Pork Merchandiser's **Profit Maximizer**

- Retail Edition -

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

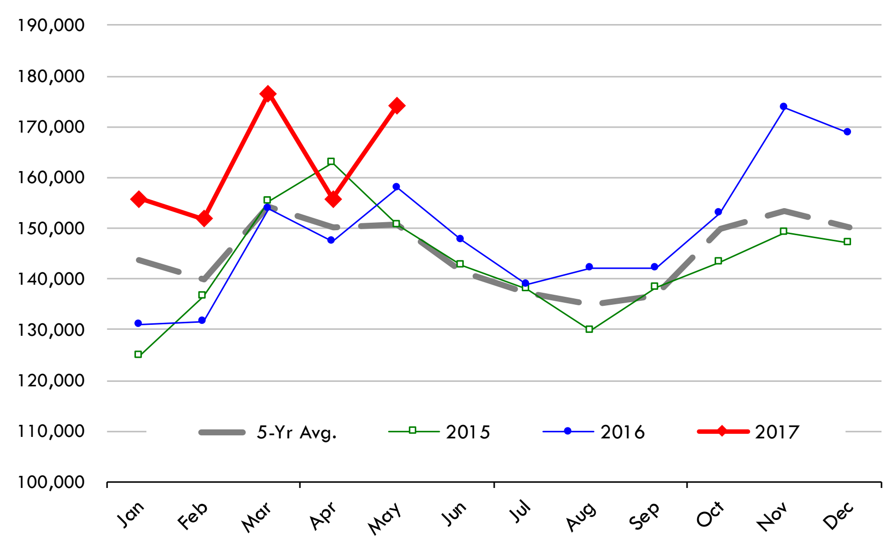
July 10, 2017

1. Pork Exports up 10% in May and up 13% in the first five months of 2017 on robust demand from Mexico and Asian markets

While overall red meat and poultry exports were higher in May, pork exports were particularly strong, driven by robust demand in Mexico and Asian markets. Below is a brief recap by species and also what the weekly export data implies for June and July:

US Exports of Fr/Frz/Cooked Pork: World Total

Source: USDA/FAS. Units: Metric Ton. Analysis by: Steiner Consulting (800.526.4612)



Pork: While pork exports in May failed to surpass the record levels registered in March, they were close. Total shipments of fresh/frozen and cooked pork for the month were 174,245 MT, 10.3% higher than a year ago. March exports were 176,574 MT. Year to date pork exports are up 10.3% compared to last year's levels. Mexico remains by far the top destination for US pork and also its most significant source of export growth. May exports to Mexico were 56,101 MT, 21.7% higher than a year ago. Exports to Japan in May were 34,743 MT, 12.7% above last year while exports to South Korea, at 15,041 MT, were 51.5% larger than a year ago. The most significant drag for US pork exports in the last two months has been China. Last year exports to China were particularly strong in April and May but they have pulled back recently. Pork shipments to the Chinese market in May were 16,907 MT, down 37.8% compared to a year ago.

So far weekly export data has proved to be a relatively good indicator for monthly shipments. We had been projecting May exports to be up 12% based on the weekly data and the official results came fairly close to that number. Weekly exports have been indicating a notable slowdown in exports for June and early July. Still, based on weekly shipments June exports are currently projected to be up 2.7% compared to a year ago and if the trend is maintained July exports are projected to be up 4.1%. Our working assumption is that US pork exports will continue to expand in the fall, thanks to ample pork supplies and much more competitive pricing relative to the EU.

Beef: Total exports of fresh/frozen and cooked beef in May were 75,150 MT, 3.8% higher than the previous year. When converted to carcass weight basis beef exports in May were up 3.2%.

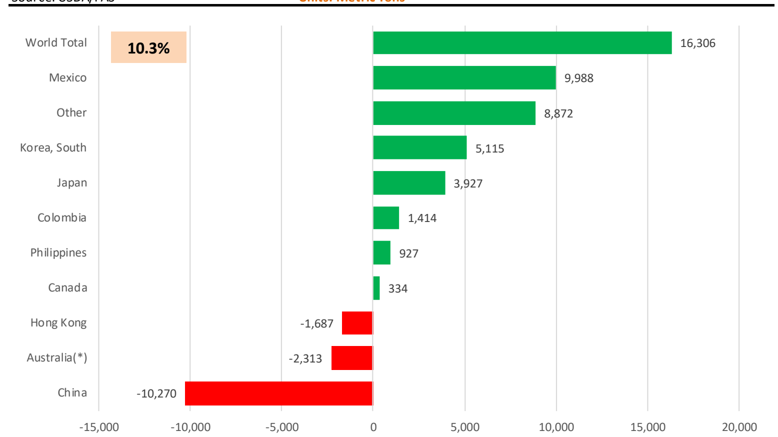
Exports to Japan in May were 21,206 MT, 11% higher than the same period a year ago. Beef exports to Hong Kong were up 29% and exports to Taiwan increased 23% from last year. Not all destinations showed growth, however. Exports to Mexico in May were down 3% following a 14% decline in April. For the year, however, beef exports to Mexico still are up 8% compared to the same period a year ago. Exports to South Kore also declined but that's because May 2016 beef exports to South Korea were particularly large. It will be interesting to see how exports to this market progress in the second half of the year. Last year Jul-Dec beef exports to South Korea were up 65% and matching those levels will be difficult. Beef exports to Canada remain weak, in part due to the exchange rate effect but also because Canadian producers are keeping more feeders domestically and bolstering domestic fed supplies. Exports to Canada were down 25% in May but still up about 8% for the year.

Weekly beef export trends so far have been quite positive and imply June shipments up about 10% from the previous year. If the current trend is maintained, it would also imply a 5.6% increase in July US beef exports.

