



Pork Merchandiser's Profit Maximizer

Be inspiredSM

- Foodservice Edition -

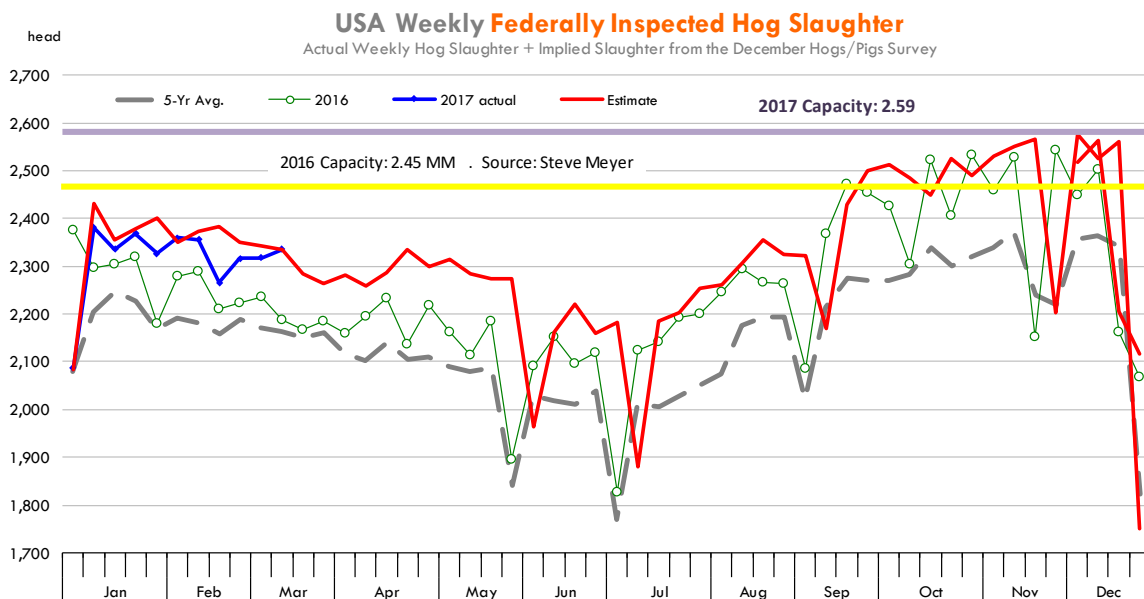
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Prepared by Steiner and Company, Manchester, NH 800-526-4612.

March 20, 2017

Hog Slaughter Now Back to Levels Implied by the December 'Hogs and Pigs' Report. All eyes on the results of March survey, to be released March 30.

Cash hog prices have been drifting lower in recent days following the sharp run-up in price during February. The IA/MN negotiated base price last night was quoted at \$66.10/cwt, \$1.3 lower than the previous day and \$2.4 lower than where it was at the start of the month. For the last three weeks, the IA/MN negotiated base has averaged around \$67.8/cwt, reflect-

ing a somewhat more stable market and in line with what we normally see at this time of year. The chart to the right shows the 1 day cash hog index, calculated using the CME methodology. The index is nothing more than a weighted average of the net prices for hogs traded either on a negotiated basis or on a pork/swine market formula basis. The key word here is net rather than base, which is why the last index value is around \$71.95/cwt. The net price includes various premiums over the base that packers pay to producers for meeting performance goals. You will notice



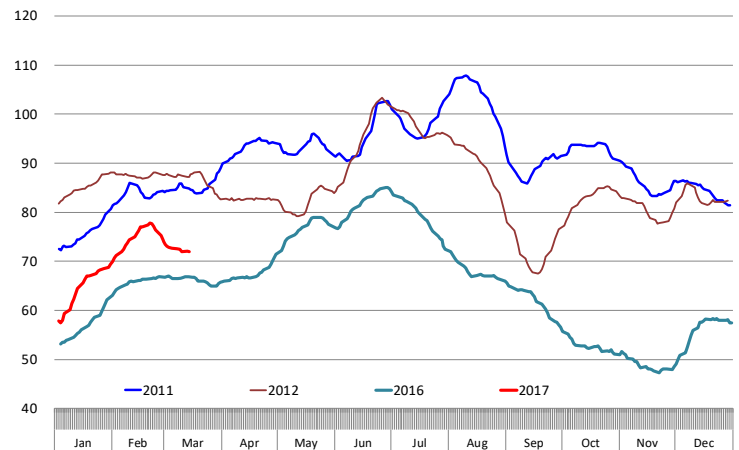
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that both the cash hog index chart and the pork cutout chart show 2012/2013 and 2016/2017. We decided to leave out 2014 and 2015 which were significantly impacted by the spread of PEDv and its aftermath. Lean hog and pork cutout prices so far have been trending above the levels we saw a year ago even as pork production is about 3% higher than last year. As we have noted before, hog slaughter in February was a touch under what was implied in the latest Hogs and Pigs report but generally hog numbers have been consistently above year ago levels while hog weights have been modestly under the levels we saw last year. We don't find the lower weight numbers particularly surprising, after all the barns are full and the market has provided an incentive for producers to market their hogs as soon as they can. The true surprise is how resilient pork demand has been, with pork exports certainly providing a much needed lift. The weekly pork export data released this morning continued to show that pork exports remain in excellent shape. The last official monthly pork trade data pegged January shipments at 457.9 million pounds on a carcass weight basis, 19.6% higher than the previous year. Based on the weekly export shipments we calculate that pork exports in February were around 445 to 450 million pounds, 16% higher than last year and March at this point is on track to be over 500 million pounds, +17% higher than a year ago. The increase in pork exports has absorbed much of the increase in pork production so far and helps explain why pork prices are holding together so far.

Pork packer margins also remain in good shape. On the next page we show the spread between the cutout and the hog carcass price, also referred to as the meat spread and seen as a broad indicator of packer margins. Keep in mind that to calculate the full gross margin one also needs to account for drop credits and those credits today are about \$4.8/head higher than they were a year ago. In other words, as good as packer margins were in March/April of 2016, today they are even better. Futures markets are currently pricing summer hogs around \$78/cwt, which would imply a pork cutout in the high 80s (if we follow last year's trends). The key to break above such levels would be robust pork export demand and higher prices for competing meats. The risk to the downside, in our opinion, would come from much larger than expected supplies (keep an eye on the inventory report March 30)

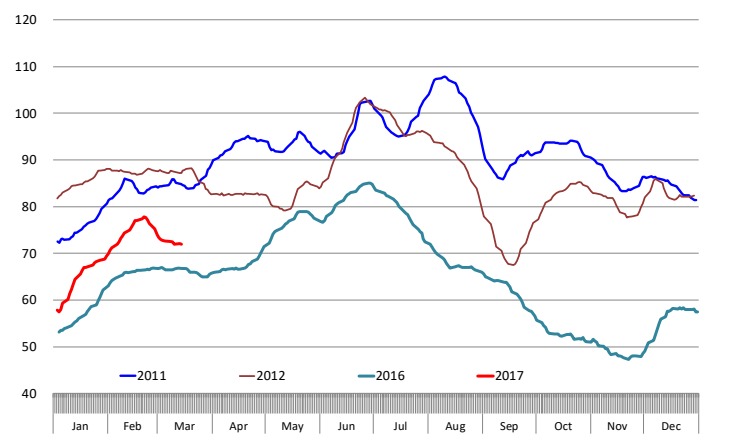
CALCULATED 1 DAY CASH HOG INDEX

Based on Daily USDA MPR Data. Wt. Avg. Price of Negotiated Cash Hog Price and Swine or Pork Market Formula (SPMF). See LM_HG201



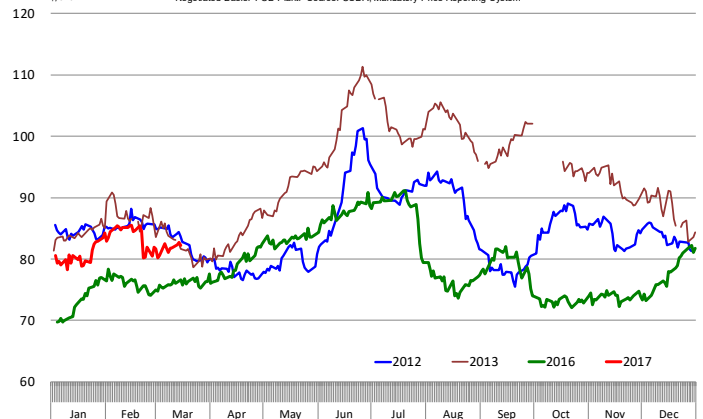
CALCULATED 1 DAY CASH HOG INDEX

Based on Daily USDA MPR Data. Wt. Avg. Price of Negotiated Cash Hog Price and Swine or Pork Market Formula (SPMF). See LM_HG201



LEAN HOG PORK CUTOUT VALUE

\$/cwt Negotiated Basis, FOB Plant. Source: USDA, Mandatory Price Reporting System

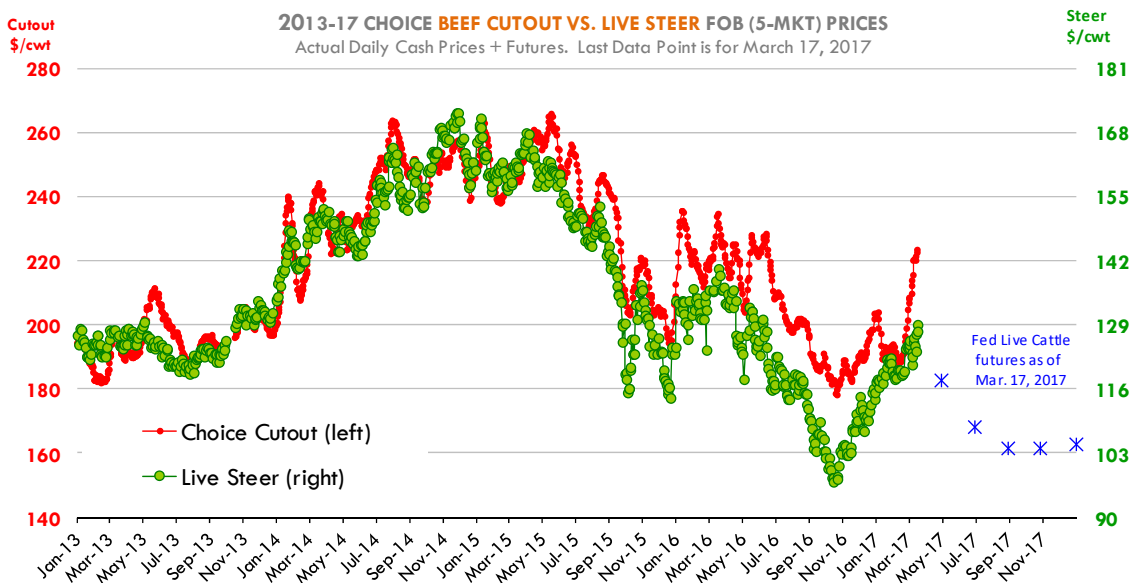


and any issues that may develop with major trading partners (remember Mexico is 30% of pork trade).

2. Sharp increase in beef values should be supportive for pork going into the grilling season

The volume of choice beef sold in the spot market was particularly light in the last few days even as steer/heifer slaughter remains well above year ago levels. Each day USDA reports on the number of choice, select and grinds that are sold in the spot negotiated market. Last week, the average daily spot loads sold was a mere 56.6 loads per day, 12.8% lower than what it was a week ago and 20% lower than what it was in early February. And yet, steer and heifer slaughter for the week (choice beef will come from these animals) was estimated at 465,000 head, slightly higher than what it was the previous week and 1.5% higher than in early February. The chart below shows the relationship between fed cattle prices and the cutout. Prices tracked pretty close with one another in 2013-2015, effectively implying very tight packer margins. The

situation shifted in late 2015 and 2016 as increasing cattle supplies and reduced packing capacity provided beef packers/processors with more leverage. What is striking in the chart on page 1 is that a) packers continue to maintain their margins as evidenced by the large spread between cutout and cattle prices and b) fed cattle futures still are pricing a deep discount for the summer and fall.



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 18 slaughter was 2.335 million head, up 6.7% from a year ago. In the last two weeks hog slaughter is up 5.2% vs. year ago levels.

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass values at about 66.10 /cwt. on Friday were down \$2.5/cwt since Wed. March 8. Prices are up 3.3 dollars compared to year ago values.

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

\$0.9895, down about 6.2 cents since the Wed. March 8 quote but up about 9 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.1842 for the strap on loins, down 3.5 cent since Wed. March 8 and down about 8 cent from the year ago levels. Strap off loins at \$1.3917 are up about 2.1 cent since Wed. March 8 but down about 0.5 cent compared to the year ago quote.

Boneless sirloins at \$1.0449 are up 4 cents from the Wed. March 8 quote and up about 11.1 cents from the year ago price.

Pork tenderloin finished last week at \$2.0256, down 10 cent from the Wed. March 8 quote and down about 15.2 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at \$1.0433, down 6.1 cent since Wed. March 8. Prices are up 16 cents from a year ago.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$1.2833, down about 8 cent since Wed. March 8 and down about 36 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 \$0.6200/lb., unchanged since Wed. March 8 and down about 2 cents from a year ago.

20/23 hams finished the week at 66.16 cents, up about 3.6 cents since Wed. March 8 and up about 7.5 cents from the year ago level.

23/27 hams finished the week at 63.08 , up about 1 cents from the Wed. March 8 quote and up about 8.4 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 37.30 cent, up about 3.4 cent

since Wed. March 8 and up about 9 cents from the year ago price.

72 CL Pork Trim “FOB Basis”. Prices finished the week at 68.32 cents, up about 0.4 cents since the Wed. March 8 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 96.63 on Friday, March 18, up about 10 cents from a year ago.

Broiler slaughter for the week ending March 18 was 0.00 million head, down one from a year ago. For the last two weeks slaughter was down 49.7% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$1.2301, down 2 cents since Wed. March 8 but still up about 13 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 38.46 cents per pound prices were up 6 cents from a year ago.

Wings. Prices at \$1.8225 are up about 5 cents from year ago levels.

Turkeys

Hens finished last week at \$1.0700, unchanged since Wed. March 8 but down about 14 cents from the year ago price.

Toms finished last week at \$1.0700, unchanged since Wed. March 8 but down about 14 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 0.0000 million head for the week ending March 11, down -100.00% from a year ago. For the last two weeks slaughter has been down 47.9%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$1.5500, unchanged since Wed. March 8. Prices are down about 175 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 \$7.2026 (weighted average quote) finished last week up about 33 cents since the Wed. March 8 quote but down about 132 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$6.4782 (weighted average quote) finished last week up about 5 cents since the Wed. March 8 quote but down about 127 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$0.7244 /lb. over Select. The 2015 annual average spread (wt. average price) had the Choice at a premium

to the Select by \$0.1299 per pound and the previous five years (2010 thru 2014) average spread was Choice at a premium to the Select by \$0.0994 per pound.

Choice regular #168 insides finished last week quoted at \$2.4379 down about 5 cents since Wed. March 8 but up about 9 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$2.4928 down about 5 cents since Wed. March 8 and up about 0 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$2.0686 up about 9 cents since Wed. March 8 but down about 14 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$7.2155 (wt. avg.) up about 40 cents from the Wed. March 8 quote. Prices are about 15 cents over year ago levels.

Choice #184 Regular Heavy top butts finished at \$3.9188 (wt. avg.) up about 67 cents since Wed. March 8 but down about 23 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$3.9802 (wt. avg.) up about 35 cents since Wed. March 8 but down about 24 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$4.8803 (wt. avg.) down about 23 cents since Wed. March 8 and down about 93 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at \$1.6829 up about 11 cents since Wed. March 8 and up about 32 cents from year ago levels.

