



Be inspiredSM

Pork Merchandiser's Profit Maximizer

- Foodservice Edition -

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

March 6, 2017

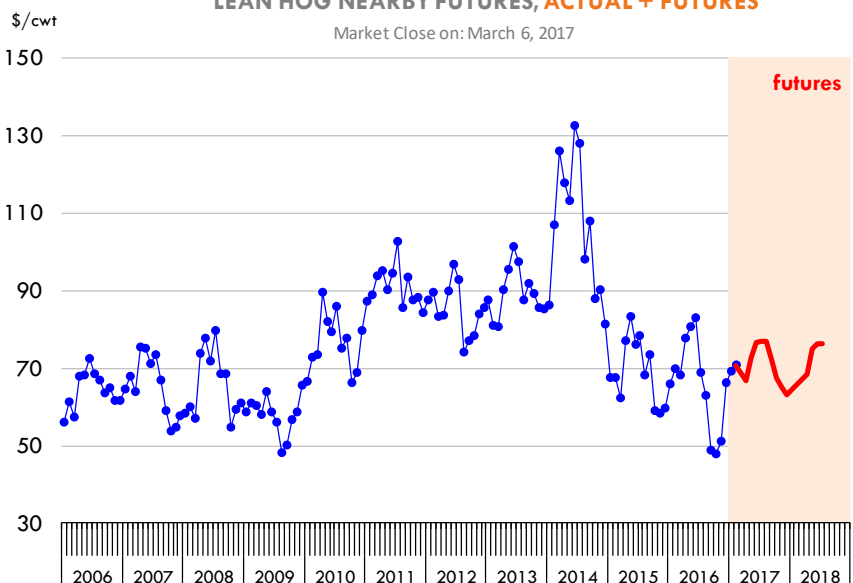
Ample supplies continue to offer retailers and food-service operators plenty of opportunities to feature pork this spring and summer

Lean hog prices rose at a faster than normal pace in late January and February due to a short term squeeze in the spot belly market, excellent demand in both domestic and export channels and hog/pork supplies that tracked under the levels projected by the 'Hogs and Pigs' survey. In recent days, however, prices have adjusted lower as some of the factors fueling the rally appear to be losing steam. Pork belly prices, which approached all time record highs at an unusual time of the year, have declined sharply. USDA quoted the pork belly primal value on Friday at \$137.86/cwt, \$24/cwt (15%) lower than a week ago and \$45/cwt (25%) lower from the peak on February 9. The decline in the belly primal value has removed about \$7/cwt from the value of the pork cutout since the February peak and packer margins today are a lot smaller than they were a few weeks ago. The guessing game at this point is what the outlook will be for belly prices going into the spring and summer months. Did the dramatic

surge in prices recently permanently impact the ability of retailers to promote bellies into the spring? It's a tough question to answer but judging from the recent moves in futures we would think the answer is "maybe a little." After all if retailers are to run belly ads into Memorial Day they need to get some of the deals in place shortly so that processors can start building inventory in April. Even with the recent price pullback, prices are still quite a bit higher than they were last fall. Processors will likely be quite conserva-

LEAN HOG NEARBY FUTURES, ACTUAL + FUTURES

Market Close on: March 6, 2017

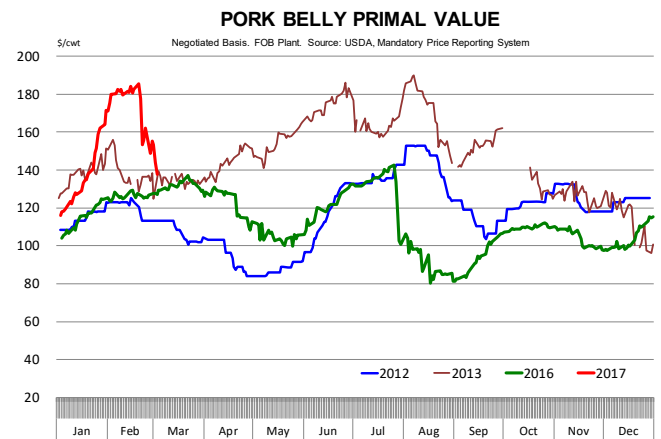
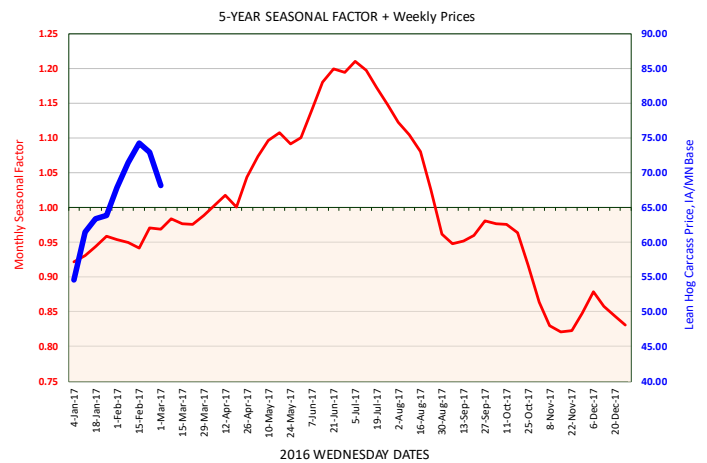


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tive in the prices they offer for the spring given the volatility and the reality of still very tight belly inventories. Some market participants still remember the spring of 2015, when bellies traded in the low 60s following the sharp runup in price during the PED crisis the previous year. But it is important to remember that none of this tells us much about bacon demand or consumer preferences. Consumers like bacon as much today as they did yesterday or last year. What we observed in the last few weeks was a classic short covering rally and the half life of such rallies tends to be quite brief. On the supply front, hog number appear to be in good shape and slaughter last week was close to the levels indicated by the 'Hogs and Pigs' report. Total commercial hog slaughter for the week ending March 4 was 2.311 million head, 3.9% higher than a year ago. Hog slaughter this week should remain above 2.3 million head and average about 2.285 million head for all of March.

Even as hog prices adjust lower and are now a bit more in line with what we should expect based on seasonal trends, there are still a number of positives in the current hog/pork market. For one, we are still seeing very strong demand for pork as US prices are more competitive relative to what European and South American producers can offer in the world market. We think that over 22% of the pork produced in the first two months of the year went to export destinations (see our discussion of exports two days ago). With pork supplies expected to remain well above year ago levels for the remainder of 2017, it is critical that pork trade continues uninterrupted. Clearly futures markets so far have discounted the risk of any such disruptions. One need only look at where futures currently are pricing hogs for the second half of the year, with the summer/fall discount being much smaller than in the last two years. Some of this is due to the expected impact of new plants coming online, which should bolster demand for hogs. But it also reflects expectations that pork exports will remain quite robust. Fall and winter hog prices would be quite vulnerable to the downside in the event of disruptions to our current pork export situation.

IA/MN, MARKET HOG BASE PRICE, NEGOTIATED, USDA WT. AVG. (LM_HG206)



2. Corn supplies expected to remain plentiful but weather this summer as always a key wild card

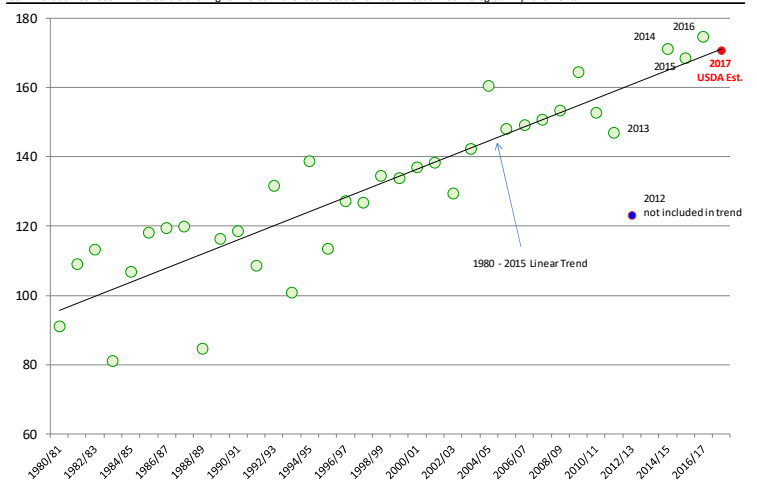
There seems to be broad agreement that grain supplies will be relatively abundant, at least for the next 12 months. This is a function of both large carryover stocks after the record harvest last fall as well as large supplies of other grains and large global coarse grain stocks. The expectation at this time is that US corn acres will decline in 2017 by around 4 million acres compared to the previous year but still will be larger than the number of acres planted in 2015-16. Rotating out of corn into soybeans is part of the reason but also lower corn prices in 2016-17. According to the latest WASDE report, the average farmgate corn price in 2015-16 was \$3.61 a bushel while the prices for the 2016-17 marketing year currently are expected to be around \$3.40 per bushel, a 6% decline from the previous year. The expected decline in acres in 2017 and a trend yield (see chart) is expected to produce a corn crop of around 14 billion bushels, about a billion bushels less than the bin busting crop of a year ago but still quite a bit higher than it was in 2015-16. So even with a 4% decline in the number of planted acres, the supply of corn available for marketing during the 2017-18 year is projected to be well above 16 billion bushels, a pretty hefty stock that should help temper livestock feed costs. The key vulnerability of such projections is the assumption for trend yields. One need only go back a few years to recognize how much things can get out of whack. But for now it is pointless to argue about what may happen and the assumption for yields to stay near trend has worked out more often than not. As for corn demand, it is interesting to note that USDA expects ethanol demand to increase modestly, reflecting increases in gasoline consumption and thus more ethanol needed to blend with it. Corn futures were buoyed earlier this week on news that the Trump administration might change the way in which the ethanol mandate is implemented. What got corn traders excited was the possibility of expanding the use of E15 blends, which would bolster ethanol corn demand. It remains to be seen if any policy changes happen on this front and how that may change the forecast for 5.4 billion bushel ethanol demand. USDA expects feed and residual to be lower but is a bit unclear as to why. In their note USDA analysts think the residual (read unknown)

Corn Supply & Use. USDA Feb. Projections

Source: USDA

	2015/16	2016/17 Projection		USDA
	USDA Estimate	USDA Jan Est	USDA Feb Est	Forum Est.
million acres				
Planted	88.0	94.0	94.0	90.0
Harvested	80.8	86.7	86.7	82.4
bushels				
Yield	168.4	174.6	174.6	170.7
million bushels				
Beginning stocks	1,731	1,737	1,737	2,320
Production	13,602	15,148	15,148	14,065
Imports	67	55	55	50
Supply, total	15,400	16,940	16,940	16,435
Feed and residual	5,131	5,600	5,600	5,450
Ethanol for fuel	5,206	5,325	5,350	5,400
Food, seed, other	1,429	1,435	1,445	1,470
Domestic use, total	11,766	12,360	12,395	12,320
Exports	1,898	2,225	2,225	1,900
Use, total	13,664	14,585	14,620	14,220
Ending stocks	1,737	2,355	2,320	2,215
Stocks/Use	12.7%	16.1%	15.9%	15.6%

DRAMATIC IMPROVEMENT IN US CORN YIELDS IN THE LAST FOUR YEARS HAS BOLSTERED FEED SUPPLIES
 Corn Yields Since 1980. More Stable and Higher Yields in the Last Decade Point to Effect of Technological Improvements



part will be smaller as the crop is also smaller. Corn prices for the 2017-18 marketing year are currently pegged at \$3.50 per bushel, modestly higher from the previous year. And as one of the USDA Forum speakers pointed out, the USDA track record of projecting prices in the Feb report actually has been better than futures and generally has provided a very good indication for the new crop prices.

Upcoming holidays:

2017 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 March 4 slaughter was 2.311 million head, up 3.9% from a year ago. In the last two weeks hog slaughter is up 3.3% vs. year ago levels.

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass values at about 68.52 /cwt. on Friday were down \$4.4/cwt since Wed. February 22. Prices are up 5.0 dollars compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at

\$1.0259, up about 12.1 cents since the Wed. February 22 quote and up about 12 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.2297 for the strap on loins, up 4.5 cent since Wed. February 22 but down about 2 cent from the year ago levels. Strap off loins at \$1.3867 are up about 1.7 cent since Wed. February 22 but down about 2 cent compared to the year ago quote.

Boneless sirloins at \$1.0353 are up 2 cents from the Wed. February 22 quote and up about 6.9 cents from the year ago price.

Pork tenderloin finished last week at \$2.1165, down 5 cent from the Wed. February 22 quote and down about 22.3 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at \$1.0855, up 10.7 cent since Wed. February 22. Prices are up 5 cents from a year ago.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$1.3387, down about 2 cent since Wed. February 22 and down about 28 cents from year ago levels.

Rib inventories on January 31 were 128.2 million pounds, down 8.4% percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was \$0.5500/lb., unchanged since Wed. February 22 and down about 8 cents from a year ago.

20/23 hams finished the week at 58.87 cents, up about 2.5 cents since Wed. February 22 and up about 2.5 cents from the year ago level.

23/27 hams finished the week at 59.76 , up about 7 cents from the Wed. February 22 quote and up about 3.4 cents from the year ago level.

Total ham cold storage stocks on January 31 at 95.4 million pounds were down 14.2% from year ago levels.

42 CL Pork Trim "FOB Basis". Prices finished the week at 30.76 cent, down about 0.9

cent since Wed. February 22 but up about 9 cents from the year ago price.

72 CL Pork Trim “FOB Basis”. Prices finished the week at 66.17 cents, up about 1.8 cents since the Wed. February 22 quote and up about 13 cents from the year ago level.

Freezer stocks of all trimmings on January 31 were 34.3 million pounds, down 18.6% 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 no longer is being quoted.

The National Whole Bird price was quoted at 86.56 on Friday, March 4, up about 6 cents from a year ago.

Broiler slaughter for the week ending March 4 was 160.16 million head, up 1.75% from a year ago. For the last two weeks slaughter was up 1.7% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$1.2488, up 9 cents since Wed. February 22 and still up about 21 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 1.7 cents vs. two weeks ago and at 35.96 cents per pound prices were up 7 cents from a year ago.

Wings. Prices at \$1.8367 are up about 4 cents from year ago levels.

Turkeys

Hens finished last week at \$1.0700, up since Wed. February 22 but down about 13 cents from the year ago price.

Toms finished last week at \$1.0700, up since Wed. February 22 but down about 13 cent from the year ago price.

Total turkey supplies in the freezer on January 31 were up 17.1% from a year ago at 339.3 million pounds. Whole birds were up 17.7% from a year ago with an inventory of 124.2 million pounds.

Turkey slaughter was 4.1680 million head for the week ending February 25, up 6.08% from a year ago. For the last two weeks slaughter has been up 3.4%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$1.5500, unchanged since Wed. February 22. Prices are down about 175 cents vs. year ago levels.

BEEF

<p>NOTE: WE ARE NOW REPORTING AND FORECASTING WEIGHTED AVERAGE BLUE SHEET PRICES FOR BEEF CUTS.</p>
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Choice 112A Heavy Bnls. Lip On Rib Eyes at \$6.7483 (weighted average quote) finished last week up about 63 cents since the Wed. February 22 quote but down about 143 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$6.5835 (weighted average quote) finished last week up about 59 cents since the Wed. February 22 quote but down about 79 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$0.1648 /lb. over Select. The 2015 annual average spread (wt. average price) had the Choice at a premium

to the Select by \$0.0857 per pound and the previous five years (2010 thru 2014) average spread was Choice at a premium to the Select by \$0.0906 per pound.

Choice regular #168 insides finished last week quoted at \$2.4409 up about 21 cents since Wed. February 22 and up about 3 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$2.4490 up about 13 cents since Wed. February 22 and up about 6 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$2.1251 up about 13 cents since Wed. February 22 but down about 14 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$6.3417 (wt. avg.) up about 99 cents from the Wed. February 22 quote. Prices are about 37 cents over year ago levels.

Choice #184 Regular Heavy top butts finished at \$3.5001 (wt. avg.) up about 58 cents since Wed. February 22 but down about 37 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$3.2780 (wt. avg.) up about 26 cents since Wed. February 22 but down about 69 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$4.8293 (wt. avg.) up about 32 cents since Wed. February 22 but down about 79 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at \$1.4778 up about 16 cents since Wed. February 22 and up about 9 cents from year ago levels.

81CL Coarse Ground product finished last week at \$1.8366 up about 13 cent since Wed. February 22 and up about 10 cents from the year ago quote.

90CL Bnls. Beef prices finished the week at \$2.1188 (wt. avg.) up about 2.29 cent since Wed. February 22 but down 5 cents compared to the year ago price quote.

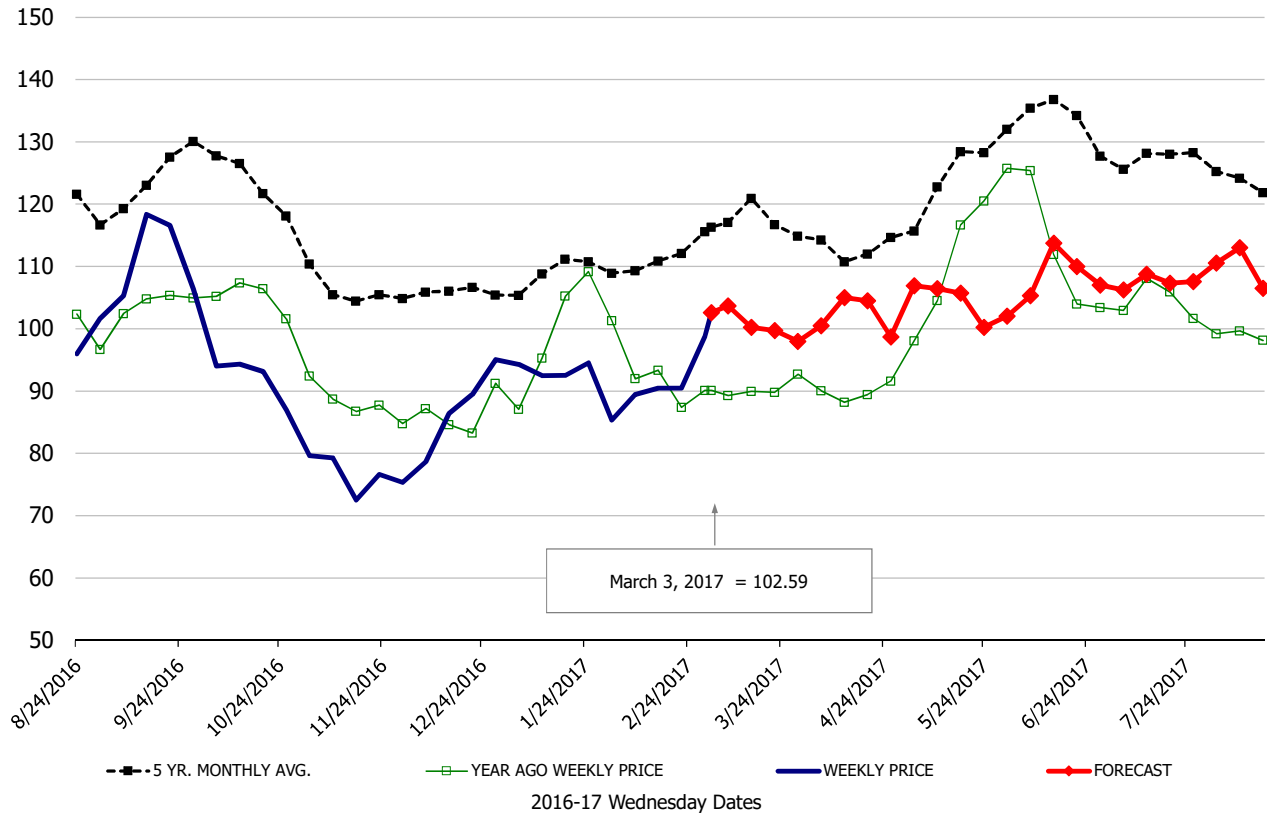
50 CL Beef Trim prices finished last week at \$0.8700, up about 7 cent since Wed. February 22 and up 20 cent compared to the year ago level.

Food Service Summary Table - WT. AVE

	HISTORY								FORECAST						
	Sep	Oct	Nov	Dec	Jan	Feb	2/22/2017	3/3/2017	3/15/2017	Mar	Apr	May	Jun	Jul	Aug
PORK															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.10	0.91	0.77	0.83	0.92	0.90	0.91	1.03	1.00	1.02	1.02	1.04	1.09	1.07	1.08
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.16	0.97	0.86	0.90	0.98	0.95	0.97	1.05	1.09	1.08	1.03	1.08	1.18	1.15	1.16
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.60	1.46	1.28	1.34	1.47	1.34	1.37	1.39	1.37	1.38	1.48	1.50	1.54	1.49	1.54
Loin, Tenderloin, FOB Plant, USDA	2.16	2.10	2.00	2.01	2.13	2.18	2.17	2.12	2.20	2.20	2.16	2.23	2.52	2.49	2.37
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	1.11	0.86	0.81	0.85	0.92	0.86	0.88	0.83	0.93	0.95	0.96	1.05	1.11	1.04	1.04
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.31	1.20	1.18	1.20	1.29	1.35	1.36	1.34	1.33	1.35	1.35	1.38	1.41	1.30	1.32
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.36	2.39	2.28	2.28	2.22	2.21	2.35	2.17	2.42	2.45	2.45	2.40	2.34	2.25	2.27
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.29	1.21	1.15	1.19	1.28	1.32	1.33	1.35	1.32	1.32	1.30	1.34	1.40	1.30	1.32
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.18	2.17	2.15	2.15	2.26	2.43	2.48	2.49	2.51	2.49	2.49	2.59	2.57	2.37	2.31
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.70	0.55	0.68	0.74	0.58	0.60	0.56	0.55	0.61	0.61	0.62	0.62	0.70	0.74	0.76
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.72	0.54	0.67	0.75	0.59	0.60	0.56	0.59	0.62	0.62	0.62	0.65	0.70	0.76	0.76
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.64	0.50	0.67	0.72	0.54	0.58	0.53	0.60	0.60	0.60	0.60	0.63	0.68	0.74	0.75
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.15	1.38	1.30	1.26	1.75	2.17	2.17	1.84	1.64	1.68	1.62	1.70	1.80	1.79	1.68
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.15	1.35	1.28	1.30	1.65	2.08	1.84	1.65	1.62	1.66	1.60	1.68	1.78	1.77	1.66
Trim, 42% Trim Combo, FOB Plant, USDA	0.32	0.24	0.23	0.25	0.25	0.31	0.32	0.31	0.32	0.32	0.34	0.37	0.41	0.45	0.44
Trim, 72% Trim Combo, FOB Plant, USDA	0.51	0.42	0.44	0.53	0.70	0.62	0.64	0.66	0.67	0.66	0.67	0.70	0.78	0.81	0.70
HOG CARCASS															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	0.55	0.46	0.42	0.52	0.61	0.68	0.73	0.69	0.68	0.69	0.69	0.73	0.80	0.81	0.77
BROILERS															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	0.77	0.71	0.79	0.84	0.86	0.85	0.86	0.87	0.88	0.87	0.88	0.92	0.90	0.85	0.79
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.32	1.15	0.99	0.98	1.01	1.08	1.16	1.25	1.26	1.25	1.30	1.38	1.35	1.35	1.35
N.E. BROILER BREAST LINE RUN, USDA	0.94	0.88	0.87	0.89	0.87	0.86	0.91	0.92	0.93	0.92	0.97	1.06	1.05	1.03	0.99
N.E. BROILER LEG QUARTERS, USDA	0.34	0.32	0.32	0.31	0.32	0.33	0.34	0.36	0.36	0.36	0.37	0.37	0.36	0.36	0.35
N.E. BROILER WINGS, USDA, WT.AVG.	1.79	1.80	1.84	1.87	1.92	1.90	1.79	1.84	1.78	1.81	1.71	1.65	1.68	1.74	1.74
TURKEYS															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.28	1.30	1.28	1.14	1.06	1.06	1.06	1.07	1.07	1.07	1.08	1.10	1.12	1.13	1.16
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	2.15	2.15	2.01	1.68	1.65	1.60	1.55	1.55	1.55	1.55	1.60	1.70	1.85	2.04	2.19
LIVE STEERS															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.07	1.00	1.06	1.13	1.19	1.20	1.20	1.25	1.22	1.20	1.18	1.12	1.08	1.07	1.06
BEEF															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	6.80	6.68	8.05	7.17	6.10	6.25	6.12	6.75	6.88	6.85	6.95	7.03	7.33	6.50	6.59
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	1.98	1.88	1.85	2.03	2.06	2.03	2.32	2.45	2.34	2.32	2.24	2.11	1.94	1.94	2.01
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	1.91	2.00	1.89	1.92	2.07	2.10	1.99	2.13	1.98	1.96	1.85	1.73	1.71	1.77	1.77
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	4.76	4.42	4.32	4.88	5.50	5.25	5.35	6.34	6.42	6.34	6.51	7.03	6.95	5.77	5.42
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	3.27	2.70	2.30	2.31	2.49	2.95	3.02	3.28	3.25	3.28	3.42	3.39	3.11	3.00	2.91
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	4.66	3.72	3.61	3.99	4.22	4.36	4.51	4.83	4.96	4.85	5.31	5.32	4.98	4.55	4.32
COARSE GROUND 73%, USDA	1.27	1.23	1.13	1.04	1.43	1.39	1.32	1.48	1.46	1.46	1.45	1.42	1.30	1.24	1.31
COARSE GROUND 81%, USDA	1.56	1.55	1.54	1.43	1.86	1.77	1.70	1.84	1.79	1.78	1.74	1.71	1.65	1.58	1.63
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.05	1.93	1.93	1.92	2.03	2.09	2.10	2.12	2.13	2.13	2.11	2.02	1.99	2.03	2.00
50CL BEEF TRIM, FRESH, NATIONAL, USDA	0.38	0.33	0.49	0.38	0.56	0.79	0.80	0.87	0.90	0.90	0.88	0.75	0.77	0.73	0.62

