Pork
Merchandiser's
Profit
Maximizer

- Retail Edition -

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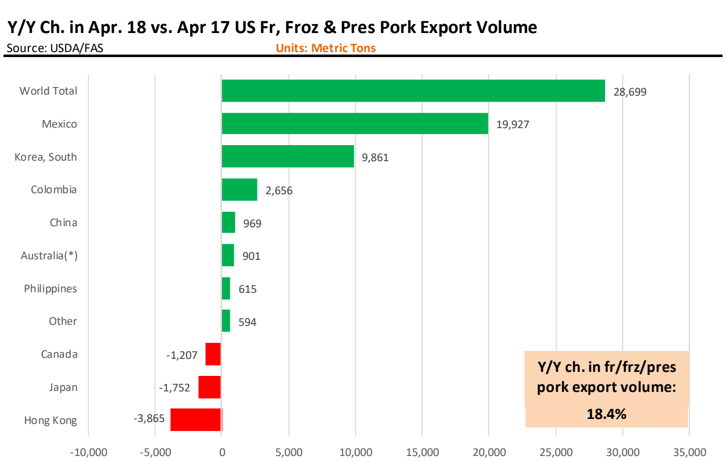
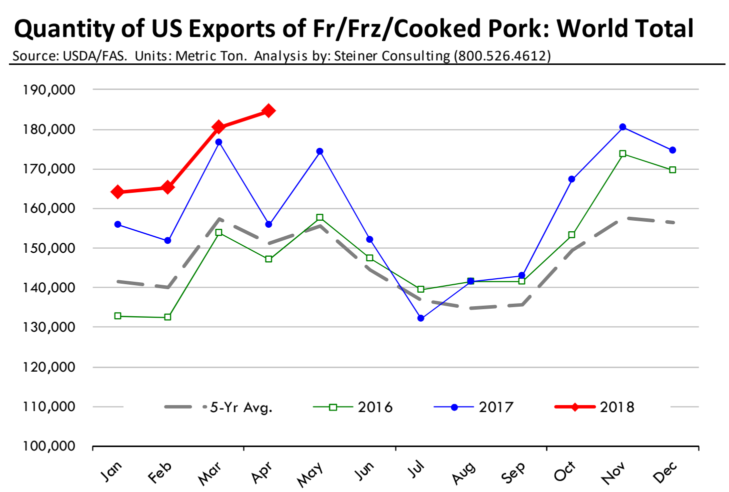
June 11, 2018

1. **Higher exports for all meat proteins in April offer a demand boost but also underscore threat from possible trade disruptions.**

April red meat exports were excellent. The early Easter may have helped, adding more work days to the month compared to a holiday shortened month last year. Lower hog and cattle prices also provided an assist, sometimes offering foreign buyers an opportunity to cover needs at lower prices. Below are some of the highlights with April export data on a product weight basis. Tomorrow we will use the carcass weight data to calculate per capita domestic availability in April as well as an early look at May product flows.

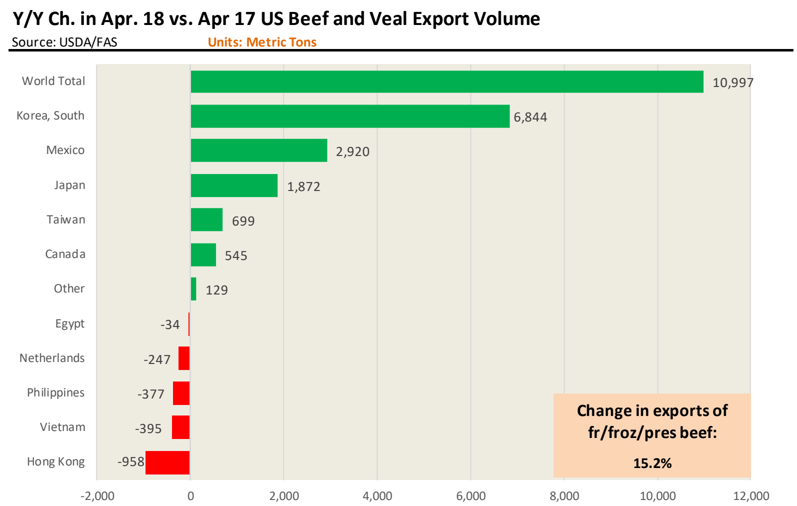
Pork exports were higher quite a bit higher than we expected based on the weekly shipment data. Total exports of fresh/frozen pork in

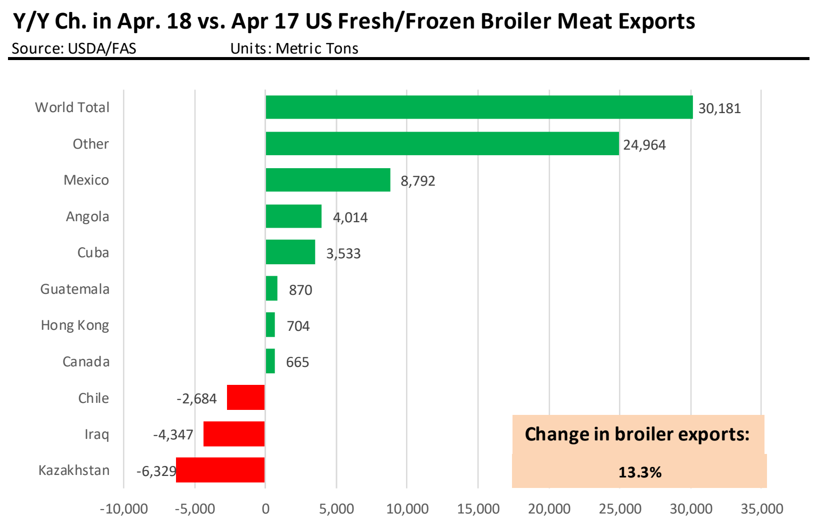




April were 184,489 MT, 18.4% higher than a year ago. The chart to the right illustrates where the growth in export volume came from in April. Mexico accounted for a big chunk of the growth, hence current market trepidation about Mexico tariffs. Total shipments to Mexico in April were 66,685 MT, 42.6% higher than a year ago. Shipments to Mexico in April accounted for 36% of all US pork exports and near 70% of the increase in shipments was due to Mexico demand. Japan was the second largest market for US pork in April, with shipments totaling 30,073 MT, 5.5% less than last year. As with beef, US pork exports to South Korea have taken off. Total shipments to this market in April were 23,973 MT, 69.9% higher than last year. The value of US pork exports was also higher but one can see that part of the reason why exports posted such robust growth was due to lower prices available. In the case of Mexico, the value of exports was $114.7 million, 32% higher than last year. Japan remains the most valuable market for US pork even as shipments to Japan are less than half of exports to Mexico. The value of exports to Japan in April was $122.4 million, 4% less than a year ago.

Total exports of fresh/frozen beef and veal on a product weight basis were 83,351 MT, 15.2% higher than a year ago. Exports were higher despite a slowdown in shipments to Hong Kong, which was a key market for US beef in 2017. Japan was the top market for US beef in April, both in terms of volume and value. Shipments to Japan for the month were 21,416 MT, 10% higher than a year ago. The value of those exports for the month was $141.4 million , 23% higher than last year. It is easy to surmise strong demand when you ship 10% more product and





get paid 23% more for it than the previous year. South Korea has always been a key market but shipments there have accelerated in recent months. In part this reflects strong economic growth (better demand) but increasing competition from China for Oceania supplies. US shipments to South Korea in April were 17,789 MT, 63% higher than a year ago. The value of exports to South Korea was $127.6 million, 74% higher than last year. Beef exports to NAFTA countries have been increasing as well. Shipments to Mexico were 12,671 MT in April, 30% higher than a year ago, with a total value of $73.3 million, 35% higher than a year ago. Net beef trade between US and Mexico is about flat on a volume basis but on a dollar basis US has a positive trade balance with Mexico. US beef imports from Mexico in April were 12,427 MT with a total value of $72.6 million. April imports from Mexico were down 20% compared to a year ago in terms of volume but dollar imports were about unchanged.

Bottom line: Global meat protein demand remains in excellent shape. US producers have more meat to sell than they did a year ago. It is a recipe for growth that has played out so far this year. The question is whether this will continue amidst threats of trade wars, tariffs and other barriers to commerce.

2. **Pork supply availability and disappearance was higher in April despite the big surge in exports.**

Pork disappearance was higher than a year ago in April, in part because of the calendar discrepancy but also because producers had to push more pork through domestic channels. Per capita pork disappearance in April, on a carcass wt. basis, calculates to 5.04 pounds per person, 5.8% higher than a year ago. Adjusting for the extra day gives us a 0.8% increase. Through the first four months of the year pork production increased by 389 million pounds (+4.6%). Exports were also higher by 169 million pounds (+8.9%) while imports were up 18 million pounds (+4.9%). Different from beef, we started the year with more pork in cold storage so pork did not have the benefit of lower inventories that beef did. After adjusting for population and freezer stocks, we calculate that per

Key Supply / Consumption Metrics for Jan-Apr Period

		Beef	Pork	Chicken
		--- million lb.---		
Production	Jan - Apr 2017	8,266	8,398	13,449
	Jan - Apr 2018	8,581	8,787	13,842
	change	315	389	392
Exports	Jan - Apr 2017	869	1,895	2,227
	Jan - Apr 2018	984	2,064	2,291
	change	114	169	64
Imports	Jan - Apr 2017	950	358	43
	Jan - Apr 2018	958	375	44
	change	8	18	2
		--- lb./pp. (cwe)---		
Per Capita	Jan - Apr 2017	26.07	20.62	34.57
Disapp.	Jan - Apr 2018	26.11	21.10	35.36
	% ch.	0.1%	2.4%	2.3%

capita pork disappearance in the first four months of the year was 21.1 pounds per person (cwe), 2.4% higher than a year ago. May started with more pork in the freezer and supplies are expected to run above year ago through the summer and fall. Which makes that export component so critical, otherwise that per capita disappearance number will just get bigger, implying lower prices needed to get consumers to eat it all.

Upcoming holidays:

2018 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 hog. For the week ending May 26 slaughter was 2.290 million head, up 4.0% from a year ago. In the last two weeks hog slaughter is up 3.7% vs. year ago levels.

Iowa/Minnesota, Base Negotiated Purchase for Barrows and Gilts. Lean hog carcass values at about 77.29 /cwt. on Friday were up $10.0/cwt since Wed. May 30. Prices are down about 0.03 $/cwt compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at $1.0171, up about 5.9 cent since the Wed. May 30 quote but down about 15 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at $1.1129 for the strap on loins, up 0.5 cent since Wed. May 30 but down 25 cent from the year ago levels. Strap off loins at $1.3645 are up 5.2 cent since Wed. May 30 but down about 17 cent compared to the year ago quote.

Boneless sirloins at $0.9319 are down about one cents from the Wed. May 30 quote and down about 27.3 cents from the year ago price.

Pork tenderloin finished last week at $2.1355, up 0.5 cent since the Wed. May 30 quote but down about 9.3 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at $1.0146, down 22.7 cents since Wed. May 30. Prices are down 17 cent from a year ago.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at $1.3625, down about 4 cent since Wed. May 30 and down about 18 cents from year ago levels.

Rib inventories on April 30 were 145.0 million pounds, up 6.0% percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was $0.6309/lb., up 7 cents since Wed. May 30 but down about 2 cents from a year ago.

20/23 hams finished the week at 66.20 cents, up about 5.4 cents since Wed. May 30 and up about 1.5 cents from the year ago level.

23/27 hams finished the week at 61.73 , up about 0.5 cent from the Wed. May 30 quote and up about 0.5 cents from the year ago level.

Total ham cold storage stocks on April 30 at 112.3 million pounds were down slightly from year ago levels.

42 CL Pork Trim "FOB Basis". Prices finished the week at 41.13 cents, up about 4.9 cent since Wed. May 30 but down about 9 cents from the year ago price.

72 CL Pork Trim "FOB Basis". Prices finished the week at 69.98 cents, up 11.2 cents since the Wed. May 30 quote but down about 27 cents from the year ago level.

Freezer stocks of all trimmings on April 30 were 57.5 million pounds, up 41.6% 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.

POULTRY

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

The National Whole Bird price was quoted at 121.00 on Friday, May 26, up about 8 cents from a year ago.

Broiler slaughter for the week ending May 26 was 164.15 million head, down 0.26% from a year ago. For the last two weeks broiler slaughter was down 0.7% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at $1.1824, down 3 cents since Wed. May 30 and still down about 49 cents from year ago levels.

Leg Quarters. This market continues to be export driven. Last week leg quarter prices were up about 3.55 cents vs. two weeks ago and at 40.45 cents per pound prices were up 1 cent from a year ago.

Wings. Prices at $1.3733 are down about 70 cents from year ago levels.

Turkeys

Hens finished last week at $0.8800, unchanged cent since Wed. May 30 but down about 19 cents from the year ago price.

Toms finished last week at $0.8800, unchanged since Wed. May 30 but down about 19 cent from the year ago price.

Total turkey supplies in the freezer on April 30 were up 4.6% from a year ago at 493.3 million pounds. Whole birds were up 14.2% from a year ago with an inventory of 248.0 million pounds.

Turkey slaughter was 4.1530 million head for the week ending May 19, down -0.95% from a year ago. For the last two weeks slaughter has been up 1.6%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at $1.8500, up since Wed. May 30. Prices are up about 32 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 $2.2000 for 90CL and $0.6911 for 50CL product, an 81CL meat block value is now $1.8605 and a 78CL meat block is $1.7473. Choice 114, 3 Clods are now being priced 30.16 cents over 81CL meat block grinding values of 90s and 50s. A year ago the spread was 22.21 cents and the five year average spread for is 21.66 cents over.

Select #115 chucks also are no longer being quoted.

Choice #161 Boneless Rounds finished last week at $2.1000, down slightly since Wed. May 30 and down about 31 cents from year ago levels.

Choice #184 Regular Heavy top butts finished at $3.4795 (wt. avg.) up about one cents since Wed. May 30 and down about one cent from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at $3.7276 (wt. avg.) up about 4 cents since Wed. May 30 and up about 14 cents from the year ago levels.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at $1.3206 down about 30 cents since Wed. May 30 and down about 60 cents from year ago levels.

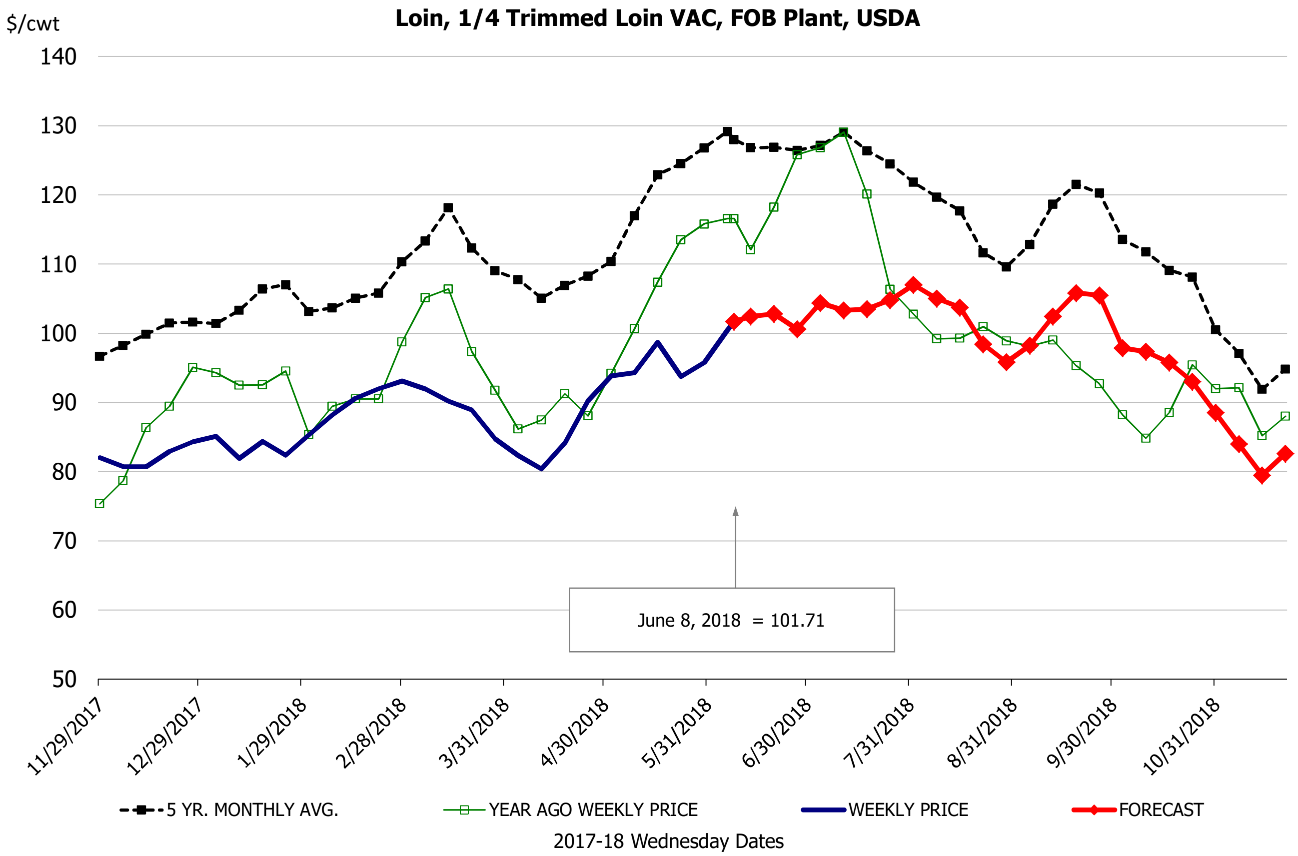
81CL Coarse Ground product finished last week at $1.6565 down about 22 cent since Wed. May 30 and down about 58 cents from the year ago quote.

