



Pork Merchandiser's Profit Maximizer

Be inspiredSM

- Foodservice Edition -

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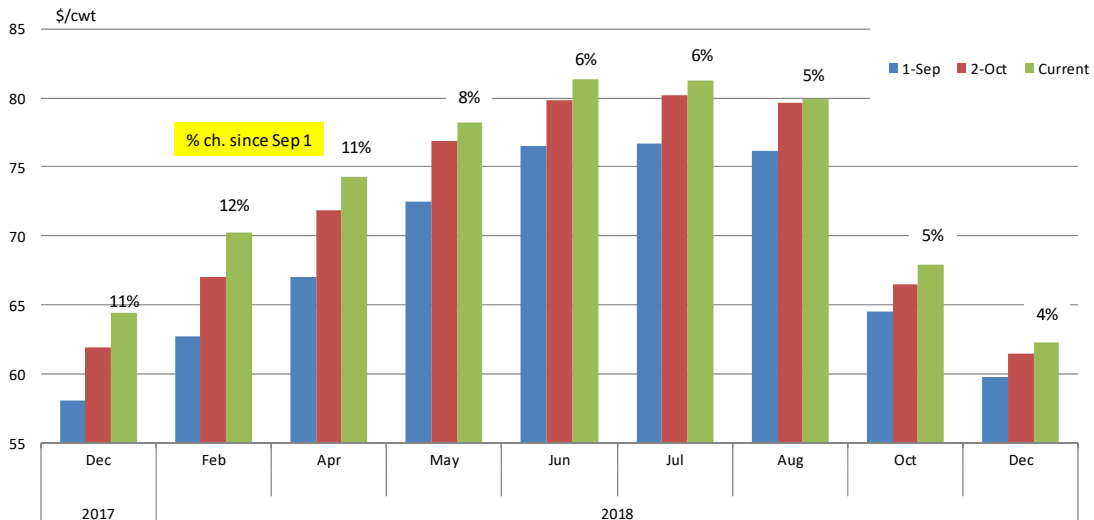
October 30, 2017

1. Hog futures continue to rally on robust cash hog prices, expectations of continued strong demand

Firm cash hog prices continue to underpin the lean hog futures contract. Cash hog prices gained 5% for the week and they are currently as much as 26% higher than a year ago (net price). Interestingly, the IA/MN base price is now running 45% above year ago levels, a clear indication in

our mind of the impact that the two new processing plants have had on packer/producer margins. Last year hog production started to exceed available daily capacity and producers had little choice but to take lower bids and have their hogs slaughtered with extra shifts or on Saturday. The two new hog processing plants in Sioux City and Coldwater are not yet operating at full capacity but they have provided the much needed slack to allow producers in these areas to market their

Evolution of Lean Hog Futures Prices for Late 2017 and 2018
Comparison of Contract Closing Prices on Sep. 1, Oct. 2 and Current



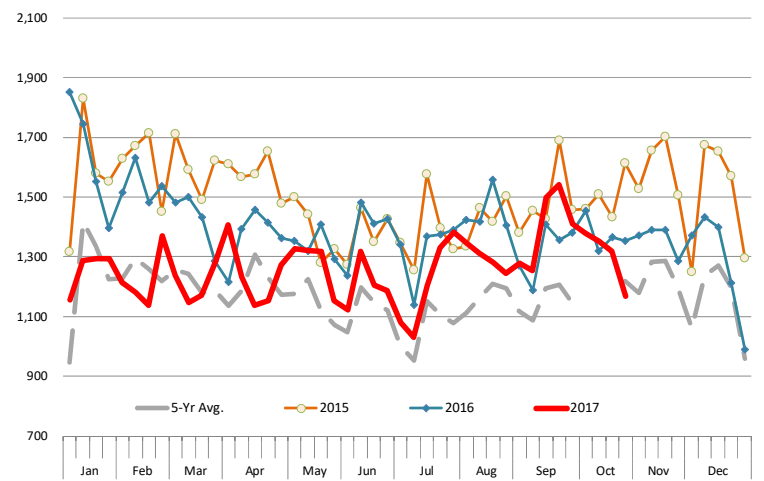
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hogs in a more timely fashion. Saturday slaughter this week was pegged at 200,000 head, down 30% from the same week a year ago and also under the 232,000 head slaughtered for the same week in 2015. In the last three weeks Saturday hog slaughter has been running 35% under last year. Hog carcass weights remain near year ago level, an indication producers remain current in their marketings and thus lending support to cash hogs.

Hog supplies are expected to remain record large through the end of the year. USDA indicated that weekly hog slaughter in November should run around 3.9% above last year's record numbers and we should expect year/year increases in pork production for much of next year as well. Higher slaughter capacity has helped alleviate the constraints that producers faced last year. The new plants do little in terms of selling pork at higher prices. The pork cutout last week averaged \$76.7/cwt, 4.9% higher than a year ago despite a 4.6% increase in pork production. Pork demand has been better than many expected but one also needs to consider the short term effect of expectations and end user positioning. While pork production was up 4.6% last week, the amount of pork that was sold on a spot basis was actually down as much as 13% compared to a year ago. One could look at this decline of sales in the spot market and conclude that demand may be softening. We have a different take. We think the shortfall of spot sales indicates that packers have done a very good job, at least so far, to get more sales on the books on a formula or forward basis. Furthermore, expectations of lower pork prices likely encouraged retailers and other end users to expand their pork features. After all, there was going to be a record amount of pork this fall and thus supply was not an issue. Also helping the pork market so far is the surge in export sales during September, which has further reduced the amount available in the spot market. The next few weeks will be more challenging, however. Prices for some products, especially hams, picnics and trim are quite a bit higher than some market participants