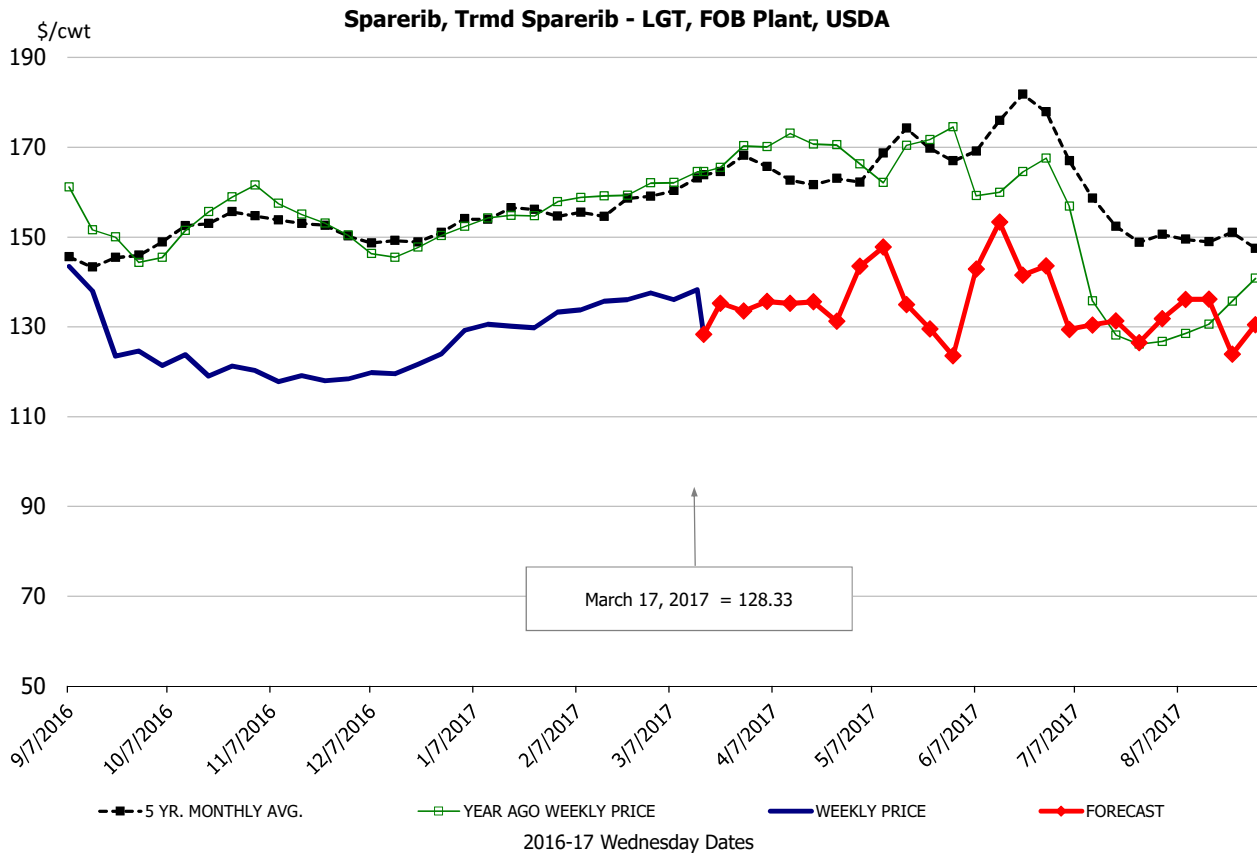
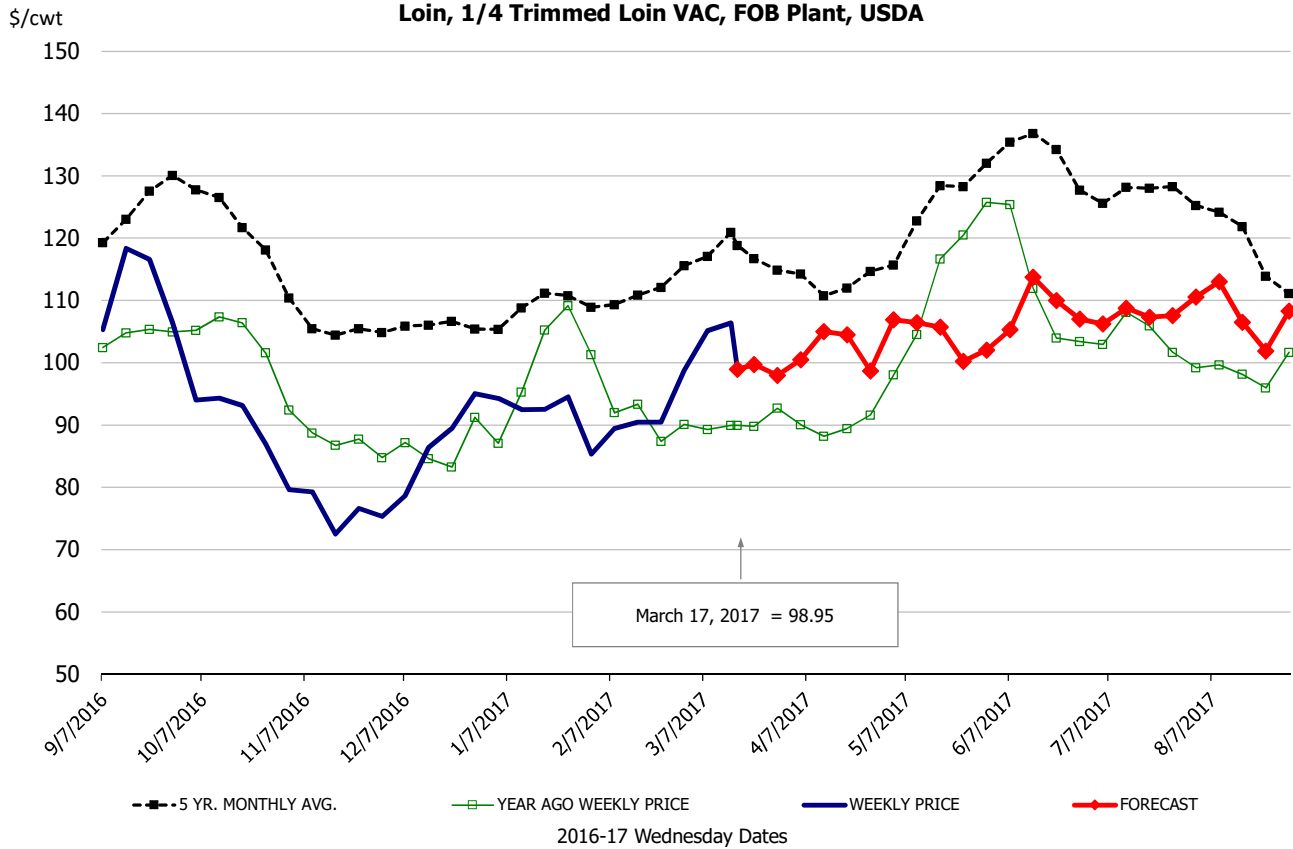
81CL Coarse Ground product finished last week at \$1.9432 up about 3 cent since Wed. March 8 and up about 18 cents from the year ago quote.

90CL Bnls. Beef prices finished the week at \$2.1567 (wt. avg.) up about 1.60 cent since Wed. March 8 but down 2 cents compared to the year ago price quote.

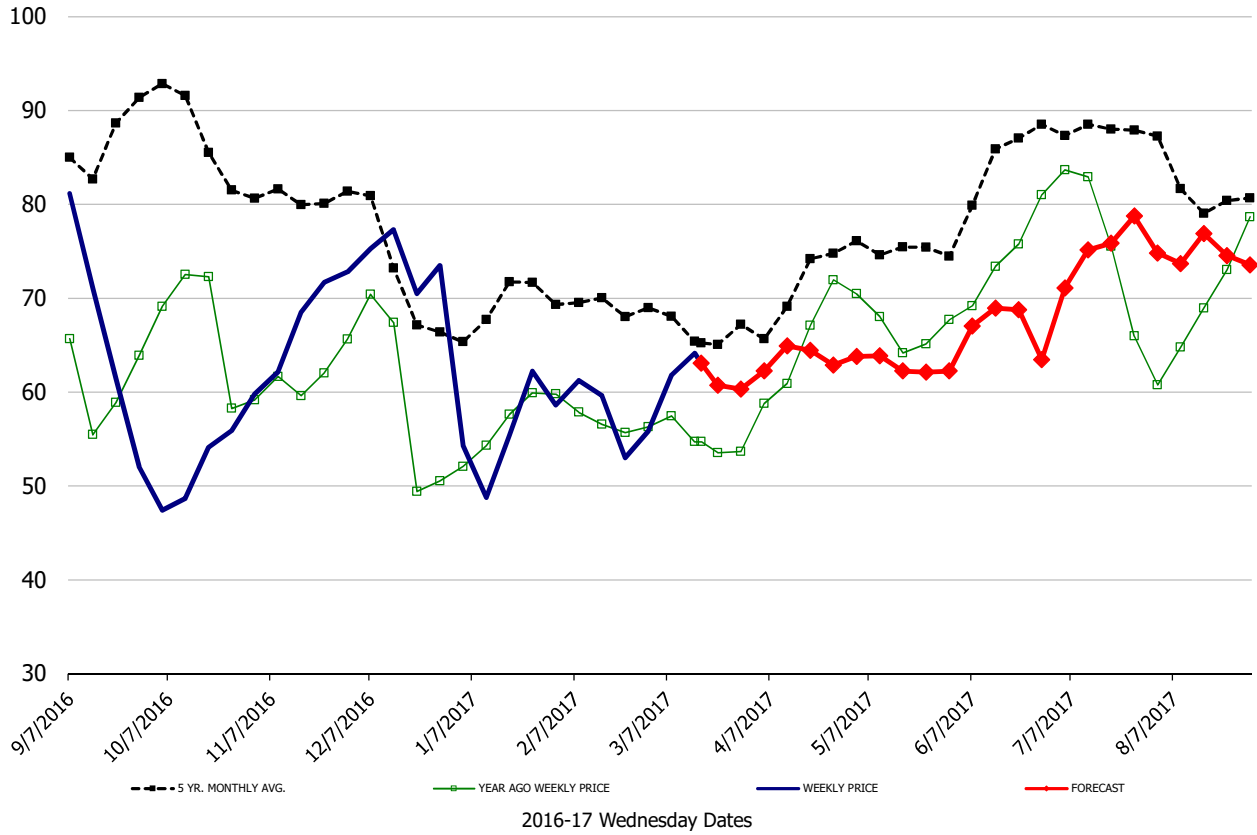
50 CL Beef Trim prices finished last week at \$1.0518, up about 9 cent since Wed. March 8 but down 9 cent compared to the year ago level.

Food Service Summary Table - WT. AVE

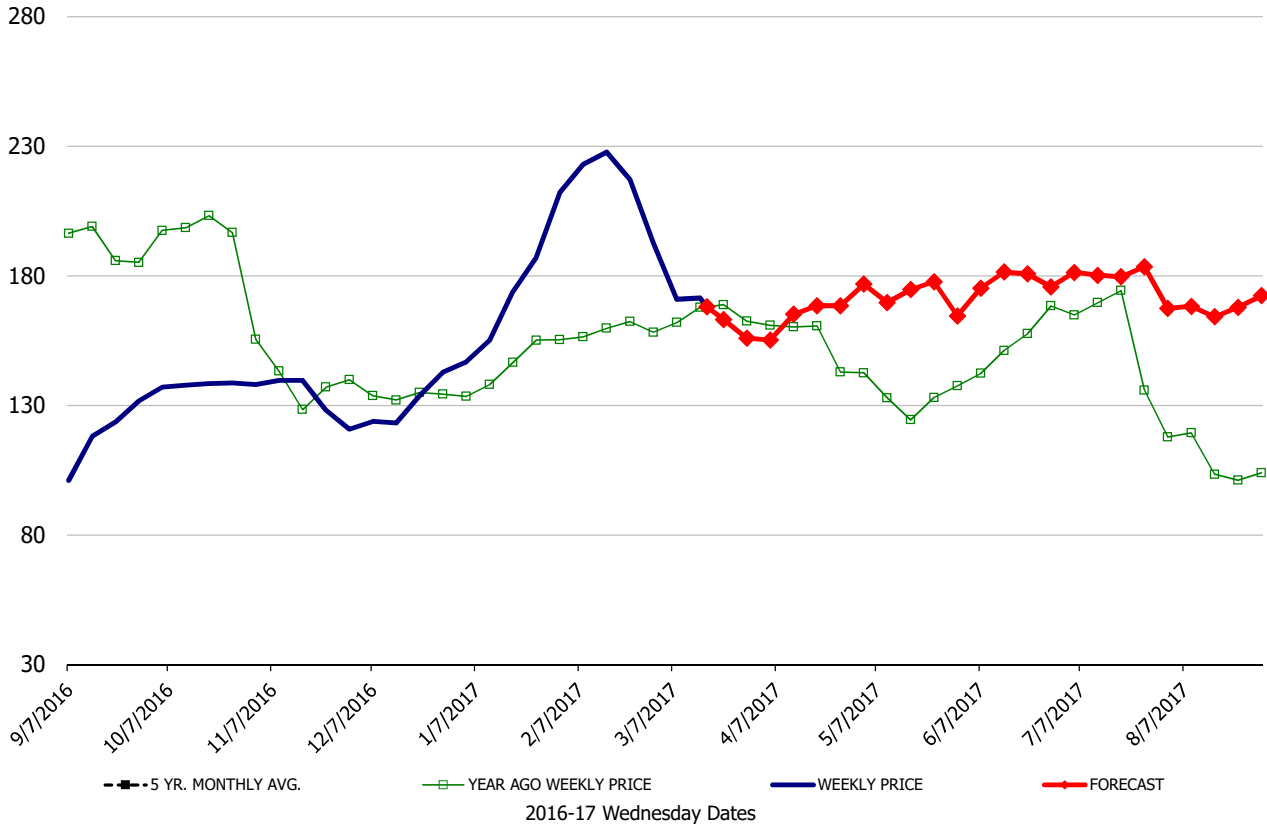
	HISTORY								FORECAST						
	Sep	Oct	Nov	Dec	Jan	Feb	3/8/2017	3/17/2017	3/29/2017	Mar	Apr	May	Jun	Jul	Aug
<u>PORK</u>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.10	0.91	0.77	0.83	0.92	0.90	1.05	0.99	0.98	1.02	1.02	1.04	1.09	1.07	1.08
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.16	0.97	0.86	0.90	0.98	0.95	1.04	1.14	1.08	1.14	1.12	1.15	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	1.34	1.38	1.50	1.53	1.55	1.54	1.54
Loin, Tenderloin, FOB Plant, USDA	2.16	2.10	2.00	2.01	2.13	2.18	2.13	2.03	2.12	2.15	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	1.01	1.00	0.97	1.00	1.01	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	1.28	1.34	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	2.28	2.47	2.42	2.45	2.45	2.40	2.24	2.25	2.27
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.29	1.21	1.15	1.19	1.28	1.32	1.35	1.32	1.29	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	2.45	2.51	2.46	2.51	2.55	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	0.63	0.62	0.60	0.62	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	0.63	0.66	0.61	0.64	0.64	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	0.62	0.63	0.60	0.63	0.63	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	1.71	1.68	1.56	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	1.69	1.64	1.54	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	0.34	0.37	0.36	0.38	0.37	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	0.68	0.68	0.67	0.68	0.69	0.72	0.80	0.82	0.72
<u>HOG CARCASS</u>															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	0.55	0.46	0.42	0.52	0.61	0.68	0.69	0.66	0.65	0.69	0.69	0.73	0.80	0.81	0.77
<u>BROILERS</u>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	0.77	0.71	0.79	0.84	0.86	0.85	0.93	0.97	0.96	0.96	0.94	0.98	0.95	0.89	0.82
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.32	1.15	0.99	0.98	1.01	1.08	1.25	1.23	1.27	1.28	1.35	1.42	1.40	1.40	1.39
N.E. BROILER BREAST LINE RUN, USDA	0.94	0.88	0.87	0.89	0.87	0.86	0.91	0.99	0.97	0.99	1.03	1.12	1.10	1.07	1.02
N.E. BROILER LEG QUARTERS, USDA	0.34	0.32	0.32	0.31	0.32	0.33	0.38	0.38	0.37	0.38	0.40	0.40	0.38	0.38	0.37
N.E. BROILER WINGS, USDA, WT.AVG.	1.79	1.80	1.84	1.87	1.92	1.90	1.74	1.82	1.87	1.82	1.77	1.71	1.73	1.78	1.77
<u>TURKEYS</u>															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.28	1.30	1.28	1.14	1.06	1.06	1.07	1.07	1.06	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
<u>LIVE STEERS</u>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.07	1.00	1.06	1.13	1.19	1.20	1.25	1.29	1.25	1.26	1.25	1.16	1.11	1.10	1.09
<u>BEEF</u>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	6.80	6.68	8.05	7.17	6.10	6.07	6.87	7.20	7.38	7.20	7.62	7.50	7.69	6.79	6.83
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	1.98	1.88	1.85	2.03	2.06	2.16	2.54	2.49	2.37	2.43	2.30	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	2.00	1.98	2.07	1.97	2.06	1.92	1.80	1.76	1.82	1.82
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	4.76	4.42	4.32	4.88	5.50	5.24	6.82	7.22	7.44	7.21	7.69	7.88	7.54	6.12	5.57
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	3.27	2.70	2.30	2.31	2.49	2.91	3.63	3.98	3.98	3.98	4.02	3.82	3.50	3.29	3.10
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	4.66	3.72	3.61	3.99	4.22	4.30	5.11	4.88	5.18	4.88	5.53	5.51	5.13	4.68	4.45
COARSE GROUND 73%, USDA	1.27	1.23	1.13	1.31	1.43	1.30	1.57	1.68	1.48	1.60	1.57	1.51	1.37	1.37	1.45
COARSE GROUND 81%, USDA	1.56	1.55	1.54	1.62	1.86	1.72	1.91	1.94	1.76	1.87	1.82	1.81	1.69	1.73	1.78
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.05	1.93	1.93	1.92	2.03	2.09	2.14	2.16	2.13	2.16	2.22	2.07	2.02	2.07	2.04
50CL BEEF TRIM, FRESH, NATIONAL, USDA	0.38	0.33	0.49	0.38	0.56	0.79	0.96	1.05	0.97	1.05	0.98	0.83	0.79	0.74	0.69



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

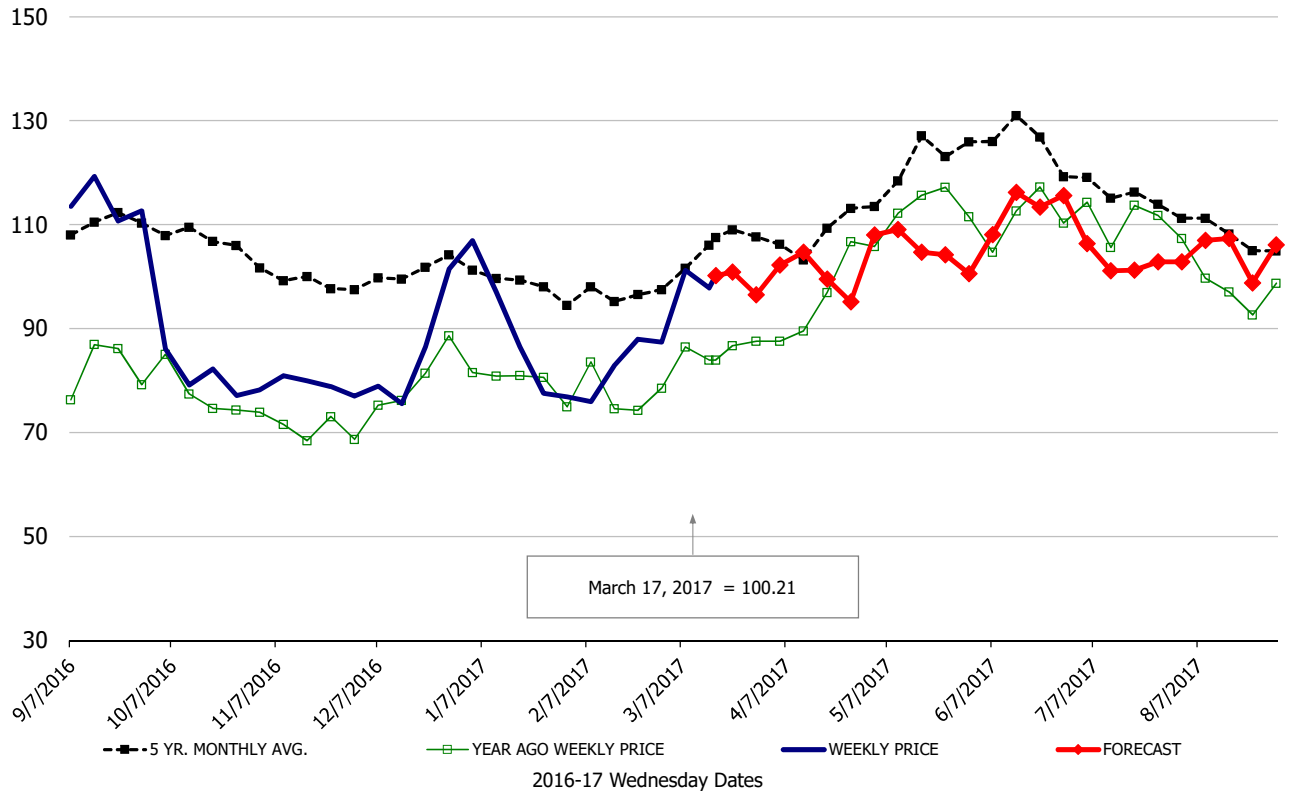


Belly, Derind Belly 9-13#, FOB Plant, USDA



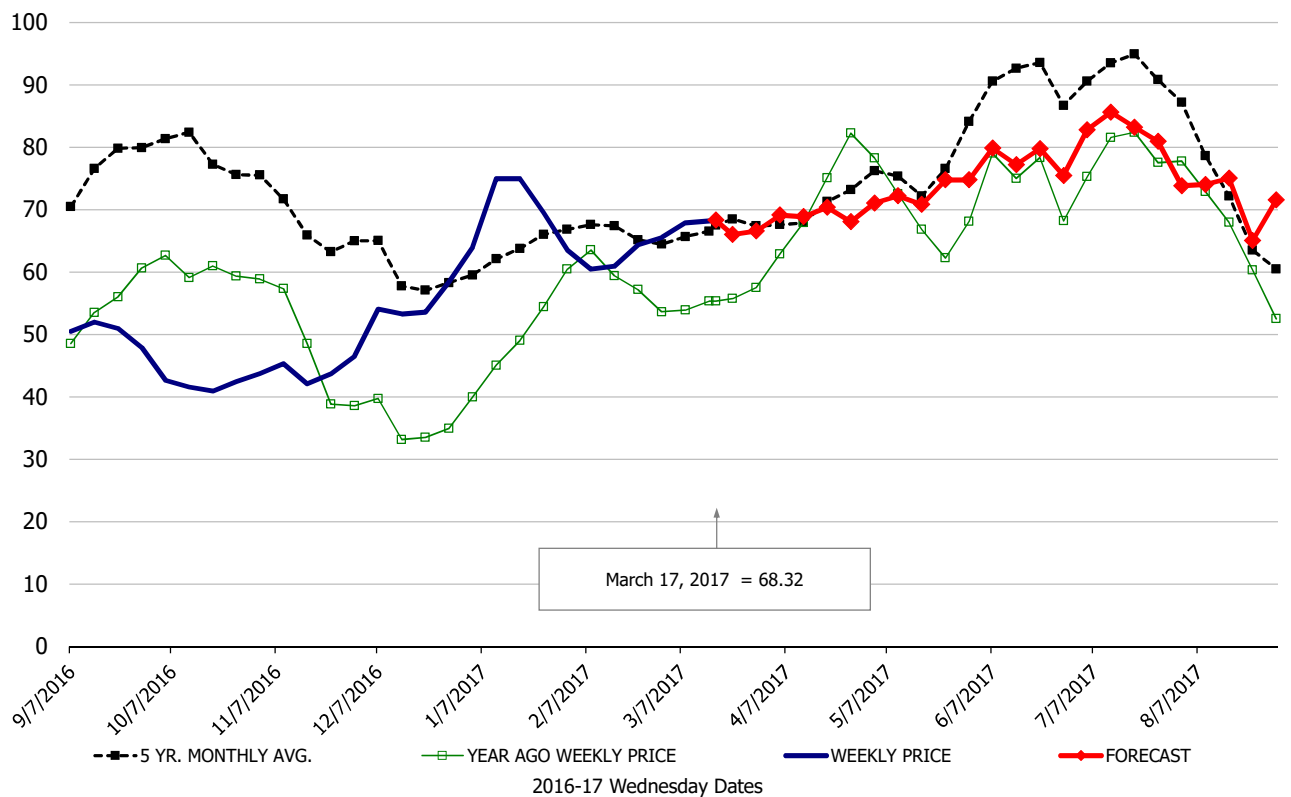
\$/cwt

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

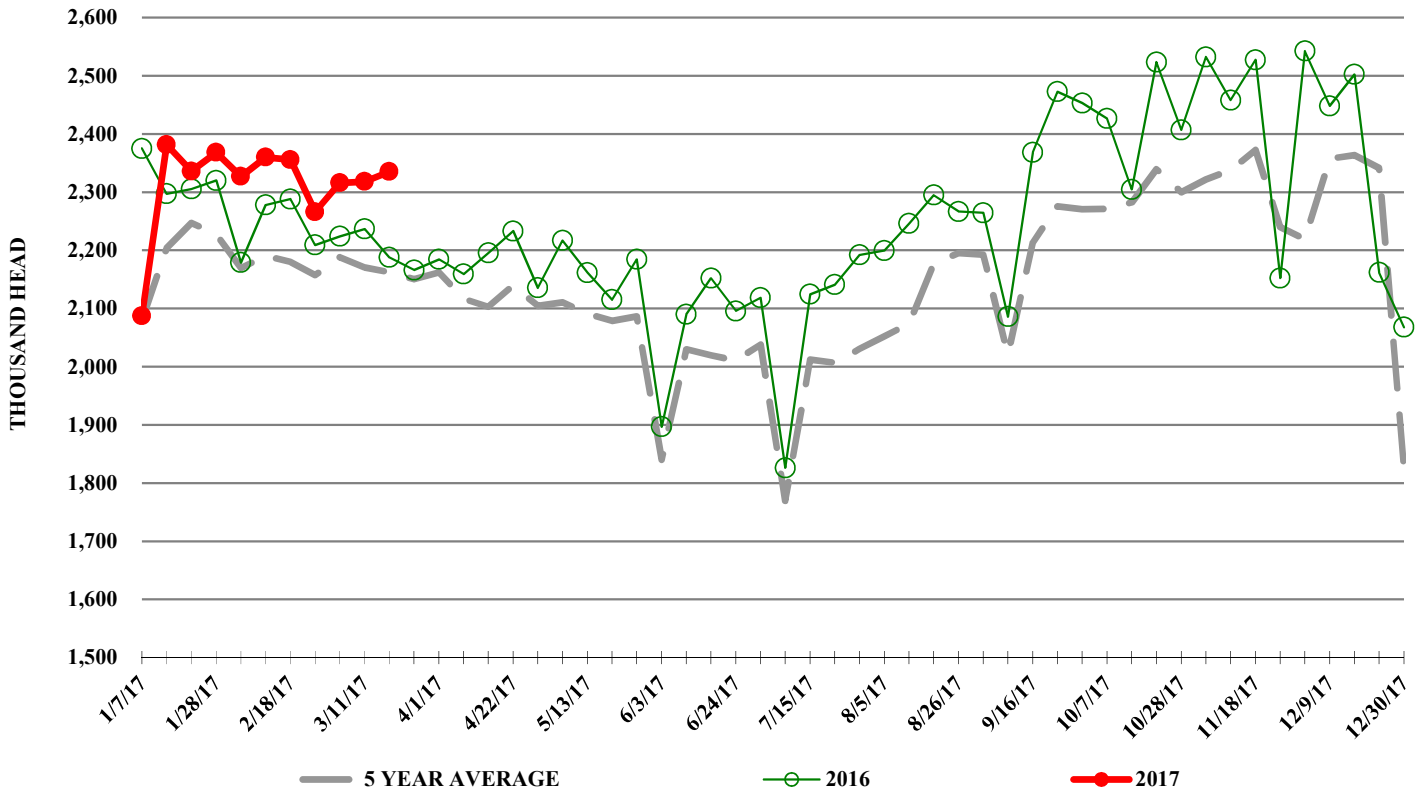


\$/cwt

Trim, 72% Trim Combo, FOB Plant, USDA



ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION

