



Be inspired<sup>SM</sup>

# Pork Merchandiser's Profit Maximizer

- Foodservice Edition -

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

May 15, 2017

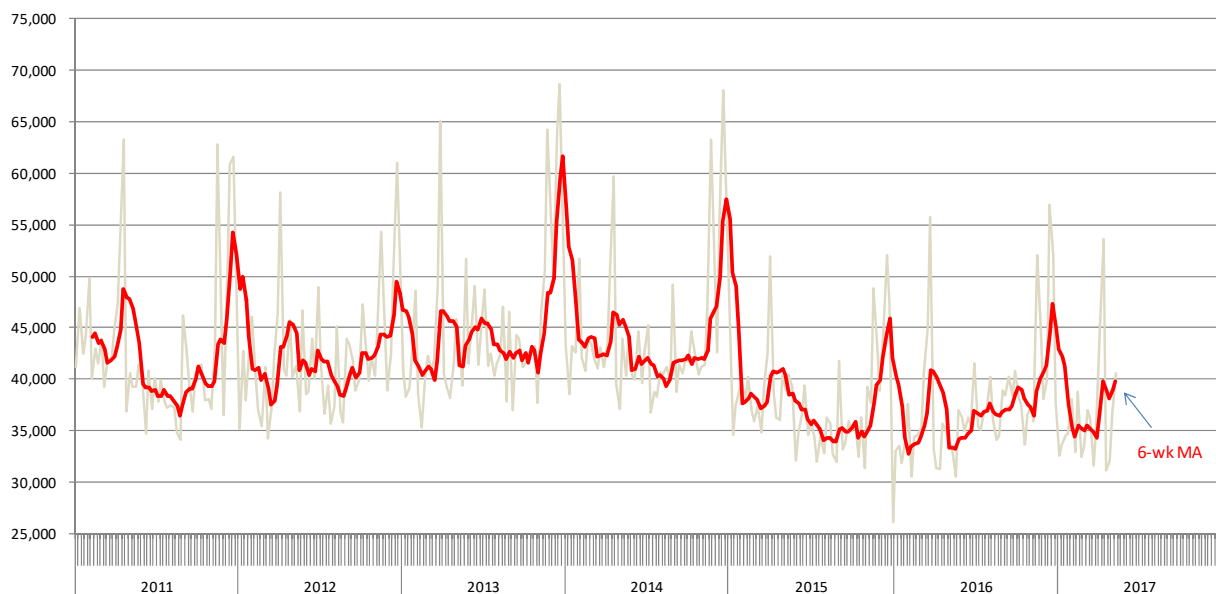
## Seasonal Improvement Underway in the Pork Complex. Higher Beef Prices Further Stimulate Pork Demand

In our last update two weeks ago we outlined the expected seasonal improvement for hog and pork prices and, as if on cue, prices have appreciated rapidly in the last two weeks. The calculated 1-day cash hog index stood at \$71.36, \$11.36/cwt (+19%) higher

than where it was on April 24. Current hog prices are still about 7% under where they were a year ago, which is reasonable given the larger supply of hogs coming to the market. We think one of the factors contributing to the uptick in pork and hog prices is the increase in pork features at retail. The chart below shows the weekly pork retail activity index as calculated by USDA. According to USDA, the activity index is "a measure of the absolute frequency of feature activity equal to the total number of stores for each

### PORK WEEKLY RETAIL ACTIVITY INDEX

Source: USDA Weekly Pork Retail Report. Latest Data is for May 12, 2017



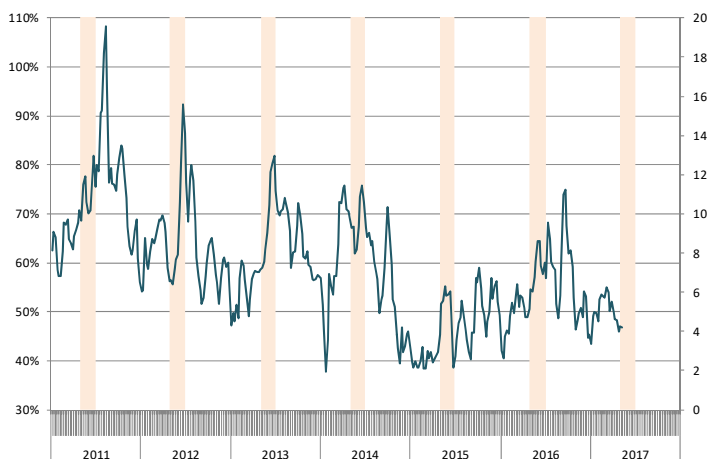
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advertised pork item (e.g., a retailer with 100 outlets featuring 3 pork items has an activity index of 300).” For the week ending May 12, the pork activity index was up 22% compared to the same period a year ago. The feature rate, which is the number of stores advertising pork as % of all stores sampled, stood at 93.9% compared to 87.9% the previous week and 86.8% a year ago. The percentage of specials was a bit lower than a year ago. Going forward, it will be interesting to see if there is a continued increase in both the feature rate and the number of specials at retail. Price ratios for a number of pork retail items currently favor pork relative to beef and even chicken. This should provide end users with opportunities to feature pork more aggressively. Pork supplies normally decline into the summer but overall availability is one of the best in recent years. Indeed, as pork supplies have increased in the last two years, we have started to see an improvement in the pork activity index at retail.

One of the items we are watching quite closely are pork loins. The loin primal accounts for about 25% of the overall carcass so price gains for this part of the animal are particularly important. The price of 1/4 VAC trimmed loins in the last two weeks has increased by a little over \$12/cwt, adding about \$3/cwt to the value of the pork cutout. Higher prices for competing meats should be supportive for loin prices going into the key grilling time of the year. Loin prices this year are particularly attractive even after the recent runup in price. Retailers were quite aggressive in featuring ground beef in April and May but at this point they are struggling with a significant short term shortage of beef trim in the spot market. This was highlighted last week by the dramatic spike in the price of beef 50CL trim, which closed the week at over \$200/cwt, a 280% premium over the same period a year ago. The features that retailers booked back in March and early April will come to an end in relatively short order and at this time retailers are likely looking at staggeringly higher prices than they booked before. The price ratio of pork loins to 81CL ground beef last week stood at 47%. Normally the price ratio gains in May and June and similar gains this year would imply notable gains in the value of pork loins (it looks unlikely retail prices for ground beef will decline in the short term). And it is important to remember that for \$4 of gains in the value of the loin primal the cutout goes up a full \$1.