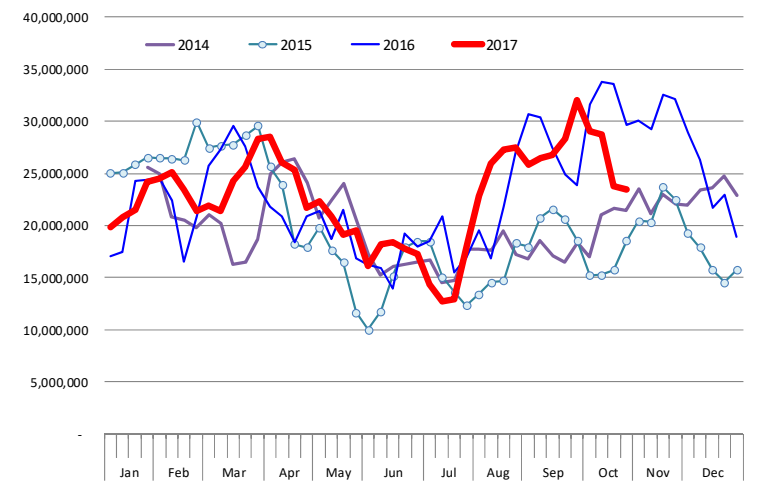
Volume of Pork Cuts Traded in the Negotiated Market

Source: USDA



Weekly MPR Export Sales Volume, All Pork - 4-week Moving Avg.

Based on MPR. Does not include NAFTA. Data Source: USDA. Analysis by Steiner Consulting



likely budgeted for. This may impact retail features for the year-end holidays as well as the level of pork sold into export channels. Already we have started to see a slowdown. Export sales based on the Mandatory Price Reporting system (this does not include Mexico and Canada) have averaged 21% down y/y in the last four weeks. For the week ending October 28, however, sales were up sharply, possibly indicating that some of the year-end holiday export demand is starting to kick in.

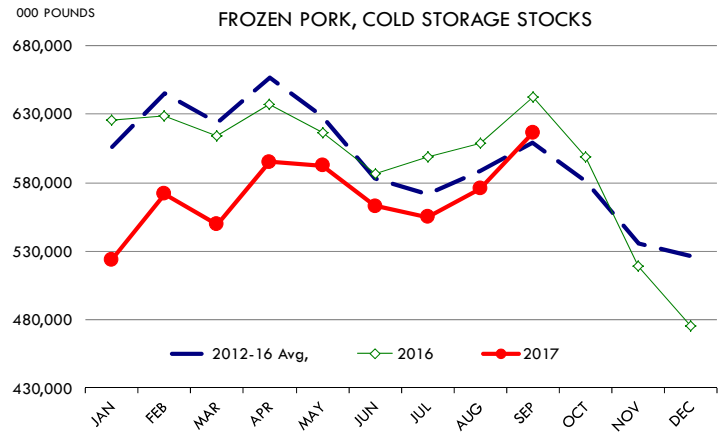
Bottom line: Domestic and export markets have been able so far to absorb the surge in red meat and poultry production. Rally in futures reflects the reality of better than expected demand but participants will pay close attention if export business starts to slow down.

2. Cold Storage Update

The combined inventory of beef, pork and poultry in cold storage at the end of September was 2.496 billion pounds, 2.2% higher than the previous year and the largest amount of meat in cold storage since October 2002. Red meat and poultry inventories have increased at a faster than normal pace in the last two months. September freezer stocks rose 2.5% from the previous month compared to an average 0.6% M/M increase in the last five years. But this is not necessarily a bearish indicator. The increase in production has bolstered US exports and this implies that more beef, pork and chicken needs to be accumulated in storage before it is loaded in containers for export. We continue to urge that the cold storage numbers need to be viewed in the broader context of expanding US trade. The large inventory in cold storage underscores the need for robust US meat protein demand, both from domestic and export sources, in Q4.

Total beef inventories at the end of September were 487.8 million pounds, 6% less than a year ago. Beef inventories in September rose 2.4% compared to the previous month. In the last five years September beef stocks have increased by an average of 5.1% from August levels. This is another indicator that beef demand remains in good shape, with product flowing into the marketplace rather than being diverted into cold storage.

The seasonal increase in pork inventories during September outpaced that of recent years. This may be viewed as bearish but in our view some caveats are warranted. At the end of September there were 616.3 million pounds of pork in cold storage, a 7.1% increase from the previous month. In the last five years September stocks have increased by an average 3.6% from August levels. Last year the m/m inventory increase was 5.5%. But consider what drove the m/m increase in pork freezer stocks. Ham inventories increased 13.8% in September compared to an average 7.8% in-



crease in the last five years. However, the increase followed a slower than normal inventory build during August. One way to read this is that end users that normally put away hams in August delayed this in anticipation of increasing September supplies and lower prices. When we look at the Jul - Sep ham inventory build, 2017 ham freezer stocks are up 19% compared to an average 28% build in the last five years. Last year the ham build Jul/Sep was 32%. When viewed in this context, the increase in ham cold storage stocks may not be as bearish as it first appears. Normally ham inventories are depleted in Oct-Dec as end users prepare for year-end holidays. Export demand remains a key wild card considering the large supply in cold storage and record pork production in Q4. Pork belly inventories increased modestly in September when normally stocks decline. However, August pork belly stocks were minimal so there was not much stock that needed to be depleted. It will be critical for the pork market to see some bellies move into storage during Q4 in order to be better prepared for any Q1 retail features. Last year a combination of aggressive features and limited cold storage inventories caused pork belly prices to rise sharply in Q1. Chicken supplies remain burdensome. Disruptions from Hurricanes Harvey, Maria and Irma may have significantly impacted chicken trade in September and caused product to be backed up in storage. Underscoring this, leg quarter inventories jumped 14.5% for the month.

Upcoming holidays:

2017 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 hogs. For the week ending October 28 slaughter was 2.526 million head, up 5.0% from a year ago. In the last two weeks hog slaughter is up 1.5% vs. year ago levels.

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass values at about 65.69 /cwt. on Friday were up \$3.1/cwt since Wed. October 18. Prices are up 20.6 dollars compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at \$0.9307, up about 4.6 cents since the Wed. October 18 quote and up about 6 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.1992 for the strap on loins, up 4.3 cent since Wed. October 18 but down about 10 cent from the year ago levels. Strap off loins at \$1.4245 are up about 11.5 cent since Wed. October 18 but down about one cent compared to the year ago quote.

Boneless sirloins at \$1.1050 are down 2 cents from the Wed. October 18 quote and down about 3.8 cents from the year ago price.

Pork tenderloin finished last week at \$2.1634, down one cent from the Wed. October 18 quote but up about 11.3 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at \$0.9489, up 4.2 cent since Wed. October 18. Prices are up 11 cents from a year ago.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$1.3404, up about 6 cent since Wed. October 18 and up about 13 cents from year ago levels.

Rib inventories on September 30 were 86.6 million pounds, up 3.4% percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was \$0.7869/lb., up 8 cents since Wed. October 18 and up about 21 cent from a year ago.

20/23 hams finished the week at 73.99 cents, up about 3 cents since Wed. October 18 and up about 16 cent from the year ago level.

23/27 hams finished the week at 71.91 , up about 4 cents from the Wed. October 18 quote and up about 16 cents from the year ago level.

Total ham cold storage stocks on September 30 at 232.0 million pounds were down 6.8% from year ago levels.

42 CL Pork Trim “FOB Basis”. Prices finished the week at 24.79 cent, up about 0.5 cent since Wed. October 18 but down about 0.3 cents from the year ago price.

72 CL Pork Trim “FOB Basis”. Prices finished the week at 60.24 cents, down about 0.5 cents since the Wed. October 18 quote but up about 18 cents from the year ago level.

Freezer stocks of all trimmings on September 30 were 34.8 million pounds, down 2.7% 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 84.41 on Friday, October 28, up about 14 cents from a year ago.

Broiler slaughter for the week ending October 28 was 164.38 million head, up 0.86% from a year ago. For the last two weeks slaughter was up 3.4% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$1.1512, up 1 cents since Wed. October 18 and still up about 8 cents from year ago levels.

Leg Quarters. This item continues to be driven by export demand. Last week leg quarter prices were up about 0.9 cents vs. two weeks ago and at 40.01 cents per pound prices were up 9 cents from a year ago.

Wings. Prices at \$1.9879 are up about 16 cents from year ago levels.

Turkeys

Hens finished last week at \$1.0700, unchanged since Wed. October 18 but down about 23 cents from the year ago price.

Toms finished last week at \$1.0700, unchanged since Wed. October 18 but down about 22 cent from the year ago price.

Total turkey supplies in the freezer on September 30 were up 11.2% from a year ago at 568.2 million pounds. Whole birds were up 22.7% from a year ago with an inventory of 330.3 million pounds.

Turkey slaughter was 4.8110 million head for the week ending October 21, up 3.06% from a year ago. For the last two weeks slaughter has been up 4.4%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$1.5500, unchanged since Wed. October

18. Prices are down about 60 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 \$7.7386 (weighted average quote) finished last week up about 11 cents since the Wed. October 18 quote and up about 83 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$7.2433 (weighted average quote) finished last week up about 41 cents since the Wed. October 18 quote but up about 131 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$0.4953 /lb. over Select. The 2015 annual average spread (wt. average price) had the Choice at a premium to the Select by \$0.0992 per pound and the previous five years (2010 thru 2014) average spread was Choice at a premium to the Select by \$0.0933 per pound.

Choice regular #168 insides finished last week quoted at \$1.9362 down about 20 cents since Wed. October 18 but up about 13 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$2.1622 up about 2 cents since Wed. October 18 and up about 28 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$2.1118 down about 0 cents since Wed. October 18 but up about 4 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$5.0534 (wt. avg.) down about

12 cents from the Wed. October 18 quote. Prices are up 70 cents from year ago levels.

Choice #184 Regular Heavy top butts finished at \$2.4687 (wt. avg.) up about 3 cents since Wed. October 18 and up about 7 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$2.6305 (wt. avg.) up about 19 cents since Wed. October 18 and up about 7 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$4.3954 (wt. avg.) up about 16 cents since Wed. October 18 and up about 72 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at \$1.4730 up about 6 cents since Wed. October 18 and up about 18 cents from year ago levels.

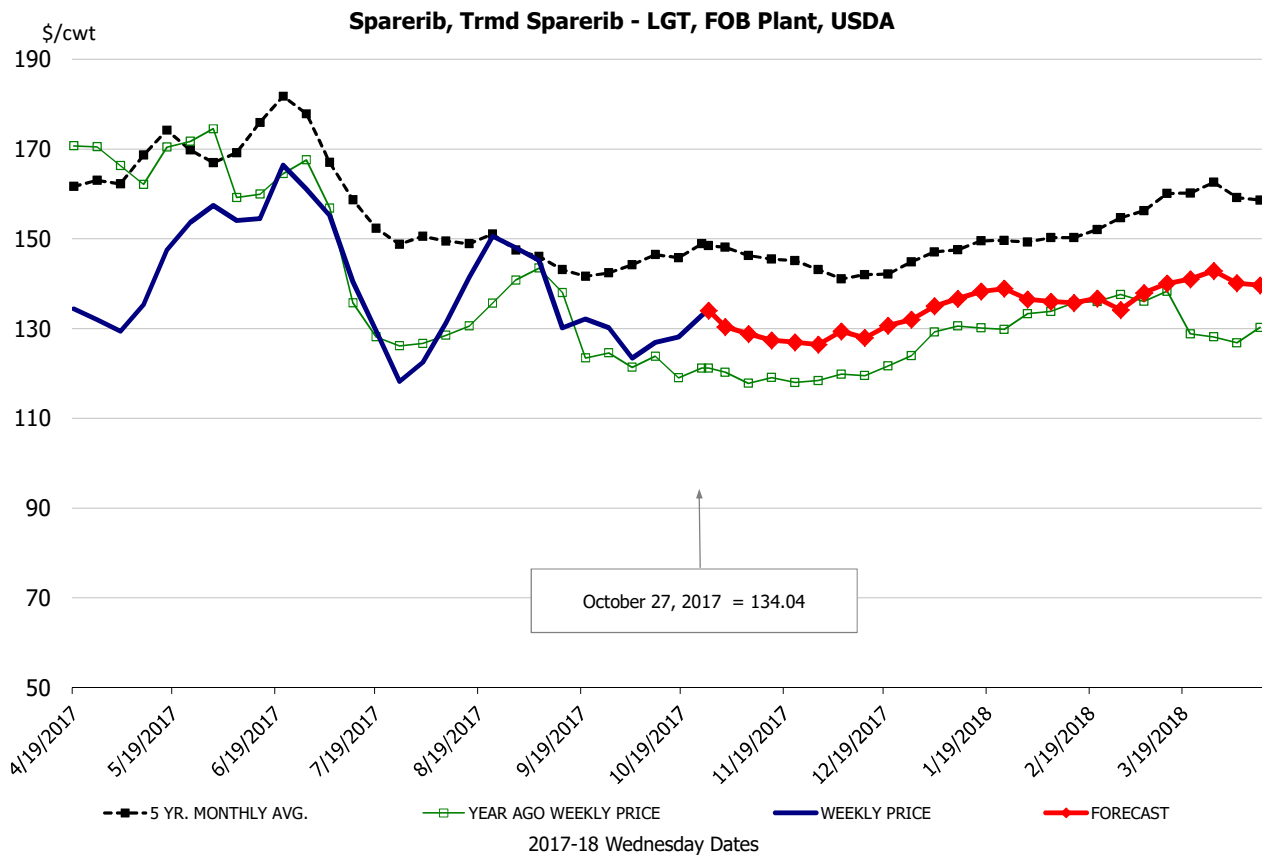
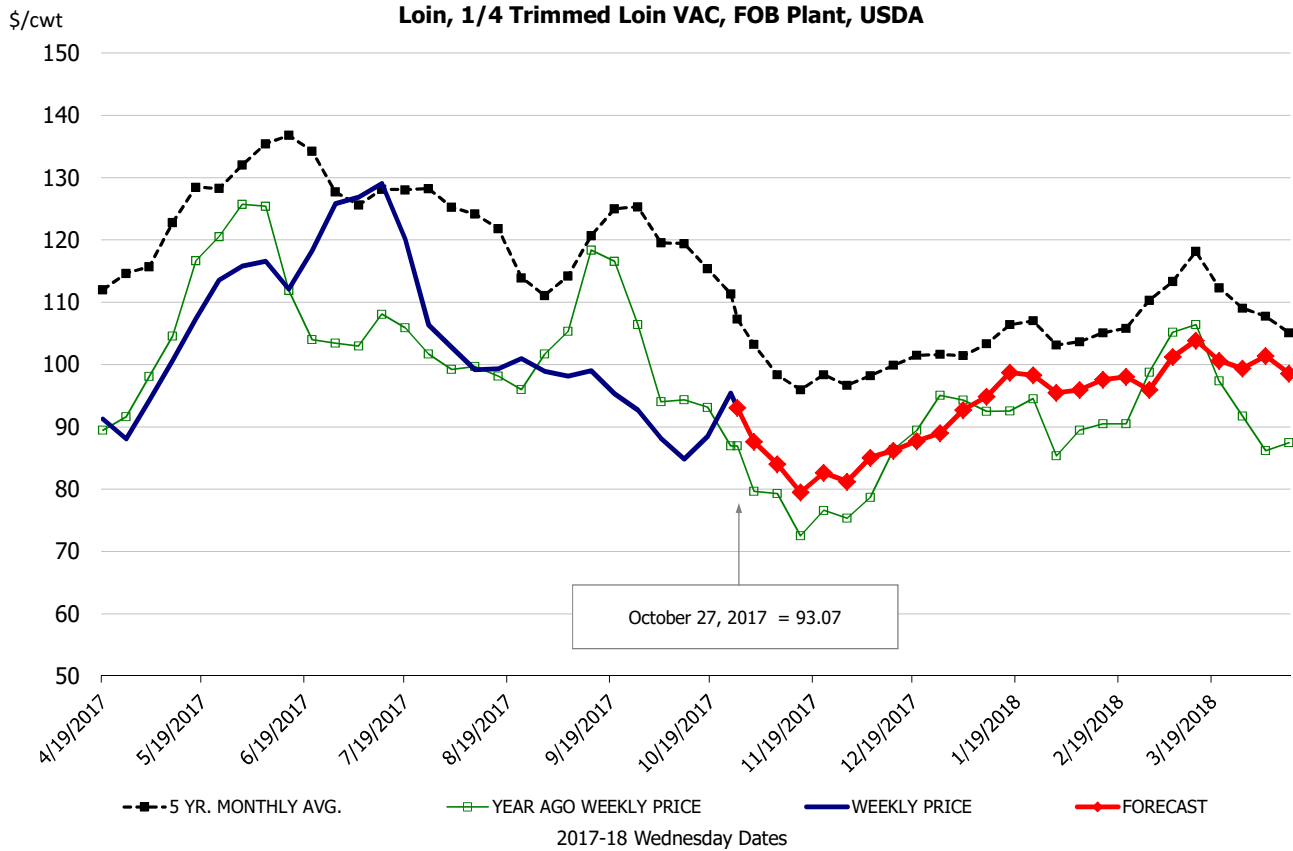
81CL Coarse Ground product finished last week at \$1.7809 up about 13 cent since Wed. October 18 and up about 14 cents from the year ago quote.

90CL Bnls. Beef prices finished the week at \$2.1253 (wt. avg.) down about 2.30 cent since Wed. October 18 but up 22 cents compared to the year ago price quote.

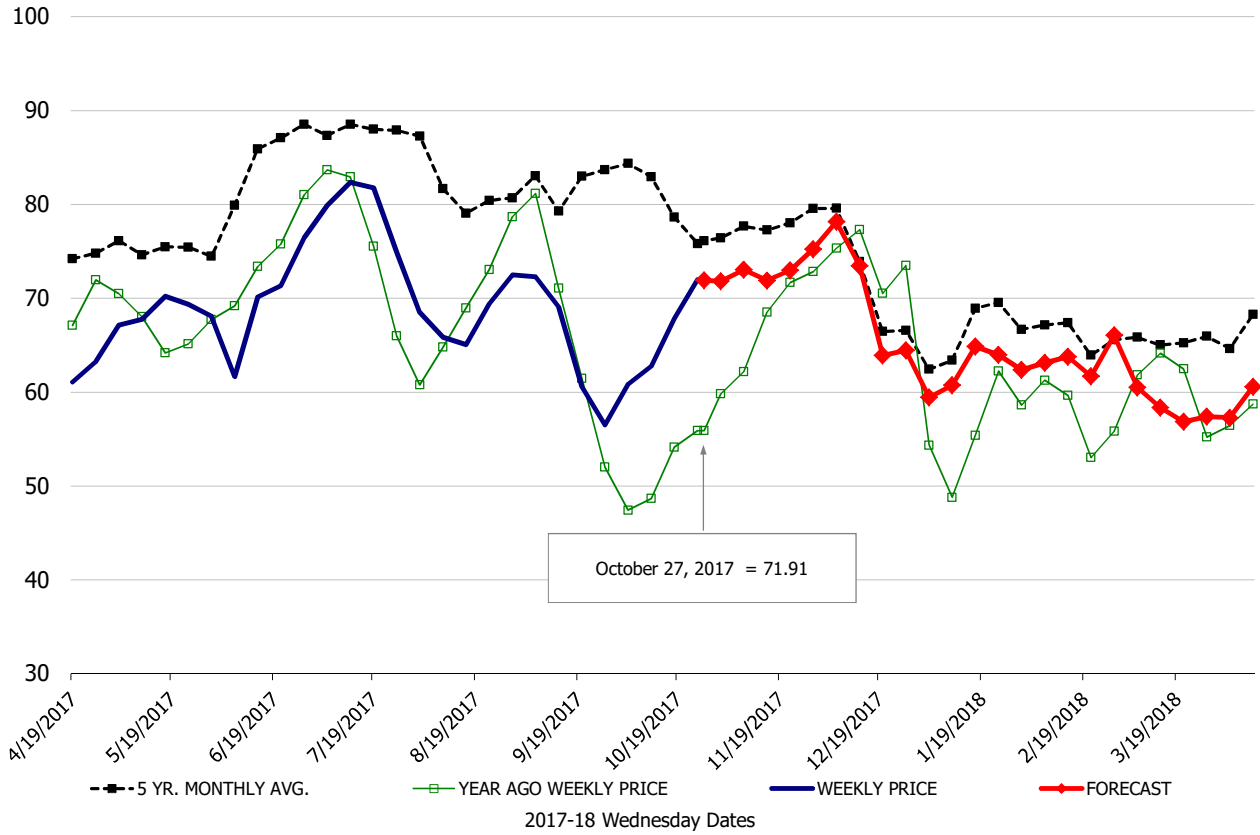
50 CL Beef Trim prices finished last week at \$0.7108, up about 14 cent since Wed. October 18 and up 36 cent compared to the year ago level.

Food Service Summary Table - WT. AVE

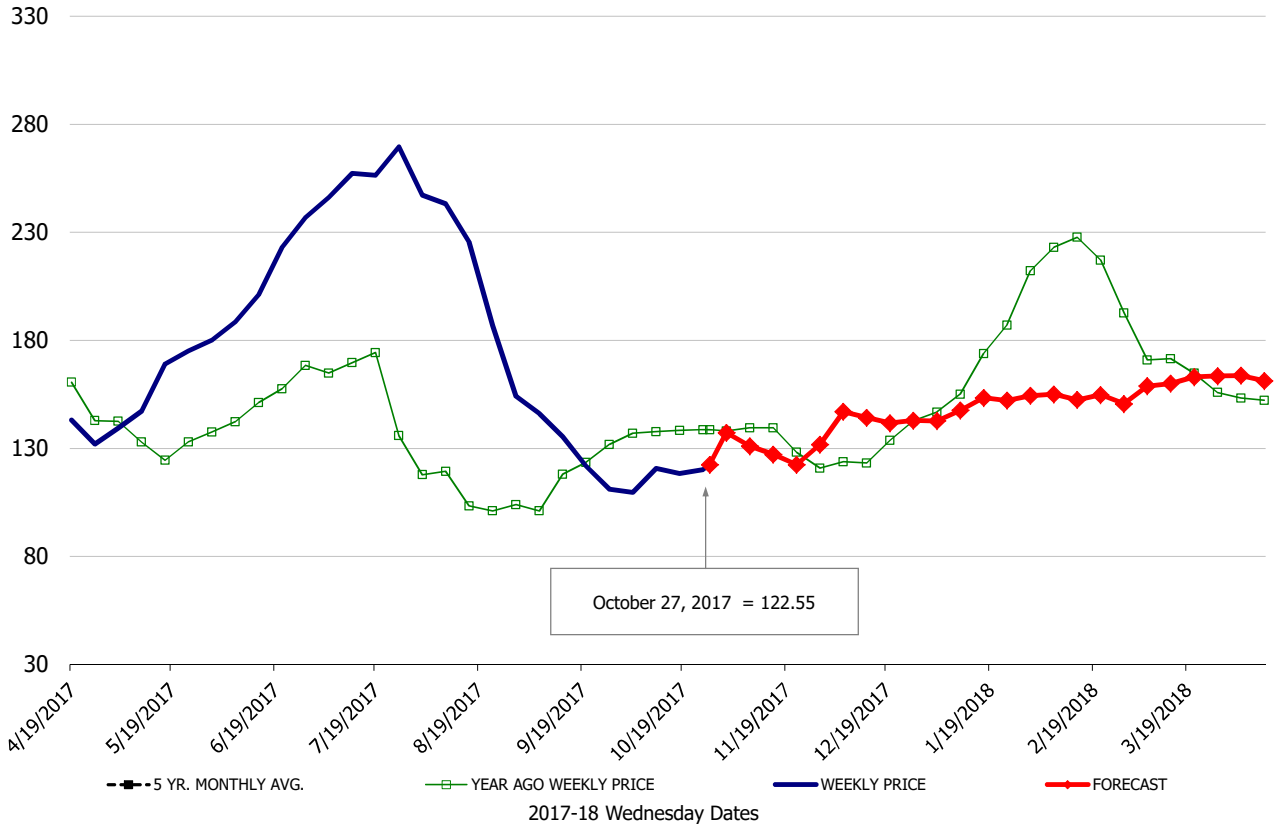
	HISTORY								FORECAST						
	May	Jun	Jul	Aug	Sep	Oct	10/18/2017	10/27/2017	11/8/2017	Nov	Dec	Jan	Feb	Mar	Apr
PORK															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.04	1.18	1.19	1.01	0.95	0.89	0.89	0.93	0.84	0.83	0.87	0.96	0.97	1.01	1.00
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.10	1.23	1.26	1.07	1.01	0.93	0.93	1.00	0.91	0.90	0.94	1.02	1.05	1.08	1.07
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.44	1.51	1.53	1.44	1.45	1.37	1.31	1.42	1.33	1.31	1.37	1.45	1.44	1.47	1.44
Loin, Tenderloin, FOB Plant, USDA	2.07	2.24	2.39	2.44	2.32	2.19	2.17	2.16	2.14	2.10	2.06	2.21	2.28	2.23	2.19
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	1.05	1.14	1.08	0.99	0.93	0.86	0.87	0.88	0.87	0.86	0.87	0.91	0.89	0.96	1.00
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.42	1.58	1.30	1.36	1.35	1.28	1.28	1.34	1.29	1.28	1.30	1.37	1.36	1.40	1.39
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.26	2.25	2.27	2.16	2.08	2.13	2.18	2.07	2.01	2.02	2.05	2.13	2.20	2.23	2.23
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.45	1.61	1.39	1.43	1.33	1.28	1.28	1.29	1.29	1.27	1.26	1.29	1.30	1.33	1.33
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.32	2.40	2.42	2.29	2.20	2.07	2.09	2.05	2.08	2.04	2.04	2.06	2.23	2.32	2.35
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.68	0.70	0.80	0.73	0.63	0.68	0.71	0.79	0.79	0.80	0.74	0.64	0.65	0.62	0.64
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.69	0.70	0.79	0.71	0.66	0.68	0.71	0.74	0.76	0.76	0.73	0.64	0.64	0.62	0.64
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.68	0.67	0.79	0.67	0.64	0.66	0.68	0.72	0.73	0.73	0.70	0.62	0.63	0.59	0.62
Belly Cutout, FOB Plant, USDA	1.29	1.71	2.09	1.76	1.04	0.95	0.95	1.00	1.10	1.06	1.19	1.21	1.27	1.30	1.29
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.61	2.19	2.56	1.93	1.35	1.17	1.18	1.23	1.31	1.30	1.44	1.49	1.56	1.60	1.59
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.54	2.06	2.55	2.11	1.25	1.16	1.15	1.23	1.35	1.31	1.45	1.50	1.57	1.60	1.58
Trim, 42% Trim Combo, FOB Plant, USDA	0.39	0.62	0.69	0.50	0.33	0.26	0.24	0.25	0.27	0.25	0.25	0.31	0.32	0.36	0.38
Trim, 72% Trim Combo, FOB Plant, USDA	0.80	0.94	0.91	0.66	0.60	0.62	0.61	0.60	0.62	0.57	0.54	0.58	0.63	0.62	0.67
HOG CARCASS															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	0.69	0.83	0.85	0.74	0.54	0.59	0.63	0.66	0.65	0.65	0.64	0.64	0.70	0.72	0.74
BROILERS															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	1.08	1.09	1.04	0.93	0.89	0.85	0.84	0.84	0.86	0.87	0.89	0.91	0.91	0.96	0.99
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.53	1.64	1.58	1.46	1.32	1.15	1.14	1.15	1.10	1.09	1.06	1.19	1.21	1.27	1.40
N.E. BROILER BREAST LINE RUN, USDA	1.20	1.25	1.25	1.17	0.99	0.82	0.81	0.83	0.86	0.86	0.88	0.98	1.02	1.03	1.08
N.E. BROILER LEG QUARTERS, USDA	0.41	0.41	0.43	0.44	0.42	0.40	0.39	0.40	0.39	0.39	0.39	0.41	0.43	0.44	0.45
N.E. BROILER WINGS, USDA, WT.AVG.	1.99	2.06	2.06	2.10	2.13	2.02	1.99	1.99	2.08	2.10	2.10	2.15	2.05	2.00	1.94
TURKEYS															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.10	1.09	1.05	1.04	1.04	1.06	1.09
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	1.53	1.53	1.53	1.53	1.53	1.55	1.55	1.55	1.63	1.60	1.53	1.53	1.53	1.60	1.70
LIVE STEERS															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.36	1.30	1.19	1.13	1.06	1.10	1.11	1.11	1.17	1.18	1.21	1.23	1.25	1.28	1.27
BEEF															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	9.10	9.39	7.02	6.74	6.33	7.46	7.63	7.74	9.01	9.20	8.65	6.16	6.49	7.28	7.31
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.32	2.50	2.32	2.11	2.04	2.15	2.14	2.16	2.23	2.23	2.27	2.37	2.33	2.40	2.30
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.10	2.10	2.04	2.05	2.12	2.07	2.11	2.11	2.17	2.14	2.15	2.34	2.31	2.18	2.06
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	8.08	7.62	5.79	4.94	5.05	5.10	5.18	5.05	4.84	4.85	5.09	5.23	5.38	6.27	6.63
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	3.65	3.67	3.78	3.34	2.72	2.54	2.44	2.63	2.72	2.72	2.79	3.09	3.21	3.56	3.71
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	6.84	6.25	4.45	4.00	3.89	4.10	4.23	4.40	4.37	4.40	4.45	4.54	4.89	5.25	5.70
COARSE GROUND 73%, USDA	1.93	1.98	1.76	1.57	1.49	1.35	1.41	1.47	1.51	1.47	1.49	1.95	1.73	1.75	1.68
COARSE GROUND 81%, USDA	2.14	2.22	1.95	1.79	1.75	1.65	1.65	1.78	1.82	1.78	1.77	2.18	1.93	1.93	1.86
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.23	2.30	2.33	2.32	2.24	2.16	2.15	2.13	2.13	2.12	2.20	2.25	2.36	2.44	2.42
50CL BEEF TRIM, FRESH, NATIONAL, USDA	1.77	1.32	0.93	0.69	0.45	0.55	0.57	0.71	0.80	0.74	0.70	0.79	0.79	0.94	0.88



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

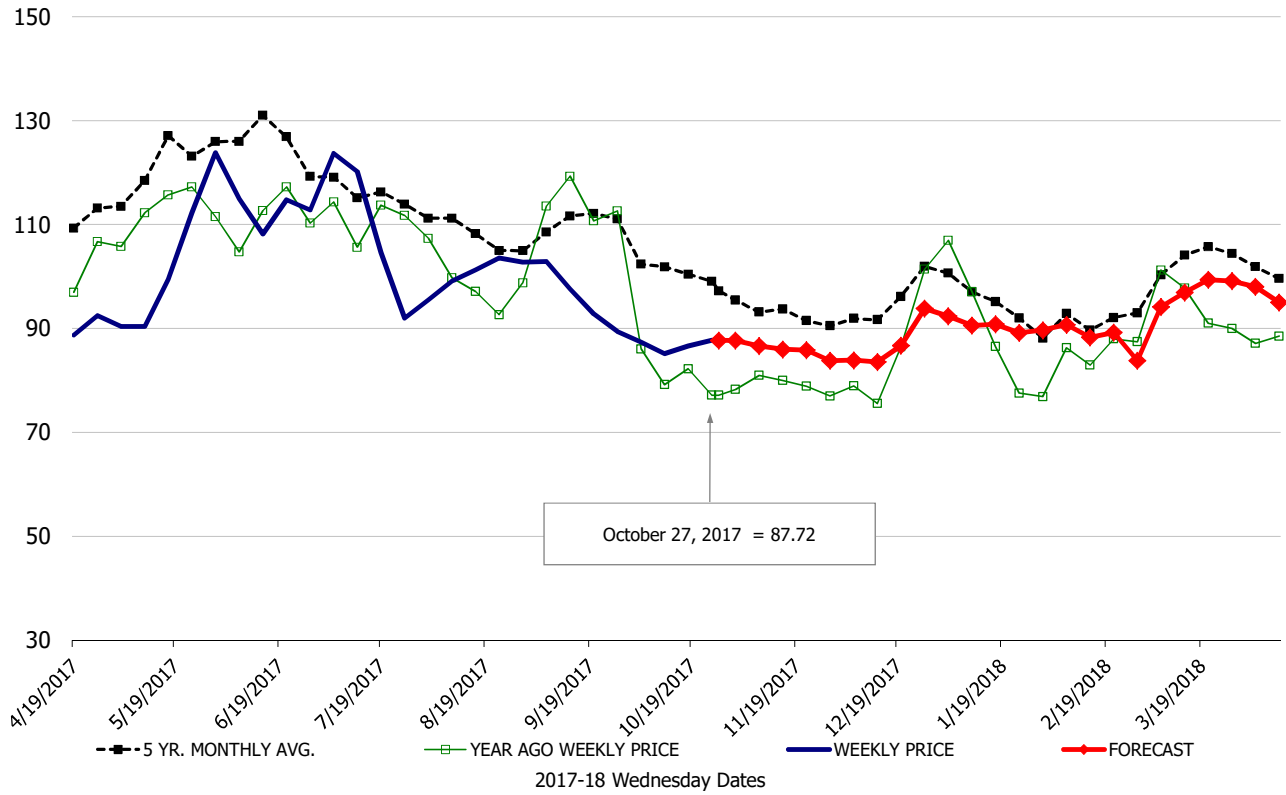


Belly, Derind Belly 9-13#, FOB Plant, USDA



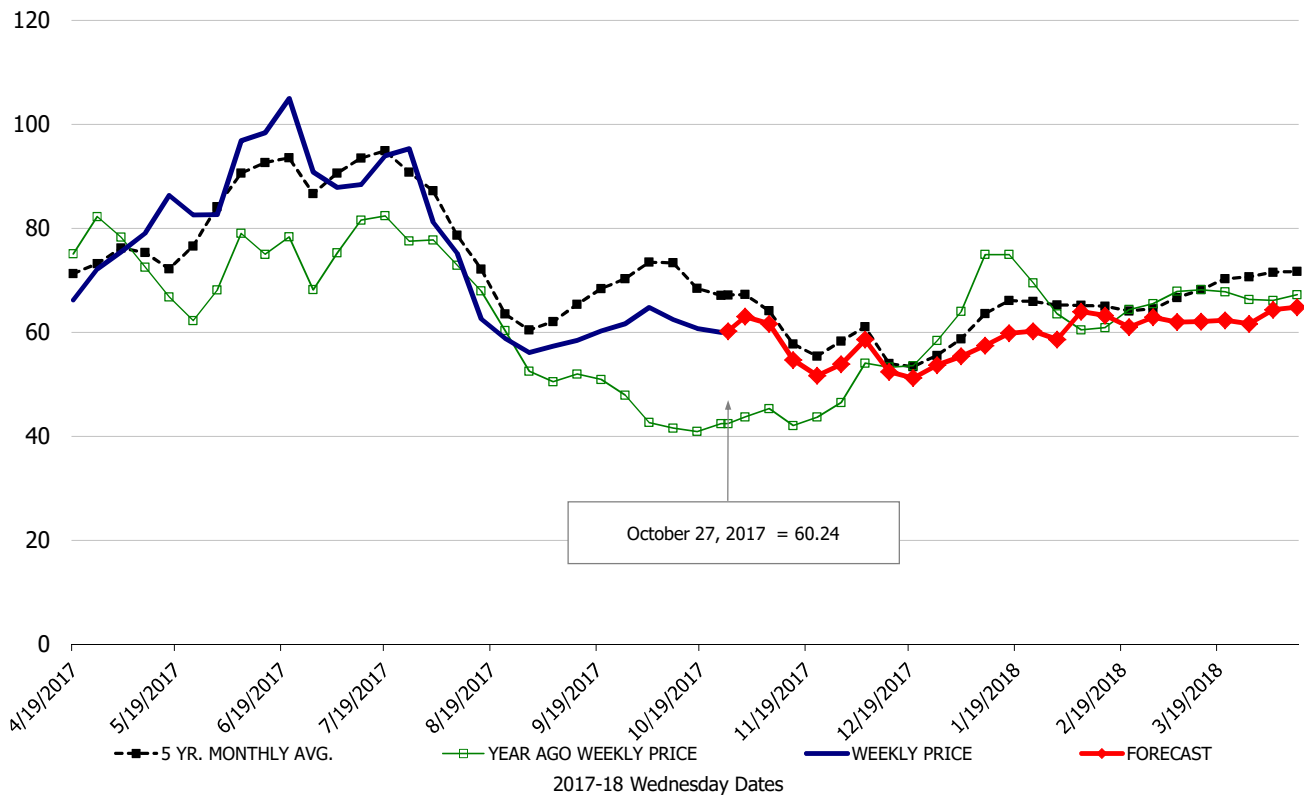
\$/cwt

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



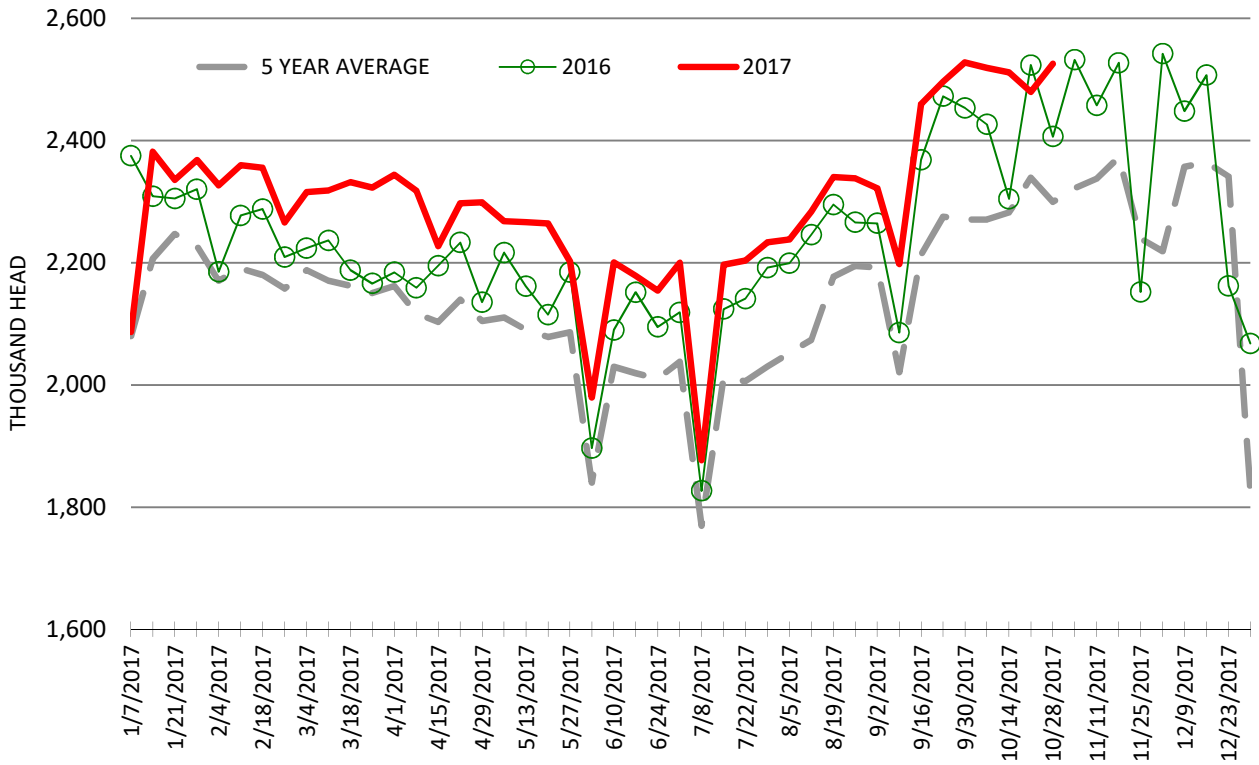
\$/cwt

Trim, 72% Trim Combo, FOB Plant, USDA



ESTIMATED WEEKLY FI HOG SLAUGHTER

Source: USDA, '000 head



ESTIMATED WEEKLY FI HOG SLAUGHTER

Source: USDA, '000 head

