



# Pork Merchandiser's Profit Maximizer

## Be inspired<sup>SM</sup>

### - Foodservice Edition -

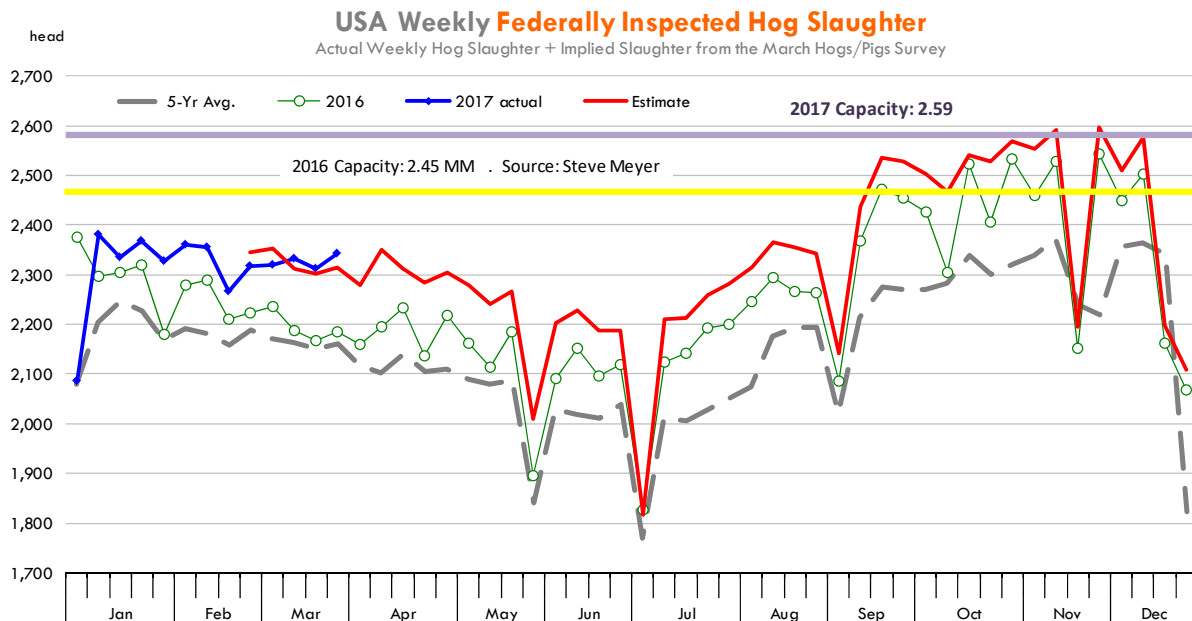
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Prepared by Steiner and Company, Manchester, NH 800-526-4612.

April 3, 2017

#### Expanding pork supplies should help keep prices in check through 2017 and 2018

USDA released on Thursday, March 30, the results of its quarterly survey of US hog products. The latest report confirmed what many in the industry suspected, namely that US hog producers continue to expand and pork production in 2017 is on track to post another all-time record. The total inventory of hogs and

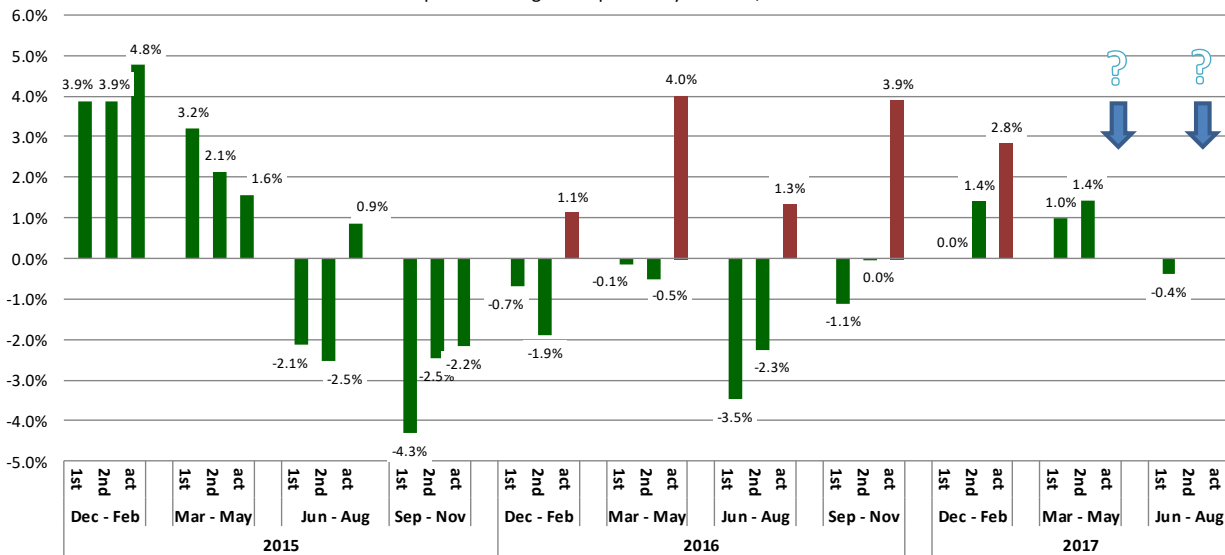
pigs as of March 1 was estimated at 70.976 million head, 4.2% higher than a year ago and the largest inventory on record. Pre-report estimates on average expected inventories to be up 3.9% from a year ago. The big increase in inventories is due to both more market hogs than last year (+4.4%) and also a larger breeding herd (+1.5%). The inventory of market hogs suggests that slaughter in the short term (April – May) will track around 5% above year ago levels and non-holiday weekly slaughter during Jun, July and Au-



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### USDA Quarterly Survey: Farrowing Estimates

Data Reflects percent change from previous year in 1st, 2nd and final estimate



gust should be about 3.5-4.0% higher than a year ago. The chart below shows the potential trajectory for weekly hog slaughter based on the latest 'Hogs and Pigs' estimates.

While there is a growing supply of hogs on tap for the summer and fall market, it appears that the industry will be able to process the additional hogs thanks to new plants that are expected to become operational this fall. Two new plants will be critical to this mission - one in Sioux City (Seaboard/Triumph) with a capacity of 10-12,000 hogs per day and one in Coldwater, MI operated by Clemens Food group. The Clemens plant also is expected to have a daily capacity of 10,000 head per day. In addition, two smaller plants are expected to add an additional 6,500 head per day to the national processing capacity. The chart on page 1 shows where the rated 5.4 day processing capacity was in 2016 and where it is expected to be by the fall of 2017.

#### Summer Market

The key for the pork market this summer is going to be demand. As we saw earlier this year, excellent exports and good domestic clearance were enough to push hog prices to some pretty lofty levels despite the higher slaughter. If pork export demand is sustained through the summer, then we would expect the pork cutout to hover around 85-88 cents and hog values in the high 70s. But if exports struggle, which was an issue last summer, then pork and

hog prices could come under substantial pressure. Futures markets have sold off in the last two weeks following the slump in pork prices. Loin values have come under substantial pressure due to the +6% increase in slaughter and colder weather in heavily populated areas. We expect loin values to seasonally improve into May but for now they have subtracted significant value from the carcass. Ham prices generally are soft once Easter needs have been covered and we expect ham prices to be near year ago levels through the summer. Exports to Mexico remain a key factor for the ham market going forward. Last year we saw Mexican buyers become quite active in the US once ham values traded in the 60 cent area. We would expect ham exports to pick up again in late April and May.

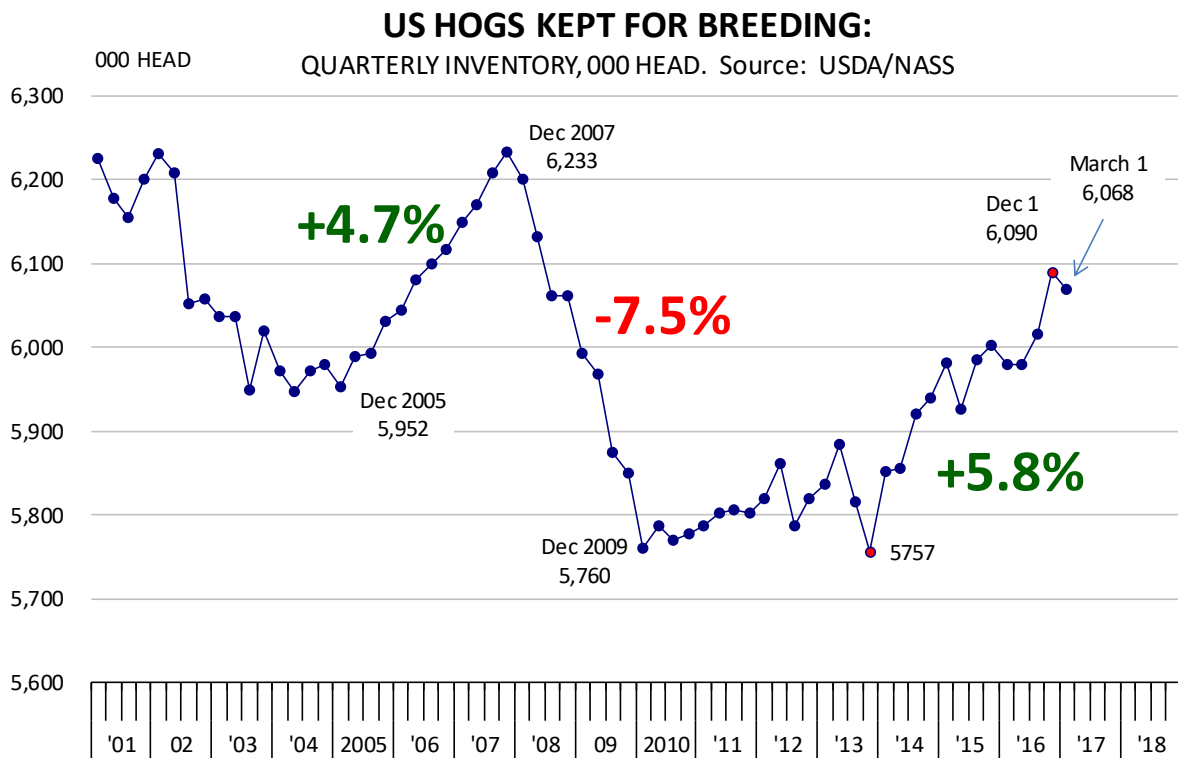
#### Fall Market

The latest report indicated that producers expect farrowings for the March – May period to increase 1.4% from a year ago. One thing we have noted in recent reports is that producers have consistently under reported the farrowing intentions (see chart above). Indeed, the Dec-Feb farrowings initially were reported to be unchanged, then expected to be up 1.4% and then revised up again to 2.8% in the March report. Is it possible producers have once again understated the March farrowing numbers. We think so and based on the ratio of farrowings to the March 1 breeding herd, we would expect farrowings to be up 2% from last year. The farrowing rate

has been increasing in the last two years. If the current farrowing number is correct and we use a normal trend growth for pigs per litter, hog slaughter for the fall should be around 2.5% higher than the already record weekly slaughter last year. If producers are understating the farrowings, then slaughter growth could approach 4% growth for some weeks. Higher processing capacity will help but we still do not have a comfortable cushion to work with. There are two risks to the downside for the pork market this fall. First, what happens if the projected capacity does not all come on line as projected? One of the smaller plants was scheduled to open in January and it has yet to start operations. Any disruptions/delays in processing capacity could be quite problematic considering the supply of hogs expected to show up later this year. The second risk is demand. It is important to remember that one way the industry was able to deal with the big surge in supplies was by sharply reducing hog

prices and offering retailers and foreign buyers a deal on US pork. Hog prices dropped to near 40 cents in October 2016 to help accomplish this. Today futures are pricing October 2017 futures at 65 cents.

The breeding herd continues to expand, up 1.5% higher than last year but slightly under what analysts were projecting. During the most recent hog cycle, the breeding herd is up 5.8% from the trough compared to 4.7% in the previous cycle (see chart). While inventories continue to increase, we think producers have slowed down the pace of gilt retention. But it is hard to argue for producers to cut back production when the futures so far have provided the opportunity to lock in a positive margin for much of this year. It will likely take a much more significant and prolonged downturn in hog prices and/or higher feed costs to eventually caused producers to take their foot off the gas. For now, pork supplies are plentiful and this offers ample opportunity to merchandise pork.



**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 April 1 slaughter was 2.343 million head, up 7.3% from a year ago. In the last two weeks hog slaughter is up 7.0% vs. year ago levels.**

**Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values.** Lean hog carcass values at about 61.49 /cwt. on Friday were down \$4.9/cwt since Wed. March 22. Prices are down 1.8 dollars compared to year ago values.

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

\$0.9021, down about 7.2 cents since the Wed. March 22 quote and down about 3 cents from year ago levels.

**Bnls. Strap on Pork Loins.** Prices finished the week at \$1.1288 for the strap on loins, down 7.0 cent since Wed. March 22 and down about 17 cent from the year ago levels. Strap off loins at \$1.2715 are down about 9.3 cent since Wed. March 22 and down about 16 cent compared to the year ago quote.

**Boneless sirloins** at \$1.0055 are down 7 cents from the Wed. March 22 quote but up about 5.3 cents from the year ago price.

**Pork tenderloin** finished last week at \$2.0046, down 3 cent from the Wed. March 22 quote and down about 20.5 cents from the year ago price.

**1/4 Trim Pork Butts** (page 10), prices finished the week at \$0.9368, down 5.5 cent since Wed. March 22. Prices are down 5 cents from a year ago.

**Spare Ribs, Trimmed - LGT, Vac** (page 8). Prices finished the week at \$1.2331, down about 6 cent since Wed. March 22 and down about 47 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 \$0.5754/lb., unchanged since Wed. March 22 but up about 4 cents from a year ago.

20/23 hams finished the week at 55.56 cents, down about 12.9 cents since Wed. March 22 but up about 1 cent from the year ago level.

23/27 hams finished the week at 55.29 , down about 7 cents from the Wed. March 22 quote but up about 1.6 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 42.81 cent, up about 5.3 cent

since Wed. March 22 and up about 16 cents from the year ago price.

**72 CL Pork Trim** “FOB Basis”. Prices finished the week at 66.46 cents, down about 1.4 cents since the Wed. March 22 quote but up about 9 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 98.45 on Friday, April 1, up about 12 cents from a year ago.

Broiler slaughter for the week ending April 1 was 158.40 million head, up 2.88% from a year ago. For the last two weeks slaughter was up 3.3% vs. a year ago.

**Breasts.** Prices on boneless skinless breasts finished the week at \$1.2824, up 2 cents since Wed. March 22 and still up about 11 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 1.0 cents vs. two weeks ago but at 38.08 cents per pound prices were up 5 cents from a year ago.

**Wings.** Prices at \$1.8869 are up about 9 cents from year ago levels.

## **Turkeys**

**Hens** finished last week at \$1.0700, unchanged since Wed. March 22 but down about 14 cents from the year ago price.

**Toms** finished last week at \$1.0700, unchanged since Wed. March 22 but down about 14 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 4.0970 million head for the week ending March 25, up 11.79% from a year ago. For the last two weeks slaughter has been up 11.9%.

**Boneless Turkey Breast Meat.** Boneless skinless turkey breast meat prices finished last week at \$1.5500, unchanged since Wed. March 22. Prices are down about 150 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 \$7.4549 (weighted average quote) finished last week down about 9 cents since the Wed. March 22 quote and down about 34 cents vs. the year ago price.

**Select 112A Heavy Lip On Rib Eyes** at \$6.5884 (weighted average quote) finished last week down about 43 cents since the Wed. March 22 quote but down about 83 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$0.8665 /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 \$2.2312 down about 17 cents since Wed. March 22 and down about 7 cents from the year ago price.

**Choice ¼ inch trimmed #168 insides** finished last week quoted at \$2.1795 down about 28 cents since Wed. March 22 and down about 7 cents from year ago levels.

**Choice #170 Gooseneck Rounds** finished last week at \$2.0010 down about 11 cents since Wed. March 22 but up about 15 cents from the year ago levels.

**Choice #180 (0x1) Bnls. Strip Loins** finished last week quoted at \$7.0160 (wt. avg.) down about 79 cents from the Wed. March 22 quote. Prices are about 49 cents over year ago levels.

**Choice #184 Regular Heavy top butts** finished at \$3.8810 (wt. avg.) down about 11 cents since Wed. March 22 and down about 27 cents from year ago levels.

**Choice #184 ¼ inch trimmed Top Butts** finished at \$3.9483 (wt. avg.) down about 7 cents since Wed. March 22 and down about 40 cents from the year ago levels.

**Choice #185A Flap Meat** prices finished Friday at \$5.1526 (wt. avg.) up about 2 cents since Wed. March 22 but down about 98 cents from year ago values.

### **COARSE GROUND BEEF –**

**73CL Coarse Ground** product finished last week at \$1.5370 down about 14 cents since Wed. March 22 and down about 5 cents from year ago levels.

**81CL Coarse Ground** product finished last week at \$1.7178 down about 22 cent since Wed. March 22 and down about 3 cents from the year ago quote.

**90CL Bnls. Beef** prices finished the week at \$2.2049 (wt. avg.) up about 3.08 cent since Wed. March 22 and up 3 cents compared to the year ago price quote.

