



# Pork Merchandiser's Profit Maximizer

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

### - Foodservice Edition -

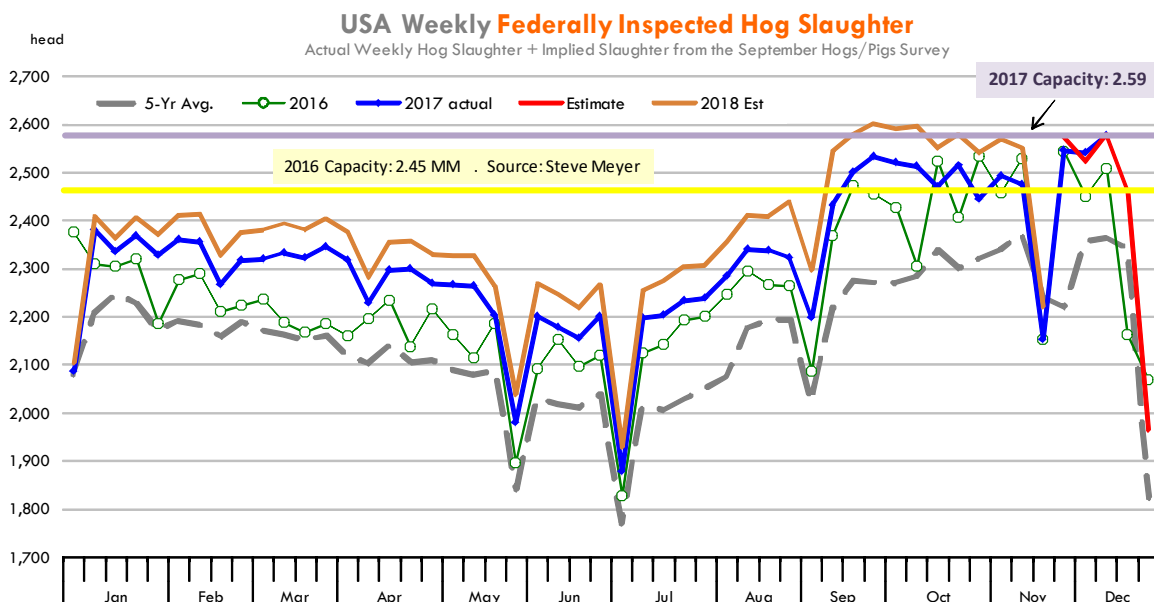
© 2017 The National Pork Board, Des Moines, IA 515-223-2600;  
Prepared by Steiner and Company, Manchester, NH 800-526-4612.

December 26, 2017

**1. Latest hog inventory data points to ample pork supplies in 2018. Demand, especially export demand, remains a key wild card for pork prices.**

The US hog industry has been expanding since 2013 and, based on the latest inventory survey results, expansion is expected to continue

through much of 2018. The US pork market has been well supplied for much of this year but the timing of retail promotions and excellent export demand created a significant amount of volatility. While we expect pork prices to be modestly lower compared to 2017 levels, the pork market will likely remain quite volatile and managing volatility should continue to be a major focus of your purchasing and merchandising efforts. The chart

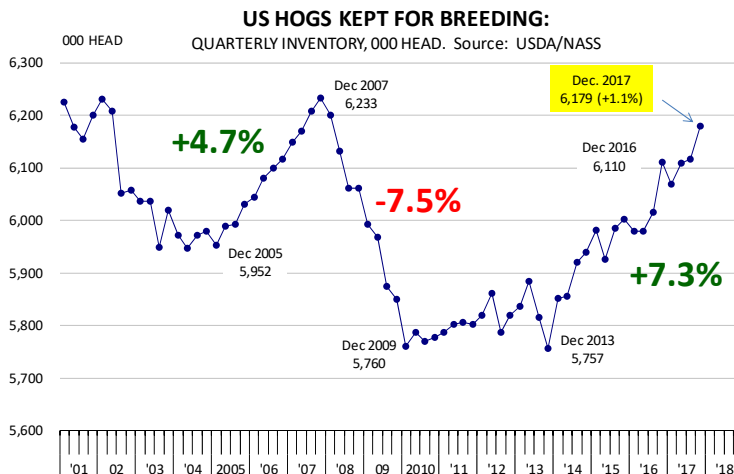


Steiner and Company produces the National Pork Board Newsletter based on information we believe is accurate and reliable. However neither NPB nor Steiner and Company warrants or guarantees the accuracy of or accepts any liability for the data, opinions or recommendations expressed.

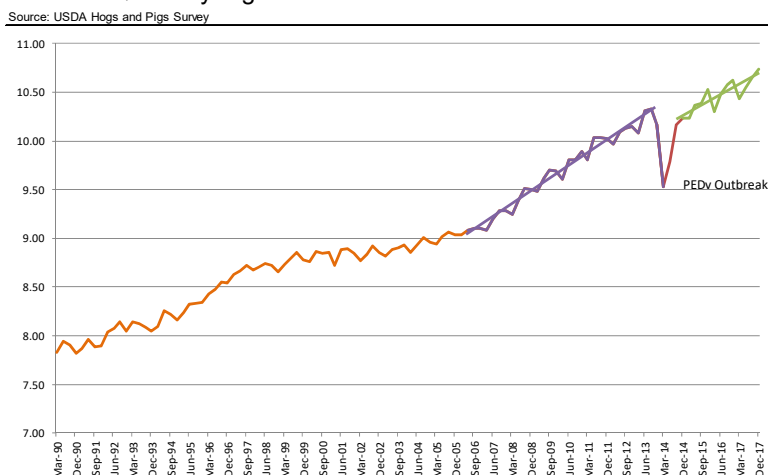
below shows the implied weekly hog slaughter based on the latest inventory data. Some of the highlights and implications follow:

- **The total inventory of hogs and pigs on December 1, 2017 was estimated at 73.230 million hogs, 2.4% higher than a year ago.** Prior to the report analysts were looking for a 2% increase in the total inventory. The total inventory is made up of market hogs, which are hogs that will come to slaughter in the next few months, as well as animals that are kept for breeding purposes. We discuss the breeding herd in the next bullet point. The inventory of market hogs was estimated at 67.051 million, 2.5% higher than last year and 0.4 pct points higher than estimates. Looking at the breakdown of market hog inventories, we note that the USDA survey implies more hog this coming spring than analysts were expecting. The inventory of hogs weighing between 50 and 119 pounds was 18.546 million head, 2.5% higher than last year and 0.6 points higher than estimates. These are hogs that will likely come to market between late February and early April. The inventory of pigs under 50 pounds, which should come to market in Apr and May was 21.447 million head, 2.7% higher than a year ago. This increase in the number of hogs scheduled to be marketed during Mar-May is somewhat lower than the numbers implied by the Sep-Nov pig crop, which was up 3.2% from year ago levels.

- **One of the key numbers we were looking for ahead of the report was the size of the breeding herd.** Our initial estimate was for the breeding herd to expand by 1.2% compared to a year ago, a bigger increase than pre-report estimates were expecting. The key factor that drove our forecast was the expectation that producer profitability remains solid and this continues to drive gilt retention. The USDA survey pegged the total breeding herd inventory at 6.179 million head, 1.1% above last year's levels. As the chart to the right illustrates, the hog breeding herd has in-



Trend in Quarterly Pigs Saved Per Litter



creased by 7.3% since December 2013 and it is now at the highest point since December 2008. Low feed costs, the ability to lock in a healthy profit for 2018 via the futures board, and the increase in processing capacity, have all contributed to the continued expansion of the breeding herd. A larger breeding herd and incremental productivity improvements have bolstered overall hog supplies and should cause pork production next year to expand by another 3%.

- **The increase in the breeding herd sets the stage for larger pig crops in Dec-Feb (summer slaughter) and Mar-May (fall slaughter).** US producer indications of the farrowing intentions have been consistently off the market for the last few quarters and we think this has caused futures markets to question this part of the report. Farrowing intentions for the Dec-Feb peri-

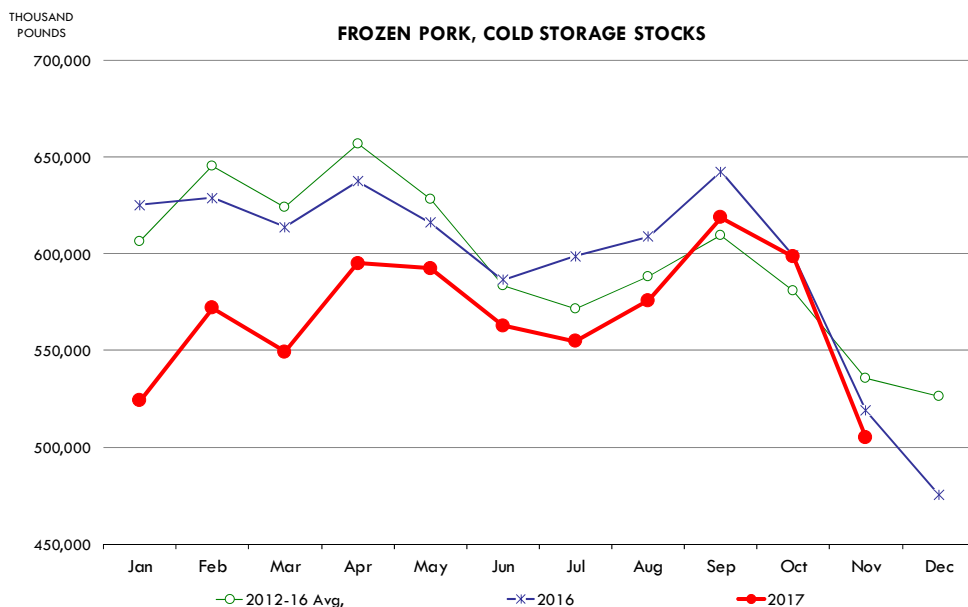
od show an increase of 2.8% compared to a year ago, which is quite significant if it does materialize. The number of pigs saved per litter in the Sep-Nov quarter was 1% above the previous year. In the last six quarters pigs saved per litter have increased by an average of 1.1%. If this trend continues, we could see anywhere between 3.5% and 4% more pigs come to market in Jun-Aug. We have not included this forecast in our supply/demand table but at this point this is a distinct possibility. Farrowing intentions for Mar-May were up 2.3% from a year ago. Combined with a 1% increase in pigs per litter, this would imply a +3% increase in slaughter during Sep-Nov, all but assuring new all time record hog supplies next fall. Hog processing capacity has been expanding and it appears that hog supplies will be adequate to support the increase in capacity.

**2. Cold storage stocks at the end of November**

The supply of red meat and poultry in cold storage is higher than a year ago but the drawdown in stocks during November suggests demand remains in good shape. The total supply of beef, pork, chicken and turkey in cold storage at the end of November was 2.179 billion pounds, 4.9% higher than a year ago and 10.2% higher than the five year average. However, the drawdown in stocks during November was 10.7% compared to 9.3% average of the last five years.

According to USDA, there were 505.0 million pounds of pork in cold storage at the end of last month, 2.7% less than a year ago and 5.7% less than the five year average. What is even more impressive is that in-

ventories declined 15.6% from the previous month. In the last five years the average draw-down in freezer stocks has been 7.8%. Part of the reason for the decline in inventories is the increase in hog slaughter and ample product availability. With slaughter expected to remain historically large in 2018, packers and end users continue to be very aggressive in liquidating inventories during key holiday periods. Ham inventories at the end of November were 98.2 million pounds, a 50% decline from the previous month and the biggest drawdown in stocks in almost a decade. Current ham inventories are down 7.5% from a year ago and 6.6% lower than the five year average. Ham inventories have declined sharply in the last two weeks, which is normal for this time of year. The lower inventories should help support produce accumulation for Easter needs and we see the latest cold storage report as supportive of the pork/hog market for late January and February. Pork belly inventories have almost double compared to the minimal volume in storage a years go. Lower belly prices in December will likely cause more bellies to go into the freezer and this should help prevent the sort of price appreciation we observed in Q1 of 2017.



**Upcoming holidays:**

**2018** New Year's Day (Monday January 1); Martin Luther King Day (Monday January 15); Chinese New Year (Friday February 16); Super Bowl 52 (Sunday February 4, in Minneapolis, MN); Valentine's Day (Wednesday February 14); President's Day (Monday February 19); Ash Wednesday (Wednesday February 14; Daylight Savings Time Begins in US (Sunday March 11); St. Patrick's Day (Saturday March 17); Passover (Friday March 30, at sundown); Easter (Sunday April 1); Cinco de Mayo (Saturday May 5); Mother's Day (Sunday May 13); Victoria Day [Canada] (Monday May 21); Memorial Day (Monday May 28); Father's Day [US and Canada] (Sunday June 17); Canada Day [Canada] (Sunday July 1); Independence Day (Wednesday July 4); Labor Day [US and Canada] (Monday September 3); Rosh Hashanah (Sunday September 9, at sundown); Yom Kippur (Tuesday September 18, at sundown); Columbus Day (Monday October 8); Canadian Thanksgiving Day (Monday October 8); Daylight Savings Time Ends [US and Canada] (Sunday November 4); Veterans Day (Sunday November 11); Remembrance Day [Canada] (Sunday November 11); Thanksgiving (Thursday November 22); Hanukkah (Sunday December 2, starts at sundown); Christmas Day (Tuesday December 25); Boxing Day [Canada] (Wednesday December 26).

**PORK**

**Live hogs. For the week ending December 23 slaughter was 2.466 million head, up 14.1% from a year ago. In the last two weeks hog slaughter is up 8.0% vs. year ago levels.**

**Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values.** Lean hog carcass values at about 55.15 /cwt. on Friday were down \$1.6/cwt since Wed. December 13. Prices are up 2.3 dollars compared to year ago values.

**Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA** (page 8). Prices finished last week at

\$0.8848, up about 7.8 cents since the Wed. December 13 quote but down about one cents from year ago levels.

**Bnls. Strap on Pork Loins.** Prices finished the week at \$1.2676 for the strap on loins, up 7.9 cent since Wed. December 13 but down about 5 cent from the year ago levels. Strap off loins at \$1.4905 are up about 0.2 cent since Wed. December 13 and up about 11 cent compared to the year ago quote.

**Boneless sirloins** at \$1.0778 are down one cents from the Wed. December 13 quote and down about 3.7 cents from the year ago price.

**Pork tenderloin** finished last week at \$2.0426, down 6 cent from the Wed. December 13 quote but up about 3.4 cents from the year ago price.

**1/4 Trim Pork Butts** (page 10), prices finished the week at \$1.0938, up 8.9 cent since Wed. December 13. Prices are up 18 cents from a year ago.

**Spare Ribs, Trimmed - LGT, Vac** (page 8). Prices finished the week at \$1.3406, up about 3.5 cent since Wed. December 13 and up about 12 cents from year ago levels.

Rib inventories on November 30 were 99.6 million pounds, down 9.0% percent from a year ago.

**Bone-in Hams.**

17/20 hams (page 9) price was \$0.5535/lb., down 5 cents since Wed. December 13 and down about 18 cent from a year ago.

20/23 hams finished the week at 53.58 cents, down about 8 cents since Wed. December 13 and down about 20 cent from the year ago level.

23/27 hams finished the week at 54.81 , down about 4 cents from the Wed. December 13 quote and down about 16 cents from the year ago level.

Total ham cold storage stocks on November 30 at 98.2 million pounds were down 7.5% from year ago levels.

**42 CL Pork Trim** "FOB Basis". Prices finished the week at 22.67 cent, down about 2.3

cent since Wed. December 13 and down about 1 cents from the year ago price.

**72 CL Pork Trim** “FOB Basis”. Prices finished the week at 58.07 cents, down about 7.6 cents since the Wed. December 13 quote but up about 4 cents from the year ago level.

Freezer stocks of all trimmings on November 30 were 37.4 million pounds, up 4.8% 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 86.68 on Friday, December 23, up about 3 cents from a year ago.

Broiler slaughter for the week ending December 23 was 163.01 million head, up 1.74% from a year ago. For the last two weeks slaughter was up 1.8% vs. a year ago.

**Breasts.** Prices on boneless skinless breasts finished the week at \$1.0734, up 1 cents since Wed. December 13 and still up 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 2.2 cents vs. two weeks ago and at 37.38 cents per pound prices were up 7 cents from a year ago.

**Wings.** Prices at \$1.7174 are down about 20 cents from year ago levels.

---

## **Turkeys**

**Hens** finished last week at \$0.8700, unchanged since Wed. December 13 but down about 27 cents from the year ago price.

**Toms** finished last week at \$0.8600, unchanged since Wed. December 13 but down about 28 cent from the year ago price.

Total turkey supplies in the freezer on November 30 were up 22.1% from a year ago at 289.3 million pounds. Whole birds were up 57.7% from a year ago with an inventory of 111.0 million pounds.

Turkey slaughter was 4.0840 million head for the week ending December 16, down -2.46% from a year ago. For the last two weeks slaughter has been down 3.8%.

**Boneless Turkey Breast Meat.** Boneless skinless turkey breast meat prices finished last week at \$1.5500, unchanged since Wed. December 13. Prices are down about 10 cents vs. year ago levels.

---

## **BEEF**

<p><b>NOTE: WE ARE NOW REPORTING AND FORECASTING WEIGHTED AVERAGE BLUE SHEET PRICES FOR BEEF CUTS.</b></p>
--

**Choice 112A Heavy Bnls. Lip On Rib Eyes** at \$7.4911 (weighted average quote) finished last week down about 74 cents since the Wed. December 13 quote but up about 100 cents vs. the year ago price.

**Select 112A Heavy Lip On Rib Eyes** at \$5.5270 (weighted average quote) finished last week down about 44 cents since the Wed. December 13 quote but down about 100 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$1.9641 /lb. over Select. The 2015 annual average spread (wt. average price) had the Choice at a premium

to the Select by \$0.1138 per pound and the previous five years (2010 thru 2014) average spread was Choice at a premium to the Select by \$0.0962 per pound.

**Choice regular #168 insides** finished last week quoted at \$2.0100 down about 4 cents since Wed. December 13 and down about 7 cents from the year ago price.

**Choice ¼ inch trimmed #168 insides** finished last week quoted at \$2.0406 down about 4 cents since Wed. December 13 and down about 16 cents from year ago levels.

**Choice #170 Gooseneck Rounds** finished last week at \$2.0249 down about 3 cents since Wed. December 13 but up about 6 cents from the year ago levels.

**Choice #180 (0x1) Bnls. Strip Loins** finished last week quoted at \$5.1088 (wt. avg.) up about 5 cents from the Wed. December 13 quote. Prices are down 8 cents from year ago levels.

**Choice #184 Regular Heavy top butts** finished at \$3.1966 (wt. avg.) up about 9 cents since Wed. December 13 and up about 101 cents from year ago levels.

**Choice #184 ¼ inch trimmed Top Butts** finished at \$3.3594 (wt. avg.) up about 11 cents since Wed. December 13 and up about 100 cents from the year ago levels.

**Choice #185A Flap Meat** prices finished Friday at \$5.0104 (wt. avg.) up about 24 cents since Wed. December 13 and up about 83 cents from year ago values.

## **COARSE GROUND BEEF –**

**73CL Coarse Ground** product finished last week at \$1.3534 up about 9 cents since Wed. December 13 but down about 39 cents from year ago levels.

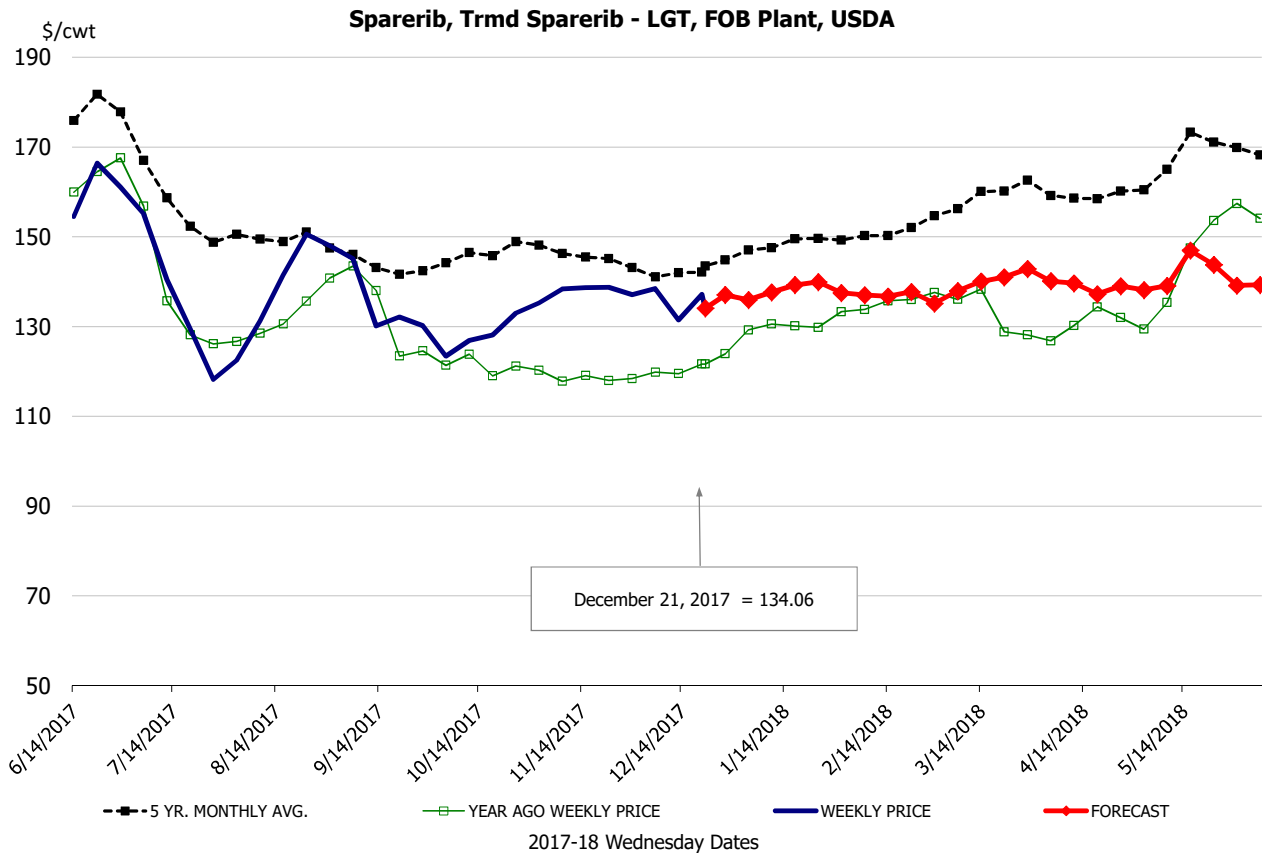
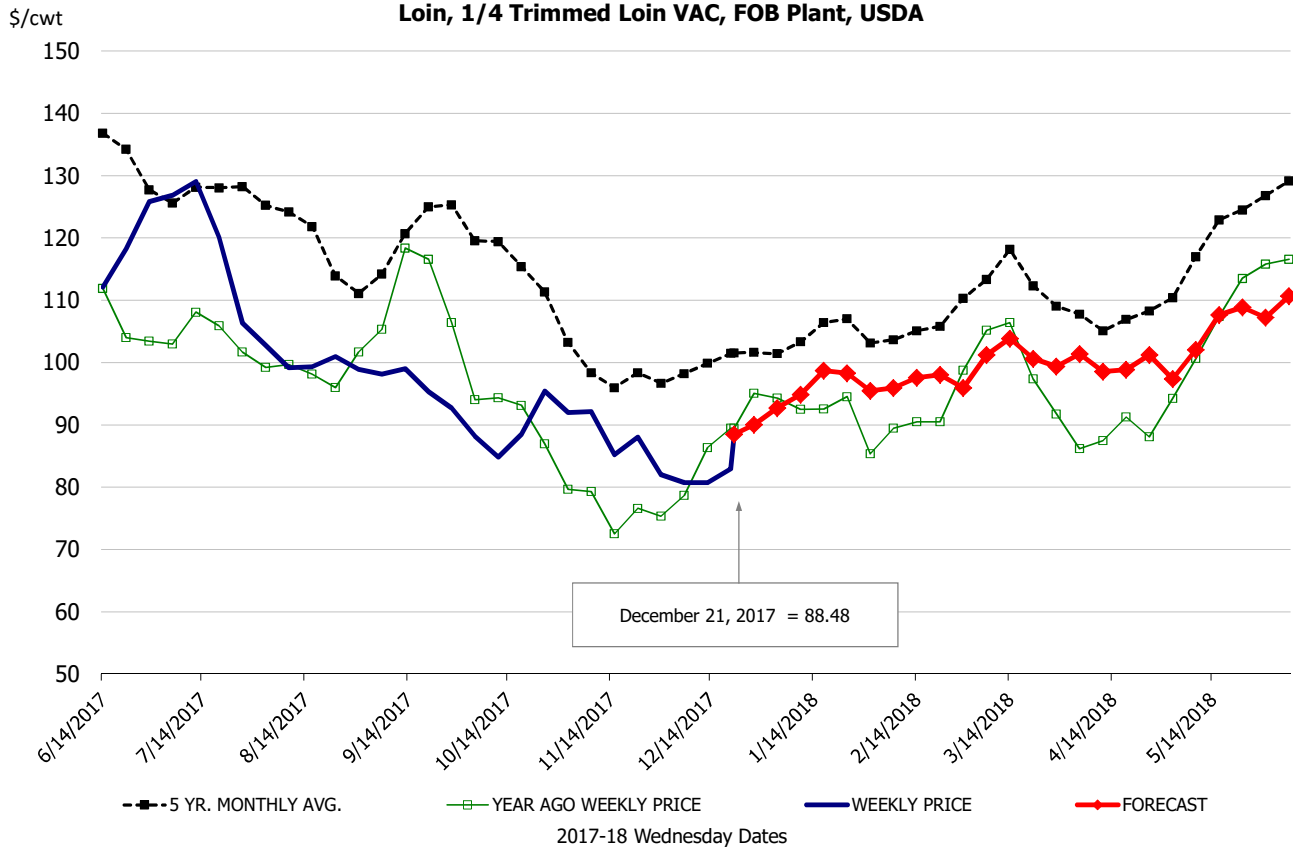
**81CL Coarse Ground** product finished last week at \$1.7422 up about 15 cent since Wed. December 13 but down about 26 cents from the year ago quote.

**90CL Bnls. Beef** prices finished the week at \$2.1306 (wt. avg.) up about 1.62 cent since Wed. December 13 and up 22 cents compared to the year ago price quote.

**50 CL Beef Trim** prices finished last week at \$0.5233, up about 2 cent since Wed. December 13 and up 19 cent compared to the year ago level.

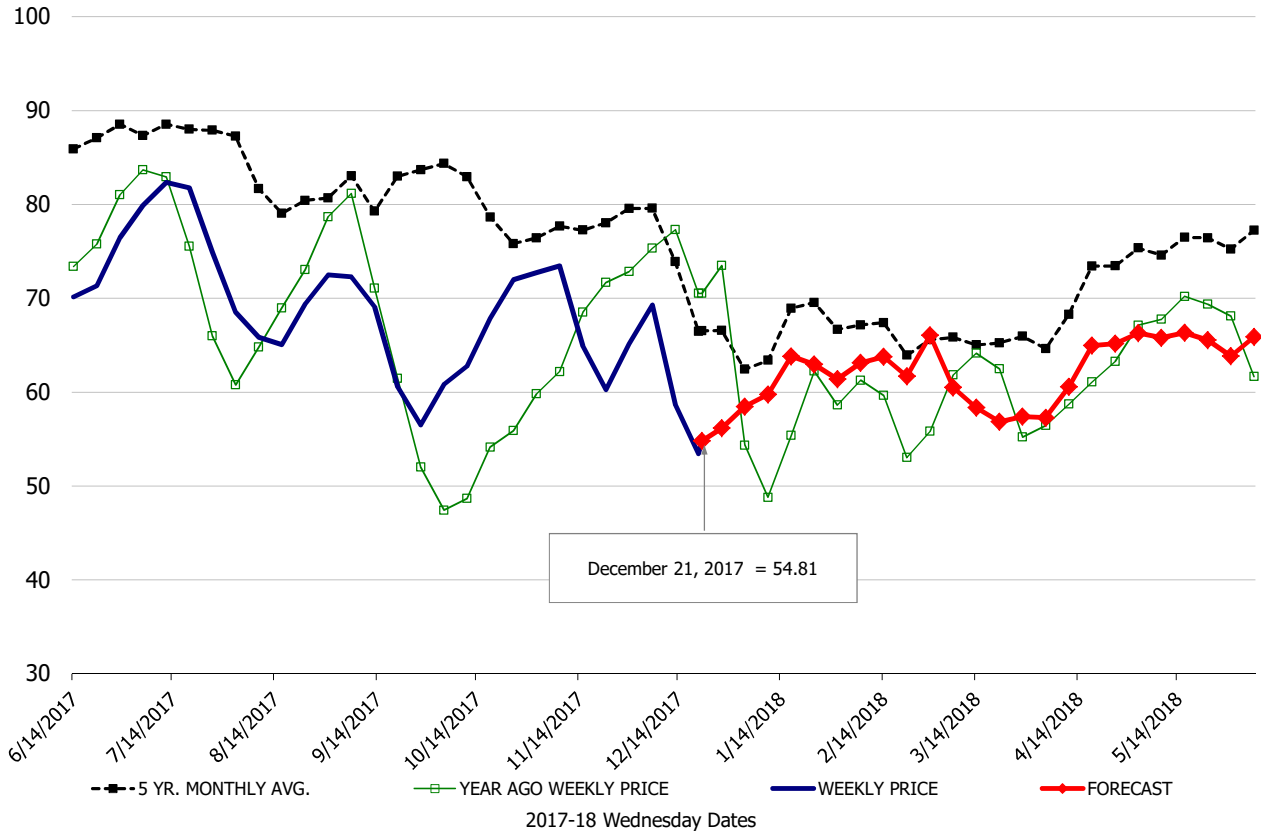
## Food Service Summary Table - WT. AVE

	HISTORY								FORECAST						
	Jun	Jul	Aug	Sep	Oct	Nov	12/13/2017	12/21/2017	1/3/2018	Dec	Jan	Feb	Mar	Apr	May
<b>PORK</b>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.18	1.19	1.01	0.95	0.89	0.86	0.81	0.88	0.93	0.88	0.96	0.97	1.01	1.00	1.04
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.23	1.26	1.07	1.01	0.93	0.90	0.82	0.95	0.99	0.95	1.02	1.05	1.08	1.07	1.11
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.51	1.53	1.44	1.45	1.37	1.38	1.49	1.49	1.53	1.49	1.52	1.51	1.51	1.44	1.46
Loin, Tenderloin, FOB Plant, USDA	2.24	2.39	2.44	2.32	2.18	2.05	2.10	2.04	2.14	2.04	2.21	2.28	2.23	2.19	2.29
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	1.14	1.08	0.99	0.93	0.87	0.92	0.95	1.04	0.95	1.04	0.94	0.89	0.96	1.00	1.08
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.58	1.30	1.36	1.35	1.29	1.38	1.31	1.34	1.36	1.35	1.38	1.37	1.40	1.39	1.42
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.25	2.27	2.16	2.08	2.13	2.08	2.08	2.13	2.16	2.27	2.20	2.20	2.23	2.23	2.28
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.61	1.39	1.43	1.33	1.29	1.35	1.31	1.41	1.34	1.40	1.36	1.36	1.36	1.36	1.39
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.40	2.42	2.29	2.20	2.07	2.06	2.08	2.07	2.04	2.07	2.08	2.23	2.32	2.35	2.46
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.70	0.80	0.73	0.63	0.69	0.73	0.60	0.55	0.60	0.66	0.62	0.65	0.62	0.64	0.65
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.70	0.79	0.71	0.66	0.69	0.70	0.61	0.54	0.59	0.64	0.62	0.64	0.62	0.64	0.68
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.67	0.79	0.67	0.64	0.66	0.66	0.59	0.55	0.58	0.61	0.61	0.63	0.59	0.62	0.66
Belly Cutout, FOB Plant, USDA	1.71	2.09	1.76	1.04	0.96	1.29	1.10	1.07	1.17	1.23	1.22	1.35	1.45	1.35	1.41
Belly, Derind Belly 9-13#, FOB Plant, USDA	2.19	2.56	1.93	1.35	1.17	1.61	1.50	1.36	1.42	1.50	1.48	1.66	1.78	1.71	1.73
Belly, Derind Belly 13-17#, FOB Plant, USDA	2.06	2.55	2.11	1.25	1.17	1.61	1.34	1.32	1.39	1.49	1.47	1.65	1.77	1.70	1.72
Trim, 42% Trim Combo, FOB Plant, USDA	0.62	0.69	0.50	0.33	0.26	0.27	0.25	0.23	0.24	0.24	0.25	0.31	0.36	0.38	0.42
Trim, 72% Trim Combo, FOB Plant, USDA	0.94	0.91	0.66	0.60	0.62	0.62	0.66	0.58	0.58	0.63	0.61	0.63	0.64	0.69	0.72
<b>HOG CARCASS</b>															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	0.83	0.85	0.74	0.53	0.59	0.59	0.57	0.55	0.60	0.57	0.61	0.67	0.71	0.74	0.78
<b>BROILERS</b>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	1.09	1.04	0.93	0.89	0.85	0.86	0.87	0.87	0.92	0.87	0.92	0.92	0.97	1.00	1.07
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.64	1.58	1.46	1.32	1.15	1.06	1.06	1.07	1.07	1.08	1.10	1.16	1.24	1.42	1.60
N.E. BROILER BREAST LINE RUN, USDA	1.25	1.25	1.17	0.99	0.82	0.81	0.82	0.83	0.91	0.85	0.94	0.98	1.04	1.09	1.22
N.E. BROILER LEG QUARTERS, USDA	0.41	0.43	0.44	0.42	0.40	0.38	0.35	0.37	0.39	0.38	0.39	0.41	0.44	0.45	0.47
N.E. BROILER WINGS, USDA, WT.AVG.	2.06	2.06	2.10	2.13	2.02	1.79	1.71	1.72	1.96	1.85	2.05	1.95	1.95	1.84	1.75
<b>TURKEYS</b>															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.07	1.07	1.07	1.07	1.07	1.00	0.87	0.87	0.87	0.86	0.86	0.86	0.90	0.99	1.06
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	1.53	1.53	1.53	1.53	1.55	1.55	1.55	1.55	1.58	1.55	1.53	1.53	1.60	1.70	1.80
<b>LIVE STEERS</b>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.30	1.19	1.13	1.06	1.10	1.20	1.17	1.20	1.22	1.20	1.22	1.24	1.27	1.26	1.21
<b>BEEF</b>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	9.39	7.02	6.74	6.33	7.46	7.99	8.23	7.49	6.56	7.96	6.46	6.75	7.40	7.44	7.62
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.50	2.32	2.11	2.04	2.16	2.17	2.08	2.04	2.39	2.06	2.32	2.30	2.35	2.26	2.16
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.10	2.04	2.05	2.12	2.08	2.09	2.06	2.02	2.23	2.07	2.28	2.25	2.13	2.01	1.95
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	7.62	5.79	4.94	5.05	5.10	4.99	5.06	5.11	5.32	5.05	5.28	5.38	6.23	6.58	7.22
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	3.67	3.78	3.34	2.72	2.54	2.95	3.25	3.36	3.09	3.15	3.09	3.21	3.56	3.71	3.60
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	6.25	4.45	4.00	3.89	4.12	4.94	4.77	5.01	4.75	5.00	4.96	4.99	5.27	5.70	5.81
COARSE GROUND 73%, USDA	1.98	1.76	1.57	1.49	1.36	1.36	1.27	1.35	1.70	1.31	1.80	1.65	1.67	1.62	1.61
COARSE GROUND 81%, USDA	2.22	1.95	1.79	1.75	1.66	1.65	1.60	1.74	2.00	1.63	2.10	1.91	1.90	1.84	1.89
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.30	2.33	2.32	2.24	2.16	2.12	2.11	2.13	2.19	2.15	2.22	2.23	2.32	2.30	2.23
50CL BEEF TRIM, FRESH, NATIONAL, USDA	1.32	0.93	0.69	0.45	0.56	0.69	0.50	0.52	0.65	0.53	0.67	0.67	0.87	0.81	0.71

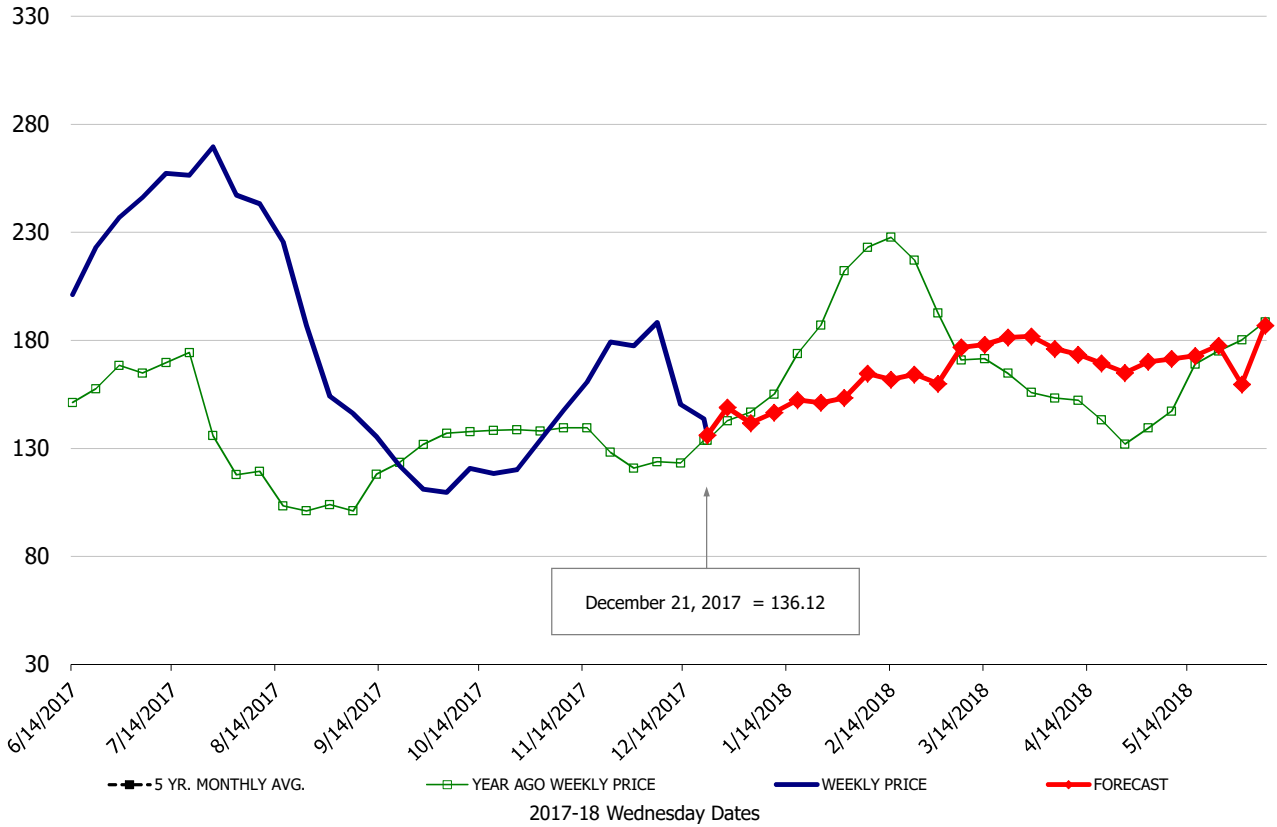




**Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA**

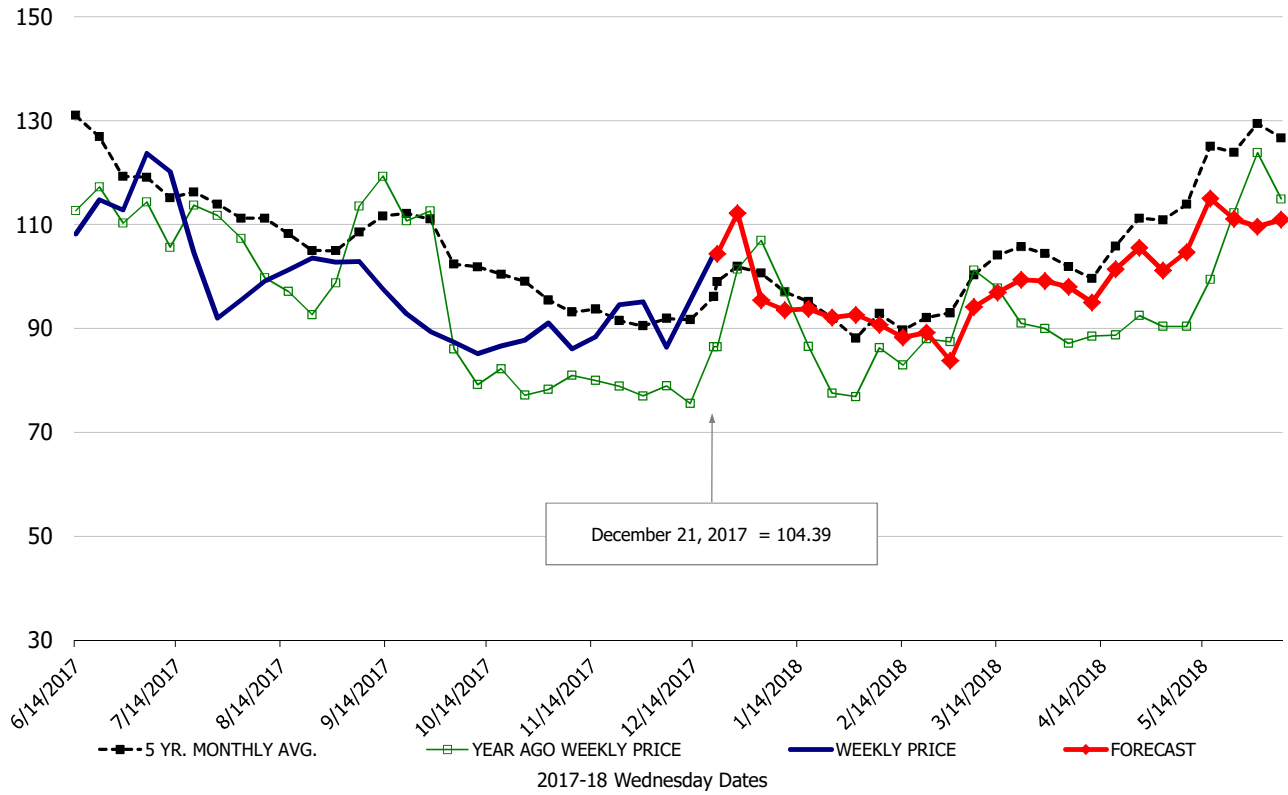


**Belly, Derind Belly 9-13#, FOB Plant, USDA**



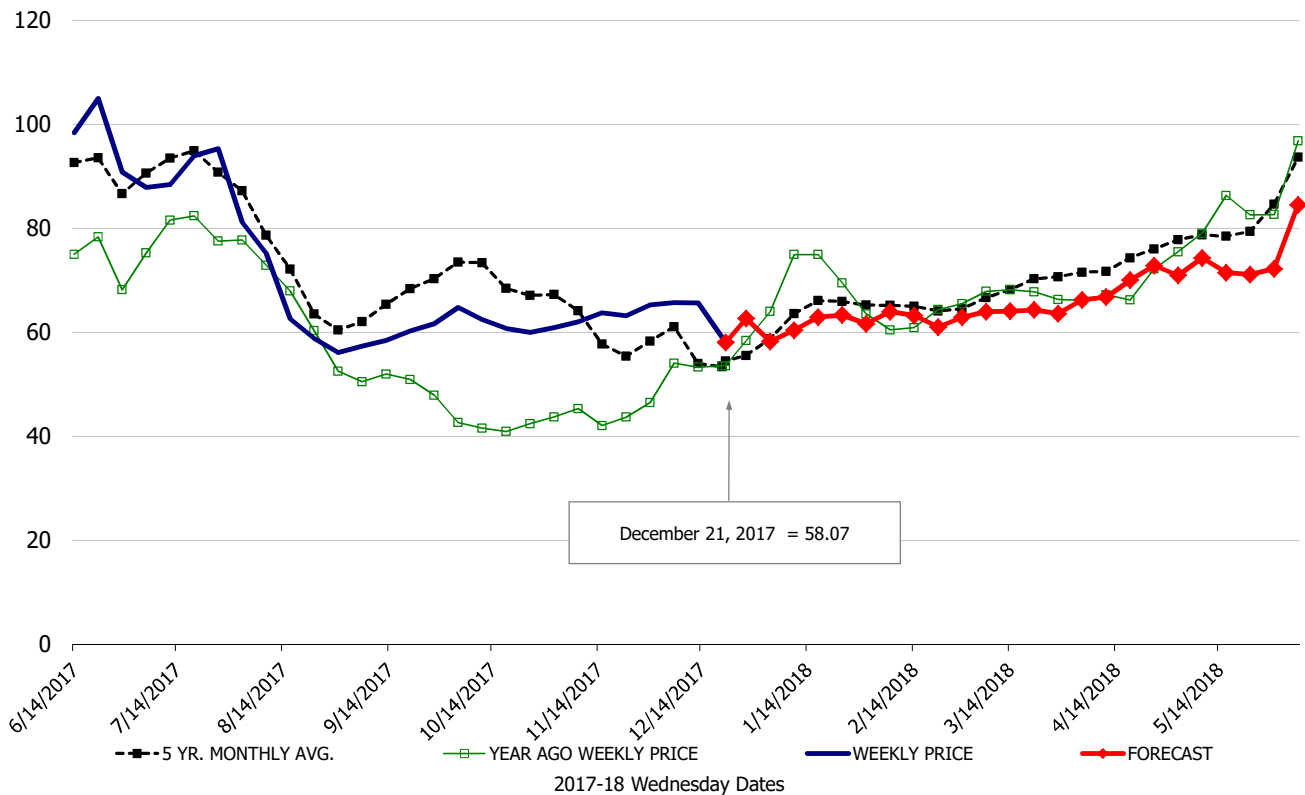
\$/cwt

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



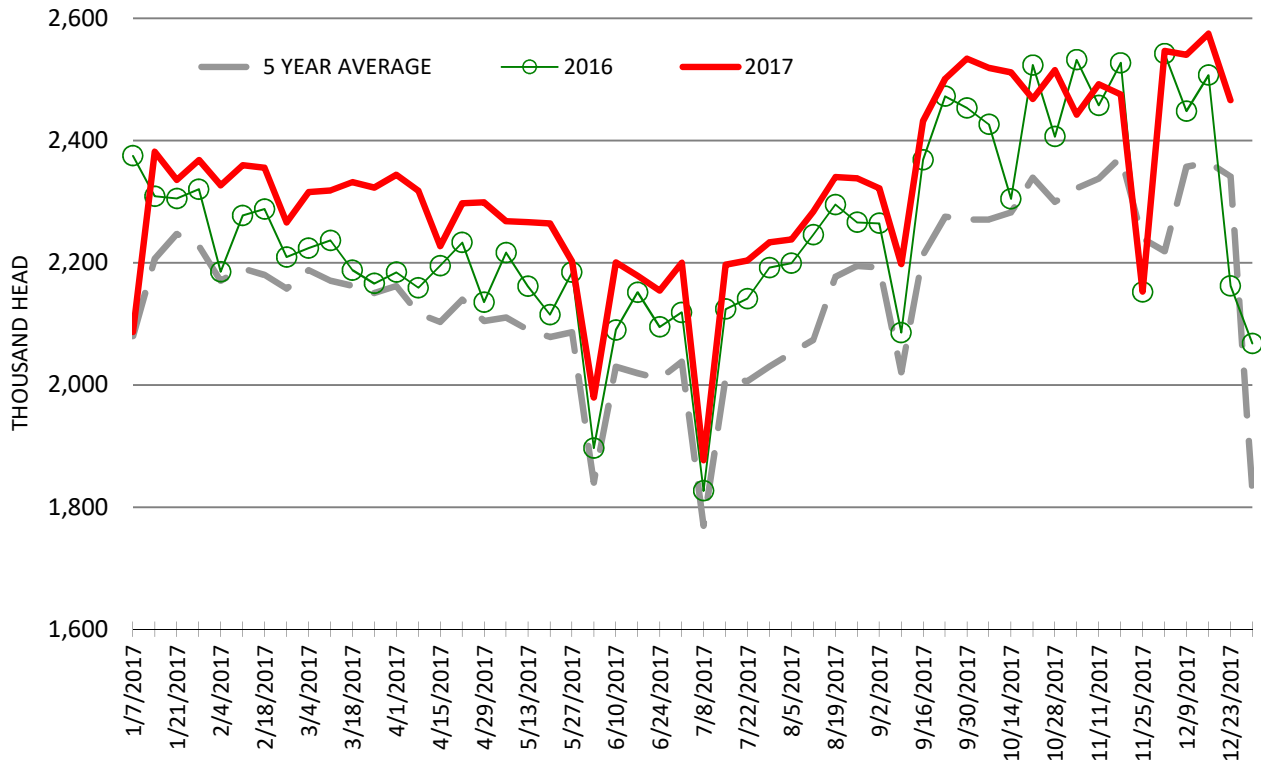
\$/cwt

### 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

