Pork Merchandiser's **Profit Maximizer**

- Retail Edition -

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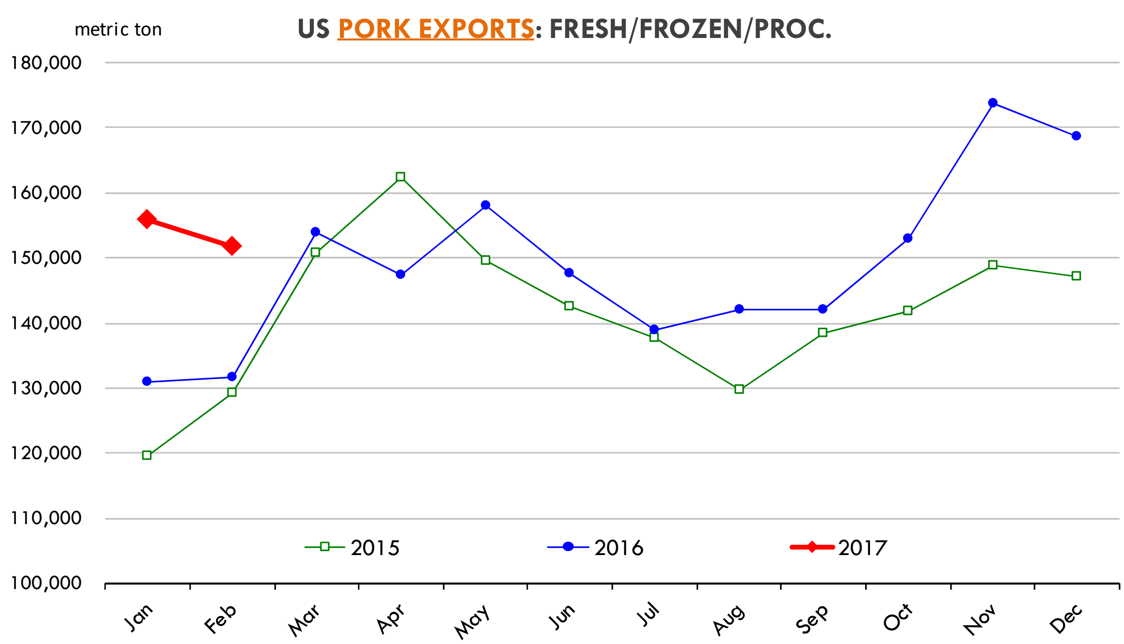
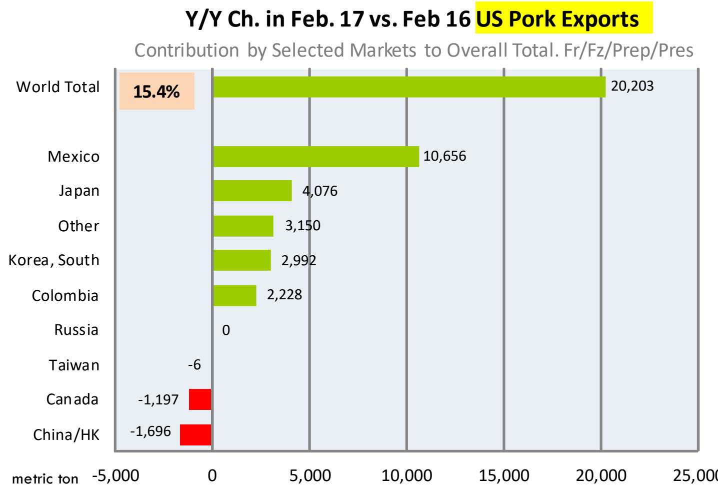
April 17, 2017

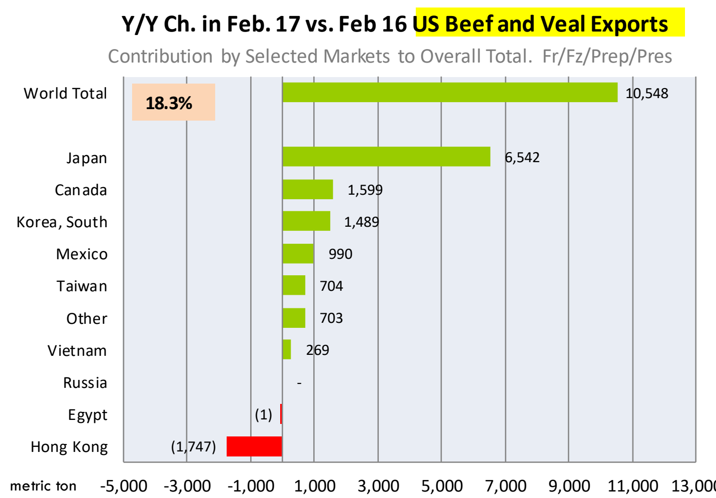
<u>February export data shows robust growth but the pace of growth has slowed down in recent weeks.</u>

<u>Pork exports in February (fresh/frozen/cooked) were reported at 151,798 MT, 15.4% higher than a year ago and the fourth consecutive month of double digit growth</u>. Mexico remains the most important market for US pork exports at this time. Exports to Mexico in February were 53,067 MT, 10,656 MT (+25%) higher than a year ago and accounting for half of the overall growth in US pork exports for the month. Exports to Japan, which used to be the top destination for US pork, were 31,445 MT, 15% higher than last year. Exports to China/Hong Kong actually declined in February, down 10% from a year ago. Pork prices have been declining in China but expectations still are for this to remain a key market for US pork considering the large supply availability in the US and the excellent image of US pork in the Chinese market.



The value of US pork exports in February was $400.4 million , 16% higher than a year ago. The average unit value was $2,637 MT, half a percent higher than last year. Indications are that April pork exports are likely to be about steady with a year ago, quite a departure considering that exports were up almost 17% in Q1. The slowdown in export growth comes at a time when pork production is up by more than 5% year over year, and most of this growth in production will have to be absorbed by domestic channels.



