



Pork Merchandiser's Profit Maximizer

Be inspiredSM

- Foodservice Edition -

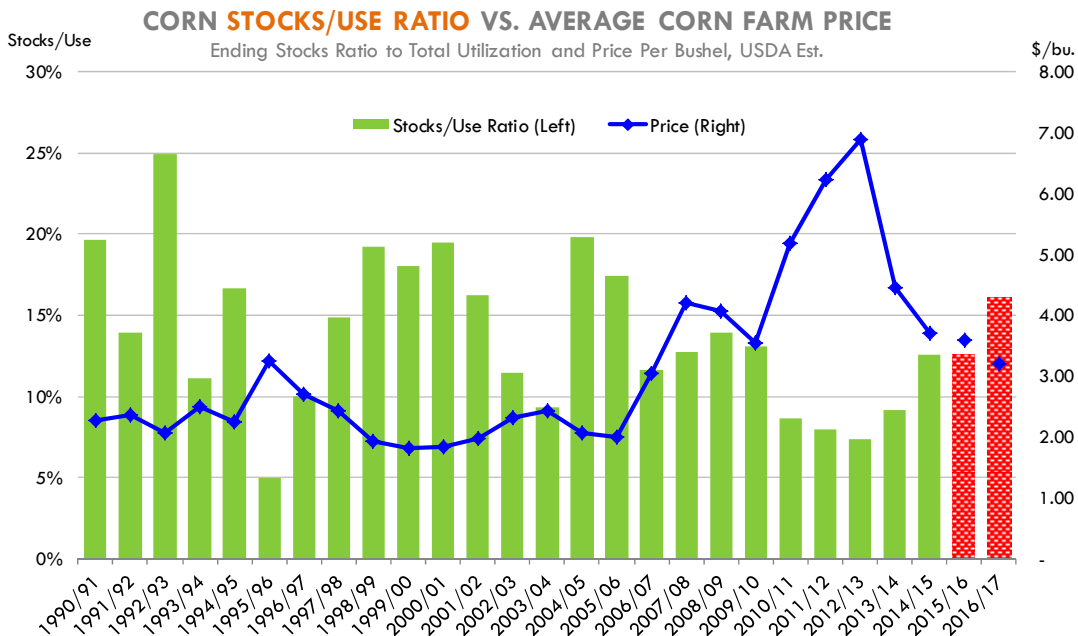
© 2016 The National Pork Board, Des Moines, IA 515-223-2600;
Prepared by Steiner and Company, Manchester, NH 800-526-4612.

October 17, 2016

1. Grain harvest remains on track, with record supplies expected this fall

Half of the US corn crop has been harvested at this point and the latest USDA data shows we are still on track to harvest a record amount of corn. The October WASDE report expects total corn production in 2016 to be 15.057 billion bush-

els, 10.7% more than a year ago. The increase is the result of both more harvested acres (+7.6%) and higher yields (+3%). The shift in available corn supplies has forced a dramatic adjustments as the market looks to find a price level that will allow the various marketing channels to absorb the additional supply. There are three main consumers of US corn: livestock feed, ethanol and exports. For now, futures continue to focus on



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.

the supply outlook. Once harvest is completed and the market has a clearer view of both carryover stocks and harvest supplies, the attention will then turn to demand. In the case of ethanol, there is broad consensus among analysts and market participants that this has now become a fully saturated segment. There are only so many gallons of ethanol that can be blended with gasoline. Any increase in ethanol production will happen either because we are driving more (a function of economy and gas prices) or because we are exporting more of it (possible if sugar prices continue to escalate). USDA expects ethanol use to increase by just 1.3% in 2016-17, absorbing 75 million bushels more than a year ago. Compared this to the forecast for a 1.45 billion bushel increase in production this year. USDA currently projects US corn exports in 2016-17 to increase by some 327 million bushels (+17.2%). But this demand is always vulnerable to shifts in currency as well as feed supplies/prices in other parts of the world. China is currently sitting on a mountain of corn, a result of its agricultural support policies. The Chinese Ministry of Agriculture pegs corn reserves at around 260 million MT. To put this in perspective, the Chinese annual corn production (as estimated by USDA) is around 216 million MT. Efforts to reduce these stocks could depress global feed prices and impact export demand for US corn. It appears to us that feed will be the primary channel for moving a large portion the record corn crop this year. The rest will be carried over to 2017-18. USDA currently projects feed and residual to increase by 458 million bushels (+8.8%). This would be the largest amount of corn going into feed and residual since 2007-08. And currently US livestock and poultry producers also have to absorb a significant amount of corn by-products generated when producing ethanol (DDGs). By some estimates that DDG supply is the equivalent of 900 million bushels of corn.

Bottom line: Current feed supplies are large and expected to increase further. US livestock pro-

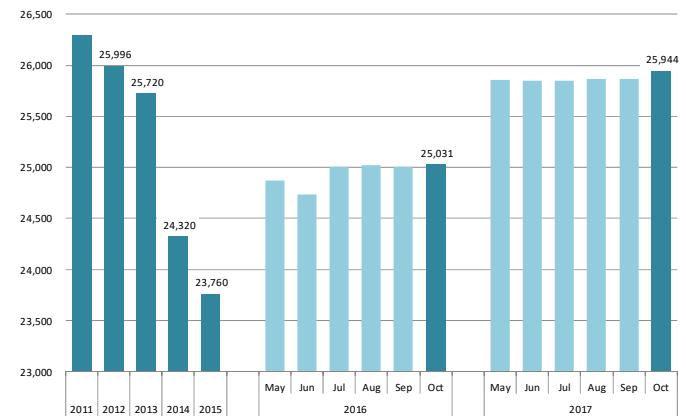
ducers have been expanding and based on the increase in feed use supply increases should persist into 2017, something evidenced in the production estimates presented in section 2.

