



Be inspiredSM

Pork Merchandiser's Profit Maximizer

- Foodservice Edition -

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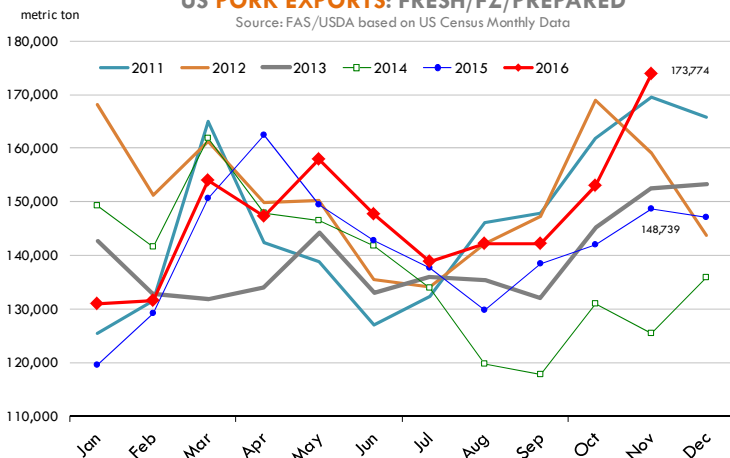
January 9, 2017

1. Price corrections last summer allowed US exporters to become increasingly competitive in the global marketplace, with double digit export increases registered for all key proteins.

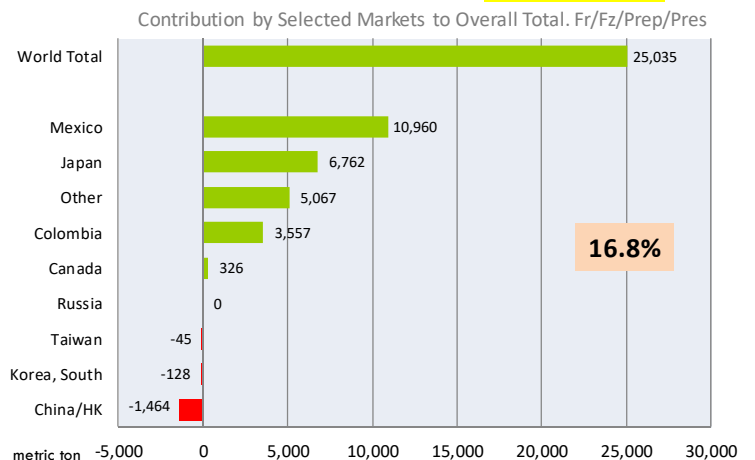
Preliminary data, anecdotal evidence and simply the reality of higher meat prices at a time of supply increases all told us that exports in Q4 were particularly strong. The official data issued from the US Census Bureau and reported by USDA confirmed that conclusion. Exports of all proteins were up in double digits in November, which was critical consid-

ering the sharp increase in meat protein supplies during Q4. Average weekly beef production in November was around 505 million pounds per week (carcass wt. basis), +50 million pounds (+11.1%) higher than the previous year. Pork production in November also averaged 511 million pounds per week, 17 million pounds (+3.4%) higher than the previous year. The rate of growth for broiler production slowed down but still was quite robust, averaging 713.5 million pounds per week (ready to cook basis) 11.7 million pounds (+1.7%) more than a year ago. Given these robust supply growth numbers it was imperative for US pro-

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



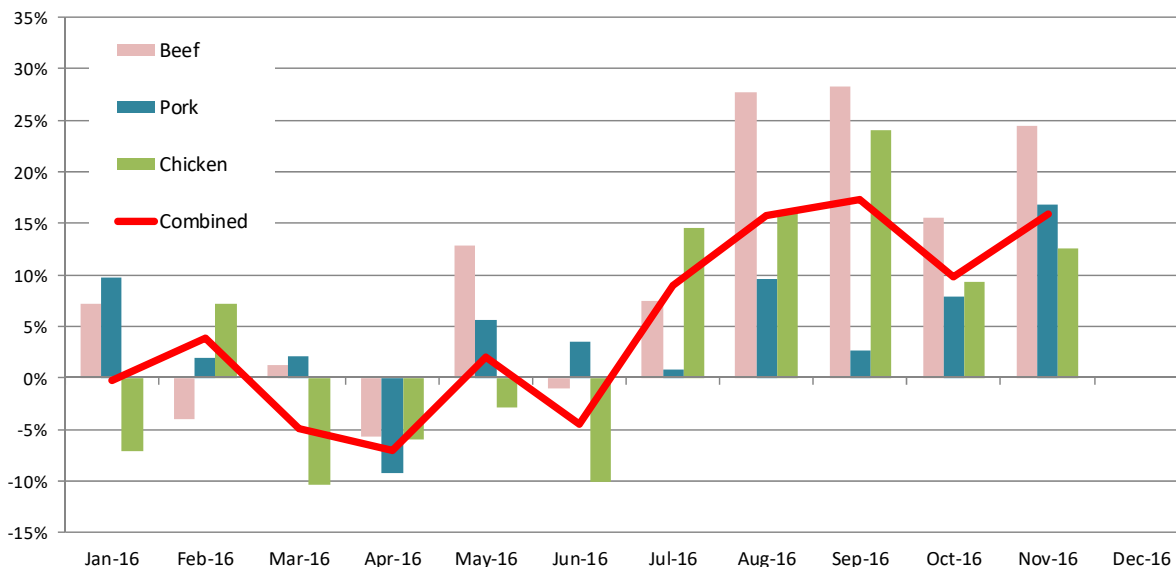
Y/Y Ch. in Nov. 16 vs. Nov 15 US Pork Exports



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Double Digit Increase in Exports Since August Has Helped Absorb Larger Production Numbers

Y/Y Change in Exports of Beef, Pork and Chicken. Source: USDA/FAS. Based on Product Weight Export Volume



of

ducers to be able to expand demand via export markets. In the case of pork, it was also quite fortuitous that the election results seem to stimulate demand from Mexico, our largest trading partner, in part because of fears that the change in administration also could impact the flow of product into that country. All told, however, it appears that exports served as a much needed release valve and helped clean up the market. We think this is a key factor for the price recovery in Q4. Fears of a supply glut proved to be overstated, in large part because packers were quite successful in getting product sold to global consumers, even with the stronger US dollar.

