



Pork Merchandiser's Profit Maximizer

- Foodservice Edition -

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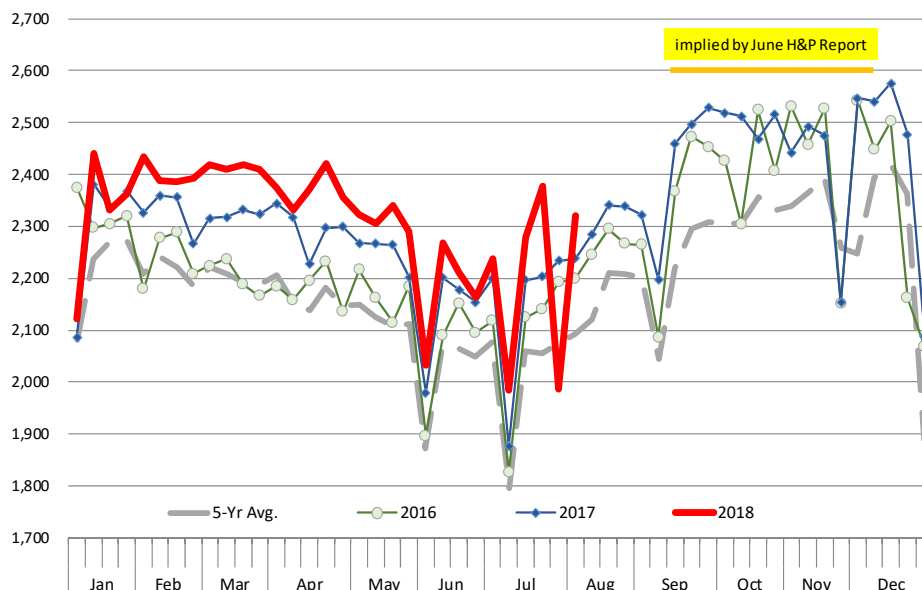
Hog and pork markets remain extremely uncertain as buyers sit on the sidelines and export demand remains difficult to predict

The nearby CME Lean Hog August futures contract closed on Friday at \$57.70/cwt, a 25% decline in just over a month. Fall and winter con-

tracts have also followed suit, with December now trading at around \$46. Clearly the catalyst for the decline is the imposition of retaliatory tariffs from Mexico and China, both major buyers of US pork. However, the effect of these tariffs should be seen in the broader context of expected record pork supplies this fall, the potential

WEEKLY HOG SLAUGHTER. '000 HEAD

Source: USDA



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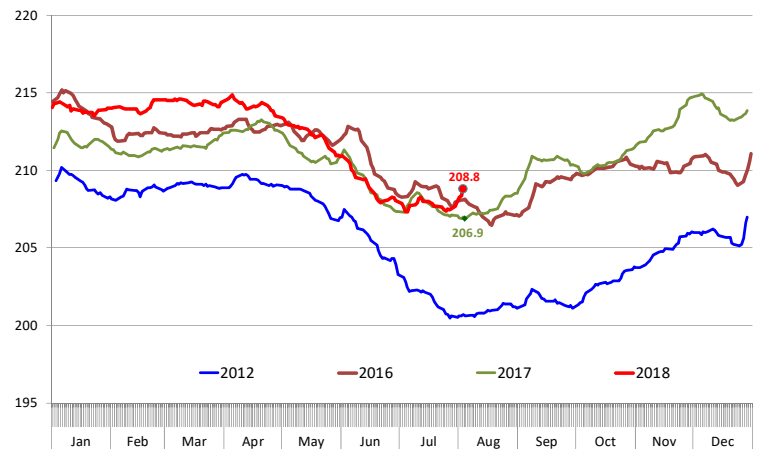
for record corn yields and continued expansion in the pork industry. But despite this generally bearish context, it appears that some short term factors have further contributed to dramatic value erosion of the last few weeks. A few points worth noting:

- **The flow of hogs to market has been anything but smooth.** Hog slaughter three weeks ago was up 8% compared to a year ago. Then for the week ending July 28 slaughter registered an 11% decline as the largest US pork packer had to shut down plants in order to perform scheduled maintenance. It appears that slaughter at Smithfield plants has returned to normal and for the week ending August 4 total hog slaughter was 2.320 million head, 3.6% higher than last year. The slaughter disruptions last week caused hogs to get backed up in some farms. Average weights were near year ago levels for much of June and July but they are now as much as 1% higher than a year ago. Also, futures hold a significant discount to cash markets and the incentive for producers will be to continue to try and push hogs out the door as quickly as possible. Cash base hog values have been steadily losing ground and that will likely continue until producers once again get weights under control. With all the trade uncertainty and deteriorating fall market outlook, the uneven slaughter has escalated the anxiety level in the marketplace.