2. The monthly USDA WASDE report provides an opportunity to regularly step back and take stock of the supply situation not just next week but many months down the road. Often market participants get caught up in the day to day market movements, daily slaughter schedules and price reports and lose sight of the bigger picture. The monthly USDA WASDE report once a month offers the opportunity to review the broader context for key agricultural commodities. The charts to the right are meant to illustrate the dramatic expansion in US meat supplies and expectations for further increases in 2017. Consider that for the three year period 2011-2013 US beef, pork and chicken production averaged around 86 billion pounds. Supplies were fairly stable and producers put a lid on expansion due to a combination of adverse weather events and high feed costs. Production declined in 2014, mostly because beef production dropped an astounding 1.4 billion pounds (-5.4%) and pork production declined 400 million pounds (1.5%). More chicken helped alleviate some of the protein shortage but overall production of the three main species at 85.335 billion pounds was down around a billion pounds from the previous year. Fast forward to 2016 and the turnaround in production has been quite astounding. USDA reported that 2016 beef production is now forecast at 25.031 billion pounds, 1.271 billion pounds larger than it was a year ago. By next year, beef production is expected to reach 25.944 billion pounds, up another 913 million from 2016 levels and 2.2 billion pounds higher than 2015. Fed cattle prices have reacted quite violently to the increase in supplies. Futures peaked at around \$170/cwt in late 2014 but today are priced about \$70 under that level. Keep in mind, however, that fed cattle futures gained around \$50/cwt between June 2013 and Octo-

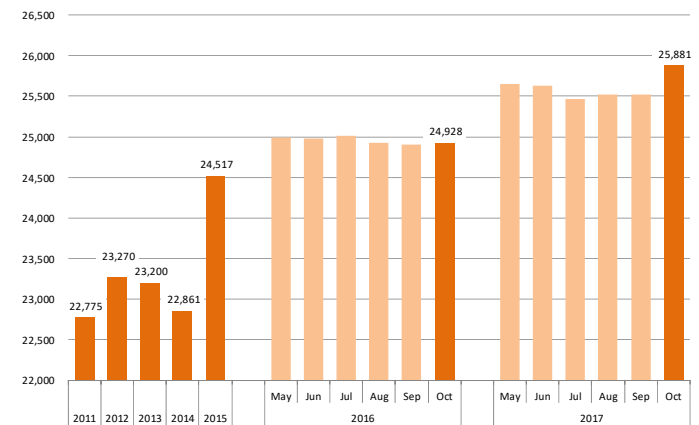
ber 2014 as markets sought to both ration out available supplies and provide a strong enough incentive for producers to rapidly bring more product to market. The challenge of course is that as beef supplies increase prices at retail tend to be sticky and, in the short term, cattle and wholesale values may decline even more than long run price/supply models indicate.

In the case of pork and chicken we see a similar trend towards larger supplies coming to market. USDA currently forecasts 2016 pork production at 24.9 billion pounds, about 400 million pounds more than a year ago (+1.7%) but almost 2 billion pounds more (+8.3%) than what was available on average during 2011-14. USDA also reacted to the latest Hogs and Pigs report by significantly increasing pork production outlook for 2017. Current forecast calls for 2017 pork output at 25.881 billion pounds, 953 million pounds (+3.8%) more than in 2016 and 2.8 billion pounds (+12.4%) more than what we saw on average during 2011-14. The point is that while current prices may appear quite low compared to what we saw a couple of years ago, one needs to consider how dramatic the increase in total production has been and will be in the next 12 months. Chicken production for instance averaged around 37 billion pounds during 2011-13 as high corn prices forced producers to cut back. Supplies then started to slowly increase in 2014 and 2015. Next year USDA pegs US broiler production at 41.2 billion pounds, about 4.3 billion pounds (+11.5%) more than 2011-13 levels. We have said it before and continue to repeat: exports are a key factor for prices going forward. We absolutely need other markets to absorb some of this increase in supply. Domestic channels are well saturated and the structural changes that happened during short years will take time to resolve.

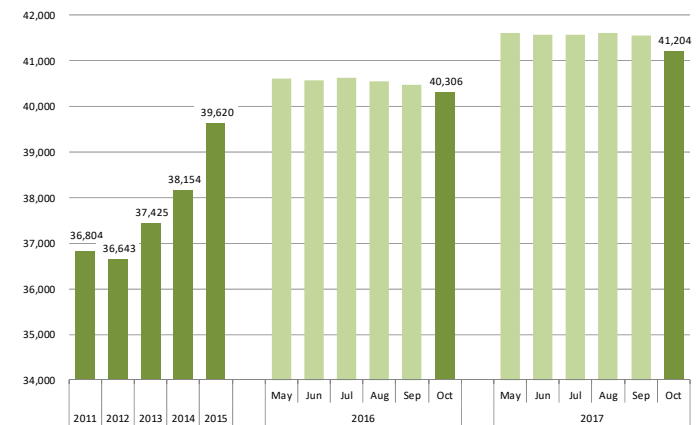
Beef Production for 2011-15 + USDA Forecasts for 2016-17 Updated Monthly Since May
 Million Pounds, Carcass Weight Basis. Source: USDA Monthly WASDE Report



Pork Production for 2011-15 + USDA Forecasts for 2016-17 Updated Monthly Since May
 Million Pounds, Carcass Weight Basis. Source: USDA Monthly WASDE Report



Broiler Production for 2011-15 + USDA Forecasts for 2016-17 Updated Monthly Since May
 Million Pounds, Carcass Weight Basis. Source: USDA Monthly WASDE Report



Upcoming holidays:

2016 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).

2017 New Year's Day (Sunday January 1); Martin Luther King Day (Monday January 16); Chinese New Year (Saturday January 28); Super Bowl 51 (Sunday February 5, in Houston, TX); Valentine's Day (Tuesday February 14); President's Day (Monday February 20); Ash Wednesday (Wednesday March 1; Daylight Savings Time Begins in US (Sunday March 12); St. Patrick's Day (Friday March 17); Passover (Monday April 10, at sundown); Easter (Sunday April 16); Cinco de Mayo (Friday May 5); Mother's Day (Sunday May 14); Victoria Day [Canada] (Monday May 22); Memorial Day (Monday May 29); Father's Day [US and Canada] (Sunday June 18); Canada Day [Canada] (Friday July 1); Independence Day (Tuesday July 4); Labor Day [US and Canada] (Monday September 4); Rosh Hashanah (Monday September 20); Yom Kippur (Friday September 29, at sundown); Columbus Day (Monday October 9; Canadian Thanksgiving Day (Monday October 9); Daylight Savings Time Ends [US and Canada] (Sunday October 29); Veterans Day (Saturday November 11); Remembrance Day [Canada] (Saturday November 11); Thanksgiving (Thursday November 23); Hanukkah (Tuesday December 12, starts at sundown); Christmas Day (Monday December 25); Boxing Day [Canada] (Tuesday 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 October 15 slaughter was 2.304 million head, down 0.6% from a year ago. In the last two weeks hog slaughter is up 2.5% vs. year ago levels.