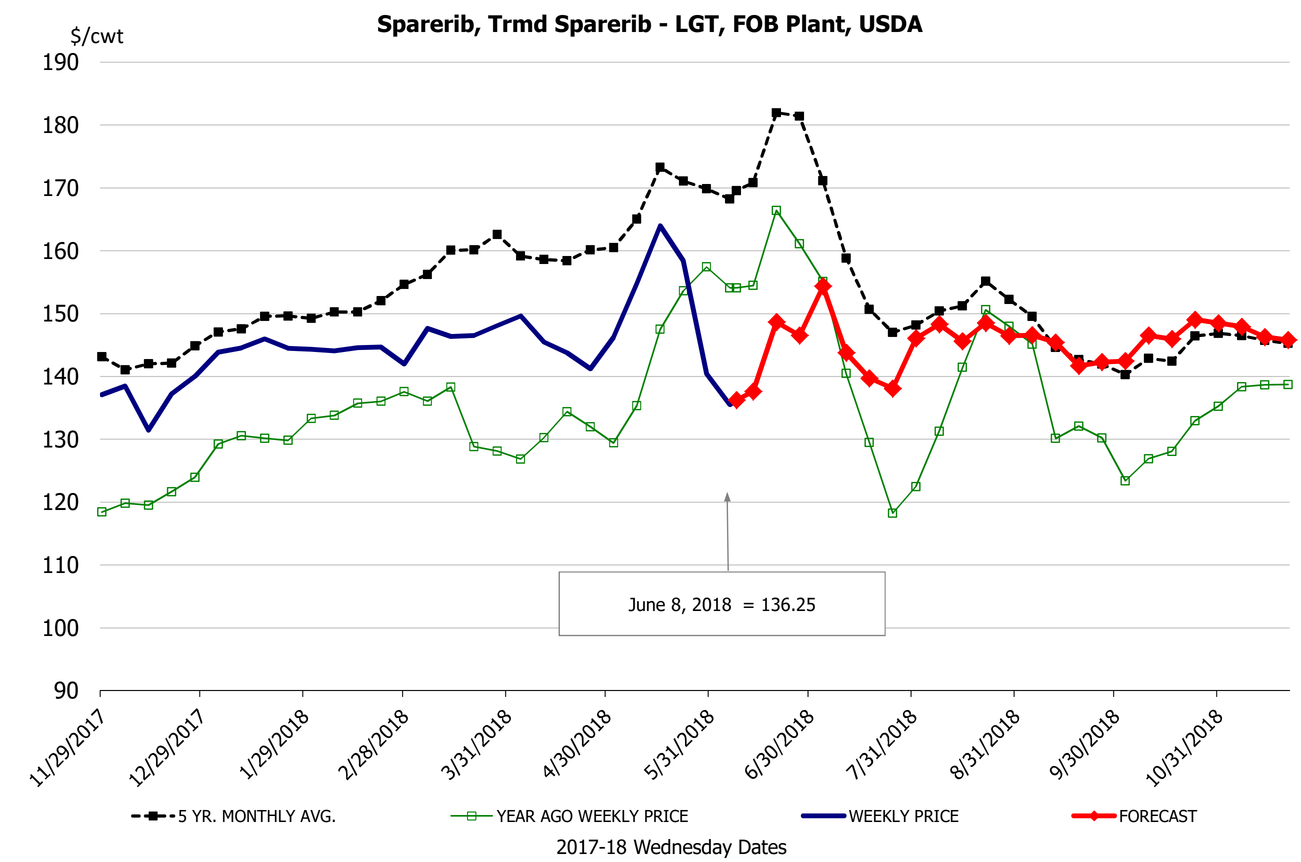
90CL Bnls. Beef prices finished the week at $2.2000 (wt. avg.) down 1.54 cent since Wed. May 30 and down 10.5 cents compared to the year ago price quote.

50 CL Beef Trim prices finished last week at $0.6911, down about 11 cent since Wed. May 30 and down 71 cents compared to the year ago level.

Retail Summary Table - WT. AVE.

	HISTORY								FORECAST						
	Dec	Jan	Feb	Mar	Apr	May	5/30/2018	6/8/2018	6/20/2018	Jun	Jul	Aug	Sep	Oct	Nov
PORK															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	82.45	83.52	89.29	89.02	83.04	95.89	95.79	101.71	103	102	104	102	103	96	83
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	87.86	88.20	90.86	96.07	90.13	101.48	96.63	108.61	111	110	110	107	108	100	89
Loin, Bnls CC Strap-off, FOB Plant, USDA	145.73	136.54	133.93	132.22	125.13	133.77	131.23	136.45	139	139	146	145	156	152	137
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	94.95	105.69	94.94	93.87	92.84	121.41	116.53	97.44	102	101	110	110	113	101	96
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	135.88	143.80	142.78	147.50	143.93	149.10	140.46	136.25	149	140	144	147	144	146	147
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	134.64	142.08	143.84	141.98	135.92	149.99	146.02	142.65	156	145	141	144	141	143	144
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	64.33	65.69	63.54	62.67	57.04	56.24	56.00	63.09	69	65	69	72	75	76	77
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	62.61	66.86	65.71	60.44	57.92	54.69	61.35	66.20	70	66	70	72	77	73	73
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	59.78	62.50	60.35	56.02	54.48	50.79	61.67	61.73	66	62	70	70	72	68	67
Belly Cutout, FOB Plant, USDA	121.49	133.21	130.33	106.24	90.95	101.20	116.26	128.91	143	134	158	153	132	128	120
Belly, Derind Belly 9-13#, FOB Plant, USDA	144.34	160.63	162.13	133.73	106.51	124.74	140.30	158.17	173	165	195	189	163	158	149
Belly, Derind Belly 13-17#, FOB Plant, USDA	143.64	155.03	154.20	124.63	109.92	121.20	143.80	157.88	177	165	194	188	162	157	148
Trim, 42% Trim Combo, FOB Plant, USDA	25.34	26.66	27.85	37.49	34.69	26.67	36.22	41.13	40	41	44	41	35	30	24
Trim, 72% Trim Combo, FOB Plant, USDA	63.42	72.24	64.93	63.21	57.61	62.58	58.83	69.98	76	72	79	72	68	70	63
Trim, Picnic Meat Combo Cushion Out, FOB Plant, USDA	87.11	85.06	77.69	72.07	65.64	72.77	78.41	78.08	88	85	90	87	88	91	86
Carcass Cutout, FOB Plant, USDA	79.44	80.74	78.44	73.17	68.11	73.55	76.05	79.47	85	82	89	88	87	83	79
HOG CARCASS															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Dlv.	57.44	68.10	67.14	56.82	51.72	63.33	67.30	77.29	79	77	79	75	69	65	59
BROILERS															
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	105.72	106.78	104.99	131.08	135.81	126.53	120.90	118.24	123	125	132	133	130	113	104
N.E. BROILER BREAST LINE RUN, USDA	83.22	96.74	98.20	102.90	105.95	112.15	116.31	116.46	117	119	117	114	106	94	91
N.E. BROILER LEG QUARTERS, USDA	37.17	37.74	39.60	40.13	41.03	40.16	36.93	40.45	40	41	42	43	42	37	36
TURKEYS															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	87.00	86.20	86.00	86.00	86.50	88.00	88.00	88.00	89	89	91	95	97	99	101
UB TOM TURKEYS, EAST, FROZEN 16-22LBS	86.25	86.00	86.00	86.00	86.50	88.00	88.00	88.00	89	89	91	95	97	99	101
LIVE STEERS															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	119.39	122.49	127.34	126.42	119.41	118.42	110.11	111.32	109	111	108	107	109	113	117
BEEF															
CHOICE, 161, 1 ROUND, BONELESS, USDA	225.20	238.78	231.85	231.41	212.01	219.86	210.85	210.00	210	210	210	217	225	234	235
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	206.45	212.85	221.96	223.30	217.21	232.51	221.79	204.48	207	205	211	213	215	221	215
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	205.64	212.59	200.53	191.24	186.65	197.32	188.01	187.44	187	187	191	193	209	219	208
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	320.99	349.59	345.29	339.84	332.58	363.43	369.06	372.76	369	372	350	340	335	305	295
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	488.14	466.33	498.02	574.98	564.09	575.36	552.36	526.87	525	530	490	475	475	470	460
COARSE GROUND 73%, USDA	130.57	164.29	146.88	154.71	151.67	159.47	161.93	132.06	143	140	150	155	153	152	143
COARSE GROUND 81%, USDA	159.34	197.10	176.21	186.05	176.47	187.98	187.32	165.65	174	173	175	180	179	182	174
90% BONELESS BEEF, CENTRAL, FRESH, USDA	210.58	213.44	215.17	217.05	217.45	219.51	221.54	220.00	221	220	223	223	224	224	214
50CL BEEF TRIM, FRESH, NATIONAL, USDA	54.74	79.25	83.66	84.23	93.37	85.49	80.27	69.11	74	72	71	65	59	63	70


Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA
$/cwt
140
130
120
110
100
90
80
70
60
50
June 8, 2018 = 101.71
11/29/2017
12/29/2017
1/29/2018
2/28/2018
3/31/2018
4/30/2018
5/31/2018
6/30/2018
7/31/2018
8/31/2018
9/30/2018
10/31/2018
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2017-18 Wednesday Dates


Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA
$/cwt
190
180
170
160
150
140
130
120
110
100
90
June 8, 2018 = 136.25
11/29/2017
12/29/2017
1/29/2018
2/28/2018
3/31/2018
4/30/2018
5/31/2018
6/30/2018
7/31/2018
8/31/2018
9/30/2018
10/31/2018
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FORECAST
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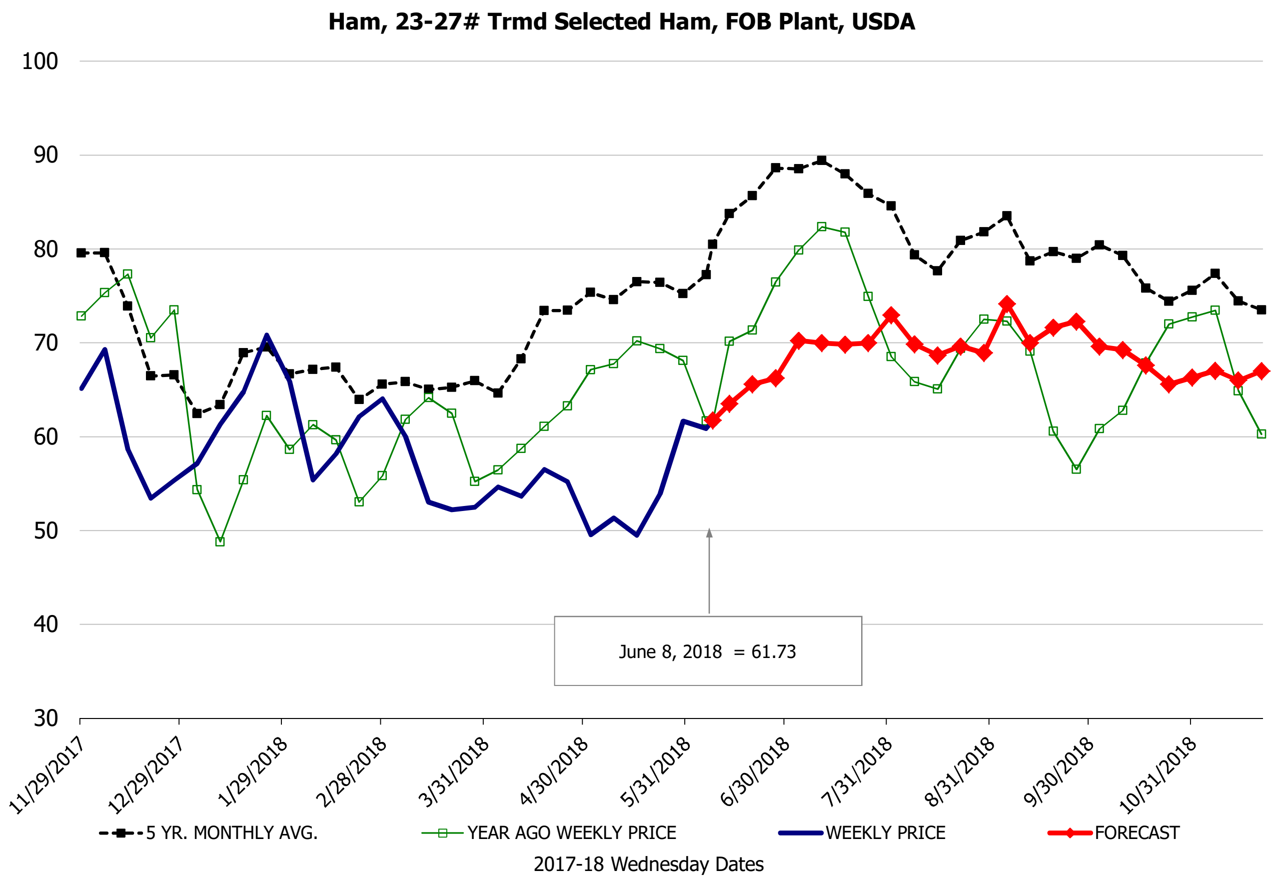
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA
100
90
80
70
60
50
40
30
June 8, 2018 = 61.73
11/29/2017
12/29/2017
1/29/2018
2/28/2018
3/31/2018
4/30/2018
5/31/2018
6/30/2018
7/31/2018
8/31/2018
9/30/2018
10/31/2018
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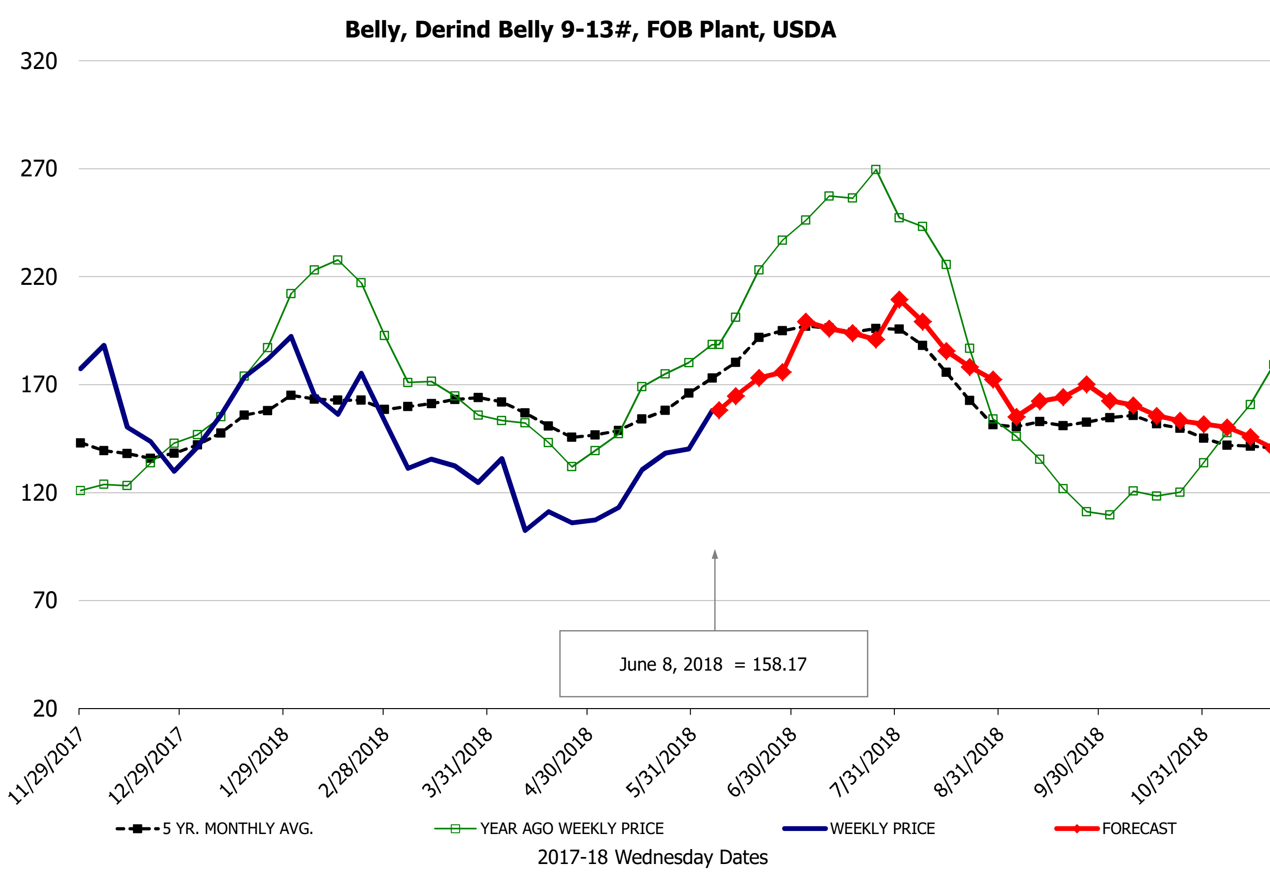
Belly, Derind Belly 9-13#, FOB Plant, USDA
320
270
220
170
120
70
20
June 8, 2018 = 158.17
11/29/2017
12/29/2017
1/29/2018
2/28/2018
3/31/2018
4/30/2018
5/31/2018
6/30/2018
7/31/2018
8/31/2018
9/30/2018
10/31/2018
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
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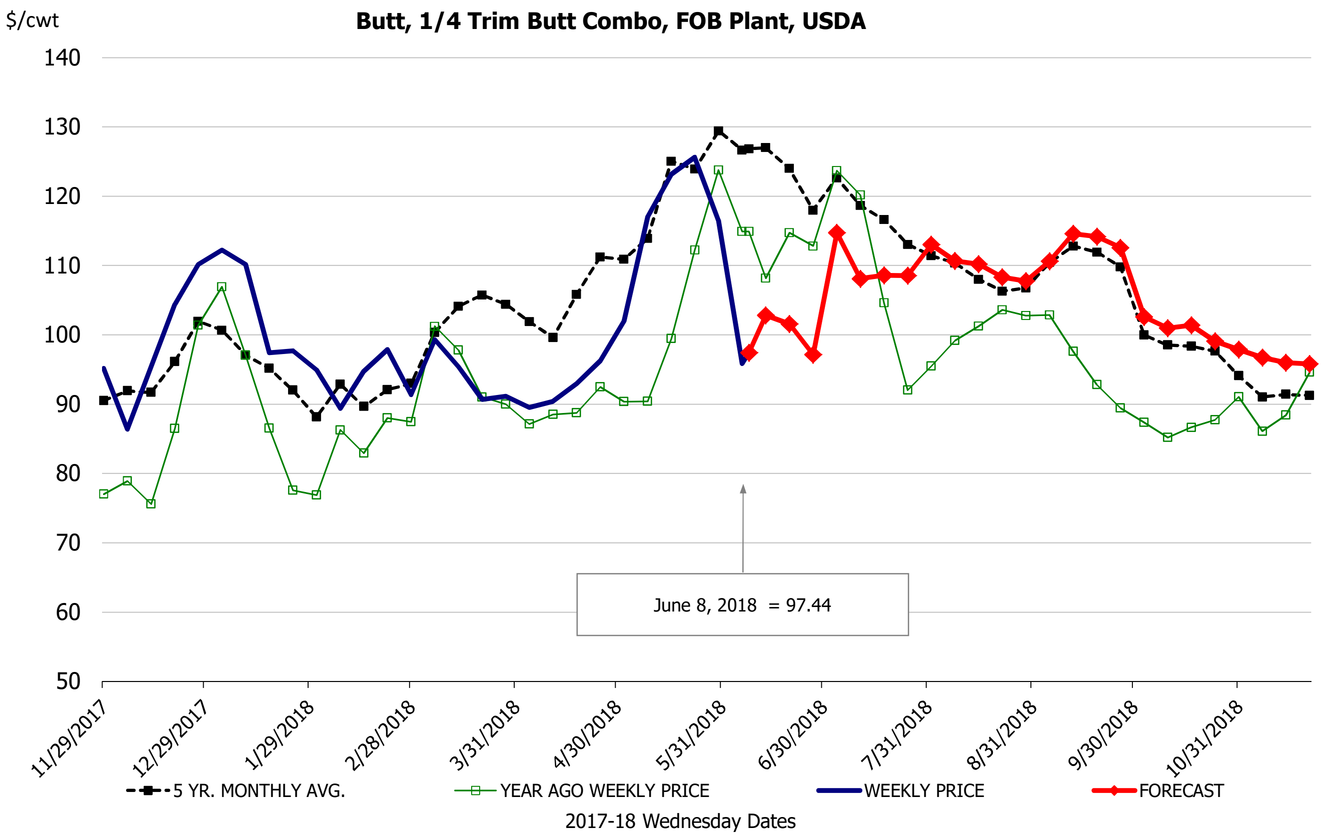
$/cwt
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA
140
130
120
110
100
90
80
70
60
50
June 8, 2018 = 97.44
11/29/2017
12/29/2017
1/29/2018
2/28/2018
3/31/2018
4/30/2018
5/31/2018
6/30/2018
7/31/2018
8/31/2018
9/30/2018
10/31/2018
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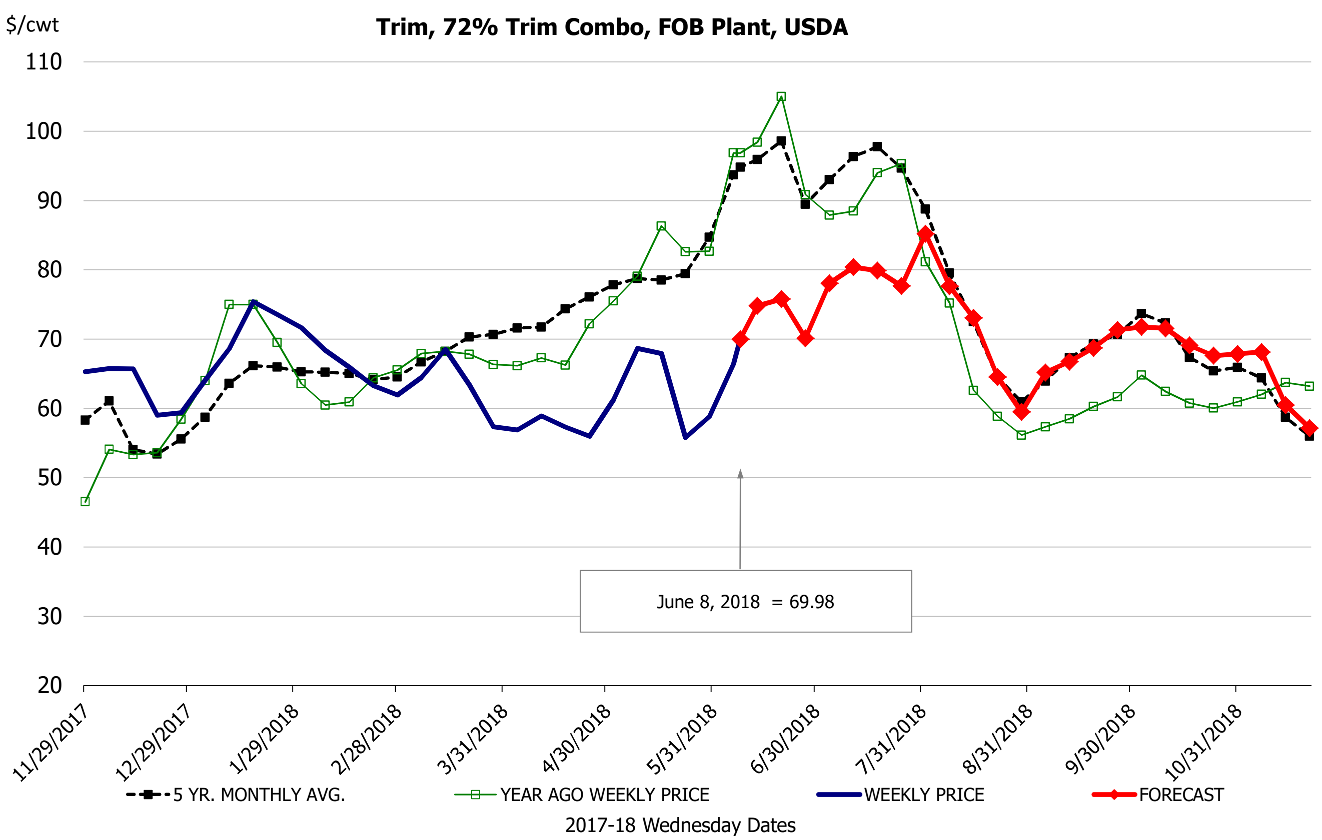
$/cwt
Trim, 72% Trim Combo, FOB Plant, USDA
110
100
90
80
70
60
50
40
30
20
June 8, 2018 = 69.98
11/29/2017
12/29/2017
1/29/2018
2/28/2018
3/31/2018
4/30/2018
5/31/2018
6/30/2018
7/31/2018
8/31/2018
9/30/2018
10/31/2018
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
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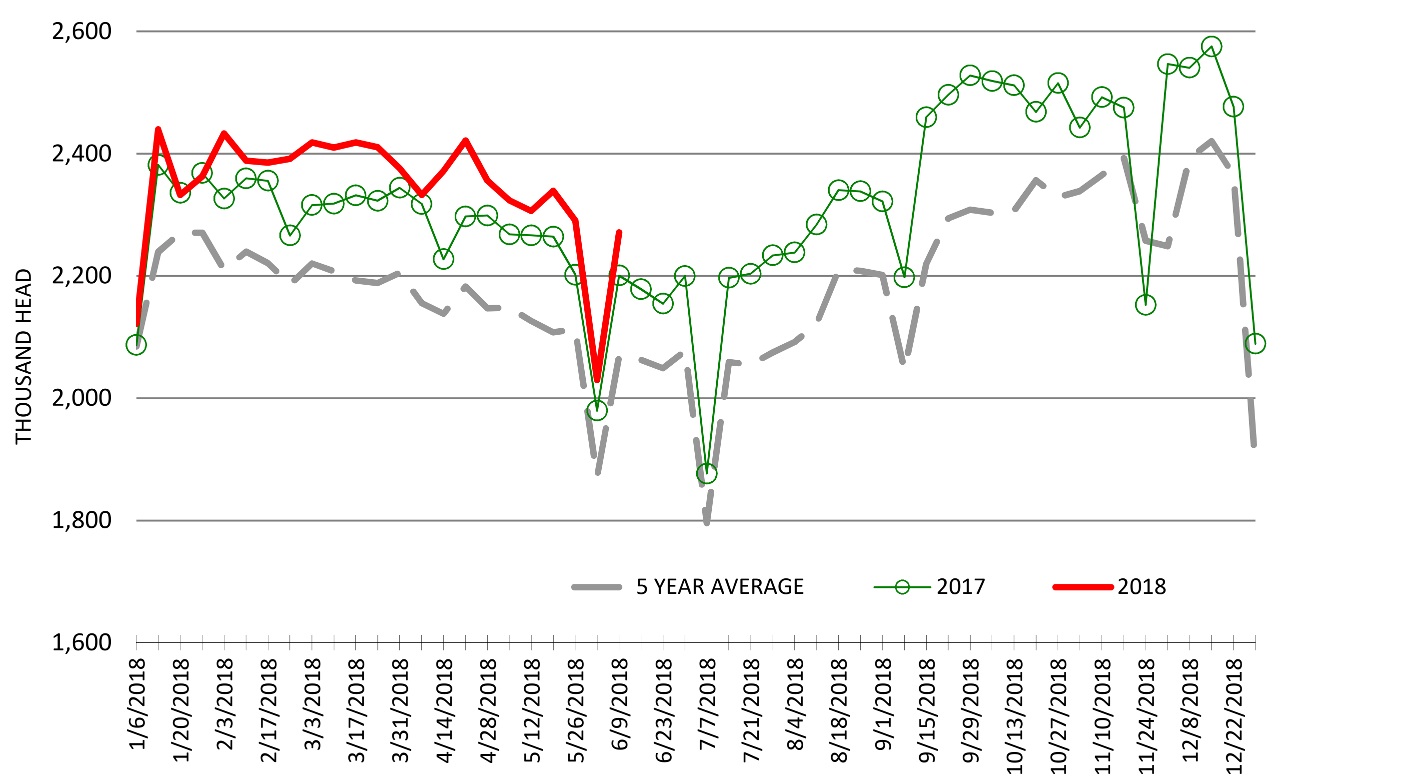
2017-18 Wednesday Dates

ESTIMATED WEEKLY FI HOG SLAUGHTER

Source: USDA, '000 head



ESTIMATED WEEKLY FI PORK PRODUCTION

Source: USDA, Mil. Pounds