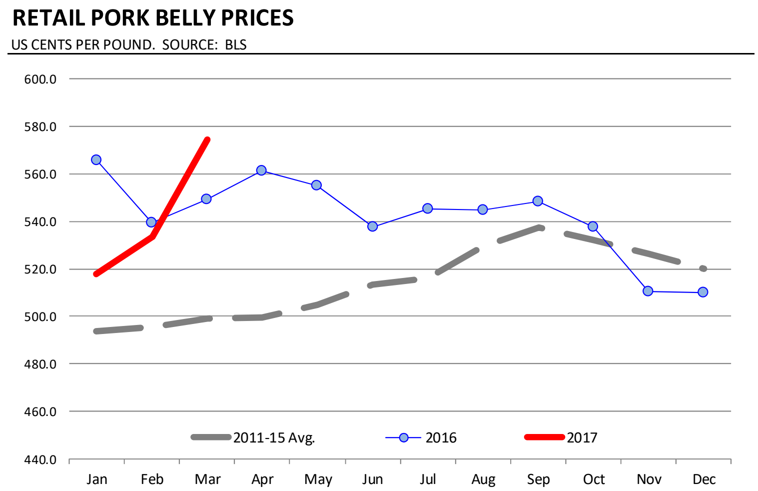


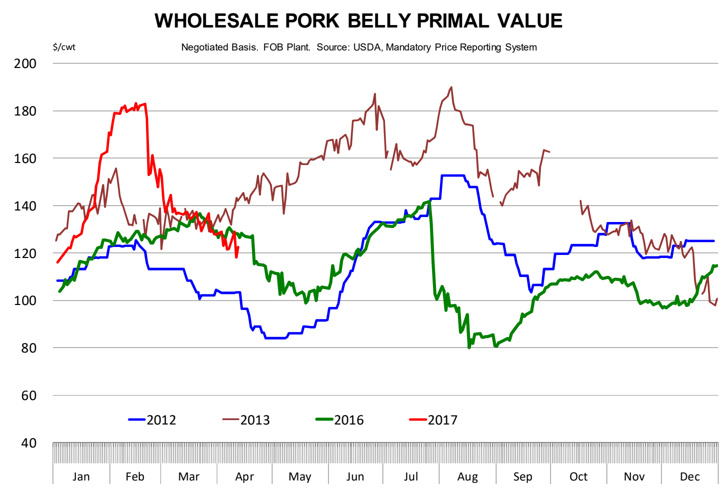
Total exports of fresh, frozen and cooked beef in February were 68,058 MT, 18.3% higher than a year ago. Exports to most major markets (see chart) registered an increase from a year ago, with exports to Japan accounting for almost 40% of the growth. Exports of fresh/frozen beef to Japan in February were 19,846 MT, 49% higher than a year ago. Lower prices for US beef have spurred interest among Japanese buyers. In recent years some Japanese foodservice operators have had to scale back some of their beef offerings due to the lack of supplies from the US and the high cost. Our friends at the US Meat Export Federation likely have more information in this regard as they are closely engaged with end users in these markets. Also supportive for US beef exports into Asia is the reduction in availability of Australian and New Zealand beef. Brazil and Uruguay have been making a strong push in the last couple of years to gain access to the Japanese and Korean market but after the recent scandal in Brazil it is likely that those efforts will be impacted negatively in the short term. The value of US beef exports also was higher, both in total dollar terms and in dollars per metric ton. The value of beef exports in February (fresh/frozen/cooked) was $446.2 million, 19.5% higher than a year ago. The average value per unit was $6,555/MT, about 1% higher than last year. More recent data, however, is pointing to a slowdown in US beef exports. While exports in Q1 increased by almost 20% compared to a year ago, at this point April exports are on pace to be up 7%.

Broiler exports in February were 241,503 MT, 2.7% higher than a year ago. The value of broiler exports was $205.4 million, 0.6% higher than a year ago. Exports to Mexico declined sharply in March but it still remains the top market for US broiler producers. Exports to Mexico for the month were 49,253 MT, 17% lower than a year ago. A number of Avian Flu cases likely caused Mexican buyers to cut back on their orders for US chicken. We have not seen an increase in the number of bird flu cases and expect exports to normalize quickly in the next couple of months. Exports to Canada also were lower, down 15% from a year ago. The broiler industry has benefited from resumption of trade with South Africa and other African countries. Also, lower prices continue to stimulate sales to smaller markets, evidenced in the growth of the "other" category, which includes some +70 countries that buy US chicken.

Bottom line: US meat protein supplies are expected to increase significantly in 2017 and robust exports will be critical in helping absorb some of this additional supply. The situation is particularly critical for pork as 1 out of 5 pounds of pork produced goes to export.

2. The latest retail price data showed a dramatic increase in the price of bacon sold at retail, which in turn pushed up the overall pork retail value reported for the month. Wholesale belly prices in the last few weeks have been moving lower and we think in large part this is in response to the retailers ending the promotions that helped support the belly market in late 2016 and early 2017. The average price of sliced bacon in March was reported at $5.75 per pound, up 7.7% from the previous month and 4.6% higher than the previous year. The current price still is lower than the all time high registered in the summer of 2014 ($6.7/lb) but higher prices will likely reduce the quantity demand from US consumers at a time when US pork belly and overall pork supplies remain quite high. Hog slaughter in recent weeks has been increased by as much as 7% compared to the previous year. We think the spike in belly prices will likely be temporary. While in the short term this will tend to depress belly prices at wholesale (see chart), it will also provide retailers and foodservice operators with opportunities to feature bacon in the summer.





Upcoming holidays:

2017 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 hog. For the week ending April 15 slaughter was 2.223 million head, up 1.3% from a year ago. In the last two weeks hog slaughter is up 4.0% vs. year ago levels.

Iowa/Minnesota, Base Negotiated Purchase for Barrows and Gilts. Lean hog carcass values at about 56.12 /cwt. on Friday were down $4.2/cwt since Wed. April 5. Prices are down about 7.3 $/cwt compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at $0.8670, up about 0.5 cent since the Wed. April 5 quote but down about 2 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at $1.1390 for the strap on loins, down 3.8 cent since Wed. April 5 and down 5 cent from the year ago levels. Strap off loins at $1.3008 are up 1.9 cent since Wed. April 5 but down about one.5 cent compared to the year ago quote.

Boneless sirloins at $1.0235 are down about 2 cents from the Wed. April 5 quote but up about 5.4 cents from the year ago price.

Pork tenderloin finished last week at $1.9186, down 13 cent since the Wed. April 5 quote and down about 26.2 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at $0.9385, up 0.8 cents since Wed. April 5. Prices are down one cent from a year ago.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at $1.3278, up about 6 cent since Wed. April 5 but down about 40 cents from year ago levels.

Rib inventories on February 28 were 139.7 million pounds, down 2.6% percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was $0.5888/lb., up 1.8 cents since Wed. April 5 and up about 1 cents from a year ago.

20/23 hams finished the week at 58.03 cents, up about 1.1 cents since Wed. April 5 but down about 0.5 cents from the year ago level.

23/27 hams finished the week at 59.83 , up about 3 cents from the Wed. April 5 quote but down about 1.1 cents from the year ago level.

Total ham cold storage stocks on February 28 at 125.9 million pounds were up 8.7% from year ago levels.

42 CL Pork Trim "FOB Basis". Prices finished the week at 30.70 cents, down about 6.9 cent since Wed. April 5 and down about 6 cents from the year ago price.

72 CL Pork Trim "FOB Basis". Prices finished the week at 66.85 cents, up 0.7 cents since the Wed. April 5 quote but down about 1 cents from the year ago level.

Freezer stocks of all trimmings on February 28 were 37.7 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 96.49 on Friday, April 15, up about 8 cents from a year ago.

Broiler slaughter for the week ending April 15 was 161.48 million head, up 0.77% from a year ago. For the last two weeks broiler slaughter was up 1.5% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at $1.2851, down 1 cents since Wed. April 5 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 down about 2.4 cents vs. two weeks ago but at 38.17 cents per pound prices were up 3 cents from a year ago.

Wings. Prices at $1.8732 are up about 7 cents from year ago levels.

Turkeys

Hens finished last week at $1.0700, unchanged 0.0 cent since Wed. April 5 but down about 15 cents from the year ago price.

Toms finished last week at $1.0700, unchanged 0 cent since Wed. April 5 but down about 15 cent from the year ago price.

Total turkey supplies in the freezer on February 28 were up 11.0% from a year ago at 378.5 million pounds. Whole birds were up 13.3% from a year ago with an inventory of 155.2 million pounds.

Turkey slaughter was 4.1140 million head for the week ending April 8, down -5.32% from a year ago. For the last two weeks slaughter has been down 1.5%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at $1.5300, down since Wed. April 5. Prices are down about 112 cents vs. year ago levels.

BEEF

NOTE: WE ARE NOW REPORTING AND FORECASTING WEIGHTED AVERAGE BLUE SHEET PRICES FOR BEEF CUTS.

Choice #115 Chucks are no longer being quoted. We suggest that those participants still benchmarking pricing off the 115 Chuck market switch to 114 clods.

With prices at $2.1600 for 90CL and $1.0155 for 50CL product, an 81CL meat block value is now $1.9025 and a 78CL meat block is $1.8167. Choice 114, 3 Clods are now being priced 21.98 cents over 81CL meat block grinding values of

90s and 50s. A year ago the spread was 34.53 cents and the five year average spread for is 19.22 cents over.

Select #115 chucks also are no longer being quoted.

Choice #161 Boneless Rounds finished last week at $2.1600, down slightly since Wed. April 5 and down about 15 cents from year ago levels.

Choice #184 Regular Heavy top butts finished at $3.3013 (wt. avg.) down about 53 cents since Wed. April 5 and down about 108 cent from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at $3.6829 (wt. avg.) up about 0 cents since Wed. April 5 but down about 84 cents from the year ago levels.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at $1.6073 up about 10 cents since Wed. April 5 and up about 7 cents from year ago levels.

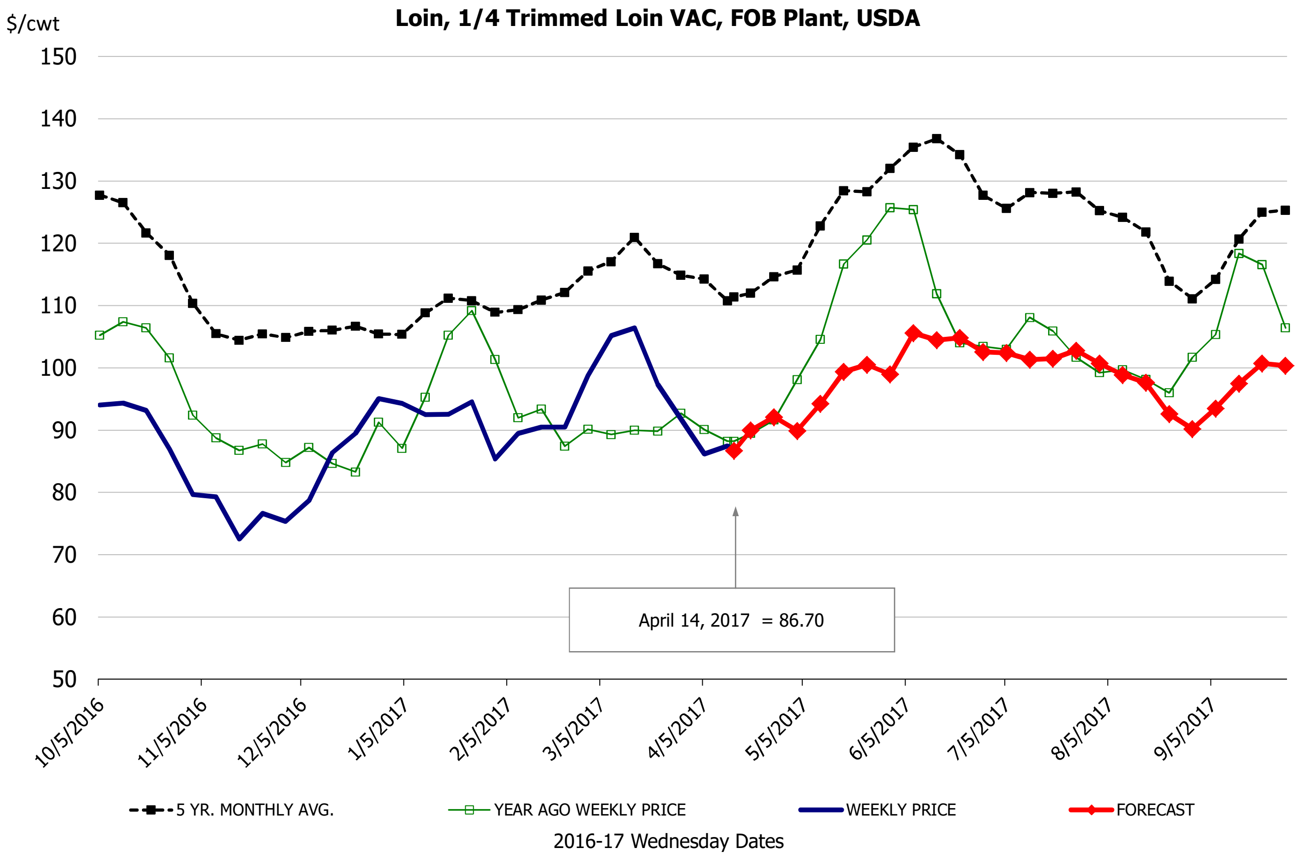
81CL Coarse Ground product finished last week at $1.8460 up about 12 cent since Wed. April 5 and up about 4 cents from the year ago quote.

