



Be inspired<sup>SM</sup>

# Pork Merchandiser's Profit Maximizer

- Foodservice Edition -

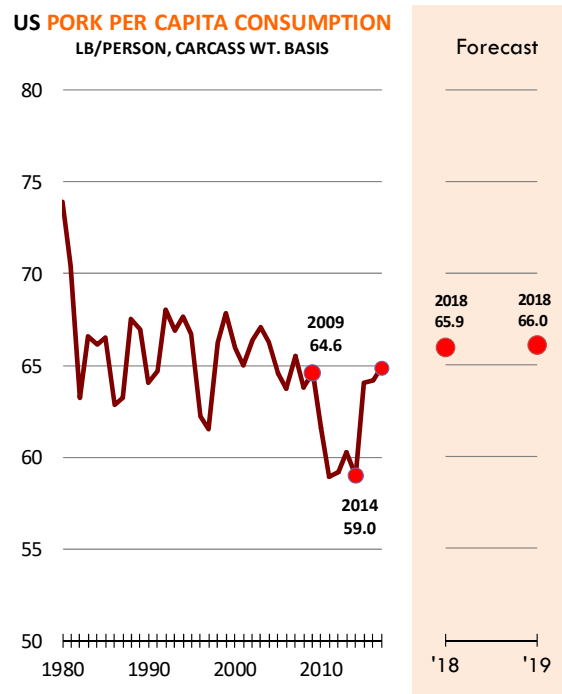
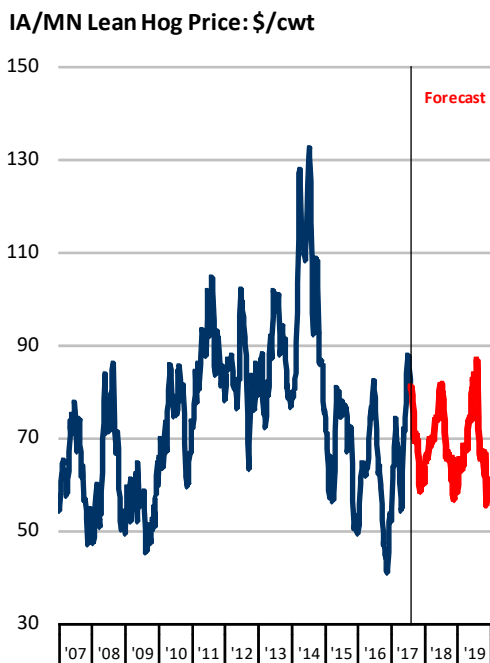
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Prepared by Steiner and Company, Manchester, NH 800-526-4612.

February 5, 2018

## 1. Outlook for 2018

We recently updated our supply and price projections for 2018 and 2019. What follows is a brief synopsis that we included with our regular quarterly report, outlining our thesis for the pork market in the near and medium term.

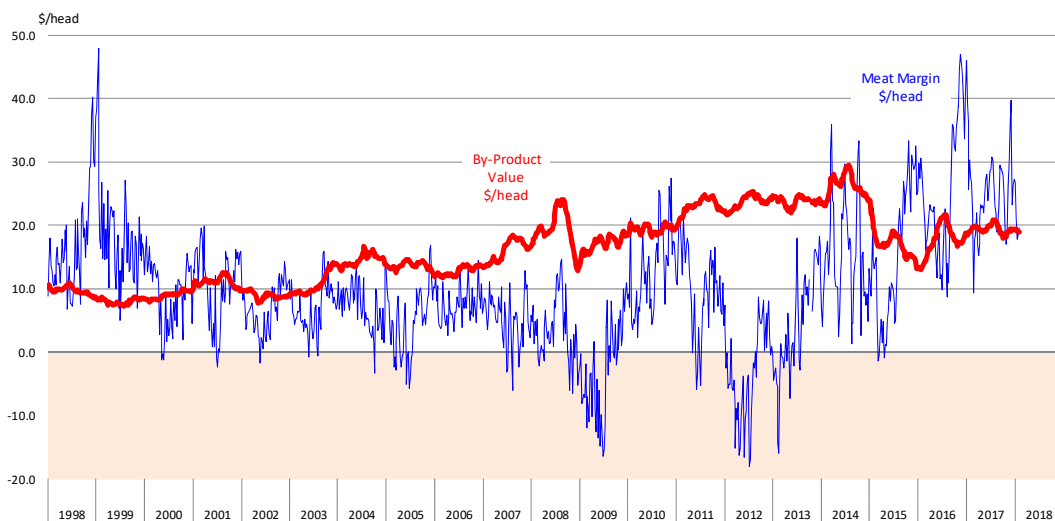
In our last quarterly update we noted that: “annual pork price inflation is expected to remain muted but seasonal volatility for items such as bellies, hams and trimmings will likely remain very high.” That statement has certainly been the theme of the last three months and we suspect it will be the case for the rest of the year. Consider that the value of the belly primal last fall dipped



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**PORK PACKER MARGIN COMPONENTS. \$ PER HEAD.**

Calculated Using USDA Price Data for Cutout &amp; Hogs. LMIC Data Used for By-Product Value



under \$100/cwt but now is over \$150/cwt. The price of hams in the last quarter of 2017 was up 7% and trim values were up as well despite all time record production. Our current forecast is for pork production to continue to expand in 2018 and 2019 as producer margins remain in the black, feed supplies are plentiful and the US maintains a cost advantage in global pork export markets, especially vis a vis EU suppliers. Hog slaughter in 2018 is forecast to increase by 3.1% while hog weights are expected to rise 0.6%. Total pork production for the year is forecast to be 26.6 billion pounds, almost 1 billion pounds larger than the previous year. On a per capita basis pork availability has increased but the rate of increase has not been as dramatic as the net production numbers would suggest. In part this is due to continued growth in US pork exports, something we expect will continue in 2018. While reports of China export demand have been greatly exaggerated, we think demand from a number of other markets will remain strong through the year. Amount the four top global pork suppliers (US, EU, Canada and Brazil, the US is the only country where pork supplies are rapidly increasing. A weaker US dollar is also expected to further improve US competitiveness and bolster exports in 2018. Our current forecast is for US pork exports to be 5.861 billion pounds in 2018 and surpass 6.1 billion pounds in

2019. Exports account for about 22% of US production and highlight how vulnerable the US pork industry is to any dramatic changes in trade. Renegotiation of NAFTA is a particularly sensitive issue for the pork industry as Mexico is by far the largest buyer of US pork. Our current forecasts are based on the assumption that NAFTA will persist and any renegotiation will likely preserve current meat trade access.

Our current forecast is for lean hog prices to average \$73/cwt in 2018, a 10% jump from the previous year but still 4.5% lower than the five year average. The main reason for the jump in lean hog prices is due to increased competition for hogs as packing capacity expands. Already we have seen a significant narrowing of the meat spread (cutout minus hog price) and that is expected to continue into the summer when hog supplies seasonally decline. We expect the pork cutout to average \$87/cwt for the year. The most downside risk to our forecast is late summer/fall of 2018, when pork supplies are expected to establish new all time record highs. Excellent domestic demand so far has helped absorb the surge in pork supply availability. We expect that to persist but acknowledge that this is a time when the pork market may be vulnerable to a downturn.

**2. Cold storage stocks**

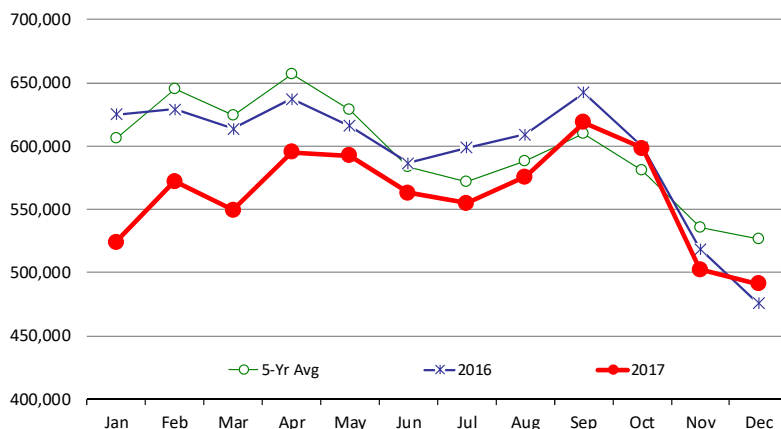
**Despite higher production during the last quarter of 2017 the supply of pork in cold storage increased only minimally compared to the same period a year ago.** Pork demand has been quite robust to this point and this continues to support both pork and lean hog values. The total supply of pork in cold storage at the end of December was 490.8 million pounds, 3.2% higher than a year ago but still 6.7% lower than the five year average. Pork stocks decline in December as users deplete their inventories of holiday hams. The drawdown this year was 2.3% (Dec vs. Nov). This was lower than a year ago when the drawdown was 8.4% but still better than the average 1.7% drawdown of the last five years. The inventory of hams in cold storage at the end of December was 71.8 million pounds, 17.8% higher than a year ago and 12.9% higher than the five year average. Clearance over the holidays did not appear to be very good as stocks declined just 17% compared to the previous year. In previous years December ham stocks on average have declined by more than 30%. End users have done a better job of accumulating bellies in storage, which should help cap belly price inflation in Q1. The

supply of bellies in cold storage at the end of December was 39.7 million pounds, 120% higher than a year ago but still 16% less than the average inventory of the past five years.

The supply of beef in cold storage at the end of December was 489.5 million pounds, 13.8% less than the previous year. Beef clearance during the holidays was quite good and this has bolstered prices for both middle meats and grinds so far in January. There are increasing reports that users are looking to put up freezer hedges ahead of spring needs. It will be interesting to see if boneless beef stocks increase in January and February to support this account. Turkey freezer stocks are burdensome, with the supply of whole birds in storage at the end of the year estimated to be 110 million pounds, 47% higher than a year ago and 1% higher than the previous month. It was a dismal year for turkey sales as retailers focused on promoting competing meats, especially beef rib roasts. Whole turkey prices have dropped as much as 20% in recent weeks as producers/processors struggle to clean up their inventory.

**All Pork In Cold Storage at End of Month**

000 Pounds. Source: USDA



	2016	2017	'17 vs. '16 %ch	5-Yr Avg	'17 vs. 5-Yr %ch
Jan	625,246	524,034	-16.2%	606,279	-13.57%
Feb	628,948	571,961	-9.1%	645,159	-11.35%
Mar	613,803	549,424	-10.5%	623,975	-11.95%
Apr	637,320	594,971	-6.6%	656,599	-9.39%
May	616,124	592,404	-3.8%	628,441	-5.73%
Jun	586,479	562,899	-4.0%	583,279	-3.49%
Jul	598,592	554,854	-7.3%	571,671	-2.94%
Aug	608,955	575,698	-5.5%	588,230	-2.13%
Sep	642,303	618,592	-3.7%	609,426	1.50%
Oct	599,010	598,374	-0.1%	580,812	3.02%
Nov	518,813	502,324	-3.2%	535,481	-6.19%
Dec	475,387	490,782	3.2%	526,143	-6.72%

**Upcoming holidays:**

**2018** 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 February 3 slaughter was 2,438 million head, up 4.8% from a year ago. In the last two weeks hog slaughter is up 2.4% vs. year ago levels.**

**Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values.** Lean hog carcass values at about 69.52 /cwt. on Friday were up \$0.05/cwt since Wed. January 24. Prices are up 1.7 dollars compared to year ago values.

**Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA** (page 8). Prices finished last week at \$0.8483, up about 2.5 cents since the Wed. January 24 quote but down about one cent from year ago levels.

**Bnls. Strap on Pork Loins.** Prices finished the week at \$1.1343 for the strap on loins, up 1.7 cent since Wed. January 24 but down about 6 cent from the year ago levels. Strap off loins at \$1.3172 are down about 2.0 cent since Wed. January 24 but up about 2 cent compared to the year ago quote.

**Boneless sirloins** at \$1.0273 are down 2 cents from the Wed. January 24 quote and down about 9.4 cents from the year ago price.

**Pork tenderloin** finished last week at \$2.1379, up 14 cent from the Wed. January 24 quote but down about 4.9 cents from the year ago price.

**1/4 Trim Pork Butts** (page 10), prices finished the week at \$0.9931, down 5.1 cent since Wed. January 24. Prices are up 18 cents from a year ago.

**Spare Ribs, Trimmed - LGT, Vac** (page 8). Prices finished the week at \$1.3890, down about 6 cent since Wed. January 24 but up about 6 cents from year ago levels.

Rib inventories on December 31 were 104.6 million pounds, down 9.5% percent from a year ago.

**Bone-in Hams.**

17/20 hams (page 9) price was \$0.7100/lb., down 0 cents since Wed. January 24 but up about 9 cent from a year ago.

20/23 hams finished the week at 68.57 cents, down about 3 cents since Wed. January 24 but up about 6 cent from the year ago level.

23/27 hams finished the week at 63.38 , down about 7 cents from the Wed. January 24 quote but up about 5 cents from the year ago level.

Total ham cold storage stocks on December 31 at 81.1 million pounds were up 17.8% from year ago levels.

**42 CL Pork Trim** "FOB Basis". Prices finished the week at 28.13 cent, up about 1.5 cent since Wed. January 24 and up about 1 cents from the year ago price.

**72 CL Pork Trim** “FOB Basis”. Prices finished the week at 71.33 cents, down about 2.2 cents since the Wed. January 24 quote but up about 8 cents from the year ago level.

Freezer stocks of all trimmings on December 31 were 43.2 million pounds, up 26.8% percent from the year ago levels.

**72 CL Picnic Meat** “FOB Basis”. The premium of picnic meat to 72CL trim has narrowed in recent weeks, similar to what happened during this time last year. Lower trim supplies have contributed to narrowing this spread.

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## **POULTRY**

**Georgia Dock Broilers.** The Georgia dock price no longer is being quoted.

The National Whole Bird price was quoted at 91.66 on Friday, February 3, up about 8 cents from a year ago.

Broiler slaughter for the week ending February 3 was 166.03 million head, up 1.31% from a year ago. For the last two weeks slaughter was down 1.9% vs. a year ago.

**Breasts.** Prices on boneless skinless breasts finished the week at \$1.0800, up 0 cents since Wed. January 24 and still up about 4 cents from year ago levels.

**Leg Quarters.** This item continues to be driven by export demand. Last week leg quarter prices were up about 1.2 cents vs. two weeks ago and at 39.35 cents per pound prices were up 7 cents from a year ago.

**Wings.** Prices at \$1.7648 are down about 20 cents from year ago levels.

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## **Turkeys**

**Hens** finished last week at \$0.8600, unchanged since Wed. January 24 but down about 20 cents from the year ago price.

**Toms** finished last week at \$0.8600, unchanged since Wed. January 24 but down about 20 cent from the year ago price.

Total turkey supplies in the freezer on December 31 were up 11.6% from a year ago at 311.0 million pounds. Whole birds were up 46.8% from a year ago with an inventory of 109.9 million pounds.

Turkey slaughter was 4.3070 million head for the week ending January 27, down -0.16% from a year ago. For the last two weeks slaughter has been up 4.2%.

**Boneless Turkey Breast Meat.** Boneless skinless turkey breast meat prices finished last week at \$1.5500, unchanged since Wed. January 24. Prices are down about 10 cents vs. year ago levels.

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## **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 \$6.7978 (weighted average quote) finished last week up about 19 cents since the Wed. January 24 quote and up about 54 cents vs. the year ago price.

**Select 112A Heavy Lip On Rib Eyes** at \$6.3070 (weighted average quote) finished last week up about 17 cents since the Wed. January 24 quote but up about 38 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$0.4908 /lb. over Select. The 2015 annual average spread (wt. average price) had the Choice at a premium to the Select by \$0.1111 per pound and the previous five years (2010 thru 2014) average spread was Choice at a premium to the Select by \$0.0987 per pound.

**Choice regular #168 insides** finished last week quoted at \$2.1555 up about 11 cents since Wed. January 24 and up about 10 cents from the year ago price.

**Choice ¼ inch trimmed #168 insides** finished last week quoted at \$2.1993 up about 10 cents since Wed. January 24 and up about 17 cents from year ago levels.

**Choice #170 Gooseneck Rounds** finished last week at \$2.2179 down about one cents since Wed. January 24 but up about 12 cents from the year ago levels.

**Choice #180 (0x1) Bnls. Strip Loins** finished last week quoted at \$5.0669 (wt. avg.) down about 7 cents from the Wed. January 24 quote. Prices are down 19 cents from year ago levels.

**Choice #184 Regular Heavy top butts** finished at \$3.3057 (wt. avg.) down about 7 cents since Wed. January 24 but up about 75 cents from year ago levels.

**Choice #184 ¼ inch trimmed Top Butts** finished at \$3.5374 (wt. avg.) down about 6 cents since Wed. January 24 but up about 59 cents from the year ago levels.

**Choice #185A Flap Meat** prices finished Friday at \$4.7052 (wt. avg.) up about 11 cents since Wed. January 24 and up about 35 cents from year ago values.

## **COARSE GROUND BEEF –**

**73CL Coarse Ground** product finished last week at \$1.4479 down about 35 cents since Wed. January 24 but up about 6 cents from year ago levels.

**81CL Coarse Ground** product finished last week at \$1.7056 down about 25 cent since Wed. January 24 and down about 7 cents from the year ago quote.

**90CL Bnls. Beef** prices finished the week at \$2.1462 (wt. avg.) up about 0.42 cent since Wed. January 24 and up 7 cents compared to the year ago price quote.

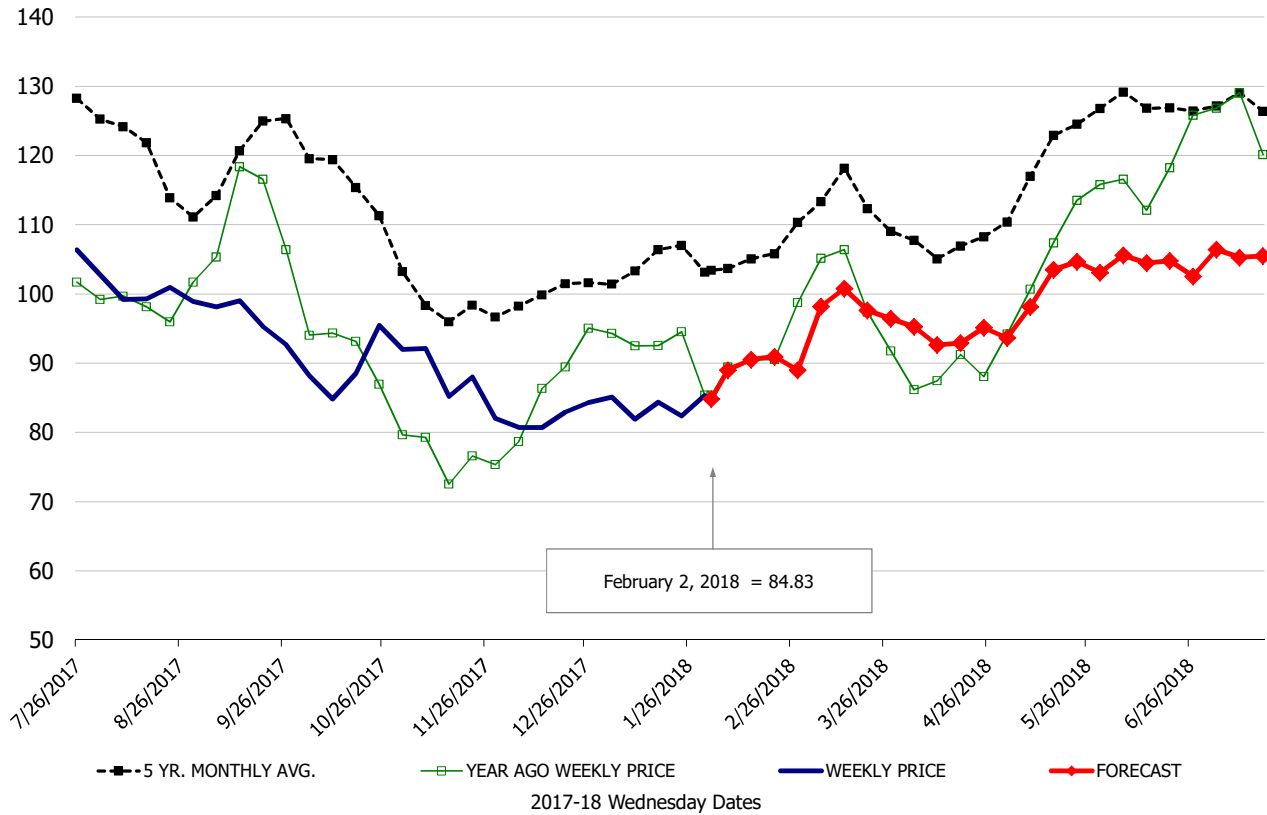
**50 CL Beef Trim** prices finished last week at \$0.9341, up about 8 cent since Wed. January 24 and up 18 cent compared to the year ago level.

## Food Service Summary Table - WT. AVE

	HISTORY							FORECAST							
	Aug	Sep	Oct	Nov	Dec	Jan	1/24/2018	2/2/2018	2/14/2018	Feb	Mar	Apr	May	Jun	Jul
<b>PORK</b>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	1.01	0.95	0.89	0.86	0.82	0.84	0.82	0.85	0.91	0.90	0.98	0.94	1.00	1.04	1.06
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	1.07	1.01	0.93	0.90	0.88	0.88	0.91	0.86	0.96	0.95	1.04	1.00	1.05	1.10	1.12
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.44	1.45	1.37	1.38	1.46	1.37	1.34	1.32	1.38	1.39	1.49	1.45	1.46	1.44	1.45
Loin, Tenderloin, FOB Plant, USDA	2.44	2.32	2.18	2.05	2.07	2.07	2.00	2.14	2.19	2.20	2.23	2.21	2.25	2.36	2.38
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	0.99	0.93	0.87	0.92	0.95	1.06	0.98	0.95	0.95	0.96	1.03	1.06	1.17	1.19	1.14
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.36	1.35	1.29	1.38	1.36	1.44	1.45	1.39	1.49	1.49	1.52	1.54	1.55	1.55	1.45
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.16	2.08	2.13	2.08	2.07	2.08	2.16	2.05	2.39	2.38	2.39	2.40	2.47	2.49	2.39
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.43	1.33	1.29	1.35	1.35	1.42	1.44	1.42	1.48	1.48	1.50	1.51	1.57	1.59	1.49
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.29	2.20	2.07	2.06	2.04	2.10	2.12	2.14	2.25	2.23	2.32	2.38	2.41	2.36	2.25
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.73	0.63	0.69	0.73	0.64	0.66	0.71	0.71	0.72	0.71	0.69	0.70	0.70	0.74	0.80
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.71	0.66	0.69	0.70	0.63	0.67	0.72	0.69	0.71	0.70	0.68	0.70	0.73	0.75	0.83
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.67	0.64	0.66	0.66	0.60	0.62	0.71	0.63	0.69	0.68	0.64	0.68	0.71	0.72	0.81
Belly Cutout, FOB Plant, USDA	1.76	1.04	0.96	1.29	1.21	1.33	1.41	1.49	1.49	1.49	1.46	1.42	1.35	1.57	1.72
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.93	1.35	1.17	1.61	1.44	1.61	1.82	1.83	1.88	1.92	1.85	1.79	1.70	1.98	2.17
Belly, Derind Belly 13-17#, FOB Plant, USDA	2.11	1.25	1.17	1.61	1.44	1.55	1.71	1.83	1.84	1.90	1.84	1.78	1.69	1.97	2.16
Trim, 42% Trim Combo, FOB Plant, USDA	0.50	0.33	0.26	0.27	0.25	0.27	0.27	0.28	0.32	0.31	0.37	0.40	0.44	0.49	0.52
Trim, 72% Trim Combo, FOB Plant, USDA	0.66	0.60	0.62	0.62	0.63	0.72	0.74	0.71	0.75	0.75	0.77	0.83	0.85	0.96	1.00
<b>HOG CARCASS</b>															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	0.74	0.53	0.59	0.59	0.57	0.68	0.70	0.70	0.70	0.71	0.73	0.75	0.80	0.83	0.86
<b>BROILERS</b>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	0.93	0.89	0.85	0.86	0.87	0.94	0.93	0.92	0.93	0.92	0.97	1.00	1.07	1.06	1.00
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.46	1.32	1.15	1.06	1.06	1.07	1.08	1.08	1.15	1.15	1.24	1.42	1.60	1.58	1.59
N.E. BROILER BREAST LINE RUN, USDA	1.17	0.99	0.82	0.81	0.83	0.97	0.99	0.99	1.00	1.00	1.04	1.09	1.22	1.21	1.19
N.E. BROILER LEG QUARTERS, USDA	0.44	0.42	0.40	0.38	0.37	0.38	0.38	0.39	0.39	0.39	0.42	0.45	0.47	0.46	0.46
N.E. BROILER WINGS, USDA, WT.AVG.	2.10	2.13	2.02	1.79	1.70	1.71	1.78	1.76	1.67	1.70	1.70	1.70	1.70	1.81	1.87
<b>TURKEYS</b>															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	1.07	1.07	1.07	1.00	0.87	0.86	0.86	0.86	0.86	0.86	0.88	0.91	0.97	1.02	1.06
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	1.53	1.53	1.55	1.55	1.55	1.55	1.55	1.55	1.52	1.55	1.56	1.59	1.66	1.90	2.15
<b>LIVE STEERS</b>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.13	1.06	1.10	1.20	1.19	1.22	1.23	1.26	1.25	1.26	1.28	1.27	1.23	1.18	1.16
<b>BEEF</b>															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	6.74	6.33	7.46	7.99	6.71	6.43	6.61	6.80	6.78	6.75	7.40	7.51	7.90	8.10	6.95
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.11	2.04	2.16	2.17	2.06	2.13	2.10	2.20	2.25	2.27	2.36	2.20	2.11	2.09	2.17
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.05	2.12	2.08	2.09	2.06	2.13	2.23	2.22	2.25	2.25	2.13	2.01	1.93	1.92	1.97
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	4.94	5.05	5.10	4.99	4.98	5.17	5.13	5.07	4.87	4.88	5.76	5.80	6.15	6.08	5.07
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	3.34	2.72	2.54	2.95	3.21	3.50	3.60	3.54	3.56	3.51	3.85	3.92	3.88	3.66	3.64
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	4.00	3.89	4.12	4.94	4.88	4.66	4.59	4.71	4.60	4.79	5.28	5.81	6.15	5.62	4.81
COARSE GROUND 73%, USDA	1.57	1.49	1.36	1.36	1.31	1.64	1.80	1.45	1.50	1.53	1.60	1.54	1.57	1.50	1.51
COARSE GROUND 81%, USDA	1.79	1.75	1.66	1.65	1.59	1.97	1.96	1.71	1.87	1.91	1.88	1.78	1.82	1.78	1.82
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.32	2.24	2.16	2.12	2.11	2.13	2.14	2.15	2.21	2.20	2.28	2.25	2.17	2.15	2.23
50CL BEEF TRIM, FRESH, NATIONAL, USDA	0.69	0.45	0.56	0.69	0.55	0.79	0.86	0.93	0.82	0.83	0.97	0.97	1.00	0.94	0.89

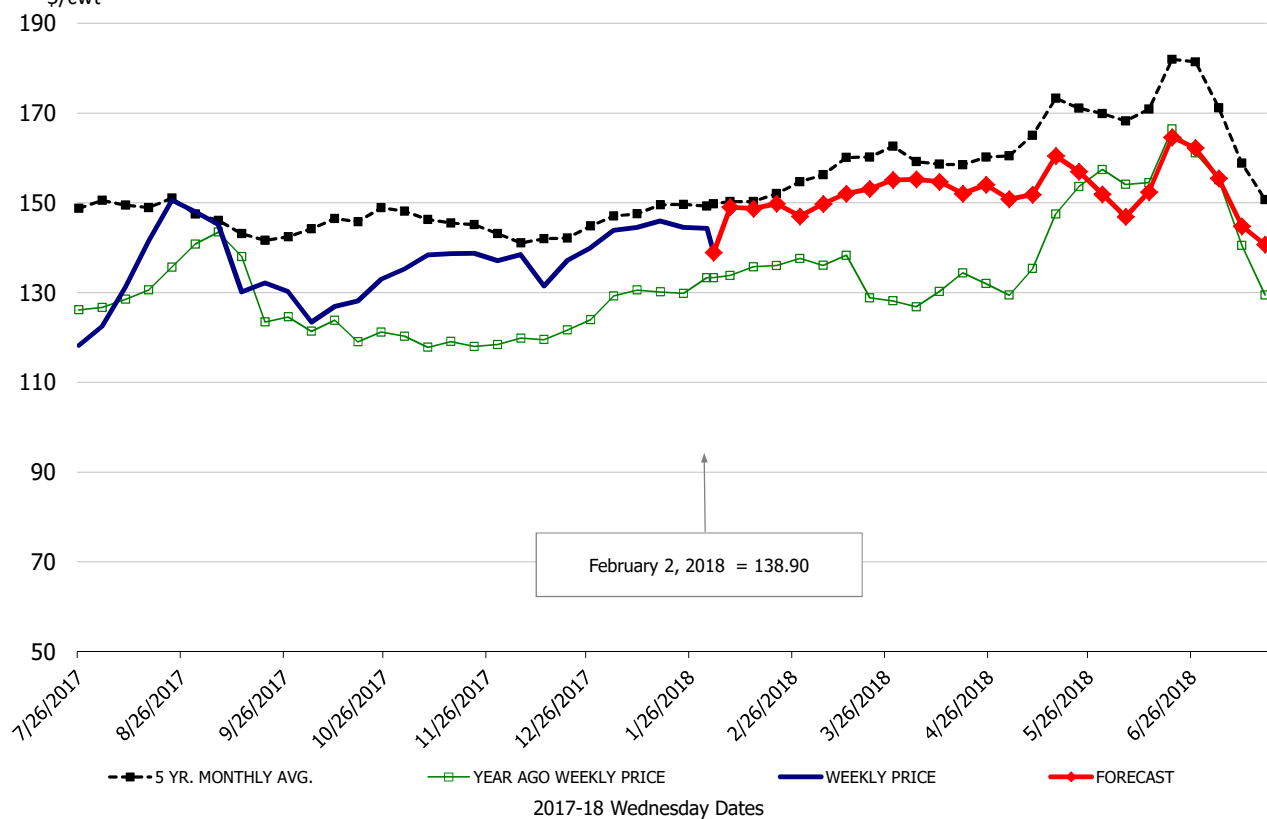
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### Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA



\$/cwt

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

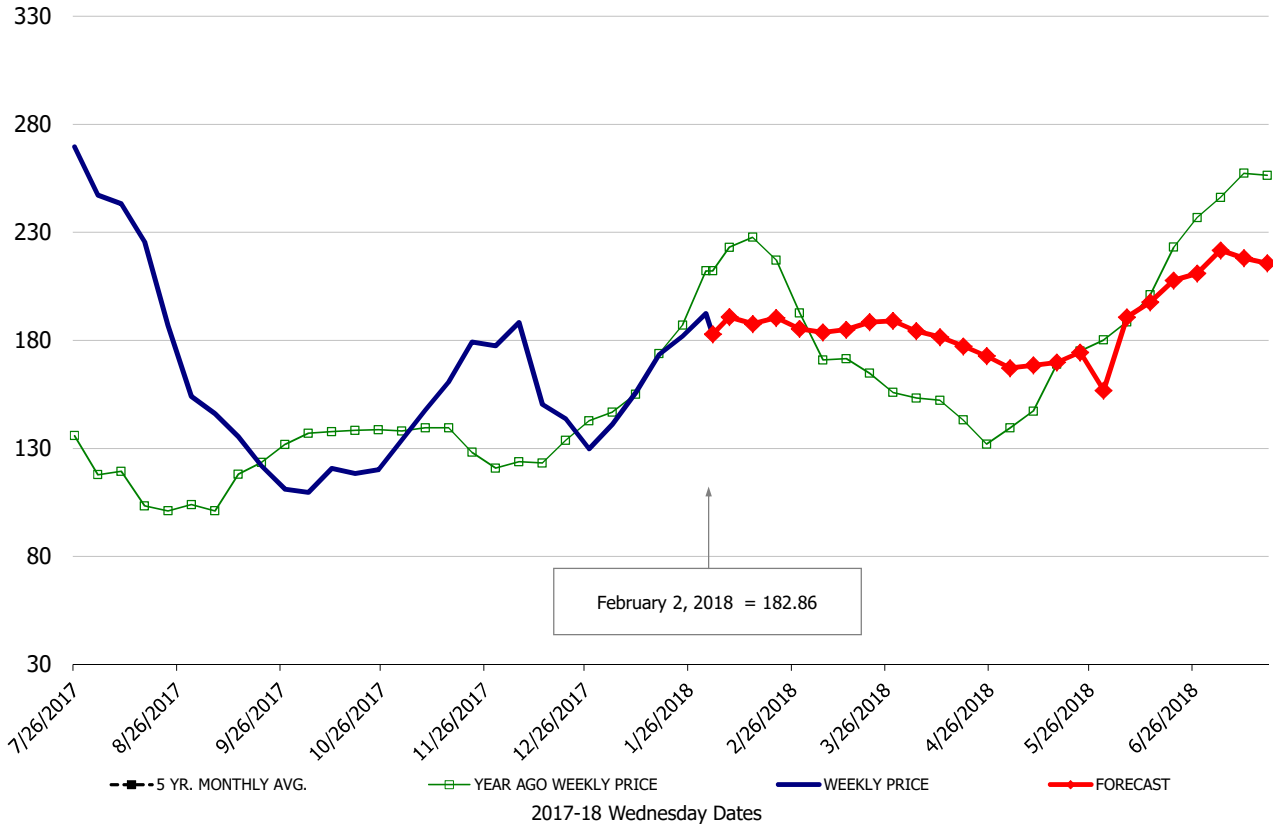




**Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA**

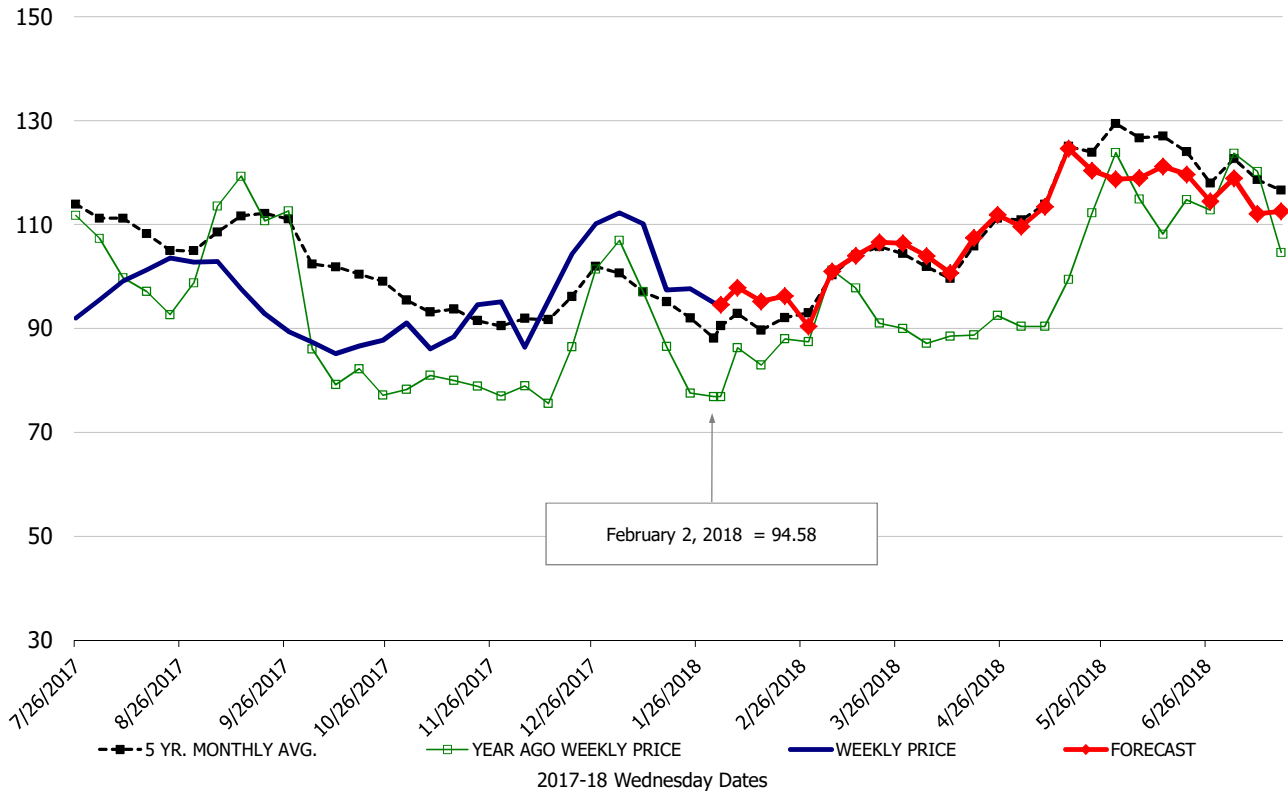


**Belly, Derind Belly 9-13#, FOB Plant, USDA**



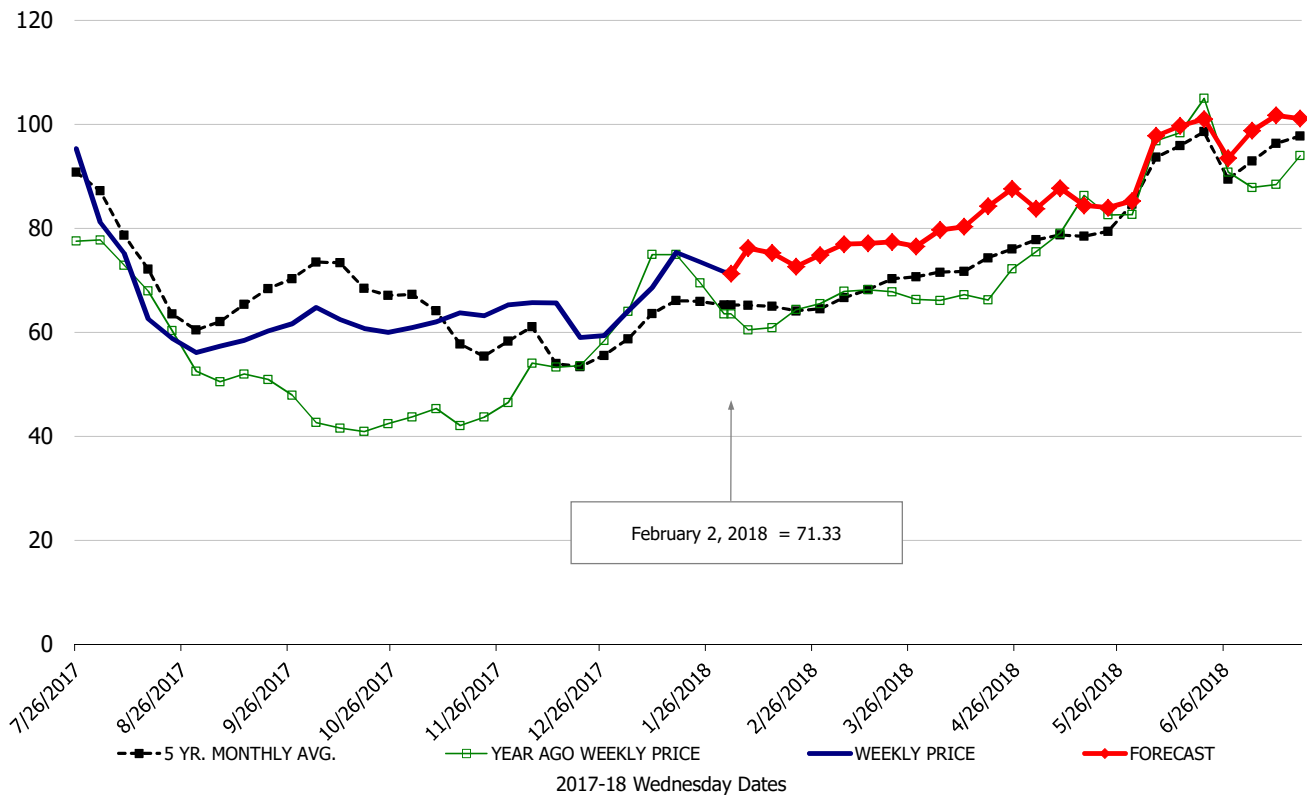
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### Butt, 1/4 Trim Butt Combo, FOB Plant, USDA



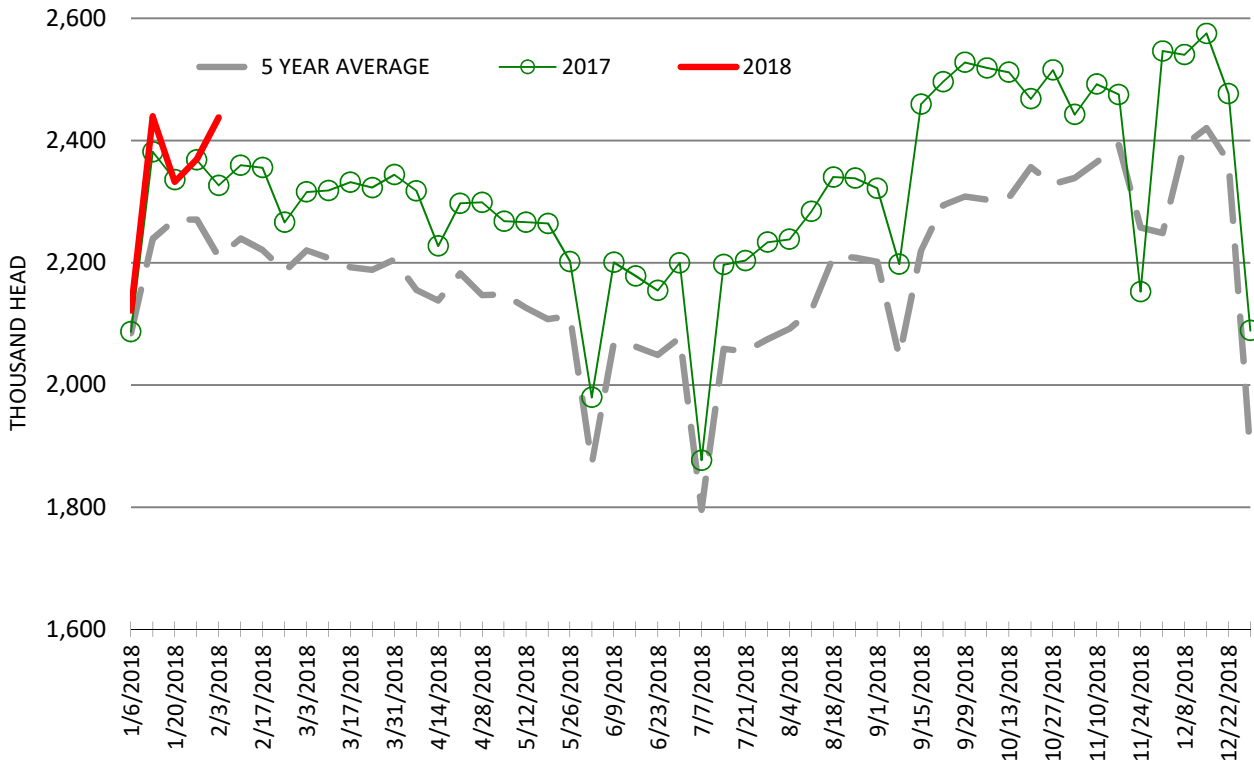
\$/cwt

### 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

