Pork Merchandiser's Profit Maximizer

- Foodservice Edition -

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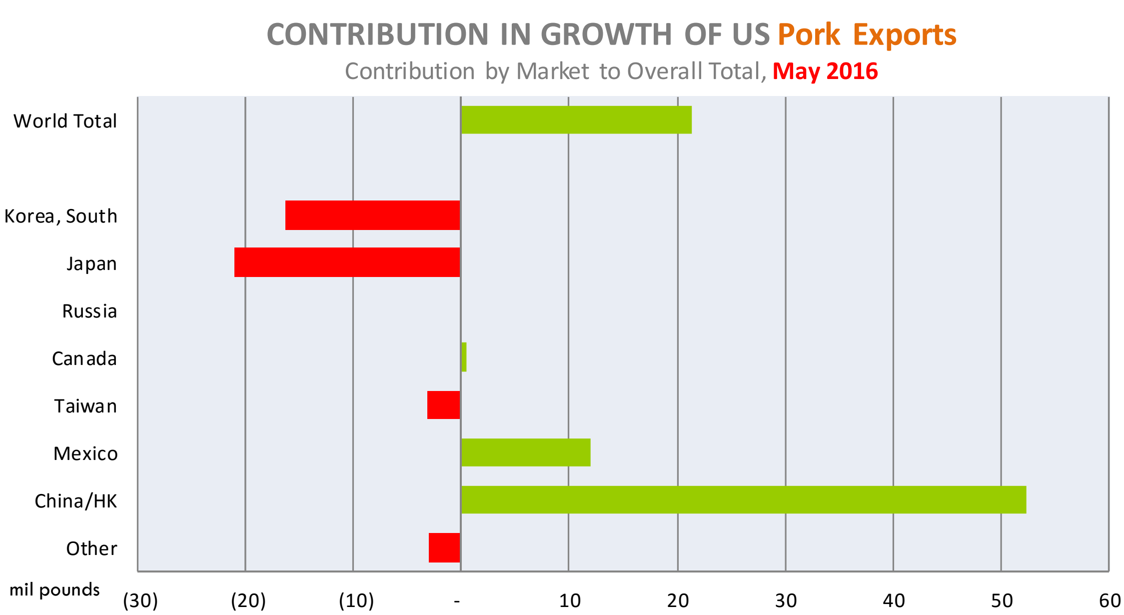
July 11, 2016

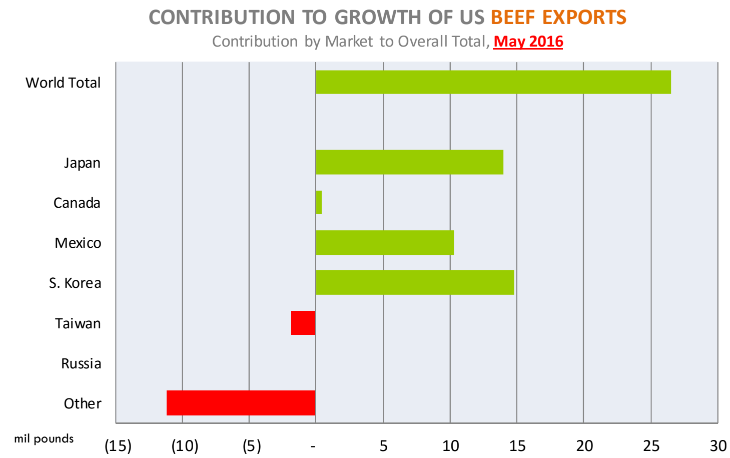
<u>Beef and Pork Exports Show Robust Growth in May. Chicken Trade Continues to be Hampered by Non Tariff Barriers</u>

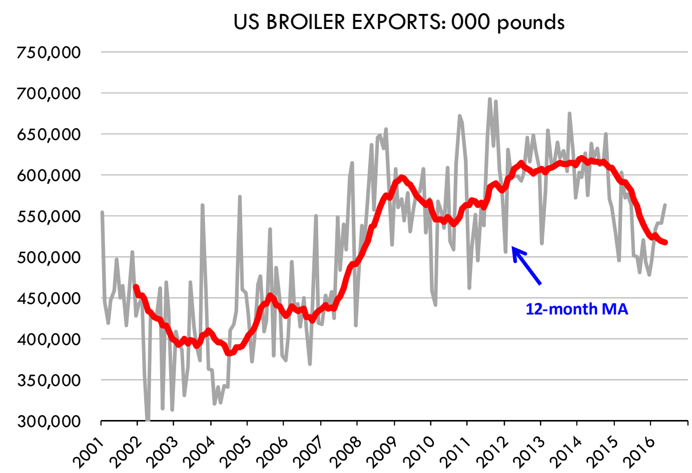
- US pork exports also showed improvement in May compared to year ago. Total US pork exports for the month were 458.8 million pounds, 21 million pounds more (+5%) than the same period a year ago. The key for US pork exports remains China, with exports in May to that market pegged at over 90 million pounds, 52 million pounds (+140%) more than the same period a year ago. However, exports to China have been offset to a certain extent by lower exports to Japan and South Korea. We think this may be in part be-



cause of the beef substitution effects but also because European pork producers continue to pursue these markets very aggressively, something that they cannot do with beef (don't have the supply). Exports to Mexico, the biggest market for US pork also have been positive so far and we think this helps explain the strength in the ham market we have seen so far this summer. May exports to Mexico were 125 million pounds, 12 million pounds (+11%) larger than last year.

