.48	1.54	1.59	1.64	1.67	1.66	1.75	1.60	1.76	1.75	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	2.66	2.59	2.74	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	1.60	1.62	1.76	1.70	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	2.92	2.30	3.03	3.07	2.93	2.93	2.91	2.51	2.56
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.68	0.58	0.62	0.56	0.64	0.67	0.68	0.71	0.74	0.73	0.76	0.83	0.81	0.86	0.81
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.64	0.58	0.61	0.55	0.63	0.68	0.69	0.70	0.73	0.72	0.77	0.82	0.80	0.81	0.78
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.59	0.56	0.58	0.55	0.64	0.66	0.68	0.71	0.72	0.71	0.74	0.80	0.78	0.78	0.74
Ham, 5 Muscle Ham to Blue, FOB Plant, USDA	0.96	1.03	1.03	1.03	1.03		1.14	1.14	1.35	1.34	1.36	1.37	1.37	1.33	1.28
Belly, Skin-on Belly 14-16#, FOB Plant, USDA	1.11	1.20	1.35	1.40	1.32	1.13	1.11	1.18	1.34	1.28	1.51	1.77	1.56	1.41	1.26
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.34	1.42	1.59	1.65	1.51	1.33	1.38	1.49	1.58	1.57	1.90	2.15	1.90	1.74	1.58
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.29	1.44	1.57	1.64	1.50	1.24	1.30	1.46	1.57	1.56	1.88	2.10	1.87	1.71	1.55
Trim, 42% Trim Combo, FOB Plant, USDA	0.18	0.20	0.18	0.25	0.38	0.46	0.42	0.45	0.48	0.46	0.55	0.55	0.50	0.42	0.36
Trim, 72% Trim Combo, FOB Plant, USDA	0.37	0.46	0.58	0.55	0.69	0.69	0.68	0.80	0.78	0.78	0.87	0.83	0.79	0.77	0.72
<b><u>HOG CARCASS</u></b>															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	0.51	0.55	0.63	0.63	0.65	0.74	0.75	0.79	0.84	0.82	0.84	0.84	0.78	0.70	0.64
<b><u>BROILERS</u></b>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	0.82	0.88	0.82	0.85	0.88	0.94	0.99	0.99	0.97	0.98	0.90	0.86	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	1.14	1.13	1.20	1.16	1.20	1.22	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	0.98	0.97	0.98	0.98	0.99	0.99	0.96	0.90	0.87
N.E. BROILER LEG QUARTERS, USDA	0.24	0.25	0.27	0.31	0.35	0.37	0.37	0.37	0.37	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	1.54	1.60	1.60	1.68	1.86	1.98	2.00	1.89
<b><u>TURKEYS</u></b>															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.27	1.18	1.19	1.21	1.22	1.23	1.24	1.24	1.25	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	2.21	2.20	2.30	2.45	2.50	2.55	2.60
<b><u>LIVE STEERS</u></b>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.22	1.33	1.34	1.37	1.32	1.28	1.25	1.29	1.26	1.26	1.20	1.19	1.19	1.19	1.21
<b><u>BEEF</u></b>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	7.91	7.17	7.54	7.95	7.52	7.30	8.34	8.52	8.81	8.60	7.28	7.30	7.43	7.62	8.29
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.00	2.54	2.54	2.36	2.19	2.11	2.05	2.15	2.10	2.09	2.21	2.28	2.14	2.12	2.10
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.13	2.47	2.40	1.98	1.96	1.92	1.80	1.90	1.99	1.95	1.96	1.96	2.01	2.05	1.98
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	5.23	5.67	5.69	7.20	7.23	7.19	9.25	9.63	9.50	9.50	7.14	6.23	5.61	5.25	5.29
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	3.01	3.33	3.34	4.18	4.48	4.40	4.45	4.18	4.35	4.31	4.16	4.12	3.96	3.60	3.58
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	4.11	5.17	4.97	5.72	5.59	5.16	5.64	5.77	5.90	5.78	5.19	4.61	4.16	3.94	3.87
COARSE GROUND 73%, USDA	1.33	2.18	1.58	1.42	1.50	1.54	1.56	1.48	1.52	1.52	1.45	1.48	1.44	1.39	1.38
COARSE GROUND 81%, USDA	1.54	2.27	1.78	1.65	1.74	1.89	1.95	1.88	1.88	1.87	1.77	1.76	1.66	1.62	1.61
90% BONELESS BEEF, CENTRAL, FRESH, USDA	1.97	2.01	2.10	2.18	2.18	2.18	2.17	2.17	2.18	2.17	2.14	2.11	2.10	1.96	1.95
50CL BEEF TRIM, FRESH, NATIONAL, USDA	0.38	0.64	0.52	0.94	0.72	0.51	0.66	0.91	0.72	0.74	0.66	0.64	0.62	0.64	0.70

\$/cwt

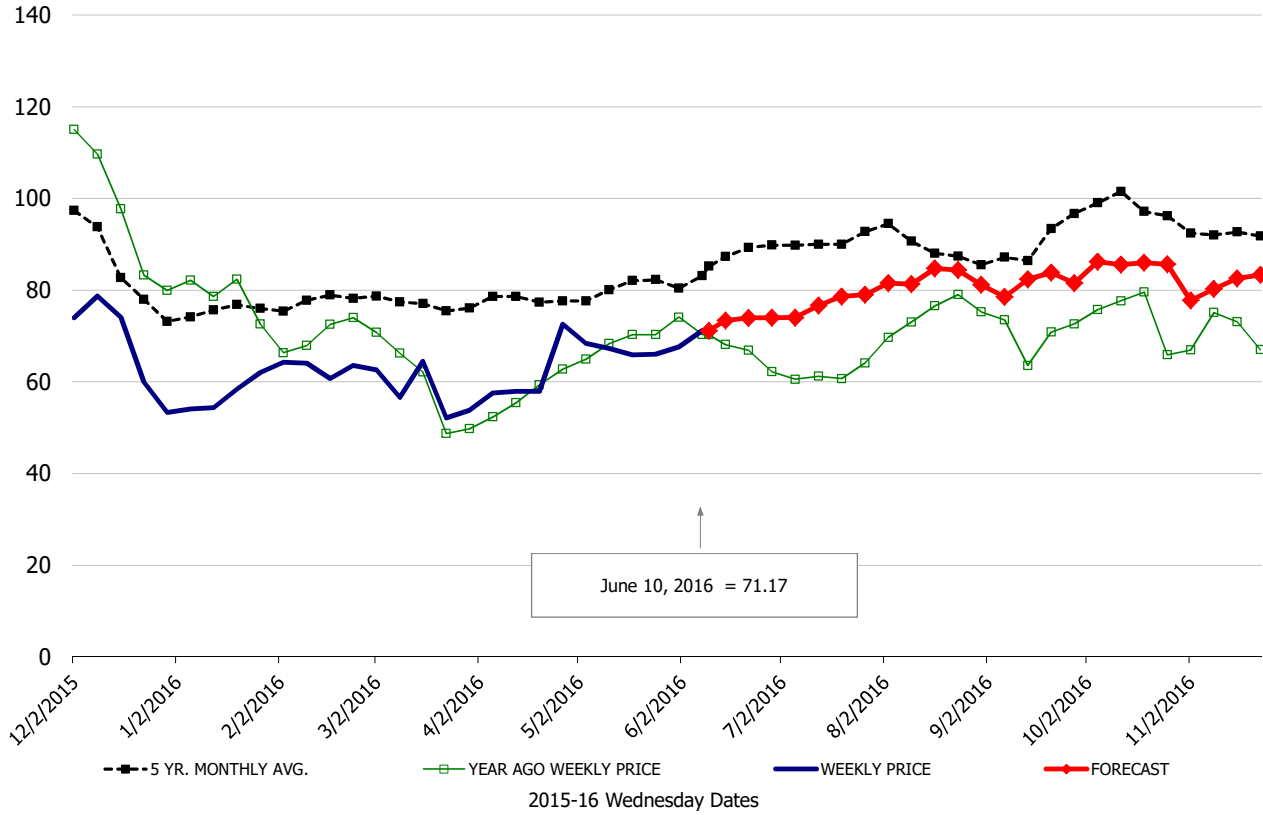
### Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA





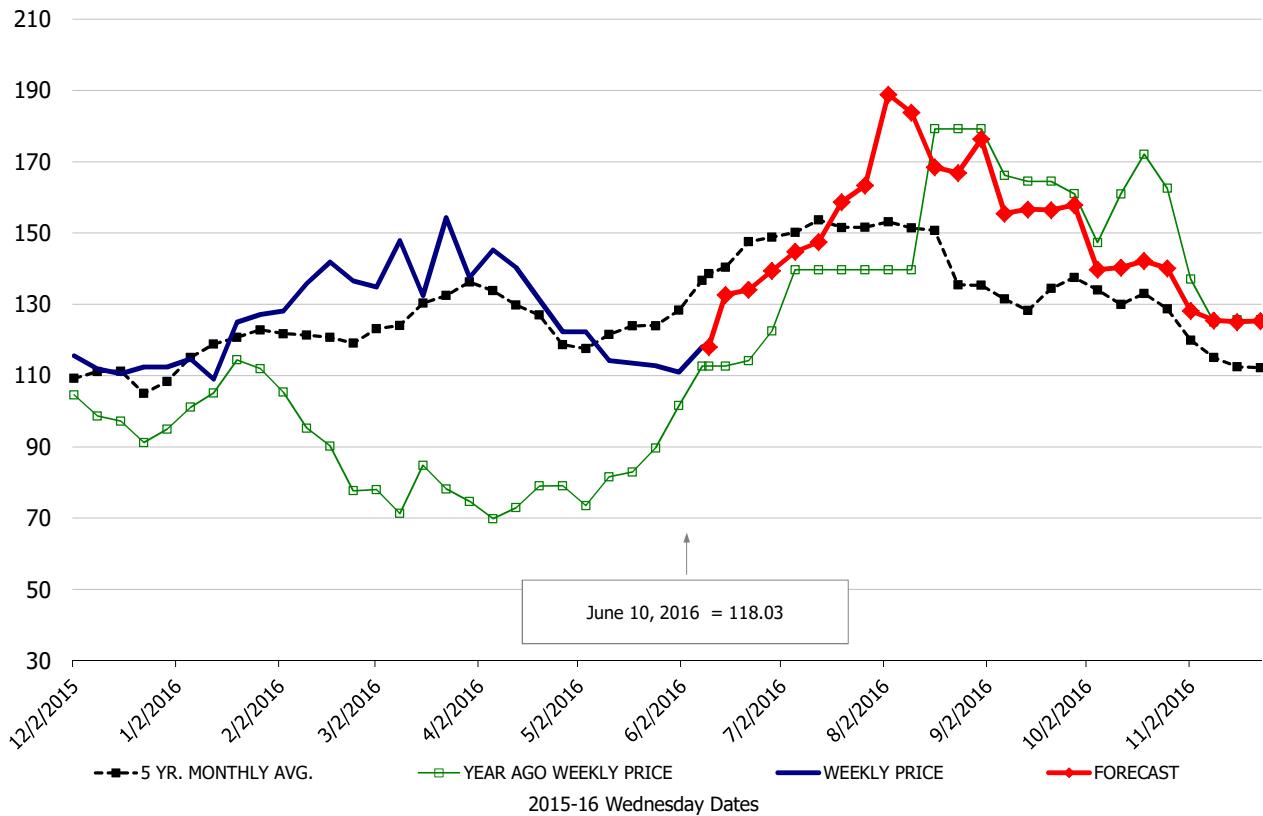
\$/cwt

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



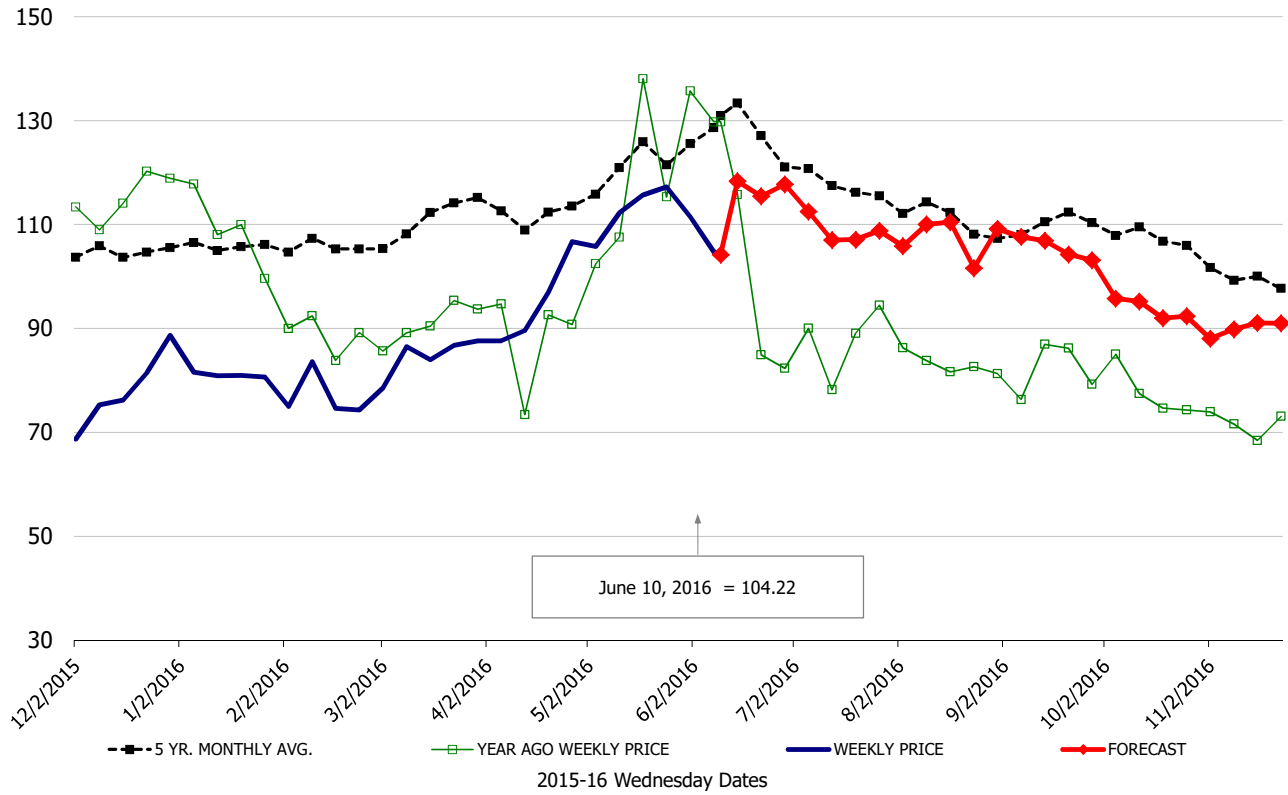
\$/cwt