- **What has been especially disconcerting for hog producers is that the cutout has been pressured sharply lower despite only a modest increase in slaughter compared to a year ago.** In the last three weeks slaughter has increased by less than 0.2% compared to last year. We think

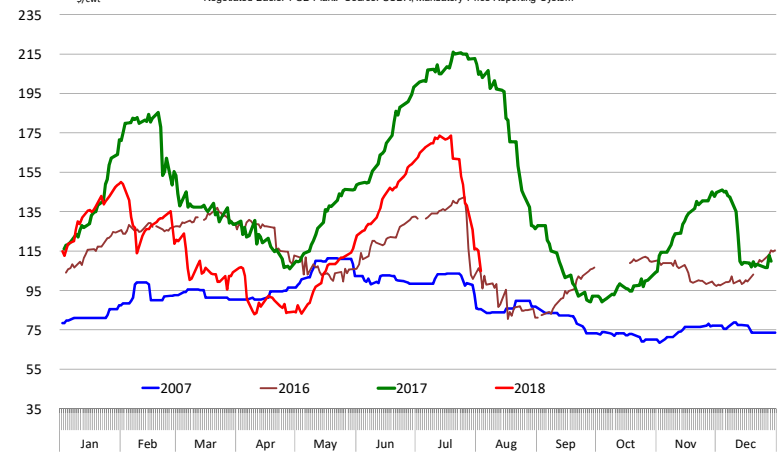
Barrow/Gilt Dressed Carcass Weights, 5-day Moving Avg. - Producer Hogs

Based on Daily MPR Report, LM_HG201. Data through Aug 3, 2018



PORK BELLY PRIMAL VALUE

\$/cwt Negotiated Basis, FOB Plant. Source: USDA, Mandatory Price Reporting System



overall pork production is not much higher than last year's levels. Some of the pork price certainly is due to exports. Sales to China have ground to a halt while pork sales to Mexico were minimal at the start of the month and have only recently started to show some improvement. Weekly export volumes to some other markets have improved recently but this could be because packers have had to discount significantly in order to move pounds.

- Some pork items that were flying high in June have quickly corrected (e.g. bellies, trimmings). In part this may be due to normal seasonal fac-

tors. Also, expectations of future lower prices tend to impact buyer behavior in the present. While we could very well see more pork go into cold storage later in the year, the incentive for buyers right now is to work down the inventories they have and delay purchases as long as they can. The USDA monthly 'Cold Storage' report tells us about the amount of pork raw materials in cold storage. The supply of pork bellies at the end of June was about 51 million pounds. If you were the owner of those bellies in early July when prices were around \$174/cwt, then you probably wanted to use them up as quickly as possible. Keep in mind these are only frozen bellies. We don't know about the supply of cooked bacon that was put away by processors and which they likely want to deliver before they go out and make more. Drawing down inventories and delaying purchases is nothing more than end users shorting the market.

- The lower cutout value has negatively impacted the cash hog index in the near term. The CME index is calculated using a weighted average price of hogs traded on a negotiated basis as well as hogs priced using formulas off hog or pork cutout. The sharp decline in the cutout has negatively impacted the index, recently. How the cutout performs in the next few weeks will be critical, with bellies a key factor. Our current forecast is for bellies to maybe rebound a bit. But in the past we have seen cases when they tend to overshoot.

Upcoming holidays:

2018 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

Hog Market. For the week ending August 4 slaughter was 2.320 million head, up 3.6% from a year ago. In the last two weeks hog slaughter is down 3.7% vs. year ago levels.

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass values at about 54.75 /cwt. on Friday were down \$10.6/cwt since Wed. July 25. Prices are down 25.89 dollars compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at \$0.9731, down about 1.6 cents since the Wed. July 25 quote and down about 5 cent from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.0837 for the strap on loins, down 3.9 cent since Wed. July 25 and down about 18 cent from the year ago levels. Strap off loins at \$1.3291 are up about 6.2 cent since Wed. July 25 but down about 14 cent compared to the year ago quote.

Boneless sirloins at \$0.9839 are up 3 cents from the Wed. July 25 quote but down about 11.3 cents from the year ago price.

Pork tenderloin finished last week at \$2.1684, up 15.5 cent from the Wed. July 25 quote but down about 21.2 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at \$0.9441, down 4.6 cent since Wed. July 25. Prices are down 6 cents from a year ago.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$1.3040, up about 4 cent since Wed. July 25 and up about 8 cents from year ago levels.

Rib inventories on June 30 were 88.9 million pounds, up 3.3% percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was \$0.6270/lb., up 4 cents since Wed. July 25 but down about 15 cent from a year ago.

20/23 hams finished the week at 62.76 cents, up about 5 cents since Wed. July 25 but down about 7 cent from the year ago level.

23/27 hams finished the week at 64.02 , up about 6 cents from the Wed. July 25 quote but down about 5 cents from the year ago level.

Total ham cold storage stocks on June 30 at 148.7 million pounds were down 16.6% from year ago levels.

42 CL Pork Trim “FOB Basis”. Prices finished the week at 38.77 cent, down about 5.7 cent since Wed. July 25 and down about 26 cents from the year ago price.

72 CL Pork Trim “FOB Basis”. Prices finished the week at 55.54 cents, up about 4.9 cents since the Wed. July 25 quote but down about 26 cents from the year ago level.

Freezer stocks of all trimmings on June 30 were 45.1 million pounds, up 37.7% 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 95.90 on Friday, August 4, up about 1 cents from a year ago.

Broiler slaughter for the week ending August 4 was 166.17 million head, up 0.53% from a year ago. For the last two weeks slaughter was up 0.2% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$1.2365, up 3 cents since Wed. July 25 but still down about 26 cents from year ago levels.

Leg Quarters. This item continues to be driven by export demand. Last week leg quarter prices were down about 2.7 cents vs. two weeks ago and at 31.52 cents per pound prices were down 15 cents from a year ago.

Wings. Prices at \$1.3819 are down about 67 cents from year ago levels.

Turkeys

Hens finished last week at \$0.8900, up since Wed. July 25 but down about 18 cents from the year ago price.

Toms finished last week at \$0.8900, up since Wed. July 25 but down about 18 cent from the year ago price.

Total turkey supplies in the freezer on June 30 were down 0.5% from a year ago at 562.3 million pounds. Whole birds were down 0.5% from a year ago with an inventory of 306.3 million pounds.

Turkey slaughter was 4.4760 million head for the week ending July 28, up 6.65% from a year

ago. For the last two weeks slaughter has been up 4.4%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$1.9600, up since Wed. July 25. Prices are up about 43 cents vs. year ago levels.

BEEF

<p>NOTE: WE ARE NOW REPORTING AND FORECASTING WEIGHTED AVERAGE BLUE SHEET PRICES FOR BEEF CUTS.</p>
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Choice 112A Heavy Bnls. Lip On Rib Eyes at \$7.1171 (weighted average quote) finished last week up about 27 cents since the Wed. July 25 quote and up about 3 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$6.0007 (weighted average quote) finished last week down about 5 cents since the Wed. July 25 quote but down about 36 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$1.1164 /lb. over Select. The 2017 annual average spread (wt. average price) had the Choice at a premium to the Select by \$0.1185 per pound and the previous five years (2013 thru 2017) average spread was Choice at a premium to the Select by \$0.1002 per pound.

Choice regular #168 insides finished last week quoted at \$2.1005 up about 6 cents since Wed. July 25 but down about 12 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$2.1155 up about 5 cents since Wed. July 25 and down about 15 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$1.9576 up about 2 cents since Wed. July 25 but down about 14 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$5.1828 (wt. avg.) down about 53 cents from the Wed. July 25 quote. Prices are down 30 cents from year ago levels.

Choice #184 Regular Heavy top butts finished at \$3.3605 (wt. avg.) up about one cents since Wed. July 25 but down about 24 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$3.2360 (wt. avg.) down about 19 cents since Wed. July 25 and down about 57 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$4.8699 (wt. avg.) up about 15 cents since Wed. July 25 and up about 62 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at \$1.4183 up about 3 cents since Wed. July 25 but down about 21 cents from year ago levels.

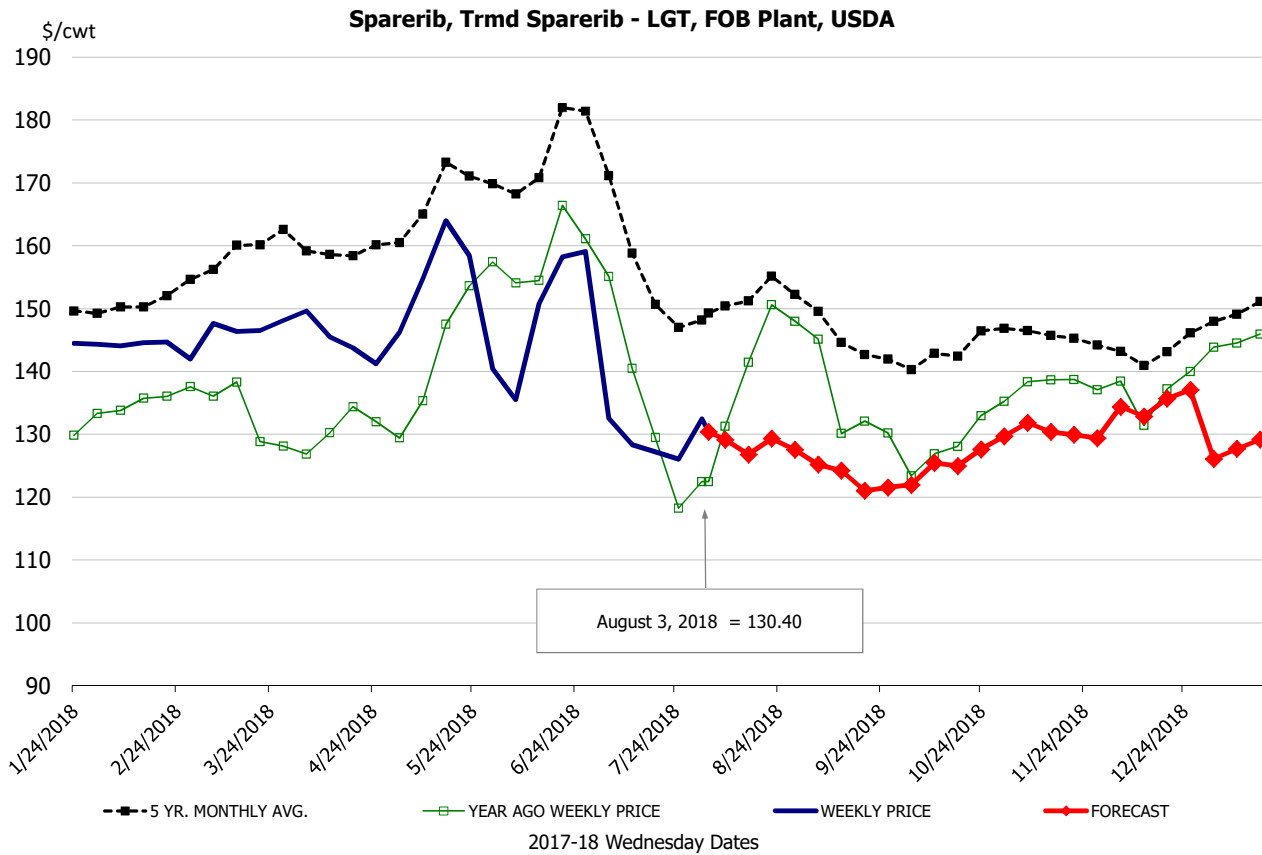
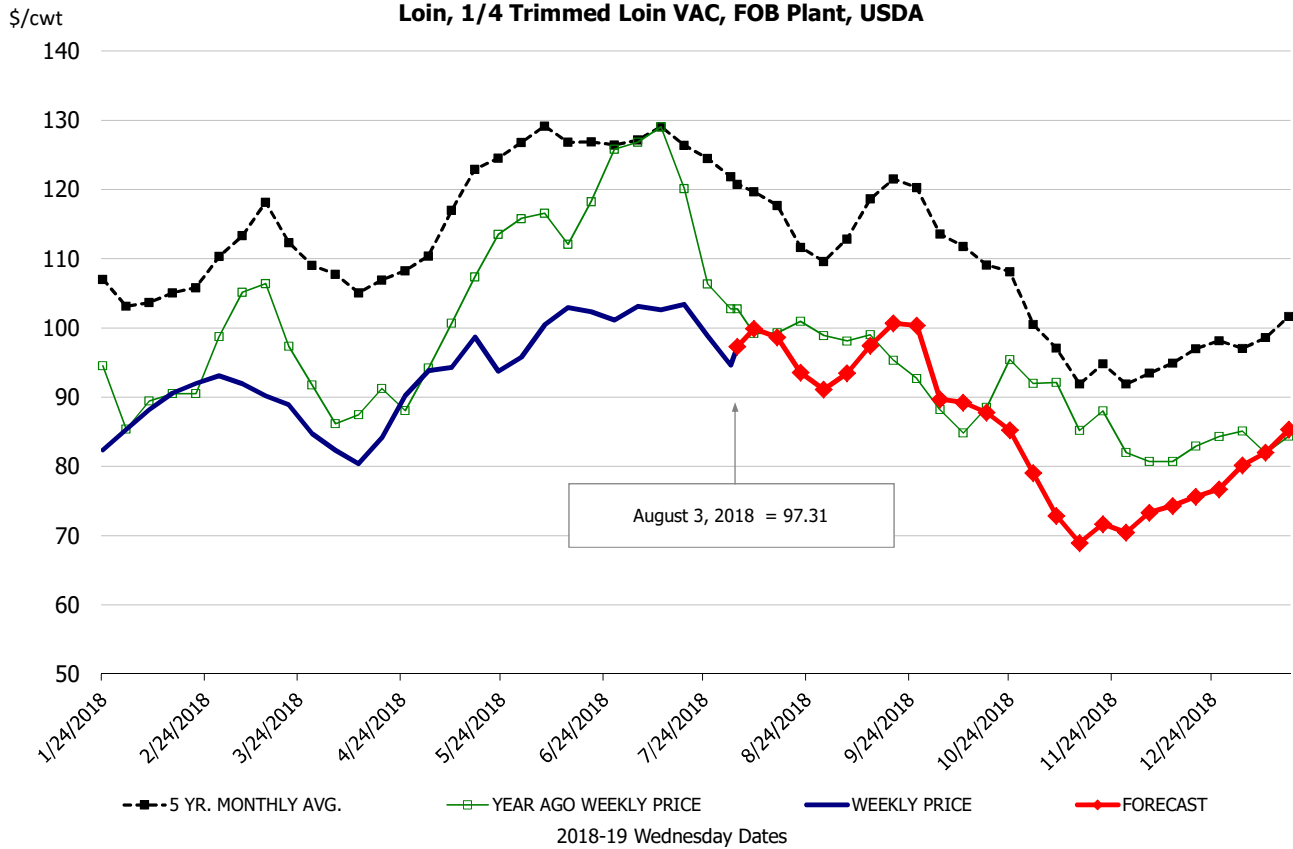
81CL Coarse Ground product finished last week at \$1.7018 up about 10 cent since Wed. July 25 but down about 20 cents from the year ago quote.

90CL Bnls. Beef prices finished the week at \$2.1595 (wt. avg.) up about 0.95 cent since Wed. July 25 but down 16 cents compared to the year ago price quote.

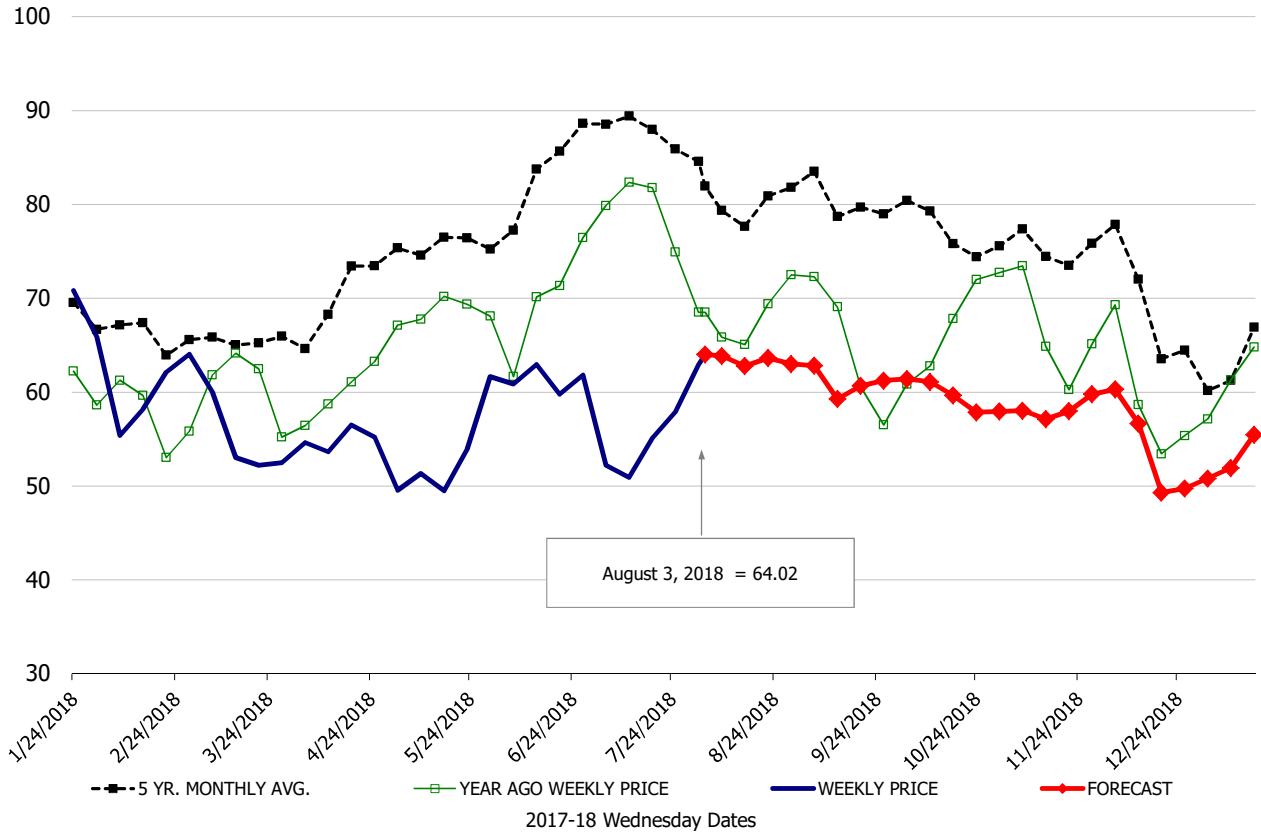
50 CL Beef Trim prices finished last week at \$0.7693, up about 3 cent since Wed. July 25 but down 9 cent compared to the year ago level.

Food Service Summary Table - WT. AVE

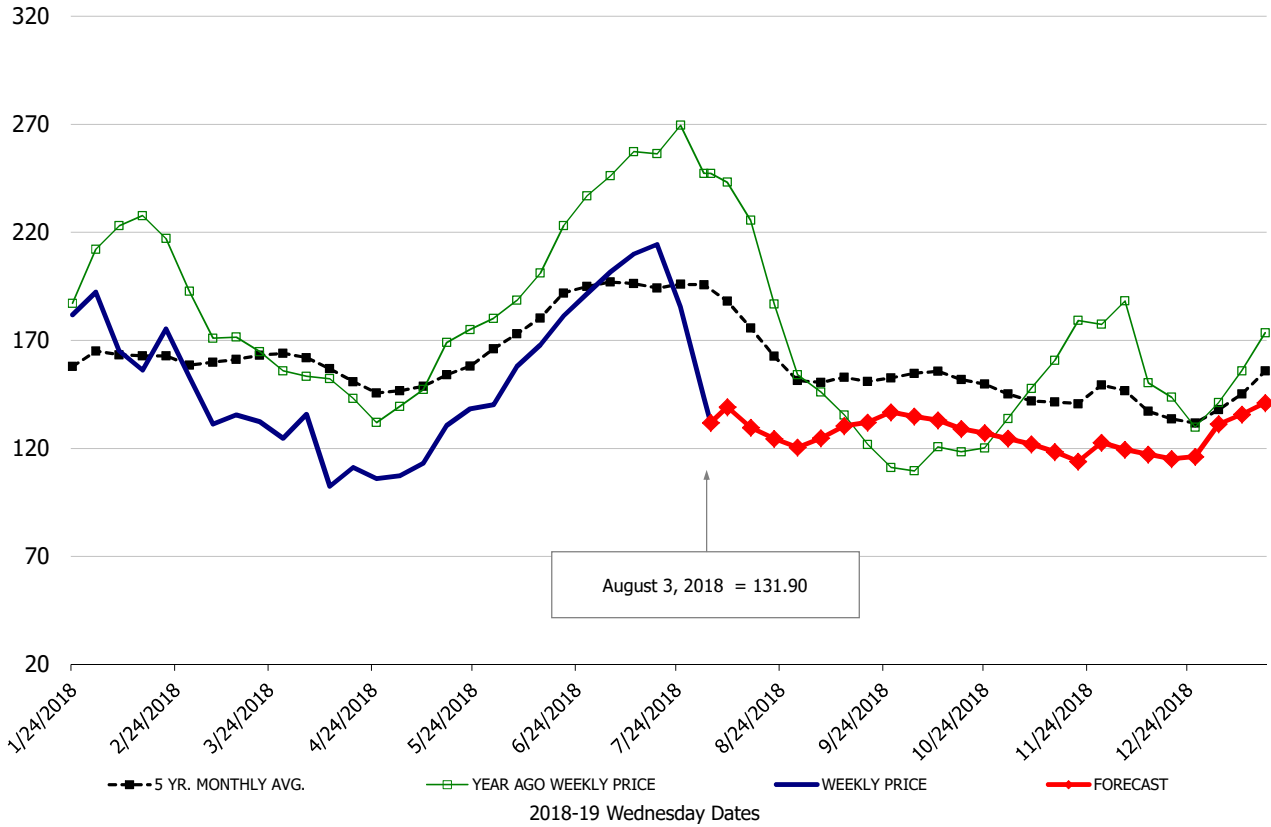
	HISTORY							FORECAST							
	Feb	Mar	Apr	May	Jun	Jul	7/25/2018	8/3/2018	8/15/2018	Aug	Sep	Oct	Nov	Dec	Jan
PORK															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	0.89	0.89	0.83	0.96	1.01	0.98	0.99	0.97	0.99	0.97	0.98	0.88	0.72	0.75	0.83
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	0.91	0.96	0.90	1.01	1.06	1.04	1.02	1.03	1.07	1.03	1.05	0.92	0.75	0.78	0.90
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.34	1.32	1.25	1.34	1.34	1.32	1.27	1.33	1.30	1.33	1.38	1.31	1.19	1.28	1.32
Loin, Tenderloin, FOB Plant, USDA	2.07	2.03	1.93	2.01	2.18	2.17	2.02	2.17	2.16	2.16	2.13	2.04	1.87	1.84	2.04
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	0.95	0.94	0.93	1.21	1.00	0.99	1.04	0.90	0.94	0.94	0.92	0.85	0.84	0.86	0.83
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.43	1.47	1.44	1.49	1.47	1.29	1.26	1.30	1.27	1.28	1.23	1.25	1.31	1.35	1.28
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.14	2.04	2.14	2.23	2.18	2.20	2.03	2.13	1.98	1.97	1.85	1.88	1.96	2.01	1.94
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.44	1.42	1.36	1.50	1.50	1.32	1.28	1.29	1.30	1.30	1.20	1.22	1.28	1.32	1.25
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.17	2.20	2.24	2.37	2.43	2.36	2.32	2.37	2.34	2.36	2.09	1.85	1.91	1.94	1.88
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.64	0.63	0.57	0.56	0.63	0.60	0.58	0.63	0.62	0.62	0.63	0.67	0.64	0.61	0.55
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.66	0.60	0.58	0.55	0.65	0.56	0.58	0.63	0.62	0.62	0.64	0.64	0.63	0.58	0.55
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.60	0.56	0.54	0.51	0.61	0.54	0.58	0.64	0.63	0.64	0.61	0.60	0.58	0.54	0.53
Belly Cutout, FOB Plant, USDA	1.30	1.06	0.91	1.01	1.41	1.60	1.49	1.05	1.08	1.07	1.06	1.07	0.99	0.95	1.12
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.62	1.34	1.07	1.25	1.72	1.94	1.86	1.32	1.30	1.32	1.31	1.31	1.21	1.17	1.37
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.54	1.25	1.10	1.21	1.70	1.89	1.82	1.23	1.30	1.31	1.30	1.30	1.21	1.17	1.36
Trim, 42% Trim Combo, FOB Plant, USDA	0.28	0.37	0.35	0.27	0.52	0.54	0.45	0.39	0.41	0.39	0.34	0.30	0.22	0.20	0.26
Trim, 72% Trim Combo, FOB Plant, USDA	0.65	0.63	0.58	0.63	0.78	0.63	0.51	0.56	0.60	0.59	0.56	0.60	0.52	0.50	0.56
HOG CARCASS															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Div.	0.67	0.57	0.52	0.63	0.78	0.71	0.65	0.55	0.58	0.58	0.56	0.54	0.48	0.49	0.57
BROILERS															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	0.91	1.02	1.09	1.18	1.19	1.11	1.04	0.96	0.96	0.95	0.93	0.89	0.91	0.93	0.93
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	1.05	1.31	1.36	1.27	1.19	1.28	1.21	1.24	1.27	1.24	1.23	1.13	0.99	0.97	1.03
N.E. BROILER BREAST LINE RUN, USDA	0.98	1.03	1.06	1.12	1.15	1.14	1.11	1.02	1.04	1.03	1.00	0.94	0.92	0.92	0.92
N.E. BROILER LEG QUARTERS, USDA	0.40	0.40	0.41	0.40	0.37	0.35	0.34	0.32	0.31	0.32	0.31	0.30	0.30	0.30	0.32
N.E. BROILER WINGS, USDA, WT.AVG.	1.58	1.52	1.44	1.39	1.38	1.40	1.44	1.38	1.47	1.45	1.65	1.71	1.63	1.65	1.76
TURKEYS															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	0.86	0.86	0.87	0.88	0.88	0.88	0.88	0.89	0.92	0.92	0.97	0.99	1.01	0.96	0.93
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	1.55	1.58	1.76	1.84	1.88	1.92	1.92	1.96	2.04	2.04	2.23	2.33	2.37	2.19	2.03
LIVE STEERS															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.27	1.26	1.19	1.18	1.11	1.11	1.13	1.11	1.10	1.09	1.09	1.13	1.17	1.16	1.16
BEEF															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	7.14	8.07	7.59	8.55	8.01	6.87	6.85	7.12	7.03	6.96	7.30	7.85	8.60	7.80	6.45
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.22	2.23	2.17	2.33	2.06	2.05	2.06	2.12	2.15	2.13	2.15	2.21	2.15	2.14	2.22
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	2.01	1.91	1.87	1.97	1.88	1.91	1.94	1.96	2.01	1.98	2.09	2.19	2.08	2.07	2.18
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	5.44	6.60	6.48	8.26	7.91	6.34	5.71	5.18	5.86	5.78	5.78	5.50	5.09	5.22	5.25
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	3.45	3.40	3.33	3.63	3.64	3.47	3.42	3.24	3.46	3.40	3.35	3.05	2.95	3.00	3.05
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	4.98	5.75	5.64	5.75	5.33	4.76	4.72	4.87	4.88	4.85	4.75	4.70	4.60	4.72	4.70
COARSE GROUND 73%, USDA	1.47	1.55	1.52	1.59	1.38	1.35	1.39	1.42	1.52	1.45	1.43	1.42	1.43	1.42	1.71
COARSE GROUND 81%, USDA	1.76	1.86	1.76	1.88	1.64	1.57	1.61	1.70	1.74	1.70	1.69	1.72	1.74	1.71	2.03
90% BONELESS BEEF, CENTRAL, FRESH, USDA	2.15	2.17	2.17	2.20	2.21	2.18	2.15	2.16	2.20	2.19	2.18	2.15	2.14	2.13	2.13
50CL BEEF TRIM, FRESH, NATIONAL, USDA	0.84	0.84	0.93	0.85	0.68	0.69	0.74	0.77	0.76	0.74	0.59	0.63	0.70	0.58	0.68