- US beef exports were particularly strong in May, thanks to lower beef prices and a more favorable exchange rate with key markets, such as Japan. May US beef exports (carcass weight basis) were 219.06 million pounds, 27 million pounds (+13.8%) higher than the same period a year ago. Exports to Japan rose by 14 million pounds (+29.4%), exports to S. Korea increased by 15 million pounds (+60.6%) and exports to Mexico increased by 10 million pounds (+39.5%). These increases more than offset lower exports to some smaller markets that continue to struggle with the effect of the stronger US dollar or that can buy more cheaply from Brazil. It is important to consider that the markets which showed significant growth in May do not accept Brazilian beef and rely heavily on Australia for a significant portion of their imported beef supply. With Australian supplies declining, we expect US exports to these markets to be sustained at least through the summer and fall. The US dollar also has declined sharply in the last few months vs. the Japanese yen, which has made US prices even more attractive there.





- Broiler exports are looking to climb out of the hole where they fell last year but ongoing bans from China and lack of access to the Russian market make this job quite difficult. Total May chicken shipments were 563 million pounds (carcass wt. basis), 2.5% lower than a year ago but the largest monthly export volume since June 2015. Current exports still are about 75 million pounds less than the export volume in 2014. This lost export volume breaks down as follows. We are shipping about 25 million pounds less to Angola, 23 million pounds less to China (no market access), 63 million pounds less to Russia (no market access) and 18 million pounds less to South Korea. US producers have been able to increase exports to some smaller markets but in order to accomplish this lower prices have been required. And while monthly exports are down some 75 million pounds a month compared to two years ago, chicken production in May 2016 was up about 263 million pounds (+8%) vs. May 2014.

Bottom line: The recovery in beef and pork exports has helped bring some stability to these markets following sharp price declines in 2015. Still, this export pace is just enough to absorb some of the growth in US output. Any disruptions to trade, as evidenced in the case of chicken, could have significant negative impacts for US red meat prices in the second half of 2016 and in 2017.

Upcoming holidays:

2016 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 July 9 slaughter was 1.826 million head, down 11.9% from a year ago. In the last two weeks hog slaughter is up 0.3% 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 78.47 /cwt. on Friday were down $1.7/cwt since Wed. June 29. Prices are up about 0.4 dollar compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at $1.0568, up about 2.3 cent since the Wed. June 29 quote but down about 4 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at $1.2121 for the strap on loins, down 0.6 cent since Wed. June 29 and down about 12 cent from the year ago levels. Strap off loins at $1.3806 are down about 6.0 cent since Wed. June 29 and down about 11 cent compared to the year ago quote.

Boneless sirloins at $1.1102 are up 3 cents from the Wed. June 29 quote but down about 25.3 cents from the year ago price.

Pork tenderloin finished last week at $2.7168, down 9 cent from the Wed. June 29 quote but up about 5.8 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at $1.2223, up 2.9 cents since Wed. June 29. Prices are up 28 cents from a year ago.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at $1.4998, down about 18 cent since Wed. June 29 and down about 52 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 $0.8311/lb., up 0.0 cents compared to prices on Wed. June 29 and up about 23 cents from a year ago.

20/23 hams finished the week at 83.25 cents, up about 0.5 cents since Wed. June 29 and up about 27 cents from the year ago level.

23/27 hams finished the week at 83.85 , up about 3 cents from the Wed. June 29 quote and up about 30.8 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 35.07 cent, up about 2.4 cent since Wed. June 29 but down about 1 cents from the year ago price.

72 CL Pork Trim "FOB Basis". Prices finished the week at 77.59 cents, up about 9.4 cents since the Wed. June 29 quote and up about 8 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 94.38 on Friday, July 9, down about 4 cents from a year ago.

Broiler slaughter for the week ending July 9 was 145.37 million head, down 7.99% from a year ago. For the last two weeks slaughter was up 0.3% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at $1.3631, up 1 cents since Wed. June 29 but still down about 5 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 0.7 cents vs. two weeks ago and at 35.12 cents per pound prices were up 9 cents from a year ago.

Wings. Prices at $1.5821 are down about 30 cents from year ago levels.

Turkeys

Hens finished last week at $1.2500, up since Wed. June 29 and up about 3 cents from the year ago price.

Toms finished last week at $1.2500, up since Wed. June 29 and up about 3 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 4.1480 million head for the week ending July 2, up 27.95% from a year ago. For the last two weeks slaughter has been up 19.7%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at $2.1500, unchanged since Wed. June 29. Prices are down about 285 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 $7.3309 (weighted average quote) finished last week down about 52 cents since the Wed. June 29 quote and down about 23 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at $6.8718 (weighted average quote) finished last week down about 21 cents since the Wed. June 29 quote but down about 56 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are $0.4591 /lb. over Select. The 2015 annual average spread (wt. average price) had the Choice at a premium to the Select by $0.1169 per pound and the previous five years (2010 thru 2014) average spread was Choice at a premium to the Select by $0.0957 per pound.

<u>Choice regular #168 insides</u> finished last week quoted at $2.0193 up about 15 cents since Wed. June 29 but down about 83 cents from the year ago price.

<u>Choice ¼ inch trimmed #168 insides</u> finished last week quoted at $2.1548 up about 19 cents since Wed. June 29 and down about 78 cents from year ago levels.

<u>Choice #170 Gooseneck Rounds</u> finished last week at $1.9164 up about 3 cents since Wed. June 29 but down about 55 cents from the year ago levels.

<u>Choice #180 (0x1) Bnls. Strip Loins</u> finished last week quoted at $6.8464 (wt. avg.) up about 44 cents from the Wed. June 29 quote. Prices are about 97 cents over year ago levels.

<u>Choice #184 Regular Heavy top butts</u> finished at $3.4848 (wt. avg.) up about 15 cents since Wed. June 29 but down about 42 cents from year ago levels.

<u>Choice #184 ¼ inch trimmed Top Butts</u> finished at $3.7405 (wt. avg.) up about 26 cents since Wed. June 29 but down about 39 cents from the year ago levels.

<u>Choice #185A Flap Meat</u> prices finished Friday at $5.0417 (wt. avg.) up about 12 cents since Wed. June 29 but down about 21 cents from year ago values.