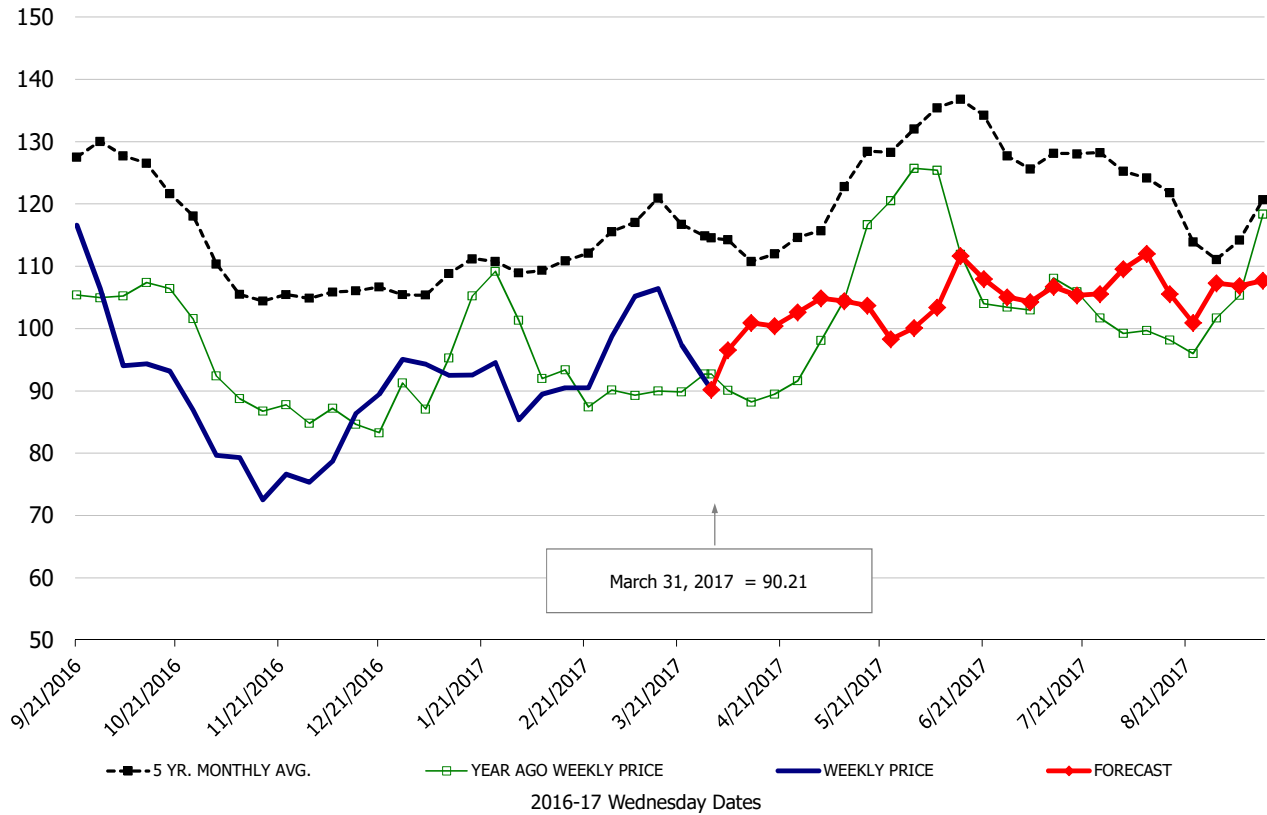
**50 CL Beef Trim** prices finished last week at \$1.0056, down about 7 cent since Wed. March 22 but up 13 cent compared to the year ago level.