Fresh/frozen chicken: Exports recovered in May as Avian Influenza cases disappeared and trading partners quickly lifted temporary bans on US chicken products. Total exports of fresh/frozen chicken in May were 251,965 MT, 11% higher than the previous month and about 0.6% higher than a year ago. A

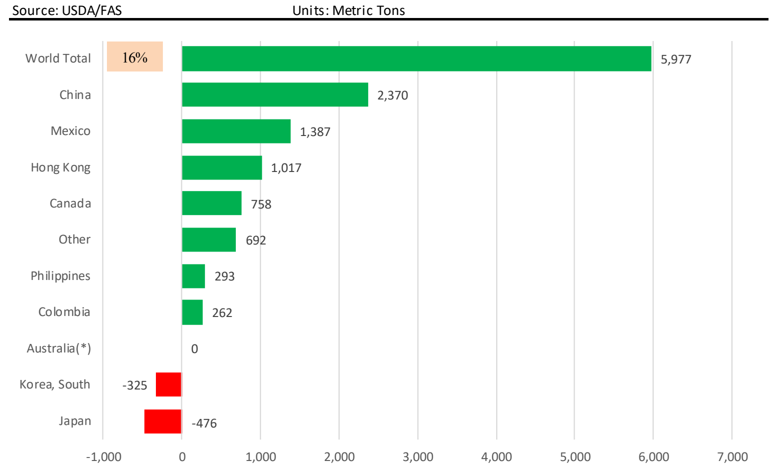
Y/Y Ch. in May. 17 vs. May 16 US Fr, Froz & Pres Pork Export Volume

Source: USDA/FAS Units: Metric Tons



Y/Y Ch. in May. 17 vs. May 16 US Pork Variety Meat Exports

Source: USDA/FAS Units: Metric Tons



recovery in exports to Africa clearly contributed to the rebound in shipments. Exports to Angola, which is the preferred port for shipping into the region, were 21,072 MT, a four fold increase compared to a year ago. Mexico is the main destination for fresh/frozen US chicken. May shipments to Mexico were down 3% compared to a year ago and they are down 9% so far this year.

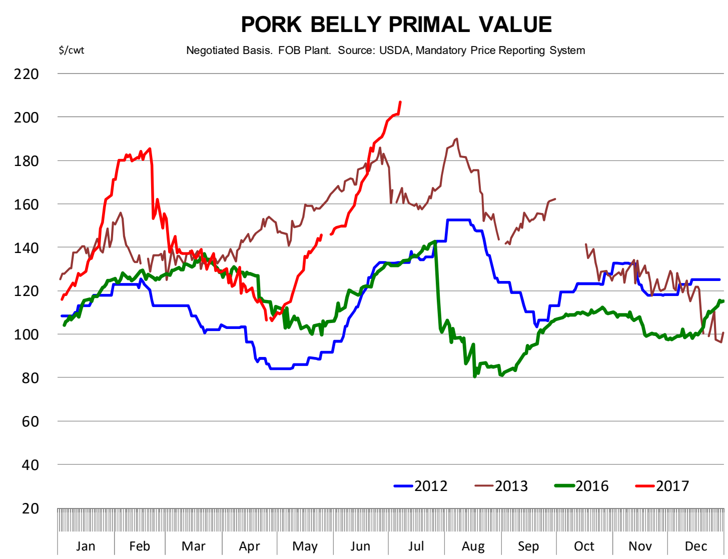
Fresh/frozen turkey: US turkey exports were significantly impacted by the AI related shortages, and high prices, that developed in 2015 and early 2016. While exports have been slowly recovering, they still remain well below pre-AI levels. Total exports of fresh/frozen turkey in May were 19,195 MT, 6.9% higher than a year ago. In the first five months of the year US turkey exports were 6.6% higher than a year ago. May exports were still 11% under the five year average for the month.

Mexico is by far the largest market for US turkey products. Exports to Mexico in May were 12,993 MT, 10% higher than a year ago. More US turkey is also now going to the Caribbean. Exports to the Dominican Republic more than doubled and exports to Haiti registered a six fold increase. Some markets remain soft, however. Taiwan has been a notable buyer of US turkey in the past but exports in May were down 62%. Exports to Hong Kong also declined by 50%.

Bottom line: Export demand remains critical for US producers as both red meat and poultry supplies are on track to expand in 2017 and 2018.

2. Record belly prices continue to drive gains in pork cutout, hogs

The pork cutout closed on Friday at almost $105/cwt, $15.5/cwt (+17.3%) higher than the previous year and far surpassing even some of the more bullish projections. That the surge has come after what was by all accounts a dismal spring makes the recent rally even more impressive. Pork supplies continue to increase compared to the previous year and there is little question that the higher prices producers and packers currently enjoy are a direct result of very strong domestic and export demand. In the next section we review export pork sales in May and current trends for June and July. On the domestic front, the main driver for the surge in prices are bellies. About 75% of the gain in the value of the cutout is due to higher pork belly prices (see chart below). Loins, butts, picnics and ribs also have increased compared to the previous year but belly values have far surpassed all earlier estimates. In April, the pork belly primal bottomed out at around $106/cwt. We think the mid range forecasts for summer bellies at that point were in the $160-$165 range, a 36% summer premium in line with the seasonal supply decline and higher retail ads. In the last five years (2012—2016) that summer premium has averaged around 50% so it is possible that the forecast may have been on the low side. But this is a notoriously price volatile product. During the last five years that summer premium has ranged between 9% (2013) and 162% in 2015. The experience of 2015 is particularly interesting. Just as we saw this year, in 2015 there was a sharp decline in pork belly prices during the spring, which allowed retailers to book a fair amount of ads for the summer. There was no shortage of pork at the time, just that prices were low enough to offer retailers an incentive to promote this product. However, one would do well to consider what happened for the rest of the year in 2015. The average price of the pork belly cutout in 2015 peaked in the mid $175/cwt in August of that year but by the end of the year it was back to under $100/cwt. We are projecting a similar decline this year, with belly cutout values expected to average above $200/cwt in July and then be back to under $130 by the end of the year. Pork belly prices are now at all time record highs and we expect to see the average bacon price to be sharply higher by September.



Upcoming holidays:

2017 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

Live hog. For the week ending July 8 slaughter was 1.849 million head, up 1.2% from a year ago. In the last two weeks hog slaughter is up 2.3% vs. year ago levels.

Iowa/Minnesota, Base Negotiated Purchase for Barrows and Gilts. Lean hog carcass values at about 87.47 /cwt. on Friday were up $1.1/cwt since Wed. June 28. Prices are up about 9.0 $/cwt compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at $1.2768, up about 1.9 cent since the Wed. June 28 quote and up about 25 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at $1.3589 for the strap on loins, up 1.2 cent since Wed. June 28 and up 12 cent from the year ago levels. Strap off loins at $1.5569 are up 5.0 cent since Wed. June 28 and up about 16 cent compared to the year ago quote.

Boneless sirloins at $1.1596 are down about 2 cents from the Wed. June 28 quote but up about 2.9 cents from the year ago price.

Pork tenderloin finished last week at $2.3017, up one cent since the Wed. June 28 quote but down about 51.8 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at $1.2613, down 1.3 cents since Wed. June 28. Prices are up 8 cent from a year ago.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at $1.4500, down about 16 cent since Wed. June 28 and down about 12 cents from year ago levels.

Rib inventories on May 31 were 115.3 million pounds, up 4.9% percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was $0.7793/lb., up 3 cents since Wed. June 28 but down about 5 cents from a year ago.

20/23 hams finished the week at 78.03 cents, up about 3 cents since Wed. June 28 but down about 5 cents from the year ago level.

23/27 hams finished the week at 78.28 , up about 2 cent from the Wed. June 28 quote but down about 5 cents from the year ago level.

Total ham cold storage stocks on May 31 at 144.1 million pounds were down slightly from year ago levels.

42 CL Pork Trim "FOB Basis". Prices finished the week at 67.98 cents, up about 1.1 cent since Wed. June 28 and up about 34 cents from the year ago price.

72 CL Pork Trim "FOB Basis". Prices finished the week at 88.75 cents, down 2.1 cents since the Wed. June 28 quote but up about 13 cents from the year ago level.

Freezer stocks of all trimmings on May 31 were 37.8 million pounds, down 7.2% 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 108.13 on Friday, July 8, up about 14 cents from a year ago.

Broiler slaughter for the week ending July 8 was 168.48 million head, up 2.86% from a year ago. For the last two weeks broiler slaughter was up 0.9% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at $1.6305, down 0 cents since Wed. June 28 but still up about 27 cents from year ago levels.

Leg Quarters. This market continues to be export driven. Last week leg quarter prices were down about 1.2 cents vs. two weeks ago but at 42.90 cents per pound prices were up 8 cents from a year ago.

Wings. Prices at $2.0493 are up about 47 cents from year ago levels.

Turkeys

Hens finished last week at $1.0700, unchanged cent since Wed. June 28 but down about 18 cents from the year ago price.

Toms finished last week at $1.0700, unchanged since Wed. June 28 but down about 18 cent from the year ago price.

Total turkey supplies in the freezer on May 31 were up 17.5% from a year ago at 533.6 million pounds. Whole birds were up 28.8% from a year ago with an inventory of 277.4 million pounds.

Turkey slaughter was 4.2500 million head for the week ending July 1, up 2.46% from a year ago. For the last two weeks slaughter has been up 2.1%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at $1.5300, unchanged since Wed. June 28. Prices are down about 62 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 $2.3214 for 90CL and $1.0153 for 50CL product, an 81CL meat block value is now $2.0275 and a 78CL meat block is $1.9296. Choice 114, 3 Clods are now being priced 22.27 cents over 81CL meat block grinding values of 90s and 50s. A year ago the spread was 15.13 cents and the five year average spread for is 25.02 cents over.

Select #115 chucks also are no longer being quoted.

Choice #161 Boneless Rounds finished last week at $2.4000, down slightly since Wed. June 28 but up about 15 cents from year ago levels.

Choice #184 Regular Heavy top butts finished at $3.6633 (wt. avg.) up about 5 cents since Wed. June 28 and up about 17 cent from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at $3.7730 (wt. avg.) down about 2 cents since Wed. June 28 but up about 8 cents from the year ago levels.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at $1.8842 down about 8 cents since Wed. June 28 but up about 40 cents from year ago levels.

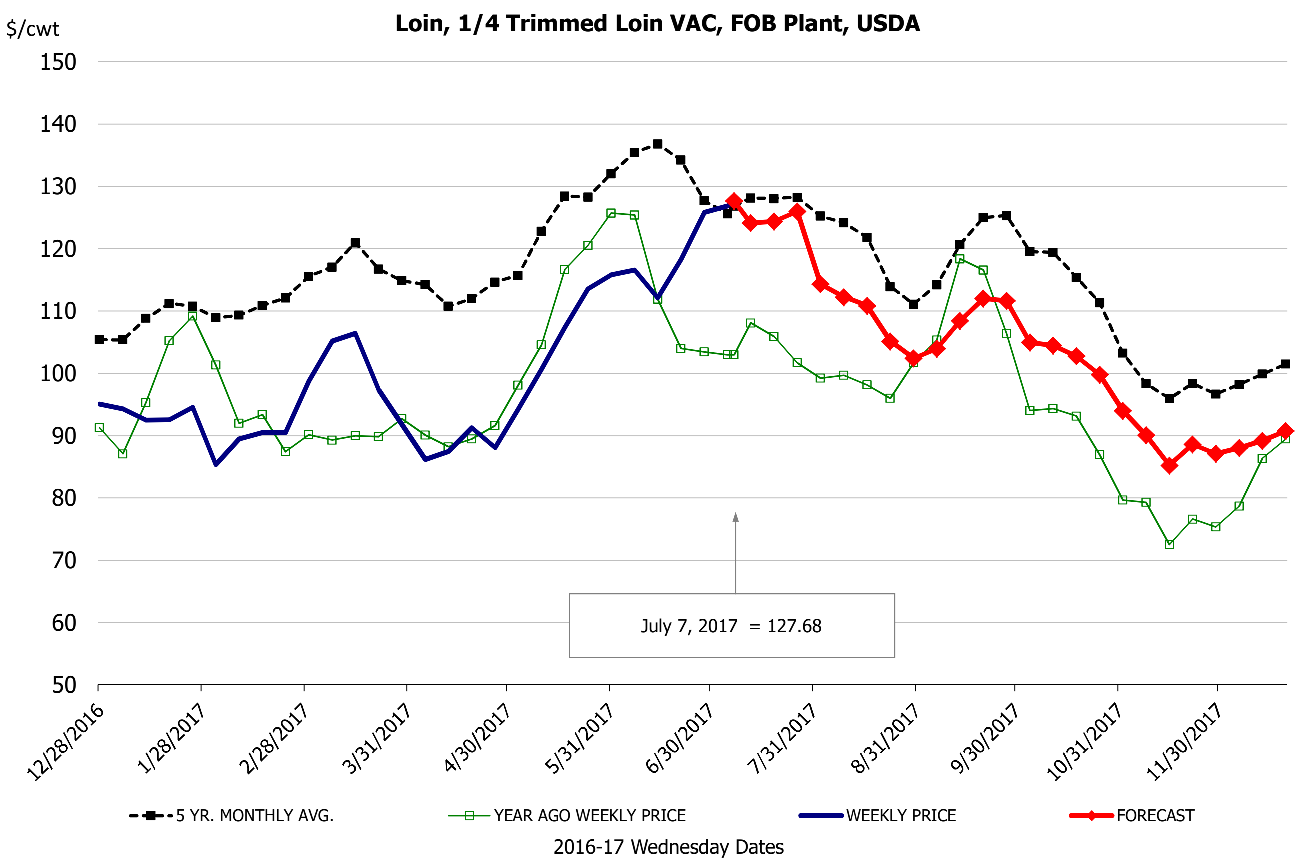
81CL Coarse Ground product finished last week at $2.0314 down about 13 cent since Wed. June 28 but up about 22 cents from the year ago quote.

90CL Bnls. Beef prices finished the week at $2.3214 (wt. avg.) up 0.40 cent since Wed. June 28 and up 16 cents compared to the year ago price quote.

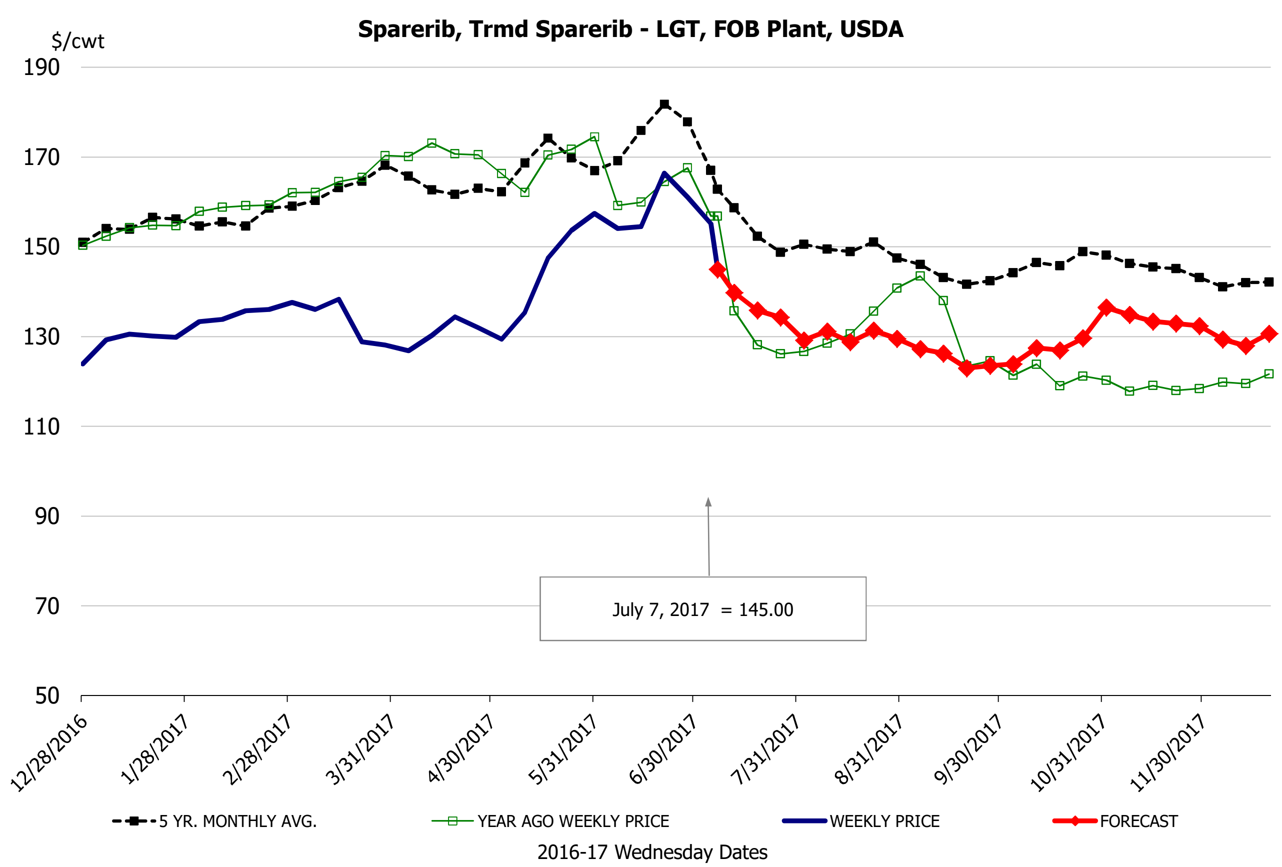
50 CL Beef Trim prices finished last week at $1.0153, down about 7 cent since Wed. June 28 but up 10 cents compared to the year ago level.

Retail Summary Table - WT. AVE.

	HISTORY								FORECAST						
	Dec	Jan	Feb	Mar	Apr	May	6/14/2017	6/23/2017	7/5/2017	Jun	Jul	Aug	Sep	Oct	Nov
PORK															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	83.33	91.87	89.63	99.46	88.05	104.30	112.11	119.53	113	117	113	105	105	95	87
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	90.24	98.47	95.29	107.73	97.15	109.57	123.49	125.62	124	123	122	114	109	104	97
Loin, Bnls CC Strap-off, FOB Plant, USDA	134.43	146.51	133.81	136.34	132.43	144.19	151.87	144.86	152	154	151	144	148	147	137
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	84.50	91.53	85.79	92.59	89.19	105.42	108.16	108.01	114	113	109	104	100	90	90
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	120.38	129.19	134.63	131.76	129.47	142.24	154.48	165.57	165	159	154	144	130	127	134
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	118.82	128.17	132.30	131.43	127.02	145.15	164.93	167.96	163	161	155	145	132	128	133
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	73.69	58.28	59.62	63.22	59.73	68.11	70.99	72.41	77	69	76	73	71	74	74
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	75.36	58.56	59.72	61.60	59.93	68.97	69.46	72.64	76	69	77	74	72	70	72
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	72.33	54.21	57.82	60.05	59.06	67.94	70.16	71.78	77	68	77	74	71	67	69
Belly Cutout, FOB Plant, USDA	104.22	136.46	174.02	136.45	118.16	129.45	164.72	187.90	192	173	191	173	152	145	130
Belly, Derind Belly 9-13#, FOB Plant, USDA	126.12	174.85	216.78	168.90	143.77	160.70	201.14	229.97	239	212	234	212	187	178	160
Belly, Derind Belly 13-17#, FOB Plant, USDA	129.95	164.59	208.09	166.45	141.23	153.58	200.29	228.02	235	210	232	210	185	176	158
Trim, 42% Trim Combo, FOB Plant, USDA	25.33	25.27	30.64	35.08	34.21	38.73	58.68	68.20	56	64	65	54	45	36	33
Trim, 72% Trim Combo, FOB Plant, USDA	52.98	69.78	61.56	67.74	68.32	79.86	98.41	98.15	102	101	103	85	75	67	63
Trim, Picnic Meat Combo Cushion Out, FOB Plant, USDA	77.24	74.25	65.22	71.23	74.81	82.92	98.15	107.11	109	101	113	102	88	88	87
Carcass Cutout, FOB Plant, USDA	77.78	80.56	83.82	80.11	74.86	84.06	95.07	101.15	100	96	99	94	84	81	80
HOG CARCASS															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Dlv.	51.92	61.17	71.25	66.26	56.67	68.99	83.65	87.26	87	82	84	80	68	66	63
BROILERS															
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	97.93	101.17	107.51	112.62	129.87	153.28	161.22	163.56	166	164	162	157	146	127	119
N.E. BROILER BREAST LINE RUN, USDA	89.36	87.14	85.58	97.39	107.25	119.53	125.77	124.30	128	125	124	123	118	112	105
N.E. BROILER LEG QUARTERS, USDA	31.34	32.48	33.14	37.87	39.06	41.08	40.86	40.76	43	40	42	41	40	38	36
TURKEYS															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	113.50	106.00	106.00	107.00	107.00	107.00	107.00	107.00	108	108	109	113	117	120	120
UB TOM TURKEYS, EAST, FROZEN 16-22LBS	113.50	106.00	106.00	107.00	107.00	107.00	107.00	107.00	108	108	109	113	117	120	120
LIVE STEERS															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	112.57	118.94	119.79	126.90	127.76	136.40	135.01	121.83	121	129	120	119	118	116	118
BEEF															
CHOICE, 161, 1 ROUND, BONELESS, USDA	208.43	227.45	223.77	230.37	221.41	235.40	245.03	245.00	238	240	236	234	233	234	233
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	202.66	205.90	216.10	242.49	214.51	231.79	267.10	253.91	253	257	250	240	220	215	213
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	191.57	207.11	200.35	205.71	193.53	209.70	223.88	218.22	206	213	198	202	208	215	205
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	230.77	248.53	291.00	380.54	358.69	365.43	379.59	360.96	359	364	354	346	338	308	295
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	399.36	422.14	430.01	503.15	540.49	684.46	711.52	636.21	606	670	570	545	512	479	465
COARSE GROUND 73%, USDA	130.79	143.48	130.34	163.23	159.70	192.80	199.82	214.63	181	201	175	185	176	171	164
COARSE GROUND 81%, USDA	161.57	185.71	172.35	183.71	181.80	214.24	224.39	222.43	213	224	200	200	191	187	182
90% BONELESS BEEF, CENTRAL, FRESH, USDA	191.62	203.14	208.90	214.90	217.24	223.35	230.56	231.49	233	230	232	228	221	206	201
50CL BEEF TRIM, FRESH, NATIONAL, USDA	37.94	56.26	79.34	98.83	105.46	176.71	129.18	121.19	104	139	107	102	88	89	93

