



# 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.

August 21, 2017

#### 1. Hog futures remain particularly volatile on weak cash hog and pork cutout value. Belly prices down sharply as retail prices catch up with record wholesale values in July

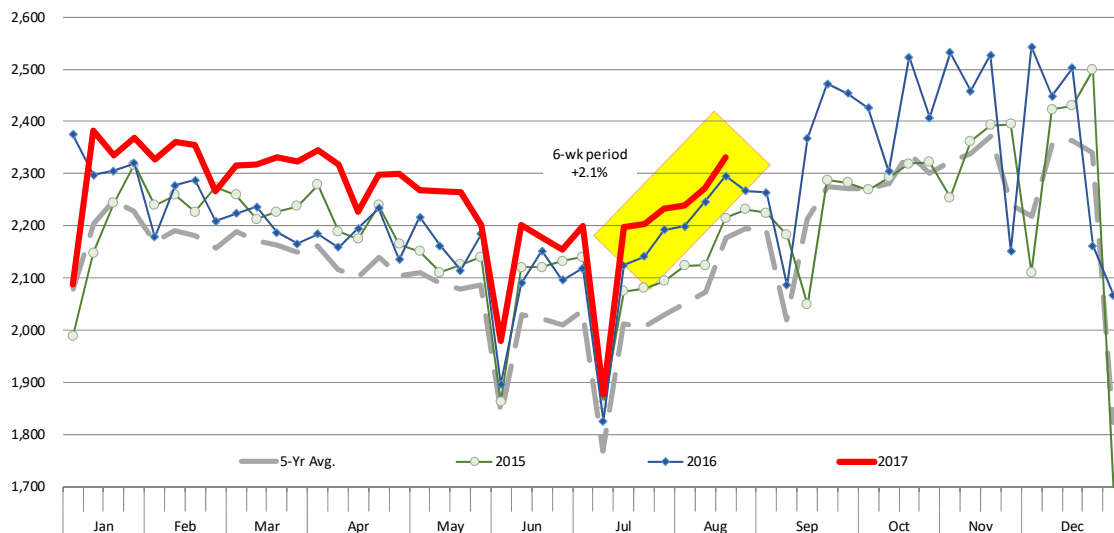
Hog futures started last week on a very firm footing as market expectations were buoyed by reports of lower than expected pork production and very good pork export sales. By Wednesday, however, prices took a turn lower as pork belly prices broke sharply lower. Lower prices for other products, particularly trimmings

also have a negative impact on the value of the cut-out. Going into the fall months, there are both positives and negatives for the pork market. Still, on the whole market participants still expect pork prices to exceed last year's levels thanks to excellent pork demand in both domestic and export markets.

**Bullish:** Hog slaughter is higher than a year ago but still under the levels indicated by the June 'Hogs and Pigs' Report. Last week hog slaughter was will be around 2.332 million head, which is the highest

#### WEEKLY HOG SLAUGHTER. '000 HEAD

Source: USDA



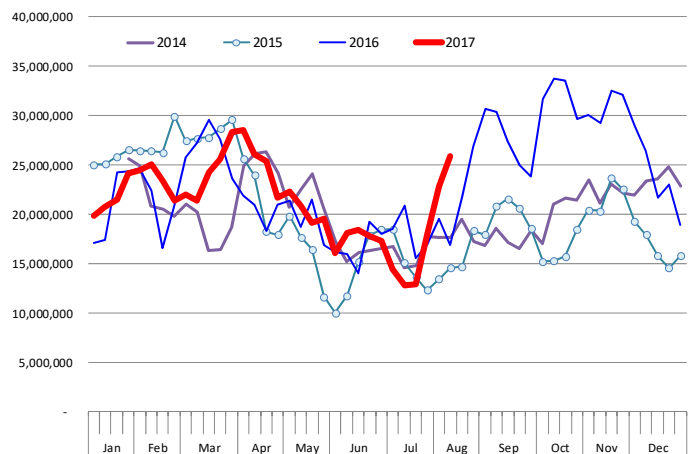
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slaughter levels since early April but only 1.6% larger than a year ago. For the six weeks ending August 19, hog slaughter has been up 2.1% compared to last year. **Contrast this with the June 1 inventory of 120-180 pound hogs estimated to be 4.3% above last year's levels.** Should market participants start to adjust expectations for fall hog slaughter based on recent data? Or is this just a temporary shift in supply flows, with more hogs back loaded in the marketing window to coincide with the opening of new processing plants? **Pork demand, especially export demand, has been excellent for much of this year and producers will need to see that demand sustained into the fall as supplies start to pick up.** It appears that packers have already started to market pork more aggressively into export channels. The latest data from Mandatory Price Reporting system shows a notable increase in export sales to overseas markets. Unfortunately the system does not tell us about sales to NAFTA countries. In the last four reported weeks, export sales to overseas markets are up some 50% compared to the same period a year ago. Exports of hams in the last two weeks alone have averaged 5.6 million pounds a week, 180% higher than last year. The robust pace of pork export sales should be encouraging for the market later in the fall when weekly slaughter is expected to hit all time new record levels.

**Bearish:** Futures appeared to be fully priced early last week when October hogs were priced over \$70/cwt. By the end of the week, however, the October contract had lost about 400 points and currently is priced a little over \$66/cwt. Belly prices were key to the very lofty price expectations built for the fall and the recent adjustment was a direct consequence of the sharp break in the value of the pork belly primal. In past years we have seen significant price erosion in the belly market after the end of August as retailers reset their feature prices, limiting volume sales. In its latest retail report USDA noted a sharp jump in the retail bacon feature price. The 10% increase from the previous week was the largest such jump since early 2013. Because of the price transmission lags, we would expect retail bacon prices to continue to advance higher in the next few weeks. Other pork products have also declined sharply in recent days as processing plants ramp up slaughter. The value of the ham primal on Friday was \$97.92/cwt, down 9% from three weeks ago. The price of 72CL trim nor-

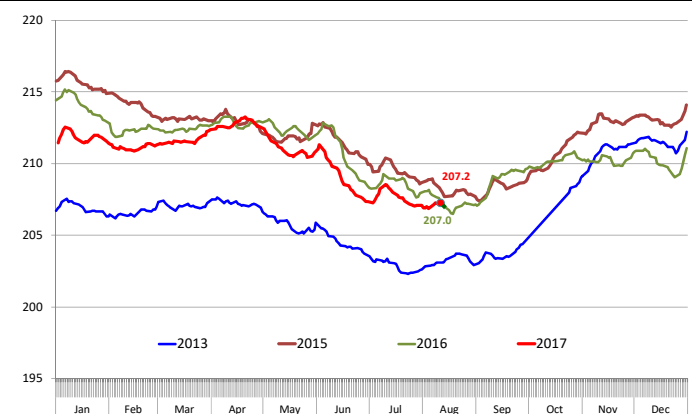
**Weekly FOB Export Sales Volume, All Pork - 4-week Moving Avg.**

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



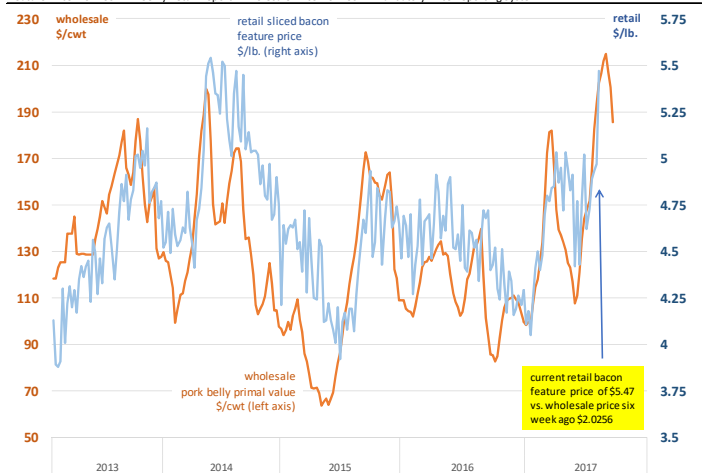
**Barrow/Gilt Dressed Carcass Weights, 5-day Moving Avg. - Producer Hogs**

Based on Daily MPR Report, LM\_HG201. Data through Aug. 11, 2017



**RETAIL BACON AVERAGE FEATURE PRICE VS. WHOLESALE PORK BELLY PRIMAL (6-WK LAG)**

Feature Price From USDA Weekly Retail Report. Wholesale Price from USDA Mandatory Price Reporting System.



mally declines in August but prices have declined 22% in a matter of days. Lower hog weights in the spring and summer helped offset some of the increase in slaughter. That may also be changing.

While overall hog weights are still slightly under last year, for the first time since late April the weight of producer owned barrows and gilts is now above year ago levels. Two new processing plants are expected to start operations this fall but the timing and throughput of these two plants will be critical for the fall market.

**2. Cattle on feed estimates**

USDA will issue next week the results of its monthly cattle on feed survey. We expect placements in July to be 5.3% above year ago levels. If we are correct, this would put June placements at around 1.655 million head, down from 1.770 million the previous month. Part of the reason for still larger placements relative to last year has to do with the comparison base. Last June and July placements were particularly light as good pasture conditions encouraged producers to leave feeders in pastures. Normally July placements are larger than in June but this year we expect July placements to be about 6% less than the previous month. Some other factors argue for placements to be only modestly higher than last year. Feeder sales data shows July sales of +600lb. feeders actually were down 3.6% compared to a year ago. Auction sales were down 2.6% and direct sales were down 4.7%. This points to a slowdown in feeder cattle flows into feedyards during July. Corn prices were particularly volatile last month and there was also increasing concern about the impact of drought in the Northern Plains and Western Corn Belt. Fears of higher feed costs also may have negatively impacted feeder cattle demand and the level of placements in July. Finally, the main negative for placements in July is the dramatic shift in market sentiment and the sharp break in cash fed cattle values over the course of the month. So while seasonally one would expect July placements to be near or even above June, this year we think placements may come under market estimates.

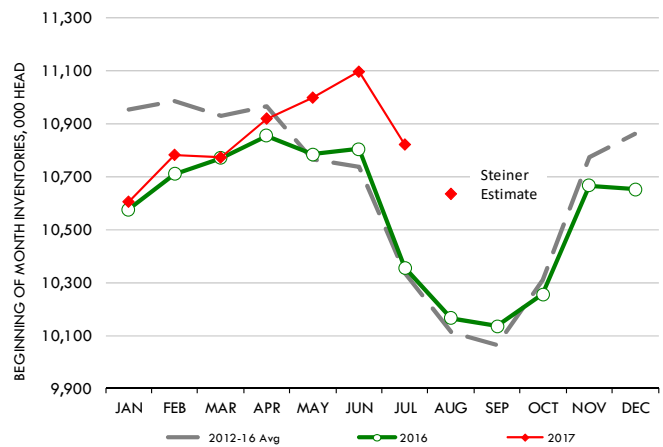
We think fed cattle marketings in July were 4.4% lower than a year ago. This is based on daily fed slaughter, which in the past has proved to be a very reliable indicator. If this number is correct, it would indicate a slowdown in the marketing rate relative to the total on feed supply. The number of

cattle that had been on feed for +120days on August 1 still is projected to be down about 8.4% from a year ago. Unless feedlots maintain a very robust marketing rate in the next two months, the +120day inventory will increase relative last year in September and October, however.

We expect total on feed supplies on August 1 to be 4.6% higher than a year ago.

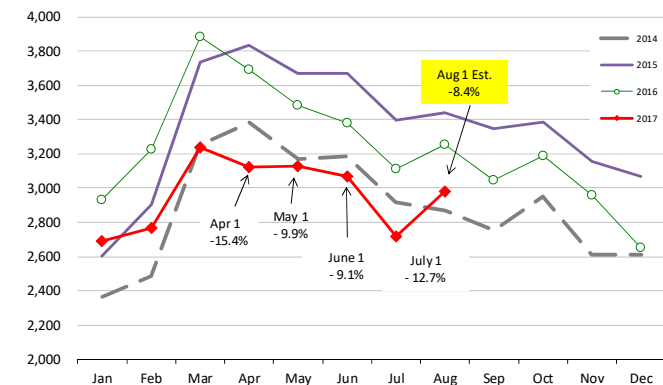
**USA Cattle on Feed Inventory**

Feedlots with +1000 head Capacity. 1st of Month Inventory. '000 head. USDA



**INVENTORY OF CATTLE THAT HAVE BEEN ON FEED FOR 120DAYS OR MORE**

Calculated using the USDA Monthly "Cattle on Feed" Report



**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 19 slaughter was 2.332 million head, up 1.6% from a year ago. In the last two weeks hog slaughter is up 1.4% vs. year ago levels.**

**Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values.** Lean hog carcass values at about 73.11 /cwt. on Friday were down \$7.4/cwt since Wed. August 9. Prices are up 9.0 dollars compared to year ago values.

**Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA** (page 8). Prices finished last week at \$1.0104, up about 1.9 cents since the Wed. August 9 quote and up about 3 cents from year ago levels.

**Bnls. Strap on Pork Loins.** Prices finished the week at \$1.2185 for the strap on loins, down 3.3 cent since Wed. August 9 but up about one cent from the year ago levels. Strap off loins at \$1.4451 are up about 0.5 cent since Wed. August 9 and up about 6 cent compared to the year ago quote.

**Boneless sirloins** at \$1.0738 are up one cents from the Wed. August 9 quote but down about 2.6 cents from the year ago price.

**Pork tenderloin** finished last week at \$2.3873, down 6 cent from the Wed. August 9 quote but up about 24.3 cents from the year ago price.

**1/4 Trim Pork Butts** (page 10), prices finished the week at \$1.0559, up 5.1 cent since Wed. August 9. Prices are up 2 cents from a year ago.

**Spare Ribs, Trimmed - LGT, Vac** (page 8). Prices finished the week at \$1.4673, up about 15 cent since Wed. August 9 and up about 16.5 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 \$0.7145/lb., down 7.5 cents since Wed. August 9 but up about 0.5 cent from a year ago.

20/23 hams finished the week at 70.75 cents, up about 4 cents since Wed. August 9 and up about 1 cent from the year ago level.

23/27 hams finished the week at 67.12 , up about 1 cents from the Wed. August 9 quote but down about 2 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 50.94 cent, down about 14.0 cent since Wed. August 9 and down about 5 cents from the year ago price.

**72 CL Pork Trim** “FOB Basis”. Prices finished the week at 63.67 cents, down about 11.5 cents since the Wed. August 9 quote and down about 4 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 93.14 on Friday, August 19, up about 14 cents from a year ago.

Broiler slaughter for the week ending August 19 was 163.54 million head, up 0.52% from a year ago. For the last two weeks slaughter was up 0.7% vs. a year ago.

**Breasts.** Prices on boneless skinless breasts finished the week at \$1.4547, down 1 cents since Wed. August 9 and still down 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 0.05 cents vs. two weeks ago and at 43.36 cents per pound prices were up 13 cents from a year ago.

**Wings.** Prices at \$2.1016 are up about 54 cents from year ago levels.

## Turkeys

**Hens** finished last week at \$1.0700, unchanged since Wed. August 9 but down about 19 cents from the year ago price.

**Toms** finished last week at \$1.0700, unchanged since Wed. August 9 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 4.0590 million head for the week ending August 12, down -4.83% from a year ago. For the last two weeks slaughter has been down 3.1%.

**Boneless Turkey Breast Meat.** Boneless skinless turkey breast meat prices finished last week at \$1.5300, unchanged since Wed. August 9. 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 \$6.6737 (weighted average quote) finished last week down about 22 cents since the Wed. August 9 quote and down about 72 cents vs. the year ago price.

**Select 112A Heavy Lip On Rib Eyes** at \$6.3013 (weighted average quote) finished last week up about 15 cents since the Wed. August 9 quote but down about 60 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$0.3724 /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 \$2.0348 down about 27 cents since Wed. August 9 and down about 11 cents from the year ago price.

**Choice ¼ inch trimmed #168 insides** finished last week quoted at \$2.0204 down about 21 cents since Wed. August 9 and down about 18 cents from year ago levels.

**Choice #170 Gooseneck Rounds** finished last week at \$2.0371 down about 12 cents since Wed. August 9 but up about 12 cents from the year ago levels.

**Choice #180 (0x1) Bnls. Strip Loins** finished last week quoted at \$4.8178 (wt. avg.) down about 49 cents from the Wed. August 9 quote. Prices are down 45 cents from year ago levels.

**Choice #184 Regular Heavy top butts** finished at \$3.0315 (wt. avg.) down about 42 cents since Wed. August 9 and down about 51 cents from year ago levels.

**Choice #184 ¼ inch trimmed Top Butts** finished at \$3.4836 (wt. avg.) down about 23 cents since Wed. August 9 and down about 15 cents from the year ago levels.

**Choice #185A Flap Meat** prices finished Friday at \$4.1349 (wt. avg.) down about one cents since Wed. August 9 and down about 111 cents from year ago values.

### **COARSE GROUND BEEF –**

**73CL Coarse Ground** product finished last week at \$1.5099 down about 5 cents since Wed. August 9 and down about 19 cents from year ago levels.

**81CL Coarse Ground** product finished last week at \$1.7327 down about one cent since Wed. August 9 and down about 17 cents from the year ago quote.

**90CL Bnls. Beef** prices finished the week at \$2.3287 (wt. avg.) up about 0.50 cent since Wed. August 9 and up 19 cents compared to the year ago price quote.

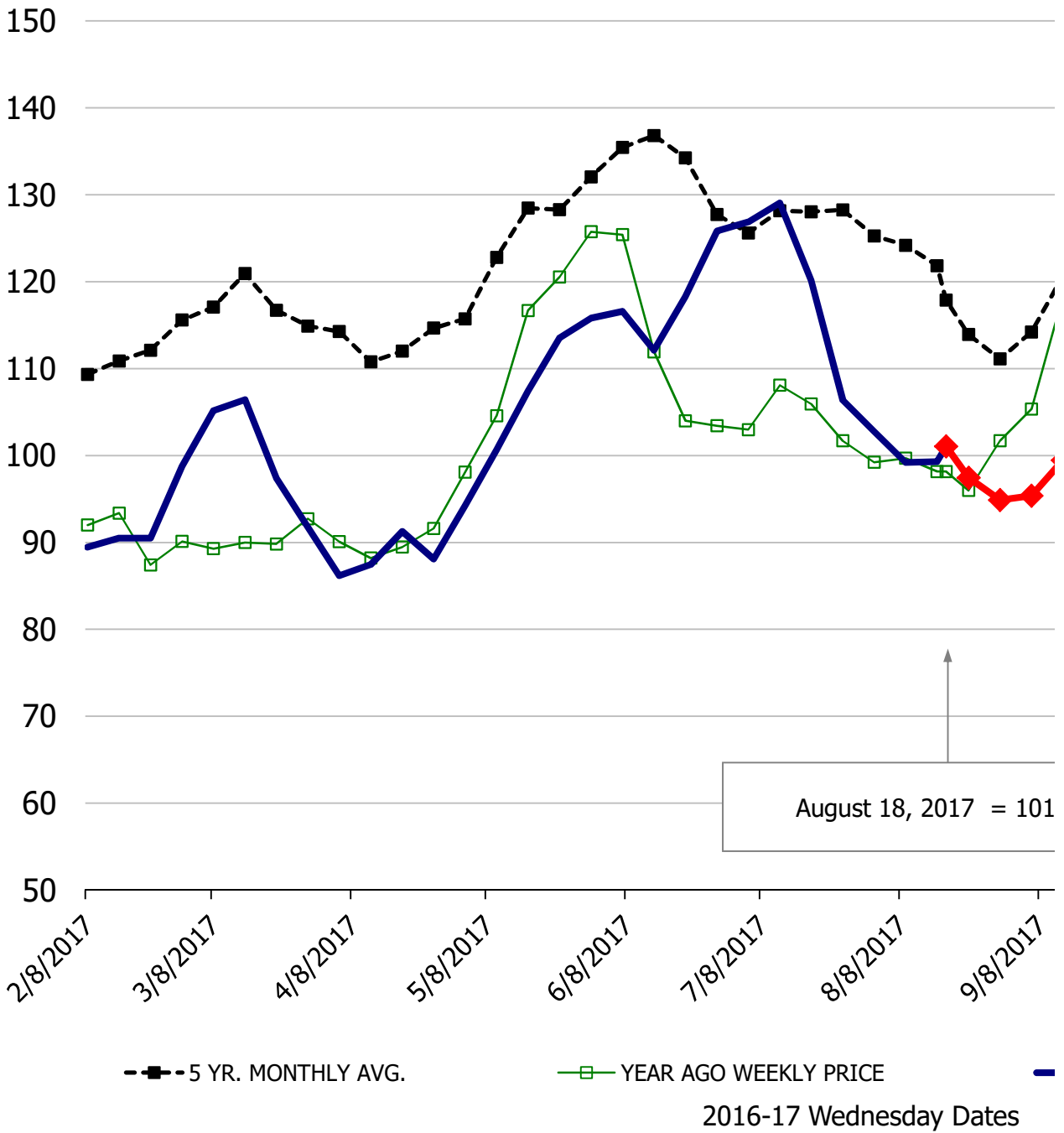
**50 CL Beef Trim** prices finished last week at \$0.6724, down about 14 cent since Wed. August 9 but up 10 cent compared to the year ago level.

## Food Service Summary Table - WT. AVE

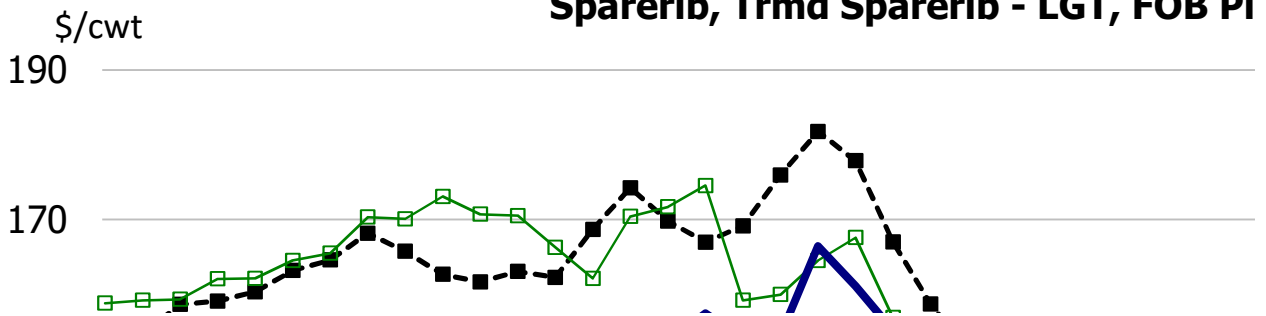
	HISTORY							FORECAST							
	Feb	Mar	Apr	May	Jun	Jul	8/9/2017	8/18/2017	8/30/2017	Aug	Sep	Oct	Nov	Dec	Jan
<b>PORK</b>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	0.90	0.99	0.88	1.04	1.18	1.19	0.99	1.01	0.95	1.01	1.00	0.99	0.87	0.88	0.95
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	0.95	1.08	0.97	1.10	1.23	1.26	1.07	1.06	1.00	1.06	1.04	1.01	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	1.44	1.45	1.46	1.44	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	2.44	2.39	2.29	2.38	2.20	2.12	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	0.99	0.99	0.97	0.99	0.98	0.95	0.89	0.89	0.90
Sparerib, Trmrd Sparerib - LGT, FOB Plant, USDA	1.35	1.32	1.29	1.42	1.58	1.30	1.31	1.47	1.40	1.40	1.29	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	2.23	2.24	2.15	2.17	1.99	1.96	1.99	1.94	0.00
Sparerib, Trmrd Sparerib - MED, FOB Plant, USDA	1.32	1.31	1.27	1.45	1.61	1.39	1.35	1.50	1.44	1.47	1.32	1.32	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	2.30	2.30	2.22	2.24	2.18	2.11	2.14	2.14	2.16
Ham, 17-20# Trmrd Selected Ham, FOB Plant, USDA	0.60	0.63	0.60	0.68	0.70	0.80	0.78	0.71	0.71	0.72	0.74	0.77	0.77	0.71	0.62
Ham, 20-23# Trmrd Selected Ham, FOB Plant, USDA	0.60	0.62	0.60	0.69	0.70	0.79	0.67	0.71	0.71	0.71	0.75	0.73	0.75	0.70	0.62
Ham, 23-27# Trmrd Selected Ham, FOB Plant, USDA	0.58	0.60	0.59	0.68	0.67	0.79	0.66	0.67	0.68	0.69	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	1.99	1.70	1.55	1.72	1.55	1.41	1.25	1.26	1.30
Belly, Derind Belly 9-13#, FOB Plant, USDA	2.17	1.69	1.44	1.61	2.19	2.56	2.43	2.06	1.92	2.11	1.90	1.73	1.53	1.55	1.60
Belly, Derind Belly 13-17#, FOB Plant, USDA	2.08	1.66	1.41	1.54	2.06	2.55	2.43	2.09	1.91	2.09	1.88	1.71	1.51	1.53	1.58
Trim, 42% Trim Combo, FOB Plant, USDA	0.31	0.35	0.34	0.39	0.62	0.69	0.65	0.51	0.38	0.51	0.41	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	0.75	0.64	0.54	0.65	0.65	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	0.80	0.73	0.69	0.74	0.68	0.65	0.60	0.61	0.64
<b>BROILERS</b>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	0.85	0.95	0.97	1.08	1.09	1.04	0.94	0.93	0.95	0.94	0.92	0.90	0.90	0.91	0.93
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.08	1.13	1.30	1.53	1.64	1.58	1.46	1.45	1.44	1.45	1.39	1.23	1.12	1.07	1.20
N.E. BROILER BREAST LINE RUN, USDA	0.86	0.97	1.07	1.20	1.25	1.25	1.20	1.18	1.17	1.18	1.12	1.08	1.00	0.98	1.00
N.E. BROILER LEG QUARTERS, USDA	0.33	0.38	0.39	0.41	0.41	0.43	0.43	0.43	0.44	0.44	0.43	0.40	0.38	0.38	0.43
N.E. BROILER WINGS, USDA, WT.AVG.	1.90	1.83	1.89	1.99	2.06	2.06	2.11	2.10	2.11	2.10	2.15	2.19	2.20	2.25	2.25
<b>TURKEYS</b>															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.06	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.08	1.07	1.09	1.13	1.13	1.09	1.04
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	1.60	1.55	1.54	1.53	1.53	1.53	1.53	1.53	1.57	1.53	1.63	1.70	1.70	1.60	1.60
<b>LIVE STEERS</b>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.20	1.27	1.28	1.36	1.30	1.19	1.17	1.10	1.09	1.10	1.12	1.13	1.15	1.14	1.16
<b>BEEF</b>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	6.07	7.17	7.49	9.10	9.39	7.02	6.89	6.67	7.01	6.80	7.15	7.58	8.83	8.22	6.21
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.16	2.42	2.15	2.32	2.50	2.32	2.23	2.02	2.07	2.16	2.09	2.04	2.03	2.05	2.18
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.00	2.06	1.94	2.10	2.10	2.04	2.16	2.04	2.00	2.03	2.08	2.15	2.03	2.02	2.10
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	5.24	7.13	6.72	8.08	7.62	5.79	5.31	4.82	4.89	5.05	5.10	4.87	4.89	5.02	5.12
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	2.91	3.81	3.59	3.65	3.67	3.78	3.71	3.48	3.55	3.58	3.48	3.08	2.85	2.76	2.90
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	4.30	5.03	5.40	6.84	6.25	4.45	4.15	4.13	4.09	4.15	4.30	4.40	4.40	4.42	4.55
COARSE GROUND 73%, USDA	1.30	1.63	1.60	1.93	1.98	1.76	1.56	1.51	1.52	1.52	1.55	1.50	1.45	1.43	1.84
COARSE GROUND 81%, USDA	1.72	1.84	1.82	2.14	2.22	1.95	1.74	1.73	1.80	1.75	1.77	1.77	1.72	1.69	2.07
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.09	2.15	2.17	2.23	2.30	2.33	2.32	2.33	2.34	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	0.82	0.67	0.72	0.78	0.68	0.72	0.78	0.70	0.75

\$/cwt

### Loin, 1/4 Trimmed Loin VAC, FOB Pl

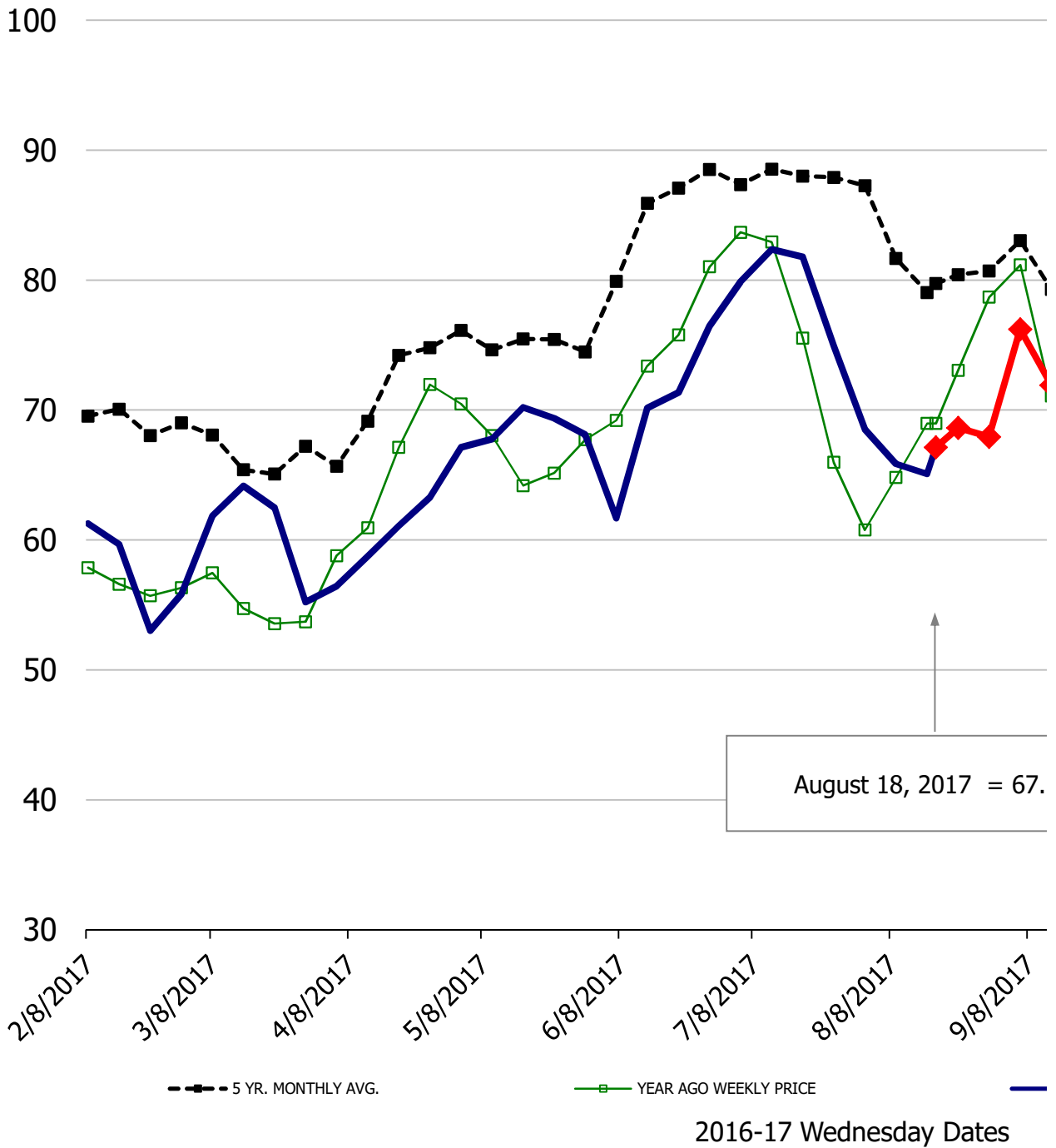


### Sparerib, Trmd Sparerib - LGT, FOB PI





**Ham, 23-27# Trmd Selected Ham, FOB F**



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