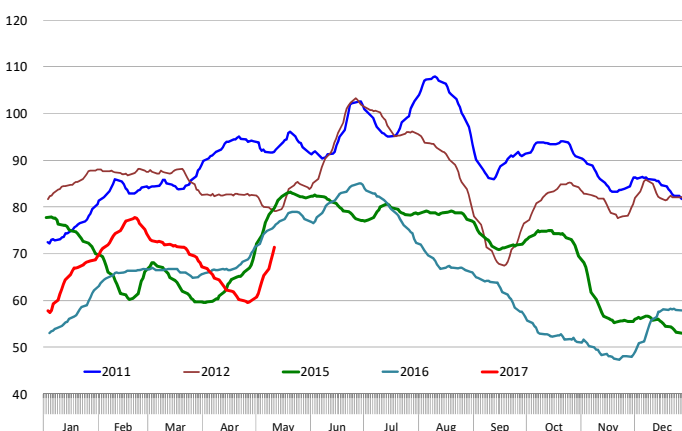
### RATIO OF 1/4 PORK LOINS TO 81CL GROUND BEEF

Weekly Price Ratio. Source: USDA Mandatory Price Reporting. Shaded Area is May-Jun Period



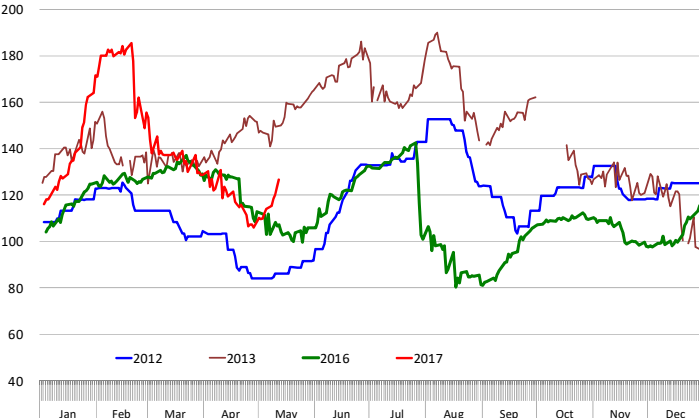
### CALCULATED 1 DAY CASH HOG INDEX

Based on Daily USDA MPR Data. Wt. Avg. Price of Negotiated Cash Hog Price and Swine or Pork Market Formula (SPMF). See LM\_HG201



### PORK BELLY PRIMAL VALUE

S/cwt Negotiated Basis, FOB Plant. Source: USDA, Mandatory Price Reporting System



Pork belly prices also gained ground last week and they are expected to move higher into June and July. Pork belly stocks remain substantially under a year ago and lower prices in April likely caused retailers to once again turn to bacon ads. Those features gain

ground ahead of Mothers Day, when all things breakfast and especially bacon, are a hot item. Pork trim prices also have been moving higher, in part because of the sharp rise in the value of beef trimmings. And with beef trim hitting all time record prices last week, it is likely we will see further price appreciation for pork trim values in the coming weeks. And the gains in trim prices are important not just for trim credit items. We often look at pork trimmings as setting a floor under the value of hams. If trim prices move higher, hams also will have to increase in value since at some point you can simply throw them in the grind. For now hog futures markets are paying attention and have appreciated by some 13%.

2. Grain market update

US corn farmers are off to a slow start in planting corn this year and there are some concerns if they will be able to plant the 90 million acres they indicated in the spring planting survey. Trend yields currently are around 170.5 per bushel and that's what has been used in the balance table to derive a production level for the year. Late June and July

weather is always critical but moisture conditions across the Midwest so far have been quite good, which is why futures so far have refrained from building a weather risk premium for the December contract. On the demand side, USDA has made some upward adjustments to both the domestic feed use and ethanol use for 2017-18. Ethanol has greatly benefited from robust exports even as domestic use has hit the blend wall. Feed demand is expected to be under 2016-17 levels, in part because China has reduced DDG imports. The bottom stocks/use number is important. A stock/use ratio of around 15% implies corn prices in the \$4 range, which is also what USDA is using in their initial forecast. Global coarse grain supplies also are quite abundant at this time, thanks to an above average crop in South America. Large global inventories, minimal weather concerns (so far) in North America and a giant, off the books pile in China should continue to limit price inflation in the corn market and help support meat protein expansion in the next 12-18 months. This could drastically change if drought returns to the US Corn Belt this summer but so far, so good.

**U.S. Corn Supply and Use**

	2015/16	2016/17	2017/18		% Change		2017-18 Steiner Est.
	USDA Actual	USDA Estimate	USDA Apr Est	USDA May Est	vs. 2015/16	vs. 2016/17	
	Planted	88.0	94.0	90.0		2.3%	
Harvested	80.8	86.7	82.4		2.0%	-5.0%	82.6
Yield per harvested acre	168.4	174.6	170.7		1.4%	-2.2%	170.5
Beginning stocks	1,731	1,737	2,295		32.6%	32.1%	2,295
Production	13,602	15,148	14,065		3.4%	-7.1%	14,087
Imports	67	55	50		-25.4%	-9.1%	40
<b>Supply, total</b>	<b>15,401</b>	<b>16,940</b>	<b>16,410</b>		<b>6.6%</b>	<b>-3.1%</b>	<b>16,422</b>
Feed and residual	5,123	5,500	5,425		5.9%	-1.4%	5,400
Ethanol for fuel	5,224	5,450	5,500		5.3%	0.9%	5,450
Food, seed and residual	1,419	1,470	1,500		5.7%	2.0%	1,420
<b>Domestic use, total</b>	<b>11,766</b>	<b>12,420</b>	<b>12,425</b>		<b>5.6%</b>	<b>0.0%</b>	<b>12,270</b>
Exports	1,898	2,225	1,875		-1.2%	-15.7%	2,000
<b>Use, total</b>	<b>13,664</b>	<b>14,645</b>	<b>14,300</b>		<b>4.7%</b>	<b>-2.4%</b>	<b>14,270</b>
Ending stocks	1,737	2,295	2,110		21.5%	-8.1%	<b>2,152</b>
<b>Avg. farm price (\$/bu)</b>	<b>3.61</b>	<b>3.25-3.55</b>	<b>3.0-3.8</b>		<b>-5.8%</b>	<b>0.0%</b>	
Ending Stocks/Use	12.7%	15.7%	14.8%				<b>15.1%</b>