## Food Service Summary Table - WT. AVE

	HISTORY							FORECAST							
	Oct	Nov	Dec	Jan	Feb	Mar	3/22/2017	3/31/2017	4/12/2017	Apr	May	Jun	Jul	Aug	Sep
<b>PORK</b>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	0.91	0.77	0.83	0.92	0.90	0.99	0.97	0.90	1.01	0.98	1.02	1.07	1.05	1.07	1.07
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	0.97	0.86	0.90	0.98	0.95	1.08	1.05	0.97	1.09	1.07	1.13	1.16	1.13	1.15	1.14
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.46	1.28	1.34	1.47	1.34	1.36	1.37	1.27	1.42	1.40	1.49	1.51	1.50	1.52	1.61
Loin, Tenderloin, FOB Plant, USDA	2.10	2.00	2.01	2.13	2.18	2.08	2.04	2.00	2.16	2.10	2.19	2.48	2.45	2.35	2.27
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	0.86	0.81	0.85	0.92	0.86	0.93	0.91	0.82	1.02	0.98	1.02	1.08	1.01	1.02	1.05
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.20	1.18	1.20	1.29	1.35	1.32	1.29	1.23	1.35	1.35	1.38	1.39	1.28	1.30	1.26
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.39	2.28	2.28	2.22	2.21	2.21	2.32	2.31	2.40	2.40	2.37	2.22	2.23	2.25	2.17
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.21	1.15	1.19	1.28	1.32	1.31	1.31	1.27	1.33	1.30	1.34	1.38	1.28	1.30	1.27
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.17	2.15	2.15	2.26	2.43	2.46	2.46	2.22	2.36	2.35	2.54	2.52	2.32	2.29	2.21
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.55	0.68	0.74	0.58	0.60	0.63	0.58	0.58	0.63	0.61	0.61	0.69	0.73	0.75	0.76
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.54	0.67	0.75	0.59	0.60	0.62	0.68	0.56	0.64	0.62	0.63	0.69	0.75	0.75	0.78
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.50	0.67	0.72	0.54	0.58	0.60	0.62	0.55	0.63	0.61	0.61	0.67	0.73	0.74	0.73
Belly Cutout, FOB Plant, USDA	1.10	1.04	1.04	1.36	1.74	1.53	1.35	1.29	1.30	1.27	1.32	1.45	1.48	1.35	1.29
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.38	1.30	1.26	1.75	2.17	1.69	1.65	1.55	1.59	1.56	1.62	1.78	1.82	1.66	1.58
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.35	1.28	1.30	1.65	2.08	1.66	1.64	1.58	1.57	1.54	1.60	1.76	1.80	1.64	1.56
Trim, 42% Trim Combo, FOB Plant, USDA	0.24	0.23	0.25	0.25	0.31	0.35	0.38	0.43	0.42	0.43	0.45	0.46	0.50	0.49	0.45
Trim, 72% Trim Combo, FOB Plant, USDA	0.42	0.44	0.53	0.70	0.62	0.68	0.68	0.66	0.69	0.69	0.72	0.79	0.81	0.72	0.63
<b>HOG CARCASS</b>															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	0.46	0.42	0.52	0.61	0.71	0.66	0.66	0.61	0.67	0.65	0.71	0.78	0.79	0.76	0.69
<b>BROILERS</b>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	0.71	0.79	0.84	0.86	0.85	0.95	0.99	0.98	0.97	0.97	0.99	0.96	0.91	0.84	0.82
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.15	0.99	0.98	1.01	1.08	1.13	1.27	1.28	1.36	1.37	1.44	1.42	1.42	1.41	1.30
N.E. BROILER BREAST LINE RUN, USDA	0.88	0.87	0.89	0.87	0.86	0.97	1.03	1.03	1.04	1.04	1.13	1.11	1.08	1.03	0.98
N.E. BROILER LEG QUARTERS, USDA	0.32	0.32	0.31	0.32	0.33	0.38	0.39	0.38	0.41	0.41	0.41	0.39	0.39	0.38	0.37
N.E. BROILER WINGS, USDA, WT.AVG.	1.80	1.84	1.87	1.92	1.90	1.83	1.86	1.89	1.80	1.82	1.76	1.78	1.83	1.82	1.88
<b>TURKEYS</b>															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.30	1.28	1.14	1.06	1.06	1.07	1.07	1.07	1.08	1.08	1.10	1.12	1.13	1.16	1.19
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	2.15	2.01	1.68	1.65	1.60	1.55	1.55	1.55	1.60	1.60	1.70	1.85	2.04	2.19	2.26
<b>LIVE STEERS</b>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.00	1.06	1.13	1.19	1.20	1.27	1.29	1.30	1.24	1.23	1.16	1.11	1.10	1.09	1.09
<b>BEEF</b>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	6.68	8.05	7.17	6.10	6.07	7.17	7.54	7.45	7.73	7.57	7.50	7.69	6.79	6.83	6.80
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	1.88	1.85	2.03	2.06	2.16	2.42	2.46	2.18	2.19	2.18	2.11	1.94	1.94	2.01	1.91
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.00	1.89	1.92	2.07	2.00	2.06	2.11	2.00	1.93	1.92	1.80	1.76	1.82	1.82	1.90
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	4.42	4.32	4.88	5.50	5.24	7.13	7.81	7.02	7.88	7.69	7.88	7.54	6.12	5.57	5.20
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	2.70	2.30	2.31	2.49	2.91	3.81	4.02	3.95	3.92	4.02	3.82	3.50	3.29	3.10	3.03
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	3.72	3.61	3.99	4.22	4.30	5.03	5.13	5.15	5.65	5.53	5.51	5.13	4.68	4.45	4.19
COARSE GROUND 73%, USDA	1.23	1.13	1.31	1.43	1.30	1.63	1.68	1.54	1.62	1.57	1.60	1.46	1.39	1.45	1.39
COARSE GROUND 81%, USDA	1.55	1.54	1.62	1.86	1.72	1.84	1.94	1.72	1.88	1.82	1.81	1.69	1.73	1.78	1.72
90% BONELESS BEEF, CENTRAL, FRESH, USDA	1.93	1.93	1.92	2.03	2.09	2.15	2.17	2.20	2.23	2.22	2.07	2.02	2.07	2.04	2.05
50CL BEEF TRIM, FRESH, NATIONAL, USDA	0.33	0.49	0.38	0.56	0.79	0.99	1.07	1.01	1.03	0.98	0.83	0.79	0.74	0.69	0.59

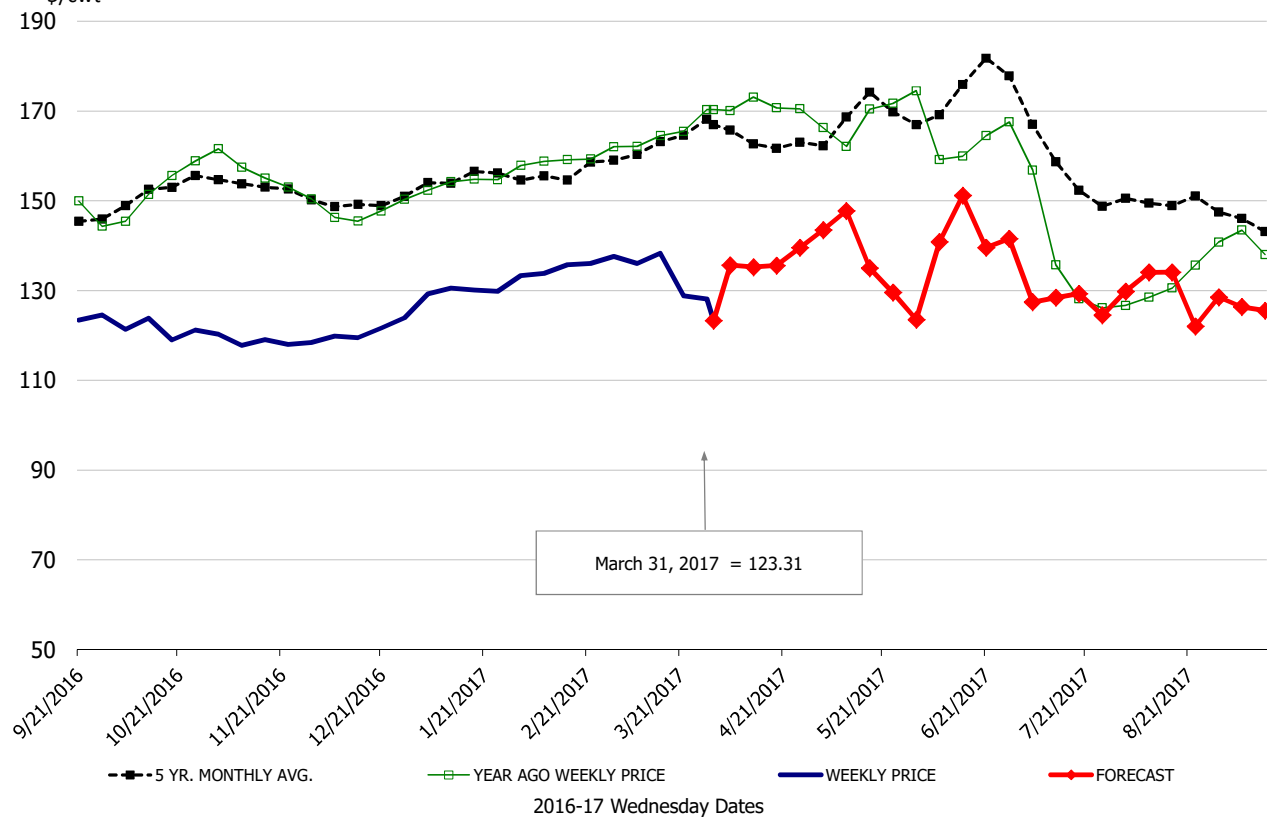
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### Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA



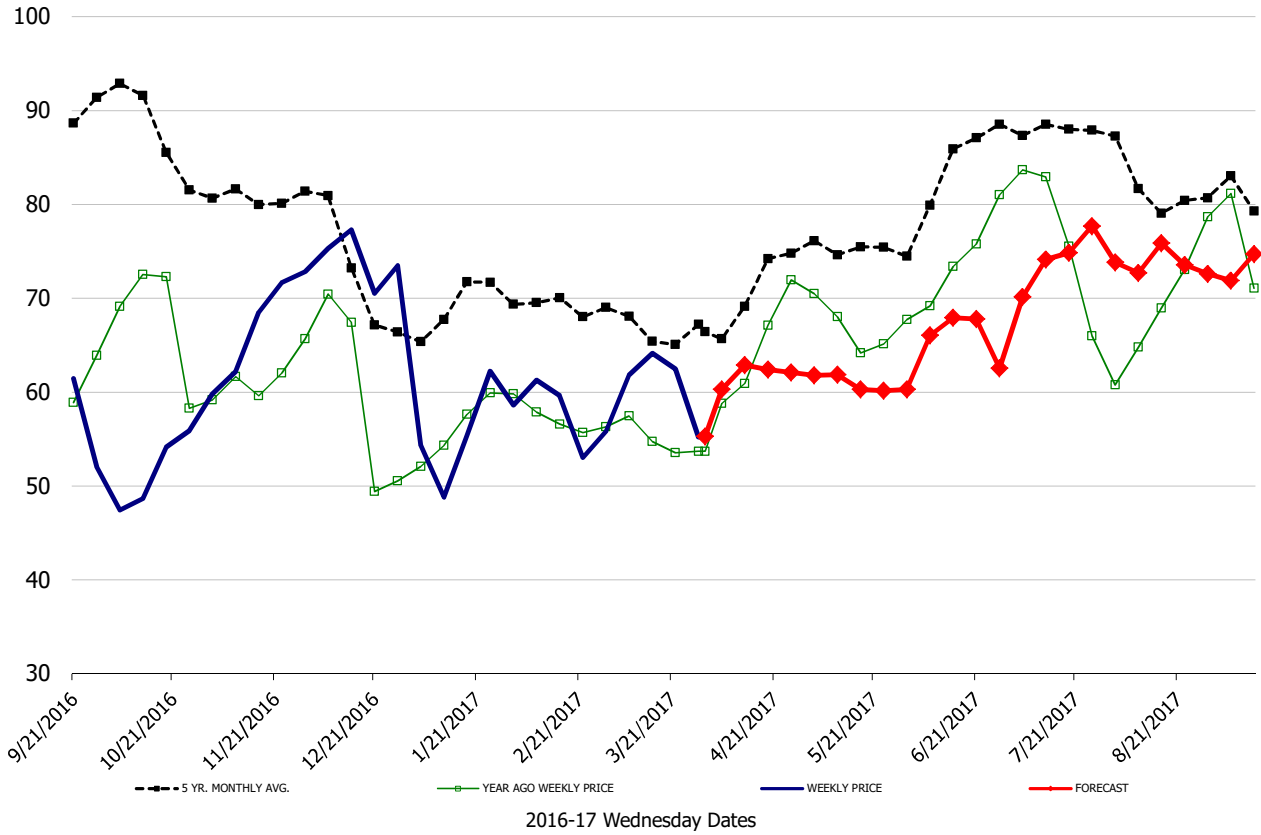
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### Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA

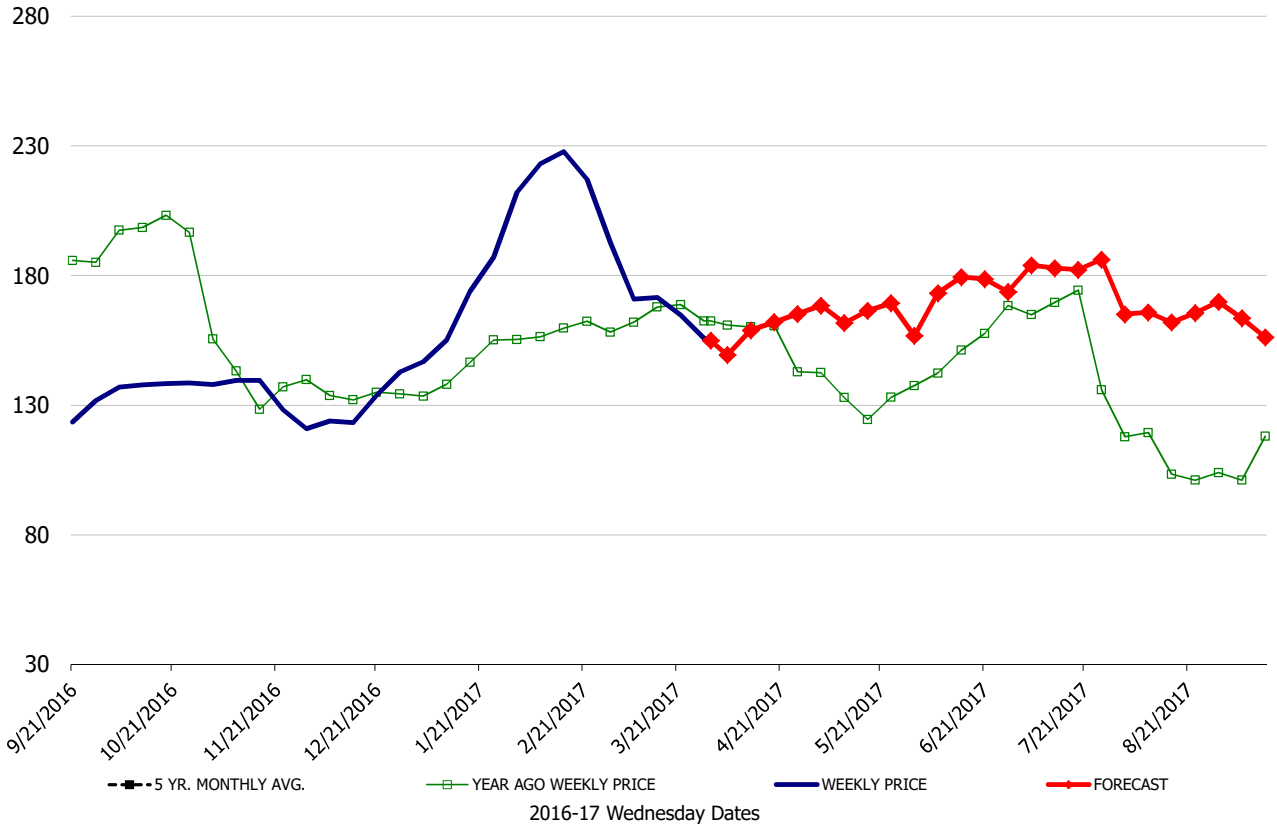




**Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA**

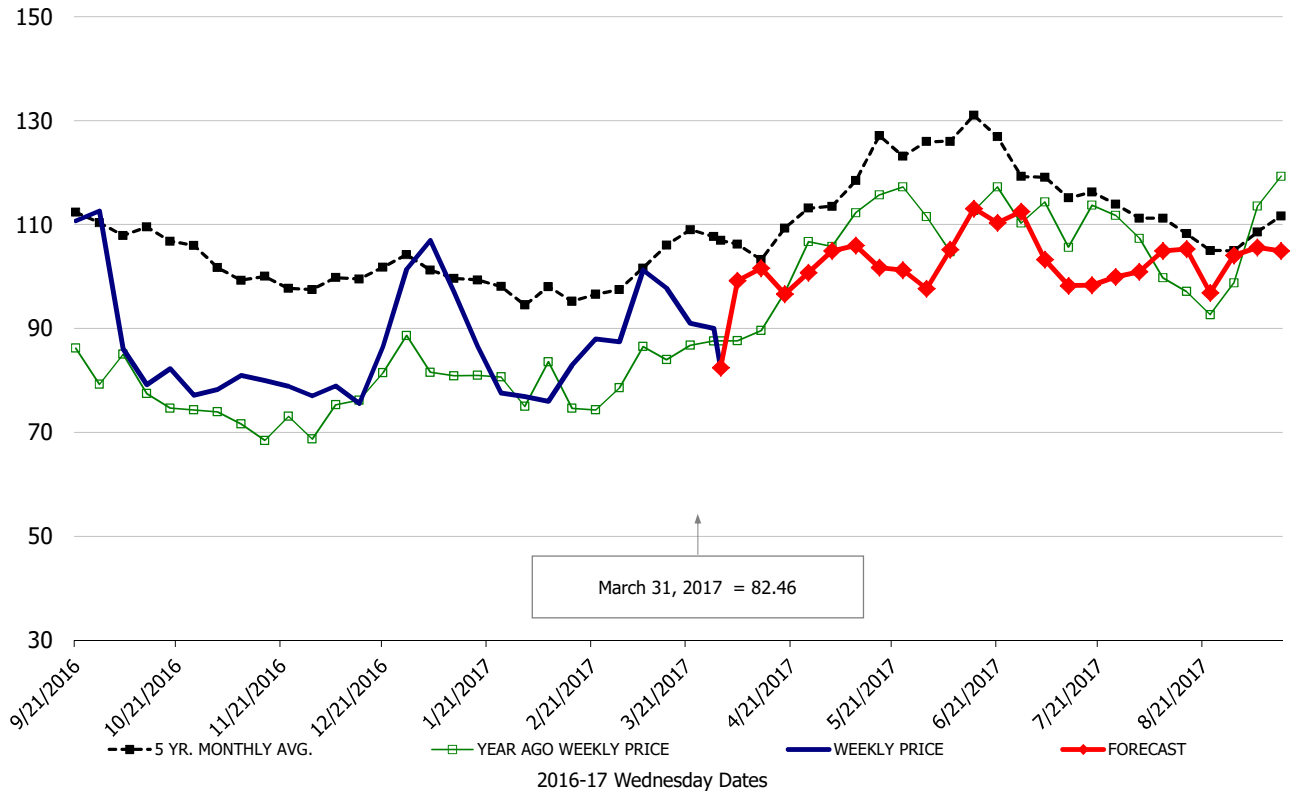


**Belly, Derind Belly 9-13#, FOB Plant, USDA**



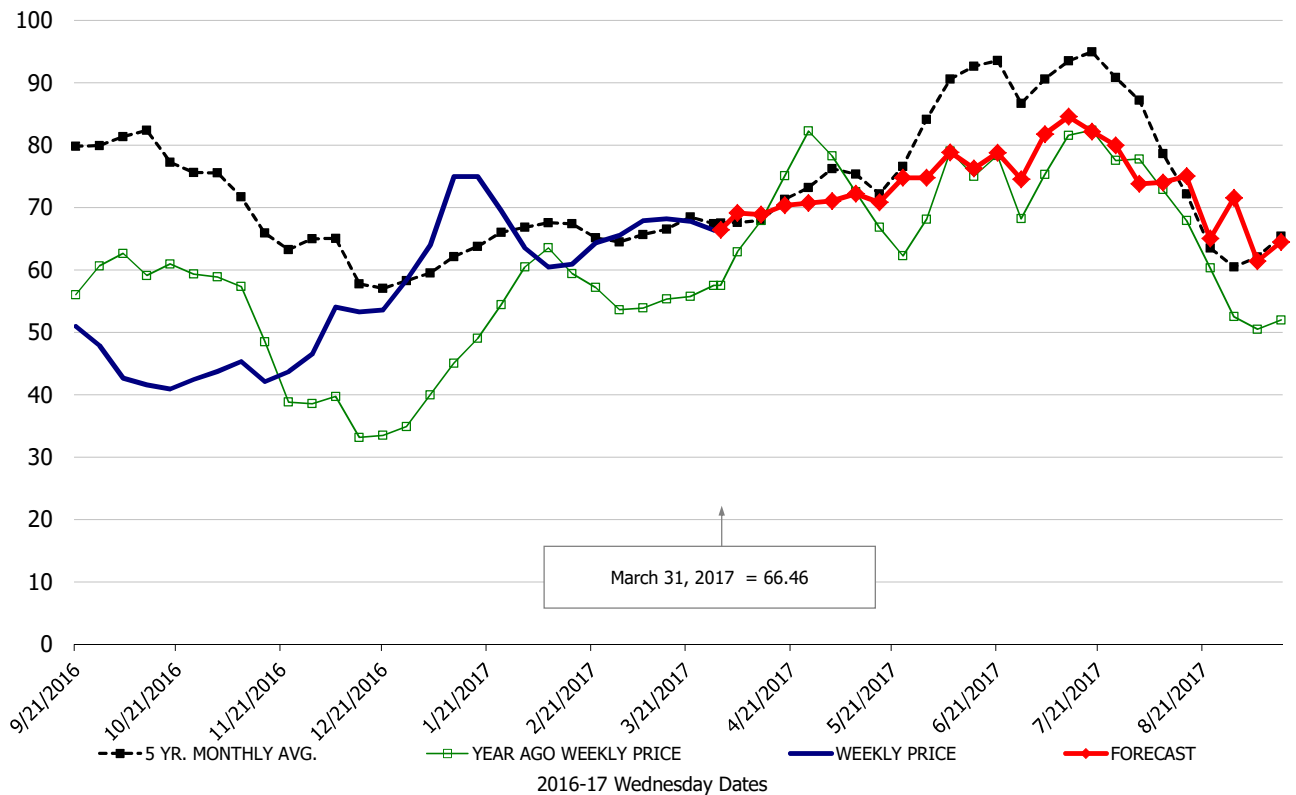
