Pork Merchandiser's **Profit Maximizer**

- Foodservice Edition -

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

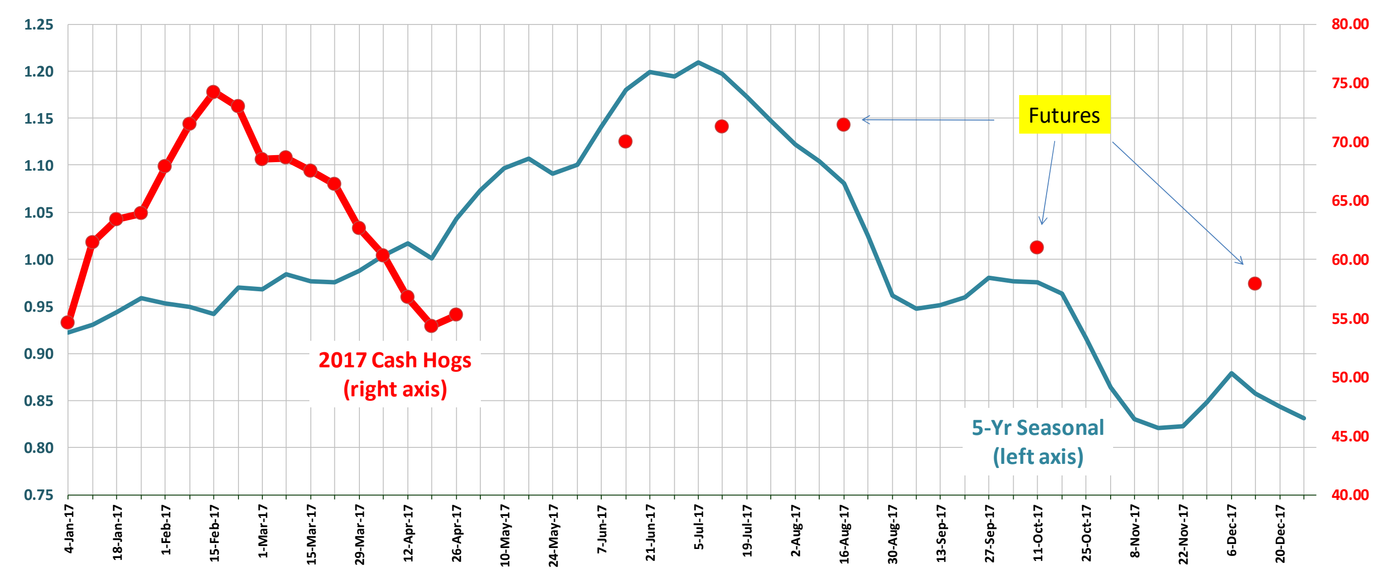
May 1, 2017

1. Hog prices ready for their spring rally but large supplies on the ground will help keep prices in check

It is no surprise that hog prices move higher into the summer. Hog slaughter seasonally declines and better demand for grilling items tends to support cutout values. So far this spring hog prices have been quite weak, a function of +7% slaughter, belly prices that have reverted to the mean and a slowdown in export business. But as the chart above shows, futures at this point expect hog values to rally into the summer months, an expectation predicated on improving cutout values and lower product availability. It also does not hurt that the price of competing products, be this beef or chicken, has moved higher in recent weeks, making pork products appear particularly attractive going into the summer. Below are some of the key factors that we expect will contribute to the seasonal improvement in pork values:

IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Dlv., WT. AVG, USDA

Seasonal Factor vs. 2017 Prices



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Loin Primal (26% of the carcass): Current primal value is about 9% lower than a year ago, reflecting the increase in pork production so far this spring. Loins generally benefit from export demand into Asia and that will continue to be the case given the very competitive prices at this time. Last year the loin primal value increased from around $84/cwt at the end of April to as high as $98/cwt by mid June, a 16% increase. A similar increase this year would add about $3/cwt to the value of the cutout.

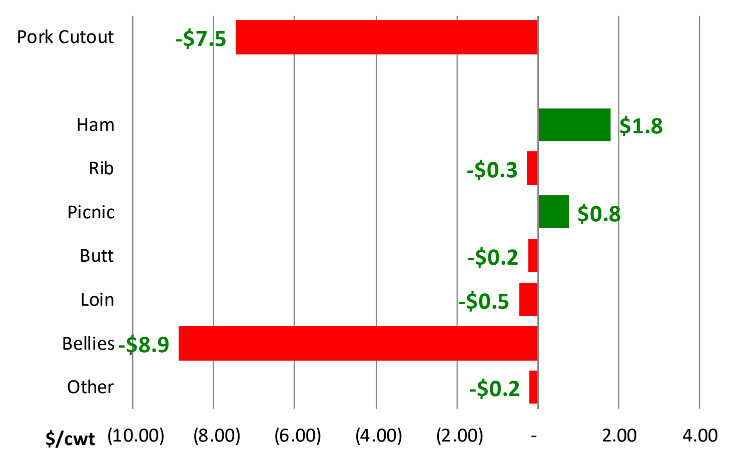
Ham Primal (25% of the carcass) - Prices have performed better than other segments, supported in part by excellent demand from Mexico. Current US ham prices are significantly lower than Mexican domestic values and this should continue to support export flows into this market. Last year the ham primal value in mid April was around $55/cwt and this year prices were at about the same level despite the larger supplies. Last year the ham primal value gained about $10/cwt between mid April and mid June and then added another $15 through July. Similar gains this year would add between $2.5 and $6.25/cwt to the value of the cutout. Export demand for this item remains critical but robust prices for pork trimmings also are important. In the past, the seasonal increase in trim prices during May and June has helped set a floor under the price of hams.

Bellies (16% of the carcass) - This is truly a wild card and market participants will be paying close attention. As the chart in the previous page shows, almost all of the decline in the value of the pork cutout in the last two months has been due to the lower belly prices. In other words, as belly prices have returned to more normal levels so has the value of the cutout for this time of year. Normally belly prices move higher into the summer due to better foodservice demand (increased foot traffic) and retail summer bacon promotions. Extremely high belly prices in Q1 likely had a negative impact on retail features for the spring. But as prices have eased lower we think once again it presents excellent promotion opportunities for summer retail promos. Last year belly prices found a bottom at around $100/cwt in mid May but then gained about 40% by late July. A similar increase this year would add about $6.5/cwt to the value of the cutout.

Other hog primal values are tracking pretty close with year ago levels despite the larger supplies, which bodes well for pork demand this summer. At this point futures are pricing a normal price increase for hogs and pork prices going into the summer. However, overall pork prices will be relatively low from a historical perspective. The ratio of pork cutout to the choice beef cutout currently stands at 34%, near the bottom of the range for the last 15 years. The ratio of the pork cutout to whole broiler prices currently stands at 76% compared to 92% a year ago but still above the 66% in 2015. Pork prices are particularly competitive with beef at this point, which should be positive for pork demand going into the grilling season (supportive for trimmings, ribs, butts, loins).

Contribution of Each Primal to the Change in the Value of Pork Cutout

April 28, 2017 vs. Feb 24, 2017



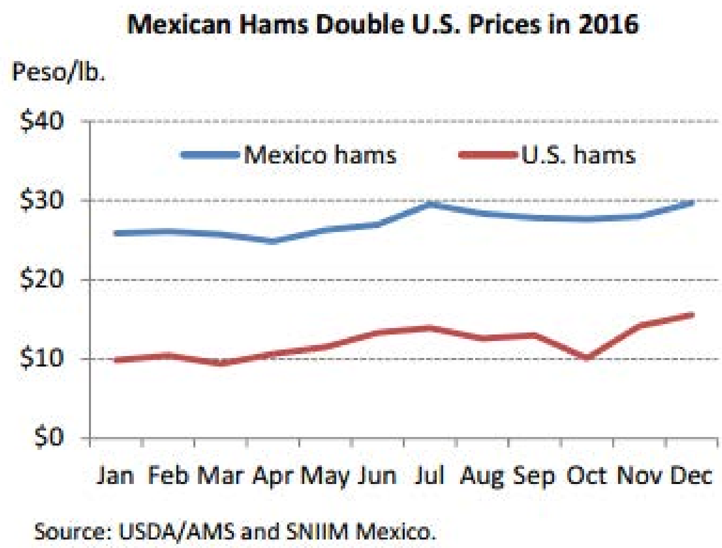


Chart included in the USDA/FAS "Livestock and Poultry: World Markets and Trade"

https://apps.fas.usda.gov/psdonline/circulars/

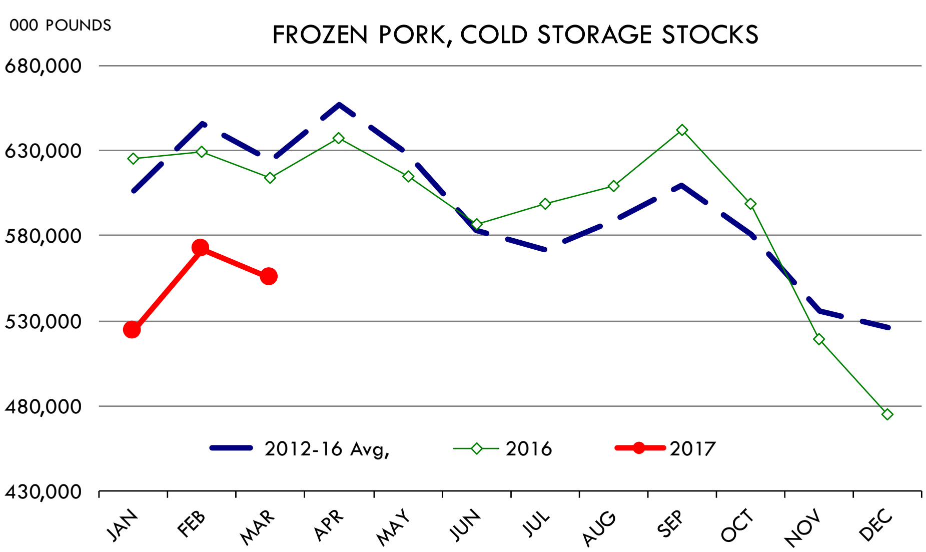
2. March 31 "Cold Storage" Stocks USDA Summary

The total supply of beef, pork, chicken and turkey in cold storage at the end of March was 2.214 billion pounds, 1.2% less than the previous month and now 1.9% less than a year ago. Meat protein supplies in storage at the end of last month were still about 3.9% higher than the five year average. However, it is positive that inventories did not increase even as beef production for the month was up 7.2%, pork production was up 5.7% and broiler production likely was up 1.5-2.0%.

Pork: Total pork in cold storage at the end of March was 555.1 million pounds, 3% less than the previous month and 9.6% lower than a year ago. Lower belly stocks have been the main contributor to the decline. If we factor out belly inventories, pork supplies in storage would be down 2.6% vs. last year. When looking at these numbers, keep in mind that they reflect the supply/demand conditions for the month of March. We are especially interested in observing freezer inflows in April due to the sharp decline in price for some items and robust production. The supply of ham in cold storage at the end of March was 90.6 million pound, 28% less than the previous year and 6.1% less than a year ago. Easter was in April this year but end users likely started pulling their Easter stocks at the end of March to get product ready for delivery into stores. Ham inventories are relatively low at this time. Pork belly inventories remain minimal and it is unclear how this will impact bacon features over the summer month. Normally this sort of level for pork bellies would be viewed as supportive for pork prices into the summer. Last year bacon inventories at the end of March were hovering around 65k head compared to 20,570 head at the end of March 2017.

Beef: Total beef in cold storage was 464.5 million pounds, 7.6% less than the previous month and 3.6% under a year ago. The pace of inventory depletion in March was higher than normal, we think in part due to firm prices for beef trimmings and expectations that trim values would be lower in April. That assessment likely has been wrong and the tighter inventory stocks now are forcing some end users to try and buy product into a relatively thin spot market. Unfortunately USDA does not tell us what kind of products are included in the "beef" category. We also do not know how much of the beef in cold storage is imported product. Still, we think the sharp depletion in stocks and relatively tighter beef supplies in April may have contributed to the recent rally in fed cattle and beef prices.

Poultry: Inventories of all chicken in cold storage at the end of March were 765.3 million pounds, 2.7% less than the previous month and 3.5% under a year ago. Chicken inventories still remain burdensome, up 17% from the five year average but the 3% depletion for the month was a much faster pace and we view as positive for prices. Wing inventories declined 9.2% for the month while on average inventories increase into March. Wing demand has been quite strong and this is evidenced in wing prices recently. Turkey supplies remain burdensome. Turkey breast inventories at the end of March were 428.8 million pounds, 13.3% higher than the previous month, 16.5% higher than a year ago and 17.4% higher than the five year average.



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 29 slaughter was 2.290 million head, up 7.2% from a year ago. In the last two weeks hog slaughter is up 4.8% vs. year ago levels.

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass values at about 57.03 /cwt. on Friday were up $2.7/cwt since Wed. April 19. Prices are down 12.4 dollars compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at $0.9007, down about 1.2 cents since the Wed. April 19 quote and down about 2 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at $1.1490 for the strap on loins, up 0.1 cent since Wed. April 19 but down about 11 cent from the year ago levels. Strap off loins at $1.3493 are up about 4.6 cent since Wed. April 19 and up about one cent compared to the year ago quote.

Boneless sirloins at $1.0124 are down 4 cents from the Wed. April 19 quote and down about 2.6 cents from the year ago price.

Pork tenderloin finished last week at $2.0146, up 3 cent from the Wed. April 19 quote but down about 28.4 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at $0.9459, down 0.3 cent since Wed. April 19. Prices are down 17 cents from a year ago.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at $1.2466, down about 10 cent since Wed. April 19 and down about 46 cents from year ago levels.

Rib inventories on March 31 were 146.4 million pounds, up 0.2% percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was $0.6364/lb., unchanged since Wed. April 19 but down about 9 cents from a year ago.

20/23 hams finished the week at 64.98 cents, up about 5.7 cents since Wed. April 19 but down about 7.5 cent from the year ago level.

23/27 hams finished the week at 64.31 , up about 3 cents from the Wed. April 19 quote but down about 7.6 cents from the year ago level.

Total ham cold storage stocks on March 31 at 90.6 million pounds were down 6.1% from year ago levels.

42 CL Pork Trim "FOB Basis". Prices finished the week at 31.40 cent, down about 2.6

cent since Wed. April 19 and down about 15 cents from the year ago price.

72 CL Pork Trim "FOB Basis". Prices finished the week at 69.70 cents, up about 3.5 cents since the Wed. April 19 quote but down about 13 cents from the year ago level.

Freezer stocks of all trimmings on March 31 were 40.5 million pounds, down 9.8% 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 96.44 on Friday, April 29, up about 8 cents from a year ago.

Broiler slaughter for the week ending April 29 was 158.92 million head, down 1.75% from a year ago. For the last two weeks slaughter was down 0.6% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at $1.3604, up 8 cents since Wed. April 19 and still up about 17 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 0.5 cents vs. two weeks ago but at 38.68 cents per pound prices were up 3 cents from a year ago.

Wings. Prices at $1.9302 are up about 18 cents from year ago levels.

Turkeys

Hens finished last week at $1.0700, unchanged since Wed. April 19 but down about 15 cents from the year ago price.

Toms finished last week at $1.0700, unchanged since Wed. April 19 but down about 15 cent from the year ago price.

Total turkey supplies in the freezer on March 31 were up 16.5% from a year ago at 428.8 million pounds. Whole birds were up 13.1% from a year ago with an inventory of 181.2 million pounds.

Turkey slaughter was 4.0440 million head for the week ending April 22, down -8.17% from a year ago. For the last two weeks slaughter has been down 14.1%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at $1.5300, unchanged since Wed. April 19. Prices are down about 72 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 $7.9136 (weighted average quote) finished last week up about 33 cents since the Wed. April 19 quote and up about 39 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at $6.2453 (weighted average quote) finished last week up about 10 cents since the Wed. April 19 quote but down about 80 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are $1.6683 /lb. over Select. The 2015 annual average spread (wt. average price) had the Choice at a premium to the Select by $0.1082 per pound and the previous five years (2010 thru 2014) average spread was Choice at a premium to the Select by $0.0951 per pound.

Choice regular #168 insides finished last week quoted at $2.2251 up about 7 cents since Wed. April 19 and up about 8 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at $2.3030 up about 10 cents since Wed. April 19 and up about 25 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at $2.0696 up about 17 cents since Wed. April 19 and up about 6 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at $7.4691 (wt. avg.) up about 64 cents from the Wed. April 19 quote. Prices are about 24 cents over year ago levels.

Choice #184 Regular Heavy top butts finished at $3.4414 (wt. avg.) up about 6 cents since Wed. April 19 but down about 114 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at $3.5196 (wt. avg.) up about 26 cents since Wed. April 19 but down about 111 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at $6.0364 (wt. avg.) up about 74 cents since Wed. April 19 and up about 39 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at $1.7031 down about one cents since Wed. April 19 but up about 10 cents from year ago levels.

81CL Coarse Ground product finished last week at $1.8653 down about 3 cent since Wed. April 19 but up about 5 cents from the year ago quote.

90CL Bnls. Beef prices finished the week at $2.1790 (wt. avg.) up about 2.15 cent since Wed. April 19 and up 0 cents compared to the year ago price quote.

50 CL Beef Trim prices finished last week at $1.1750, up about 14.5 cent since Wed. April 19 and up 65 cent compared to the year ago level.

Food Service Summary Table - WT. AVE

	HISTORY								FORECAST						
	Nov	Dec	Jan	Feb	Mar	Apr	4/19/2017	4/28/2017	5/10/2017	May	Jun	Jul	Aug	Sep	Oct
PORK															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	0.77	0.83	0.92	0.90	0.99	0.88	0.91	0.90	0.94	0.96	1.04	1.02	0.97	0.98	0.94
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	0.86	0.90	0.98	0.95	1.08	0.97	0.98	0.97	1.04	1.05	1.14	1.12	1.07	1.06	1.03
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.28	1.34	1.47	1.34	1.36	1.32	1.30	1.35	1.37	1.38	1.46	1.41	1.38	1.47	1.47
Loin, Tenderloin, FOB Plant, USDA	2.00	2.01	2.13	2.18	2.08	1.98	1.98	2.01	2.16	2.18	2.37	2.34	2.09	2.05	1.98
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	0.81	0.85	0.92	0.86	0.93	0.89	0.89	0.90	0.97	1.00	1.06	0.99	0.95	0.97	0.87
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.18	1.20	1.29	1.35	1.32	1.30	1.34	1.25	1.35	1.38	1.41	1.30	1.25	1.24	1.23
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.28	2.28	2.22	2.21	2.21	2.21	2.26	2.23	2.37	2.40	2.16	2.07	2.00	1.95	1.93
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.15	1.19	1.28	1.32	1.31	1.27	1.29	1.26	1.32	1.34	1.40	1.30	1.25	1.25	1.23
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.15	2.15	2.26	2.43	2.46	2.36	2.39	2.38	2.53	2.52	2.51	2.42	2.24	2.18	2.11
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.68	0.74	0.58	0.60	0.63	0.60	0.61	0.64	0.67	0.67	0.69	0.70	0.68	0.70	0.72
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.67	0.75	0.59	0.60	0.62	0.59	0.59	0.65	0.65	0.65	0.68	0.73	0.69	0.71	0.68
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.67	0.72	0.54	0.58	0.60	0.59	0.61	0.64	0.64	0.64	0.66	0.71	0.68	0.67	0.65
Belly Cutout, FOB Plant, USDA	1.04	1.04	1.36	1.74	1.36	1.19	1.16	1.06	1.20	1.20	1.45	1.46	1.31	1.25	1.22
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.30	1.26	1.75	2.17	1.69	1.44	1.43	1.33	1.45	1.46	1.78	1.79	1.58	1.53	1.50
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.28	1.30	1.65	2.08	1.66	1.43	1.39	1.29	1.48	1.47	1.76	1.77	1.57	1.52	1.48
Trim, 42% Trim Combo, FOB Plant, USDA	0.23	0.25	0.25	0.31	0.35	0.34	0.34	0.31	0.37	0.35	0.37	0.43	0.41	0.37	0.34
Trim, 72% Trim Combo, FOB Plant, USDA	0.44	0.53	0.70	0.62	0.68	0.68	0.66	0.70	0.73	0.71	0.78	0.82	0.74	0.63	0.65
HOG CARCASS															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Dlv.	0.42	0.52	0.61	0.71	0.66	0.57	0.54	0.57	0.64	0.66	0.74	0.76	0.74	0.66	0.65
BROILERS															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	0.79	0.84	0.86	0.85	0.95	0.97	0.96	0.96	0.99	0.98	0.95	0.89	0.82	0.80	0.77
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	0.99	0.98	1.01	1.08	1.13	1.30	1.28	1.36	1.43	1.42	1.40	1.40	1.39	1.28	1.12
N.E. BROILER BREAST LINE RUN, USDA	0.87	0.89	0.87	0.86	0.97	1.07	1.09	1.11	1.14	1.14	1.12	1.09	1.04	0.99	0.96
N.E. BROILER LEG QUARTERS, USDA	0.32	0.31	0.32	0.33	0.38	0.39	0.39	0.39	0.40	0.40	0.39	0.38	0.37	0.36	0.35
N.E. BROILER WINGS, USDA, WT.AVG.	1.84	1.87	1.92	1.90	1.83	1.89	1.87	1.93	1.95	1.93	1.83	1.88	1.87	1.93	1.96
TURKEYS															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.28	1.14	1.06	1.06	1.07	1.07	1.07	1.07	1.08	1.08	1.10	1.12	1.16	1.19	1.21
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	2.01	1.68	1.65	1.60	1.55	1.54	1.53	1.53	1.54	1.55	1.65	1.85	1.99	2.10	2.10
LIVE STEERS															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.06	1.13	1.19	1.20	1.27	1.28	1.28	1.36	1.31	1.25	1.21	1.18	1.16	1.18	1.18
BEEF															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	8.05	7.17	6.10	6.07	7.17	7.49	7.58	7.91	7.81	7.91	8.21	7.18	7.21	7.55	7.68
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	1.85	2.03	2.06	2.16	2.42	2.14	2.21	2.30	2.25	2.25	2.09	2.17	2.22	2.14	2.13
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	1.89	1.92	2.07	2.00	2.06	1.93	1.90	2.07	1.96	1.98	1.92	1.96	1.94	2.06	2.14
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	4.32	4.88	5.50	5.24	7.13	6.62	6.83	7.47	7.31	7.57	7.51	6.09	5.67	5.36	5.22
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	2.30	2.31	2.49	2.91	3.81	3.60	3.26	3.52	3.67	3.70	3.70	3.51	3.40	3.38	3.08
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	3.61	3.99	4.22	4.30	5.03	5.40	5.29	6.04	5.92	5.94	5.58	5.02	4.73	4.53	4.28
COARSE GROUND 73%, USDA	1.13	1.31	1.43	1.30	1.63	1.59	1.72	1.70	1.67	1.68	1.48	1.48	1.54	1.50	1.48
COARSE GROUND 81%, USDA	1.54	1.62	1.86	1.72	1.84	1.82	1.89	1.87	1.94	1.94	1.83	1.84	1.88	1.85	1.85
90% BONELESS BEEF, CENTRAL, FRESH, USDA	1.93	1.92	2.03	2.09	2.15	2.17	2.16	2.18	2.24	2.24	2.20	2.22	2.17	2.22	2.10
50CL BEEF TRIM, FRESH, NATIONAL, USDA	0.49	0.38	0.56	0.79	0.99	1.05	1.04	1.18	1.06	1.01	0.99	0.88	0.83	0.73	0.75

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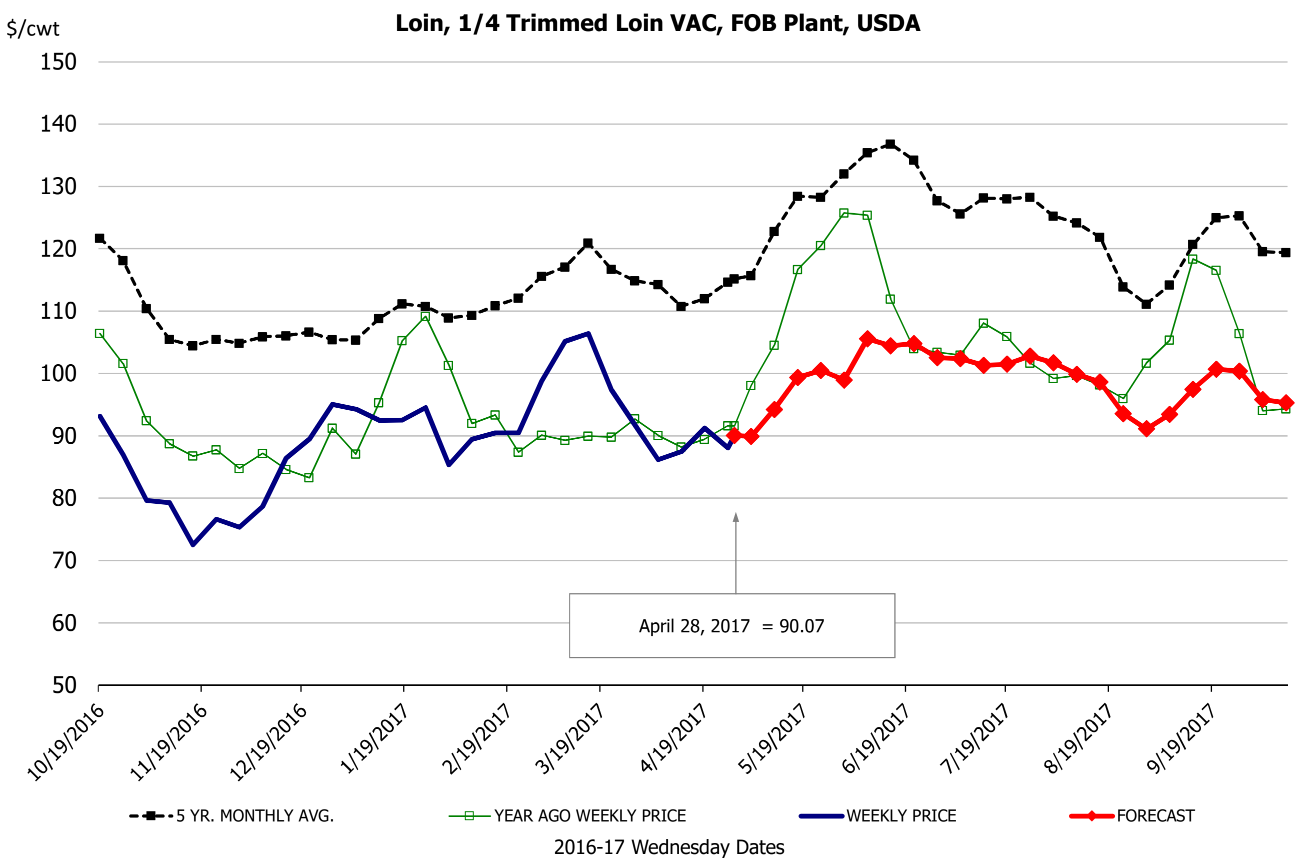
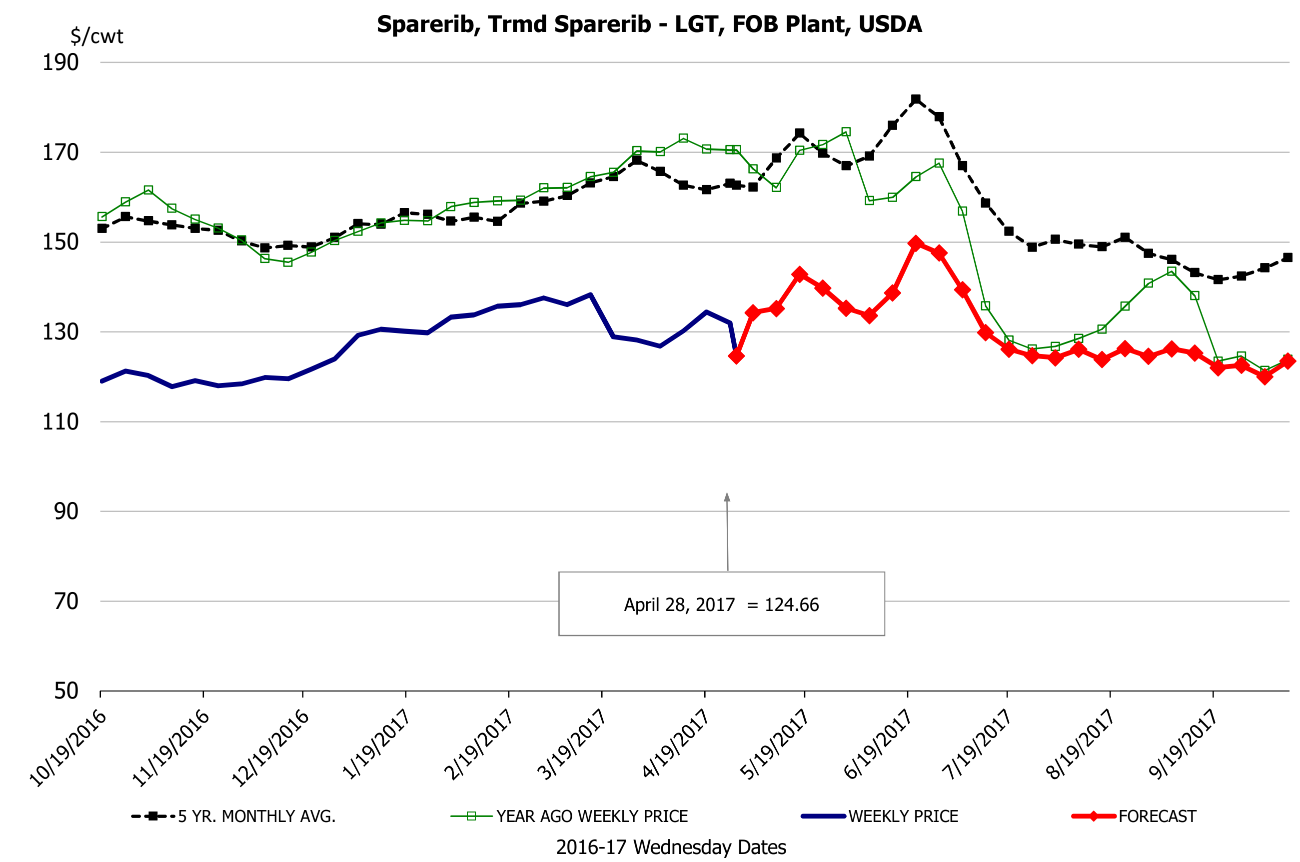
*St. Louis 2 1/4 dn rib prices are estimated at 3 1/2 dn plus $1.10





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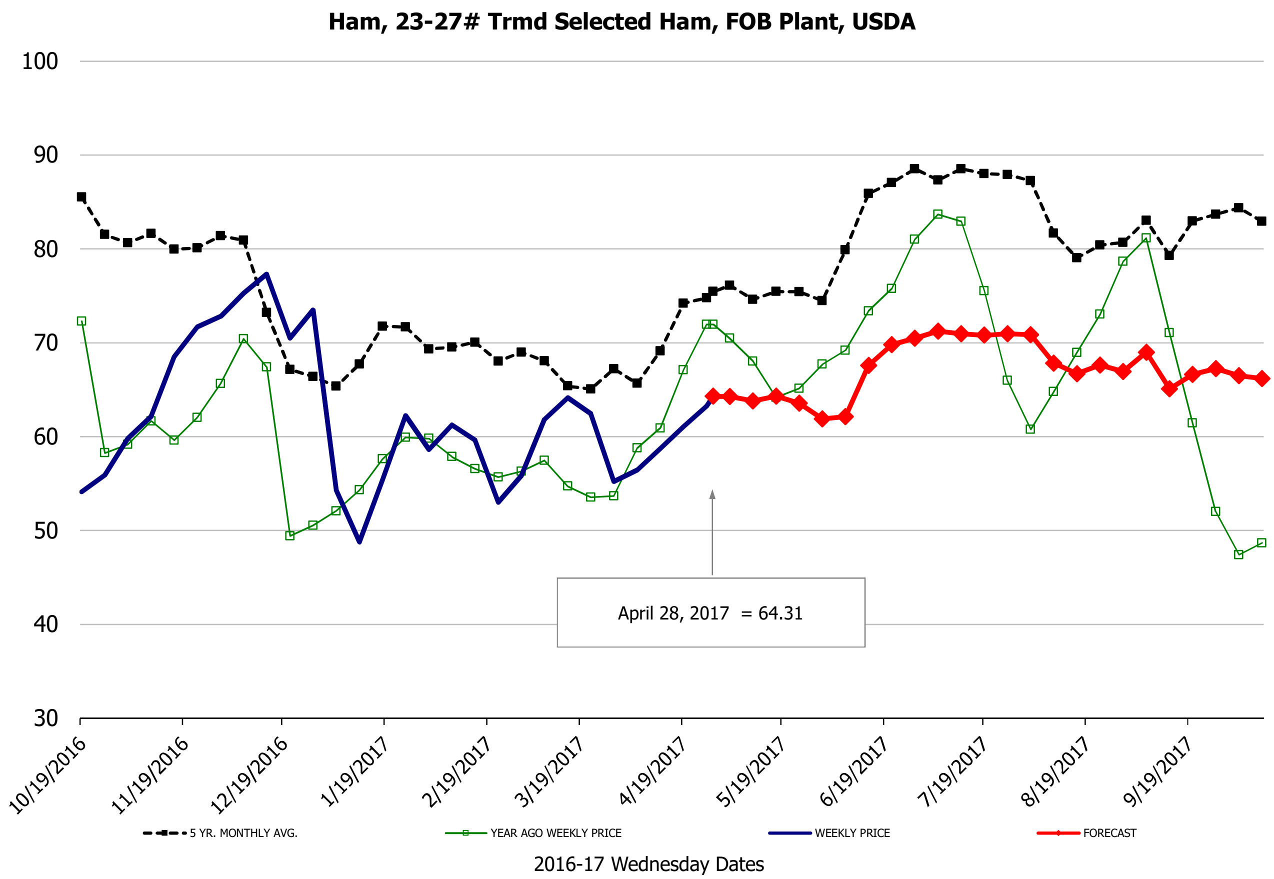

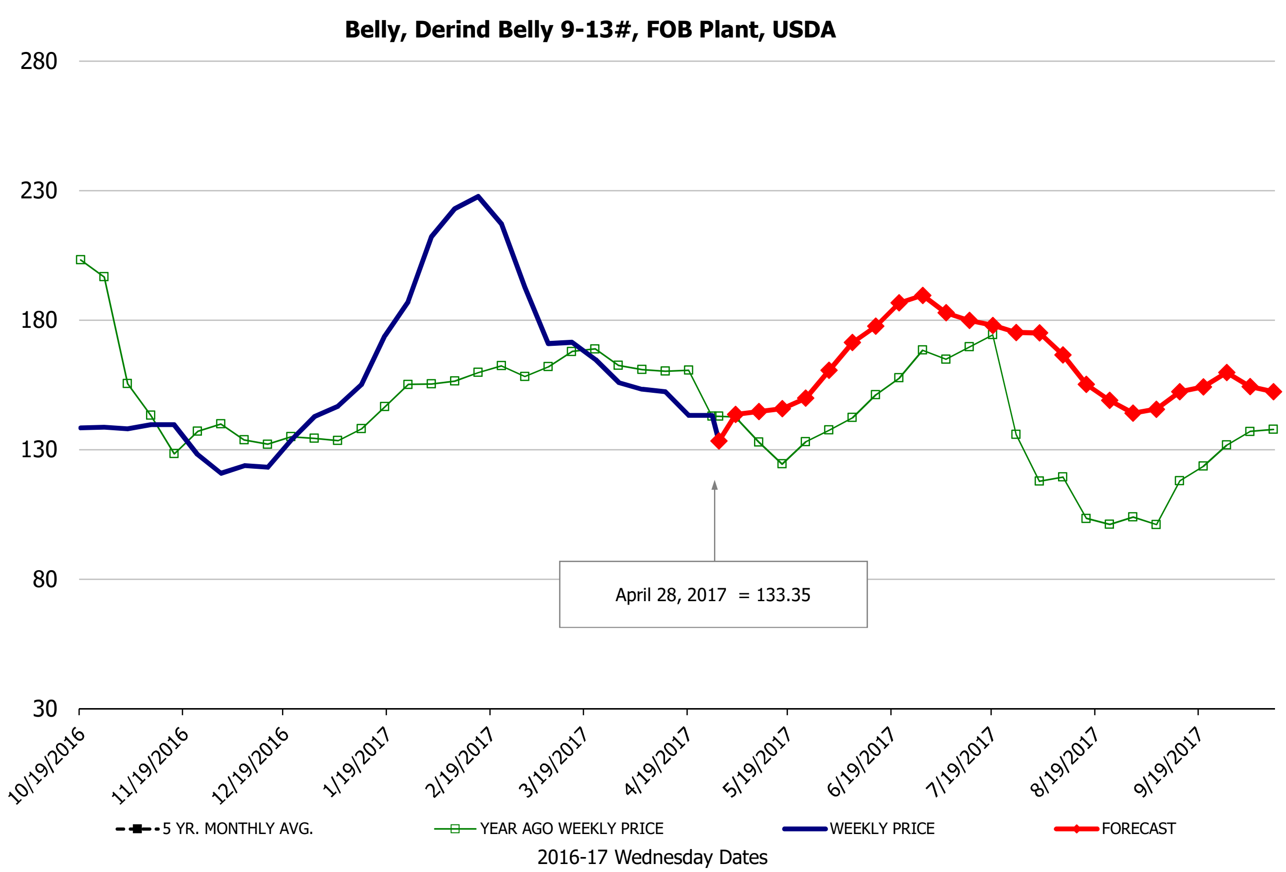

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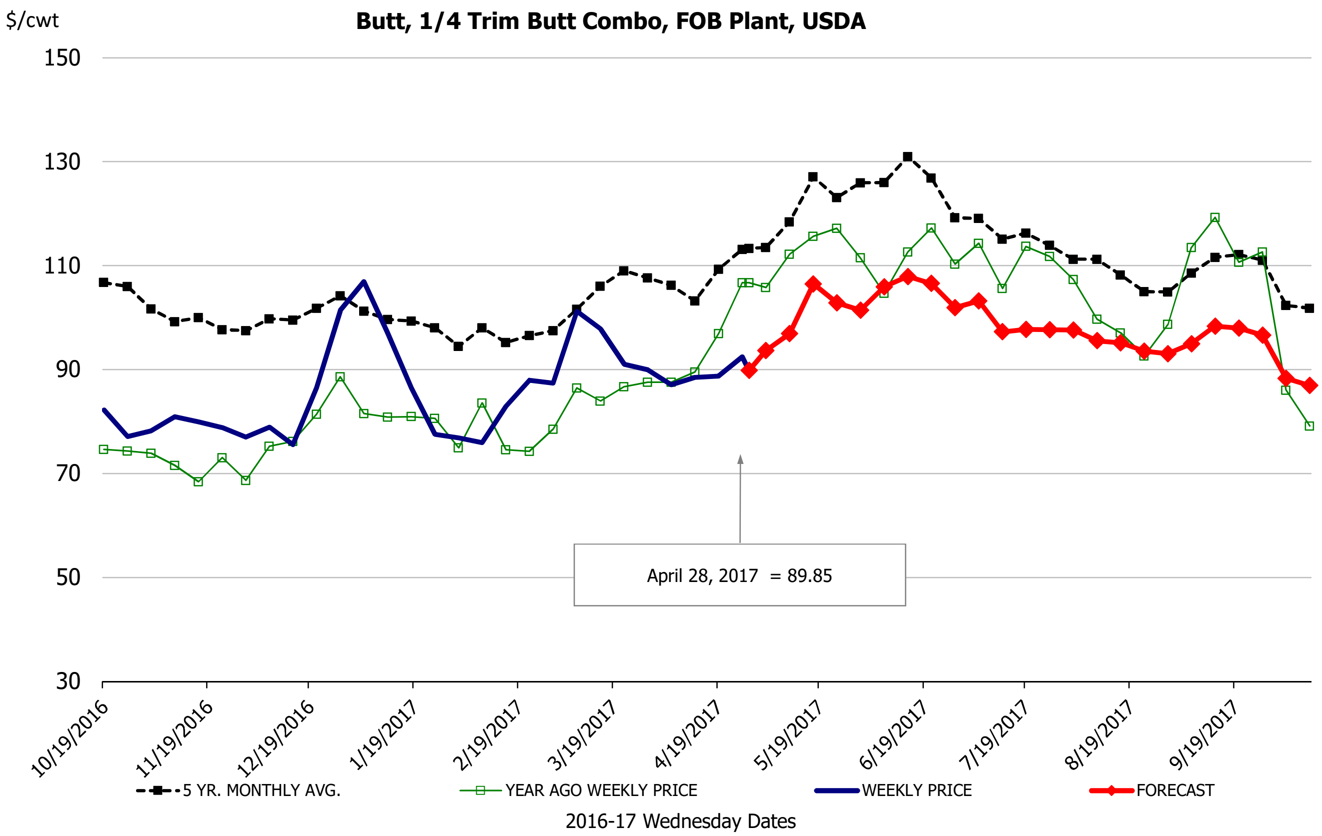

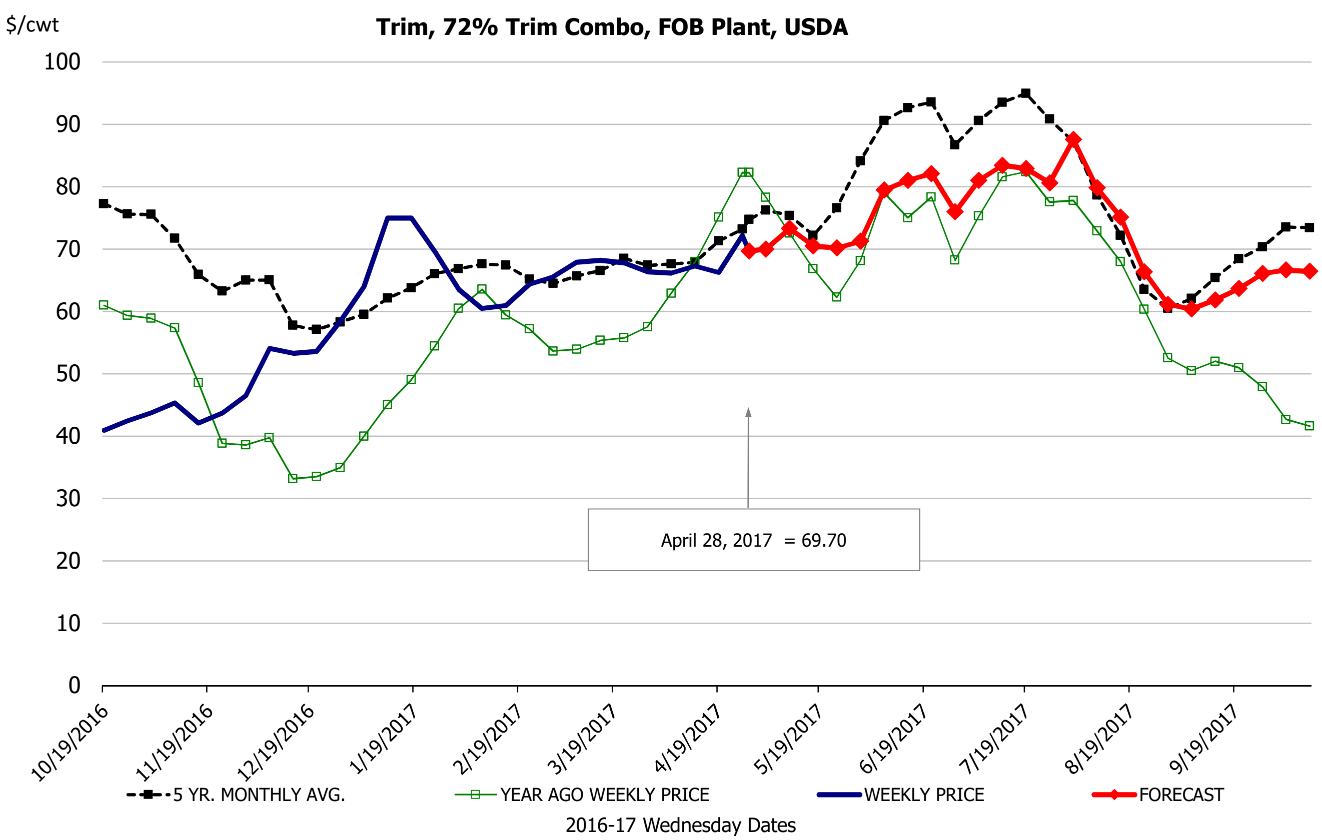

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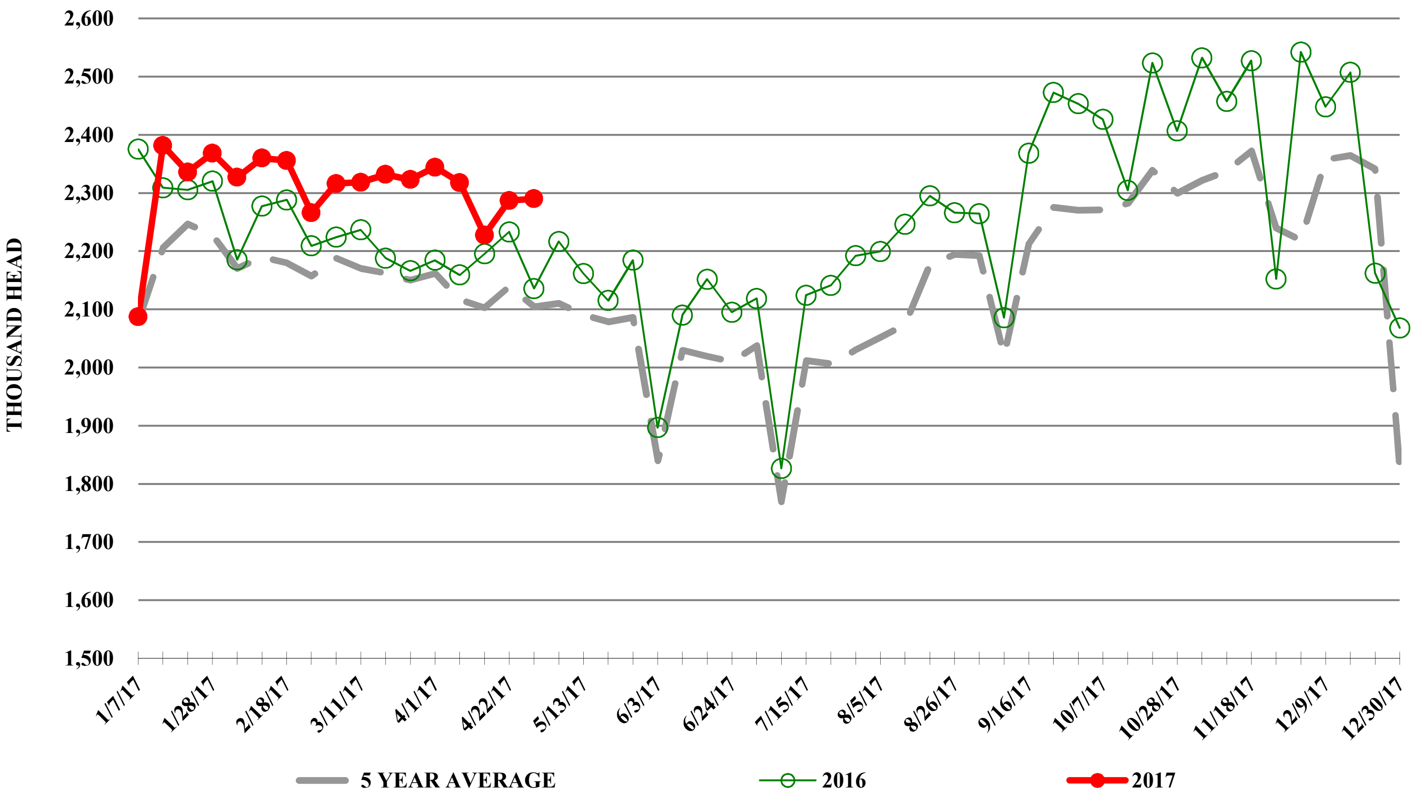
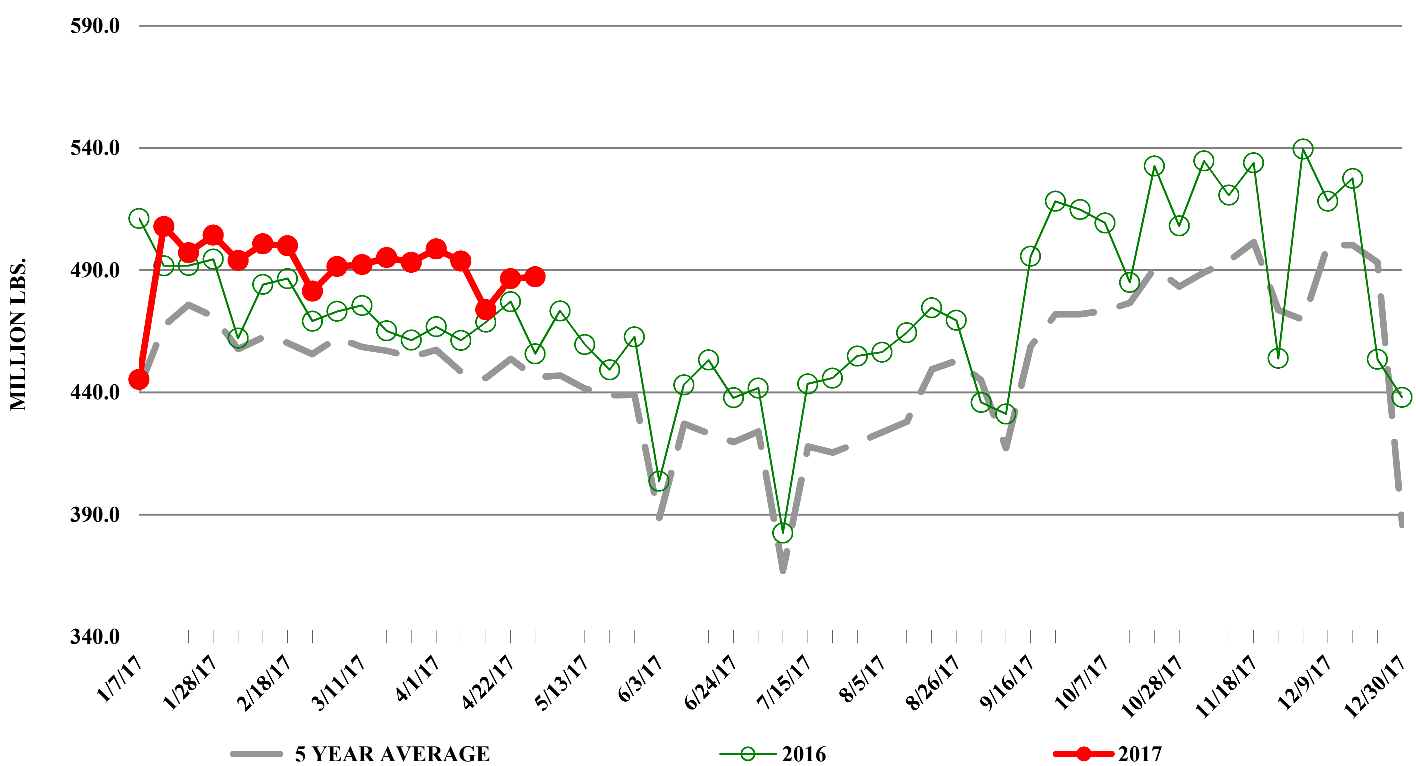
ESTIMATED WEEKLY FI HOG SLAUGHTER



ESTIMATED WEEKLY FI PORK PRODUCTION



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