So what did the latest numbers say and what does this imply for demand going into the spring and summer of 2017. We will briefly look at each of the three major proteins:

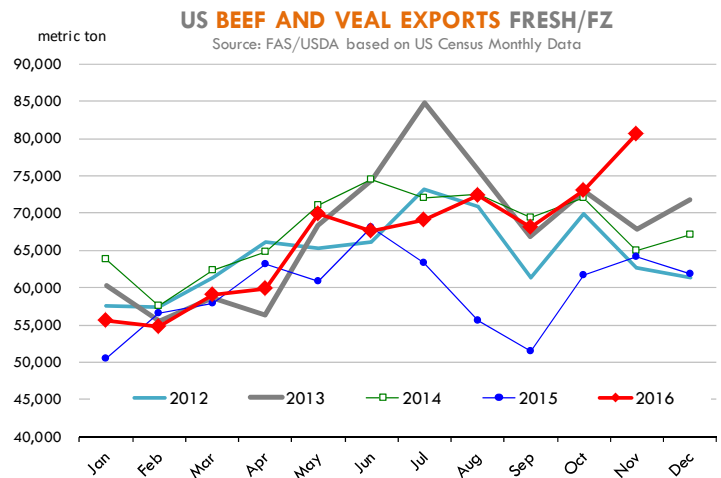
Pork: There was a lot of fear in Q3 that the industry would run out of processing capacity and thus push hog prices to levels we had not seen in some 20 years. Furthermore, there were concerns that in a highly saturated domestic market and with limited China demand, US pork sales would struggle and prices could adjust sharply lower to help clear the market. We actually saw some of this come into play in September and early October but it was short lived. Those big price breaks had the effect of stimulating domestic sales while at the same time encouraging a sharp rebound in exports. November exports

fresh, frozen and cooked pork were 173,774 MT, 16.8% higher than a year ago. This is by far the largest amount of pork exported in any given month, surpassing the previous record in November 2011. When looking at the structure of exports for the month, the biggest contributor is by far Mexico. This despite a sharp devaluation of the Peso following the Trump election victory. Total pork exports to Mexico in November were 61,272 MT, 22% more than a year ago and an all time record. The growth in exports to Mexico contributed about 44% of the overall growth in US pork exports for the month. Exports to Japan, the second largest US market, were 36,312 MT, 23% higher than a year ago. Pork exports to the China/HK market have not been consequential despite some earlier predictions. November shipments to these two markets were 15,046 MT, down 9% from a year ago.

Beef: Exports to Asia have been excellent in the second half of the year, in part thanks to lack of competition from Australia, which competes head to head with our exporters in those markets. US beef markets simply were not focusing on the potential for explosive export volumes back in September and early October but as packers ramped up slaughter with seemingly no adverse impact on the cutout, fed cattle prices slowly recovered and, by the end of the year, they had rallied about 20% from the fall lows. Total beef exports in November were 83,995 MT, 24.5% higher than the previous year and the largest

monthly export volume since August 2011. And the increase was primarily due to two markets: Japan and South Korea. Exports to Japan in November were 18,393 MT, 7,583 MT (+70%) higher than a year ago. Exports to South Korea were 17,647 MT, 6,669 MT (+61%) higher than last year. These two countries accounted for about 85% of the entire increase in US beef exports for the month. Our current forecast for Q4 pork exports is for a +13.6% increase. This is based on a 7.8% increase in October, 16.8% increase in November and an expected +15% increase in December. This means that even though pork production for the quarter is forecast up 2.5% from last year (remember one less marketing day in 2016), total disappearance actually was down 2% and per capita domestic disappearance was down 3%. This helps explain the rebound in price as, thanks to exports, availability in domestic markets was quite a bit smaller than the previous year. Current forecast is for per capita domestic availability to be up 0.3% in Q1 of 2017 and up 2% in Q2 but it hinges on the assumption pork exports will expand at an average 7% pace for those two quarters.

Broilers: Chicken exports in November continued to show good growth but the pace of the increase appeared to slow down. Judging from the price trends for dark meat, we expect exports do show only modest increases for December. Total fresh and frozen chicken exports in November were 244,761 MT, 13% higher than a year ago but the lowest monthly volume since July. The increase in chicken exports has come even as exports to our largest markets, Mexico, Canada, Hong Kong and Angola, are actually down from a year ago. Instead US producers have been able to expand access to over 50 smaller markets to sustain the current pace of growth. The risk for the broiler industry is that lower global feed costs are encouraging expansion across the world and the strong US dollar will continue to erode the competitiveness of US chicken. While we do not expect prices to crash like they did in 2015, the current situation shows that the upside for dark meat remains limited due to the uncertain export situation.



Bottom line: US meat supplies are expected to expand further in 2017 and it is critical for US producers that they maintain and expand access to export markets. Any issues could present significant challenges, especially for the pork industry, with hog slaughter expected to be up +4% in the first half of this year.

Upcoming holidays:

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 January 7 slaughter was 2.088 million head, down 12.1% from a year ago. In the last two weeks hog slaughter is down 5.5% vs. year ago levels.

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass values at about 56.34 /cwt. on Friday were up \$4.6/cwt since Wed. December 28. Prices are up 5.2 dollars compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at \$0.9102, down about 4.1 cents since the Wed. December 28 quote but up about 4 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.4956 for the strap on loins, up 7.1 cent since Wed. December 28 and up about 14 cent from the year ago levels. Strap off loins at \$1.6118 are up about 19.7 cent since Wed. December 28 and up about 10 cent compared to the year ago quote.

Boneless sirloins at \$1.1279 are down 2 cents from the Wed. December 28 quote but up about 15.0 cents from the year ago price.

Pork tenderloin finished last week at \$2.1611, up 15.5 cent from the Wed. December 28 quote and up about 19.5 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at \$1.0563, down 2.9 cents since Wed. December 28. Prices are up 21 cents from a year ago.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$1.2682, up about 3 cent since Wed. December 28 but down about 26 cents from year ago levels.

Rib inventories on November 30 were 109.3 million pounds, down 6.7% percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was \$0.5704/lb., unchanged since Wed. December 28 but up about 3 cents from a year ago.

20/23 hams finished the week at 56.11 cents, down about 16.5 cents since Wed. December 28 but up about 2 cents from the year ago level.

23/27 hams finished the week at 51.17 , down about 22 cents from the Wed. December 28 quote and down about 0.9 cents from the year ago level.

Total ham cold storage stocks on November 30 at 105.6 million pounds were down 3.1% from year ago levels.

42 CL Pork Trim “FOB Basis”. Prices finished the week at 27.37 cent, down about 0.2 cent since Wed. December 28 but up about 9 cents from the year ago price.

72 CL Pork Trim “FOB Basis”. Prices finished the week at 65.87 cents, up about 7.4 cents since the Wed. December 28 quote and up about 26 cents from the year ago level.

Freezer stocks of all trimmings on November 30 were 35.1 million pounds, down 4.9% 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 no longer is being quoted.

The National Whole Bird price was quoted at 87.16 on Friday, January 7, down about 1 cents from a year ago.

Broiler slaughter for the week ending January 7 was 153.72 million head, down 4.46% from a year ago. For the last two weeks slaughter was down 3.2% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$0.9748, up 1 cents since Wed. December 28 but still down about 6 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 0.8 cents vs. two weeks ago but at 30.89 cents per pound prices were up 7 cents from a year ago.

Wings. Prices at \$1.8776 are up about 10 cents from year ago levels.

Turkeys

Hens finished last week at \$1.0600, down since Wed. December 28 and down about 12 cents from the year ago price.

Toms finished last week at \$1.0600, down since Wed. December 28 and down about 12 cent from the year ago price.

Total turkey supplies in the freezer on November 30 were up 25.4% from a year ago at 238.7 million pounds. Whole birds were up 19.9% from a year ago with an inventory of 70.4 million pounds.

Turkey slaughter was 2.7910 million head for the week ending December 31, up 2.84% from a year ago. For the last two weeks slaughter has been up 25.1%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$1.6500, unchanged since Wed. December 28. Prices are down about 385 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 \$6.2141 (weighted average quote) finished last week down about 70 cents since the Wed. December 28 quote and down about 118 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$6.0244 (weighted average quote) finished last

week up about 3 cents since the Wed. December 28 quote but down about 97 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$0.1897 /lb. over Select. The 2015 annual average spread (wt. average price) had the Choice at a premium to the Select by \$0.1065 per pound and the previous five years (2010 thru 2014) average spread was Choice at a premium to the Select by \$0.0936 per pound.

Choice regular #168 insides finished last week quoted at \$2.1808 down about 4 cents since Wed. December 28 and down about 47 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$2.2157 down about 12 cents since Wed. December 28 and down about 43 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$2.1558 up about 11 cents since Wed. December 28 but down about 22 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$5.5204 (wt. avg.) down about 5 cents from the Wed. December 28 quote. Prices are about 49 cents over year ago levels.

Choice #184 Regular Heavy top butts finished at \$2.4262 (wt. avg.) up about 4 cents since Wed. December 28 but down about 89 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$2.5167 (wt. avg.) up about 7 cents since Wed. December 28 but down about 87 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$4.3005 (wt. avg.) up about 13 cents since Wed. December 28 but down about 67 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at \$1.7900 down about 17 cents since Wed. December 28 and down about 19 cents from year ago levels.