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass values at about 47.27 /cwt. on Friday were up \$0.4/cwt since Wed. October 5. Prices are down 24.9 dollars compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at \$0.9311, down about 0.9 cents since the Wed. October 5 quote and down about 14 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.3704 for the strap on loins, down 4.4 cent since Wed. October 5 and down about 30 cent from the year ago levels. Strap off loins at \$1.5293 are down about 2.7 cent since Wed. October 5 and down about 10 cent compared to the year ago quote.

Boneless sirloins at \$1.1325 are down 2 cents from the Wed. October 5 quote but up about 19.0 cents from the year ago price.

Pork tenderloin finished last week at \$2.0983, down 3 cent from the Wed. October 5 quote and down about 0.5 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at \$0.8807, up 2.0 cents since Wed. October 5. Prices are up 0 cents from a year ago.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$1.2167, up about 0

cent since Wed. October 5 but down about 30 cents from year ago levels.

Rib inventories on August 31 were 75.0 million pounds, up 3.2% percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was \$0.5333/lb., unchanged since Wed. October 5 but down about 24 cents from a year ago.

20/23 hams finished the week at 53.02 cents, up about 3.5 cents since Wed. October 5 but down about 23 cents from the year ago level.

23/27 hams finished the week at 52.06 , up about 5 cents from the Wed. October 5 quote but down about 20.5 cents from the year ago level.

Total ham cold storage stocks on August 31 at 226.0 million pounds were down 4.5% from year ago levels.

42 CL Pork Trim “FOB Basis”. Prices finished the week at 28.69 cent, up about 6.4 cent since Wed. October 5 and up about 1 cents from the year ago price.

72 CL Pork Trim “FOB Basis”. Prices finished the week at 41.39 cents, down about 1.3 cents since the Wed. October 5 quote and down about 18 cents from the year ago level.

Freezer stocks of all trimmings on August 31 were 32.5 million pounds, down 23.2% 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 \$110.00 was down 4.25 cents from a year ago.

The National Whole Bird price was quoted at 70.26 on Friday, October 15, down about 4 cents from a year ago.

Broiler slaughter for the week ending October 15 was 157.32 million head, down 3.45% from a year ago. For the last two weeks slaughter was down 0.5% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$1.2038, down 2 cents since Wed. October 5 but still up about 12 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 2.1 cents vs. two weeks ago and at 33.96 cents per pound prices were up 13 cents from a year ago.

Wings. Prices at \$1.7798 are up about 6 cents from year ago levels.

Turkeys

Hens finished last week at \$1.2900, unchanged since Wed. October 5 but down about 11 cents from the year ago price.

Toms finished last week at \$1.2900, unchanged since Wed. October 5 but down about 11 cent from the year ago price.

Total turkey supplies in the freezer on August 31 were up 11.3% from a year ago at 531.4 million pounds. Whole birds were down 2.9% from a year ago with an inventory of 282.0 million pounds.

Turkey slaughter was 4.0780 million head for the week ending October 8, down -5.71% from a year ago. For the last two weeks slaughter has been up 0.7%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$2.1500, unchanged since Wed. October 5. Prices are down about 365 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 \$6.6779 (weighted average quote) finished last week down about 27 cents since the Wed. October 5 quote and down about 36 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$5.6803 (weighted average quote) finished last week down about 8 cents since the Wed. October 5 quote but down about 127 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$0.9976 /lb. over Select. The 2015 annual average spread (wt. average price) had the Choice at a premium to the Select by \$0.0723 per pound and the previous five years (2010 thru 2014) average spread was Choice at a premium to the Select by \$0.0868 per pound.

Choice regular #168 insides finished last week quoted at \$1.7929 down about 15 cents since Wed. October 5 and down about 40 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$1.9025 down about one cents since Wed. October 5 and down about 39 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$1.9963 down about one cents since Wed. October 5 and down about 27 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$4.5239 (wt. avg.) down about 7 cents from the Wed. October 5 quote. Prices are about 109 cents over year ago levels.

Choice #184 Regular Heavy top butts finished at \$2.5294 (wt. avg.) down about 10 cents since Wed. October 5 and down about 76 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$2.9279 (wt. avg.) up about 26 cents since Wed. October 5 but down about 46 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$3.6117 (wt. avg.) down about 26 cents since Wed. October 5 and down about 70 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at \$1.2057 up about one cents since Wed. October 5 but down about 44 cents from year ago levels.