Source: USDA

\*\* Corn crop marketing year starts September 1.

**Upcoming holidays:**

**2017** 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**

**Live hogs. For the week ending May 13 slaughter was 2.258 million head, up 4.5% from a year ago. In the last two weeks hog slaughter is up 3.2% vs. year ago levels.**

**Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values.** Lean hog carcass values at about 70.08 /cwt. on Friday were up \$7.5/cwt since Wed. May 3. Prices are down 4.2 dollars compared to year ago values.

**Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA** (page 8). Prices finished last week at \$1.0479, up about 10.6 cents since the Wed. May 3 quote and up about 0.5 cents from year ago levels.

**Bnls. Strap on Pork Loins.** Prices finished the week at \$1.3108 for the strap on loins, up 12.0 cent since Wed. May 3 but down about 3 cent from the year ago levels. Strap off loins at \$1.4063 are up about 2.6 cent since Wed. May 3 but down about 6 cent compared to the year ago quote.

**Boneless sirloins** at \$1.0335 are down 3 cents from the Wed. May 3 quote and down about 12.8 cents from the year ago price.

**Pork tenderloin** finished last week at \$2.0959, down one cent from the Wed. May 3 quote and down about 29.3 cents from the year ago price.

**1/4 Trim Pork Butts** (page 10), prices finished the week at \$1.1260, up 11.5 cent since Wed. May 3. Prices are down 14 cents from a year ago.

**Spare Ribs, Trimmed - LGT, Vac** (page 8). Prices finished the week at \$1.4436, up about 15 cent since Wed. May 3 but down about 18 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 \$0.6989/lb., unchanged since Wed. May 3 and up about 3 cents from a year ago.

20/23 hams finished the week at 69.92 cents, up about 2.7 cents since Wed. May 3 and up about 3.5 cent from the year ago level.

23/27 hams finished the week at 67.18 , up about 0.5 cents from the Wed. May 3 quote but down about 0.8 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 41.65 cent, up about 7.7 cent since Wed. May 3 but down about 10 cents from the year ago price.

**72 CL Pork Trim** “FOB Basis”. Prices finished the week at 78.78 cents, up about 3.3 cents since the Wed. May 3 quote and up about 6 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 101.75 on Friday, May 13, up about 11 cents from a year ago.

Broiler slaughter for the week ending May 13 was 161.87 million head, up 1.46% from a year ago. For the last two weeks slaughter was up 2.5% vs. a year ago.

**Breasts.** Prices on boneless skinless breasts finished the week at \$1.4489, up 7 cents since Wed. May 3 and still up about 22 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 1.7 cents vs. two weeks ago but at 39.85 cents per pound prices were up 3 cents from a year ago.

**Wings.** Prices at \$1.9371 are up about 26 cents from year ago levels.

## **Turkeys**

**Hens** finished last week at \$1.0700, unchanged since Wed. May 3 but down about 16 cents from the year ago price.

**Toms** finished last week at \$1.0700, unchanged since Wed. May 3 but down about 16 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 4.2480 million head for the week ending May 6, up 2.98% from a year ago. For the last two weeks slaughter has been down 1.6%.

**Boneless Turkey Breast Meat.** Boneless skinless turkey breast meat prices finished last week at \$1.5300, unchanged since Wed. May 3. 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 112A Heavy Bnls. Lip On Rib Eyes** at \$8.8985 (weighted average quote) finished last week up about 50 cents since the Wed. May 3 quote and up about 154 cents vs. the year ago price.

**Select 112A Heavy Lip On Rib Eyes** at \$6.5643 (weighted average quote) finished last week up about 7 cents since the Wed. May 3 quote but down about 51 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$2.3342 /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 \$2.3799 up about 2 cents since Wed. May 3 and up about 31 cents from the year ago price.

**Choice ¼ inch trimmed #168 insides** finished last week quoted at \$2.3913 up about 3 cents since Wed. May 3 and up about 26 cents from year ago levels.

**Choice #170 Gooseneck Rounds** finished last week at \$2.1362 up about 6 cents since Wed. May 3 and up about 17 cents from the year ago levels.

**Choice #180 (0x1) Bnls. Strip Loins** finished last week quoted at \$8.0690 (wt. avg.) up about 13 cents from the Wed. May 3 quote. Prices are up 84 cents from year ago levels.

**Choice #184 Regular Heavy top butts** finished at \$3.7596 (wt. avg.) up about 11 cents since Wed. May 3 but down about 50 cents from year ago levels.

**Choice #184 ¼ inch trimmed Top Butts** finished at \$3.6885 (wt. avg.) up about 13 cents since Wed. May 3 but down about 66 cents from the year ago levels.

**Choice #185A Flap Meat** prices finished Friday at \$7.0853 (wt. avg.) up about 55 cents since Wed. May 3 and up about 187 cents from year ago values.

## **COARSE GROUND BEEF –**

**73CL Coarse Ground** product finished last week at \$1.9193 up about 21 cents since Wed. May 3 and up about 30 cents from year ago levels.

**81CL Coarse Ground** product finished last week at \$2.1399 up about 14 cent since Wed. May 3 and up about 21 cents from the year ago quote.

**90CL Bnls. Beef** prices finished the week at \$2.2352 (wt. avg.) up about 2.79 cent since Wed. May 3 and up 6 cents compared to the year ago price quote.

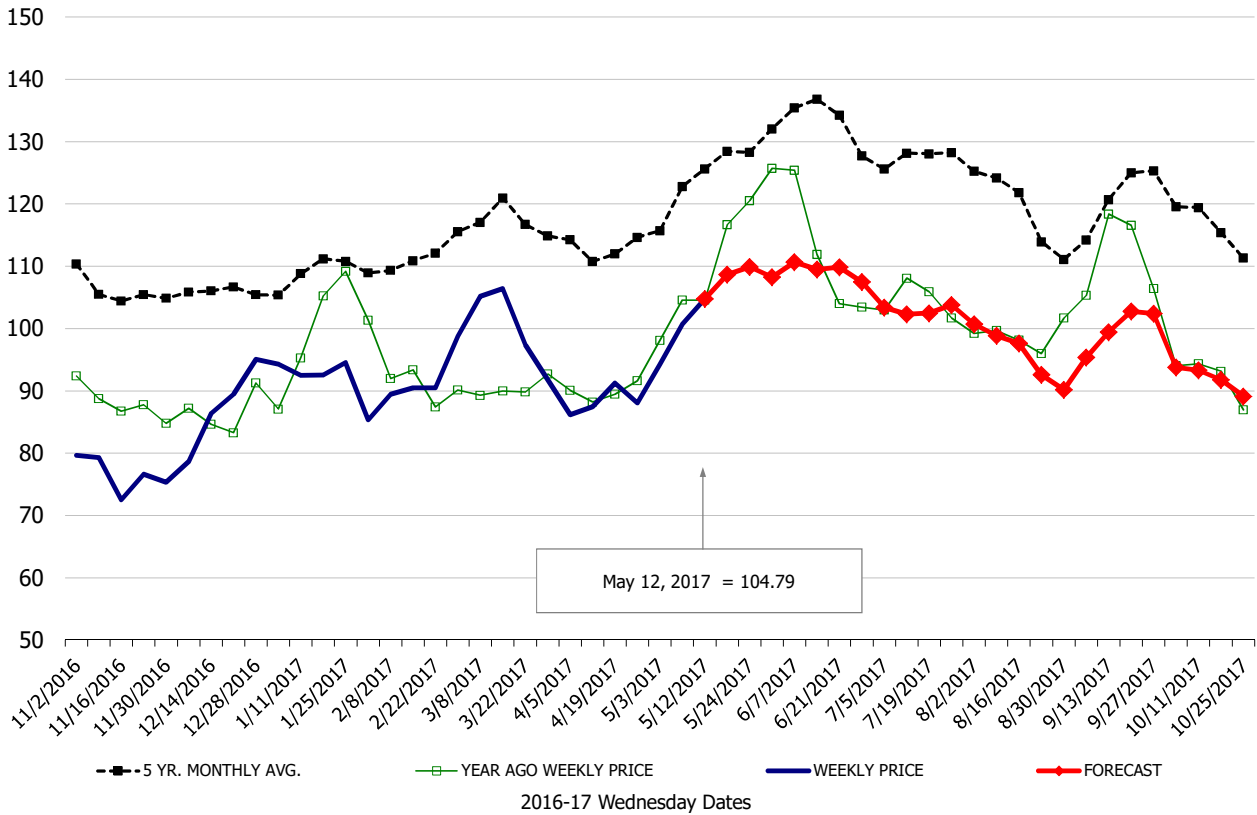
**50 CL Beef Trim** prices finished last week at \$2.0106, up about 63.5 cent since Wed. May 3 and up 148 cent compared to the year ago level.

## Food Service Summary Table - WT. AVE

	HISTORY								FORECAST						
	Nov	Dec	Jan	Feb	Mar	Apr	5/3/2017	5/12/2017	5/24/2017	May	Jun	Jul	Aug	Sep	Oct
<b>PORK</b>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	0.77	0.83	0.92	0.90	0.99	0.88	0.94	1.05	1.10	1.05	1.09	1.03	0.96	1.00	0.92
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	0.86	0.90	0.98	0.95	1.08	0.97	1.01	1.07	1.14	1.10	1.17	1.12	1.05	1.04	1.01
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.28	1.34	1.47	1.34	1.36	1.32	1.38	1.41	1.49	1.43	1.46	1.41	1.34	1.42	1.43
Loin, Tenderloin, FOB Plant, USDA	2.00	2.01	2.13	2.18	2.08	1.98	2.11	2.10	2.17	2.10	2.37	2.34	2.09	2.02	1.97
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	0.81	0.85	0.92	0.86	0.93	0.89	0.90	0.98	1.04	1.01	1.09	1.03	0.95	0.97	0.88
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.18	1.20	1.29	1.35	1.32	1.30	1.29	1.44	1.40	1.38	1.41	1.33	1.25	1.25	1.23
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.28	2.28	2.22	2.21	2.21	2.21	2.25	2.26	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	1.30	1.43	1.45	1.44	1.42	1.34	1.26	1.27	1.24
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.15	2.15	2.26	2.43	2.46	2.36	2.27	2.27	2.49	2.52	2.51	2.40	2.17	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	0.67	0.70	0.70	0.68	0.69	0.71	0.68	0.69	0.72
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.67	0.75	0.59	0.60	0.62	0.59	0.67	0.70	0.67	0.68	0.70	0.75	0.70	0.70	0.68
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.67	0.72	0.54	0.58	0.60	0.59	0.67	0.67	0.68	0.68	0.69	0.75	0.71	0.69	0.65
Belly Cutout, FOB Plant, USDA	1.04	1.04	1.36	1.74	1.36	1.19	1.10	1.27	1.30	1.25	1.45	1.55	1.45	1.33	1.34
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.30	1.26	1.75	2.17	1.69	1.44	1.39	1.58	1.59	1.55	1.78	1.90	1.78	1.63	1.64
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.28	1.30	1.65	2.08	1.66	1.43	1.37	1.54	1.60	1.54	1.76	1.88	1.57	1.52	1.62
Trim, 42% Trim Combo, FOB Plant, USDA	0.23	0.25	0.25	0.31	0.35	0.34	0.34	0.42	0.33	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	0.76	0.79	0.70	0.71	0.78	0.82	0.74	0.63	0.65
<b>HOG CARCASS</b>															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	0.42	0.52	0.61	0.71	0.66	0.57	0.63	0.70	0.70	0.68	0.76	0.77	0.72	0.66	0.65
<b>BROILERS</b>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	0.79	0.84	0.86	0.85	0.95	0.97	0.98	1.02	1.03	1.02	0.99	0.93	0.86	0.84	0.81
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	0.99	0.98	1.01	1.08	1.13	1.30	1.38	1.45	1.52	1.52	1.52	1.51	1.43	1.33	1.17
N.E. BROILER BREAST LINE RUN, USDA	0.87	0.89	0.87	0.86	0.97	1.07	1.12	1.14	1.19	1.17	1.17	1.14	1.09	1.04	1.01
N.E. BROILER LEG QUARTERS, USDA	0.32	0.31	0.32	0.33	0.38	0.39	0.42	0.40	0.39	0.39	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	1.93	1.94	1.94	1.93	1.83	1.88	1.87	1.93	1.96
<b>TURKEYS</b>															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.28	1.14	1.06	1.06	1.07	1.07	1.07	1.07	1.10	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	1.57	1.55	1.65	1.85	1.99	2.10	2.10
<b>LIVE STEERS</b>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.06	1.13	1.19	1.20	1.27	1.28	1.44	1.38	1.29	1.35	1.23	1.20	1.21	1.20	1.19
<b>BEEF</b>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	8.05	7.17	6.10	6.07	7.17	7.49	8.40	8.90	9.18	8.90	8.57	7.33	7.46	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	2.36	2.39	2.43	2.44	2.27	2.25	2.31	2.16	2.14
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	1.89	1.92	2.07	2.00	2.06	1.93	2.07	2.14	2.11	2.08	1.94	1.98	2.02	2.08	2.15
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	4.32	4.88	5.50	5.24	7.13	6.62	7.94	8.07	9.01	8.45	7.89	6.34	5.96	5.50	5.31
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	2.30	2.31	2.49	2.91	3.81	3.60	3.56	3.69	3.87	3.83	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	6.53	7.09	6.99	7.03	6.10	5.33	4.97	4.55	4.28
COARSE GROUND 73%, USDA	1.13	1.31	1.43	1.30	1.63	1.59	1.71	1.92	1.97	1.93	1.72	1.57	1.71	1.61	1.58
COARSE GROUND 81%, USDA	1.54	1.62	1.86	1.72	1.84	1.82	2.00	2.14	2.19	2.15	1.93	1.89	1.99	1.89	1.89
90% BONELESS BEEF, CENTRAL, FRESH, USDA	1.93	1.92	2.03	2.09	2.15	2.17	2.21	2.24	2.24	2.24	2.20	2.24	2.25	2.24	2.11
50CL BEEF TRIM, FRESH, NATIONAL, USDA	0.49	0.38	0.56	0.79	0.99	1.05	1.39	2.01	1.65	1.75	1.40	1.07	1.02	0.88	0.89