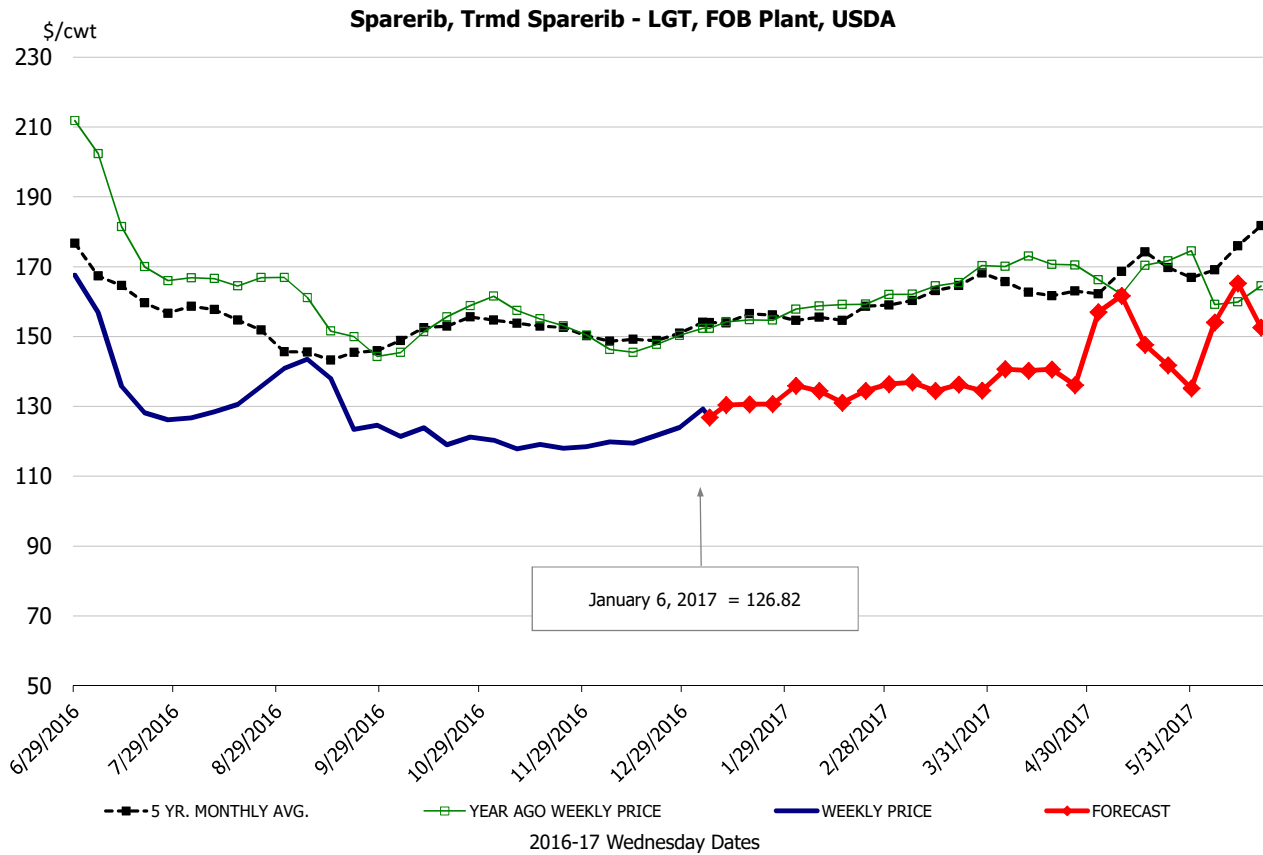
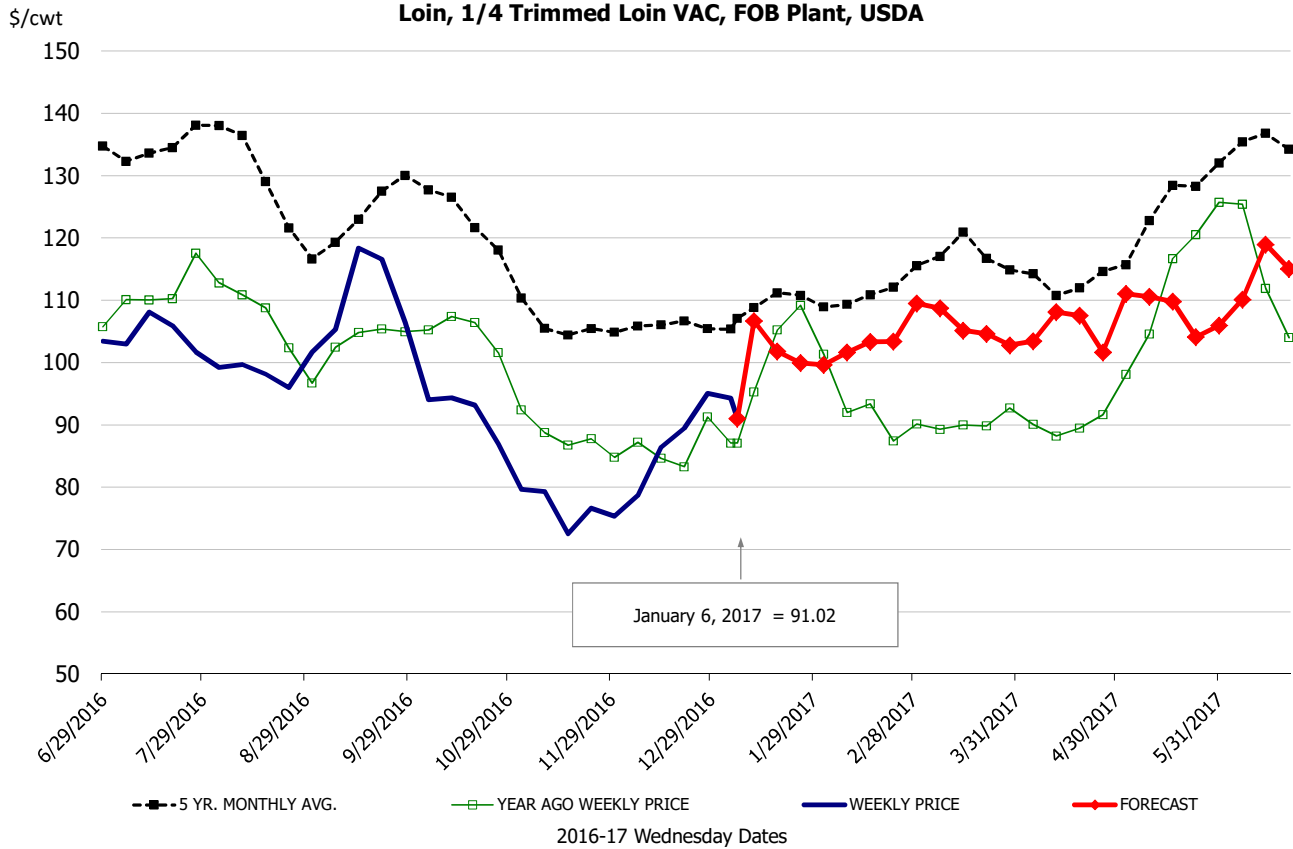
81CL Coarse Ground product finished last week at \$1.9682 down about 13 cent since Wed. December 28 and down about 11 cents from the year ago quote.

90CL Bnls. Beef prices finished the week at \$2.0194 (wt. avg.) up about 4.40 cent since Wed. December 28 and up 3 compared to the year ago price quote.

50 CL Beef Trim prices finished last week at \$0.4820, up about 11 cent since Wed. December 28 but down 18 cent compared to the year ago level.