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



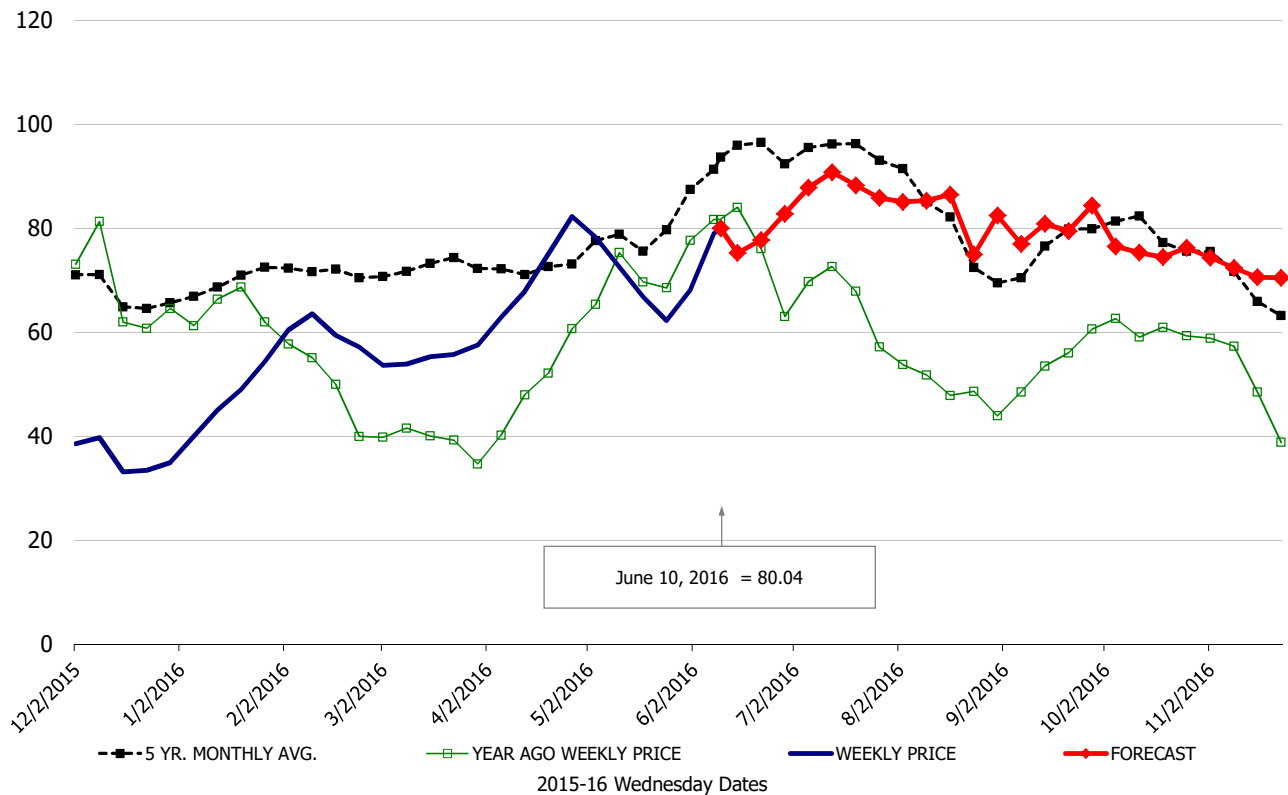
\$/cwt

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

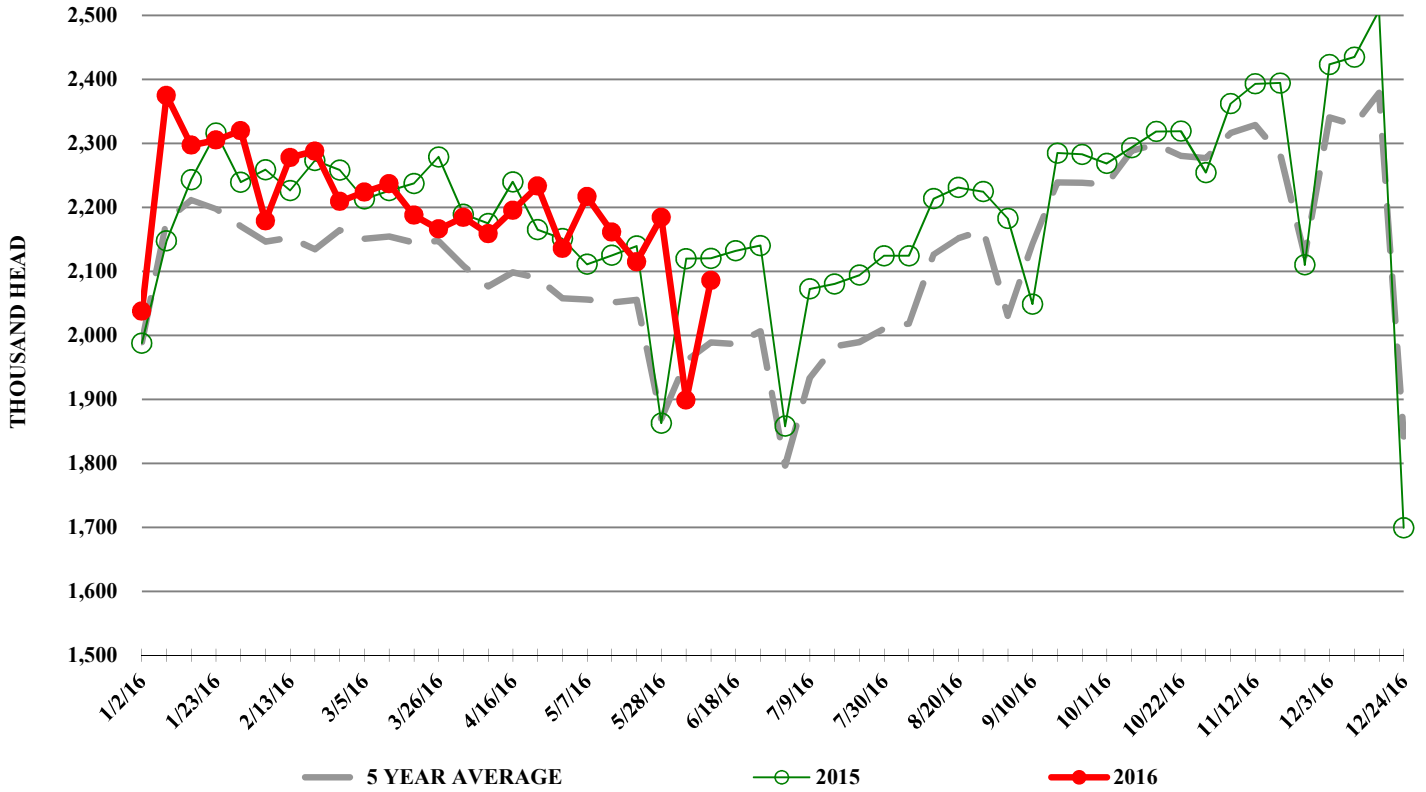


\$/cwt

### Trim, 72% Trim Combo, FOB Plant, USDA



## ESTIMATED WEEKLY FI HOG SLAUGHTER



## ESTIMATED WEEKLY FI PORK PRODUCTION