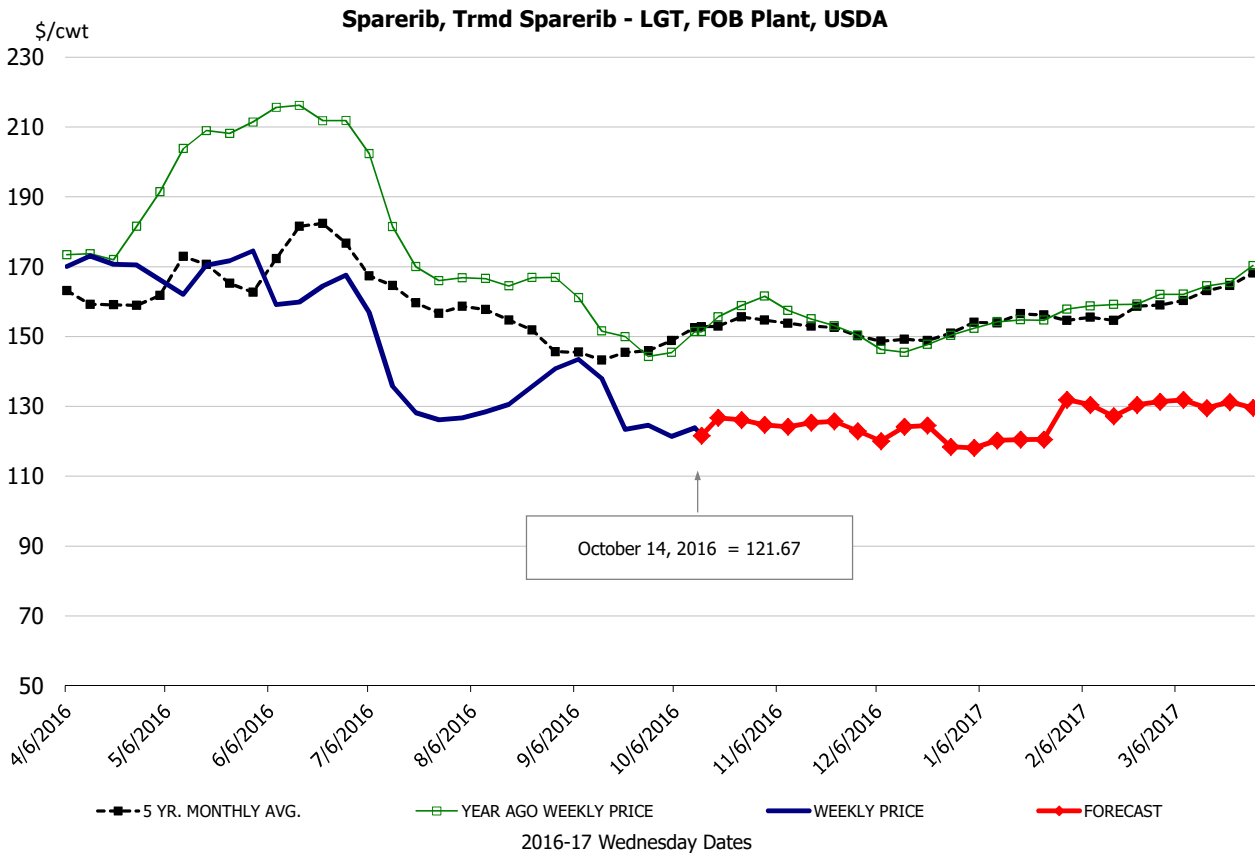
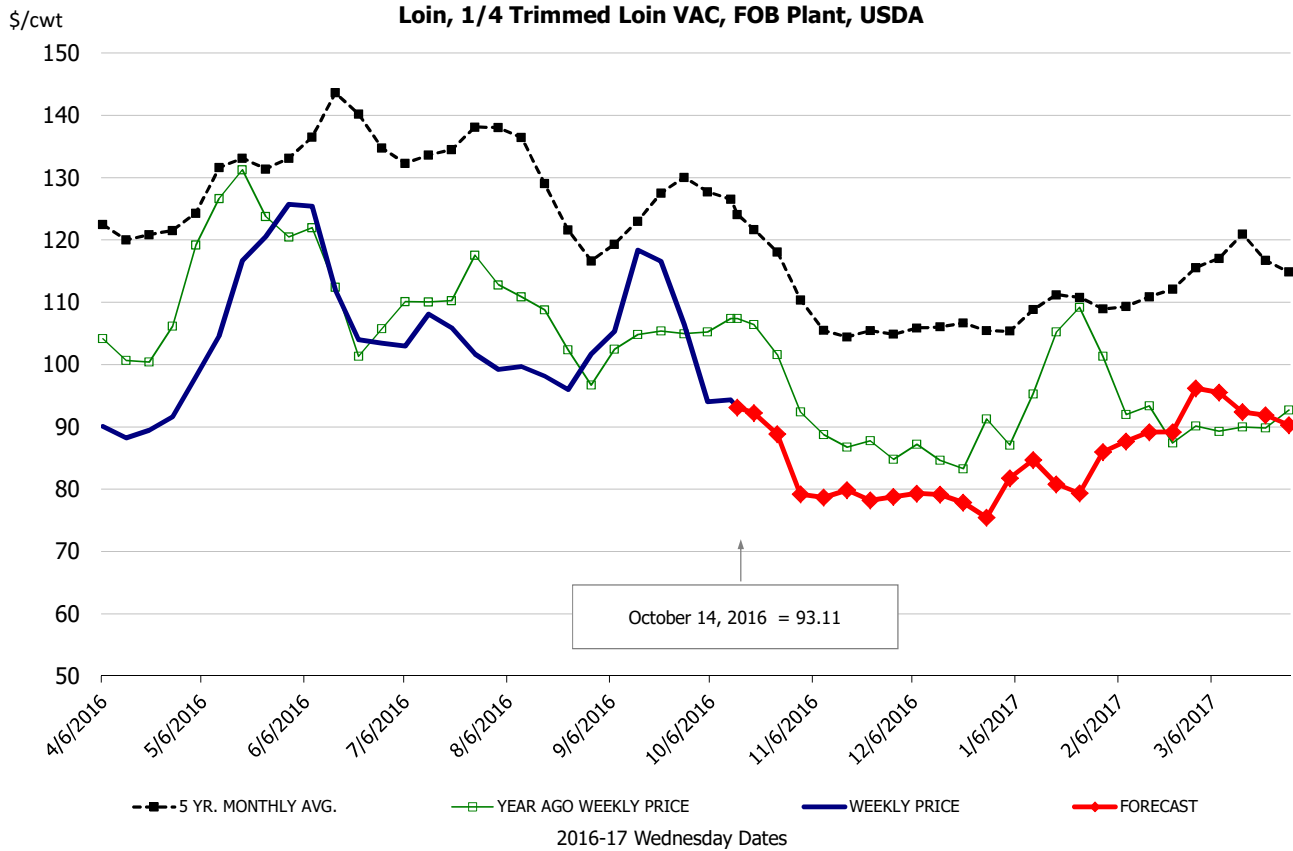
81CL Coarse Ground product finished last week at \$1.4341 down about 9 cent since Wed. October 5 and down about 53 cents from the year ago quote.

90CL Bnls. Beef prices finished the week at \$1.8934 (wt. avg.) down about 4.61 cent since Wed. October 5 and down 42 compared to the year ago price quote.

50 CL Beef Trim prices finished last week at \$0.3162, down about 2 cent since Wed. October 5 and down 20 cent compared to the year ago level.

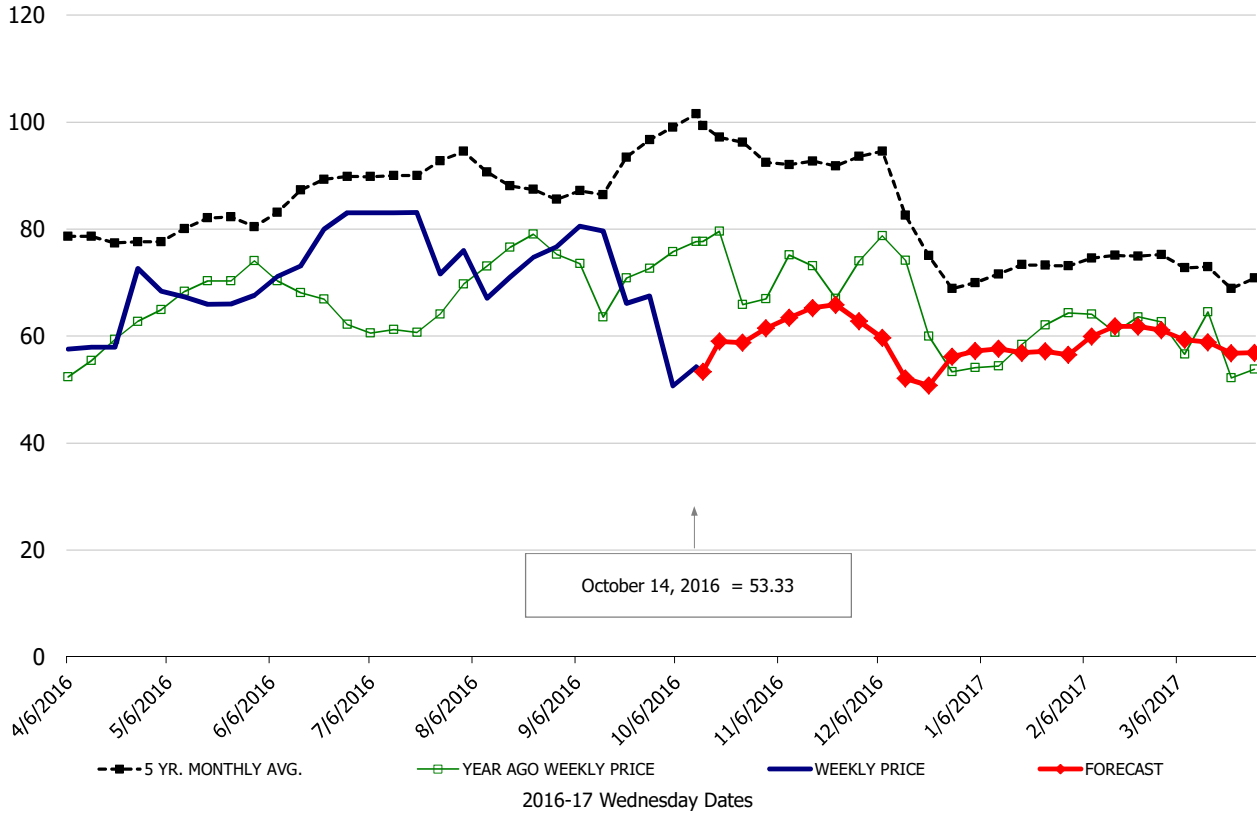
Food Service Summary Table - WT. AVE

	2016 History							2016-17 FORECAST							
	Apr	May	Jun	Jul	Aug	Sep	10/5/2016	10/14/2016	10/26/2016	Oct	Nov	Dec	Jan	Feb	Mar
<u>PORK</u>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	0.89	1.08	1.13	1.05	0.98	1.10	0.94	0.93	0.89	0.93	0.79	0.78	0.81	0.88	0.94
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	0.97	1.13	1.22	1.12	1.04	1.16	1.08	1.00	0.97	1.00	0.89	0.88	0.91	0.98	1.04
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.38	1.49	1.51	1.40	1.37	1.60	1.56	1.53	1.46	1.52	1.31	1.30	1.34	1.33	1.32
Loin, Tenderloin, FOB Plant, USDA	2.21	2.52	2.91	2.66	2.22	2.16	2.13	2.10	2.18	2.10	2.07	2.05	2.11	2.18	2.21
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	0.96	1.12	1.12	1.15	0.99	1.11	0.86	0.78	0.82	0.83	0.86	0.87	0.85	0.87	0.91
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.67	1.66	1.62	1.33	1.30	1.31	1.21	1.22	1.26	1.23	1.25	1.22	1.19	1.30	1.31
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.56	2.61	2.61	2.44	2.42	2.36	2.39	2.36	2.24	2.18	2.15	2.13	2.07	2.15	2.16
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.54	1.65	1.60	1.31	1.31	1.30	1.21	1.23	1.22	1.22	1.21	1.18	1.15	1.23	1.25
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.90	2.98	2.86	2.56	2.22	2.18	2.20	2.17	2.10	2.13	2.13	2.14	2.06	2.13	2.23
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.64	0.67	0.75	0.79	0.71	0.73	0.51	0.53	0.59	0.59	0.64	0.57	0.57	0.60	0.59
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.63	0.67	0.74	0.80	0.71	0.74	0.50	0.53	0.54	0.55	0.58	0.56	0.57	0.58	0.58
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.64	0.66	0.72	0.75	0.67	0.64	0.47	0.52	0.53	0.53	0.54	0.52	0.53	0.56	0.54
Ham, 5 Muscle Ham to Blue, FOB Plant, USDA	1.03	1.03	1.14	1.14	1.14	1.14	1.14	1.14	1.24	1.22	1.22	1.14	1.05	1.09	1.06
Belly, Skin-on Belly 14-16#, FOB Plant, USDA	1.32	1.13	1.27	1.42	1.08	1.39	1.39	1.15	1.08	1.09	1.06	1.09	1.09	1.09	1.10
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.51	1.33	1.52	1.54	1.08	1.14	1.37	1.37	1.36	1.37	1.36	1.35	1.36	1.36	1.38
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.50	1.24	1.50	1.60	1.04	1.14	1.34	1.34	1.34	1.35	1.35	1.34	1.35	1.35	1.37
Trim, 42% Trim Combo, FOB Plant, USDA	0.38	0.46	0.36	0.42	0.49	0.32	0.22	0.29	0.22	0.24	0.21	0.18	0.23	0.26	0.29
Trim, 72% Trim Combo, FOB Plant, USDA	0.69	0.69	0.73	0.80	0.66	0.51	0.43	0.41	0.42	0.42	0.40	0.38	0.44	0.50	0.51
<u>HOG CARCASS</u>															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	0.65	0.74	0.80	0.73	0.63	0.55	0.47	0.47	0.47	0.49	0.45	0.43	0.49	0.54	0.56
<u>BROILERS</u>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	0.88	0.94	0.97	0.88	0.80	0.77	0.71	0.70	0.74	0.72	0.74	0.74	0.77	0.77	0.80
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.16	1.23	1.20	1.29	1.43	1.32	1.23	1.20	1.20	1.21	1.05	1.02	1.02	1.03	1.04
N.E. BROILER BREAST LINE RUN, USDA	0.93	0.97	0.97	0.92	0.89	0.94	0.93	0.89	0.87	0.88	0.84	0.80	0.81	0.82	0.82
N.E. BROILER LEG QUARTERS, USDA	0.35	0.37	0.36	0.35	0.32	0.34	0.32	0.34	0.33	0.34	0.32	0.32	0.34	0.34	0.34
N.E. BROILER WINGS, USDA, WT.AVG.	1.79	1.61	1.54	1.56	1.57	1.79	1.80	1.78	1.80	1.81	1.75	1.78	1.80	1.74	1.63
<u>TURKEYS</u>															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.22	1.23	1.24	1.25	1.26	1.28	1.29	1.29	1.30	1.29	1.29	1.14	1.03	1.04	1.04
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	2.59	2.18	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.20
<u>LIVE STEERS</u>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.32	1.28	1.23	1.18	1.17	1.07	1.02	0.98	1.03	1.02	1.05	1.08	1.08	1.09	1.10
<u>BEEF</u>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	7.52	7.32	8.29	6.86	7.37	6.80	6.95	6.68	6.92	6.77	7.53	7.06	5.42	5.56	6.01
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.19	2.10	1.99	2.10	2.17	1.98	1.91	1.90	1.88	1.92	1.95	1.96	2.02	1.93	2.03
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	1.96	1.92	1.83	1.85	1.85	1.91	2.01	2.00	2.01	1.98	1.84	1.77	1.89	1.85	1.80
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	7.23	7.33	8.05	6.51	5.51	4.77	4.59	4.52	4.55	4.61	4.70	5.06	5.00	5.03	5.57
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	4.48	4.40	3.86	3.68	3.61	3.28	2.66	2.93	2.92	2.88	2.88	2.95	2.99	3.06	3.21
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	5.59	5.17	5.20	5.05	5.20	4.72	3.87	3.61	3.70	3.65	3.65	3.80	3.90	4.02	4.30
COARSE GROUND 73%, USDA	1.50	1.55	1.48	1.34	1.52	1.28	1.19	1.21	1.21	1.21	1.22	1.23	1.52	1.40	1.40
COARSE GROUND 81%, USDA	1.74	1.89	1.83	1.66	1.74	1.57	1.52	1.43	1.46	1.44	1.46	1.45	1.77	1.64	1.62
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.18	2.18	2.17	2.17	2.14	2.05	1.94	1.89	1.89	1.87	1.76	1.81	1.89	1.95	1.98
50CL BEEF TRIM, FRESH, NATIONAL, USDA	0.72	0.51	0.85	0.90	0.56	0.38	0.33	0.32	0.38	0.35	0.44	0.41	0.59	0.54	0.66



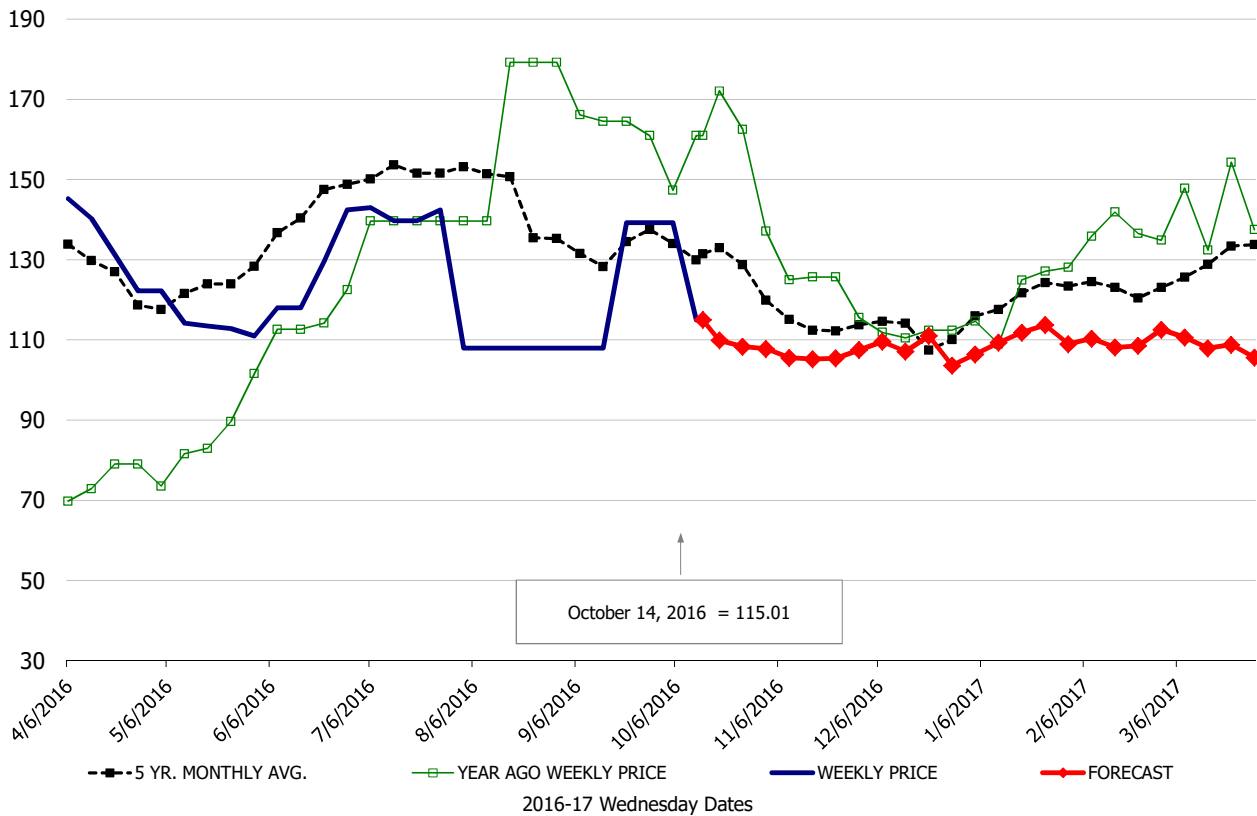
\$/cwt

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



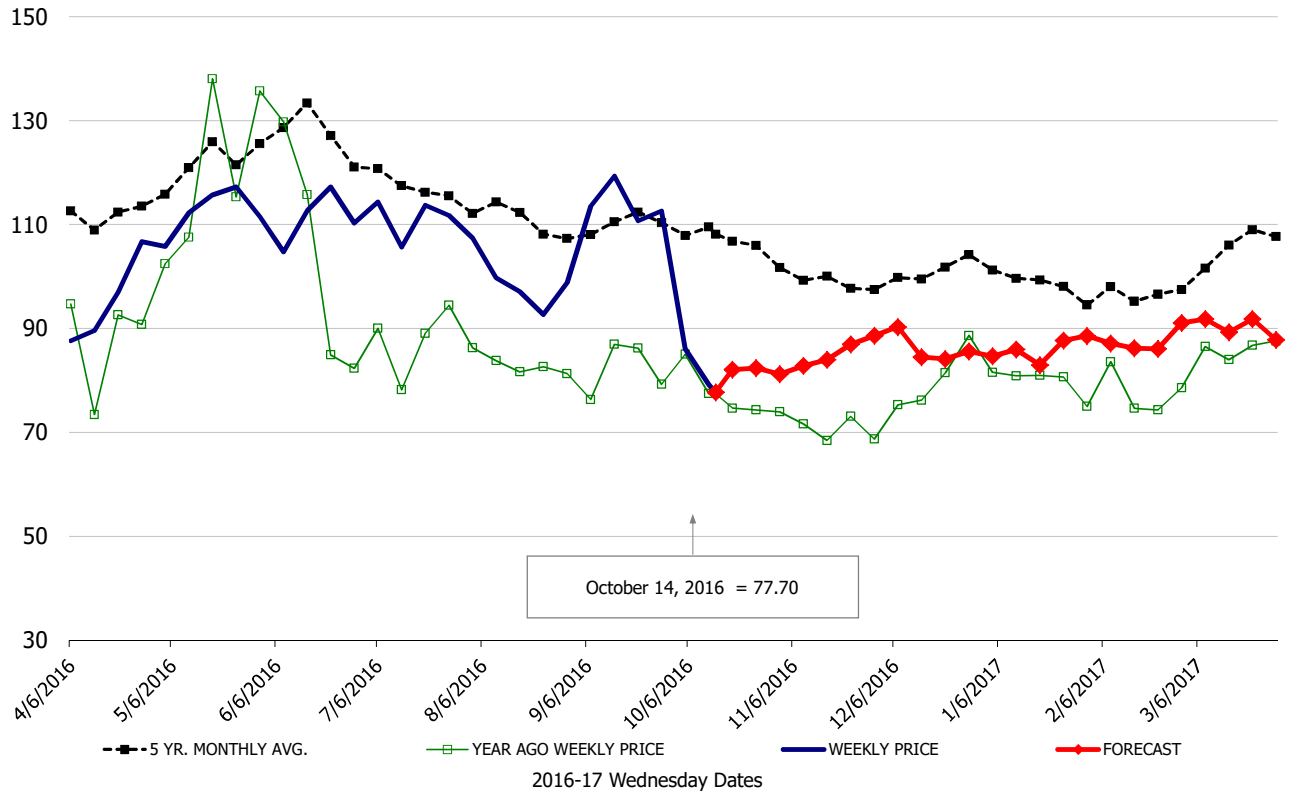
\$/cwt

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



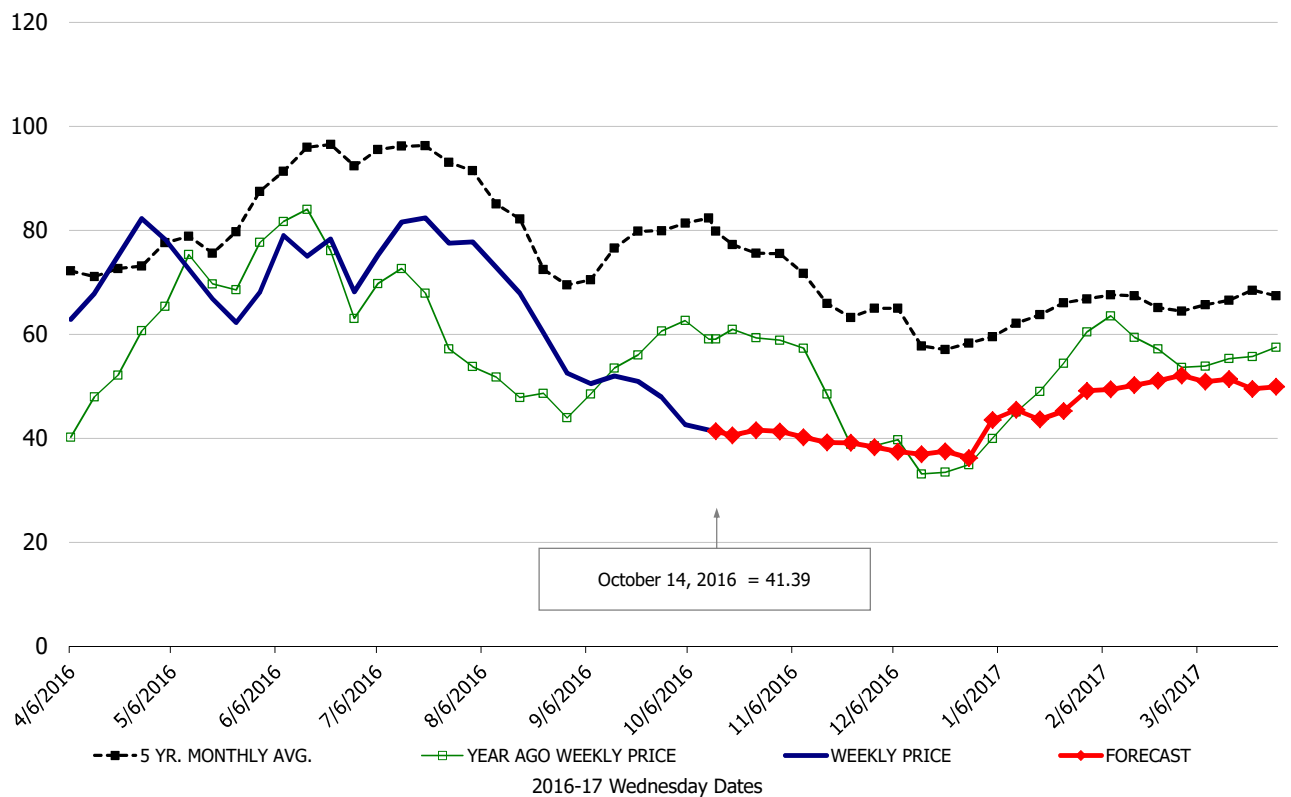
\$/cwt

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

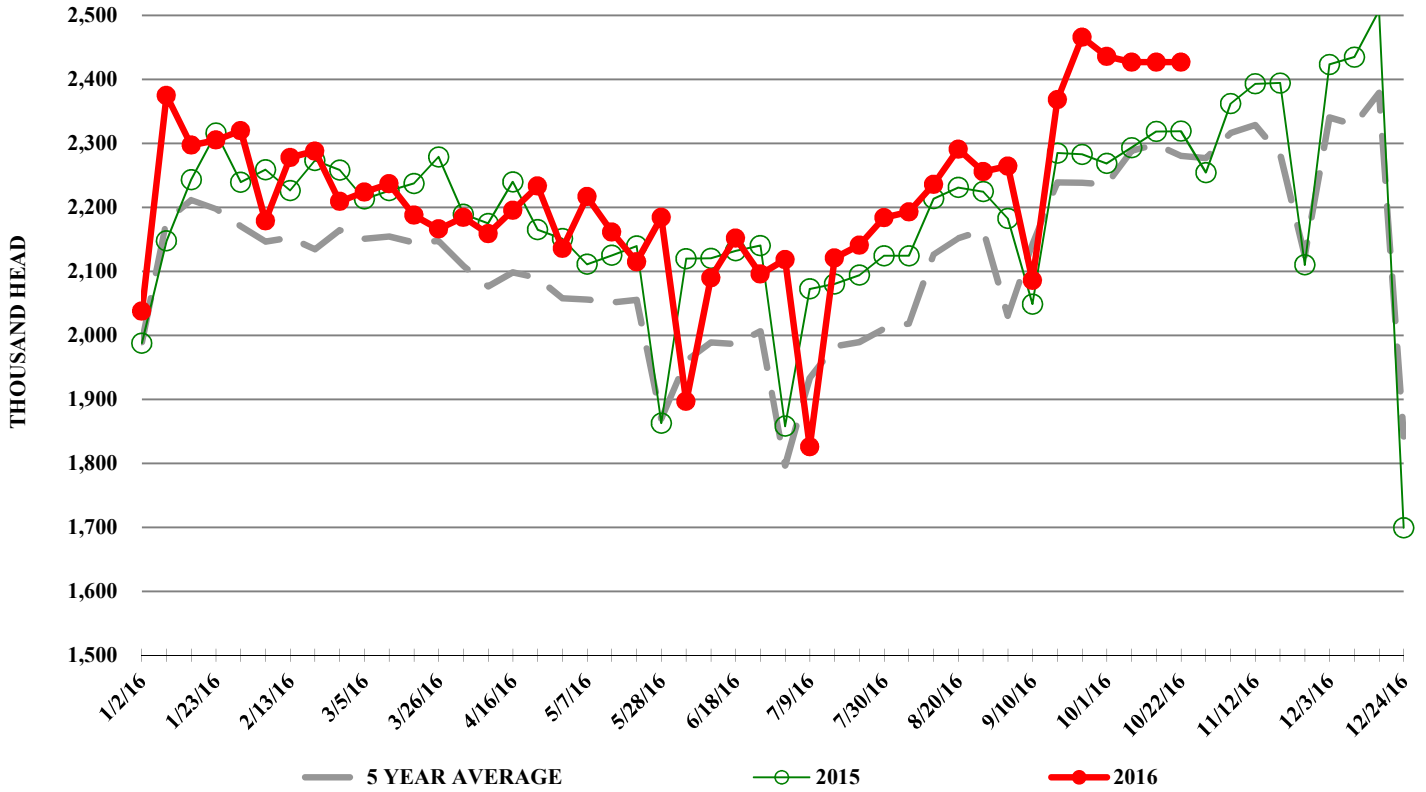


\$/cwt

Trim, 72% Trim Combo, FOB Plant, USDA



ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION