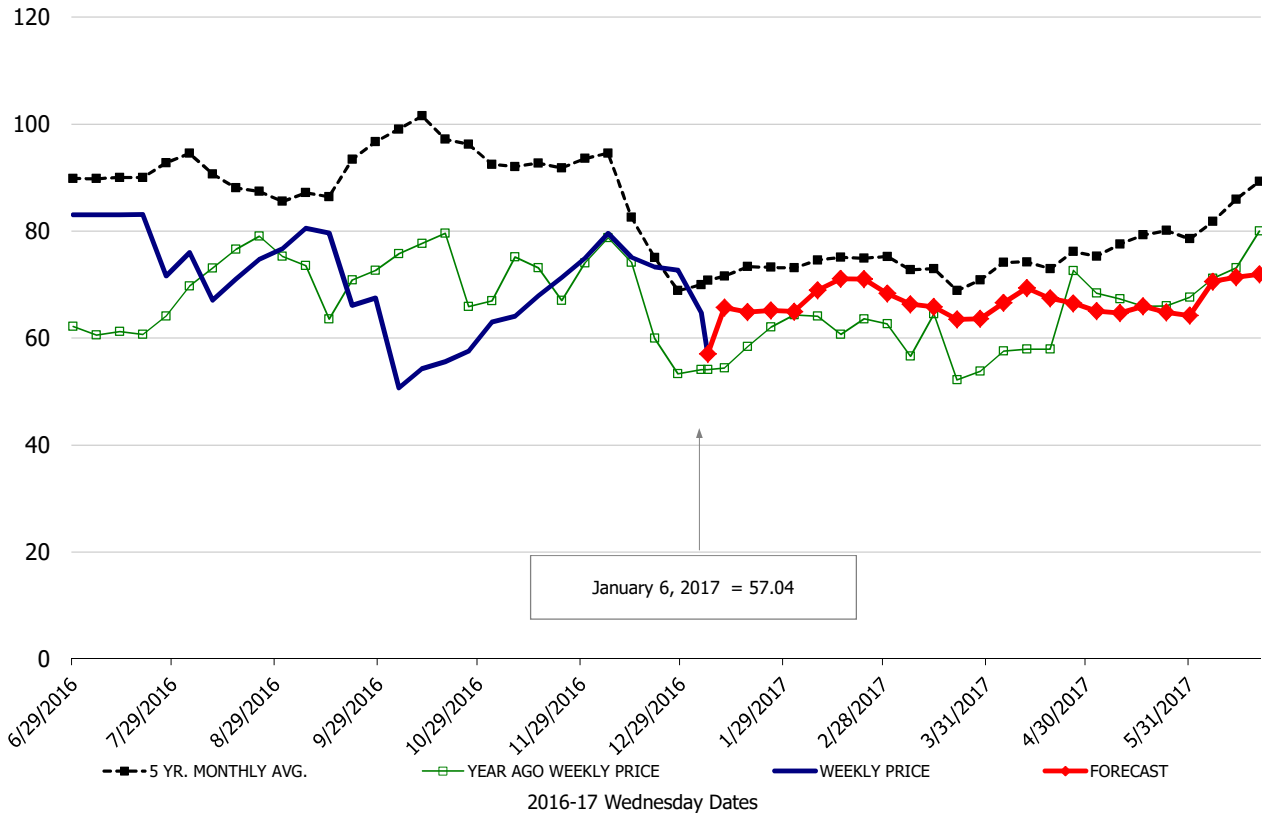
Food Service Summary Table - WT. AVE

	HISTORY								FORECAST						
	Jul	Aug	Sep	Oct	Nov	Dec	12/28/2016	1/6/2017	1/18/2017	Jan	Feb	Mar	Apr	May	Jun
<u>PORK</u>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.05	0.98	1.10	0.91	0.77	0.83	0.95	0.91	1.02	1.02	1.02	1.07	1.05	1.08	1.14
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.12	1.04	1.16	0.97	0.86	0.90	1.03	1.00	1.11	1.10	1.09	1.14	1.12	1.15	1.22
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.40	1.37	1.60	1.46	1.28	1.34	1.42	1.61	1.57	1.58	1.54	1.60	1.57	1.54	1.59
Loin, Tenderloin, FOB Plant, USDA	2.66	2.22	2.16	2.10	2.00	2.01	2.01	2.16	2.14	2.17	2.36	2.32	2.32	2.34	2.46
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	1.15	0.99	1.11	0.86	0.81	0.85	1.01	1.03	0.98	1.00	0.99	1.03	1.03	1.07	1.12
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.33	1.30	1.31	1.20	1.18	1.20	1.24	1.27	1.31	1.29	1.34	1.36	1.40	1.51	1.52
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.44	2.42	2.36	2.39	2.28	2.28	2.23	2.42	2.38	2.35	2.35	2.45	2.45	2.40	2.43
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.31	1.31	1.29	1.21	1.15	1.19	1.22	1.24	1.26	1.25	1.29	1.30	1.34	1.45	1.48
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.56	2.22	2.18	2.17	2.15	2.15	2.16	2.18	2.21	2.20	2.30	2.35	2.46	2.70	2.62
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.79	0.71	0.70	0.55	0.68	0.74	0.73	0.57	0.65	0.65	0.69	0.66	0.67	0.65	0.71
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.80	0.71	0.72	0.54	0.67	0.75	0.73	0.56	0.66	0.65	0.67	0.65	0.65	0.66	0.69
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.75	0.67	0.64	0.50	0.67	0.72	0.73	0.51	0.60	0.61	0.64	0.58	0.60	0.64	0.67
Ham, 5 Muscle Ham to Blue, FOB Plant, USDA	1.14	1.14	1.14	1.14	1.14	NA	1.14	1.14	1.39	1.44	1.40	1.36	1.39	1.50	0.00
Belly, Skin-on Belly 14-16#, FOB Plant, USDA	1.42	1.08	1.39	1.20	1.23	1.11	1.08	1.08	1.22	1.19	1.21	1.23	1.24	1.14	1.29
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.54	1.08	1.15	1.38	1.30	1.26	1.43	1.48	1.52	1.49	1.51	1.55	1.56	1.43	1.63
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.60	1.04	1.15	1.35	1.28	1.30	1.44	1.48	1.50	1.47	1.49	1.53	1.54	1.41	1.61
Trim, 42% Trim Combo, FOB Plant, USDA	0.42	0.49	0.32	0.24	0.23	0.25	0.28	0.27	0.30	0.29	0.31	0.35	0.35	0.37	0.42
Trim, 72% Trim Combo, FOB Plant, USDA	0.80	0.66	0.51	0.42	0.44	0.53	0.58	0.66	0.64	0.65	0.64	0.62	0.62	0.66	0.77
<u>HOG CARCASS</u>															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	0.73	0.63	0.55	0.46	0.42	0.52	0.52	0.56	0.60	0.59	0.61	0.62	0.66	0.73	0.77
<u>BROILERS</u>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	0.88	0.80	0.77	0.71	0.79	0.84	0.85	0.87	0.84	0.85	0.83	0.82	0.82	0.85	0.87
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.29	1.43	1.32	1.15	0.99	0.98	0.97	0.97	1.03	1.02	1.03	1.04	1.12	1.24	1.21
N.E. BROILER BREAST LINE RUN, USDA	0.92	0.89	0.94	0.88	0.87	0.89	0.90	0.87	0.90	0.88	0.88	0.88	0.88	0.94	0.90
N.E. BROILER LEG QUARTERS, USDA	0.35	0.32	0.34	0.32	0.32	0.31	0.32	0.31	0.32	0.32	0.35	0.35	0.36	0.36	0.35
N.E. BROILER WINGS, USDA, WT.AVG.	1.56	1.57	1.79	1.80	1.84	1.87	1.86	1.88	1.96	1.95	1.74	1.63	1.55	1.54	1.61
<u>TURKEYS</u>															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.25	1.26	1.28	1.30	1.28	1.14	1.10	1.06	1.04	1.04	1.04	1.04	1.06	1.07	1.08
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	2.15	2.15	2.15	2.15	2.01	1.68	1.65	1.65	1.61	1.65	1.70	1.85	1.95	2.15	2.35
<u>LIVE STEERS</u>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.18	1.17	1.07	1.00	1.06	1.13	1.16	1.18	1.16	1.16	1.16	1.15	1.15	1.09	1.05
<u>BEEF</u>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	6.86	7.37	6.80	6.68	8.05	7.17	6.92	6.21	5.96	6.06	6.13	6.54	6.72	6.56	6.63
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.10	2.17	1.98	1.88	1.85	2.03	2.33	2.22	2.18	2.22	2.18	2.17	1.98	1.82	1.76
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	1.85	1.85	1.91	2.00	1.89	1.92	2.05	2.16	2.15	2.15	2.10	1.93	1.76	1.63	1.62
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	6.51	5.51	4.76	4.42	4.32	4.88	5.57	5.52	5.58	5.59	5.62	6.12	6.24	6.37	6.19
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	3.68	3.61	3.27	2.70	2.30	2.31	2.45	2.52	2.89	2.87	3.14	3.27	3.65	3.35	3.06
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	5.05	5.20	4.66	3.72	3.61	3.99	4.17	4.30	4.33	4.31	4.43	4.68	4.83	4.85	4.59
COARSE GROUND 73%, USDA	1.34	1.52	1.27	1.23	1.13	1.04	1.96	1.79	1.72	1.69	1.50	1.46	1.42	1.33	1.24
COARSE GROUND 81%, USDA	1.66	1.74	1.56	1.55	1.54	1.43	2.10	1.97	2.00	1.95	1.71	1.68	1.60	1.54	1.44
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.17	2.14	2.05	1.93	1.93	1.92	1.98	2.02	2.08	2.07	2.08	2.10	2.07	1.92	1.87
50CL BEEF TRIM, FRESH, NATIONAL, USDA	0.90	0.56	0.38	0.33	0.49	0.38	0.37	0.48	0.53	0.54	0.50	0.66	0.75	0.67	0.61



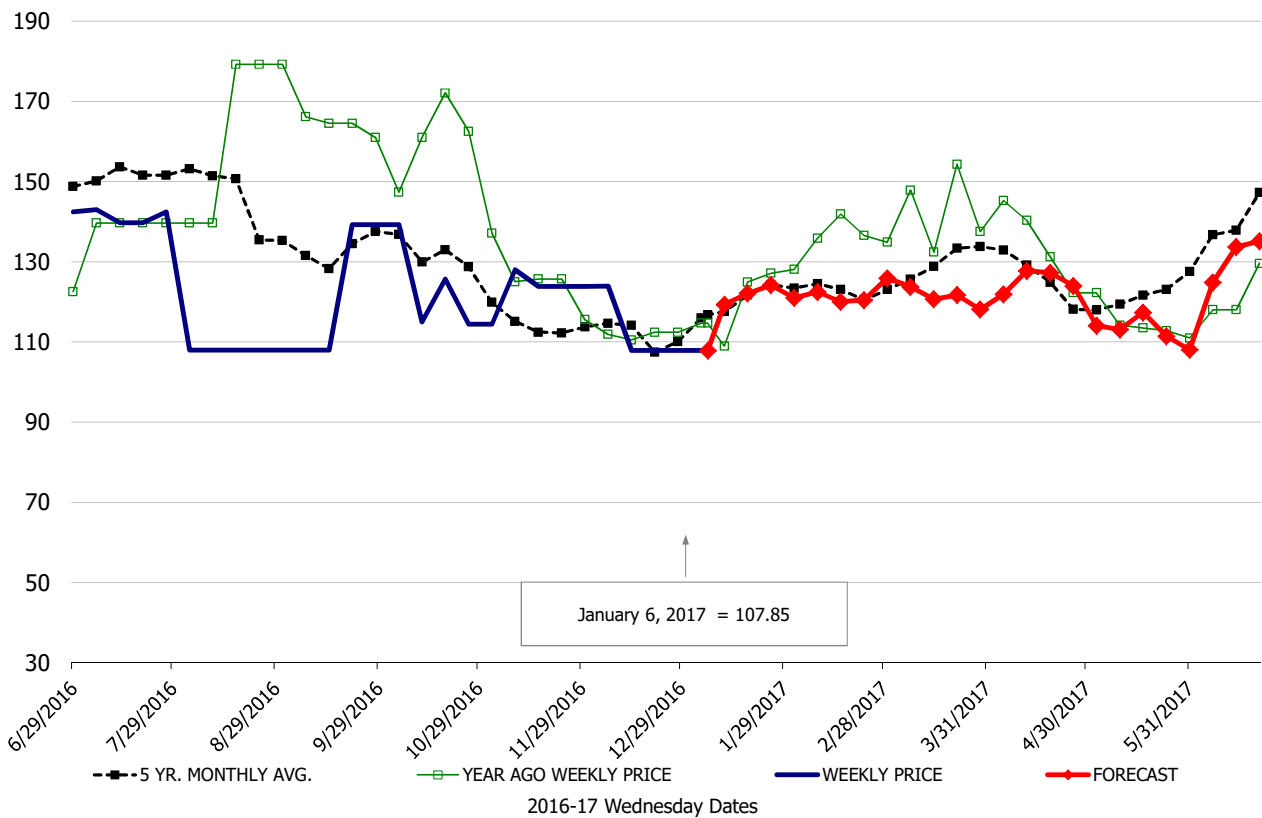
\$/cwt

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



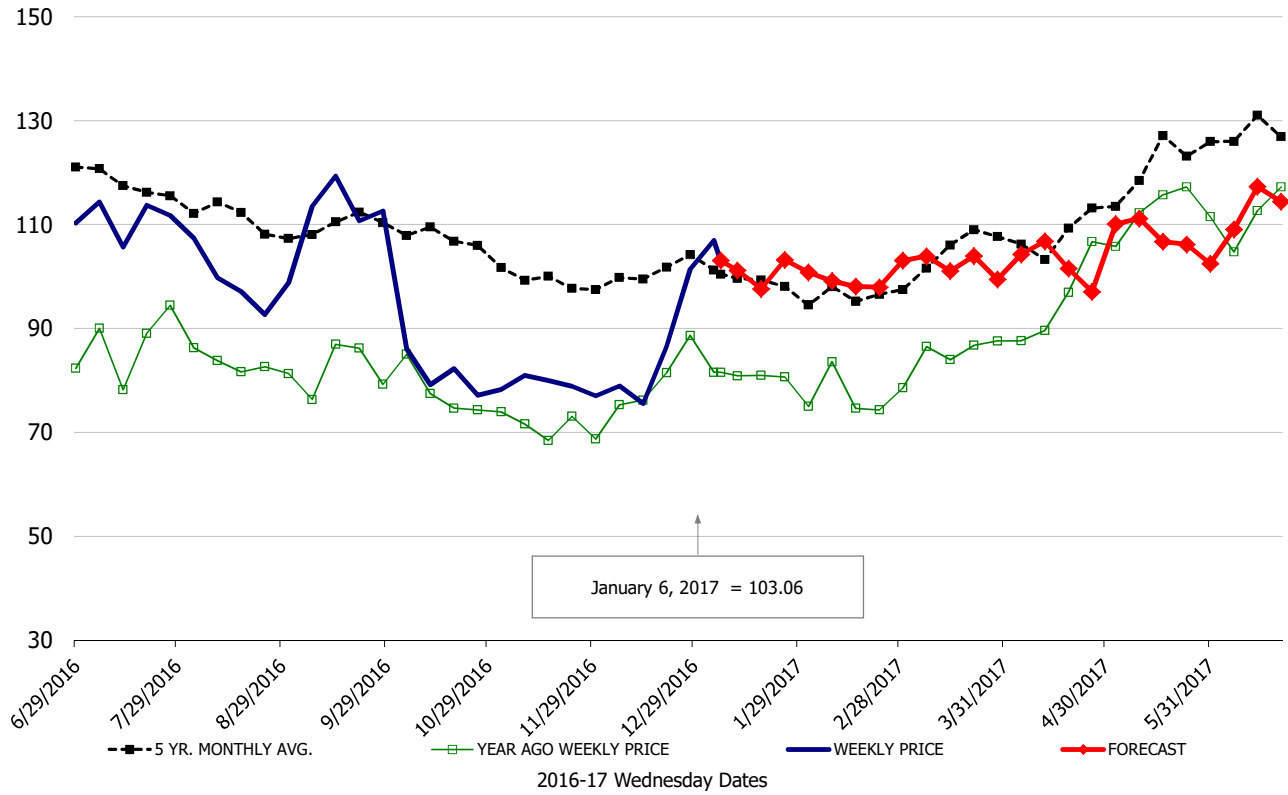
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Belly, Skin-On Belly 14-16#, FOB Plant, USDA