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### Butt, 1/4 Trim Butt Combo, FOB Plant, USDA

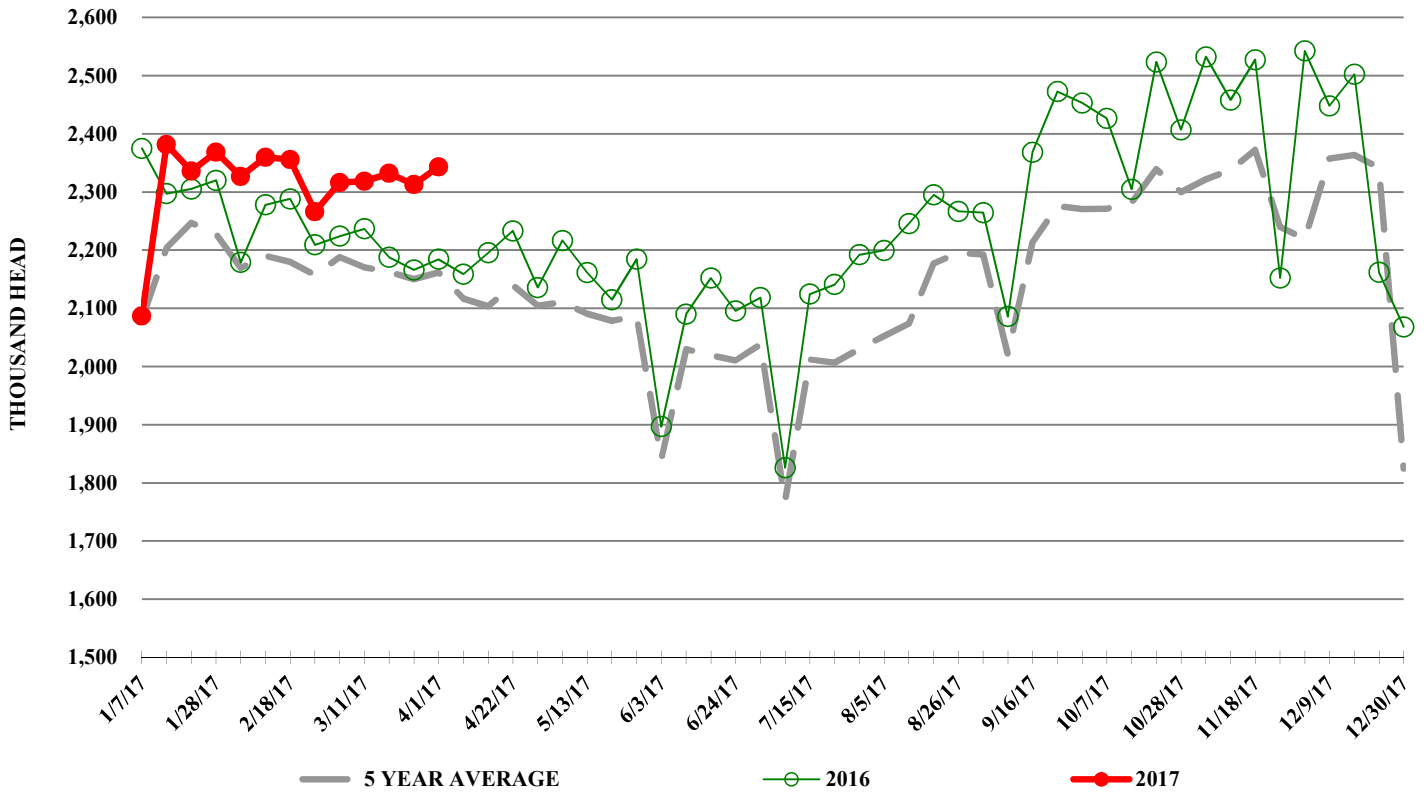


\$/cwt

### Trim, 72% Trim Combo, FOB Plant, USDA



## ESTIMATED WEEKLY FI HOG SLAUGHTER



## ESTIMATED WEEKLY FI PORK PRODUCTION

