



Be inspiredSM

Pork Merchandiser's Profit Maximizer

- Foodservice Edition -

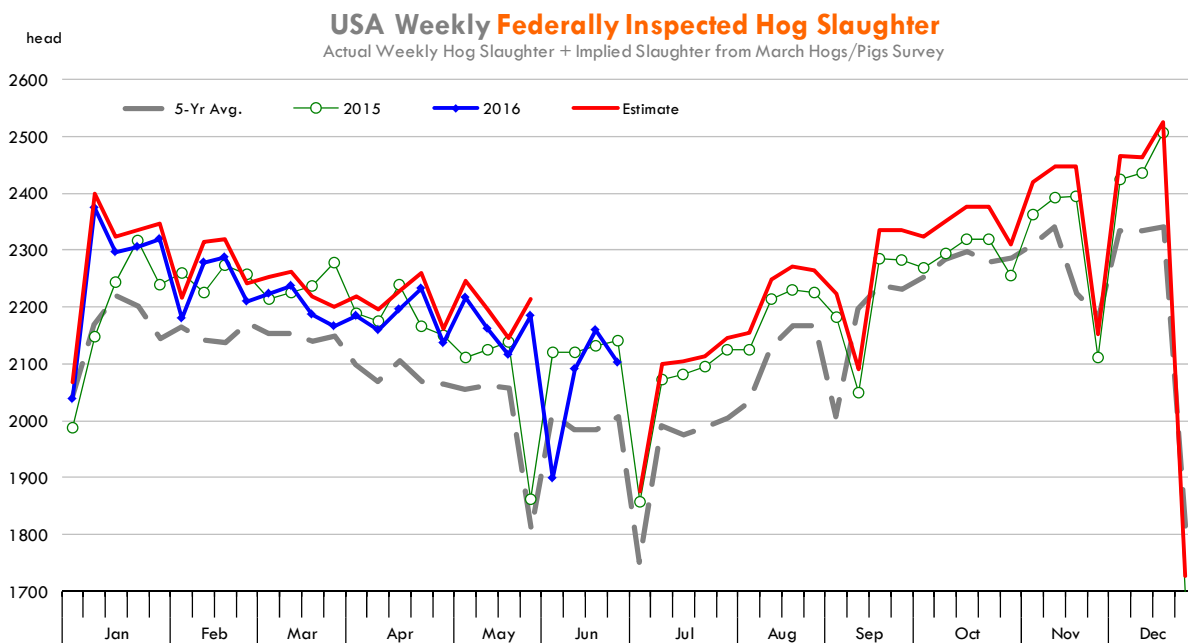
© 2016 The National Pork Board, Des Moines, IA 515-223-2600;
Prepared by Steiner and Company, Manchester, NH 800-526-4612.

June 27, 2016

Pork supply implications following the June Hogs and Pigs Survey

US hog futures declined modestly on Friday even as outside markets sold off quite aggressively following the Brexit vote. The declines may be even more significant on Monday following

what we think is a very bearish Hogs and Pigs report. The big story in the pork complex has been speculation about blockbuster China demand and relatively modest increases in pork production in the second half of the year. The Brexit vote may undermine some of the export demand for US pork given the sharp decline in the value of the Euro. And the report showed that hog supplies



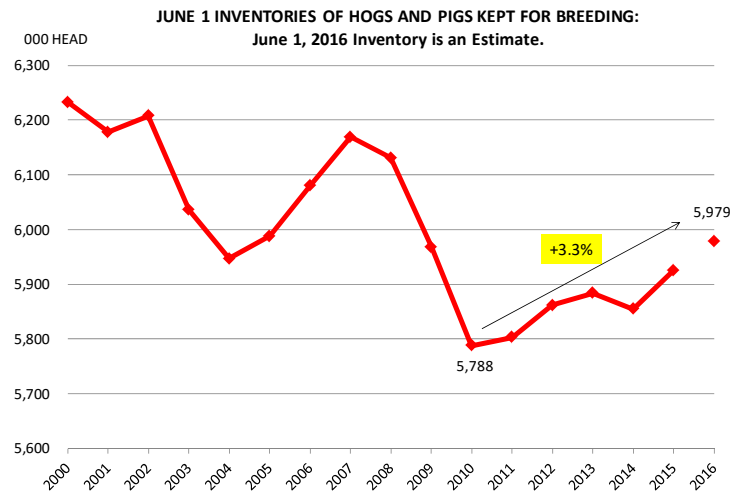
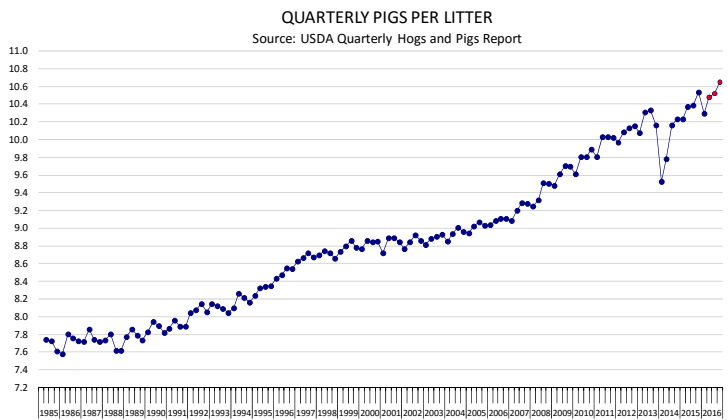
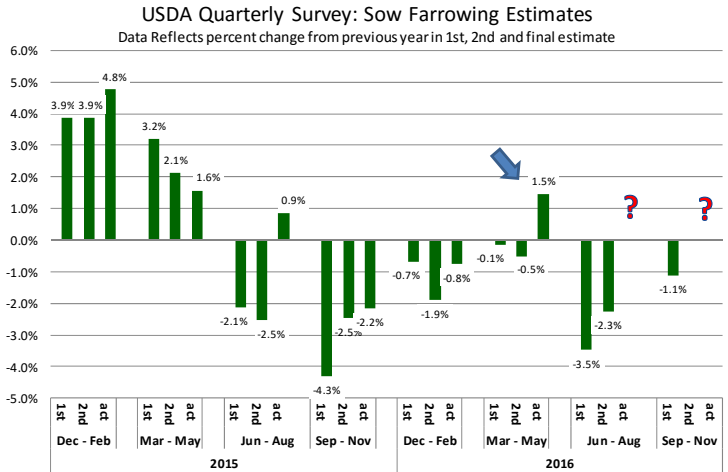
Steiner and Company produces the National Pork Board Newsletter based on information we believe is accurate and reliable. However neither NPB nor Steiner and Company warrants or guarantees the accuracy of or accepts any liability for the data, opinions or recommendations expressed.

this fall will be much higher than analysts expected.

Total hogs and pigs as of June 1 were 68.381 million head, 1.8% higher than a year ago. The inventory of breeding hogs was 5.979 million head, 0.9% higher than a year ago vs. analyst estimates for a 0.4% growth. Total market hog inventories were 62.402 million head, 1.9% higher than a year ago.

Summer market implications: The report showed that inventories of hogs +120 pounds were estimated to be 1.2% higher than a year ago. This is a little higher than what was implied in the last quarterly report and so we view the results as moderately bearish for this period. Hot summer weather will continue to be a driver in as much as it impacts hog carcass weights. Also export demand will remain in focus. The survey, however, is telling us that hog slaughter during the summer will continue to run a little over 1% above last year's levels.

Fall market implications: To us this was the most bearish part of the report. Coming into the report analysts were projecting the pig crop for Mar-May to be just 0.6% higher than a year ago. Keep in mind these are hogs that come to market during Sep-Nov period. The expectation was that hog supplies would be only modestly higher than a year ago and higher exports would help clean up the market and support pricing. The USDA survey, however, pegged the pig crop for this period at 30.347 million head, 2.5% higher than the previous year. Farrowings during the period were up 1.5% (much higher than previous estimates looking for a small decline) while pigs per litter increased 1.1%. The report now implies a number of weeks well over 2.4 million head in October and November and then



near 2.5 million head in December. When slaughter approached those levels last year hog prices were dramatically lower, largely because packers hit rated capacity limits and demanded big discounts in order to run overtime. It appears that larger Saturday slaughter levels will be required this year.

Winter and first half of 2017: The June – August farrowing intentions were reported to be down 2.3% compared to year ago levels. However, the larger than expected breeding herd makes one question whether producers, once again, have under reported the farrowing number. After all, USDA has had to revise higher its pig crop in the last two quarters largely because of what we think are larger than expected farrowings. Can we believe farrowings this time around? At face value the report implies a modest decline in slaughter for the winter period. We remain doubtful. As for next year, the report continues to show that producers continue to expand. The implied gilt retention during the Mar-May quarter was as high as 12% compared to a year ago but still down about 6% vs. the five year average. Lower feed costs, more pigs per litter and a larger breeding herd limit the risk of hog price inflation in 2017. Export markets are always key but the latest report did not provide us any data to change that view.

Cold Storage Stocks

Total meat protein supplies in cold storage continued to increase in May but the increase was in line with the normal build in stocks for this time of year. Total beef, pork and poultry supplies in cold storage were 2.318 billion pounds, 1% higher than the previous month. The five year average m/m build is about 1.6%. Current cold storage stocks of all proteins are just 0.3% higher than a year ago but 4.1% higher than the five year average.

Beef in cold storage was estimated at 446.7 million pounds, 5.9% lower than a year ago. Seasonally beef stocks decline at this time of year

and so far the drawdown is in line with the long run trend. As a result we see the results of the survey as neutral for the beef market in the short term.

Total pork inventories at the end of May were 612.7 million pounds, 6.5% lower than a year ago and 0.4% lower than the five year average. It is positive for pork demand we think that pork stocks declined 3.9% from the previous month even as pork production remains above year ago levels. The rate of stock drawdown was in line with normal levels for this time of year, hence our assessment of the current report as neutral for the pork market. Ham inventories are down 9.1% from a year ago, which should help support prices in the next three months. Still, we would not read more than that in the report. Part of the reason why end users are not anxious to build inventories for the holiday season is because pork supplies should be more than adequate this year. Pork belly stocks in May were 77.7 million pounds, 19.9% higher than a year ago and 18.3% higher than the five year average. This was by far the most bearish number for pork. The increase coincides with relatively weak prices for bellies during May. It appears that packers were willing to put some product away in order to support the market. This may be a good strategy if summer demand materializes but the supply increase also may help keep belly prices in check and we see it as negative for the pork complex in July and particularly August. Without robust belly prices in July and August it will be difficult to hit the rather lofty prices that futures have been pricing to this point.

Upcoming holidays:

2016 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 25 slaughter was 2.103 million head, down 1.8% from a year ago. In the last two weeks hog slaughter is down 0.2% 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 82.03 /cwt. on Friday were up \$1.8/cwt since Wed. June 15. Prices are up about 8 dollar compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at \$1.0786, down about 4.1 cent since the Wed. June 15 quote but up about 7 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.2151 for the strap on loins, down 10.1 cent since Wed. June 15 and down about 10

cent from the year ago levels. Strap off loins at \$1.5260 are down about 9.7 cent since Wed. June 15 but up about 10 cent compared to the year ago quote.

Boneless sirloins at \$1.0947 are down 4 cents from the Wed. June 15 quote and down about 25.0 cents from the year ago price.

Pork tenderloin finished last week at \$2.9436, down 3 cent from the Wed. June 15 quote but up about 43.1 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at \$1.1958, up 1.1 cents since Wed. June 15. Prices are up 30 cents from a year ago.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$1.6494, up about 5 cent since Wed. June 15 but down about 47 cents from year ago levels.

Rib inventories on May 31 were 110.0 million pounds, up 23.2% percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was \$0.7998/lb., up 6.9 cents compared to prices on Wed. June 15 and up about 13 cents from a year ago.

20/23 hams finished the week at 79.88 cents, up about 7.1 cents since Wed. June 15 and up about 14 cents from the year ago level.

23/27 hams finished the week at 78.63 , up about 5 cents from the Wed. June 15 quote and up about 17.5 cents from the year ago level.

Total ham cold storage stocks on May 31 at 144.4 million pounds were down 9.1% from year ago levels.

42 CL Pork Trim “FOB Basis”. Prices finished the week at 31.32 cent, down about 8.1 cent since Wed. June 15 and down about 8 cents from the year ago price.

72 CL Pork Trim “FOB Basis”. Prices finished the week at 74.77 cents, down about 0.3 cents since the Wed. June 15 quote and down about 1 cents from the year ago level.

Freezer stocks of all trimmings on May 31 were 40.8 million pounds, down 19.6% 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 down 4.25 cents from a year ago.

The National Whole Bird price was quoted at 94.88 on Friday, June 25, down about 8 cents from a year ago.

Broiler slaughter for the week ending June 25 was 164.03 million head, up 0.78% from a year ago. For the last two weeks slaughter was up 1.5% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$1.2063, up 2 cents since Wed. June 15 but still down about 23 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 1.4 cents vs. two weeks ago but at 35.41 cents per pound prices were up 9 cents from a year ago.

Wings. Prices at \$1.4854 are down about 38 cents from year ago levels.

Turkeys

Hens finished last week at \$1.2400, unchanged since Wed. June 15 but up about 4 cents from the year ago price.

Toms finished last week at \$1.2400, unchanged since Wed. June 15 but up about 4 cent from the year ago price.

Total turkey supplies in the freezer on May 31 were up 3.1% from a year ago at 455.2 million pounds. Whole birds were down 14.4% from a year ago with an inventory of 216.4 million pounds.

Turkey slaughter was 4.0690 million head for the week ending June 18, up 6.24% from a year ago. For the last two weeks slaughter has been up 11.4%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$2.1500, unchanged since Wed. June 15. Prices are down about 250 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 \$8.0987 (weighted average quote) finished last week down about 72 cents since the Wed. June 15 quote but up about 33 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$7.2312 (weighted average quote) finished last week down about 25 cents since the Wed. June 15 quote but down about 51 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$0.8675 /lb. over Select. The 2015 annual average spread (wt. average price) had the Choice at a premium to the Select by \$0.1054 per pound and the previous five years (2010 thru 2014) average spread was Choice at a premium to the Select by \$0.0934 per pound.

Choice regular #168 insides finished last week quoted at \$1.8163 down about 6 cents since

Wed. June 15 and down about 123 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$1.9055 down about 12 cents since Wed. June 15 and down about 124 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$1.8173 down about 7 cents since Wed. June 15 and down about 78 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$8.2432 (wt. avg.) down about 140 cents from the Wed. June 15 quote. Prices are about 145 cents over year ago levels.

Choice #184 Regular Heavy top butts finished at \$3.3868 (wt. avg.) down about 65 cents since Wed. June 15 and down about 44 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$3.6080 (wt. avg.) down about 55 cents since Wed. June 15 and down about 41 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$5.1385 (wt. avg.) down about 53 cents since Wed. June 15 and down about 68 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at \$1.5170 up about 3 cents since Wed. June 15 but down about 67 cents from year ago levels.