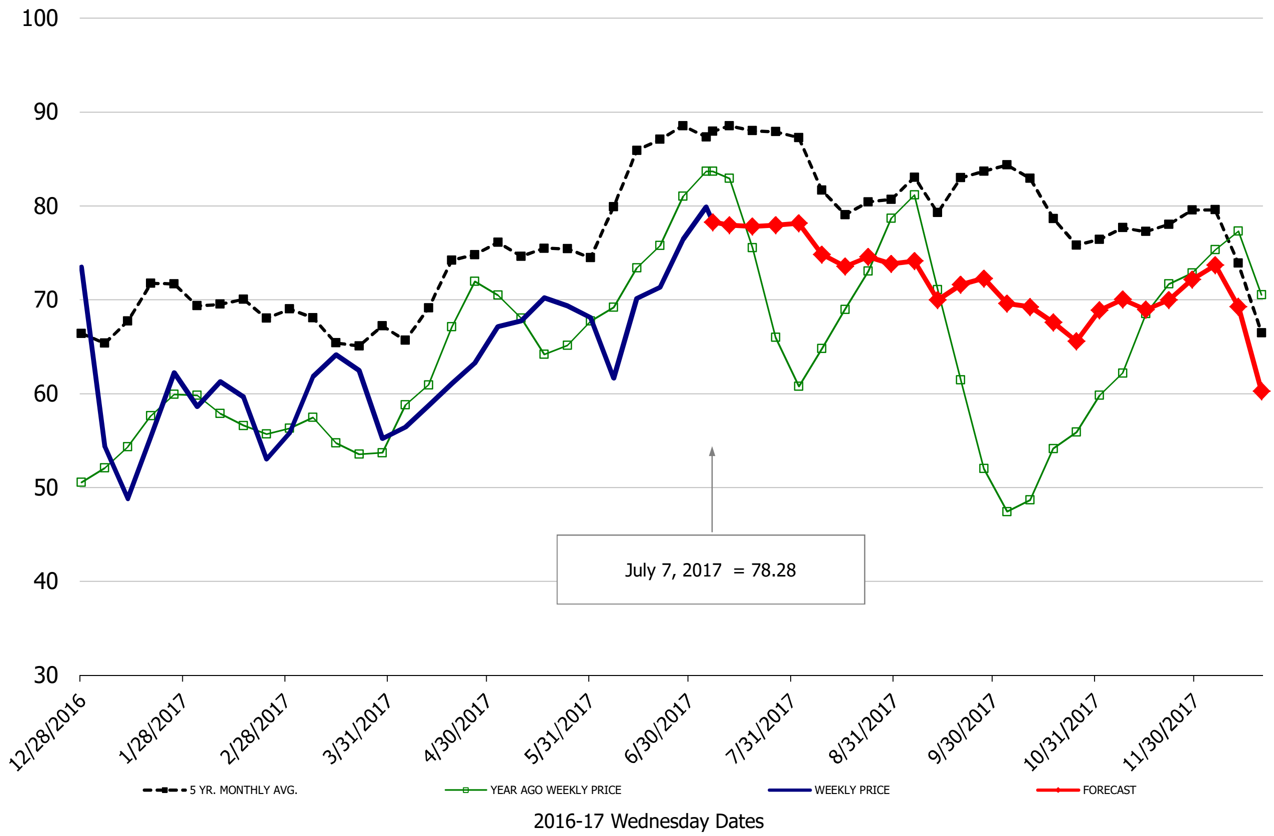


Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA
$/cwt
150
140
130
120
110
100
90
80
70
60
50
July 7, 2017 = 127.68
12/28/2016
1/28/2017
2/28/2017
3/31/2017
4/30/2017
5/31/2017
6/30/2017
7/31/2017
8/31/2017
9/30/2017
10/31/2017
11/30/2017
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2016-17 Wednesday Dates