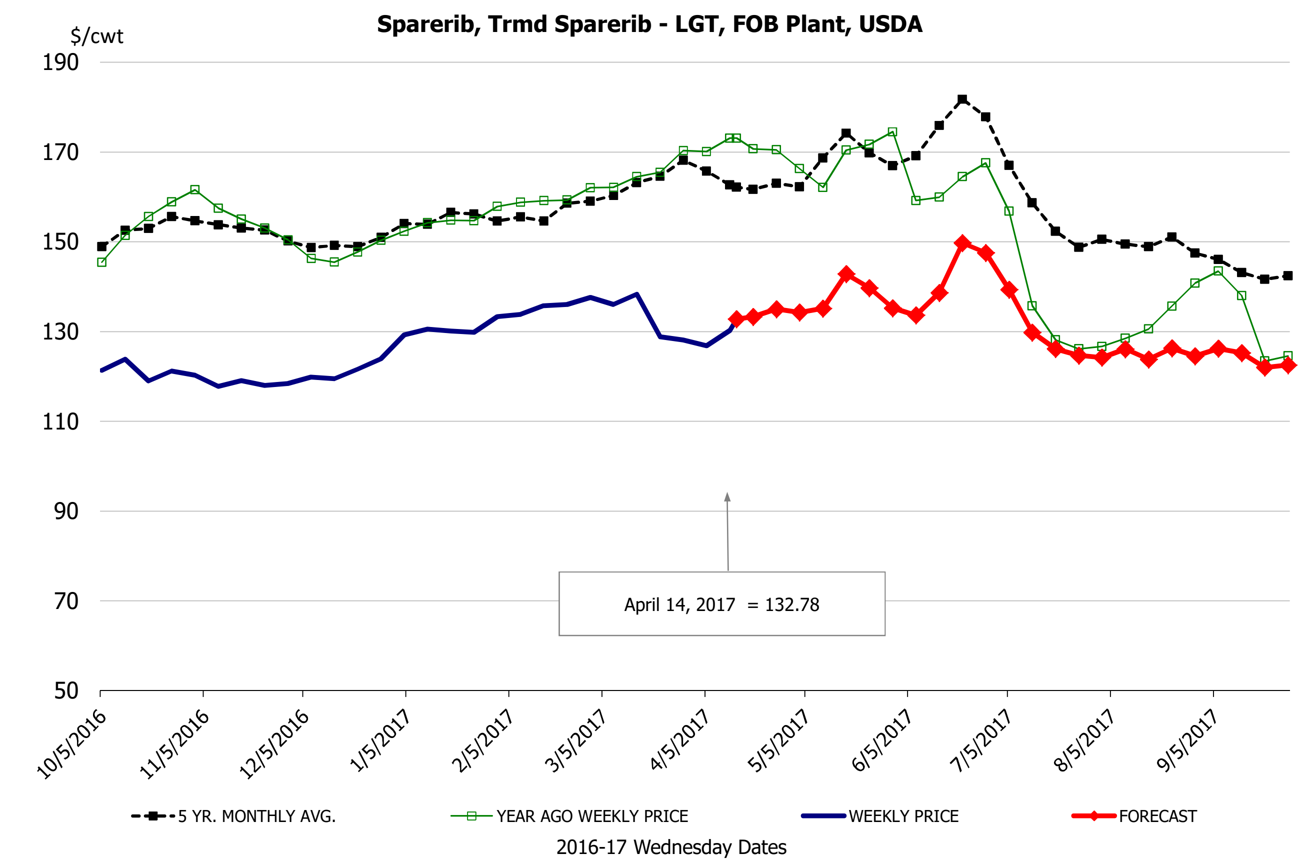
90CL Bnls. Beef prices finished the week at $2.1600 (wt. avg.) up 0.87 cent since Wed. April 5 but down one cents compared to the year ago price quote.

50 CL Beef Trim prices finished last week at $1.0155, up about 0.5 cent since Wed. April 5 and up 24 cents compared to the year ago level.

Retail Summary Table - WT. AVE.

	HISTORY								FORECAST						
	Oct	Nov	Dec	Jan	Feb	Mar	4/5/2017	4/14/2017	4/26/2017	Apr	May	Jun	Jul	Aug	Sep
PORK															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	90.51	77.15	83.33	91.87	89.63	99.46	86.17	86.70	92	91	96	104	102	96	98
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	97.44	85.73	90.24	98.47	95.29	107.73	90.13	102.02	103	103	105	114	112	105	106
Loin, Bnls CC Strap-off, FOB Plant, USDA	146.32	128.34	134.43	146.51	133.81	136.34	128.23	130.08	137	138	138	146	141	136	147
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	85.90	80.74	84.50	91.53	85.79	92.59	87.14	88.52	98	93	100	106	99	93	97
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	120.47	118.47	120.38	129.19	134.63	131.76	126.84	132.78	135	135	138	141	130	125	124
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	120.54	114.64	118.82	128.17	132.30	131.43	124.93	126.50	130	130	134	140	130	125	125
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	54.58	67.81	73.69	58.28	59.62	63.22	57.11	58.88	62	59	59	67	70	67	70
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	54.25	66.94	75.36	58.56	59.72	61.60	56.94	58.03	64	60	62	67	73	68	71
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	50.47	67.02	72.33	54.21	57.82	60.05	56.45	59.83	63	60	60	64	71	67	67
Belly Cutout, FOB Plant, USDA	109.76	104.11	104.22	136.46	174.02	153.33	126.97	119.37	117	125	134	145	146	131	125
Belly, Derind Belly 9-13#, FOB Plant, USDA	137.54	129.52	126.12	174.85	216.78	168.90	153.34	147.05	151	156	163	180	179	158	153
Belly, Derind Belly 13-17#, FOB Plant, USDA	134.96	128.35	129.95	164.59	208.09	166.45	155.15	144.79	146	155	162	178	177	157	152
Trim, 42% Trim Combo, FOB Plant, USDA	24.14	23.33	25.33	25.27	30.64	35.08	37.58	30.70	36	34	36	41	45	40	37
Trim, 72% Trim Combo, FOB Plant, USDA	42.44	43.84	52.98	69.78	61.56	67.74	66.15	66.85	73	69	71	80	82	72	63
Trim, Picnic Meat Combo Cushion Out, FOB Plant, USDA	77.78	74.75	77.24	74.25	65.22	71.23	69.98	73.59	80	75	80	89	92	86	80
Carcass Cutout, FOB Plant, USDA	73.01	73.81	77.78	80.56	83.82	80.11	74.87	74.58	76	75	76	84	85	80	80
HOG CARCASS															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Dlv.	46.37	42.25	51.92	61.17	71.25	66.47	60.31	56.12	62	60	66	74	76	72	66
BROILERS															
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	115.26	99.24	97.93	101.17	107.51	112.62	129.11	128.51	140	135	142	140	140	139	128
N.E. BROILER BREAST LINE RUN, USDA	88.23	87.26	89.36	87.14	85.58	97.39	103.37	105.30	108	105	114	112	109	104	99
N.E. BROILER LEG QUARTERS, USDA	32.16	32.27	31.34	32.48	33.14	37.87	40.61	38.17	41	40	40	38	38	37	36
TURKEYS															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	129.50	127.80	113.50	106.00	106.00	107.00	107.00	107.00	107	108	110	112	113	116	119
UB TOM TURKEYS, EAST, FROZEN 16-22LBS	129.00	126.60	113.50	106.00	106.00	107.00	107.00	107.00	109	108	110	112	113	116	119
LIVE STEERS															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	99.94	106.14	112.57	118.94	119.79	126.90	126.69	127.34	123	125	119	114	112	111	111
BEEF															
CHOICE, 161, 1 ROUND, BONELESS, USDA	209.49	213.80	208.43	229.31	219.24	228.31	216.26	216.00	232	230	216	213	211	216	218
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	188.47	184.56	202.66	205.90	216.10	242.49	208.31	216.42	214	216	205	197	206	213	201
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	200.38	188.65	191.57	207.11	200.35	205.71	185.27	190.72	191	191	184	181	186	186	193
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	270.49	230.13	230.77	248.53	291.00	380.54	368.26	368.29	388	372	370	349	335	326	319
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	371.77	361.38	399.36	422.14	430.01	503.15	527.35	528.68	568	543	565	526	476	453	426
COARSE GROUND 73%, USDA	122.75	112.51	130.79	143.48	130.34	163.23	150.47	160.73	162	160	158	148	148	154	147
COARSE GROUND 81%, USDA	154.63	154.48	161.57	185.71	172.35	183.71	172.40	184.60	188	184	187	175	178	183	177
90% BONELESS BEEF, CENTRAL, FRESH, USDA	193.09	192.67	191.62	203.14	208.90	214.90	215.13	216.00	221	222	215	210	213	209	211
50CL BEEF TRIM, FRESH, NATIONAL, USDA	33.41	48.78	37.94	56.26	79.34	98.83	101.50	101.55	102	101	91	89	78	72	62


Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA
$/cwt
150
140
130
120
110
100
90
80
70
60
50
April 14, 2017 = 86.70
10/5/2016
11/5/2016
12/5/2016
1/5/2017
2/5/2017
3/5/2017
4/5/2017
5/5/2017
6/5/2017
7/5/2017
8/5/2017
9/5/2017
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2016-17 Wednesday Dates


Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA
$/cwt
190
170
150
130
110
90
70
50
April 14, 2017 = 132.78
10/5/2016
11/5/2016
12/5/2016
1/5/2017
2/5/2017
3/5/2017
4/5/2017
5/5/2017
6/5/2017
7/5/2017
8/5/2017
9/5/2017
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
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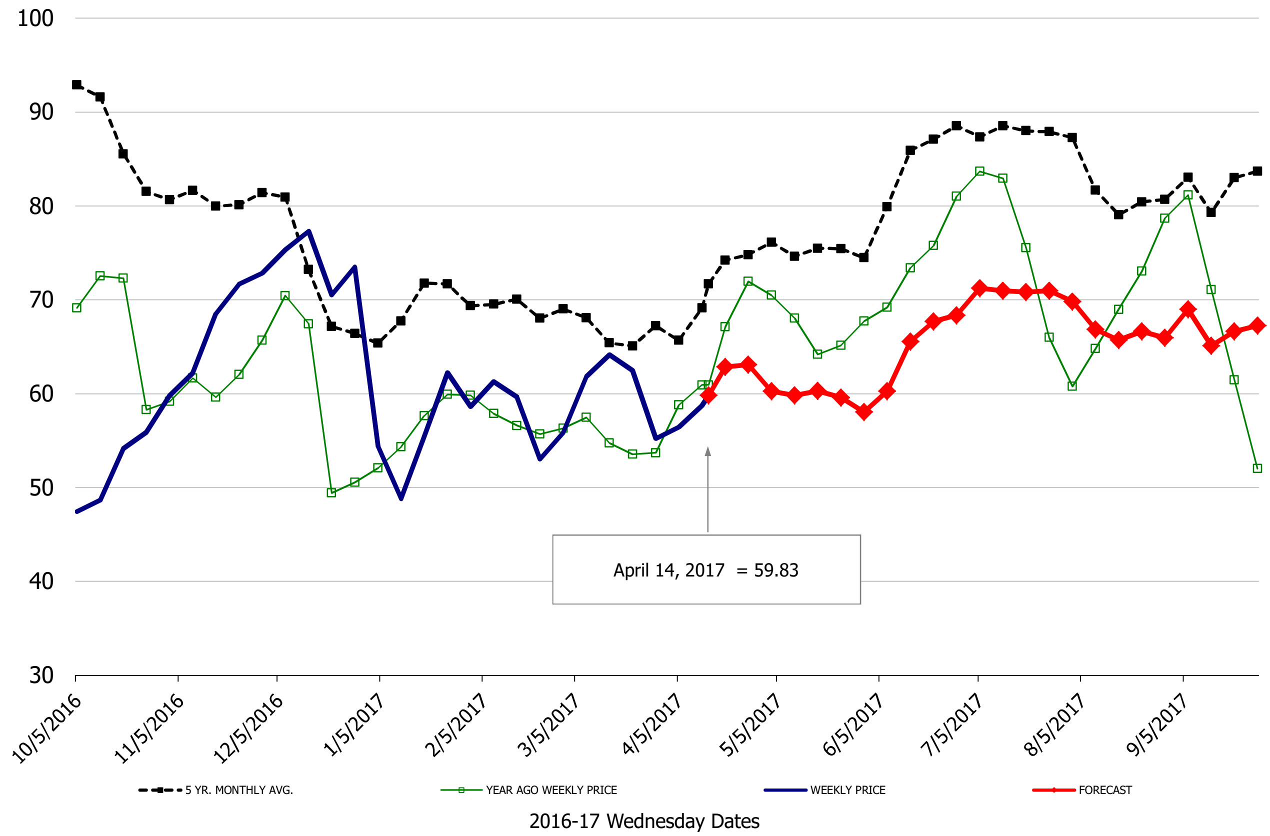
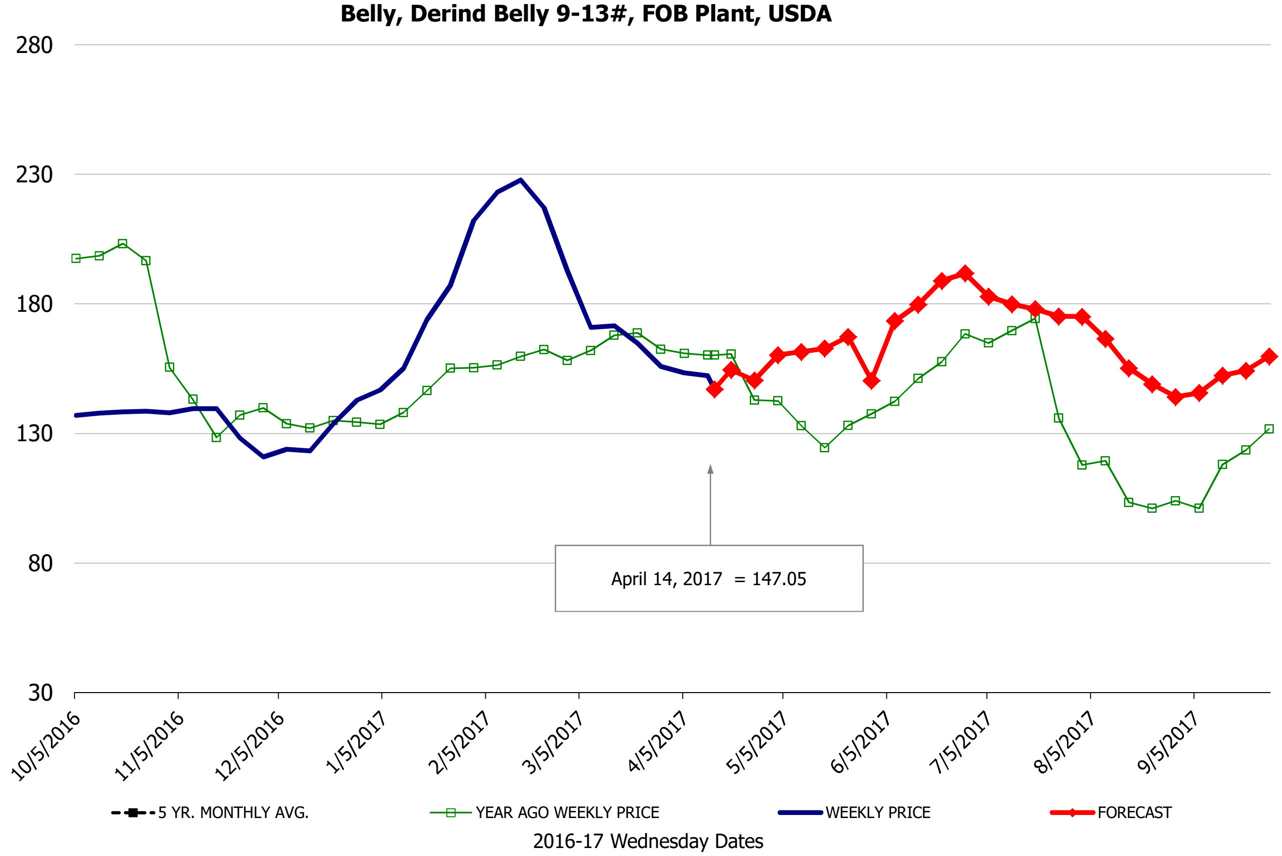
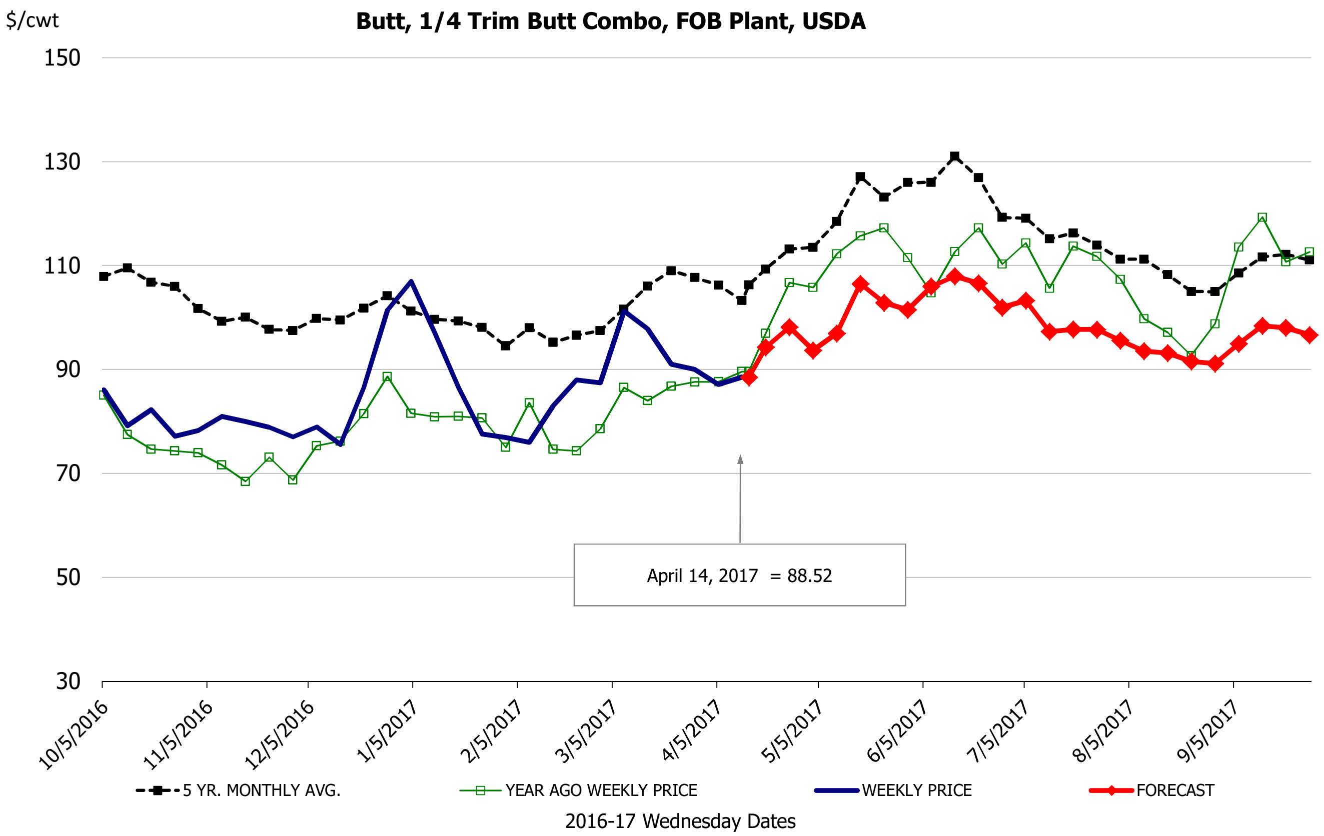
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA



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




$/cwt
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA
150
130
110
90
70
50
30
April 14, 2017 = 88.52
10/5/2016
11/5/2016
12/5/2016
1/5/2017
2/5/2017
3/5/2017
4/5/2017
5/5/2017
6/5/2017
7/5/2017
8/5/2017
9/5/2017
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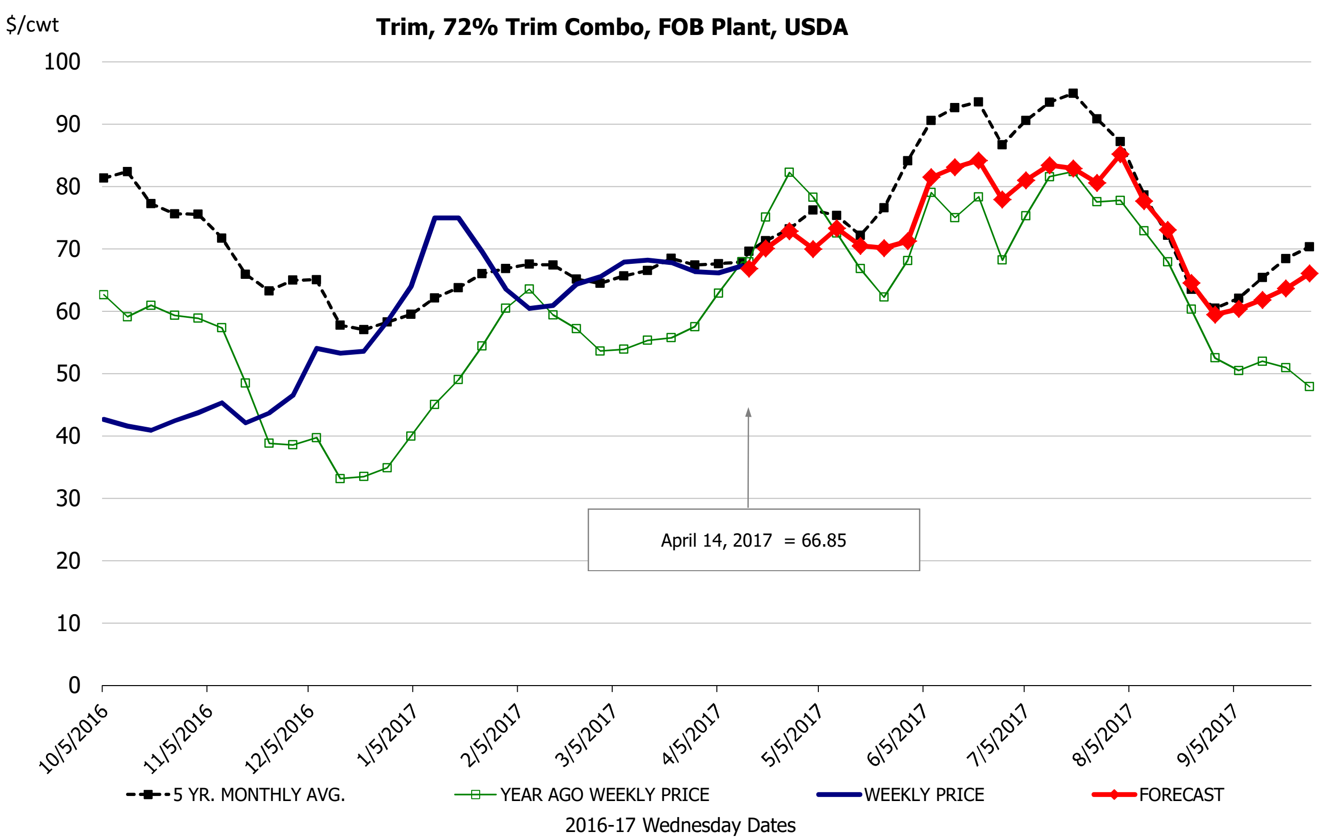
$/cwt
Trim, 72% Trim Combo, FOB Plant, USDA
100
90
80
70
60
50
40
30
20
10
0
April 14, 2017 = 66.85
10/5/2016
11/5/2016
12/5/2016
1/5/2017
2/5/2017
3/5/2017
4/5/2017
5/5/2017
6/5/2017
7/5/2017
8/5/2017
9/5/2017
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
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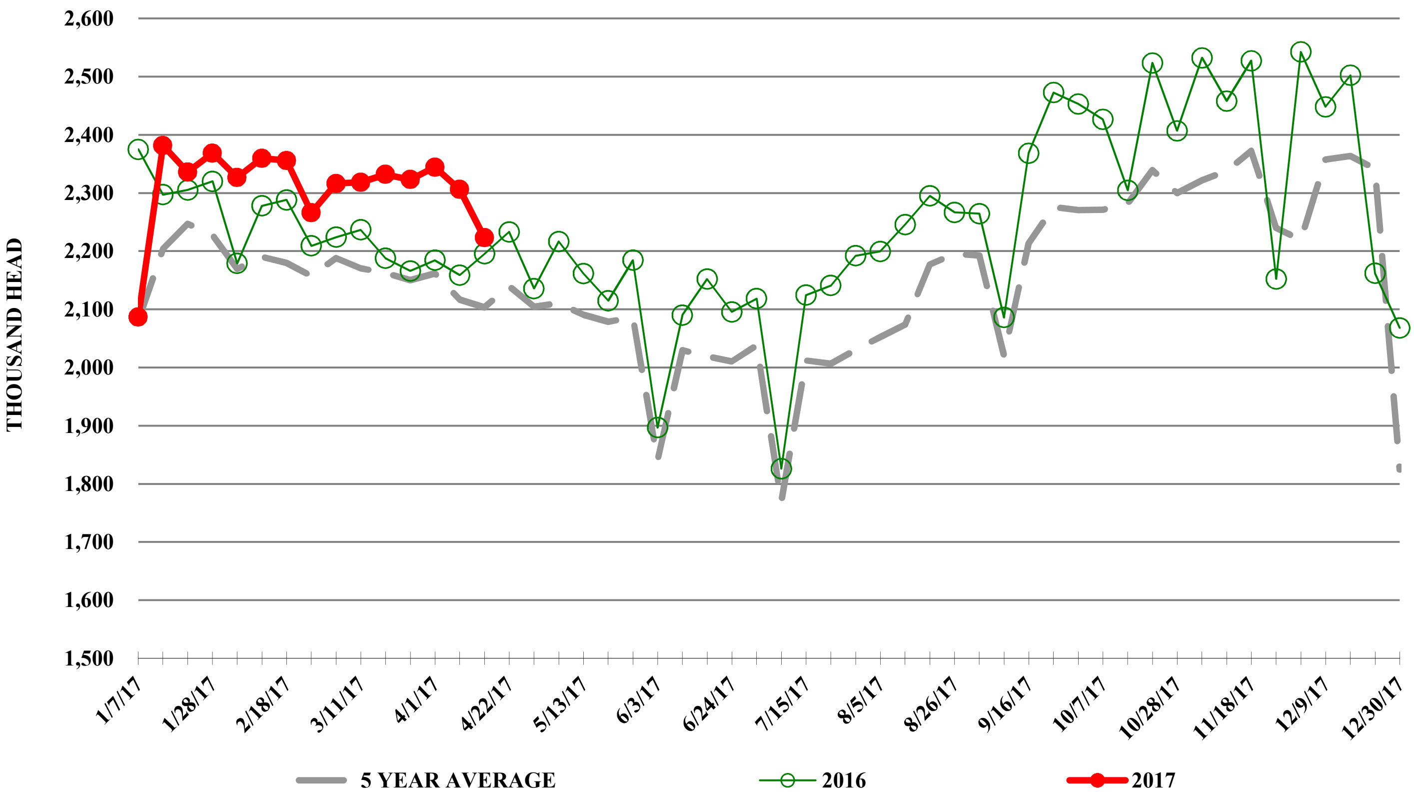
ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION