



Be inspiredSM

Pork Merchandiser's Profit Maximizer

- Foodservice Edition -

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

January 23, 2017

Excellent demand and a modest recent slowdown in growth help firm meat prices at the outset of the new year.

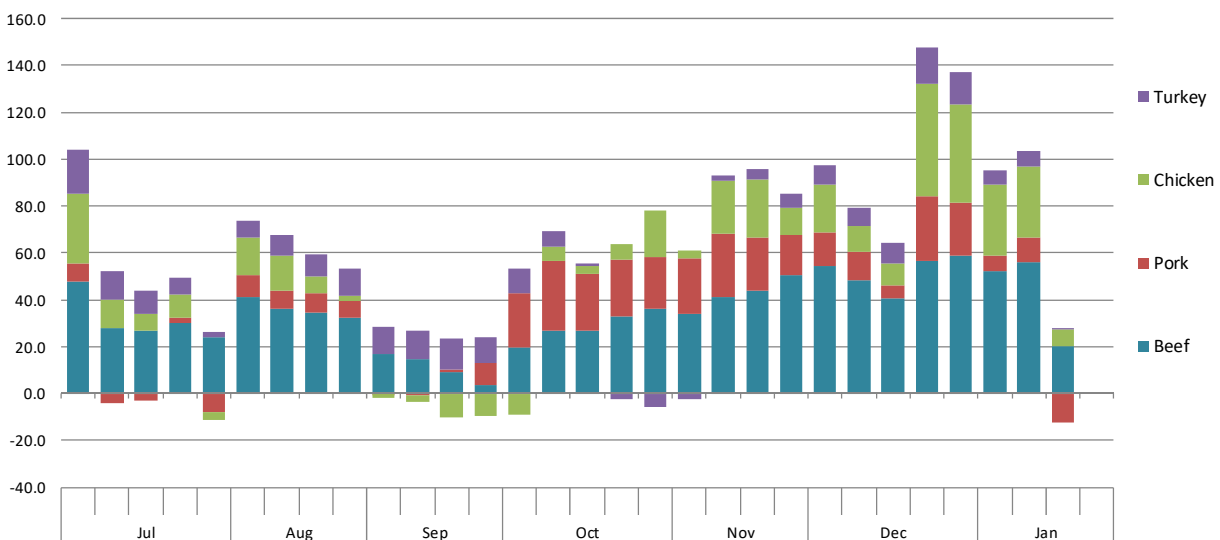
Meat protein supplies have increased rapidly in recent months as lower feed costs have fueled expansion both in the red meat and poultry industry. In the last six reported weeks, red meat and poultry production has averaged almost 95 million pounds (+6.4%) higher than the same six week period a year

ago. One has to go back to the start of 2011 to find a comparable growth rate in meat protein supplies. But while the increase in protein supplies does have an effect on the overall food inflation trends (they are down), it also paints with quite a broad brush. Below is a brief recap of some of the key points we see impacting pork and other species:

- **Demand for pork continues to drive the market in the short term.** Hog supplies in the last few weeks

Weekly Increase in **Beef, Pork, Chicken and Turkey Production** vs. Year Ago.

Million Pounds. 4-wk MA. Carcass Wt. Basis. Source: USDA Weekly Production Reports



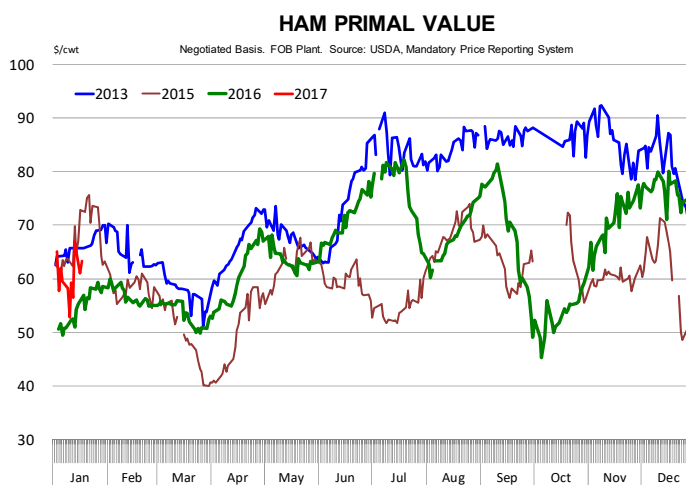
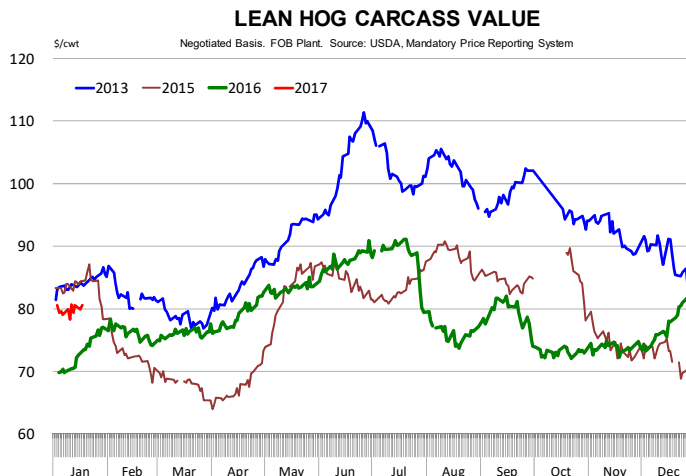
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have increased at a bit faster rate than suggested by the last 'Hogs and Pigs' report but the differences are not consequential. Consider that during the seven weeks (December 2 - January 21) hog slaughter was a total 15.986 million head, 2.1% higher than the same period a year ago. The inventory of hogs +180 pounds in the latest survey was up 2.5%, suggesting that so far the slaughter numbers are fairly close with the survey numbers. And while hog supplies are up compared to a year ago, hog prices during the last seven weeks have averaged 8% above last year's levels. Futures are projecting double digit price inflation for hogs going into the spring, betting that this robust demand will be sustained in the short term.

- **Despite the increase in hog slaughter, the amount of pork coming to market is only slightly higher than it was last year.** And when adjusting for the larger exports and trend growth in population, per capita availability in the domestic market actually is down compared to last year's levels. The main reason for pork production increasing at a slower pace than slaughter are lower weights. Current weights are running about 1% under last year's levels.

- The **calendar difference from a year ago and ice storms this past week have also contributed to a short term squeeze in pork supplies.** In the last three weeks total pork production has averaged 17 million pounds (-3.3%) under a year ago. We should see slaughter numbers normalize in the coming weeks and this should be a test for both the pork cutout and hog values. In the short term, however, we think the short production weeks have helped bolstered prices for some pork products, especially bellies.

- **Export demand so far has been excellent and has helped absorb the supply increase.** Based on weekly shipment data, pork exports in December are projected up 20% and then another 15-20% higher in January. USDA is a bit more bullish than we are about pork production prospects in 2017, with the latest WASDE forecasting pork output up 5% from 2016. New plants coming online will help with the capacity crunch that we experienced last year. Still, exports remain a key variable and could be the difference between a profitable and disastrous year for hog producers.

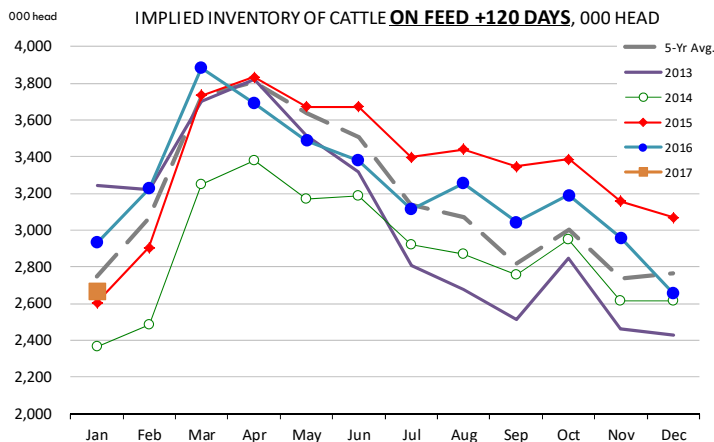


Takeaway: Pork prices have been quite firm to start the year. There is no question that pork demand is very firm as evidenced by the increase in supplies and higher prices. But the higher prices could be affecting how retailers approach features for the spring. Pork supplies will be quite large in 2017 as the industry continues to expand. Any demand hiccups could lead to significant value erosion.

Beef and Poultry

Cattle supplies more current thanks to aggressive marketings in Q4. The inventory of +120 day cattle has declined sharply in the last two months and we think on January 1 the supply of near market ready cattle was down 9% from the previous year and similar to 2015 inventory levels. The reduction has provided feedlots with a bit more leverage as they negotiate with packers, evidenced in the shrinking packer margin. The tighter margins will likely force packers

to reduce slaughter in February and March, thus helping prop up values for specific beef items. While demand for beef in Q4 was quite good, in part due to retail features focused on middle meats, the demand picture in the last couple of weeks looks a bit less bullish. Chuck and round cuts have not increased as much in value as in other years and even the increase in the price of fat beef trimmings has been less robust than it was a year ago. Prices for these items may find some support if packers slow down slaughter. Middle meats remain key for the beef complex and we think that demand for these items has become more stable. This is reflected in our latest forecasts, which have become progressively more bullish in the last two months.



- In the last six weeks chicken production has averaged 6.1% above year ago levels while turkey production has averaged 6.4% above what it was a year ago. Different from beef and pork, which experienced some supply disruptions due to ice storms in the Midwest, poultry supplies have seen strong growth earlier in the year. The result is weak pricing for a number of chicken and turkey items. Chicken boneless/skinless breasts currently are priced near a \$100/cwt, down about 5% from the average price a year ago and 21% lower than the five year average. The price of leg quarters has recovered from the extremely weak prices in late 2015 and early 2016. But we have recently seen the value of boneless dark meat collapse by almost 30% from levels last fall, evidence that the broiler markets continue to struggle with oversupply. The situation in the chicken market should serve as a cautionary story for the pork market.

- Chicken supply expansion is expected to persist at least through the spring. Egg sets for the last six weeks averaged 1.8% above year ago and chick placements were up 1.7%

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 21 slaughter was 2.324 million head, up 0.8% 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 63.70 /cwt. on Friday were up \$2.3/cwt since Wed. January 11. Prices are up 8.0 dollars compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at \$0.9299, up about 0.5 cents since the Wed. January 11 quote but down about 12 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.2853 for the strap on loins, down 26.1 cent since Wed. January 11 and down about 8 cent from the year ago levels. Strap off loins at \$1.5712 are down about 9.2 cent since Wed. January 11 but up about 5 cent compared to the year ago quote.

Boneless sirloins at \$1.0693 are down 8 cents from the Wed. January 11 quote and down about 3.0 cents from the year ago price.

Pork tenderloin finished last week at \$2.2313, up 16.5 cent from the Wed. January 11 quote and up about 5.3 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at \$0.8520, down 21.8 cents since Wed. January 11. Prices are down 3 cents from a year ago.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$1.2598, down about 5 cent since Wed. January 11 and down about 29 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 \$0.6088/lb., unchanged since Wed. January 11 and up about 2 cents from a year ago.

20/23 hams finished the week at 60.60 cents, up about 7.1 cents since Wed. January 11 and up about 0.5 cents from the year ago level.

23/27 hams finished the week at 56.50 , up about 8 cents from the Wed. January 11 quote but down about 1.1 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 25.00 cent, down about 3.6 cent since Wed. January 11 but up about 6 cents from the year ago price.

72 CL Pork Trim “FOB Basis”. Prices finished the week at 71.64 cents, down about 3.3 cents since the Wed. January 11 quote but up about 23 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 85.13 on Friday, January 21, down about 3 cents from a year ago.

Broiler slaughter for the week ending January 21 was 158.23 million head, up 6.68% from a year ago. For the last two weeks slaughter was up 3.7% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$1.0121, down 0 cents since Wed. January 11 and still down about 10 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 0.9 cents vs. two weeks ago and at 33.54

cents per pound prices were up 9 cents from a year ago.

Wings. Prices at \$1.9302 are down about 4 cents from year ago levels.

Turkeys

Hens finished last week at \$1.0600, unchanged since Wed. January 11 but down about 12 cents from the year ago price.

Toms finished last week at \$1.0600, unchanged since Wed. January 11 but 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 4.4270 million head for the week ending January 14, up 2.88% from a year ago. For the last two weeks slaughter has been down 8.0%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$1.6500, unchanged since Wed. January 11. Prices are down about 360 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 \$5.9387 (weighted average quote) finished last week down about 11 cents since the Wed. January 11 quote and down about 116 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$5.9681 (weighted average quote) finished last week down about 13 cents since the Wed. January

11 quote but down about 108 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$(0.0294)/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 \$1.9966 up about 14 cents since Wed. January 11 but down about 55 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$2.1265 up about 17 cents since Wed. January 11 and down about 44 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$2.1235 up about one cents since Wed. January 11 but down about 30 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$5.6087 (wt. avg.) up about 25 cents from the Wed. January 11 quote. Prices are about 27 cents over year ago levels.

Choice #184 Regular Heavy top butts finished at \$2.3693 (wt. avg.) down about 5 cents since Wed. January 11 and down about 101 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$2.4968 (wt. avg.) up about 14 cents since Wed. January 11 but down about 77 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$4.2896 (wt. avg.) up about 21 cents since Wed. January 11 but down about 105 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at \$1.2688 down about 18 cents since Wed. January 11 and down about 106 cents from year ago levels.

81CL Coarse Ground product finished last week at \$1.7670 down about 12 cent since Wed. January 11 and down about 58 cents from the year ago quote.

90CL Bnls. Beef prices finished the week at \$2.0884 (wt. avg.) up about 7.39 cent since Wed. January 11 and up 6 compared to the year ago price quote.

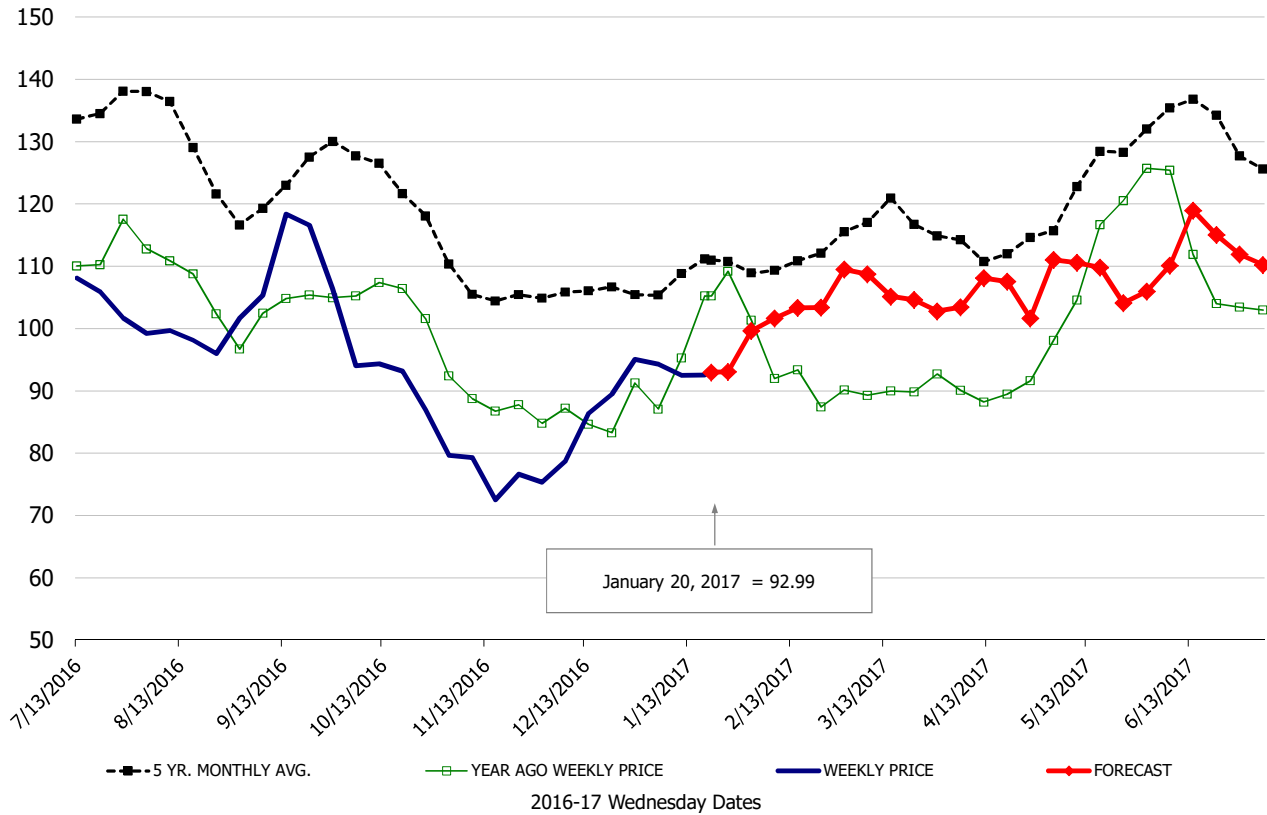
50 CL Beef Trim prices finished last week at \$0.6065, up about 61 cent since Wed. January 11 but down 13 cent compared to the year ago level.

Food Service Summary Table - WT. AVE

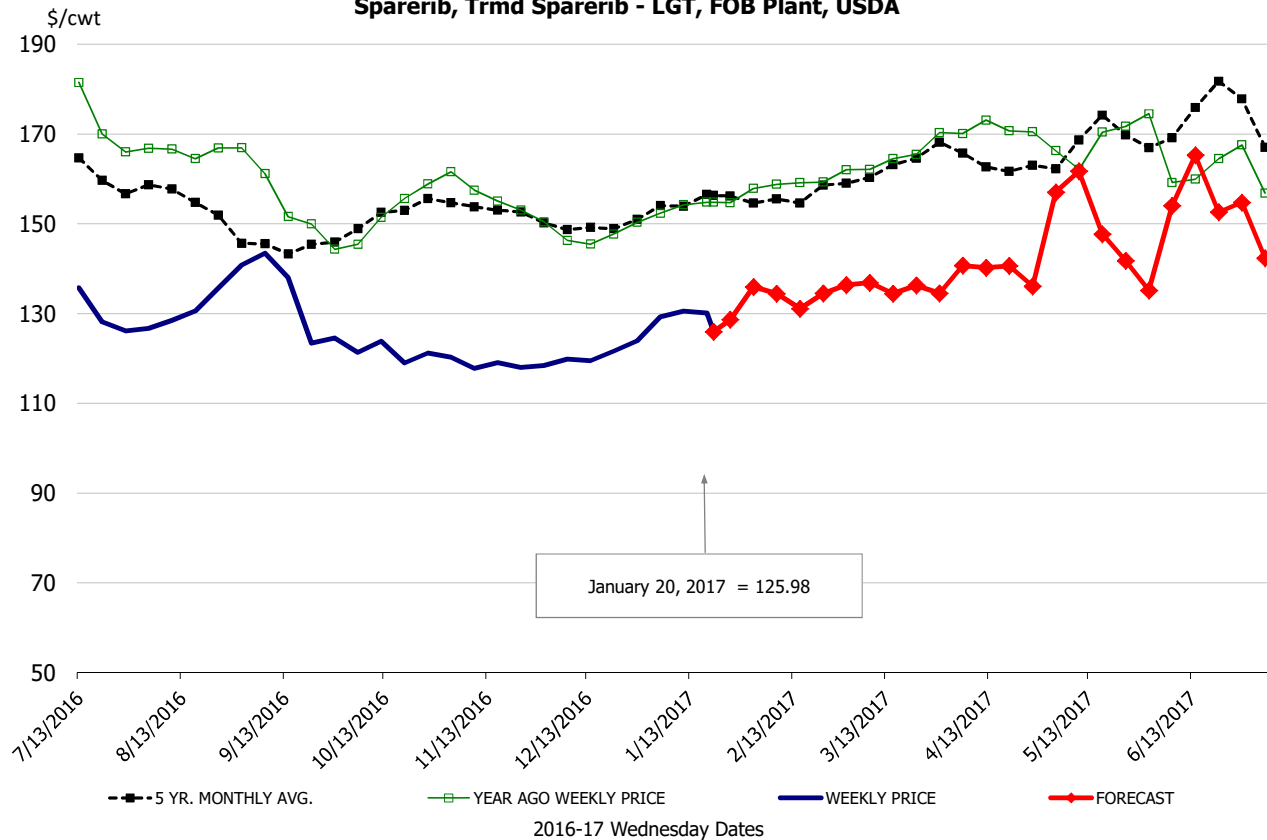
	HISTORY						FORECAST								
	Jul	Aug	Sep	Oct	Nov	Dec	1/11/2017	1/20/2017	2/1/2017	Jan	Feb	Mar	Apr	May	Jun
<u>PORK</u>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.05	0.98	1.10	0.91	0.77	0.83	0.92	0.93	1.00	0.95	1.02	1.07	1.05	1.08	1.14
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.12	1.04	1.16	0.97	0.86	0.90	0.94	1.01	1.07	1.04	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	1.66	1.57	1.52	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	2.07	2.23	2.29	2.25	2.30	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	0.97	0.78	1.01	0.93	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	1.31	1.26	1.36	1.27	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	2.18	1.88	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	1.29	1.29	1.30	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	2.23	2.28	2.29	2.27	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	0.54	0.61	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	0.54	0.61	0.64	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	0.49	0.57	0.62	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	1.30	1.24	1.30	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	1.21	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	1.55	1.71	1.76	1.71	1.76	1.80	1.81	1.68	1.81
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.60	1.04	1.15	1.35	1.28	1.30	1.55	1.71	1.74	1.69	1.74	1.78	1.79	1.66	1.79
Trim, 42% Trim Combo, FOB Plant, USDA	0.42	0.49	0.32	0.24	0.23	0.25	0.29	0.25	0.28	0.27	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	0.75	0.72	0.64	0.72	0.65	0.63	0.66	0.71	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	0.61	0.64	0.64	0.63	0.64	0.64	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	0.87	0.85	0.81	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	1.02	1.01	1.02	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	0.87	0.87	0.86	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	0.33	0.34	0.35	0.33	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	1.92	1.93	1.84	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	1.06	1.06	1.05	1.06	1.06	1.07	1.10	1.11	1.11
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	2.15	2.15	2.15	2.15	2.01	1.68	1.65	1.65	1.72	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	1.18	1.19	1.18	1.18	1.20	1.19	1.19	1.12	1.08
<u>BEEF</u>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	6.86	7.37	6.80	6.68	8.05	7.17	6.05	5.94	6.39	6.00	6.52	6.95	7.05	7.03	7.30
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.10	2.17	1.98	1.88	1.85	2.03	1.95	2.13	2.16	2.17	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	2.11	2.12	2.15	2.15	2.15	1.98	1.81	1.66	1.65
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	6.51	5.51	4.76	4.42	4.32	4.88	5.36	5.61	5.64	5.77	6.28	6.40	6.49	6.31	
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	3.68	3.61	3.27	2.70	2.30	2.31	2.36	2.50	3.11	2.60	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	4.08	4.29	4.31	4.31	4.54	4.80	4.96	4.94	4.68
COARSE GROUND 73%, USDA	1.34	1.52	1.27	1.23	1.13	1.04	1.45	1.27	1.48	1.50	1.46	1.46	1.42	1.33	1.24
COARSE GROUND 81%, USDA	1.66	1.74	1.56	1.55	1.54	1.43	1.88	1.77	1.73	1.85	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	2.01	2.09	2.12	2.09	2.13	2.15	2.12	1.96	1.91
50CL BEEF TRIM, FRESH, NATIONAL, USDA	0.90	0.56	0.38	0.33	0.49	0.38	0.00	0.61	0.51	0.60	0.55	0.68	0.77	0.68	0.62

\$/cwt

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

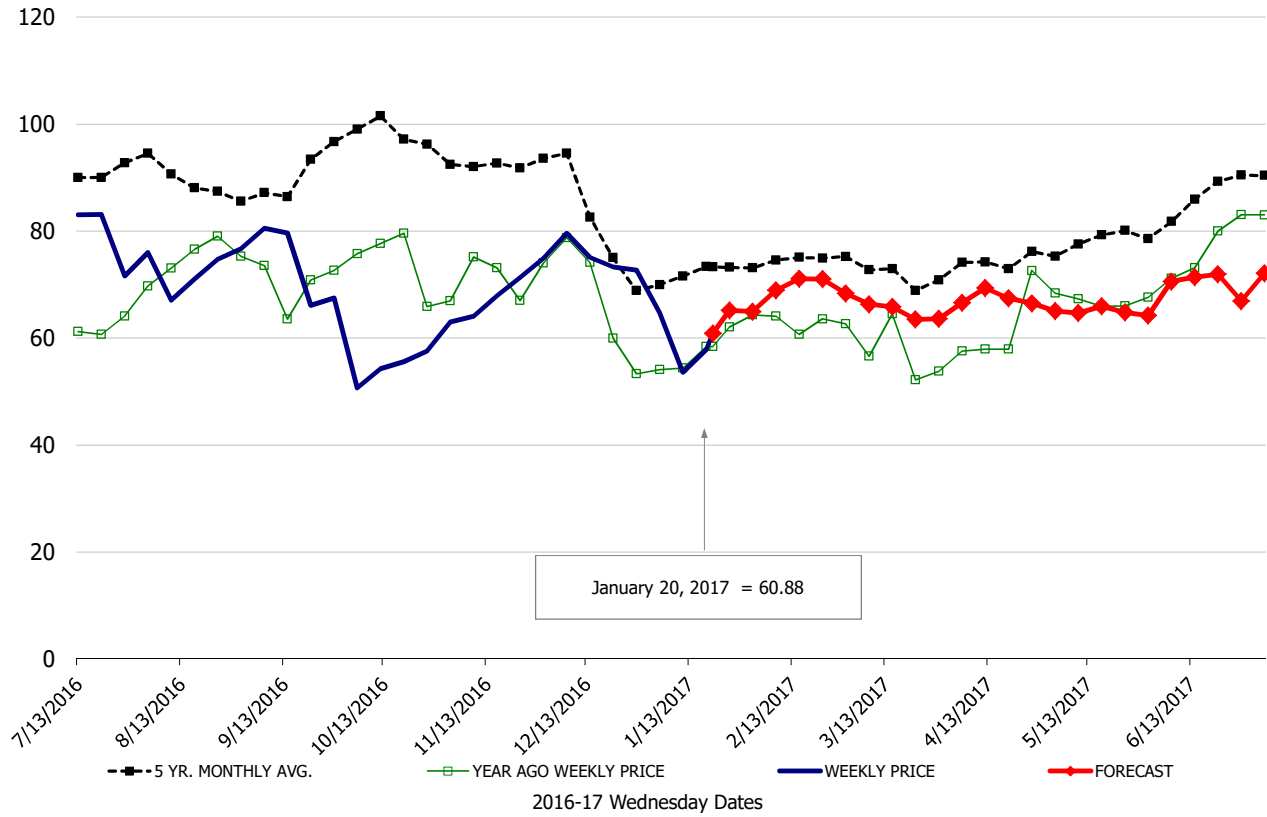


Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA



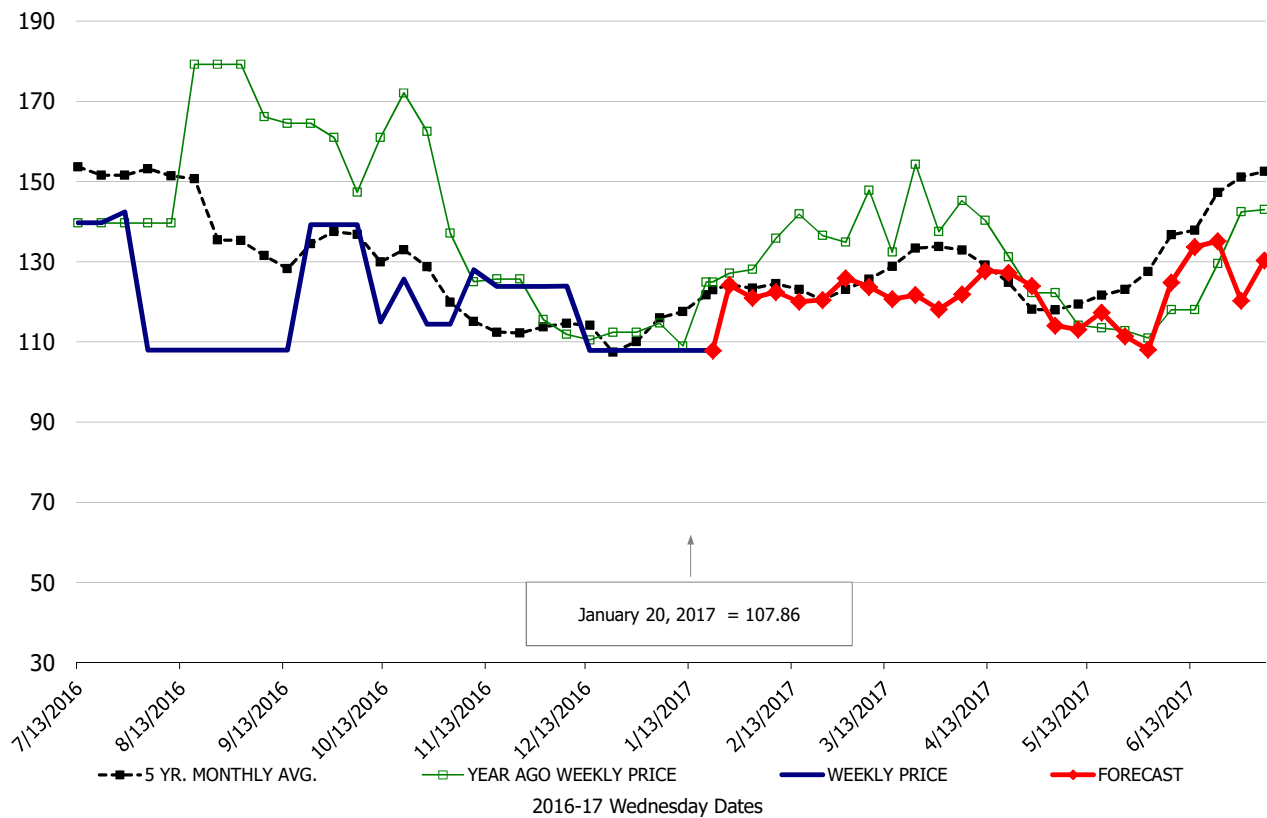
\$/cwt

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



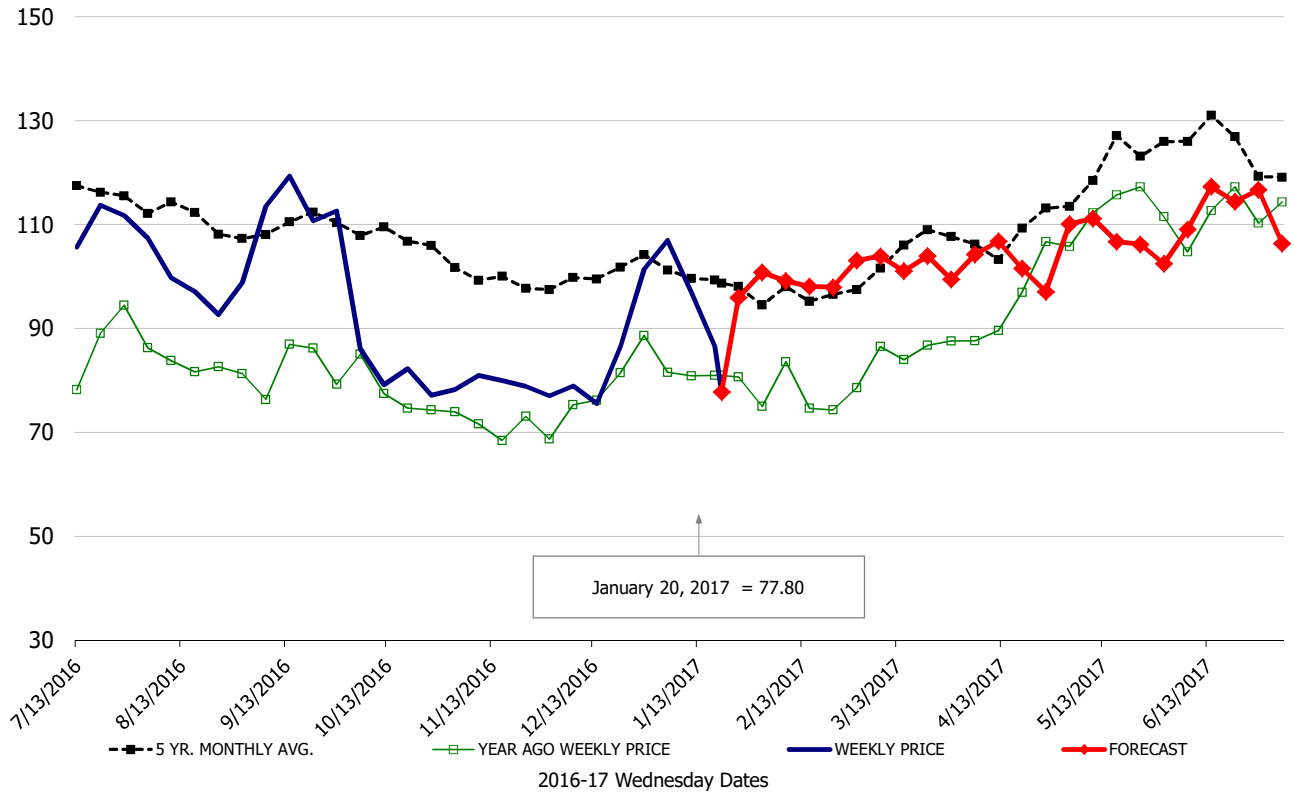
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Belly, Skin-On Belly 14-16#, FOB Plant, USDA