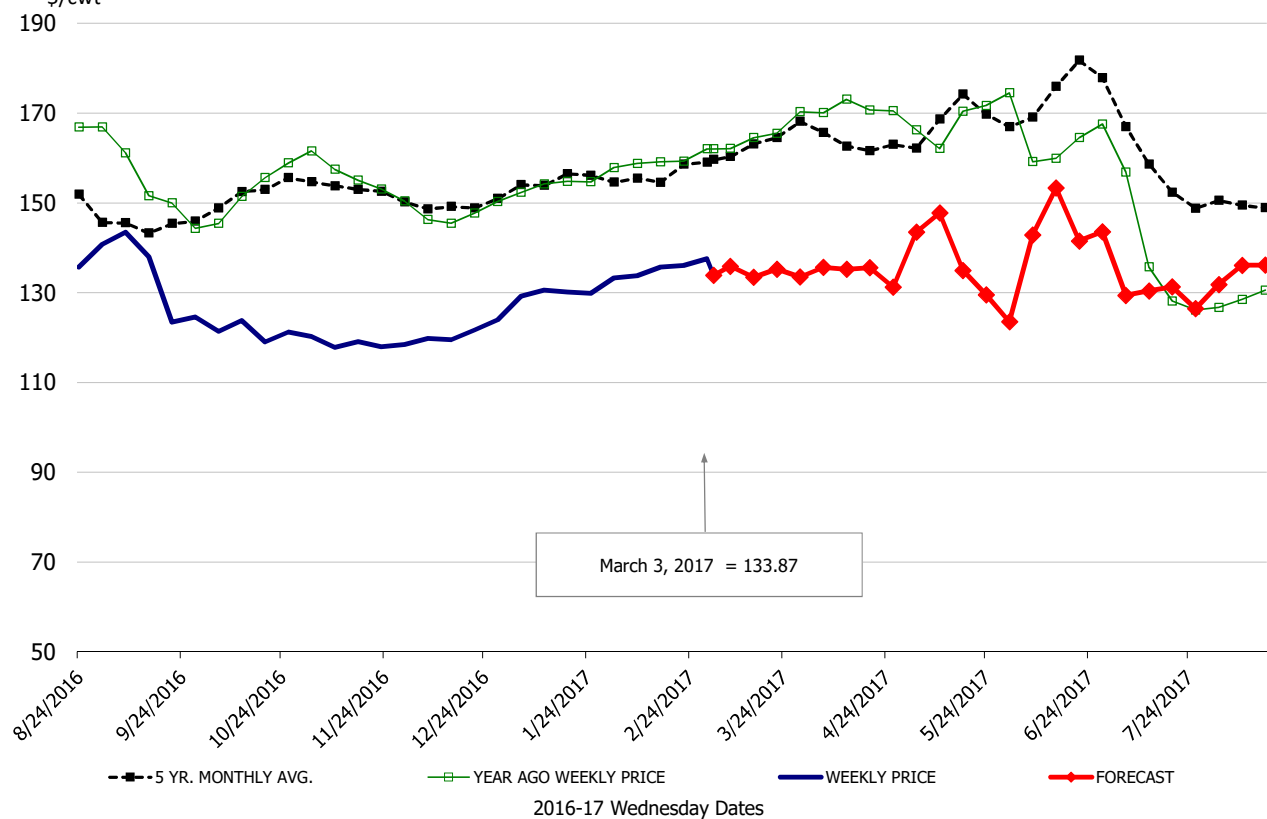
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Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA

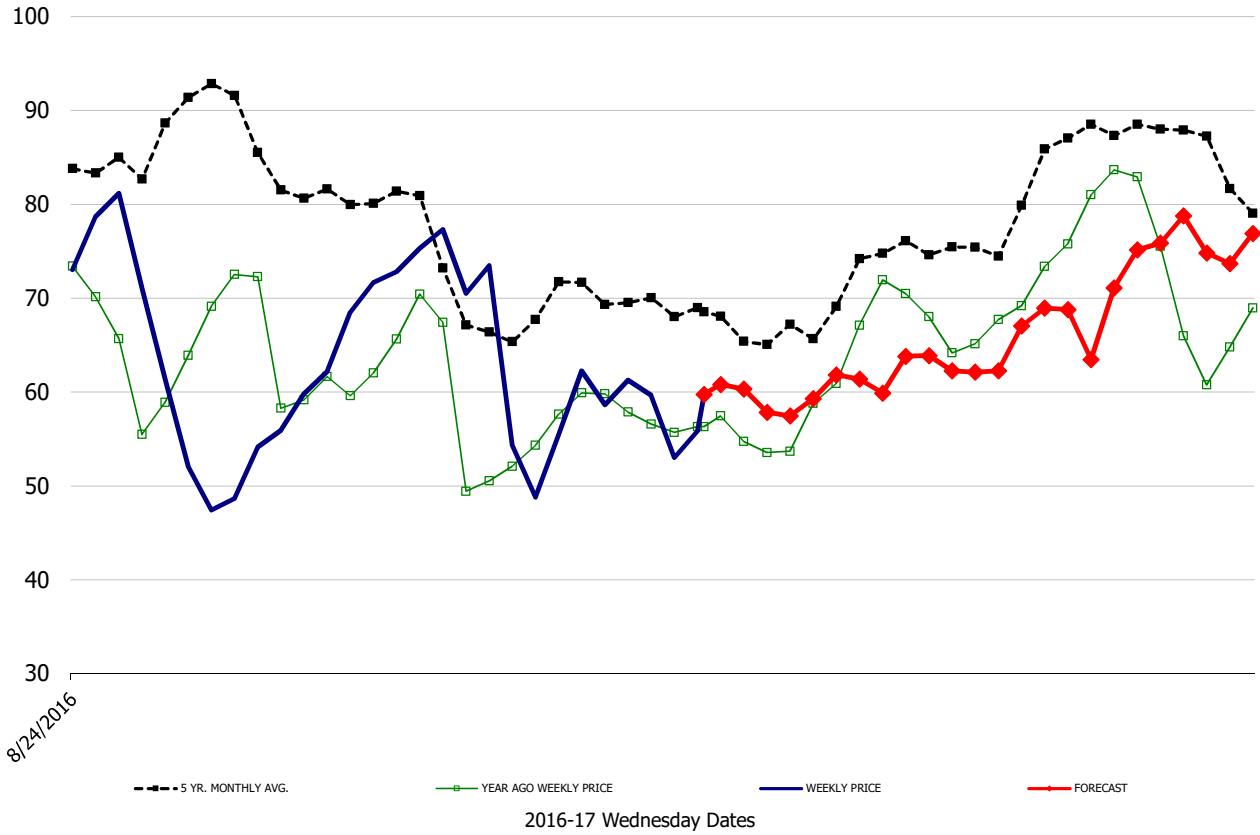


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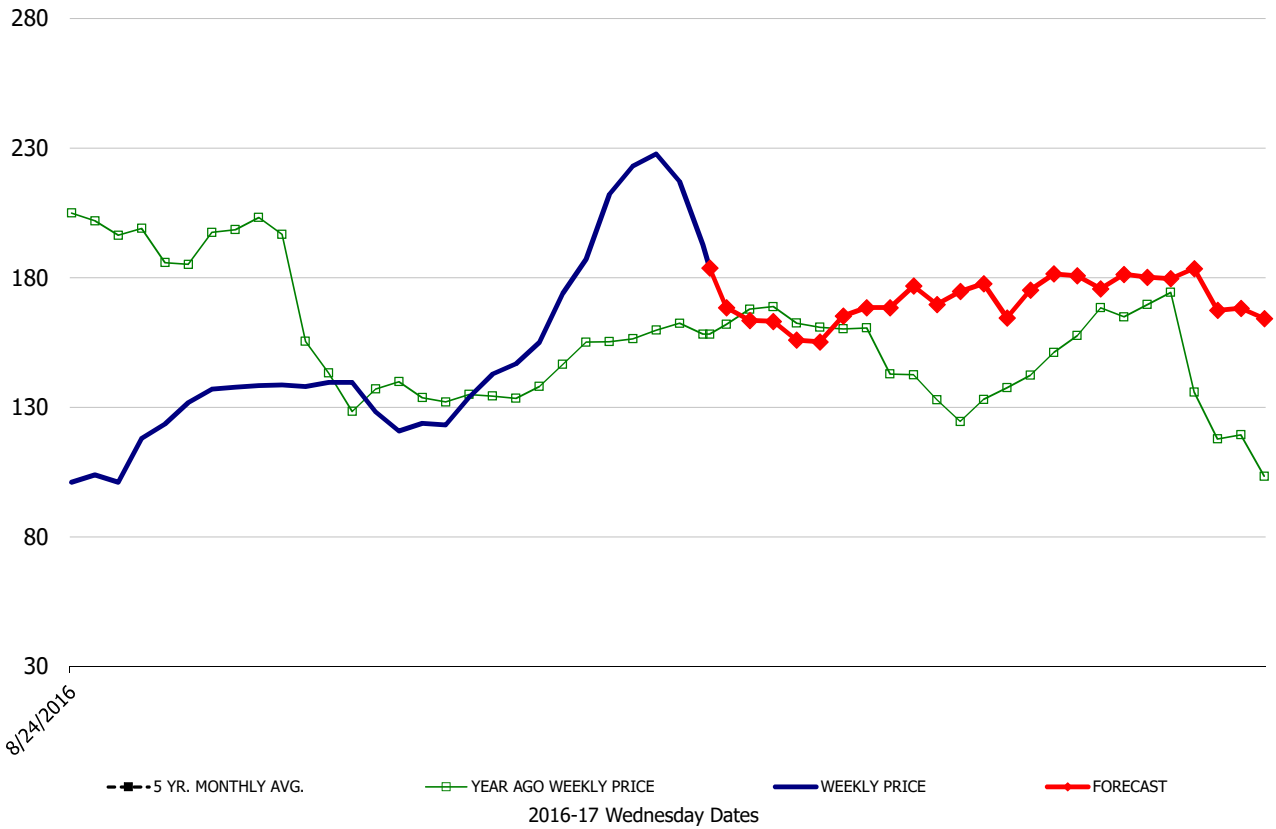
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA



Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA

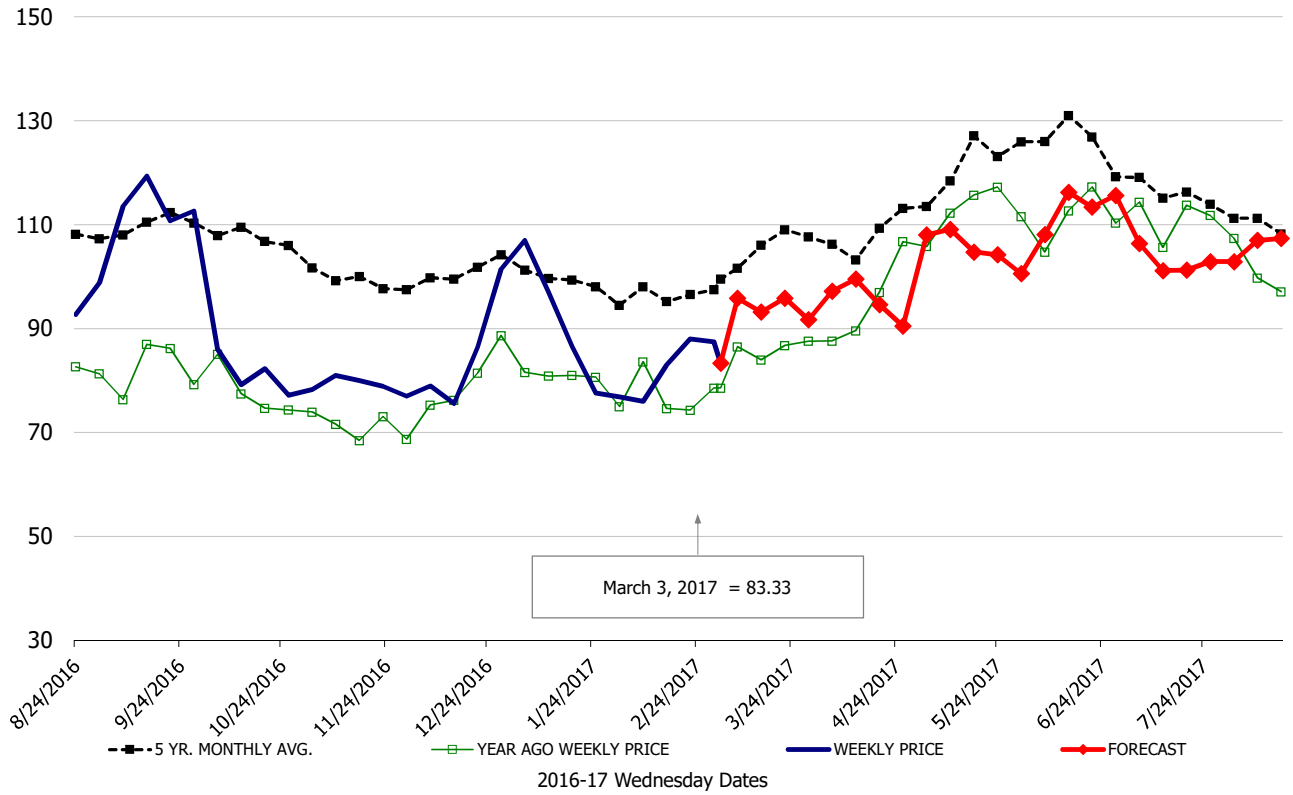


Belly, Derind Belly 9-13#, FOB Plant, USDA



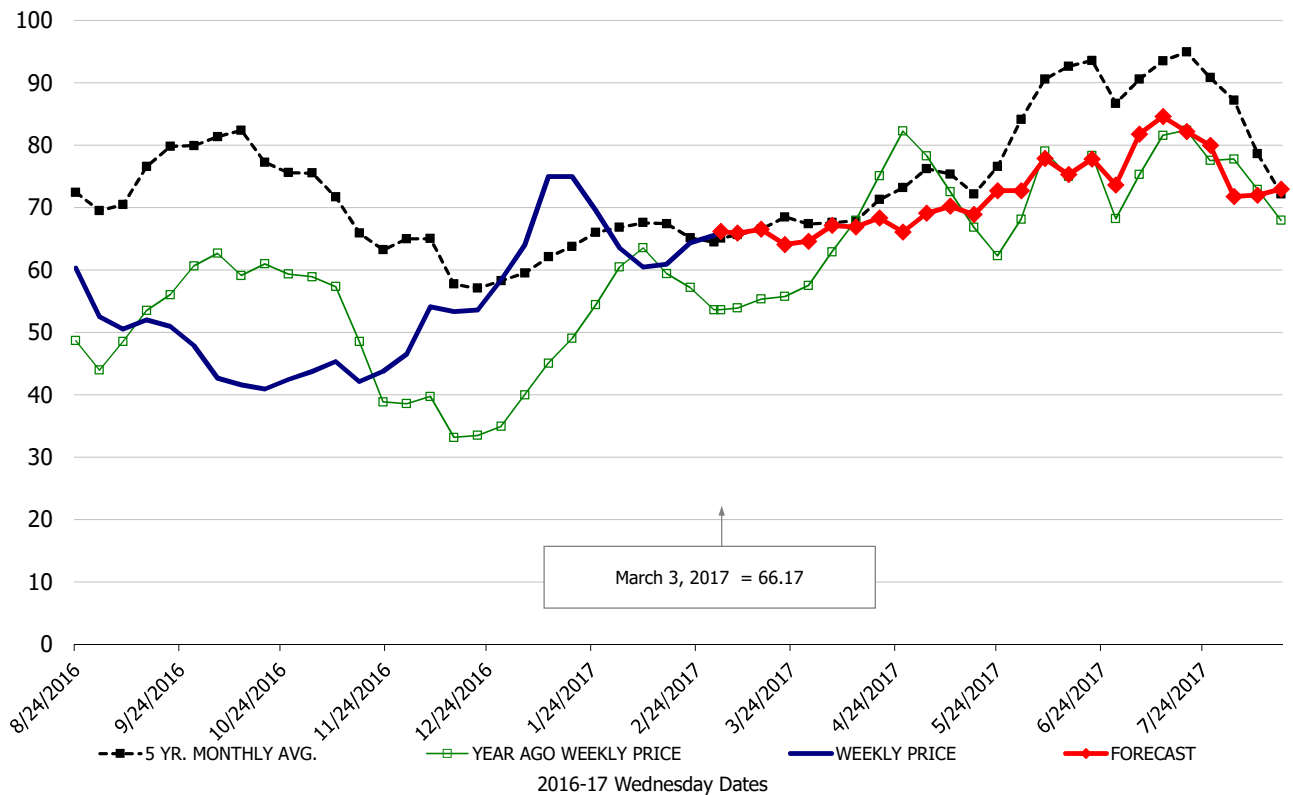
\$/cwt

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

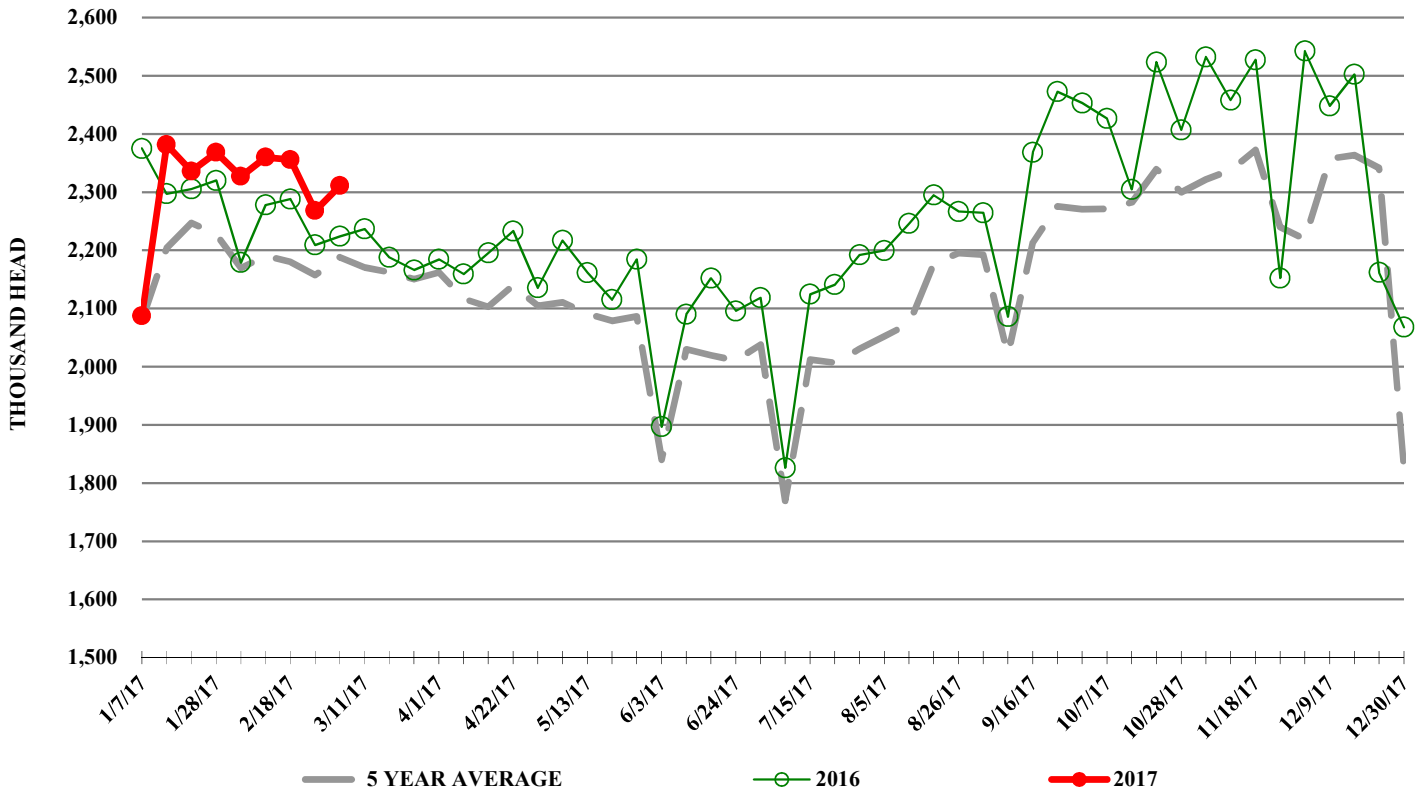


\$/cwt

Trim, 72% Trim Combo, FOB Plant, USDA



ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION