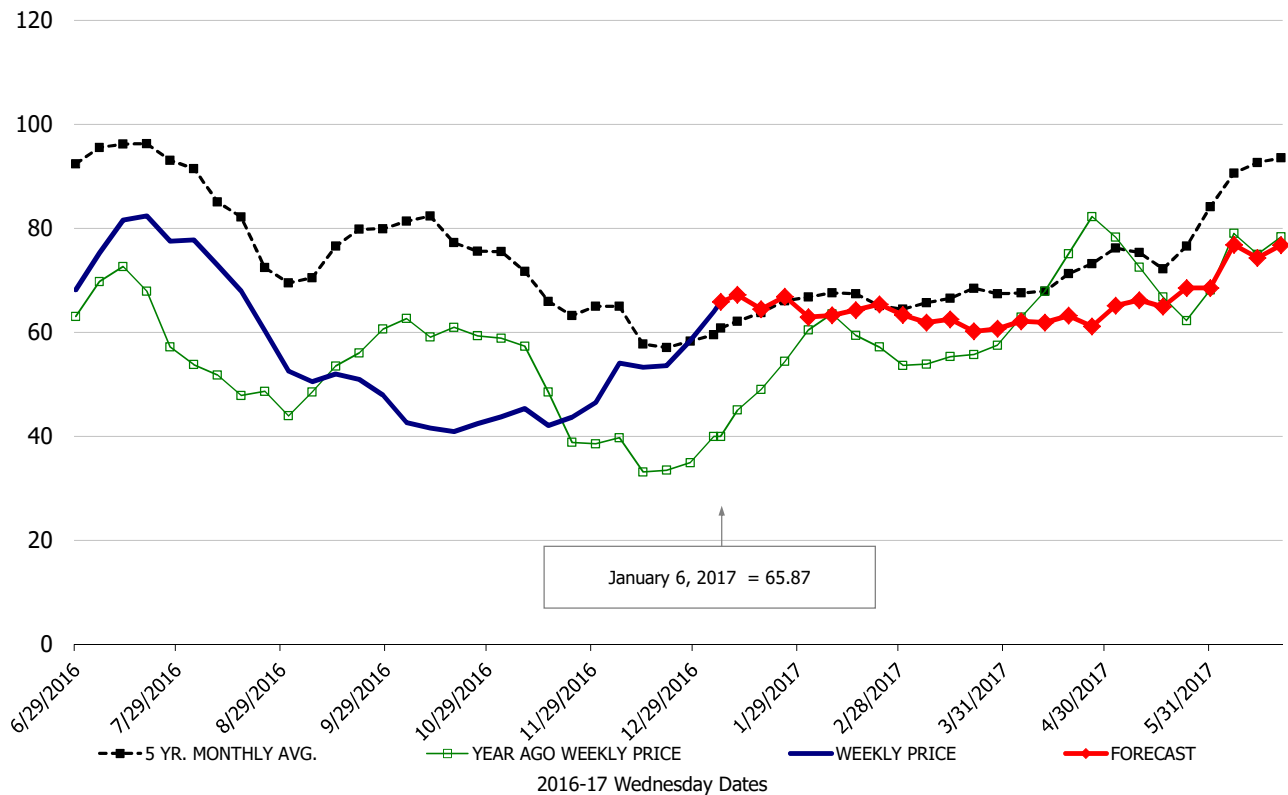
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Butt, 1/4 Trim Butt Combo, FOB Plant, USDA

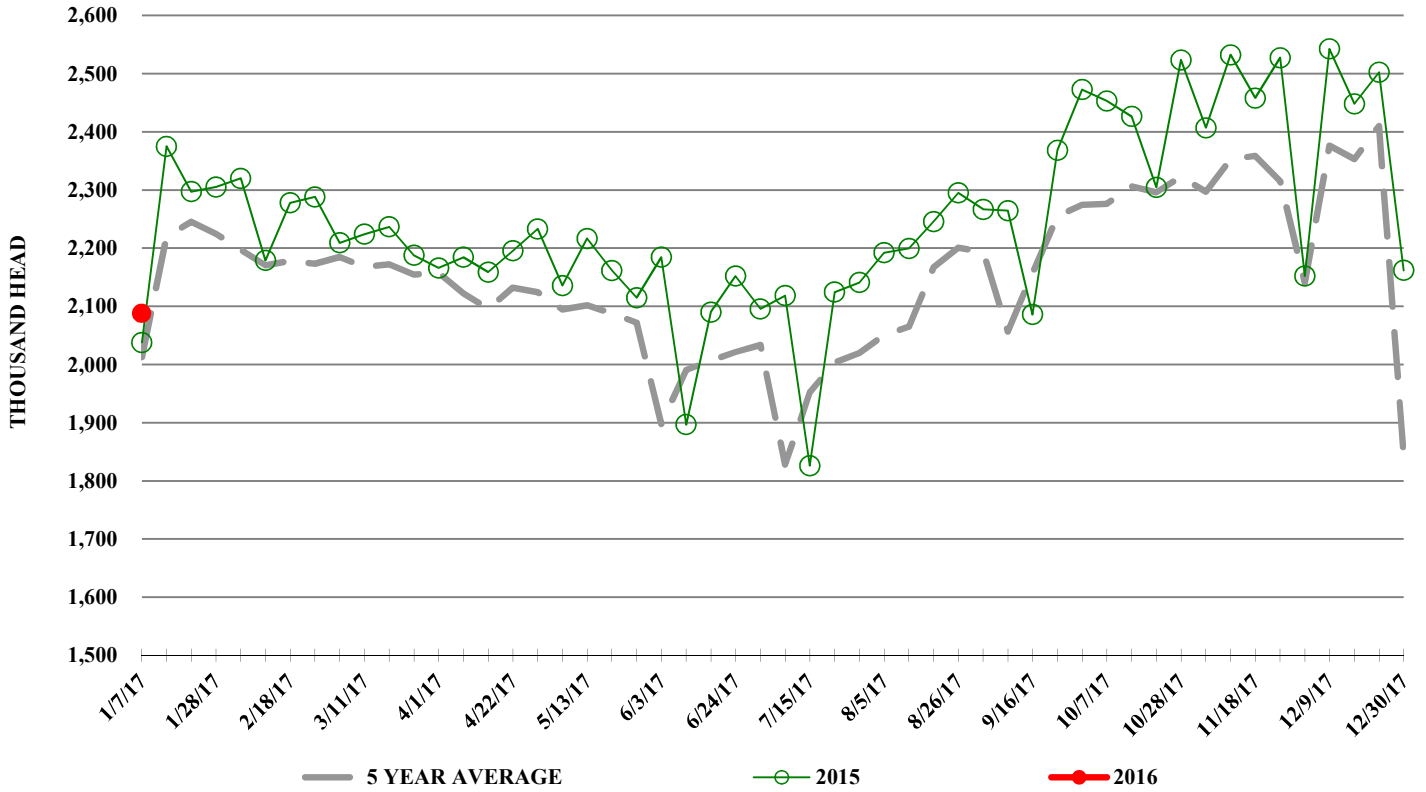


\$/cwt

Trim, 72% Trim Combo, FOB Plant, USDA



ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION