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

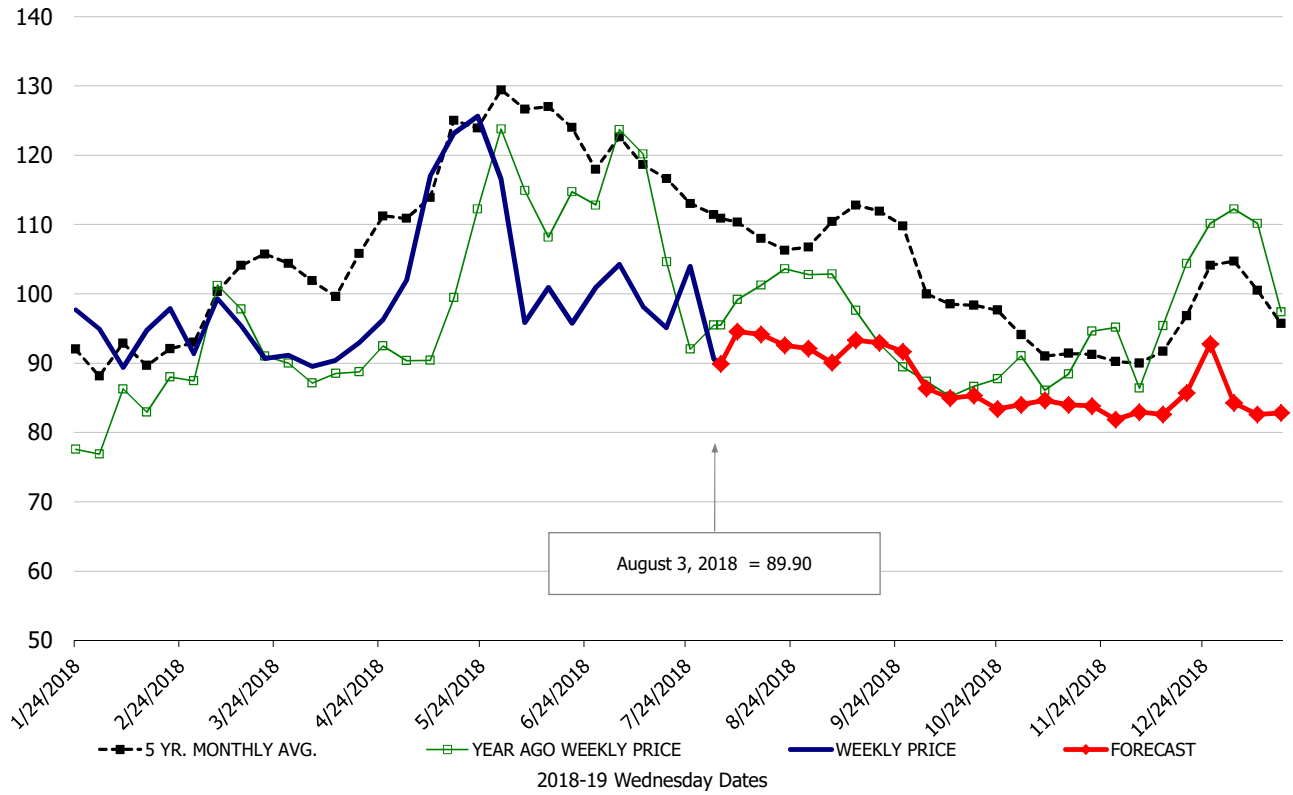


Belly, Derind Belly 9-13#, FOB Plant, USDA



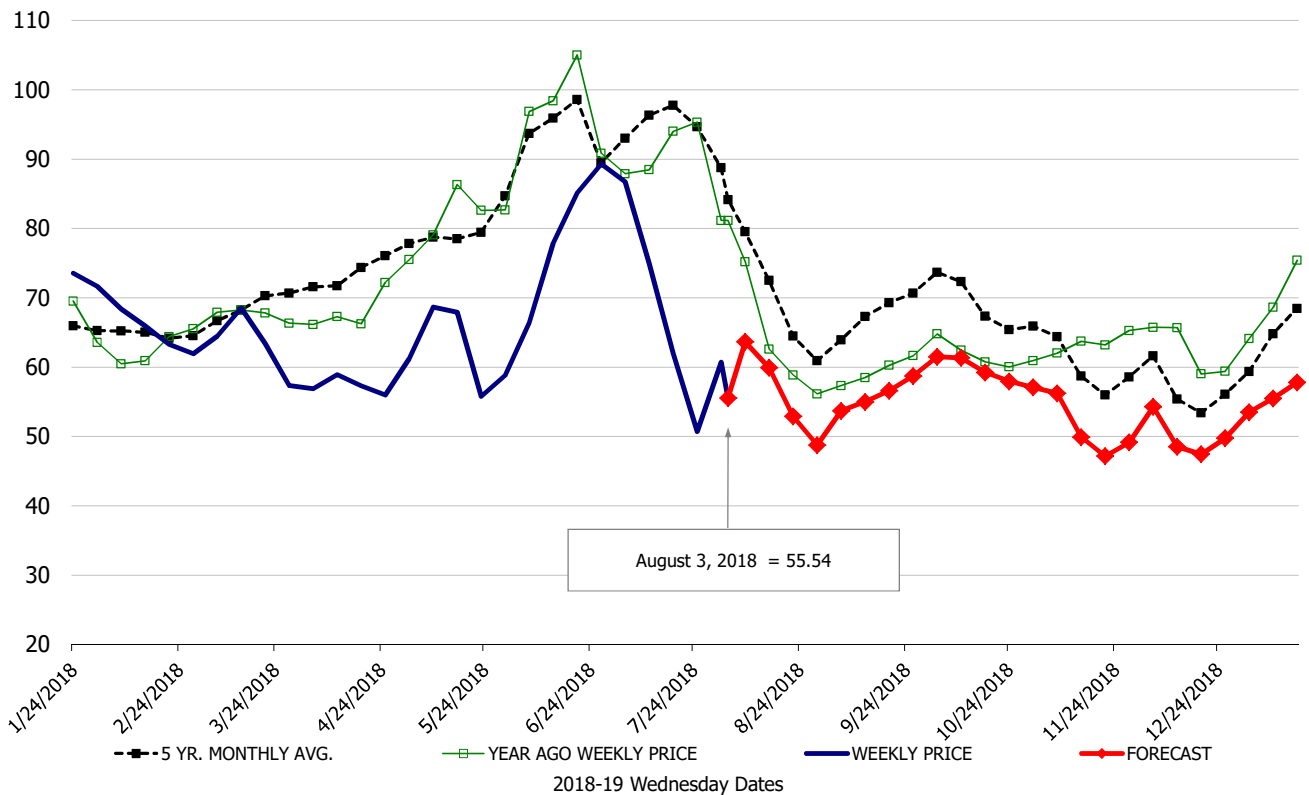
\$/cwt

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



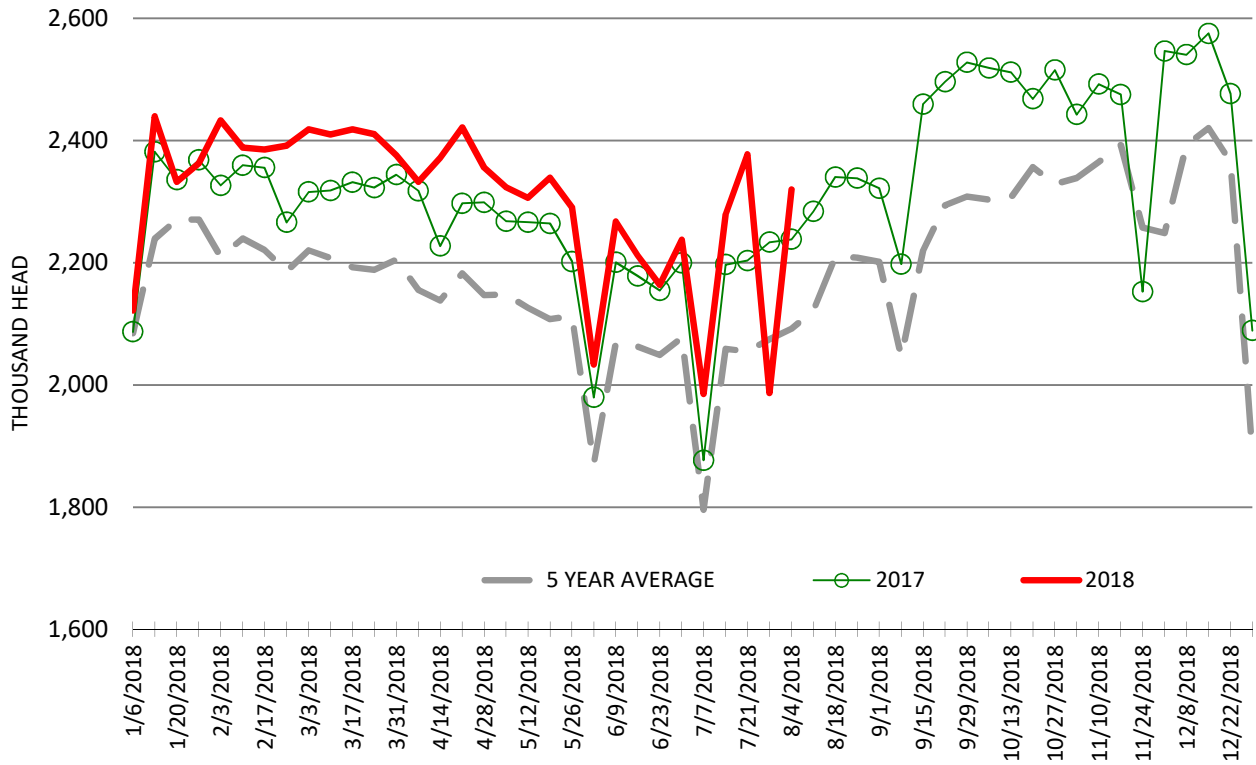
\$/cwt

Trim, 72% Trim Combo, FOB Plant, USDA



ESTIMATED WEEKLY FI HOG SLAUGHTER

Source: USDA, '000 head



ESTIMATED WEEKLY FI PORK PRODUCTION

Source: USDA, Mil. Pounds