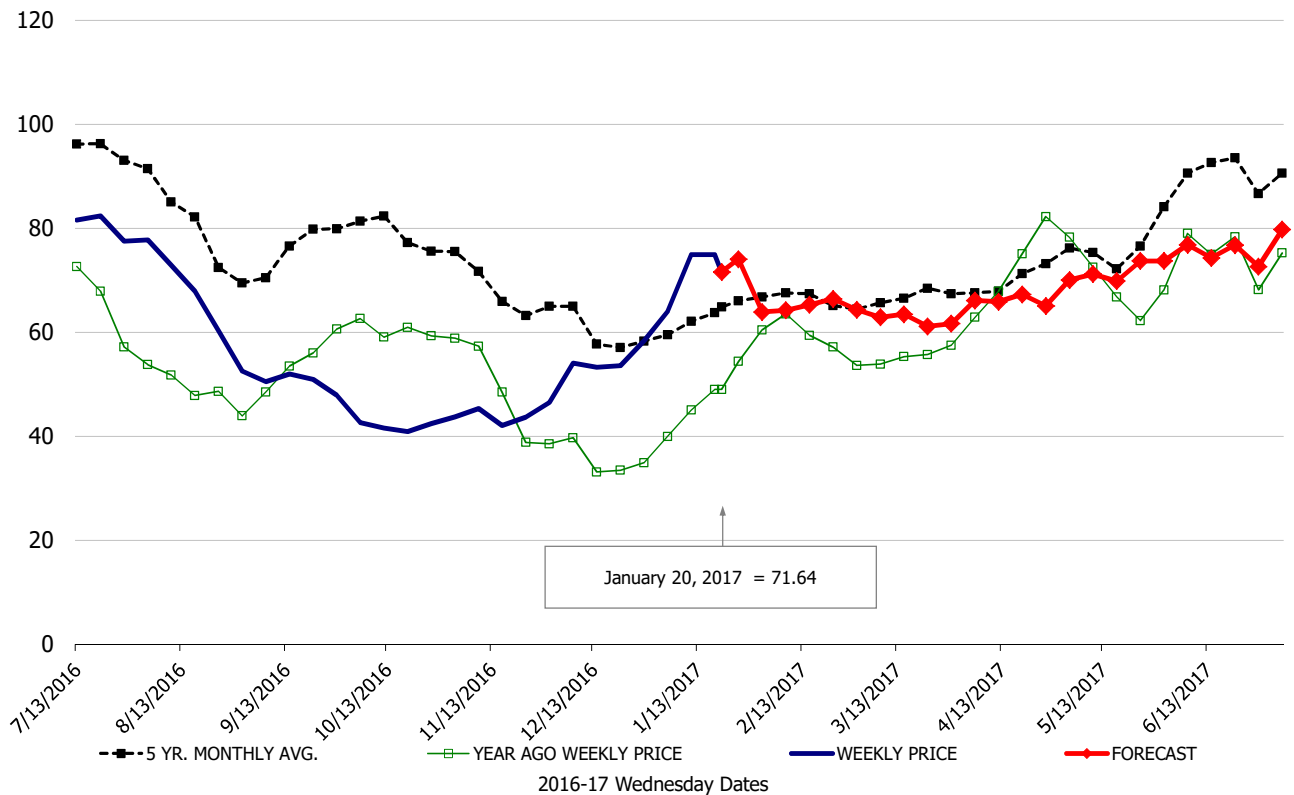
\$/cwt

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

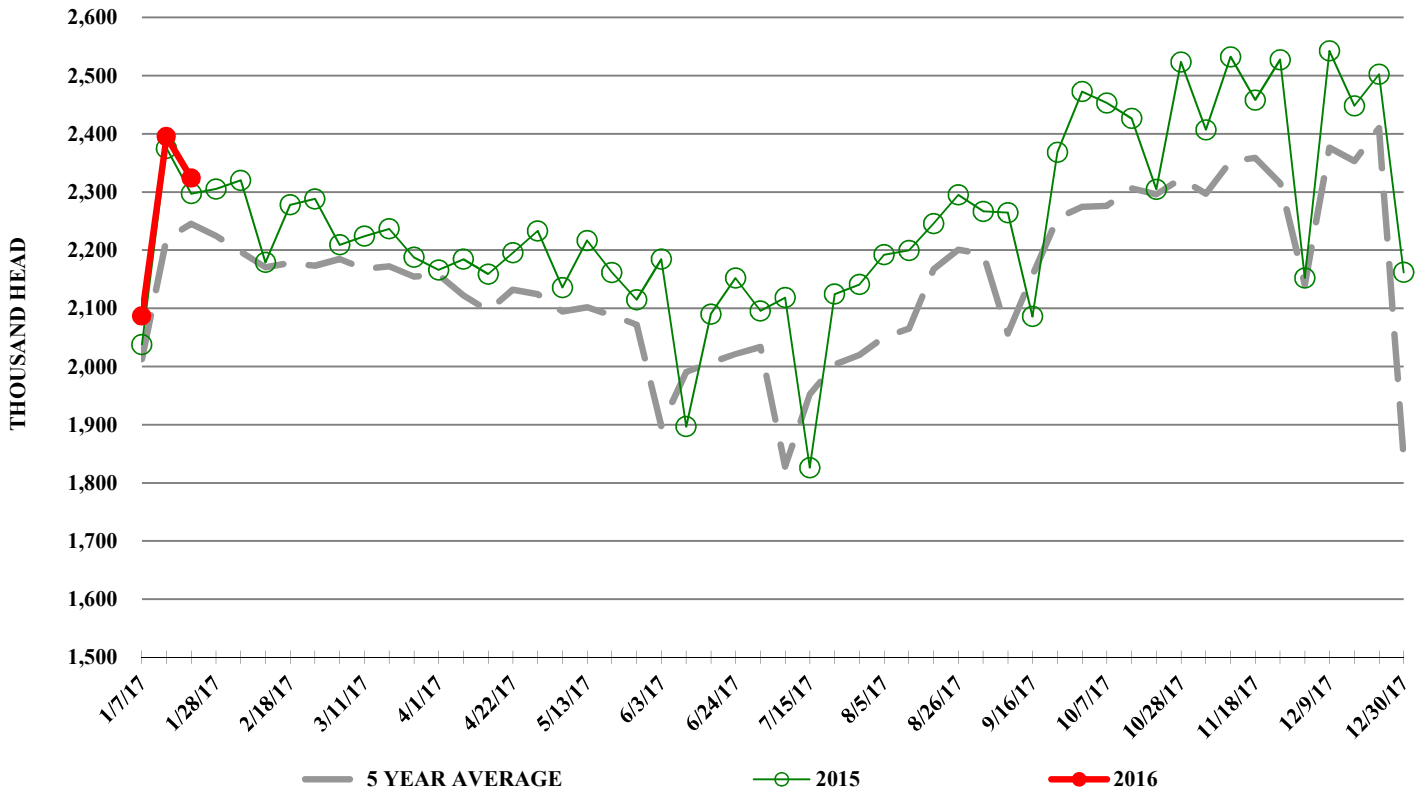


\$/cwt

Trim, 72% Trim Combo, FOB Plant, USDA



ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION