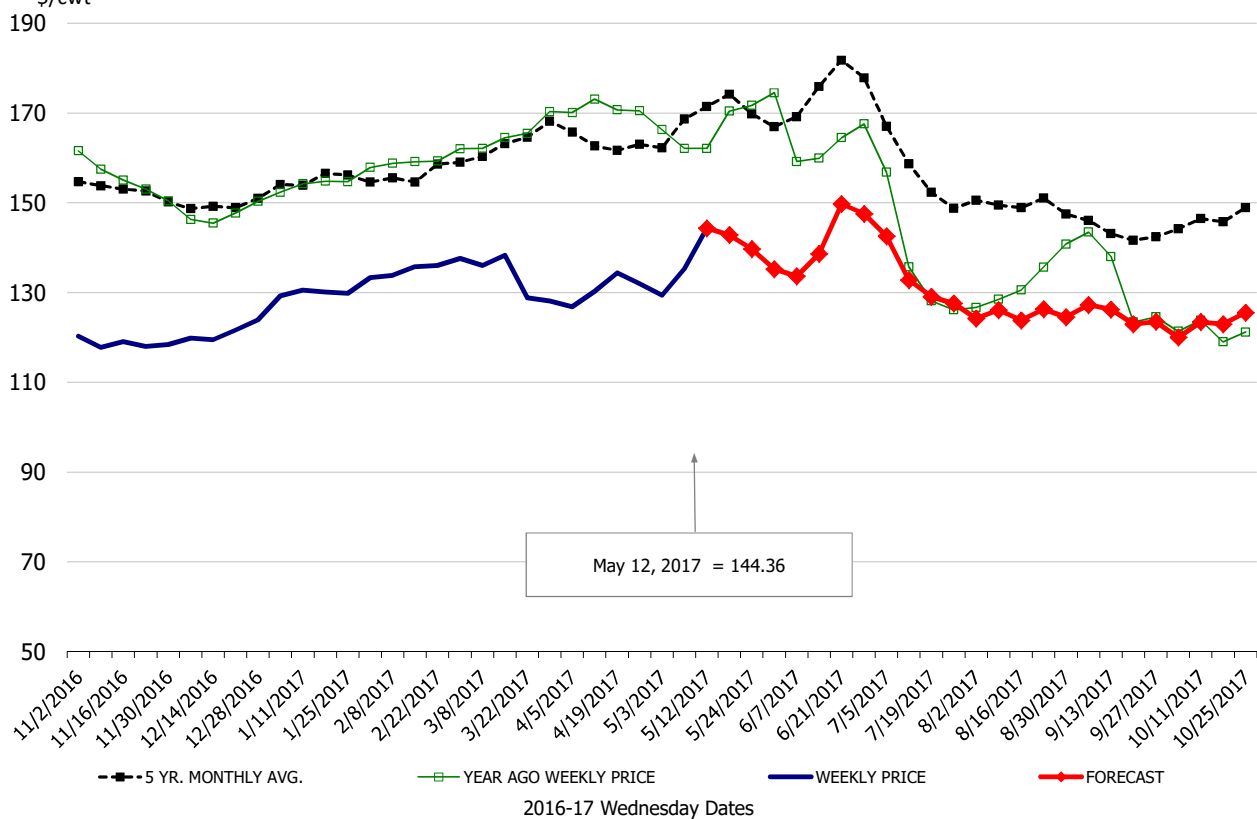
\$/cwt

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



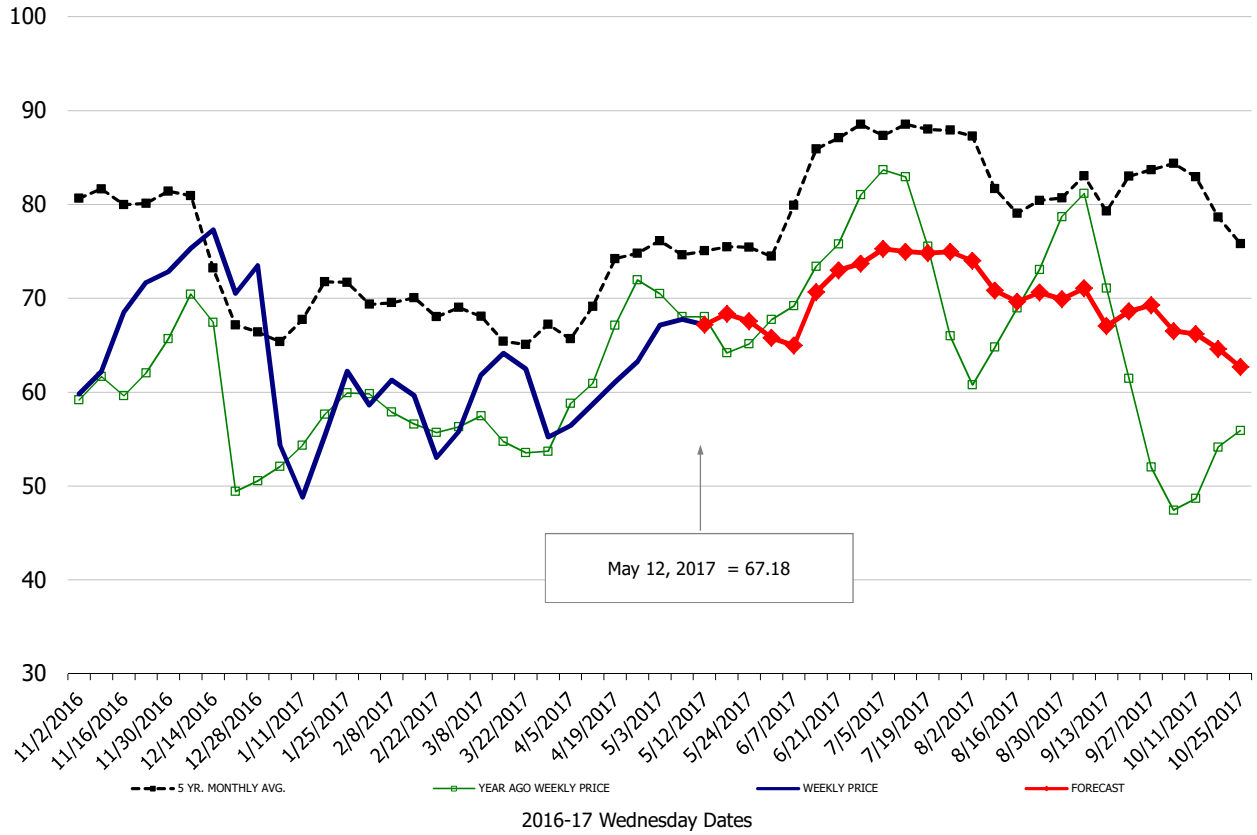
\$/cwt

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

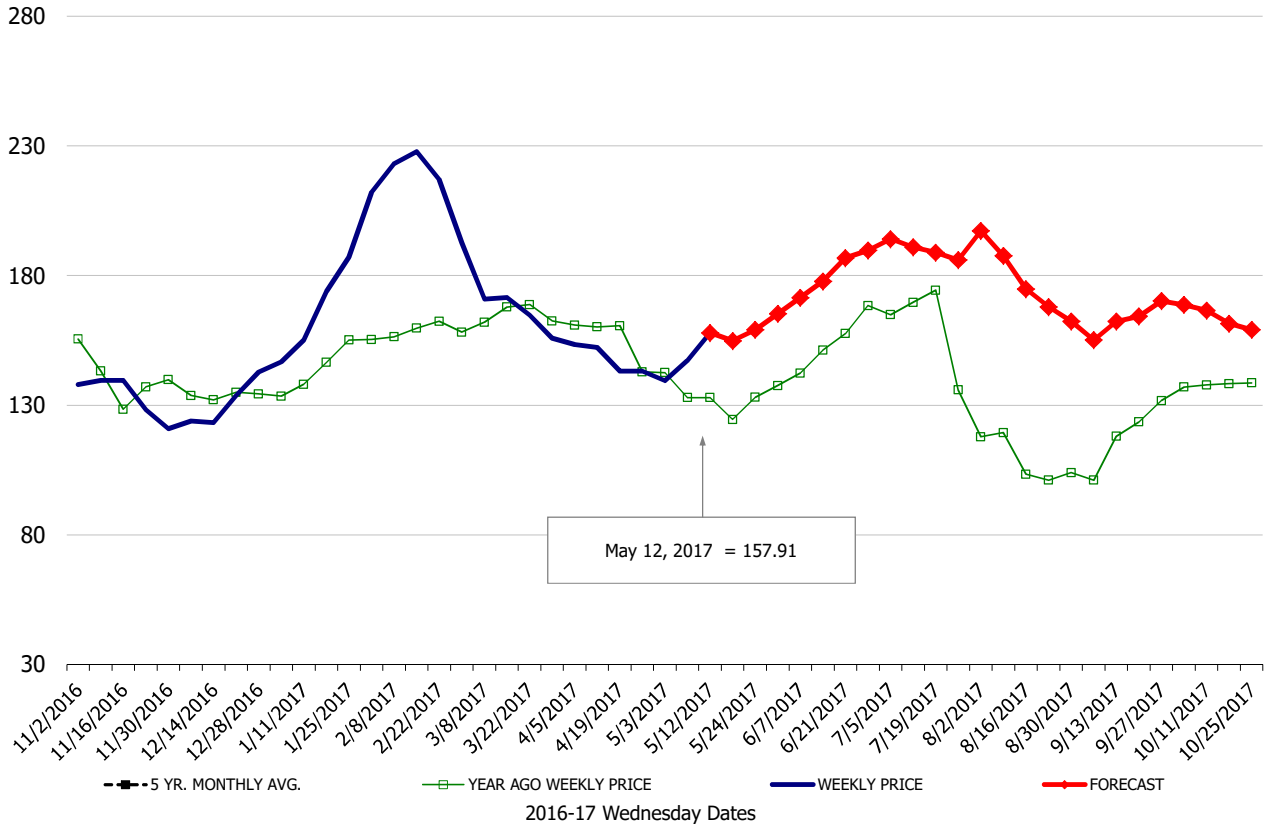




**Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA**

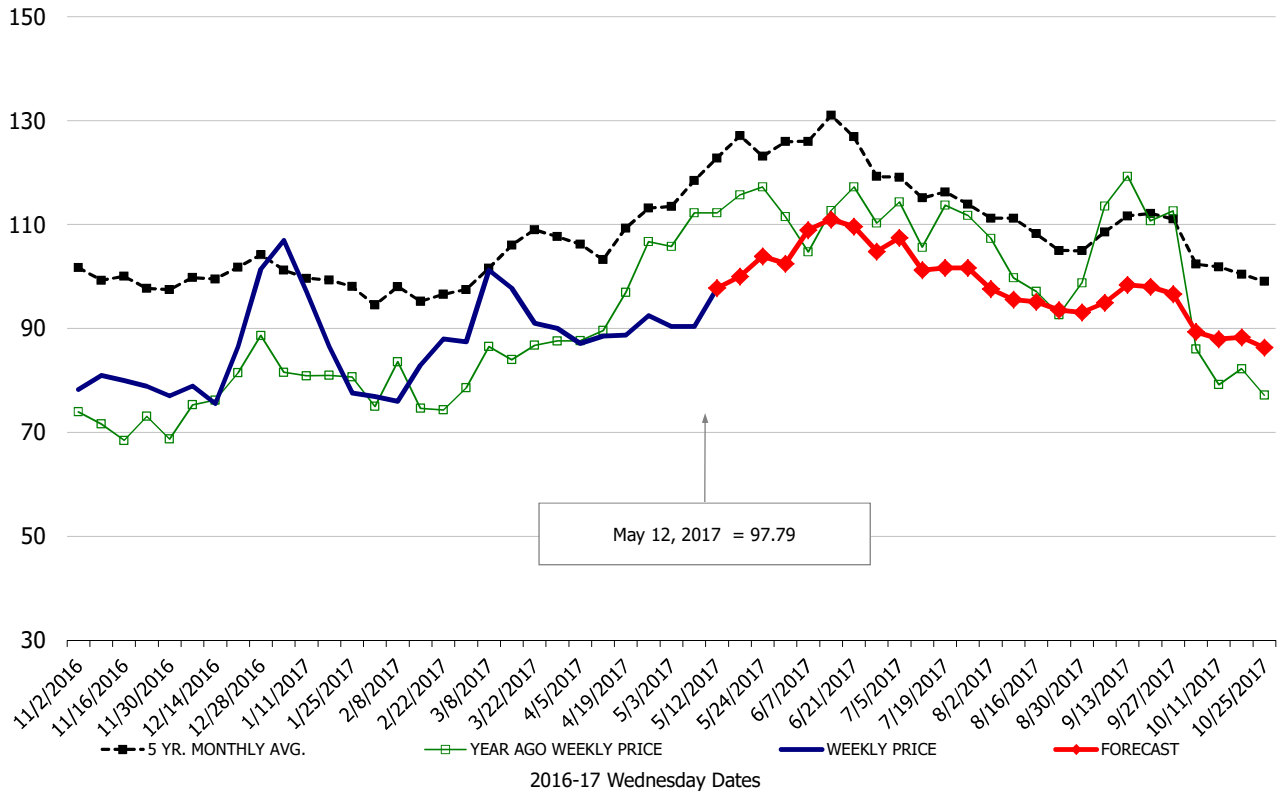


**Belly, Derind Belly 9-13#, FOB Plant, USDA**



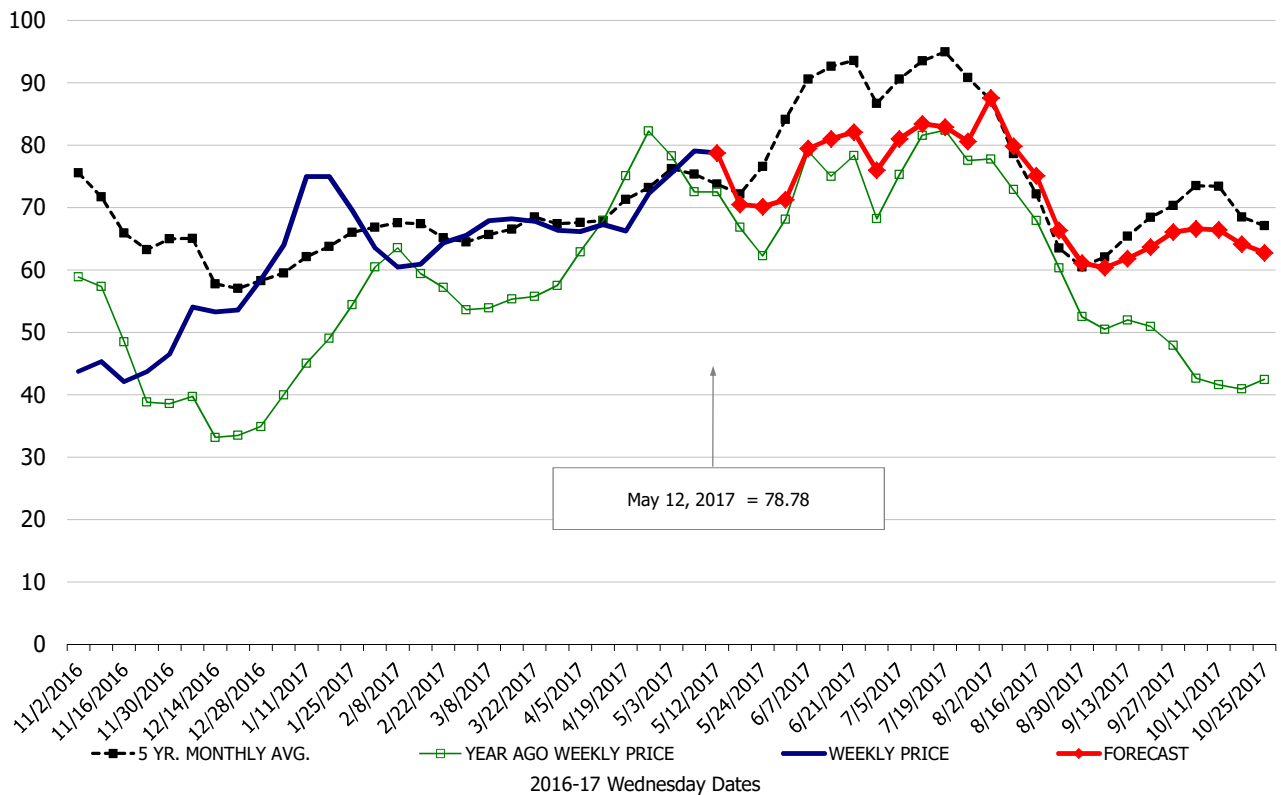
\$/cwt

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

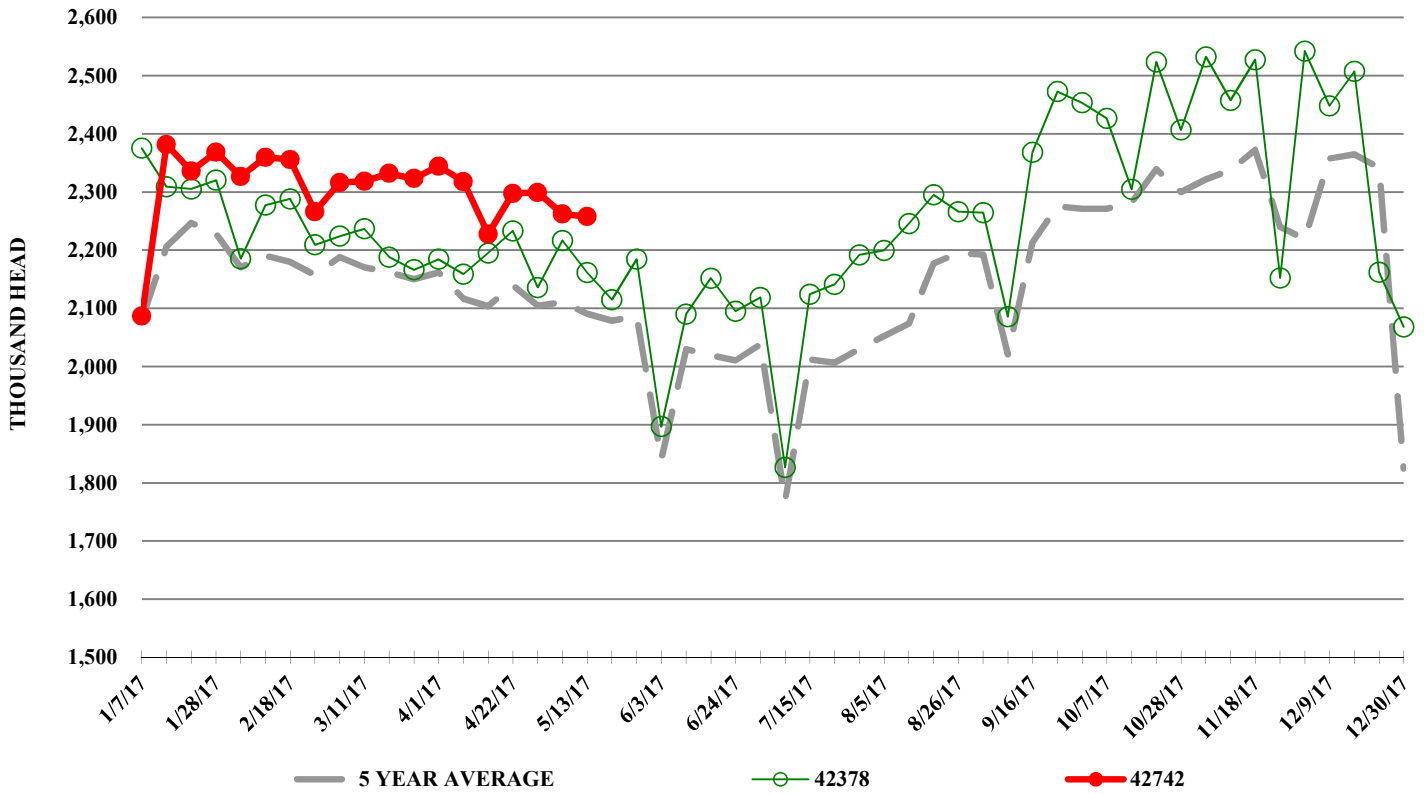


\$/cwt

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



## ESTIMATED WEEKLY FI HOG SLAUGHTER



## ESTIMATED WEEKLY FI PORK PRODUCTION