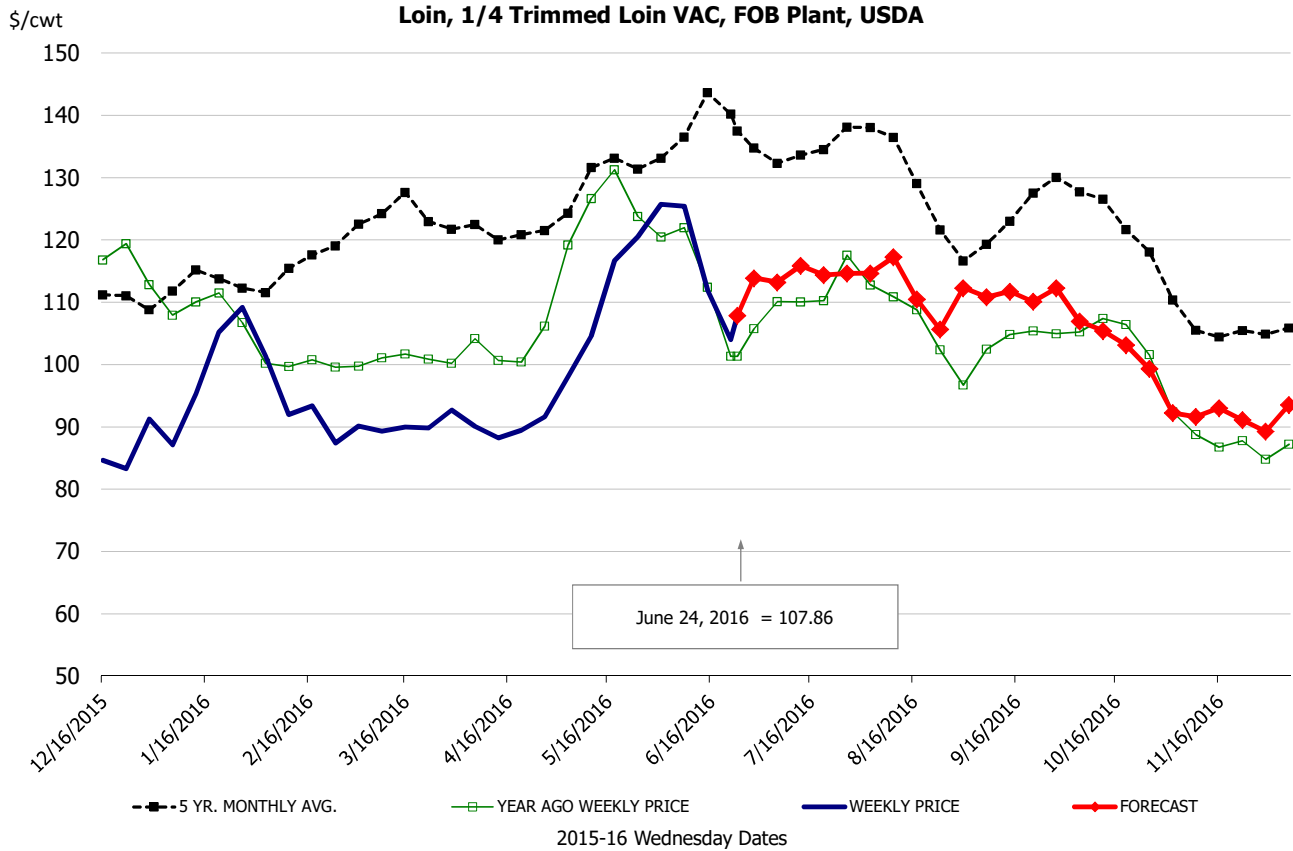
81CL Coarse Ground product finished last week at \$1.7931 down about 9 cent since Wed. June 15 and down about 83 cents from the year ago quote.

90CL Bnls. Beef prices finished the week at \$2.1640 (wt. avg.) down about 0.69 cent since Wed. June 15 and down 77 compared to the year ago price quote.

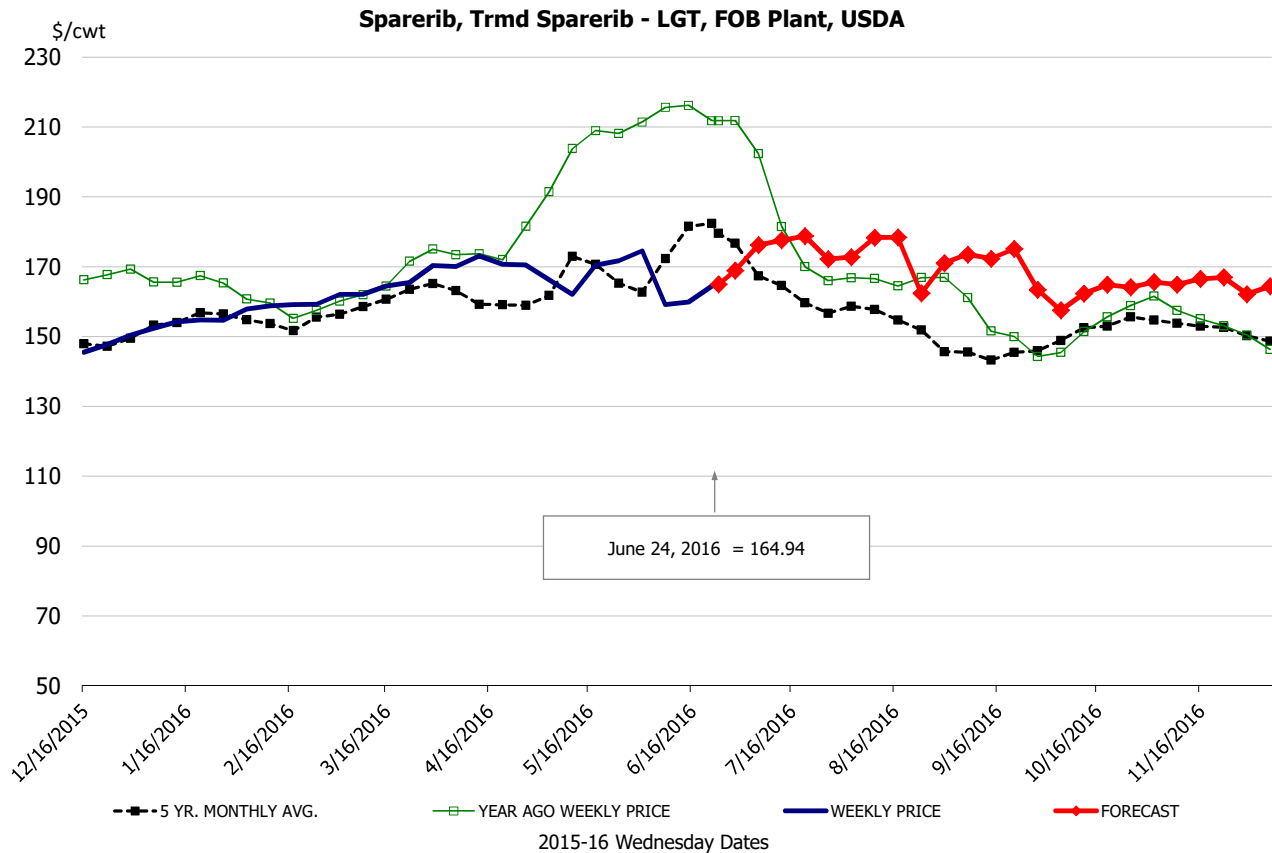
50 CL Beef Trim prices finished last week at \$0.8846, down about 2 cent since Wed. June 15 but up 4 cent compared to the year ago level.

Food Service Summary Table - WT. AVE

	2015-16 History								2016 FORECAST						
	Dec	Jan	Feb	Mar	Apr	May	6/15/2016	6/24/2016	7/6/2016	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	1.12	1.08	1.13	1.16	1.14	1.12	1.11	1.04	0.92
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	0.92	1.01	1.04	0.97	0.97	1.13	1.21	1.08	1.23	1.23	1.25	1.21	1.19	1.09	0.96
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.42	1.49	1.47	1.42	1.38	1.49	1.62	1.53	1.57	1.53	1.63	1.65	1.72	1.59	1.39
Loin, Tenderloin, FOB Plant, USDA	1.83	2.12	2.41	2.15	2.21	2.52	2.98	2.94	2.81	2.91	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	1.12	1.13	1.15	1.09	1.19	1.07	1.03	1.07	0.93	0.89
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.48	1.54	1.59	1.64	1.67	1.66	1.60	1.65	1.76	1.61	1.77	1.73	1.73	1.60	1.66
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.48	2.49	2.57	2.61	2.56	2.61	2.58	2.59	2.61	2.54	2.62	2.56	2.61	2.46	2.49
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.39	1.41	1.50	1.55	1.54	1.65	1.69	1.59	1.72	1.63	1.73	1.69	1.71	1.56	1.59
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.43	2.49	2.59	2.73	2.90	2.98	2.57	2.76	2.88	2.87	2.86	2.83	2.91	2.51	2.52
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.68	0.58	0.62	0.56	0.64	0.67	0.73	0.80	0.78	0.73	0.80	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	0.67	0.73	0.80	0.77	0.72	0.80	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	0.73	0.79	0.76	0.71	0.79	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	1.38	1.35	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	1.18	1.30	1.45	1.19	1.51	1.64	1.52	1.40	1.24
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.34	1.42	1.59	1.65	1.51	1.33	1.51	1.62	1.87	1.50	1.85	2.07	1.90	1.74	1.56
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.29	1.44	1.57	1.64	1.50	1.24	1.48	1.59	1.86	1.46	1.84	2.03	1.87	1.71	1.53
Trim, 42% Trim Combo, FOB Plant, USDA	0.18	0.20	0.18	0.25	0.38	0.46	0.39	0.31	0.43	0.37	0.45	0.50	0.50	0.42	0.35
Trim, 72% Trim Combo, FOB Plant, USDA	0.37	0.46	0.58	0.55	0.69	0.69	0.75	0.75	0.86	0.75	0.85	0.80	0.79	0.77	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	0.80	0.82	0.80	0.80	0.82	0.81	0.78	0.70	0.63
<u>BROILERS</u>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	0.82	0.88	0.82	0.85	0.88	0.94	0.98	0.95	0.92	0.96	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	1.19	1.21	1.21	1.18	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	0.95	1.01	0.97	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	0.35	0.36	0.36	0.37	0.37	0.37	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	1.49	1.59	1.53	1.58	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	1.24	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	2.15	2.20	2.35	2.40	2.45	2.50
<u>LIVE STEERS</u>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.22	1.33	1.34	1.37	1.32	1.28	1.27	1.17	1.19	1.21	1.17	1.17	1.17	1.18	1.18
<u>BEEF</u>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	7.91	7.17	7.54	7.95	7.52	7.32	8.82	8.10	7.48	8.43	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	2.10	2.03	1.91	2.15	1.99	2.15	2.25	2.10	2.10	2.05
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.13	2.47	2.40	1.98	1.96	1.92	1.88	1.82	1.94	1.83	1.91	1.93	1.97	2.03	1.93
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	5.23	5.67	5.69	7.20	7.23	7.33	9.64	8.24	7.52	9.21	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	4.15	3.61	3.78	3.90	3.86	3.84	3.69	3.37	3.30
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	4.11	5.17	4.97	5.72	5.59	5.17	5.67	5.14	4.93	5.28	4.83	4.43	4.08	3.90	3.77
COARSE GROUND 73%, USDA	1.33	2.18	1.58	1.42	1.50	1.55	1.49	1.52	1.42	1.50	1.39	1.45	1.42	1.38	1.34
COARSE GROUND 81%, USDA	1.54	2.27	1.78	1.65	1.74	1.89	1.89	1.79	1.83	1.85	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	2.16	2.17	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	0.90	0.88	0.76	0.85	0.76	0.74	0.72	0.74	0.80



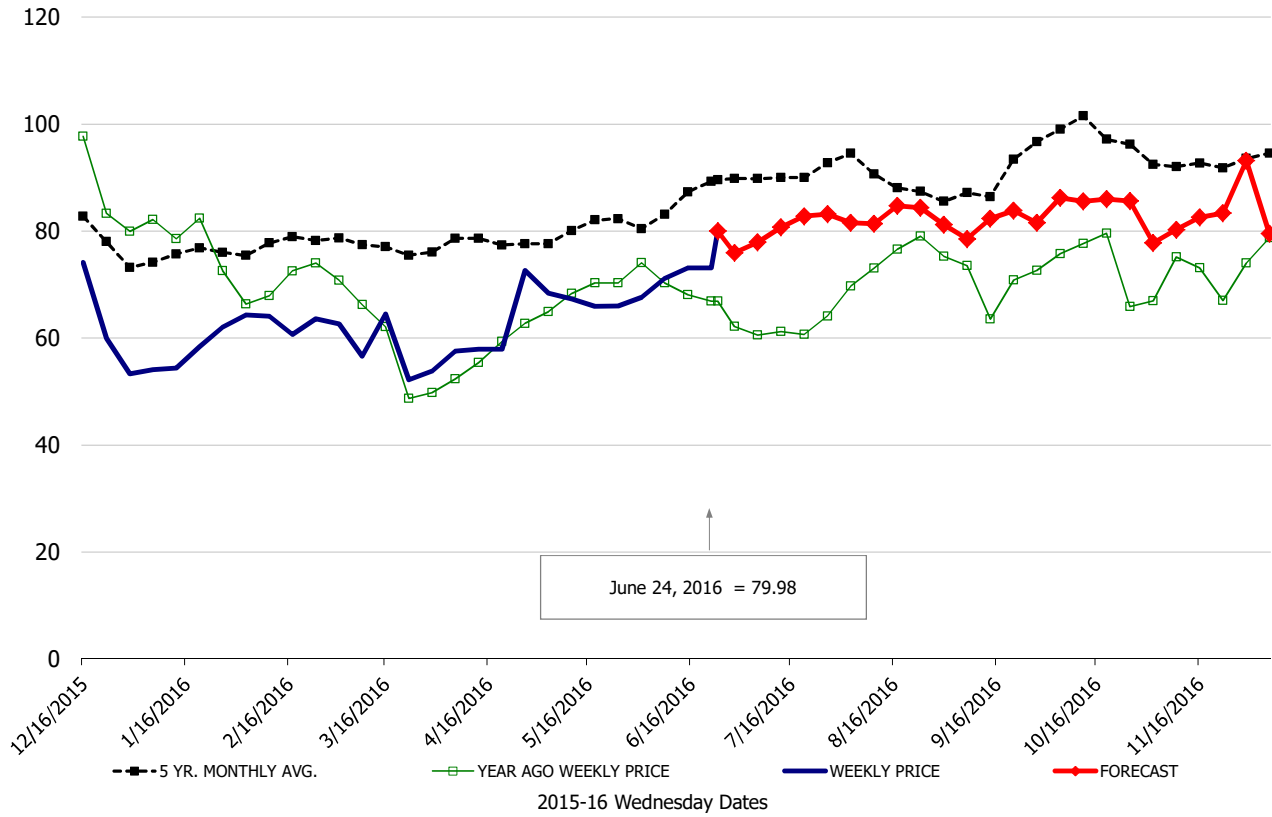
June 24, 2016 = 107.86



June 24, 2016 = 164.94

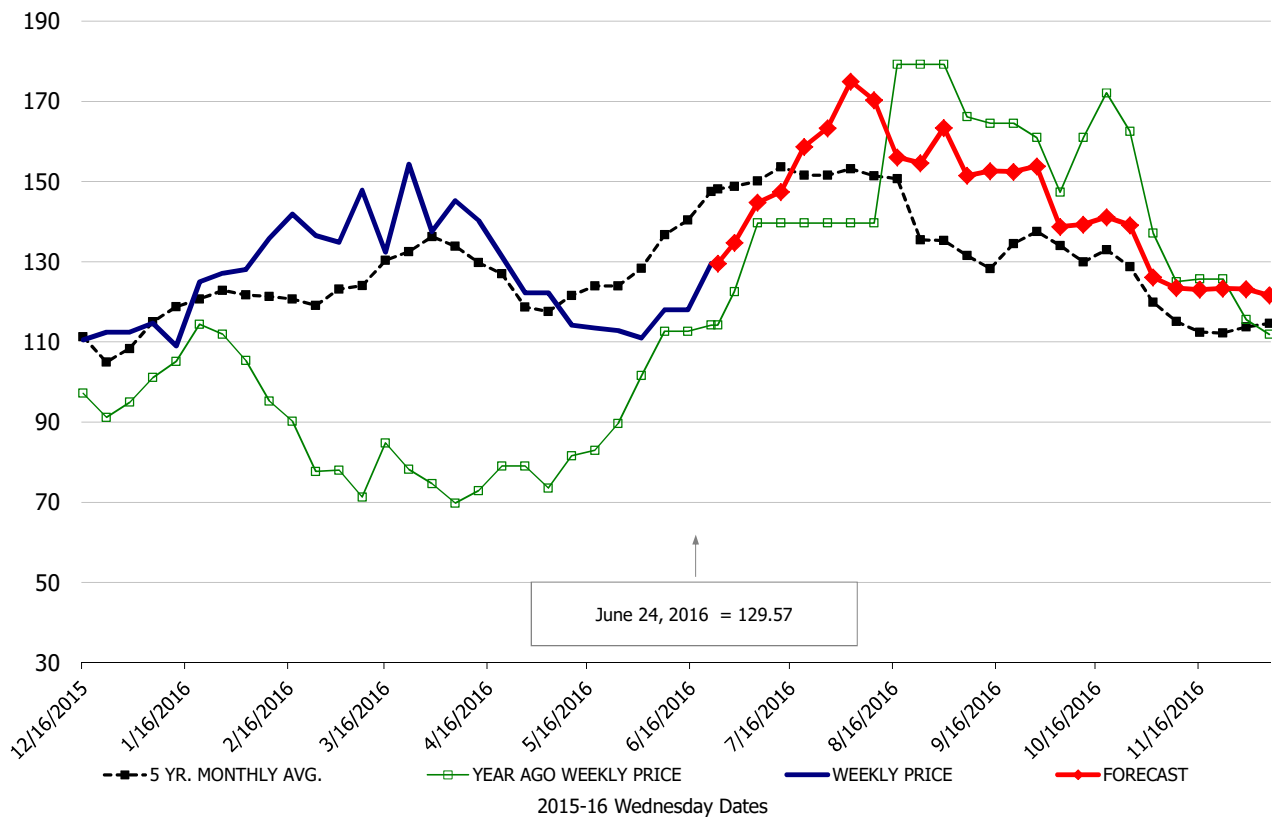
\$/cwt

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



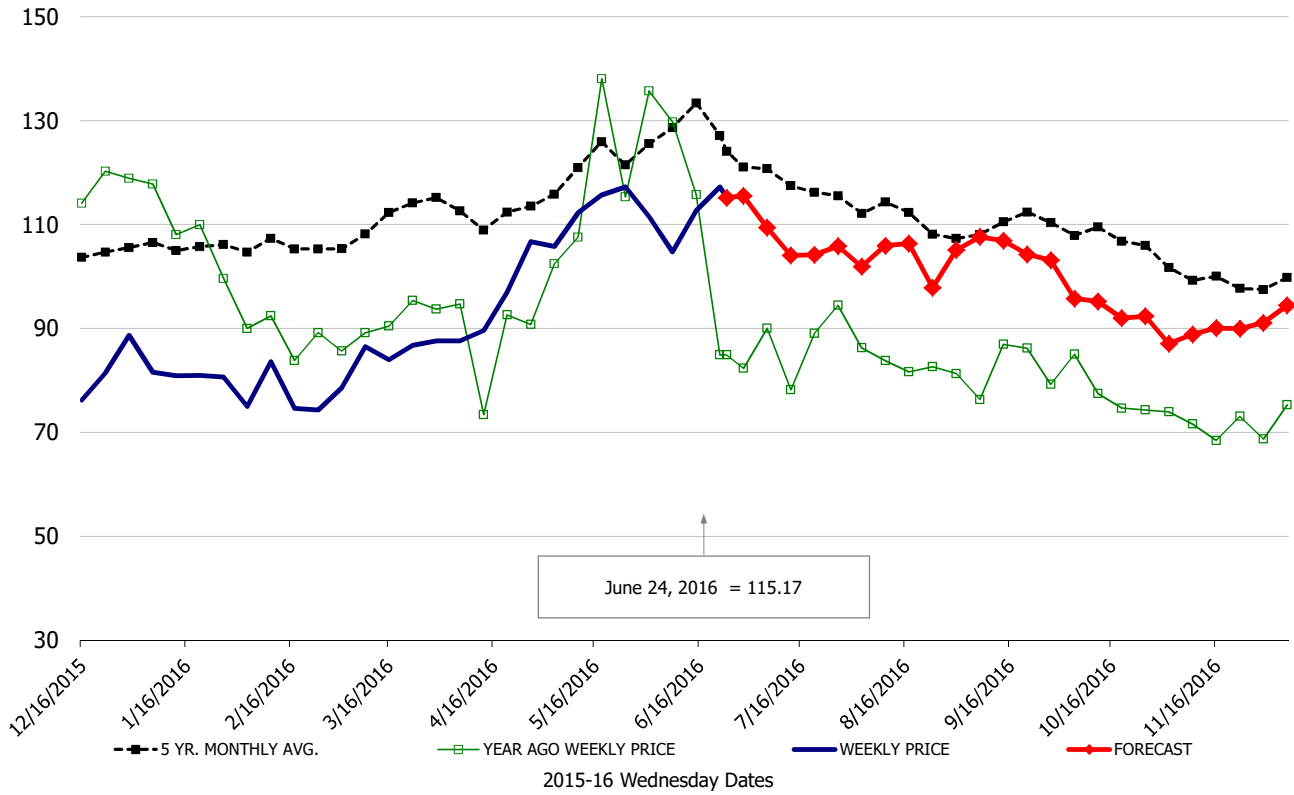
\$/cwt

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



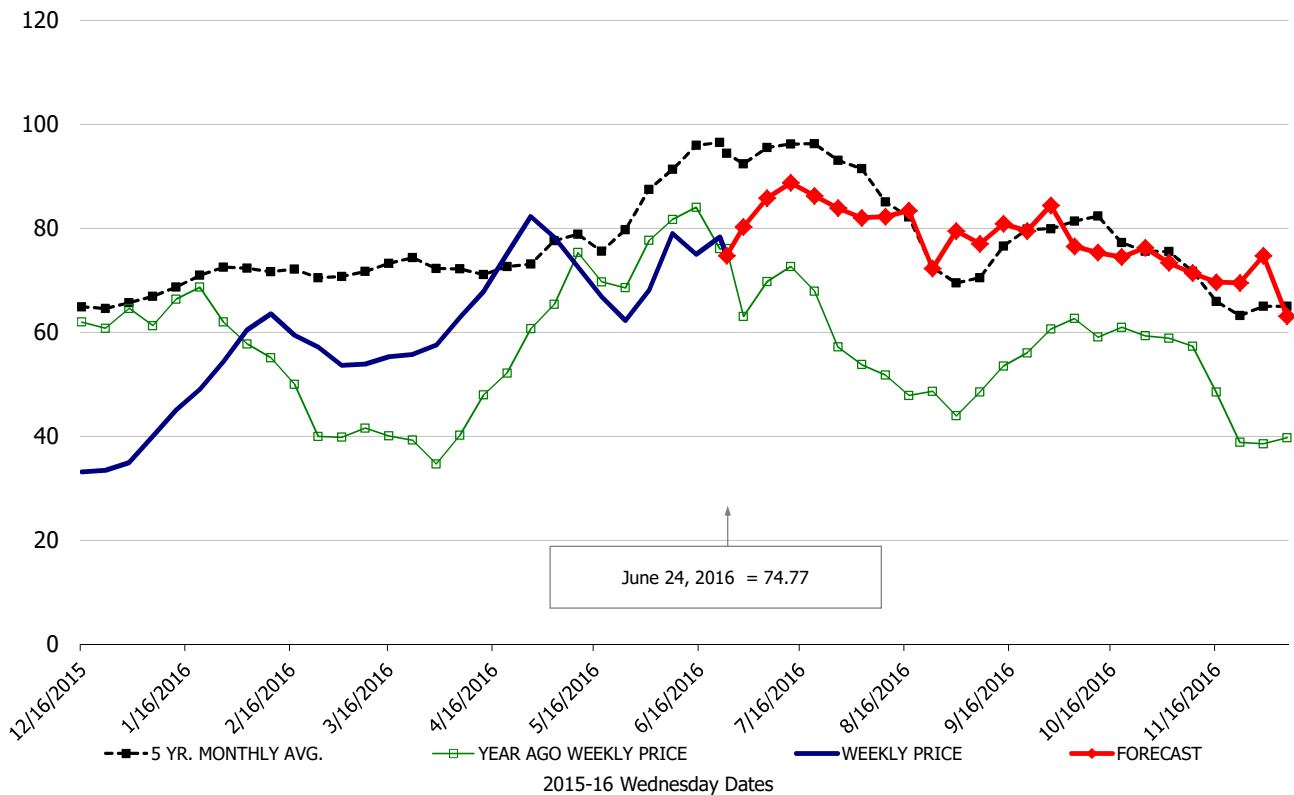
\$/cwt

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

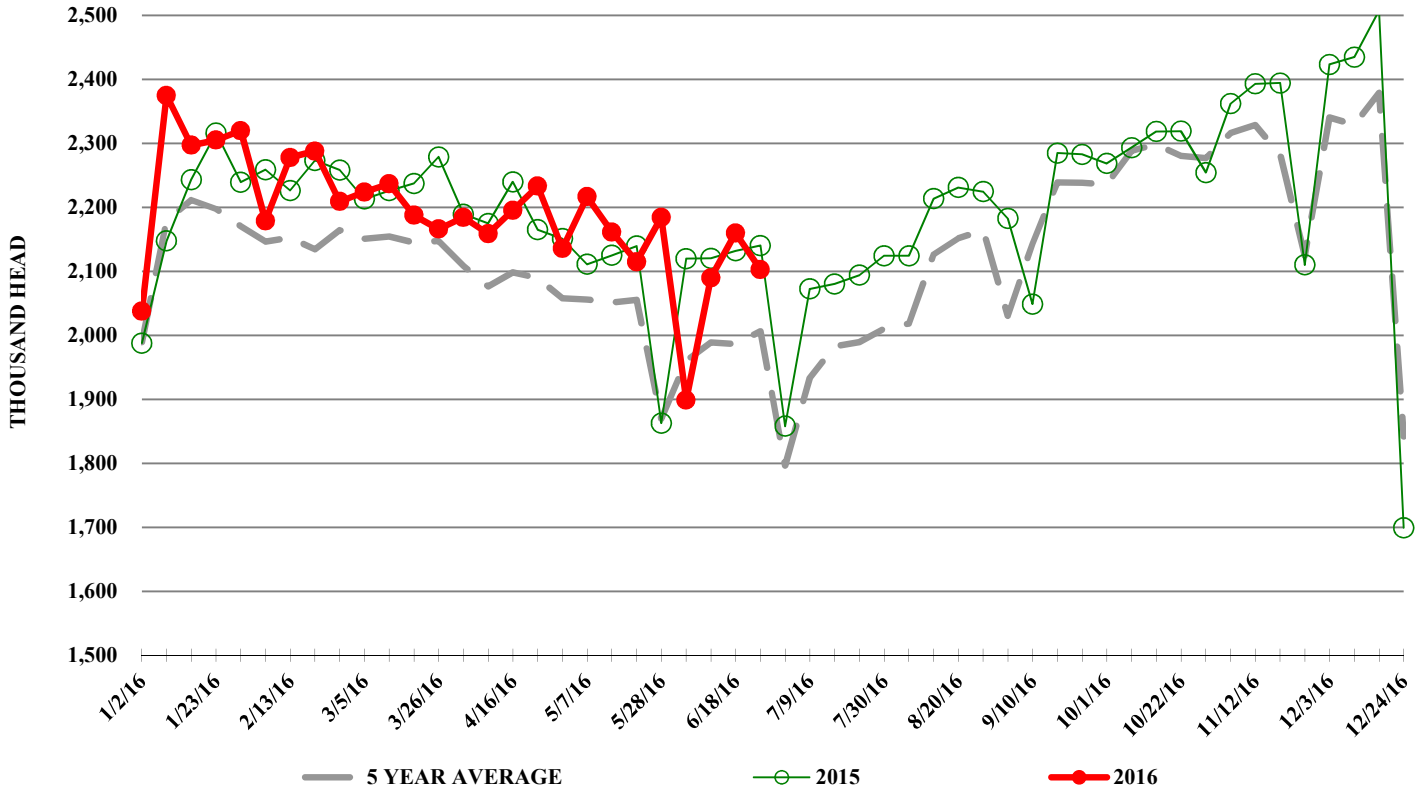


\$/cwt

Trim, 72% Trim Combo, FOB Plant, USDA



ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION

