

# Pork Merchandiser's Profit Maximizer



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

- Foodservice Edition -

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August 7, 2017

### 1. Exports of fresh/frozen and cooked pork in June were higher than a year ago, with Mexico demand offsetting the y/y decline in shipments to China

Despite higher pork prices in June, overall exports continued to advance. The rate of growth has predictably slowed down but we expect overall exports to continue to expand for the remainder of the year. Exports will likely accelerate in August and September as pork availability increases and buyers in

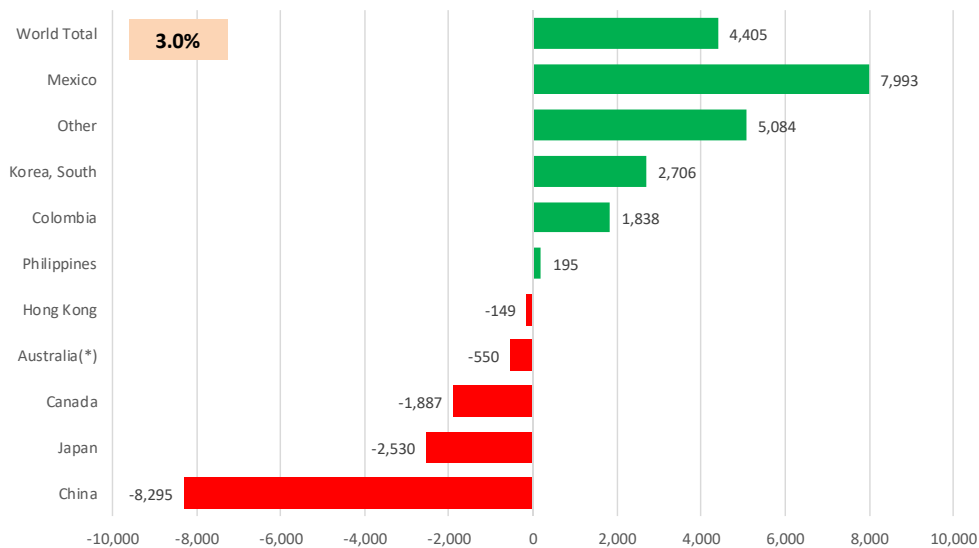
overseas markets take advantage of seasonally lower prices for items such as butts, picnics and loins. Below is a brief recap of the export numbers for June and implications for July and August from the more recent weekly export data:

Total shipments of fresh/frozen and cooked pork in June were 152,071 MT, 4,405 MT (+3%) higher than a year ago. Pork exports averaged 13% above year ago in the first five months of the year and June shipments were the second smallest this year, behind February.

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

Source: USDA/FAS

Units: Metric Tons



The decline is not that unusual, however, as lower supplies in late spring and summer tend to limit product availability and the level of export shipments. The positive in the latest data is that exports to a number of key markets in the Americas but also Asia remain quite robust. The main challenge for US pork exports at this time is China. Pork prices in China have declined and domestic commercial Chinese packers have been rapidly expanding production. While much of

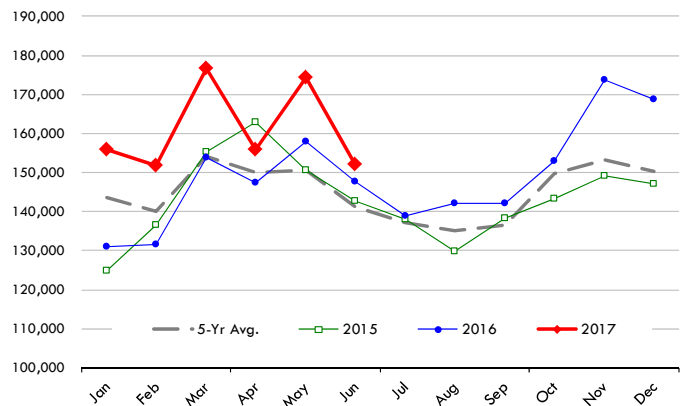
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the focus in recent years has been on the size of the Chinese breeding herd (it continues to shrink) we would argue that this may not be the best indicator of Chinese supplies. As the industry in the country becomes more commercialized, producers will become much more efficient and thus fewer sows will be required. More stringent environmental measures have accelerated the shift to commercial production as well and the drive for increased efficiency remains a key factor for Chinese pork markets. US exports of fresh/frozen and cooked pork to China were 12,611 MT, 8,295 MT (-39.7%) less than a year ago. Mexico has become by far the largest buyer of US pork and that was the case again in June. Total exports to Mexico in June were 51,764 MT (+18.3%) higher than a year ago. By comparison export to Japan, the second largest market for US pork, were under 30,000 MT. In the first six months of the year US pork exports to Mexico averaged 33% above year ago levels while exports to Japan were on averaged 10% less than last year. But only focusing on volume may not tell the full story. Sure, Mexico has become a major destination for US pork and takes the most volume. Japan, however, tends to buy more expensive cuts. Even though Japan purchased 43% less pork from the US in June, the value of US pork exports to Japan was \$121.8 million compared to \$103.9 million for Mexico. In the first six months of the year the value of US pork exports to Japan was \$797.5 million compared to \$614.1 million for Mexico. In the first six months of the year US pork exports were valued at \$2.629 billion, about \$297 million more than a year ago and slightly higher than the five year average, which includes the all time record values registered in 2014.

Demand for US pork in global markets remains quite robust and we expect the increase in product availability in the fall and winter will continue to bolster overall shipments. And one should not forget pork variety meats. Exports of those products in June were 19% higher than a year ago and accounted for another \$78.9 million in export sales. The increase in pork variety meats added another \$16.4 million to the positive trade balance for the month. Indeed, it was the increase in pork variety sales that pushed the value of exports for the month in positive territory. Hong Kong and China remain the top markets for US pork variety meats, accounting for 25,828 MT (+\$50 million). Exports of pork variety meats to Mexico also continue to growth.

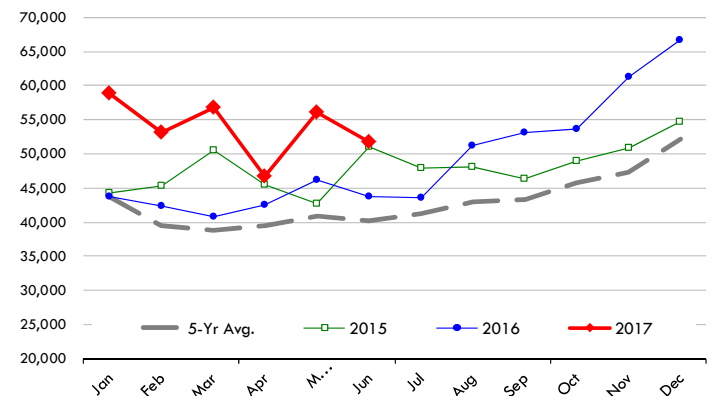
**US Exports of Fr/Frz/Cooked Pork: World Total**

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



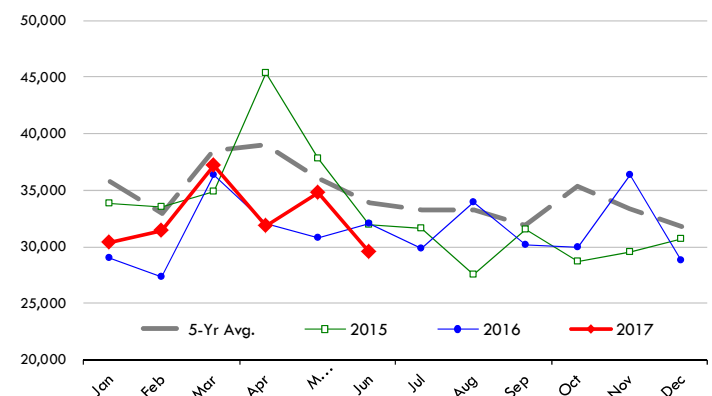
**US Exports of Fr/Frz/Cooked Pork: Mexico**

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



**US Exports of Fr/Frz/Cooked Pork: Japan**

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



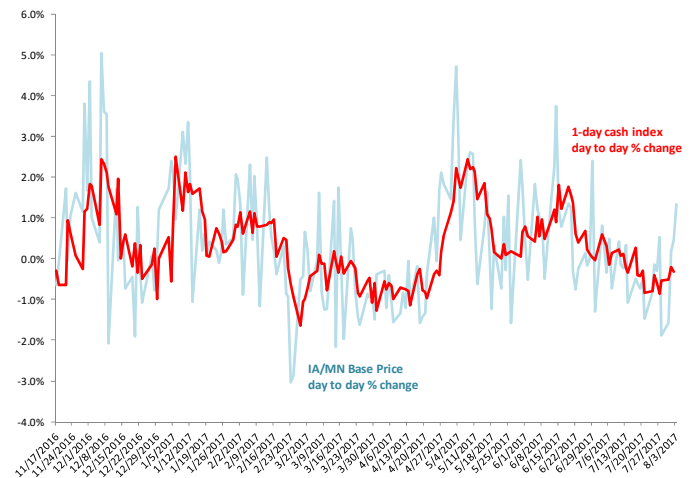
Shipments to this market in June were 11,528 MT, 16% higher than a year ago. The value of product shipped to Mexico increased by \$2.2 million (+15%).

**2. Pork cash hog prices hold firm, evidence of robust short term supply but also lower than expected hog availability**

On Friday the IA/MN base cash hog price closed at a weighted average of \$80.61/cwt, 60 cents lower than the previous day. While prices slipped at the end of the week, they had been trending higher for much of the week. Higher negotiated cash prices have come at a time when the August contract still is pricing a drop of around \$5 by expiration. Why are cash hog prices firm? For one, pork demand, particularly demand for pork bellies remains robust and packers are willing to hold steady cash bids in order to maintain product flow. Barrow and gilt weights remain under year ago levels, an indication that producers are still quite current with their inventories. What stands out recently is a shift in the structure of hog weights. USDA reports a breakdown in the weight of hogs that are producer owned and the weight of hogs that are packer owned. For much of the spring and early summer, the weight of packer owned hogs declined at a faster pace and opened up a significant gap with a year ago. By late June, packer owned hogs were as much as 2% under last year while producer hog weights for that time period were down only 0.4%. Currently packer owned barrow and gilt weights are 0.7% under last year while the weight of those owned by producers is running at 0.6% under last year. Earlier in the summer it could be argued that packer hog weights were declining at a faster pace because packers were looking to manage margins (pick your own tree first theory). But why would that have changed, recently? We are sure some of our readers have a ideas about this as do we, but engaging in speculation is not very productive. The point that at least in the short term the cash hog market appears to be on a firmer footing that futures were expecting even a few days ago. Pork belly prices are holding above \$200/cwt and this has bolstered overall cutout values. While packer margins in recent days have tightened up a bit, they are still well in positive territory and something they can live with, especially with more hog supplies expected to come in the next three months. Pork exports in the last two weeks have shown improvement and we will provide an update on export projections for July and August in our Monday morning report.

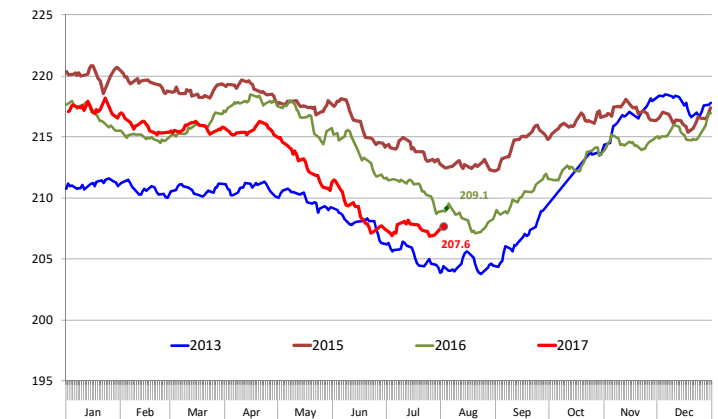
DAY TO DAY % CHANGE IN CASH HOG INDEX AND IA/MN BASE PRICE

Data: Mandatory Price Reporting



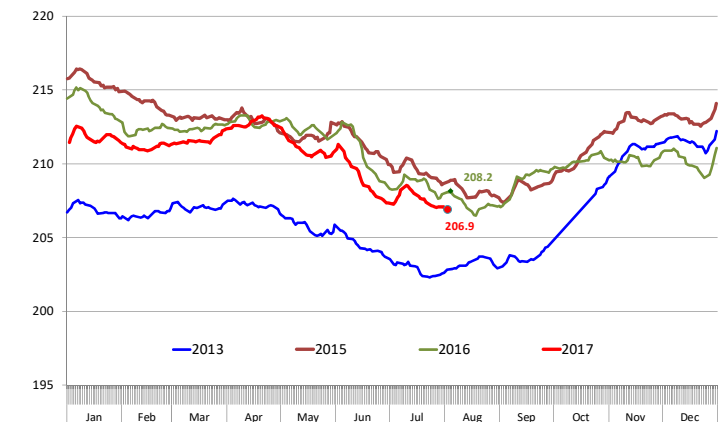
Barrow/Gilt Dressed Carcass Weights, 5-day Moving Avg. - Packer Hogs

Based on Daily MPR Report, LM\_HG201. Data through Aug. 2, 2017



Barrow/Gilt Dressed Carcass Weights, 5-day Moving Avg. - Producer Hogs

Based on Daily MPR Report, LM\_HG201. Data through Aug. 2, 2017



**Upcoming holidays:**

**2017** 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 August 5 slaughter was 2.250 million head, up 2.3% from a year ago. In the last two weeks hog slaughter is up 2.2% vs. year ago levels.**

**Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values.** Lean hog carcass values at about 80.61 /cwt. on Friday were down \$1.9/cwt since Wed. July 26. Prices are up 15.2 dollars compared to year ago values.

**Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA** (page 8). Prices finished last week at \$1.0213, down about 4.2 cents since the Wed. July 26 quote but up about 3 cents from year ago levels.

**Bnls. Strap on Pork Loins.** Prices finished the week at \$1.2527 for the strap on loins, up 1.5 cent since Wed. July 26 and up about 6 cent from the year ago levels. Strap off loins at \$1.3281 are down about 19.6 cent since Wed. July 26 and down about one cent compared to the year ago quote.

**Boneless sirloins** at \$1.0950 are down 5 cents from the Wed. July 26 quote but up about one cents from the year ago price.

**Pork tenderloin** finished last week at \$2.4158, up one cent from the Wed. July 26 quote and up about 5.3 cents from the year ago price.

**1/4 Trim Pork Butts** (page 10), prices finished the week at \$0.9884, up 3.5 cent since Wed. July 26. Prices are down 13 cents from a year ago.

**Spare Ribs, Trimmed - LGT, Vac** (page 8). Prices finished the week at \$1.2716, up about 9 cent since Wed. July 26 and up about 0.5 cents from year ago levels.

Rib inventories on June 30 were 86.1 million pounds, up 0.5% percent from a year ago.

**Bone-in Hams.**

17/20 hams (page 9) price was \$0.7800/lb., down 0.5 cents since Wed. July 26 but up about 2 cent from a year ago.

20/23 hams finished the week at 69.20 cents, down about 9 cents since Wed. July 26 but up about 6 cent from the year ago level.

23/27 hams finished the week at 67.20 , down about 8 cents from the Wed. July 26 quote but up about 6 cents from the year ago level.

Total ham cold storage stocks on June 30 at 179.1 million pounds were up 7.6% from year ago levels.

**42 CL Pork Trim** “FOB Basis”. Prices finished the week at 67.91 cent, down about 1.7 cent since Wed. July 26 but up about 9 cents from the year ago price.

**72 CL Pork Trim** “FOB Basis”. Prices finished the week at 81.23 cents, down about 14.1 cents since the Wed. July 26 quote but up about 3 cents from the year ago level.

Freezer stocks of all trimmings on June 30 were 33.1 million pounds, down 5.2% 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 95.24 on Friday, August 5, up about 14 cents from a year ago.

Broiler slaughter for the week ending August 5 was 165.29 million head, up 0.09% from a year ago. For the last two weeks slaughter was up 0.1% vs. a year ago.

**Breasts.** Prices on boneless skinless breasts finished the week at \$1.5010, up 1 cents since Wed. July 26 and still up about 20 cents from year ago levels.

**Leg Quarters.** This item continues to be driven by export demand. Last week leg quarter prices were up about 3.35 cents vs. two weeks ago and at 46.45 cents per pound prices were up 15 cents from a year ago.

**Wings.** Prices at \$2.0537 are up about 51 cents from year ago levels.

## Turkeys

**Hens** finished last week at \$1.0700, unchanged since Wed. July 26 but down about 19 cents from the year ago price.

**Toms** finished last week at \$1.0700, unchanged since Wed. July 26 but down about 19 cent from the year ago price.

Total turkey supplies in the freezer on June 30 were up 12.1% from a year ago at 565.3 million pounds. Whole birds were up 23.0% from a year ago with an inventory of 307.9 million pounds.

Turkey slaughter was 4.1970 million head for the week ending July 29, down 1.38% from a year ago. For the last two weeks slaughter has been down 51.1%.

**Boneless Turkey Breast Meat.** Boneless skinless turkey breast meat prices finished last week at \$1.5300, unchanged since Wed. July 26. 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 \$7.0032 (weighted average quote) finished last week down about 6 cents since the Wed. July 26 quote and down about 11 cents vs. the year ago price.

**Select 112A Heavy Lip On Rib Eyes** at \$6.2778 (weighted average quote) finished last week up about 6 cents since the Wed. July 26 quote but down about 45 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$0.7254 /lb. over Select. The 2015 annual average spread (wt. average price) had the Choice at a premium to the Select by \$0.1362 per pound and the previous five years (2010 thru 2014) average spread was Choice at a premium to the Select by \$0.1007 per pound.

**Choice regular #168 insides** finished last week quoted at \$2.2156 down about 12 cents since Wed. July 26 but up about 11 cents from the year ago price.

**Choice ¼ inch trimmed #168 insides** finished last week quoted at \$2.2273 down about 10 cents since Wed. July 26 and up about 7 cents from year ago levels.

**Choice #170 Gooseneck Rounds** finished last week at \$2.0317 down about 3 cents since Wed. July 26 but up about 19 cents from the year ago levels.

**Choice #180 (0x1) Bnls. Strip Loins** finished last week quoted at \$5.3198 (wt. avg.) down about 45 cents from the Wed. July 26 quote. Prices are down 71 cents from year ago levels.

**Choice #184 Regular Heavy top butts** finished at \$3.5750 (wt. avg.) down about 14 cents since Wed. July 26 but up about 20 cents from year ago levels.

**Choice #184 ¼ inch trimmed Top Butts** finished at \$3.8326 (wt. avg.) up about 2 cents since Wed. July 26 and up about 17 cents from the year ago levels.

**Choice #185A Flap Meat** prices finished Friday at \$4.1143 (wt. avg.) down about 13 cents since Wed. July 26 and down about 99 cents from year ago values.

### **COARSE GROUND BEEF –**

**73CL Coarse Ground** product finished last week at \$1.5636 down about 15 cents since Wed. July 26 but up about 19 cents from year ago levels.

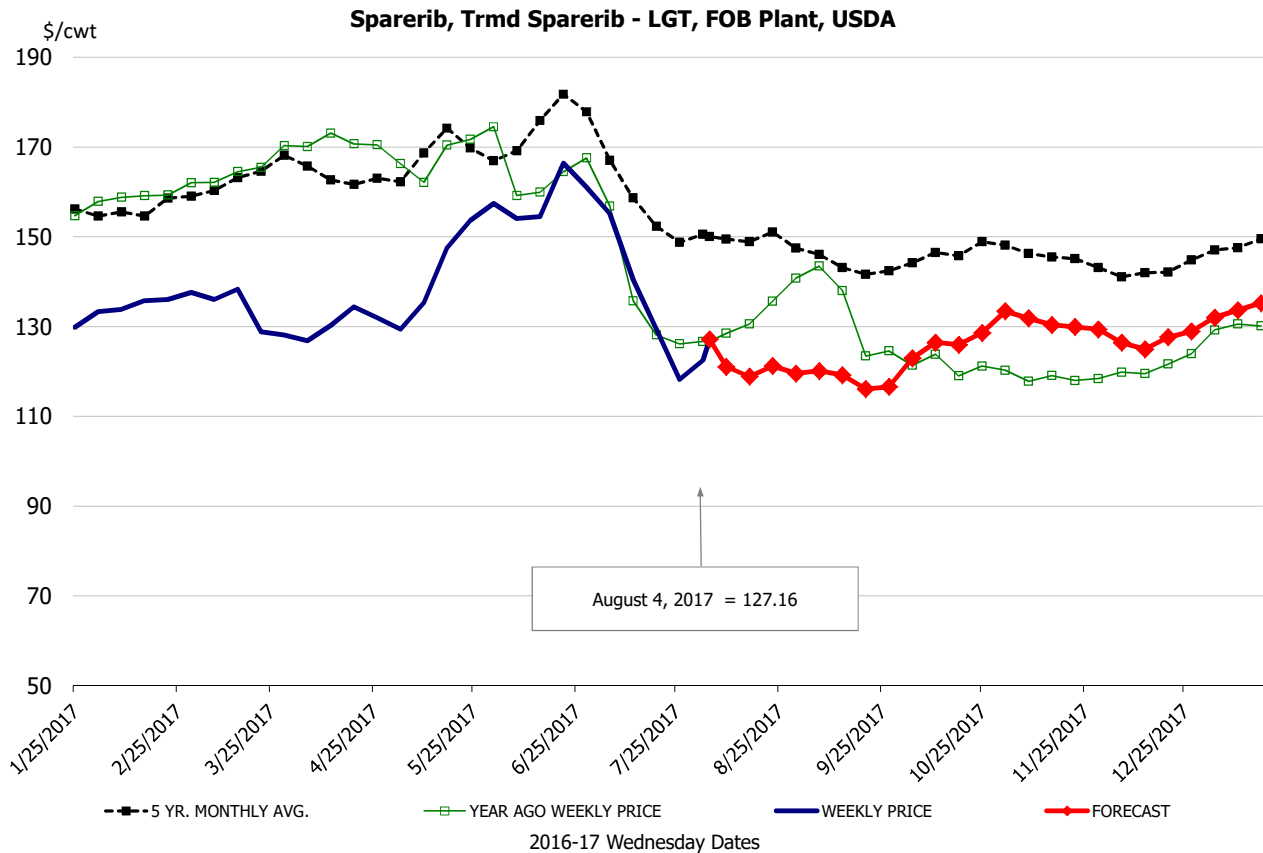
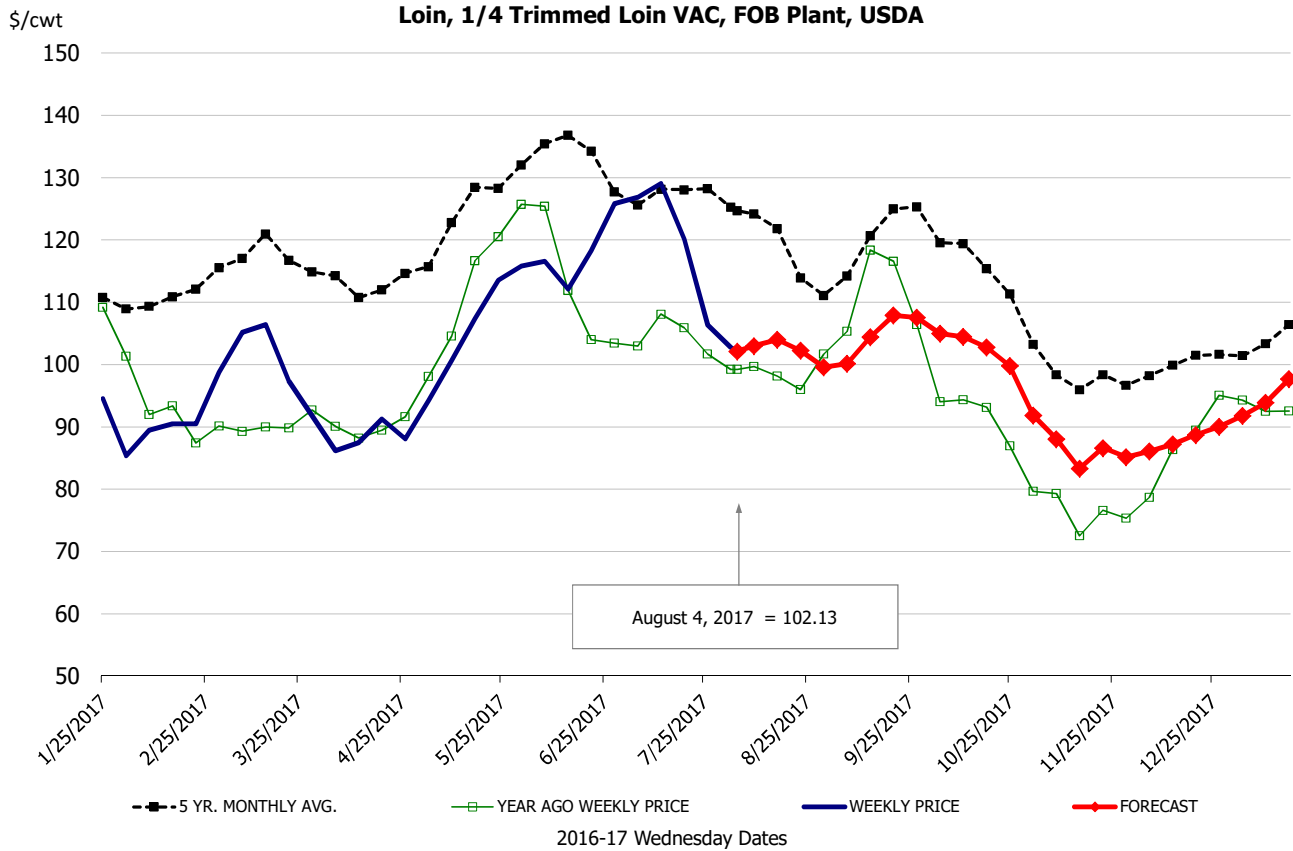
**81CL Coarse Ground** product finished last week at \$1.7218 down about 13 cent since Wed. July 26 but up about 5 cents from the year ago quote.

**90CL Bnls. Beef** prices finished the week at \$2.3200 (wt. avg.) down about 0.89 cent since Wed. July 26 but up 20 cents compared to the year ago price quote.

**50 CL Beef Trim** prices finished last week at \$0.8622, down about 3 cent since Wed. July 26 but up 15 cent compared to the year ago level.

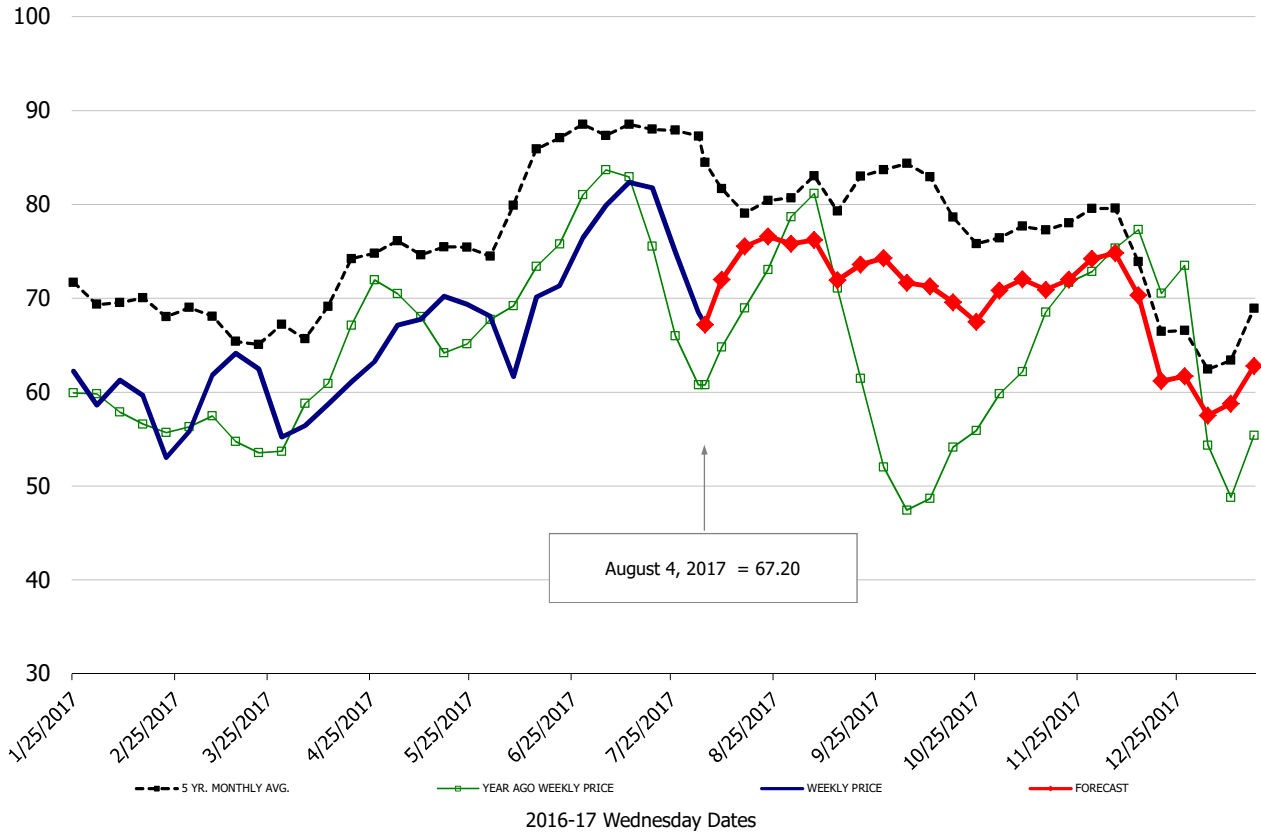
## Food Service Summary Table - WT. AVE

	HISTORY							FORECAST							
	Feb	Mar	Apr	May	Jun	Jul	7/26/2017	8/4/2017	8/16/2017	Aug	Sep	Oct	Nov	Dec	Jan
<b>PORK</b>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	0.90	0.99	0.88	1.04	1.18	1.19	1.06	1.02	1.04	1.06	1.05	1.03	0.87	0.88	0.95
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	0.95	1.08	0.97	1.10	1.23	1.26	1.19	1.15	1.09	1.15	1.12	1.11	0.96	0.96	1.02
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.34	1.36	1.32	1.44	1.51	1.53	1.52	1.33	1.34	1.37	1.48	1.48	1.36	1.38	1.46
Loin, Tenderloin, FOB Plant, USDA	2.18	2.08	1.98	2.07	2.24	2.39	2.40	2.42	2.24	2.24	2.12	2.04	2.05	1.99	2.17
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	0.86	0.93	0.89	1.05	1.14	1.08	0.92	0.95	0.99	0.99	0.98	0.95	0.89	0.89	0.90
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.35	1.32	1.29	1.42	1.58	1.30	1.18	1.27	1.19	1.20	1.18	1.26	1.31	1.27	1.34
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.21	2.21	2.21	2.26	2.25	2.27	2.28	2.10	2.18	2.17	1.99	1.96	1.99	1.94	0.00
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.32	1.31	1.27	1.45	1.61	1.39	1.32	1.30	1.18	1.18	1.17	1.27	1.30	1.25	1.28
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.43	2.46	2.36	2.32	2.40	2.42	2.42	2.30	2.15	2.17	2.18	2.11	2.14	2.14	2.16
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.60	0.63	0.60	0.68	0.70	0.80	0.78	0.78	0.75	0.76	0.74	0.77	0.77	0.71	0.62
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.60	0.62	0.60	0.69	0.70	0.79	0.78	0.69	0.76	0.77	0.75	0.73	0.75	0.70	0.62
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.58	0.60	0.59	0.68	0.67	0.79	0.75	0.67	0.76	0.77	0.74	0.70	0.72	0.67	0.60
Belly Cutout, FOB Plant, USDA	1.74	1.36	1.18	1.29	1.71	2.09	2.15	2.03	1.96	1.95	1.62	1.51	1.30	1.26	1.30
Belly, Derind Belly 9-13#, FOB Plant, USDA	2.17	1.69	1.44	1.61	2.19	2.56	2.70	2.45	2.35	2.39	1.99	1.85	1.59	1.54	1.60
Belly, Derind Belly 13-17#, FOB Plant, USDA	2.08	1.66	1.41	1.54	2.06	2.55	2.56	2.47	2.35	2.37	1.97	1.83	1.58	1.53	1.58
Trim, 42% Trim Combo, FOB Plant, USDA	0.31	0.35	0.34	0.39	0.62	0.69	0.70	0.68	0.60	0.62	0.51	0.37	0.33	0.28	0.33
Trim, 72% Trim Combo, FOB Plant, USDA	0.62	0.68	0.68	0.80	0.94	0.91	0.95	0.81	0.81	0.88	0.75	0.67	0.62	0.56	0.60
<b>HOG CARCASS</b>															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	0.71	0.66	0.57	0.69	0.83	0.85	0.83	0.81	0.79	0.81	0.70	0.68	0.60	0.61	0.65
<b>BROILERS</b>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	0.86	0.85	0.95	0.97	1.08	1.09	1.06	1.02	0.95	1.05	0.96	0.92	0.89	0.89	0.90
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.01	1.08	1.13	1.30	1.53	1.64	1.62	1.56	1.56	1.63	1.60	1.46	1.27	1.19	1.12
N.E. BROILER BREAST LINE RUN, USDA	0.87	0.86	0.97	1.07	1.20	1.25	1.25	1.26	1.25	1.25	1.24	1.18	1.12	1.05	1.02
N.E. BROILER LEG QUARTERS, USDA	0.32	0.33	0.38	0.39	0.41	0.41	0.44	0.44	0.45	0.43	0.44	0.43	0.40	0.38	0.38
N.E. BROILER WINGS, USDA, WT.AVG.	1.92	1.90	1.83	1.89	1.99	2.06	2.07	2.07	2.04	2.06	2.05	2.07	2.10	2.15	2.20
<b>TURKEYS</b>															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.06	1.06	1.07	1.07	1.07	1.07	1.07	1.07	1.09	1.07	1.10	1.14	1.18	1.18	1.09
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	1.65	1.60	1.55	1.54	1.53	1.53	1.53	1.53	1.65	1.53	1.70	1.95	1.95	1.97	1.90
<b>LIVE STEERS</b>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.20	1.27	1.28	1.36	1.30	1.19	1.19	1.17	1.18	1.17	1.17	1.16	1.18	1.17	1.18
<b>BEEF</b>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	6.07	7.17	7.49	9.10	9.39	7.02	7.06	7.00	7.32	7.25	7.30	7.68	8.93	8.32	6.27
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.16	2.42	2.15	2.32	2.50	2.32	2.33	2.23	2.27	2.25	2.15	2.10	2.08	2.10	2.21
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.00	2.06	1.94	2.10	2.10	2.04	2.06	2.03	2.06	2.03	2.08	2.15	2.03	2.02	2.13
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	5.50	5.24	7.13	6.72	8.08	7.62	5.65	5.78	5.55	6.24	5.66	5.20	4.97	4.99	5.12
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	2.49	2.91	3.81	3.59	3.65	3.67	3.74	3.75	3.57	3.70	3.56	3.38	3.08	2.95	2.86
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	4.22	4.30	5.03	5.40	6.84	6.25	4.82	4.10	4.42	4.50	4.45	4.70	4.59	4.55	4.52
COARSE GROUND 73%, USDA	1.30	1.63	1.60	1.93	1.98	1.76	1.72	1.56	1.73	1.65	1.70	1.65	1.59	1.57	1.95
COARSE GROUND 81%, USDA	1.72	1.84	1.82	2.14	2.22	1.95	1.86	1.72	1.94	1.90	1.86	1.82	1.77	1.74	2.08
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.09	2.15	2.17	2.23	2.30	2.33	2.33	2.32	2.33	2.32	2.21	2.06	2.01	2.00	1.99
50CL BEEF TRIM, FRESH, NATIONAL, USDA	0.79	0.99	1.05	1.77	1.32	0.93	0.89	0.86	0.90	0.88	0.78	0.82	0.88	0.75	0.85

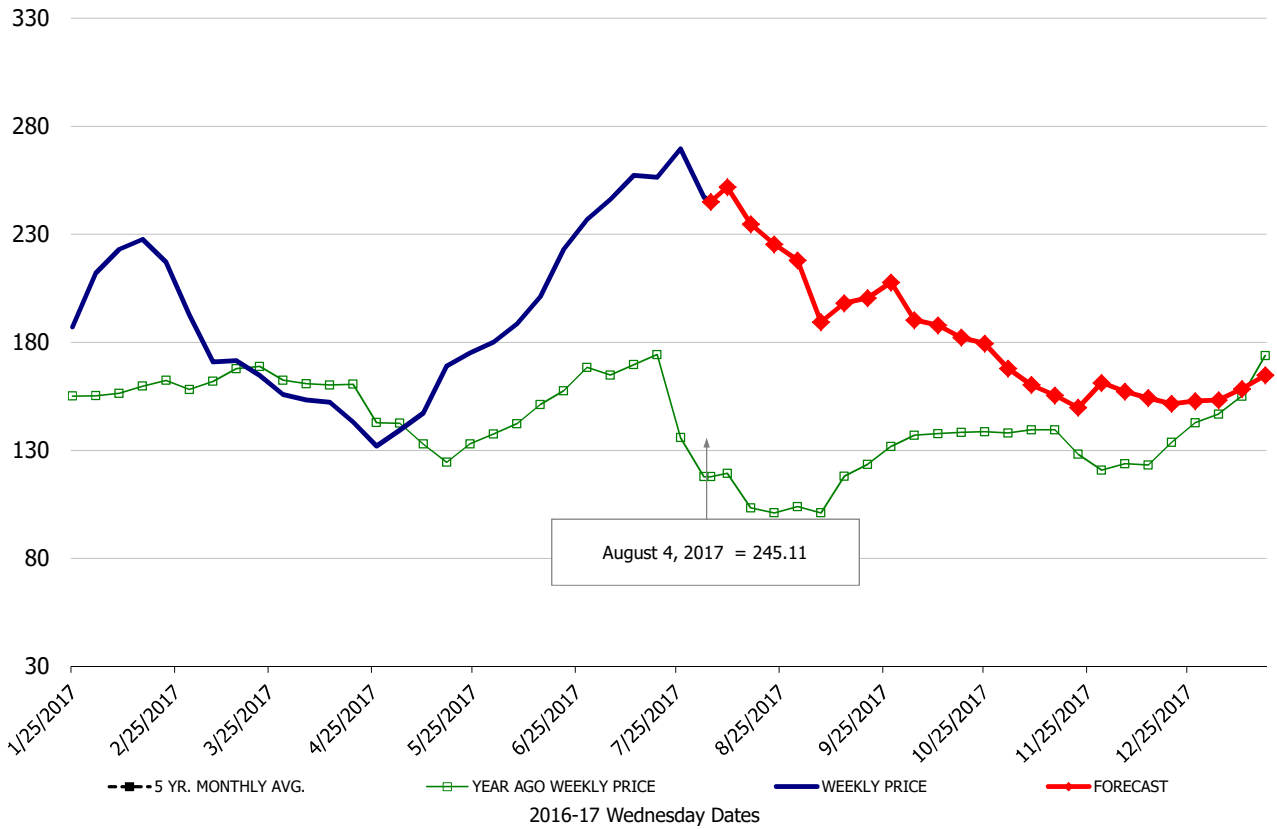




**Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA**

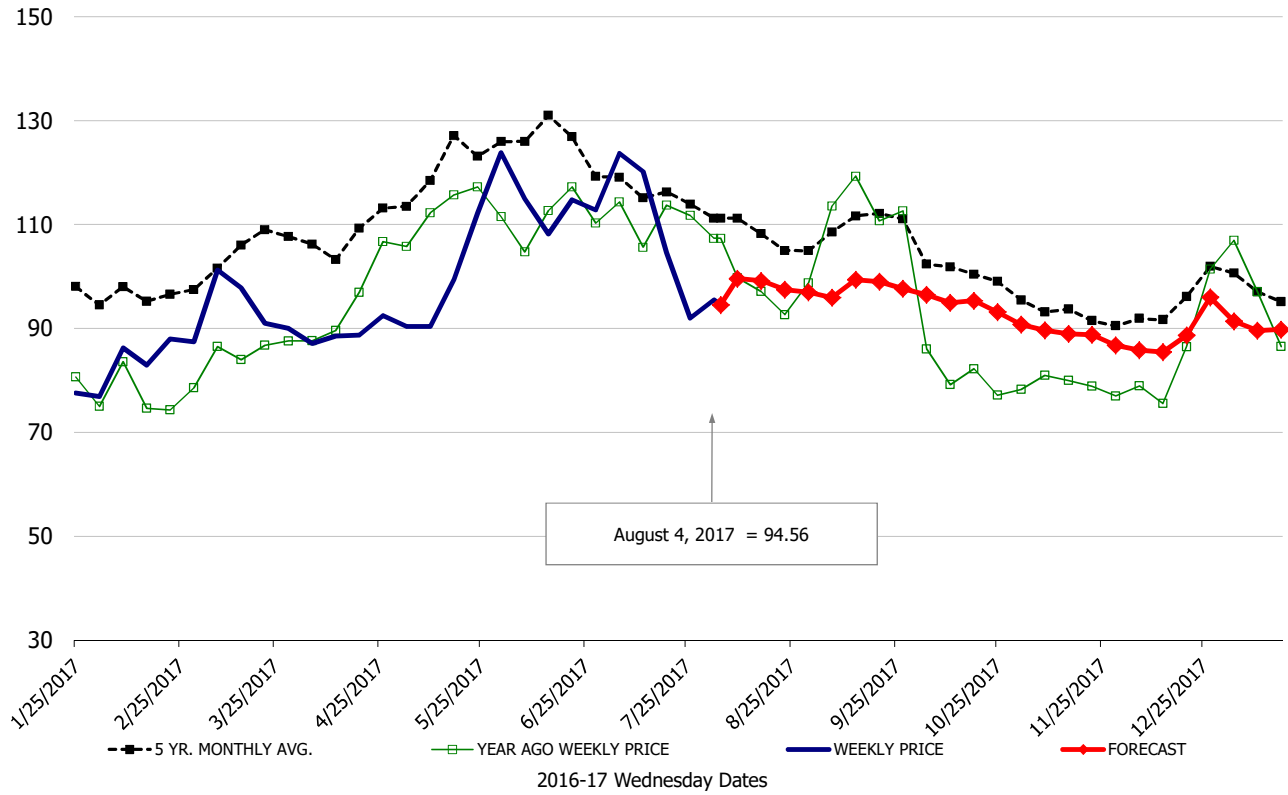


**Belly, Derind Belly 9-13#, FOB Plant, USDA**



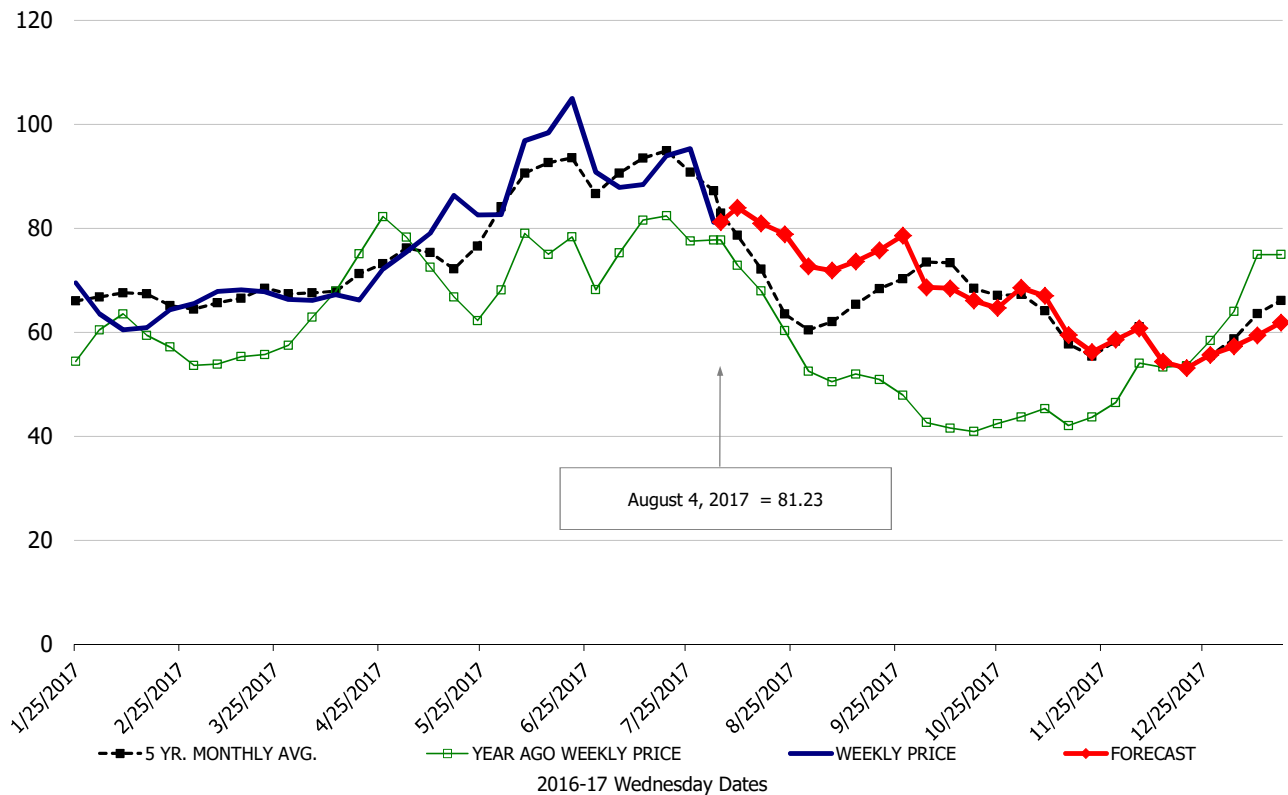
\$/cwt

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



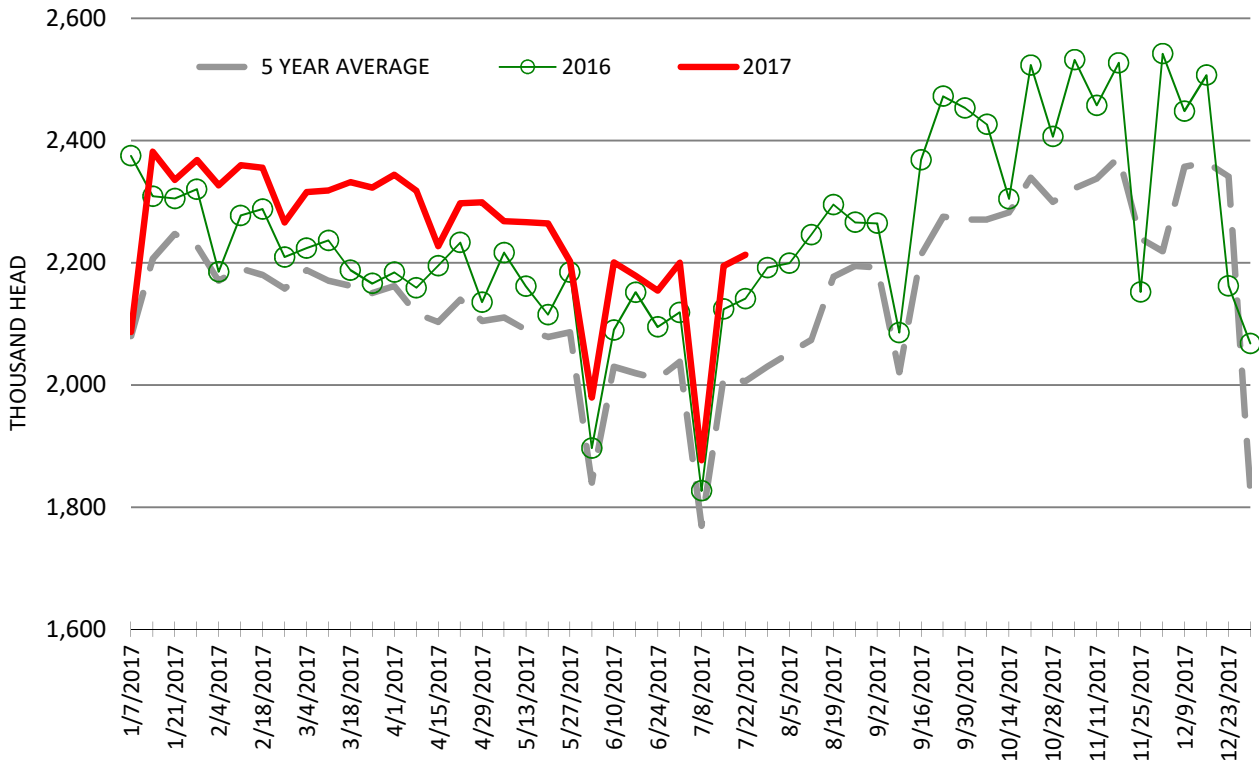
\$/cwt

### 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