<u>COARSE GROUND BEEF –</u>

<u>73CL Coarse Ground</u> product finished last week at $1.3930 down about 3 cents since Wed. June 29 and down about 54 cents from year ago levels.

<u>81CL Coarse Ground</u> product finished last week at $1.6973 down about 3 cent since Wed. June 29 and down about 78 cents from the year ago quote.

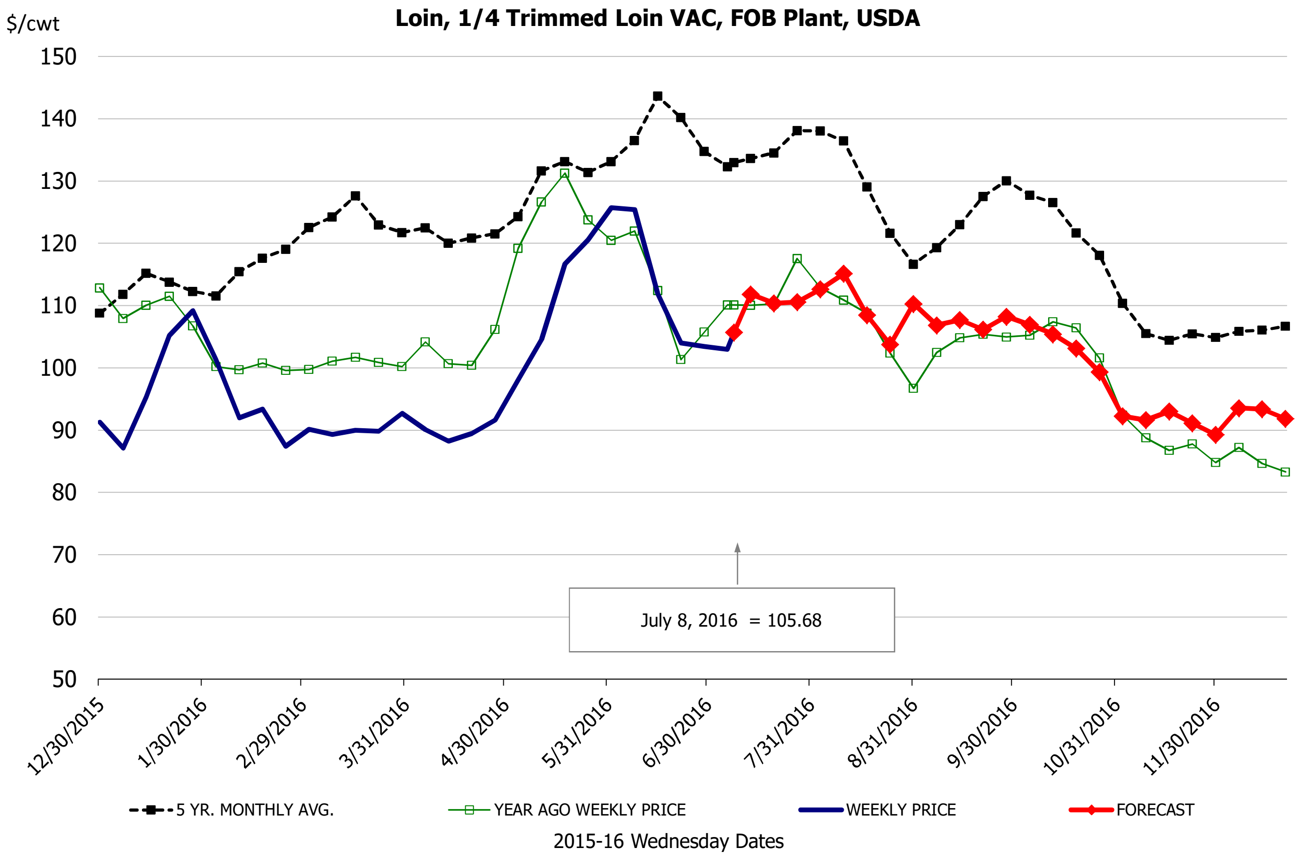
<u>90CL Bnls. Beef</u> prices finished the week at $2.1210 (wt. avg.) down about 4.59 cent since Wed. June 29 and down 81 compared to the year ago price quote.

<u>50 CL Beef Trim</u> prices finished last week at $0.9198, up about 5 cent since Wed. June 29 and up 27 cent compared to the year ago level.

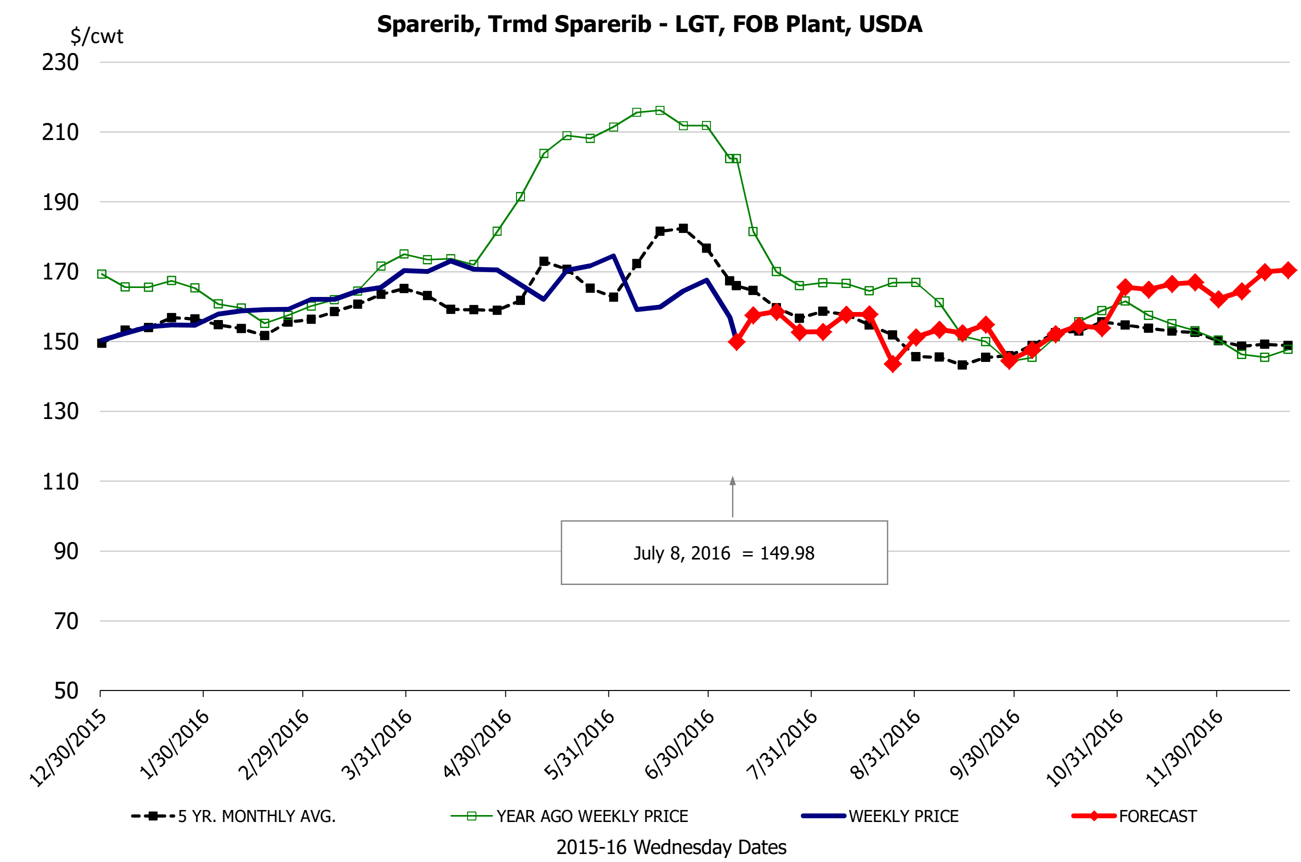
Food Service Summary Table - WT. AVE

	2016 History								2016 FORECAST						
	Jan	Feb	Mar	Apr	May	Jun	6/29/2016	7/8/2016	7/20/2016	Jul	Aug	Sep	Oct	Nov	Dec
PORK															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	0.97	0.94	0.90	0.89	1.08	1.13	1.03	1.06	1.10	1.10	1.10	1.07	1.04	0.92	0.92
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.01	1.04	0.97	0.97	1.13	1.22	1.13	1.16	1.23	1.21	1.19	1.15	1.09	0.96	0.98
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.49	1.47	1.42	1.38	1.49	1.51	1.44	1.38	1.59	1.53	1.55	1.68	1.59	1.39	1.43
Loin, Tenderloin, FOB Plant, USDA	2.12	2.41	2.15	2.21	2.52	2.91	2.81	2.72	2.88	2.80	2.70	2.50	2.14	2.06	2.11
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	0.80	0.75	0.84	0.96	1.12	1.12	1.10	1.18	1.14	1.17	1.08	1.07	0.93	0.89	0.91
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.54	1.59	1.64	1.67	1.66	1.62	1.68	1.50	1.59	1.57	1.53	1.53	1.50	1.66	1.67
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.49	2.57	2.61	2.56	2.61	2.61	2.61	2.52	2.44	2.42	2.36	2.41	2.36	2.49	2.45
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.41	1.50	1.55	1.54	1.65	1.60	1.44	1.26	1.43	1.43	1.49	1.51	1.46	1.59	1.59
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.49	2.59	2.73	2.90	2.98	2.86	2.76	2.61	2.61	2.62	2.50	2.45	2.45	2.40	2.41
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.58	0.62	0.56	0.64	0.67	0.75	0.83	0.83	0.86	0.83	0.83	0.81	0.86	0.81	0.76
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.58	0.61	0.55	0.63	0.67	0.74	0.83	0.83	0.84	0.82	0.82	0.80	0.81	0.78	0.75
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.56	0.58	0.55	0.64	0.66	0.72	0.81	0.84	0.83	0.81	0.80	0.78	0.78	0.74	0.70
Ham, 5 Muscle Ham to Blue, FOB Plant, USDA	1.03	1.03	1.03	1.03	1.03	1.14	1.14	1.14	1.50	1.46	1.37	1.37	1.33	1.28	1.24
Belly, Skin-on Belly 14-16#, FOB Plant, USDA	1.20	1.35	1.40	1.32	1.13	1.27	1.42	1.43	1.59	1.51	1.64	1.52	1.40	1.24	1.21
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.42	1.59	1.65	1.51	1.33	1.52	1.68	1.69	1.86	1.85	2.07	1.90	1.74	1.56	1.53
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.44	1.57	1.64	1.50	1.24	1.50	1.64	1.64	1.85	1.84	2.03	1.87	1.71	1.53	1.51
Trim, 42% Trim Combo, FOB Plant, USDA	0.20	0.18	0.25	0.38	0.46	0.36	0.33	0.35	0.47	0.45	0.50	0.50	0.42	0.35	0.31
Trim, 72% Trim Combo, FOB Plant, USDA	0.46	0.58	0.55	0.69	0.69	0.73	0.68	0.78	0.86	0.85	0.80	0.79	0.77	0.71	0.64
HOG CARCASS															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Dlv.	0.55	0.63	0.63	0.65	0.74	0.80	0.80	0.78	0.82	0.80	0.79	0.77	0.70	0.63	0.62
BROILERS															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	0.88	0.82	0.85	0.88	0.94	0.97	0.94	0.94	0.89	0.90	0.86	0.83	0.81	0.82	0.82
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.08	1.07	1.11	1.16	1.23	1.20	1.35	1.36	1.33	1.36	1.32	1.34	1.19	1.11	1.07
N.E. BROILER BREAST LINE RUN, USDA	0.83	0.86	0.89	0.93	0.97	0.97	0.95	0.95	0.93	0.95	0.99	0.96	0.90	0.87	0.84
N.E. BROILER LEG QUARTERS, USDA	0.25	0.27	0.31	0.35	0.37	0.36	0.34	0.35	0.34	0.34	0.35	0.36	0.37	0.36	0.35
N.E. BROILER WINGS, USDA, WT.AVG.	1.90	1.94	1.79	1.79	1.61	1.54	1.57	1.58	1.60	1.59	1.86	1.98	2.00	1.89	1.90
TURKEYS															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.18	1.19	1.21	1.22	1.23	1.24	1.24	1.25	1.26	1.25	1.26	1.26	1.27	1.27	1.14
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	5.26	3.83	3.24	2.59	2.18	2.15	2.15	2.15	2.20	2.20	2.35	2.40	2.45	2.50	2.40
LIVE STEERS															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.33	1.34	1.37	1.32	1.28	1.23	1.17	1.22	1.17	1.18	1.17	1.17	1.19	1.20	1.19
BEEF															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	7.17	7.54	7.95	7.52	7.32	8.29	7.85	7.33	6.93	7.08	7.10	7.33	7.52	8.29	7.84
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.54	2.54	2.36	2.19	2.10	1.99	1.96	2.15	2.14	2.16	2.25	2.10	2.10	2.05	2.12
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.47	2.40	1.98	1.96	1.92	1.83	1.88	1.92	1.85	1.87	1.93	1.97	2.03	1.93	1.93
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	5.67	5.69	7.20	7.23	7.33	8.05	6.41	6.85	6.62	6.84	6.23	5.61	5.25	5.29	5.36
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	3.33	3.34	4.18	4.48	4.40	3.86	3.48	3.74	3.84	3.80	3.84	3.69	3.40	3.35	3.42
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	5.17	4.97	5.72	5.59	5.17	5.20	4.92	5.04	5.10	5.15	4.45	4.09	3.95	3.84	3.97
COARSE GROUND 73%, USDA	2.18	1.58	1.42	1.50	1.55	1.48	1.43	1.39	1.37	1.39	1.45	1.42	1.38	1.37	1.36
COARSE GROUND 81%, USDA	2.27	1.78	1.65	1.74	1.89	1.83	1.72	1.70	1.66	1.70	1.71	1.66	1.62	1.61	1.59
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.01	2.10	2.18	2.18	2.18	2.17	2.17	2.12	2.15	2.16	2.11	2.10	1.96	1.95	1.98
50CL BEEF TRIM, FRESH, NATIONAL, USDA	0.64	0.52	0.94	0.72	0.51	0.85	0.87	0.92	0.86	0.86	0.84	0.82	0.84	0.90	0.82

*St. Louis 2 1/4 dn rib prices are estimated at 3 1/2 dn plus $1.10



Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA
$/cwt
150
140
130
120
110
100
90
80
70
60
50
July 8, 2016 = 105.68
12/30/2015
1/30/2016
2/29/2016
3/31/2016
4/30/2016
5/31/2016
6/30/2016
7/31/2016
8/31/2016
9/30/2016
10/31/2016
11/30/2016
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2015-16 Wednesday Dates



Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA
$/cwt
230
210
190
170
150
130
110
90
70
50
July 8, 2016 = 149.98
12/30/2015
1/30/2016
2/29/2016
3/31/2016
4/30/2016
5/31/2016
6/30/2016
7/31/2016
8/31/2016
9/30/2016
10/31/2016
11/30/2016
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
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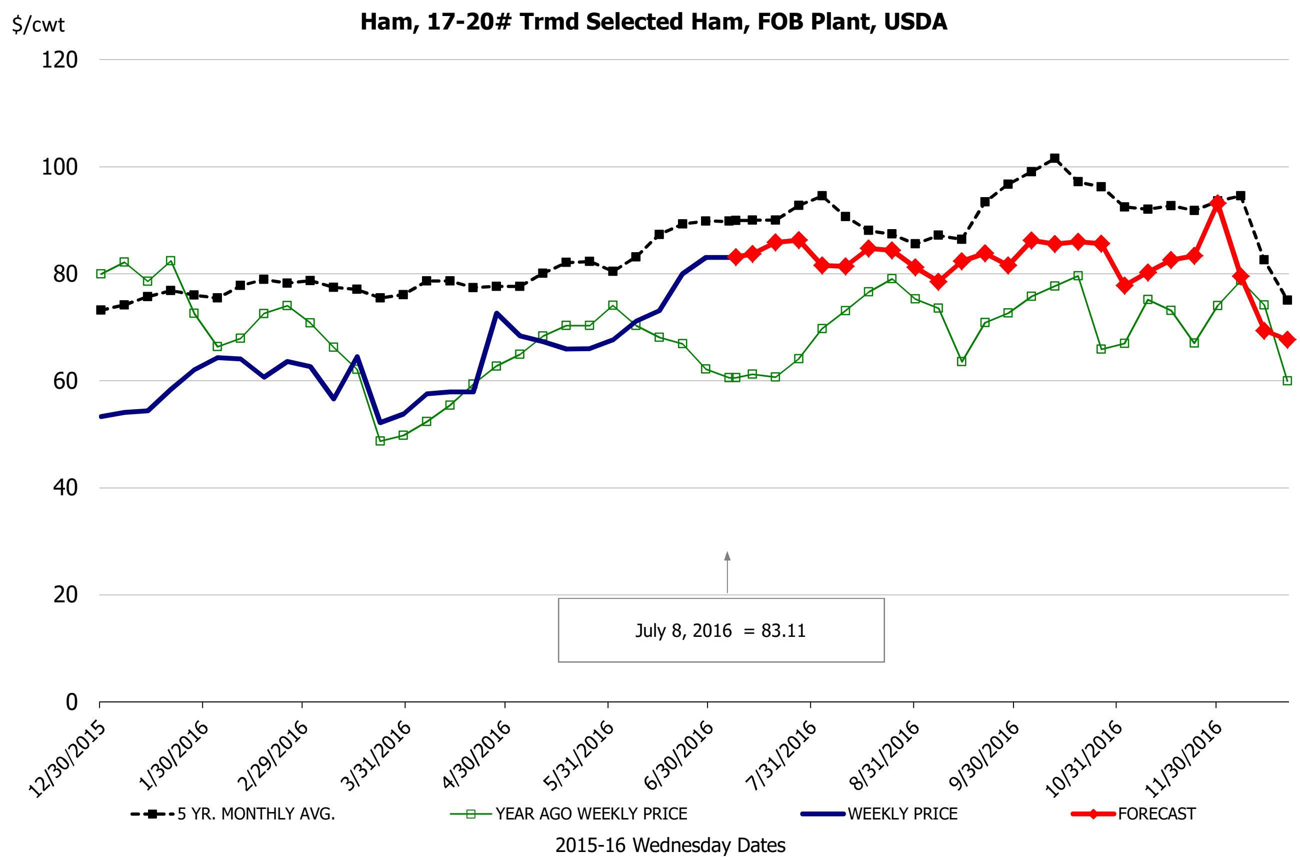
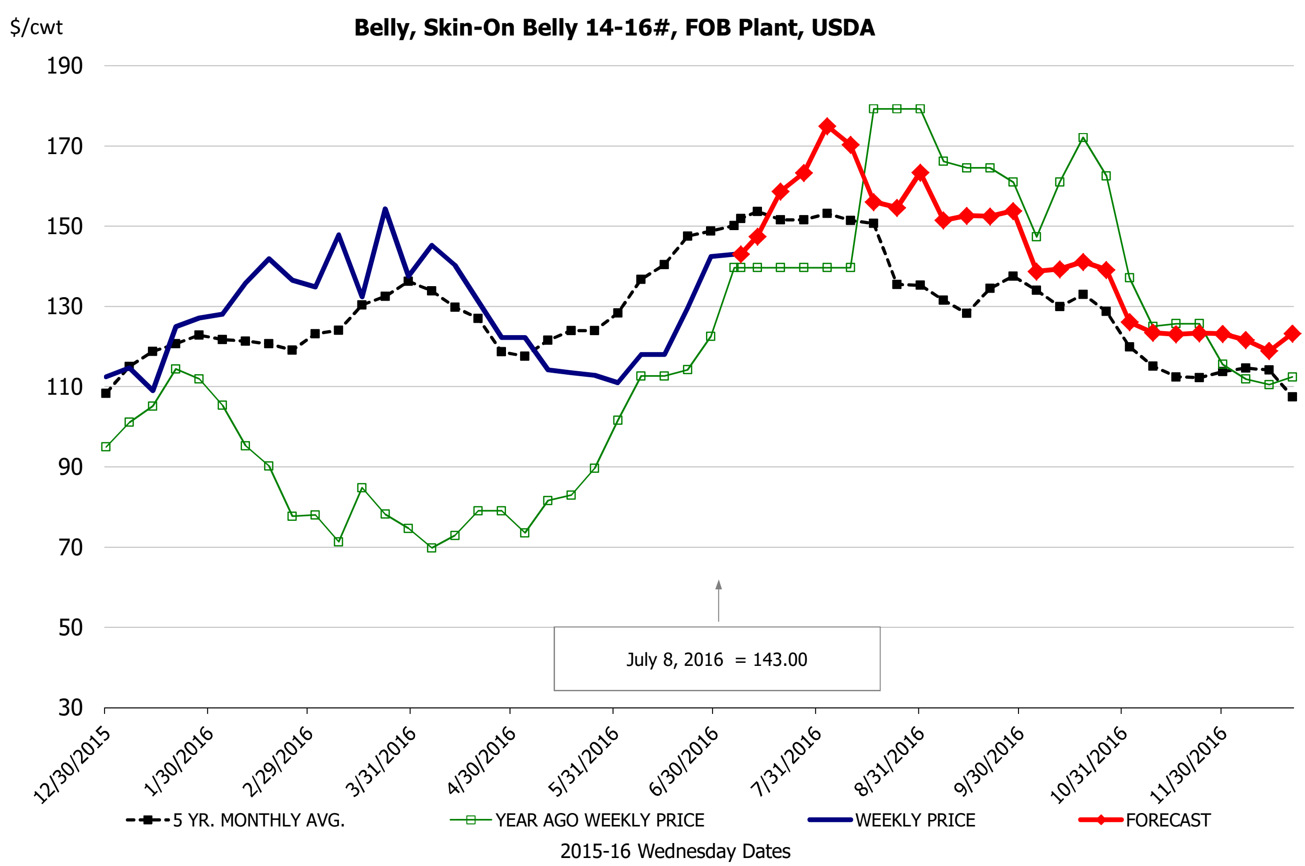
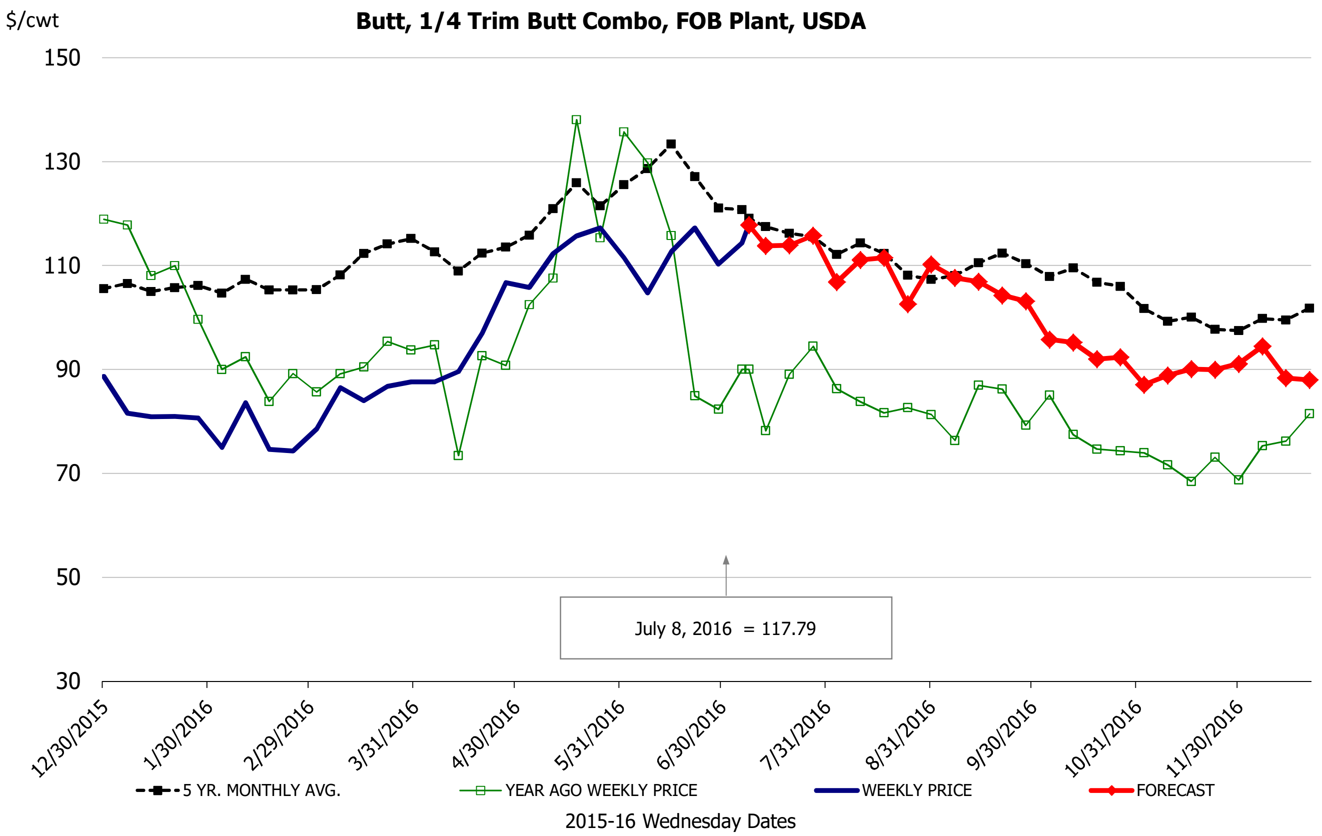
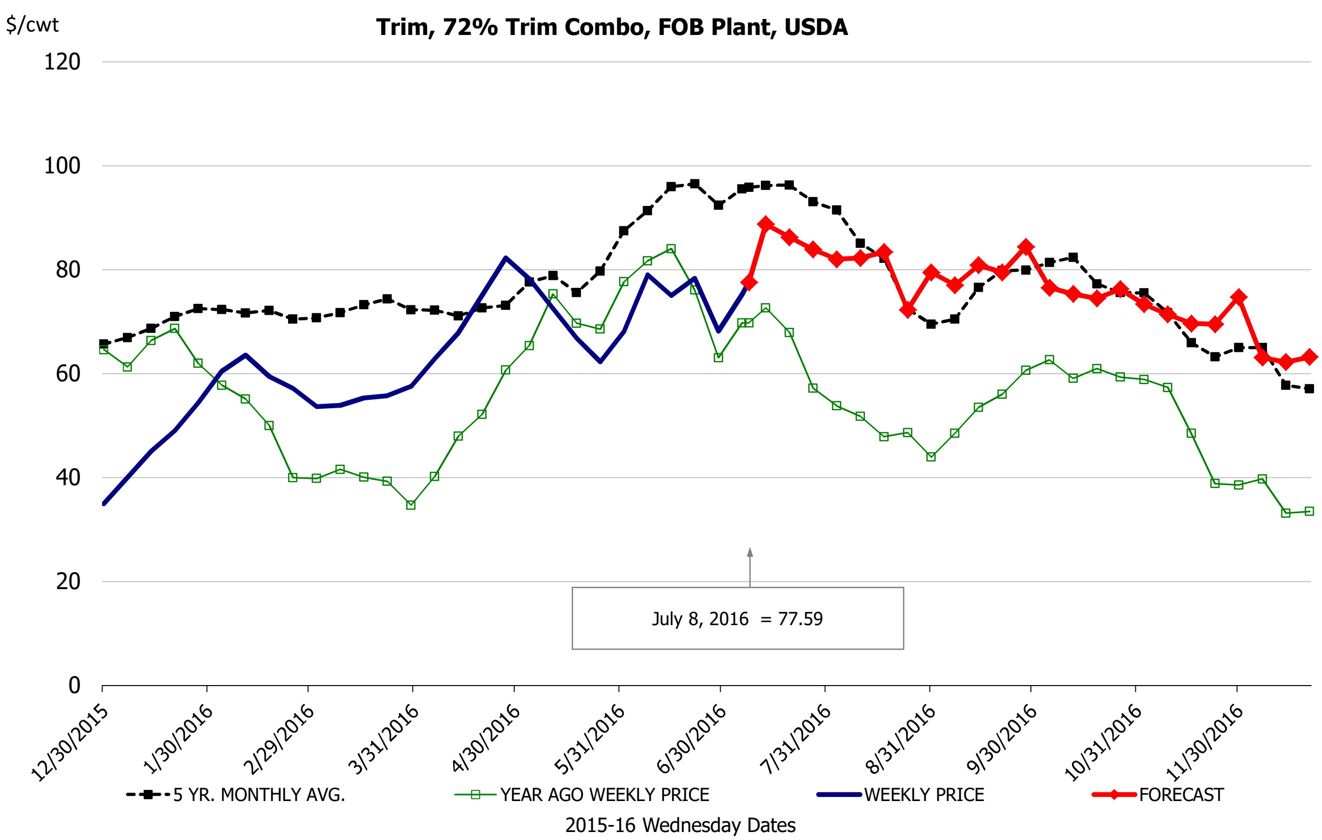
FORECAST
2015-16 Wednesday Dates

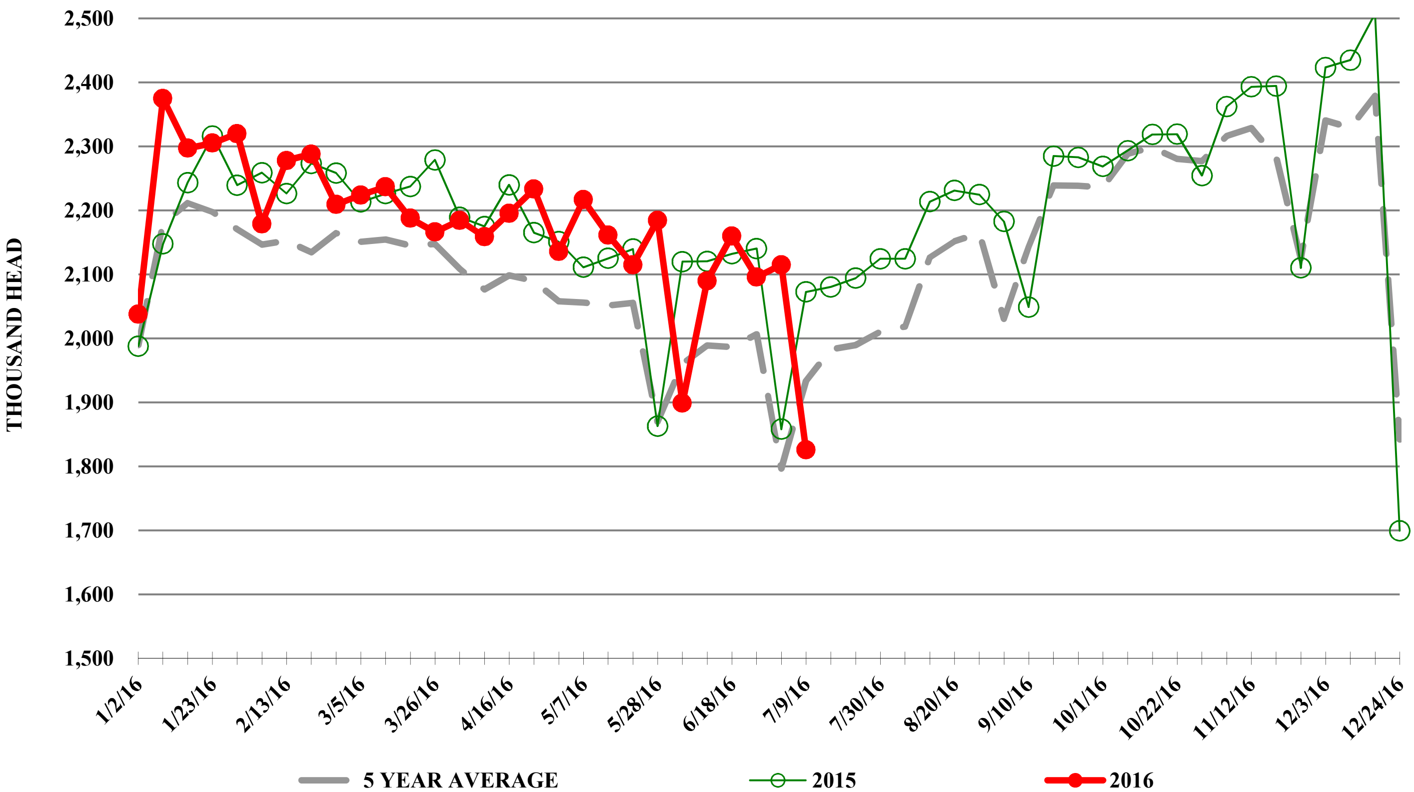

$/cwt
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA
120
100
80
60
40
20
0
July 8, 2016 = 83.11
12/30/2015
1/30/2016
2/29/2016
3/31/2016
4/30/2016
5/31/2016
6/30/2016
7/31/2016
8/31/2016
9/30/2016
10/31/2016
11/30/2016
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2015-16 Wednesday Dates


$/cwt
Belly, Skin-On Belly 14-16#, FOB Plant, USDA
190
170
150
130
110
90
70
50
30
July 8, 2016 = 143.00
12/30/2015
1/30/2016
2/29/2016
3/31/2016
4/30/2016
5/31/2016
6/30/2016
7/31/2016
8/31/2016
9/30/2016
10/31/2016
11/30/2016
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2015-16 Wednesday Dates


$/cwt
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA
150
130
110
90
70
50
30
July 8, 2016 = 117.79
12/30/2015
1/30/2016
2/29/2016
3/31/2016
4/30/2016
5/31/2016
6/30/2016
7/31/2016
8/31/2016
9/30/2016
10/31/2016
11/30/2016
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2015-16 Wednesday Dates


$/cwt
Trim, 72% Trim Combo, FOB Plant, USDA
120
100
80
60
40
20
0
July 8, 2016 = 77.59
12/30/2015
1/30/2016
2/29/2016
3/31/2016
4/30/2016
5/31/2016
6/30/2016
7/31/2016
8/31/2016
9/30/2016
10/31/2016
11/30/2016
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2015-16 Wednesday Dates

ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION