Pork Merchandiser's **Profit Maximizer**

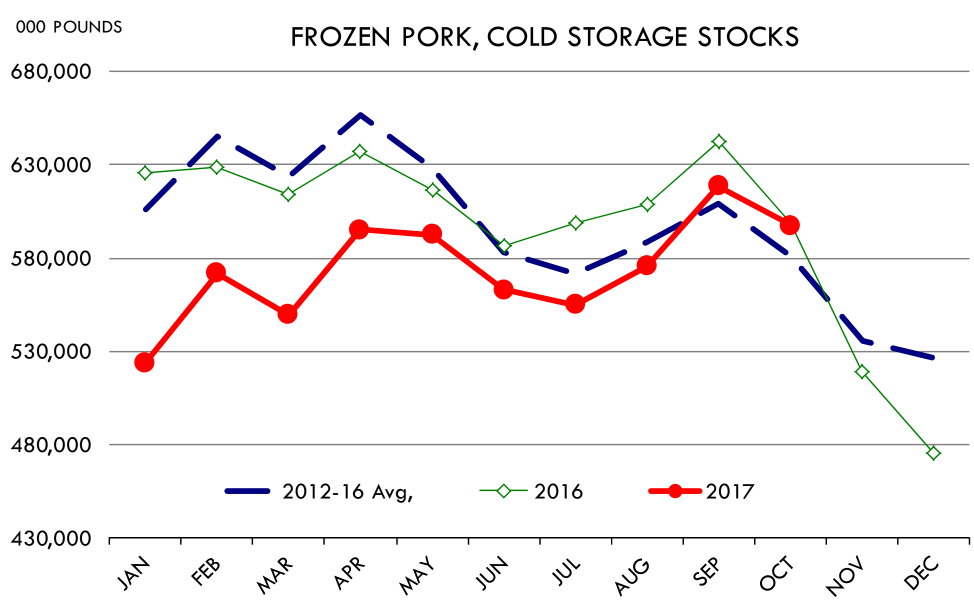
- Retail Edition -

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

November 27, 2017

1. Pork cold storage inventories at year ago levels despite larger production in the last three months.

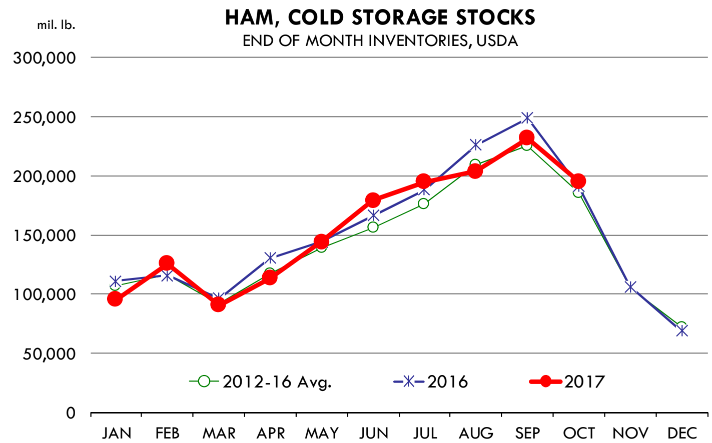
The overall inventory of pork products in cold storage at the end of October was 597.3 million pounds, 0.3% lower than last year and 2.8% higher than the five year average. October pork inventories declined 3.4% from September levels, which compares to a 4.7% average drawdown for the last five years. The fact that cold storage numbers have for the most part followed the normal drawdown lead us to view the results of this report as neutral for prices in the short to medium term. Ham inventories normally peak at the end of September and then decline in Q4 to support seasonal demand during Thanksgiving and

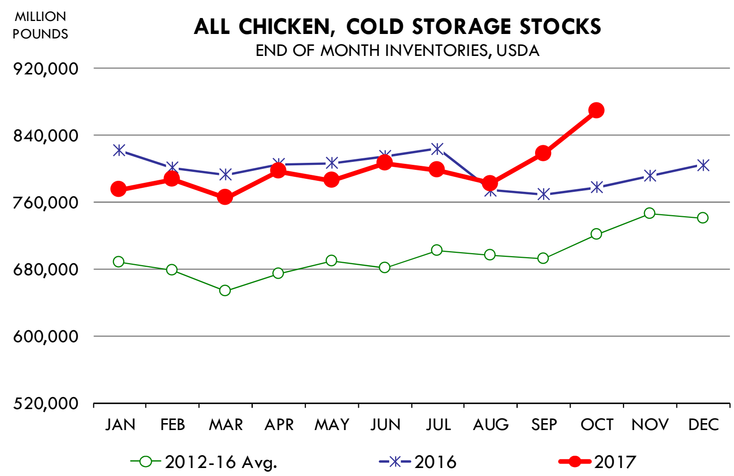


Christmas. **<u>Ham inventories at the end of October were 195.5 million pounds, 2.1% higher than a year ago and 5.2% higher than the five year average</u>**. The stock drawdown in October was 16% compared to an average 18% for the last five years. Pork belly inventories jumped 54% from September levels, an earlier than normal increase in stocks and a very different trajectory than a year ago. Low belly prices in October encouraged packers and processors to put more bellies in the freezer. Normally freezer stocks increase in November and December when slaughter peaks and demand is insufficient to clear the market. However, it appears that the combination of renewed retailer bacon features and the need to hedge Q1 needs has quickly caught up with the belly market. Pork belly prices which were trading in the mid-90s in early October now are priced as high as $145. Boneless loin inventories rose 17% in October compared to an average 4% increase in the past five years. We view this as negative for loin prices in December and early January.

The combined inventory of beef, pork, chicken and turkey at the end of October was 2.430 billion pounds, 5.2% higher than a year ago and 11.5% higher than the five year average. Cold storage inventories have increased at a faster pace than normal in the last three months, in part because of an increase in the supply of chicken that is ending up in storage rather than going into domestic and export channels. Seasonally cold storage stocks peak in October and then some of that inventory is drawn down to fill holiday needs. It will be critical to see how that drawdown progresses this year in order to gauge pipeline supplies and price pressures (either up or down) in Q1.

<u>The inventory of boneless beef at the end of October was 462.3 million pounds, 6.5% less than a year ago but still as much as 12.2% higher than the five year average</u>. Boneless beef stocks increased by 1.7% in October vs. September in line with the level of inventory build that we have seen in recent years. Last



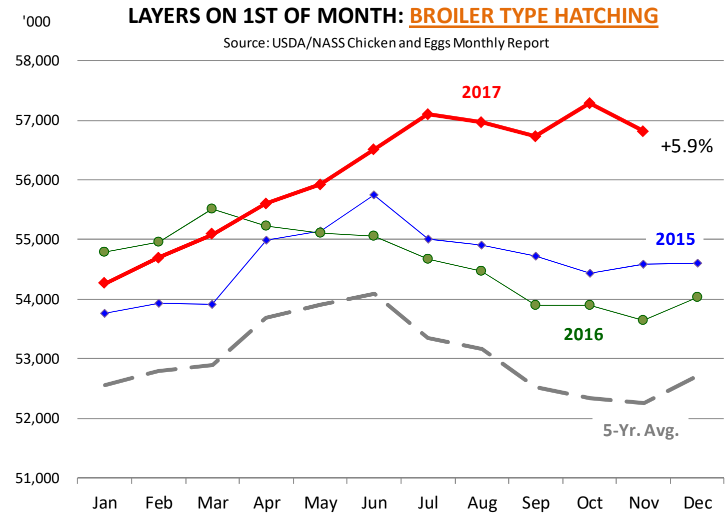


year boneless beef stocks rose sharply into year-end, pressuring prices late in Q4 and in early Q1. With more beef production and larger exports it is normal for beef stocks to be higher than the five year average. The reason we see this report as neutral has to do with the fact that the inventory build so far is not very different than the five year average.

<u>Total chicken inventories were 868.3 million pounds, 11.7% higher than a year ago and 20.4% higher than the five year average</u>. Normally chicken inventories increase in Q4 but the increase this year has outpaced the five year average. Turkey breast market has been well supplied for much of this year and this has kept breast meat prices in check. Due to the weak pricing more turkey breast was put in storage than in previous year, with the breast meat inventory at the end of May up as much as 33% from a year ago and 55% higher than the five year average. However, it appears that the burdensome turkey breast situation is quickly coming to an end. Inventories of turkey breast meat at the end of October were 71 million pounds, down 23.2% from the previous month. Current breast meat stocks are still up 5.9% from last year and 42% from the five year average. Aggressive production cutbacks and slowly improving demand should bolster turkey prices next year.

2. Chicken production expected to expand in the next six months, adding to the available supply of protein in the marketplace

Excellent margins in 2017 and low feed costs continue to support expansion in the chicken sector. Lack of any significant Avian Influenza (AI) losses this past year has further supported expansion. As a result, the current broiler hatching flock is up 6% compared to a year ago. Per capita broiler availability in 2017 is estimated to be up 1.2% from the previous year. And at 105 pounds per person it has also surpassed the 100 pound mark established in the mid 2000. After adjusting for inflation prices of most broiler parts, with the exception of wings, are down compared to 15 years ago and price inflation is expected to be limited in 2018 and 2019 as industry continues to push more product through both domestic and export channels. As with pork, export demand remains a critical factor.



Upcoming holidays:

Hanukkah (Tuesday December 12, starts at sundown); Christmas Day (Monday December 25); Boxing Day [Canada] (Tuesday December 26).

PORK

Live hog. For the week ending November 25 slaughter was 2.163 million head, up 0.5% from a year ago. In the last two weeks hog slaughter is down 0.9% vs. year ago levels.

Iowa/Minnesota, Base Negotiated Purchase for Barrows and Gilts. Lean hog carcass values at about 56.81 /cwt. on Friday were down $1.4/cwt since Wed. November 15. Prices are up about 15.2 $/cwt compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at $0.8801, up about 2.8 cent since the Wed. November 15 quote and up about 11 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at $1.1722 for the strap on loins, up 0.6 cent since Wed. November 15 and up 2 cent from the year ago levels. Strap off loins at $1.3535 are down 2.8 cent since Wed. November 15 but up about 8 cent compared to the year ago quote.

Boneless sirloins at $1.1728 are up about 4 cents from the Wed. November 15 quote and up about 4.8 cents from the year ago price.

Pork tenderloin finished last week at $2.0984, down 6 cent since the Wed. November 15 quote but up about 6.3 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at $1.0091, down 0.1 cents since Wed. November 15. Prices are up 16 cent from a year ago.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at $1.3873, up about 0.5 cent since Wed. November 15 and up about 21 cents from year ago levels.

Rib inventories on October 31 were 93.6 million pounds, down 5.4% percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was $0.6614/lb., down 12 cents since Wed. November 15 and down about 5 cents from a year ago.

20/23 hams finished the week at 64.68 cents, down about 9 cents since Wed. November 15 and down about 6 cents from the year ago level.

23/27 hams finished the week at 60.27 , down about 5 cent from the Wed. November 15 quote and down about 11 cents from the year ago level.

Total ham cold storage stocks on October 31 at 195.5 million pounds were up slightly from year ago levels.

42 CL Pork Trim "FOB Basis". Prices finished the week at 25.75 cents, down about 0.8 cent since Wed. November 15 but up about 4.3 cents from the year ago price.

72 CL Pork Trim "FOB Basis". Prices finished the week at 63.19 cents, down 0.6 cents since the Wed. November 15 quote but up about 19 cents from the year ago level.

Freezer stocks of all trimmings on October 31 were 33.2 million pounds, up 4.5% 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 84.41 on Friday, November 25, up about 3 cents from a year ago.

Broiler slaughter for the week ending November 25 was 162.06 million head, up 1.83% from a year ago. For the last two weeks broiler slaughter was up 1.5% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at $1.1512, up 2 cents since Wed. November 15 and still up about 17 cents from year ago levels.

Leg Quarters. This market continues to be export driven. Last week leg quarter prices were down about 0.8 cents vs. two weeks ago but at 40.01 cents per pound prices were up 6 cents from a year ago.

Wings. Prices at $1.9879 are up about 13 cents from year ago levels.

Turkeys

Hens finished last week at $0.9400, down cent since Wed. November 15 and down about 34 cents from the year ago price.

Toms finished last week at $0.9400, down since Wed. November 15 and down about 32 cent from the year ago price.

Total turkey supplies in the freezer on October 31 were up 14.3% from a year ago at 457.5 million pounds. Whole birds were up 29.2% from a year ago with an inventory of 256.8 million pounds.

Turkey slaughter was 4.4970 million head for the week ending November 18, up 0.90% from a year ago. For the last two weeks slaughter has been down 2.6%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at $1.5500, unchanged since Wed. November 15. Prices are down about 37 cents vs. year ago levels.

BEEF

NOTE: WE ARE NOW REPORTING AND FORECASTING WEIGHTED AVERAGE BLUE SHEET PRICES FOR BEEF CUTS.

Choice #115 Chucks are no longer being quoted. We suggest that those participants still benchmarking pricing off the 115 Chuck market switch to 114 clods.

With prices at $2.1220 for 90CL and $0.6732 for 50CL product, an 81CL meat block value is now $1.7960 and a 78CL meat block is $1.6874. Choice 114, 3 Clods are now being priced 28.11 cents over 81CL meat block grinding values of 90s and 50s. A year ago the spread was 26.34 cents and the five year average spread for is 41.35 cents over.

Select #115 chucks also are no longer being quoted.

Choice #161 Boneless Rounds finished last week at $2.3900, down slightly since Wed. November 15 but up about 25 cents from year ago levels.

Choice #184 Regular Heavy top butts finished at $2.9607 (wt. avg.) up about 12 cents since Wed. November 15 and up about 91 cent from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at $3.0709 (wt. avg.) up about 7.5 cents since Wed. November 15 and up about 85 cents from the year ago levels.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at $1.3848 down about 10 cents since Wed. November 15 but up about 28 cents from year ago levels.

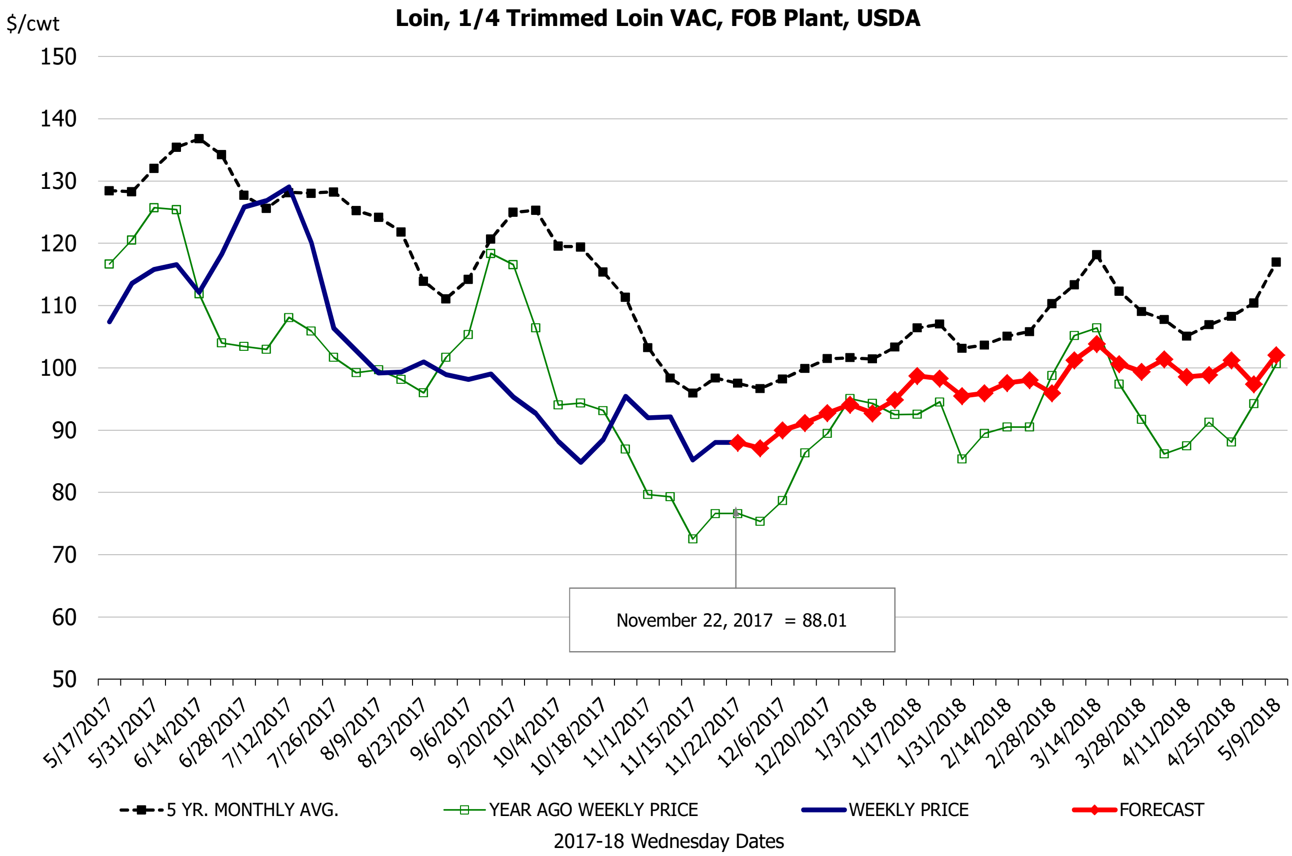
81CL Coarse Ground product finished last week at $1.6402 down about 13 cent since Wed. November 15 but up about 13 cents from the year ago quote.

90CL Bnls. Beef prices finished the week at $2.1220 (wt. avg.) up 0.90 cent since Wed. November 15 and up 18 cents compared to the year ago price quote.

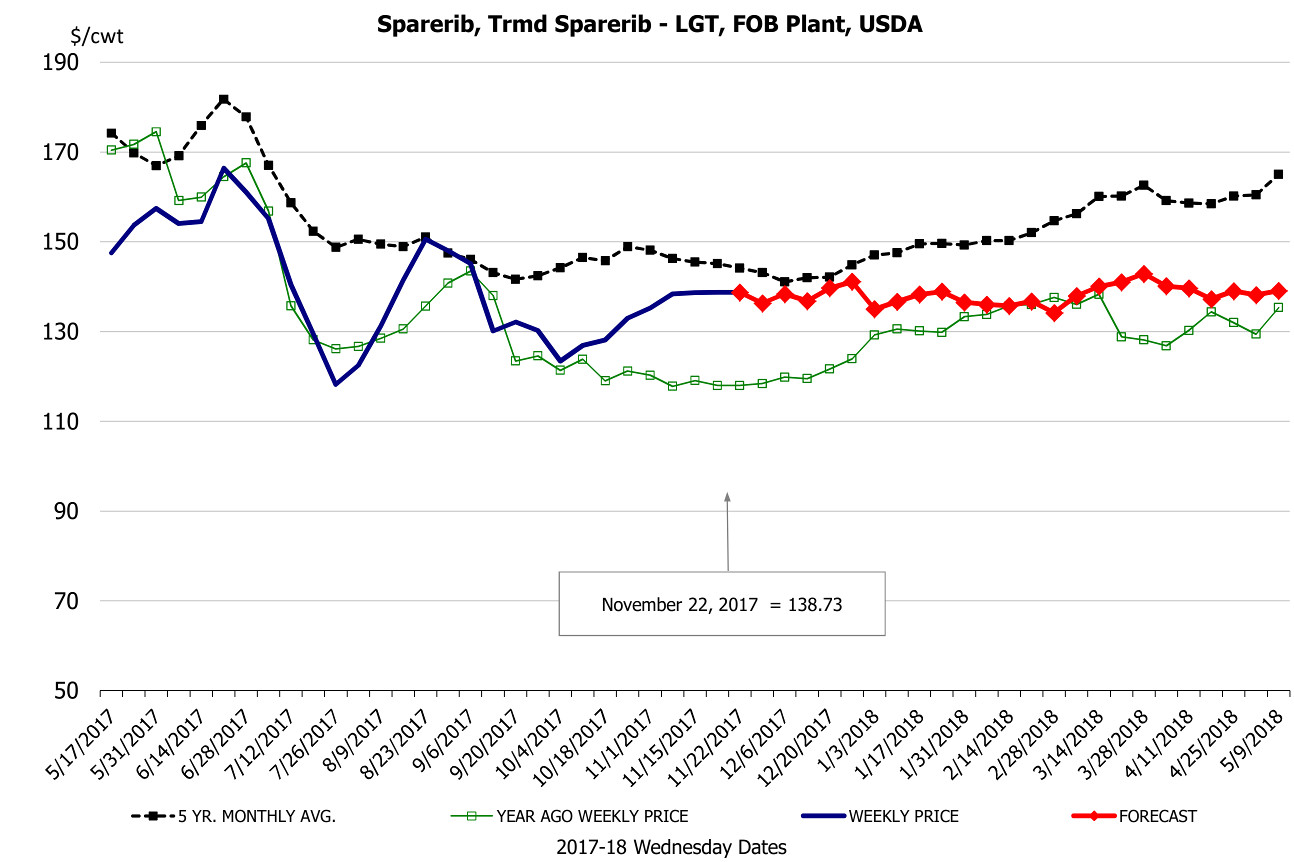
50 CL Beef Trim prices finished last week at $0.6732, down about 3 cent since Wed. November 15 but up 25 cents compared to the year ago level.

Retail Summary Table - WT. AVE.

	HISTORY								FORECAST						
	May	Jun	Jul	Aug	Sep	Oct	11/15/2017	11/22/2017	12/6/2017	Nov	Dec	Jan	Feb	Mar	Apr
PORK															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	104.30	117.69	119.37	100.76	95.20	89.14	85.20	88.01	90	89	92	96	97	101	100
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	109.57	122.80	125.82	107.19	100.66	93.27	85.80	89.34	93	90	95	102	105	108	107
Loin, Bnls CC Strap-off, FOB Plant, USDA	144.19	151.43	152.69	143.52	144.51	136.60	138.16	135.35	138	136	142	145	144	147	144
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	105.42	113.80	108.49	99.23	92.77	87.23	88.43	94.59	92	101	95	91	89	96	100
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	142.24	157.60	130.01	136.49	135.05	128.71	138.67	138.73	138	138	139	137	136	140	139
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	145.15	161.18	139.03	142.61	133.22	128.54	135.85	135.02	135	135	135	132	132	133	133
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	68.11	70.39	80.26	73.22	63.32	68.97	77.92	66.14	79	74	69	64	65	62	64
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	68.97	70.30	79.25	70.55	66.18	68.74	73.57	64.68	77	71	68	64	64	62	64
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	67.94	66.60	78.59	67.33	63.74	66.19	64.88	60.27	73	67	65	62	63	59	62
Belly Cutout, FOB Plant, USDA	129.45	170.83	209.41	175.73	104.37	95.20	130.10	138.71	141	139	140	140	140	143	142
Belly, Derind Belly 9-13#, FOB Plant, USDA	160.70	219.23	256.47	193.19	135.34	117.03	160.80	179.25	176	179	172	172	172	176	175
Belly, Derind Belly 13-17#, FOB Plant, USDA	153.58	205.72	254.70	210.81	124.93	116.95	160.14	169.61	178	178	171	171	171	175	174
Trim, 42% Trim Combo, FOB Plant, USDA	38.73	62.20	68.68	49.73	33.37	25.89	26.53	25.75	30	27	25	31	32	36	38
Trim, 72% Trim Combo, FOB Plant, USDA	79.86	93.78	90.99	66.34	59.76	62.05	63.74	63.19	65	63	60	62	63	62	67
Trim, Picnic Meat Combo Cushion Out, FOB Plant, USDA	82.92	97.01	103.80	80.15	86.68	85.45	80.63	81.73	84	80	80	76	75	74	77
Carcass Cutout, FOB Plant, USDA	84.06	96.53	103.25	91.64	77.94	74.50	80.63	81.98	81	80	79	78	81	81	82
HOG CARCASS															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Dlv.	68.99	82.57	85.48	74.10	54.07	58.75	58.25	56.81	62	59	60	62	70	72	74
BROILERS															
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	153.28	163.75	157.63	145.75	131.91	115.16	113.08	115.12	115	114	115	121	123	129	142
N.E. BROILER BREAST LINE RUN, USDA	119.53	125.43	125.01	117.18	98.82	82.01	82.73	82.74	88	83	88	99	103	104	109
N.E. BROILER LEG QUARTERS, USDA	41.08	41.38	43.31	43.75	42.28	39.99	40.82	40.01	41	40	40	41	43	44	45
TURKEYS															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	107.00	107.00	107.00	107.00	107.00	107.00	100.00	94.00	96	101	94	94	94	96	99
UB TOM TURKEYS, EAST, FROZEN 16-22LBS	107.00	107.00	107.00	107.00	107.00	107.00	100.00	94.00	96	101	94	94	94	96	99
LIVE STEERS															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	136.40	129.82	118.76	113.13	105.98	109.79	121.80	119.08	123	119	121	125	128	129	129
BEEF															
CHOICE, 161, 1 ROUND, BONELESS, USDA	236.28	242.43	236.67	228.59	221.60	226.21	239.89	239.00	241	239	239	246	247	245	236
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	231.79	250.42	232.10	210.80	204.34	215.92	235.08	213.96	215	215	224	239	237	240	232
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	209.70	210.32	203.80	205.36	212.05	207.88	216.11	220.86	213	219	219	235	233	216	206
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	365.43	367.27	378.05	333.81	271.78	254.23	299.99	307.09	299	307	296	309	321	356	371
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	684.46	624.82	445.05	400.43	388.69	412.17	504.66	507.90	460	507	475	496	499	527	570
COARSE GROUND 73%, USDA	192.80	197.90	175.69	157.29	148.80	135.06	148.65	138.48	137	149	151	191	172	171	169
COARSE GROUND 81%, USDA	214.24	222.10	195.21	179.15	175.23	164.86	176.59	164.02	173	164	182	221	198	194	189
90% BONELESS BEEF, CENTRAL, FRESH, USDA	223.35	230.02	232.75	232.05	224.34	215.51	211.30	212.20	217	213	220	223	234	240	242
50CL BEEF TRIM, FRESH, NATIONAL, USDA	176.71	131.93	92.86	68.58	45.07	56.49	70.22	67.32	73	68	72	74	74	94	88



Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA
$/cwt
150
140
130
120
110
100
90
80
70
60
50
November 22, 2017 = 88.01
5/17/2017
5/31/2017
6/14/2017
6/28/2017
7/12/2017
7/26/2017
8/9/2017
8/23/2017
9/6/2017
9/20/2017
10/4/2017
10/18/2017
11/1/2017
11/15/2017
11/22/2017
12/6/2017
12/20/2017
1/3/2018
1/17/2018
1/31/2018
2/14/2018
2/28/2018
3/14/2018
3/28/2018
4/11/2018
4/25/2018
5/9/2018
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2017-18 Wednesday Dates



Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA
$/cwt
190
170
150
130
110
90
70
50
November 22, 2017 = 138.73
5/17/2017
5/31/2017
6/14/2017
6/28/2017
7/12/2017
7/26/2017
8/9/2017
8/23/2017
9/6/2017
9/20/2017
10/4/2017
10/18/2017
11/1/2017
11/15/2017
11/22/2017
12/6/2017
12/20/2017
1/3/2018
1/17/2018
1/31/2018
2/14/2018
2/28/2018
3/14/2018
3/28/2018
4/11/2018
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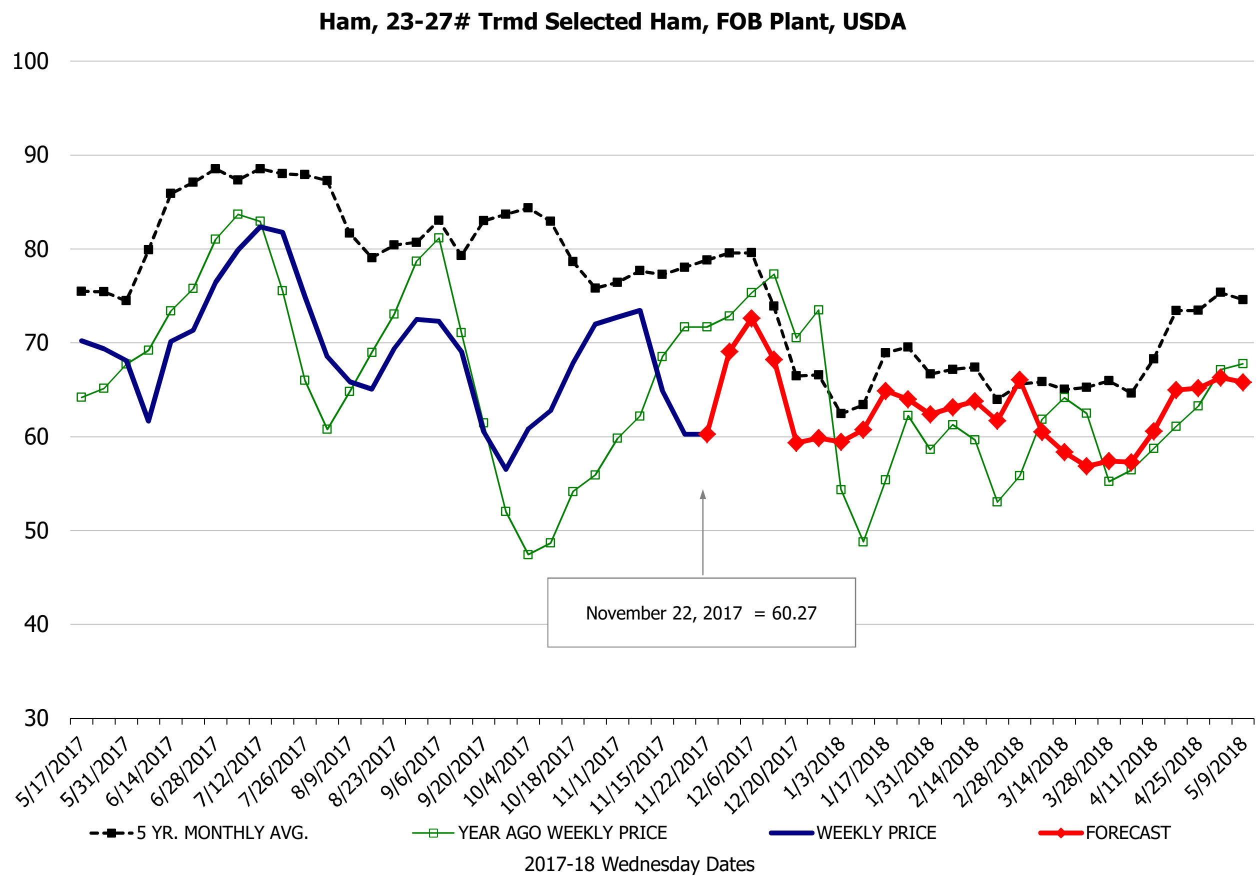
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA
100
90
80
70
60
50
40
30
November 22, 2017 = 60.27
5/17/2017 5/31/2017 6/14/2017 6/28/2017 7/12/2017 7/26/2017 8/9/2017 8/23/2017 9/6/2017 9/20/2017 10/4/2017 10/18/2017 11/1/2017 11/15/2017 11/22/2017 12/6/2017 12/20/2017 1/3/2018 1/17/2018 1/31/2018 2/14/2018 2/28/2018 3/14/2018 3/28/2018 4/11/2018 4/25/2018 5/9/2018
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
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FORECAST
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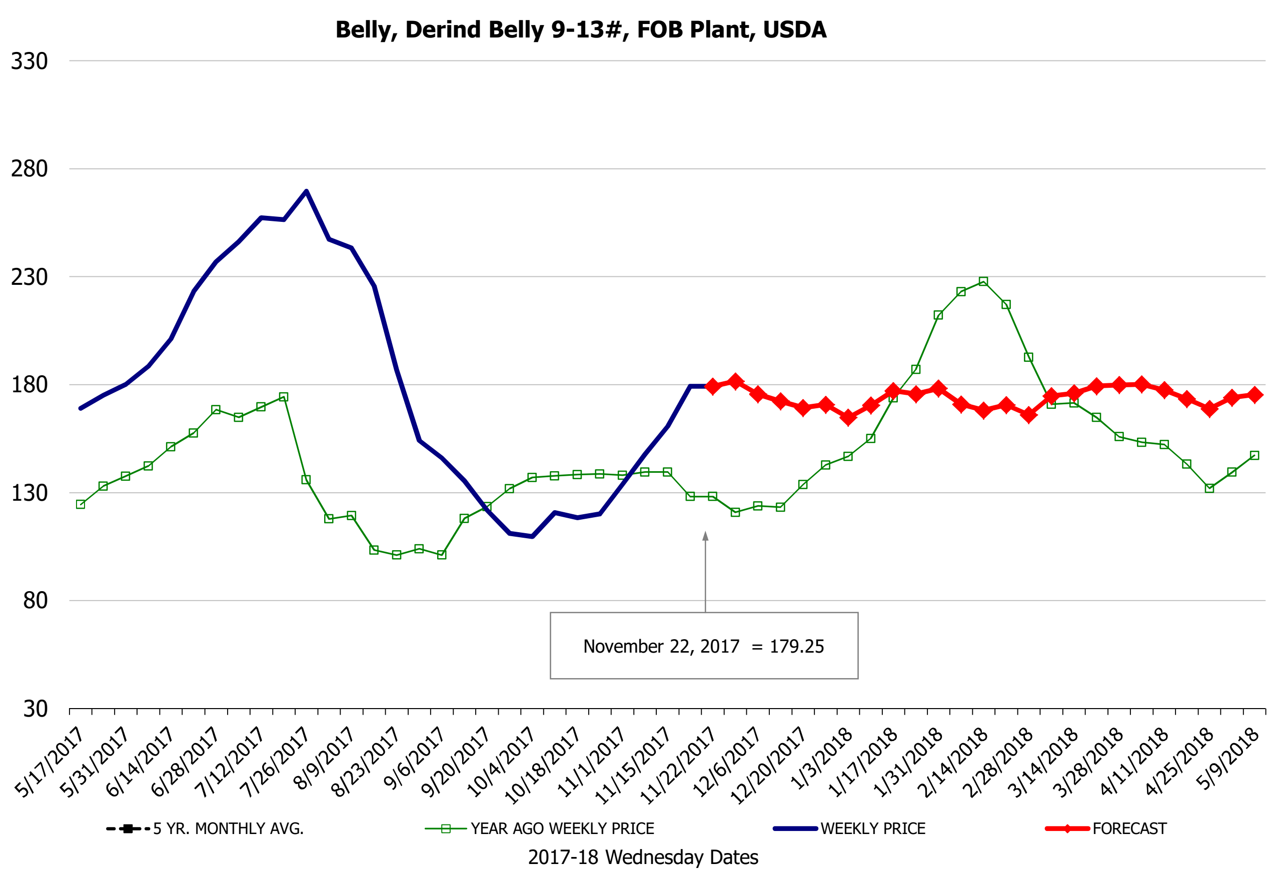
Belly, Derind Belly 9-13#, FOB Plant, USDA
330
280
230
180
130
80
30
November 22, 2017 = 179.25
5/17/2017 5/31/2017 6/14/2017 6/28/2017 7/12/2017 7/26/2017 8/9/2017 8/23/2017 9/6/2017 9/20/2017 10/4/2017 10/18/2017 11/1/2017 11/15/2017 11/22/2017 12/6/2017 12/20/2017 1/3/2018 1/17/2018 1/31/2018 2/14/2018 2/28/2018 3/14/2018 3/28/2018 4/11/2018 4/25/2018 5/9/2018
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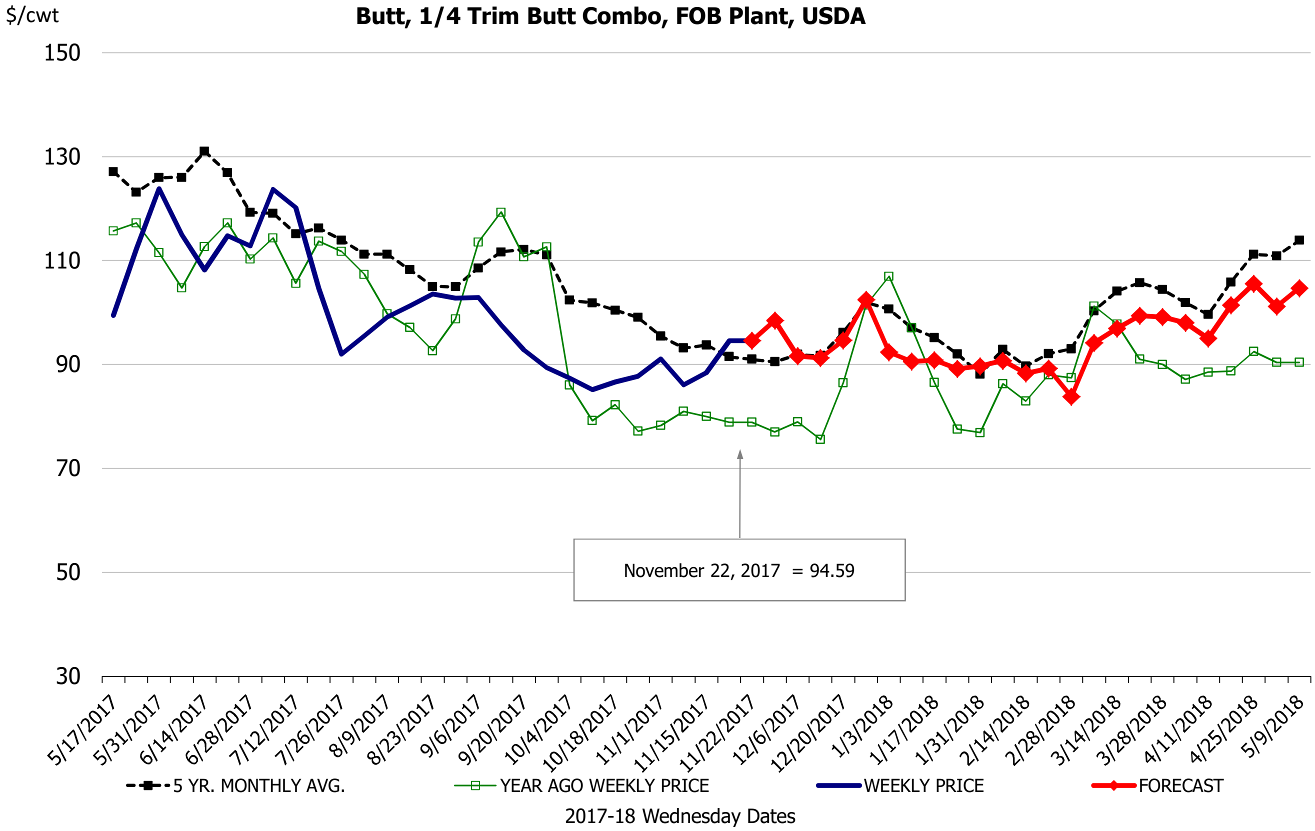
$/cwt
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA
150
130
110
90
70
50
30
November 22, 2017 = 94.59
5/17/2017
5/31/2017
6/14/2017
6/28/2017
7/12/2017
7/26/2017
8/9/2017
8/23/2017
9/6/2017
9/20/2017
10/4/2017
10/18/2017
11/1/2017
11/15/2017
11/22/2017
12/6/2017
12/20/2017
1/3/2018
1/17/2018
1/31/2018
2/14/2018
2/28/2018
3/14/2018
3/28/2018
4/11/2018
4/25/2018
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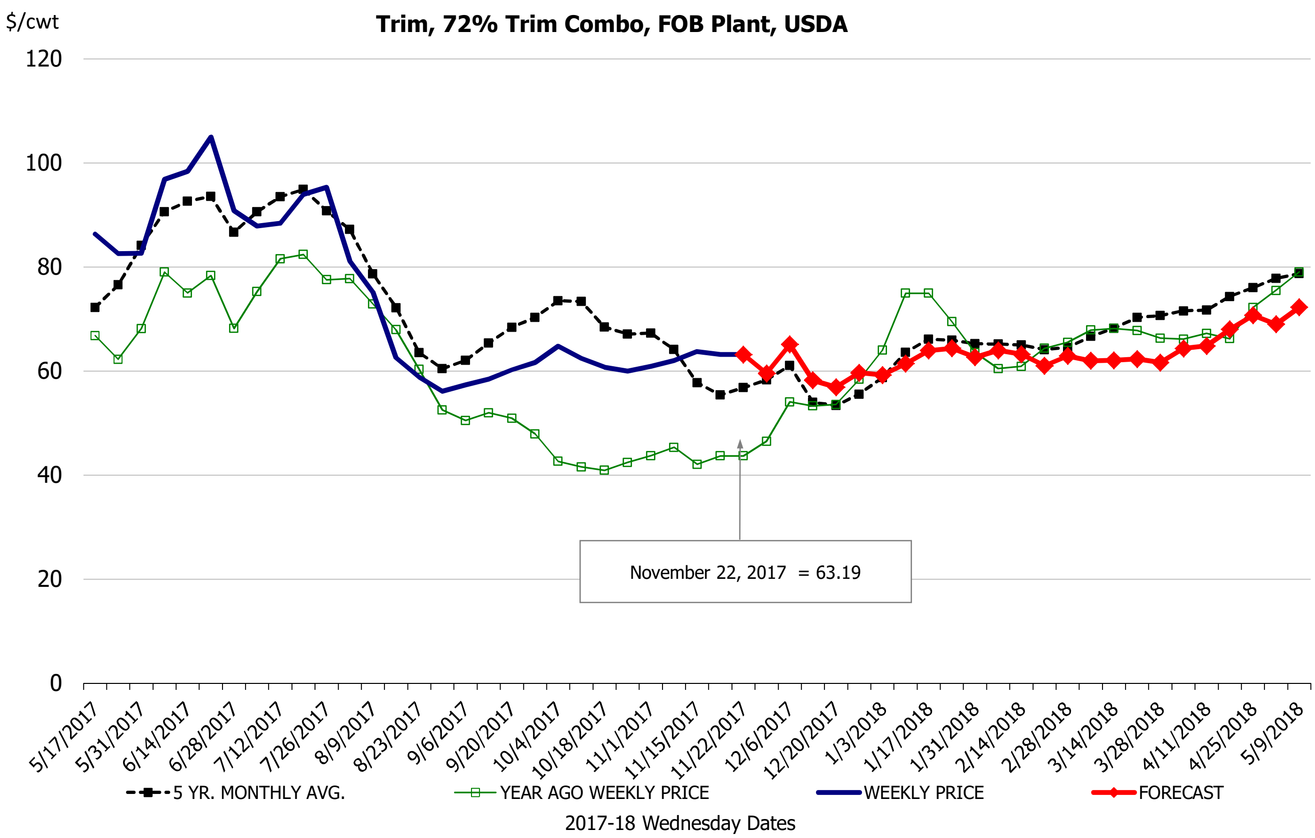
FORECAST
2017-18 Wednesday Dates


$/cwt
Trim, 72% Trim Combo, FOB Plant, USDA
120
100
80
60
40
20
0
November 22, 2017 = 63.19
5/17/2017
5/31/2017
6/14/2017
6/28/2017
7/12/2017
7/26/2017
8/9/2017
8/23/2017
9/6/2017
9/20/2017
10/4/2017
10/18/2017
11/1/2017
11/15/2017
11/22/2017
12/6/2017
12/20/2017
1/3/2018
1/17/2018
1/31/2018
2/14/2018
2/28/2018
3/14/2018
3/28/2018
4/11/2018
4/25/2018
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5 YR. MONTHLY AVG.
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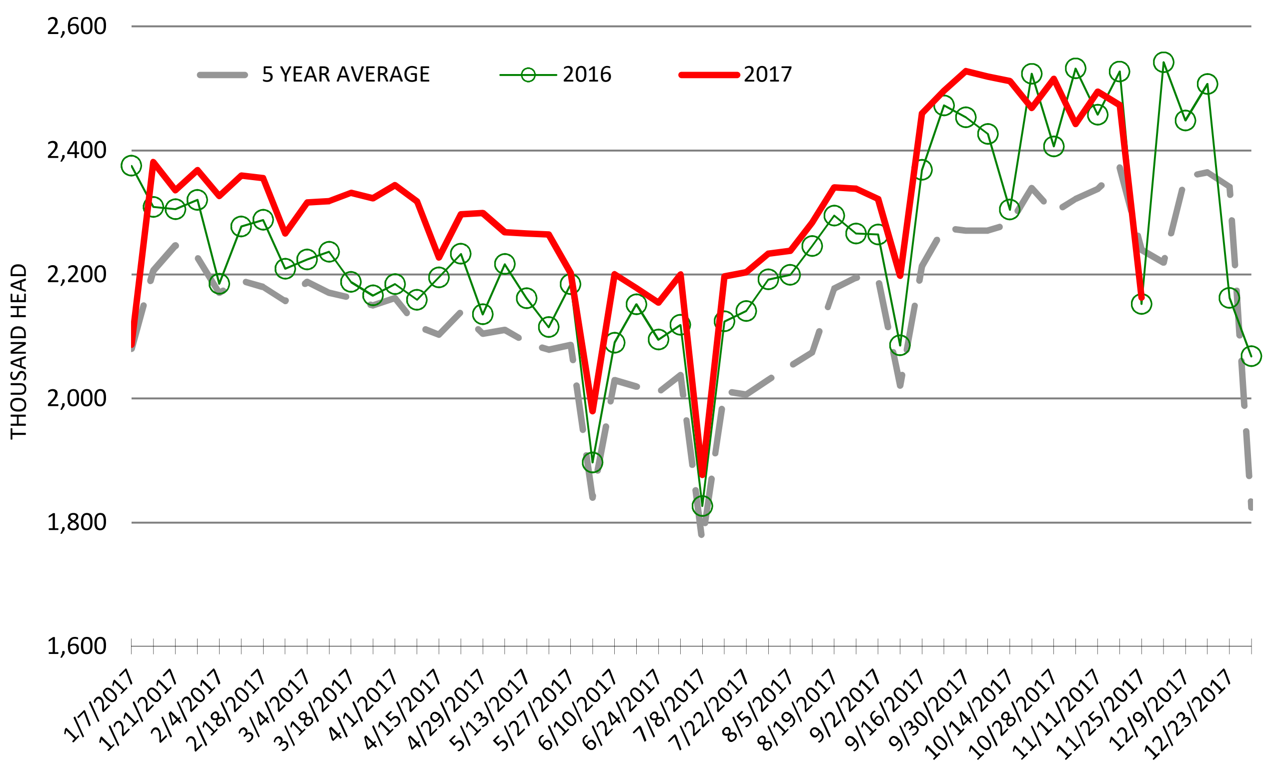
ESTIMATED WEEKLY FI HOG SLAUGHTER

Source: USDA, '000 head



ESTIMATED WEEKLY FI HOG SLAUGHTER

Source: USDA, '000 head