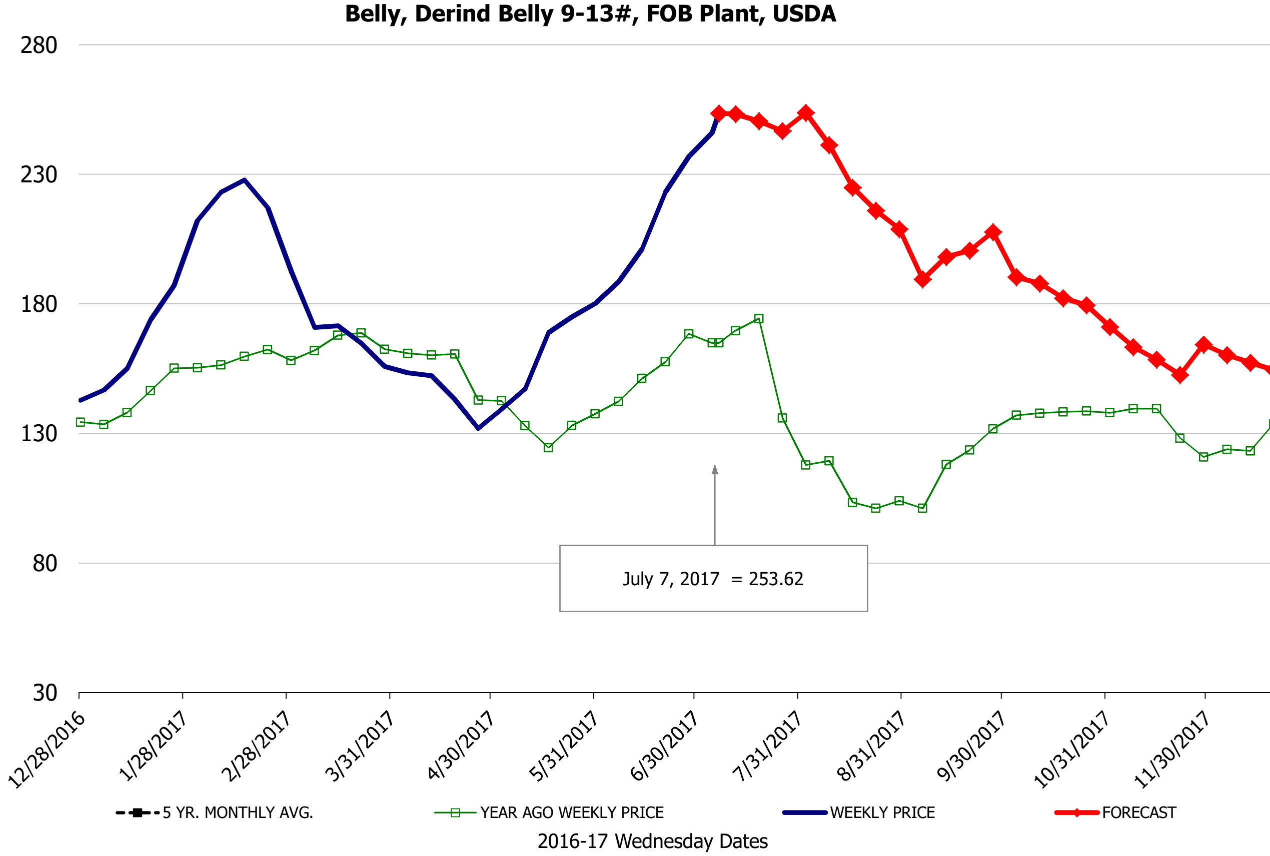


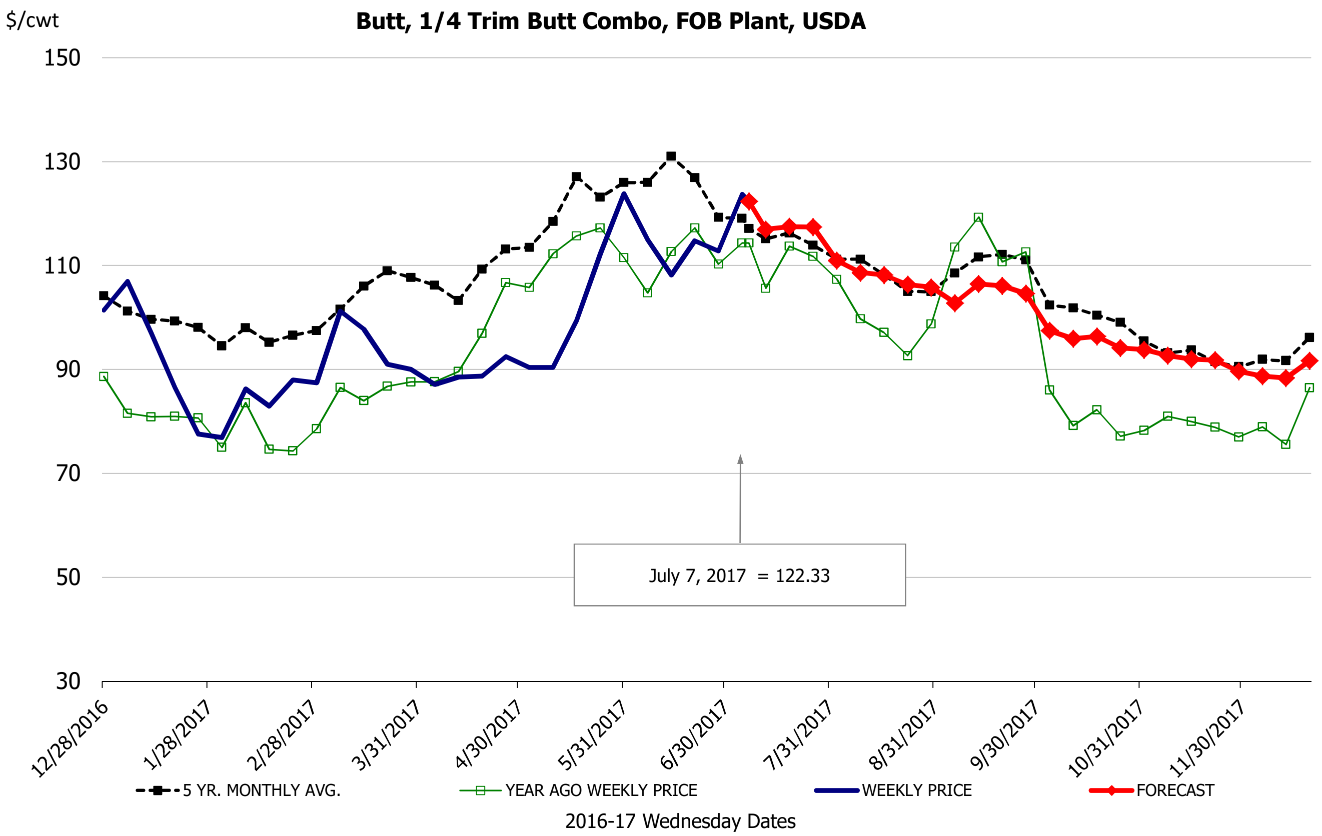
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA
$/cwt
190
170
150
130
110
90
70
50
July 7, 2017 = 145.00
12/28/2016
1/28/2017
2/28/2017
3/31/2017
4/30/2017
5/31/2017
6/30/2017
7/31/2017
8/31/2017
9/30/2017
10/31/2017
11/30/2017
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2016-17 Wednesday Dates

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
July 7, 2017 = 122.33
12/28/2016
1/28/2017
2/28/2017
3/31/2017
4/30/2017
5/31/2017
6/30/2017
7/31/2017
8/31/2017
9/30/2017
10/31/2017
11/30/2017
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
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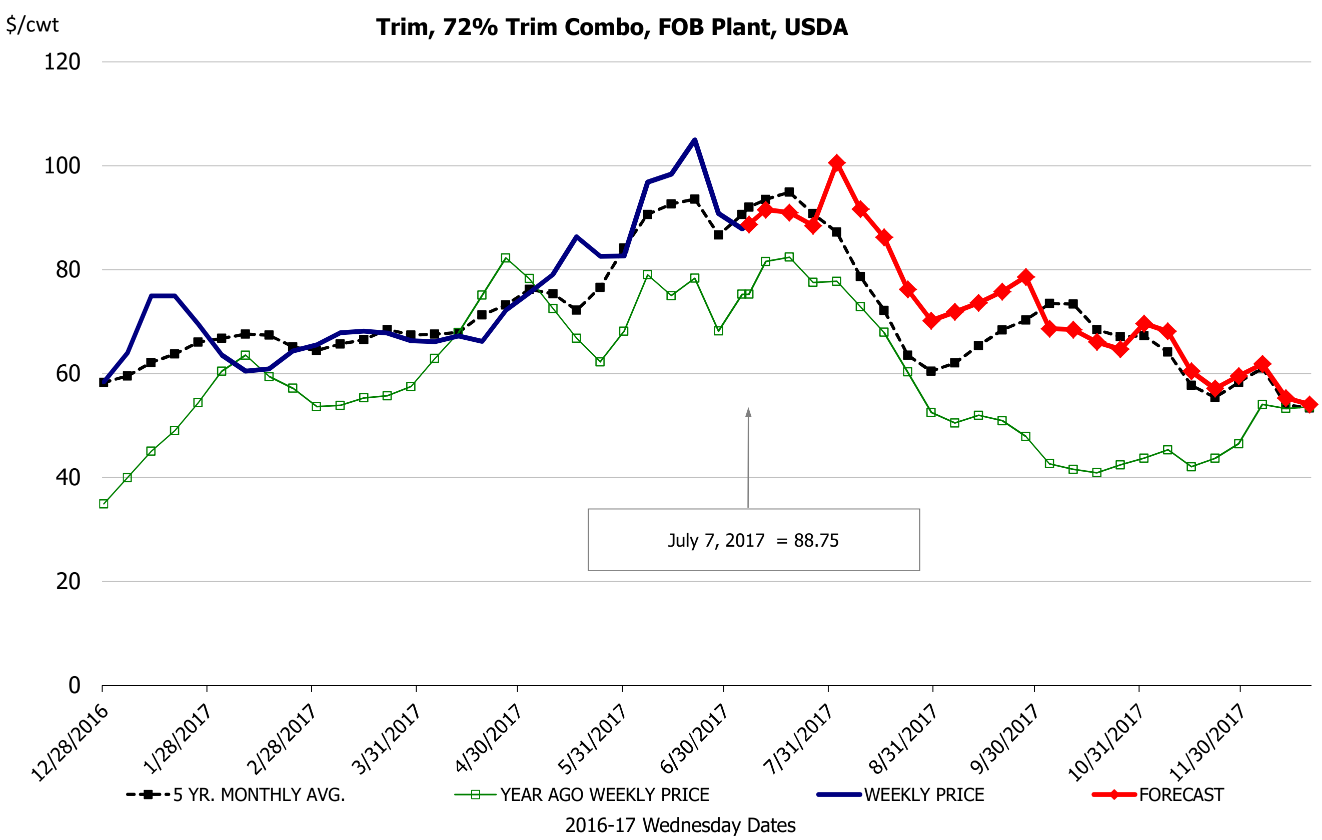
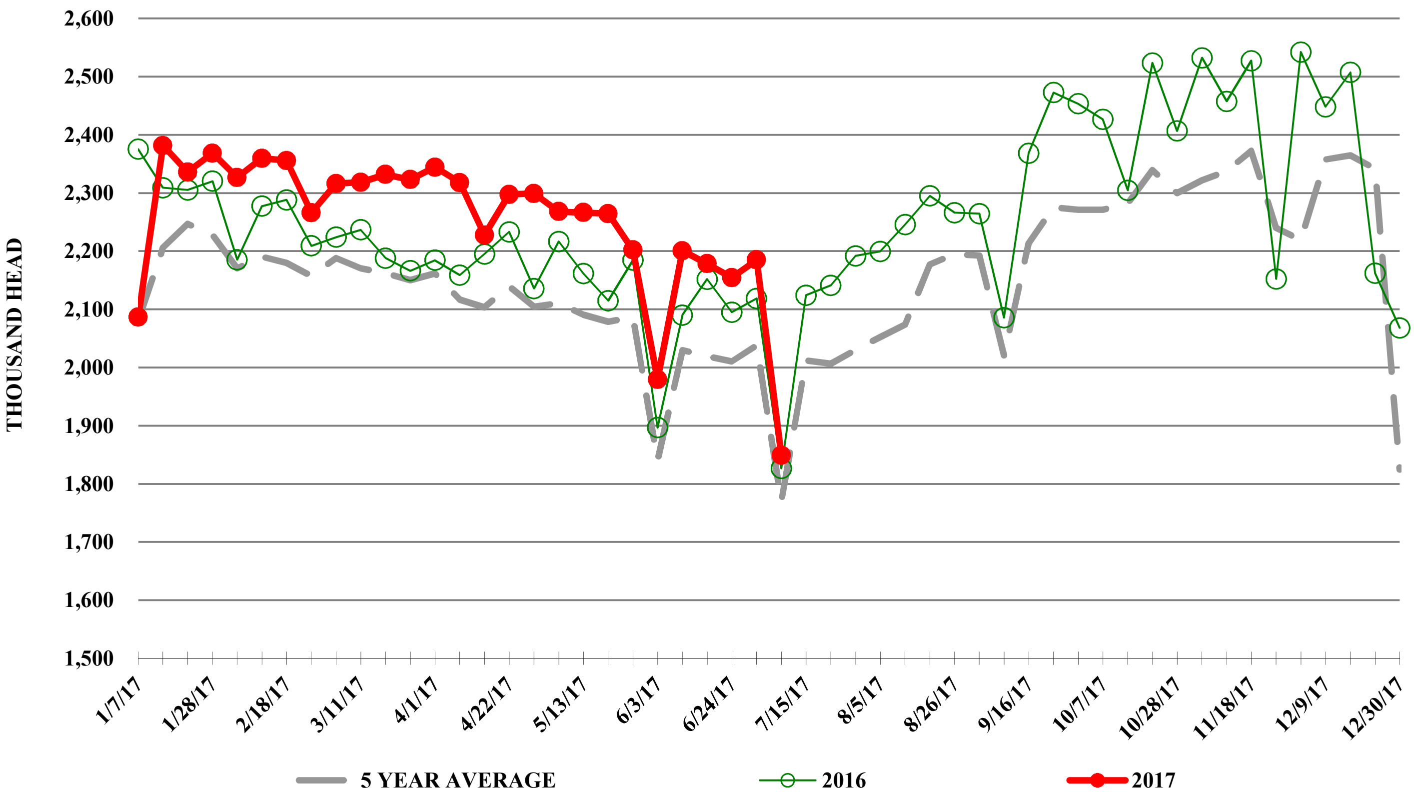
FORECAST
2016-17 Wednesday Dates


$/cwt
Trim, 72% Trim Combo, FOB Plant, USDA
120
100
80
60
40
20
0
July 7, 2017 = 88.75
12/28/2016
1/28/2017
2/28/2017
3/31/2017
4/30/2017
5/31/2017
6/30/2017
7/31/2017
8/31/2017
9/30/2017
10/31/2017
11/30/2017
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2016-17 Wednesday Dates

ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION