Pork Merchandiser's **Profit Maximizer**

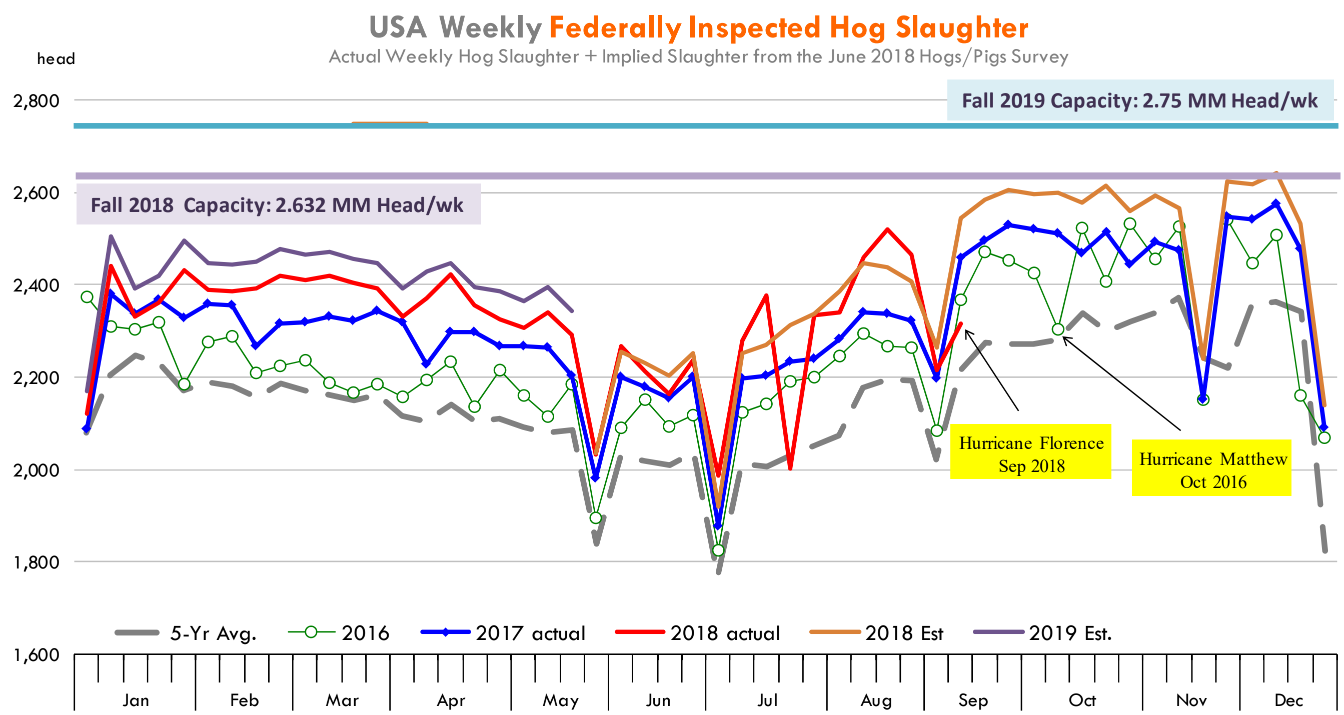
- Retail Edition -

© 2018 The National Pork Board, Des Moines, IA 515-223-2600;
Prepared by Steiner and Company, Manchester, NH 800-526-4612.

September 17, 2018

1. **Hog/Pork market volatility remains high on hurricane supply disruptions and the spread of animal diseases in key pork consuming and producing regions.**

Pork cutout values were notably higher this week but we caution about reading too much into the latest numbers. The supply of pork was sharply curtailed as two major hog processing plants were knocked offline by approaching Hurri-

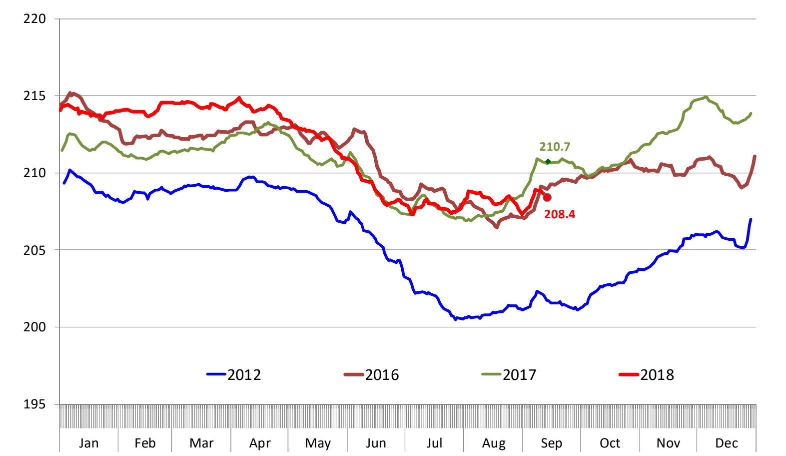


Steiner and Company produces the National Pork Board Newsletter based on information we believe is accurate and reliable. However neither NPB nor Steiner and Company warrants or guarantees the accuracy of or accepts any liability for the data, opinions or recommendations expressed.

cane Florence in North Carolina. Smithfield has two plants in the immediate vicinity, the Tar Heel plant with a 32,500 hog/day capacity and the Clinton plant with a 10,000 hog/day capacity. Hog slaughter for the week was estimated at 2.315 million head, 5.9% lower than a year ago. This represents a shortfall of about 230,000 head vs. what we expected based on the June USDA 'Hogs and Pigs' report. Prices for a number of products were higher towards the end of the week and the value of the pork cutout on Friday was quoted at $74.53/cwt, up almost $7/cwt or 10% compared to where prices were on Monday. The impact was particularly noticeable in items that tend to have a fairly inelastic demand, such as bellies and trimmings. The belly primal on Friday was up 17% compared to where it was on Monday and the loin primal was up 11%. On the other hand, market supplies of hams have been quite burdensome and the recent shortfall in slaughter offered some temporary support. The ham primal on Friday was $54.69/cwt, 7% higher than where it started the week.

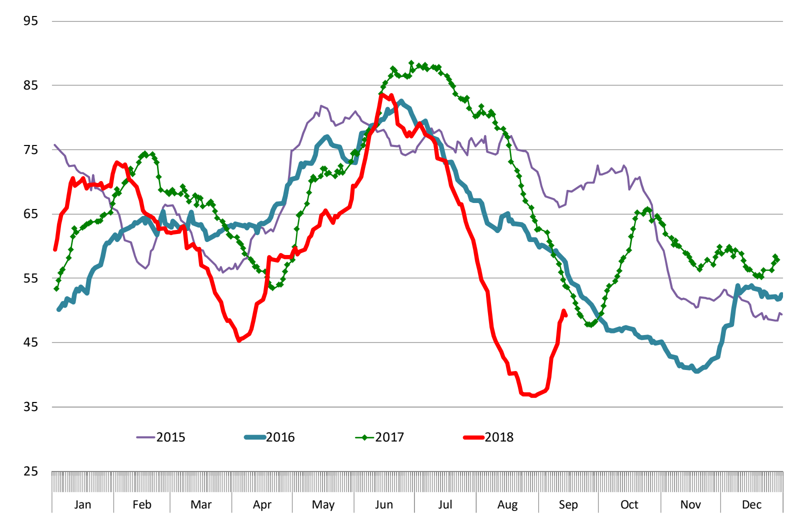
Barrow/Gilt Dressed Carcass Weights, 5-day Moving Avg. - Producer Hogs

Based on Daily MPR Report, LM_HG201. Data through Sep 13, 2018



IA/MN Lean Hog Carcass, Base Price. Wt. Avg.

Source: USDA-AMS Daily Prices



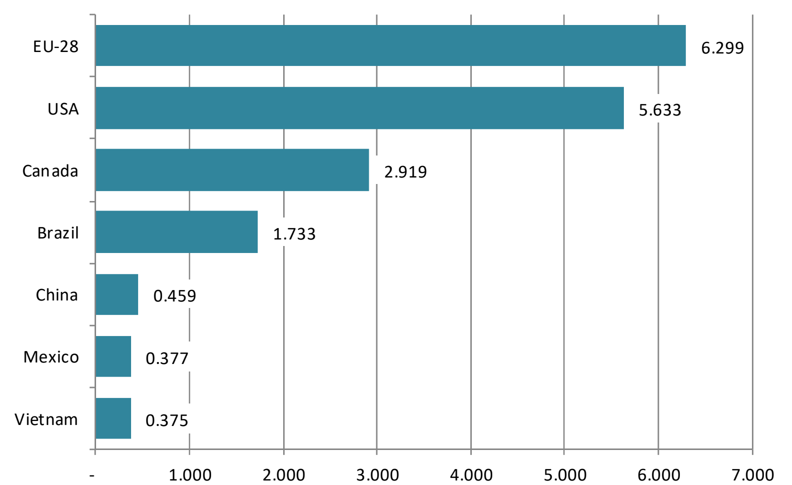
<u>**Whether pork prices remain well supported next week will depend on the extent of the damage from Hurricane Florence and how quickly the two idled plants resume production**</u>. Flooding is always a major issue as it tends to impact both infrastructure as well as hog supplies. During Hurricane Floyd (1999), some 100,000 hogs were lost together with millions of broilers and turkeys. At this point it makes no sense to speculate about the potential losses. In October 2016 the arrival of Hurricane Matthew in North Carolina caused hog slaughter to drop sharply one week but production quickly recovered the following week. Cutout values in mid October 2016 rose to almost $90/cwt. By the end of October the value of the pork cutout had dropped to $78, a 12.5% decline in two weeks. The chart on page 1 shows the expected weekly hog slaughter for late September and Oct/Nov/Dec. This is based on the inventory data presented in the June USDA survey. For the week ending September 15 we would have expected hog slaughter to be a little over 2.5 million head. Hog slaughter is expected to approach 2.6 million head by the end of this month and remain near those levels into October. If the storm causes plants to be idled for a prolonged period

of time, it could add to product price availability well into the fall. Hog producers fell behind in marketings during late July and August when plant upgrades knocked a number of them offline. They may have to fight the same battle again in October. The average weight of producer owned barrows and gilts as of Thursday was about 1% lower than a year ago. But as hogs from flooded areas finally show up in the slaughter data the picture could change quickly. For now producers in central US appear to be quite current and the higher cutout has bolstered the value of hogs in the cash market. The IA/MN lean hog carcass base value has gained about 34% in the last two weeks as cash markets have stabilized.

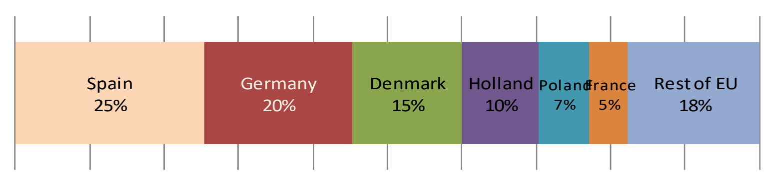
Implications for Q4 and 2019 Prices

In the short term pork/hog supplies will remain plentiful, which should limit pork price inflation. Disruptions in slaughter could cause producers to fall behind in marketings and bolster weights, adding to overall pork supplies. We will continue to monitor hog carcass weights in the next two weeks. Exports to China remain stunted despite the spread of African Swine Fever there. While this is a major future risk, in the short term the high tariffs on US pork there (62%) will continue to limit exports. The 20% tariff on US pork in Mexico remains in place and we see no indication that it will be lifted before the end of the year. But the situation can be very different next year. Mexico tariffs are expected to be lifted when the new Mexican administration comes into power in January. The discovery of African Swine Fever in Belgium may be the first salvo in a wider spread of the disease in Western Europe. The European Union is the biggest pork exporter in the world and five countries there account for much of those exports (see chart to the right). A number of Asian countries have refused to accept the principle of regionalization. This means that if even one case of ASF is found in Germany or Denmark or France, all pork exports from that country may lose access. Demand for US pork in Asia could change very quickly should ASF continue to spread in China and Europe. We have reflected some of this in our pork forecasts for 2019, which hold a premium to 2018 levels. However, at this point the situation remains highly uncertain.

Top **Global Pork Exporters** in 2017. Billion Lb. Carcass Wt.
Source: USDA-FAS



Main EU Pork Exporting Countries (Exports outside of EU). 2017 Data.
Source: Eurostat



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 September 15 hog slaughter was 2.315 million head, down 5.9% from a year ago. In the last two weeks hog slaughter is down 2.7% vs. year ago levels.

Iowa/Minnesota, Base Negotiated Purchase for Barrows and Gilts. Lean hog carcass values at about 49.21 /cwt. on Friday were up $11.3/cwt since Wed. September 5. Prices are down about 5.57 $/cwt compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at $1.0918, up about 8.1 cent since the Wed. September 5 quote and up about 10 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at $1.2878 for the strap on loins, up 7.6 cent since Wed. September 5 but down 6 cent from the year ago levels. Strap off loins at $1.4088 are up 3.7 cent since Wed. September 5 but down about 11 cent compared to the year ago quote.

Boneless sirloins at $1.0346 are up about 3 cents from the Wed. September 5 quote but down about 10.9 cents from the year ago price.

Pork tenderloin finished last week at $1.8485, down 19.5 cent since the Wed. September 5 quote and down about 50.0 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at $1.1391, up 7.5 cents since Wed. September 5. Prices are up 24 cent from a year ago.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at $1.3137, up about 5 cent since Wed. September 5 and up about one cents from year ago levels.

Rib inventories on July 31 were 83.7 million pounds, up 8.4% percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was $0.5796/lb., up 1 cents since Wed. September 5 but down about 18 cents from a year ago.

20/23 hams finished the week at 54.53 cents, down about 3 cents since Wed. September 5 and down about 21 cents from the year ago level.

23/27 hams finished the week at 50.85 , down about 0.5 cent from the Wed. September 5 quote and down about 18 cents from the year ago level.

Total ham cold storage stocks on July 31 at 166.4 million pounds were down slightly from year ago levels.

42 CL Pork Trim "FOB Basis". Prices finished the week at 42.59 cents, up about 11.7 cent since Wed. September 5 and up about 9 cents from the year ago price.

72 CL Pork Trim "FOB Basis". Prices finished the week at 53.41 cents, up 9.0 cents since the Wed. September 5 quote but down about 5 cents from the year ago level.

Freezer stocks of all trimmings on July 31 were 39.7 million pounds, up 32.9% 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 83.08 on Friday, September 15, down about 7 cents from a year ago.

Broiler slaughter for the week ending September 15 was 149.12 million head, up 0.08% from a year ago. For the last two weeks broiler slaughter was up 1.2% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at $0.9923, up 3 cents since Wed. September 5 but still down about 39 cents from year ago levels.

Leg Quarters. This market continues to be export driven. Last week leg quarter prices were down about 1.2 cents vs. two weeks ago and at 29.59 cents per pound prices were down 15 cent from a year ago.

Wings. Prices at $1.4559 are down about 71 cents from year ago levels.

Turkeys

Hens finished last week at $0.8900, unchanged cent since Wed. September 5 but down about 18 cents from the year ago price.

Toms finished last week at $0.8900, unchanged since Wed. September 5 but down about 18 cent from the year ago price.

Total turkey supplies in the freezer on July 31 were down 1.1% from a year ago at 589.1 million pounds. Whole birds were down 4.9% from a year ago with an inventory of 329.3 million pounds.

Turkey slaughter was 3.3190 million head for the week ending September 8, down -12.06% from a year ago. For the last two weeks slaughter has been down 4.7%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at $2.0700, up since Wed. September 5. Prices are up about 54 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 $2.0717 for 90CL and $0.5037 for 50CL product, an 81CL meat block value is now $1.7189 and a 78CL meat block is $1.6013. Choice 114, 3 Clods are now being priced 50.31 cents over 81CL meat block grinding values of 90s and 50s. A year ago the spread was 16.59 cents and the five year average spread for is 14.46 cents over.

Select #115 chucks also are no longer being quoted.

Choice #161 Boneless Rounds finished last week at $2.0776, down slightly since Wed. September 5 and down about 10 cents from year ago levels.

Choice #184 Regular Heavy top butts finished at $2.6641 (wt. avg.) down about 7 cents since Wed. September 5 and up about 10 cent from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at $2.9083 (wt. avg.) down about 12 cents since Wed. September 5 but up about 13 cents from the year ago levels.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at $1.4321 down about 24 cents since Wed. September 5 and down about 7 cents from year ago levels.

81CL Coarse Ground product finished last week at $1.7865 down about 14 cent since Wed. September 5 but up about 0.5 cents from the year ago quote.

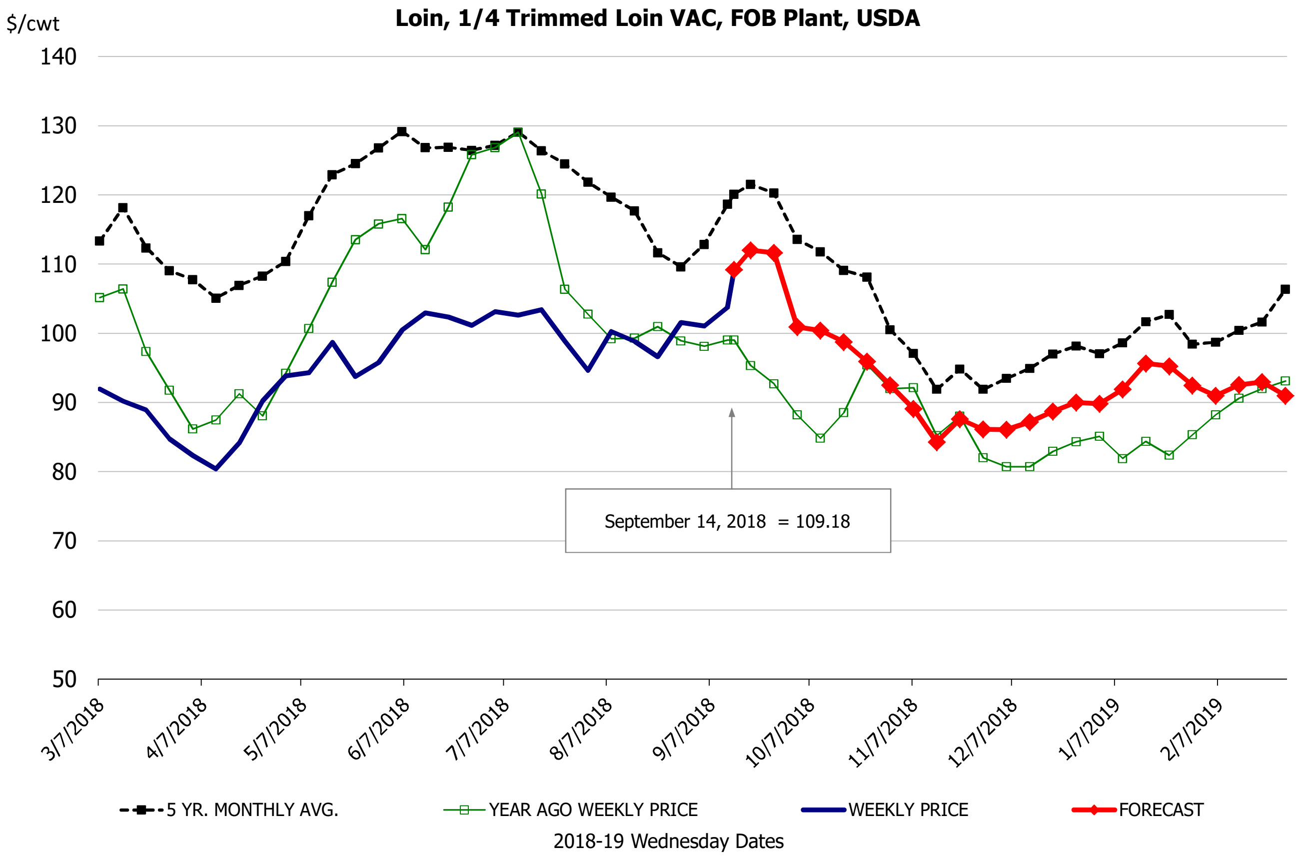
90CL Bnls. Beef prices finished the week at $2.0717 (wt. avg.) up 0.49 cent since Wed. September 5 but down 20.5 cents compared to the year ago price quote.

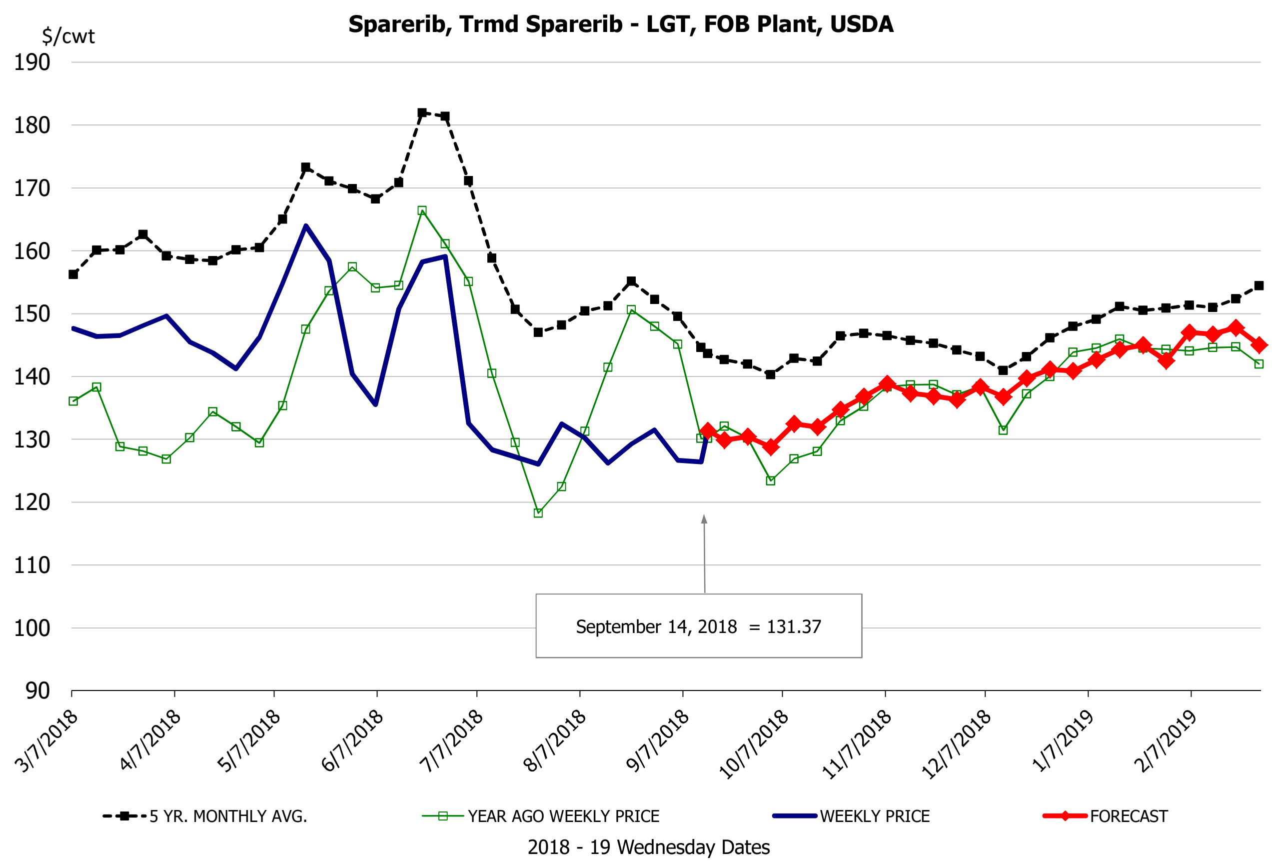
50 CL Beef Trim prices finished last week at $0.5037, down about 17 cent since Wed. September 5 but up 8 cents compared to the year ago level.

Retail Summary Table - WT. AVE.

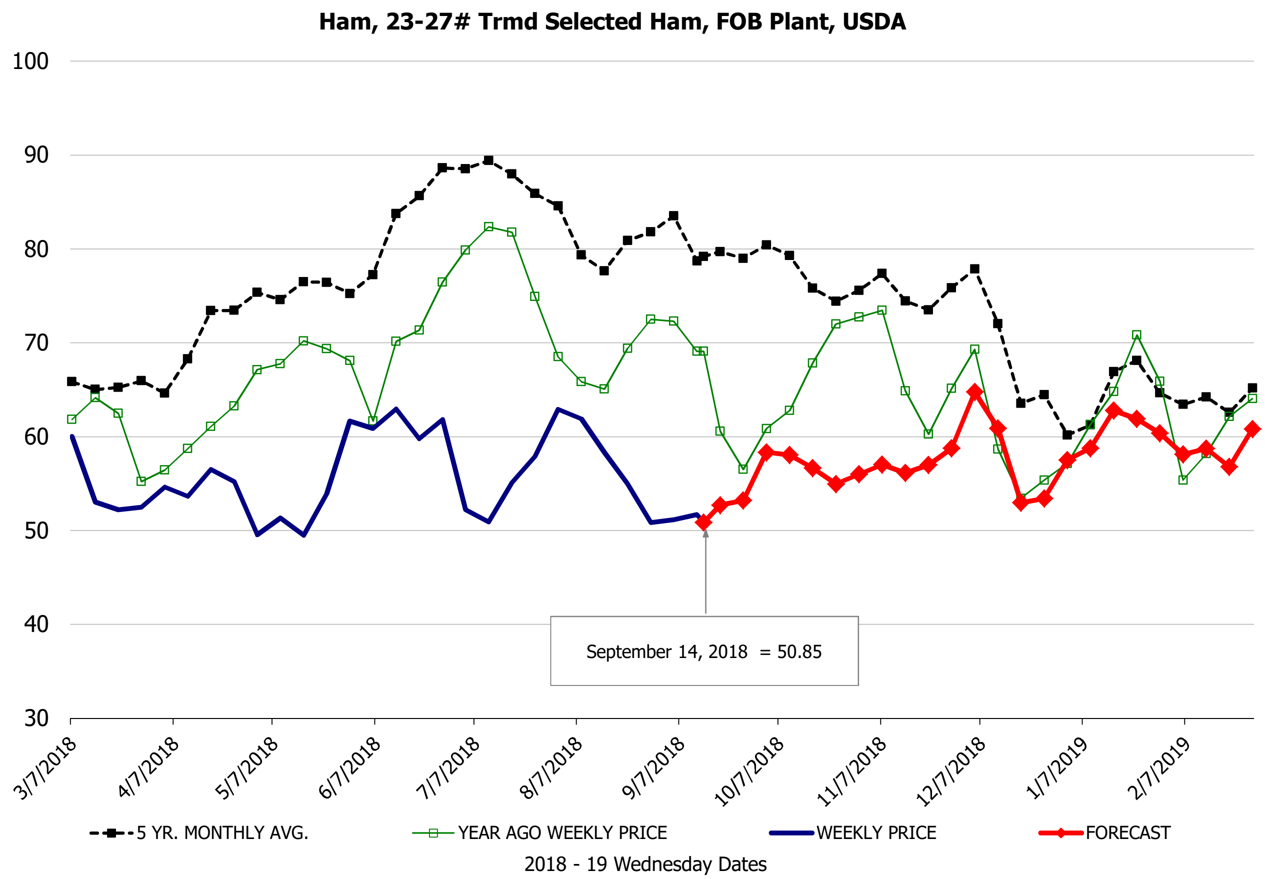
	HISTORY								FORECAST						
	Mar	Apr	May	Jun	Jul	Aug	9/5/2018	9/14/2018	9/26/2018	Sep	Oct	Nov	Dec	Jan	Feb
PORK															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	89.02	83.04	95.89	101.46	97.82	98.12	101.05	109.18	112	109	99	88	88	93	92
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	96.07	90.13	101.48	106.28	103.98	102.54	100.14	111.31	113	112	103	91	91	100	100
Loin, Bnls CC Strap-off, FOB Plant, USDA	132.22	125.13	133.77	134.19	132.33	128.78	137.18	140.88	150	144	142	135	144	142	138
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	93.87	92.84	121.41	100.04	98.78	98.13	103.96	121.15	115	115	105	106	106	102	99
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	147.50	143.93	149.10	146.90	129.18	127.36	126.65	131.37	130	132	132	138	139	143	147
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	141.98	135.92	149.99	149.97	132.07	130.65	131.65	129.43	128	130	130	135	136	140	144
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	62.67	57.04	56.24	63.48	59.96	62.86	57.00	57.96	60	58	62	62	60	62	62
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	60.44	57.92	54.69	65.46	56.49	61.09	57.89	54.53	57	56	60	60	59	61	61
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	56.02	54.48	50.79	61.42	53.62	56.09	51.17	50.85	53	53	57	57	58	60	58
Belly Cutout, FOB Plant, USDA	106.24	90.95	101.20	141.23	159.71	88.22	86.27	104.98	109	105	109	112	112	123	134
Belly, Derind Belly 9-13#, FOB Plant, USDA	133.73	106.51	124.74	171.90	194.29	105.02	111.33	129.57	136	130	134	137	137	151	165
Belly, Derind Belly 13-17#, FOB Plant, USDA	124.63	109.92	121.20	169.63	188.95	104.61	103.01	127.42	135	129	133	136	136	150	164
Trim, 42% Trim Combo, FOB Plant, USDA	37.49	34.69	26.67	51.54	54.13	33.44	30.90	42.59	35	35	30	30	26	32	33
Trim, 72% Trim Combo, FOB Plant, USDA	63.21	57.61	62.58	77.94	62.90	48.92	44.43	53.41	56	53	58	56	52	56	62
Trim, Picnic Meat Combo Cushion Out, FOB Plant, USDA	72.07	65.64	72.77	84.03	74.98	60.82	58.23	65.63	68	66	76	81	78	73	70
Carcass Cutout, FOB Plant, USDA	73.17	68.11	73.55	82.85	81.74	68.65	67.95	74.53	75	74	76	76	73	77	77
HOG CARCASS															
IA/MN, Base Market Hog 185 lb Carcass Basis, Plant Dlv.	56.82	52.35	63.33	78.48	70.98	43.94	37.89	49.21	50	49	53	53	54	64	66
BROILERS															
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	131.08	135.81	126.53	118.94	127.90	113.51	96.10	99.23	96	99	89	90	91	96	105
N.E. BROILER BREAST LINE RUN, USDA	102.90	105.95	112.15	115.20	114.00	99.09	90.33	94.50	94	95	91	89	88	88	89
N.E. BROILER LEG QUARTERS, USDA	40.13	41.03	40.16	36.81	34.65	31.96	30.76	29.59	29	30	29	28	28	30	31
TURKEYS															
UB HEN TURKEYS, EAST, FROZEN 10-12LBS	86.00	86.50	88.00	88.00	88.00	89.00	89.00	89.00	91	90	92	94	89	89	89
UB TOM TURKEYS, EAST, FROZEN 16-22LBS	86.00	86.50	88.00	88.50	89.00	89.00	89.00	89.00	91	90	92	94	89	89	89
LIVE STEERS															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	126.42	119.41	118.42	111.25	110.57	110.78	107.13	107.62	108	110	113	118	118	120	120
BEEF															
CHOICE, 161, 1 ROUND, BONELESS, USDA	231.41	212.01	219.86	207.95	208.19	215.26	212.48	207.76	207	210	219	233	230	237	230
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	223.30	217.21	232.51	205.83	204.79	209.38	206.19	197.21	201	205	216	215	214	225	222
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	191.24	186.65	197.32	187.78	191.23	186.69	186.22	201.51	208	206	214	207	206	220	213
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	339.84	332.58	363.43	364.50	346.97	310.98	302.72	290.83	292	297	285	281	295	307	318
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	574.98	564.09	575.36	532.85	476.09	556.20	588.22	590.40	530	545	460	459	472	482	476
COARSE GROUND 73%, USDA	154.71	151.67	159.47	138.24	135.40	162.09	167.21	143.21	139	146	144	138	136	169	146
COARSE GROUND 81%, USDA	186.05	176.47	187.98	164.23	157.34	184.07	192.43	178.65	173	182	173	169	166	202	178
90% BONELESS BEEF, CENTRAL, FRESH, USDA	217.05	217.45	219.51	220.71	218.02	210.72	206.68	207.17	202	208	209	208	207	208	213
50CL BEEF TRIM, FRESH, NATIONAL, USDA	84.23	93.37	85.49	67.99	69.16	80.25	67.05	50.37	44	50	58	68	61	76	72

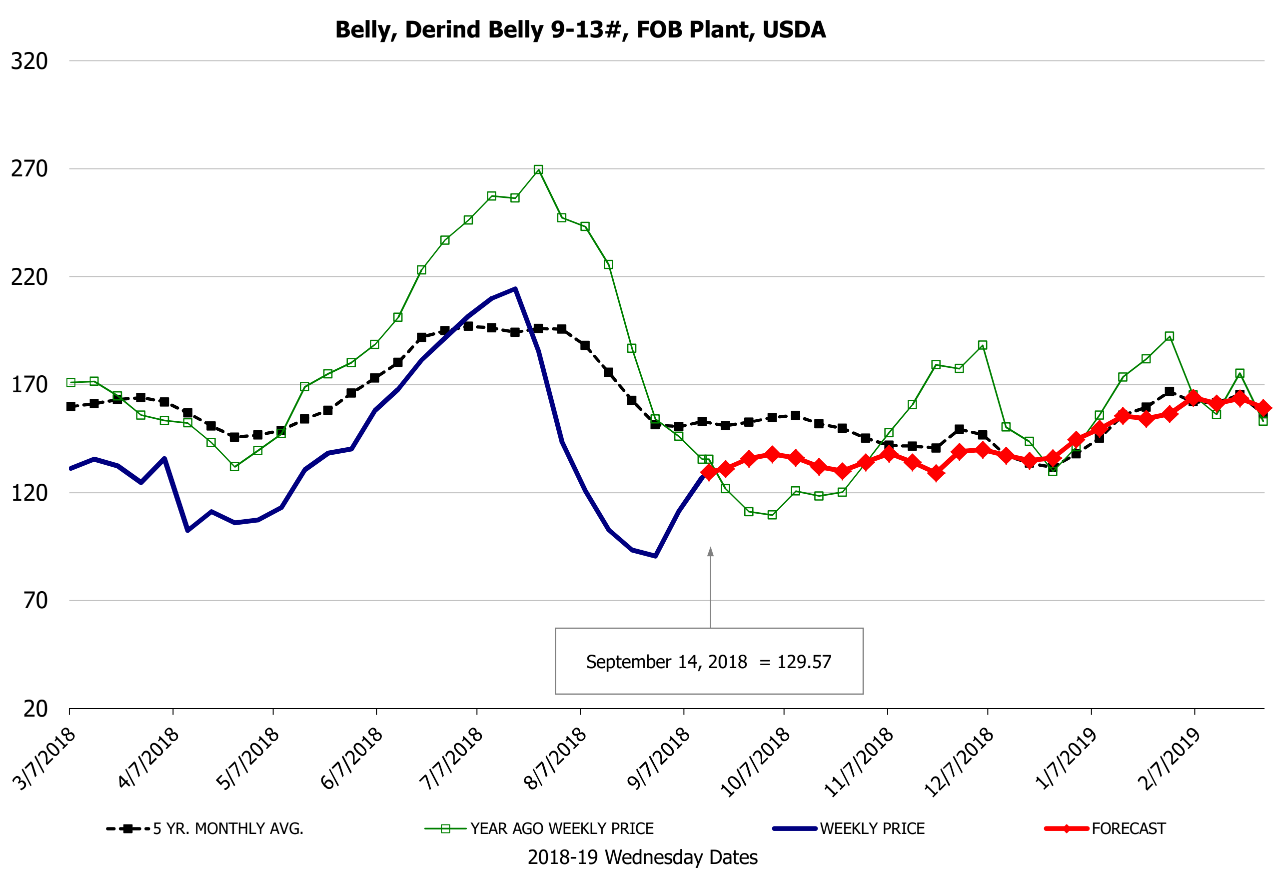
© 2018 *Steiner Consulting Group (1-800-526-4612)*



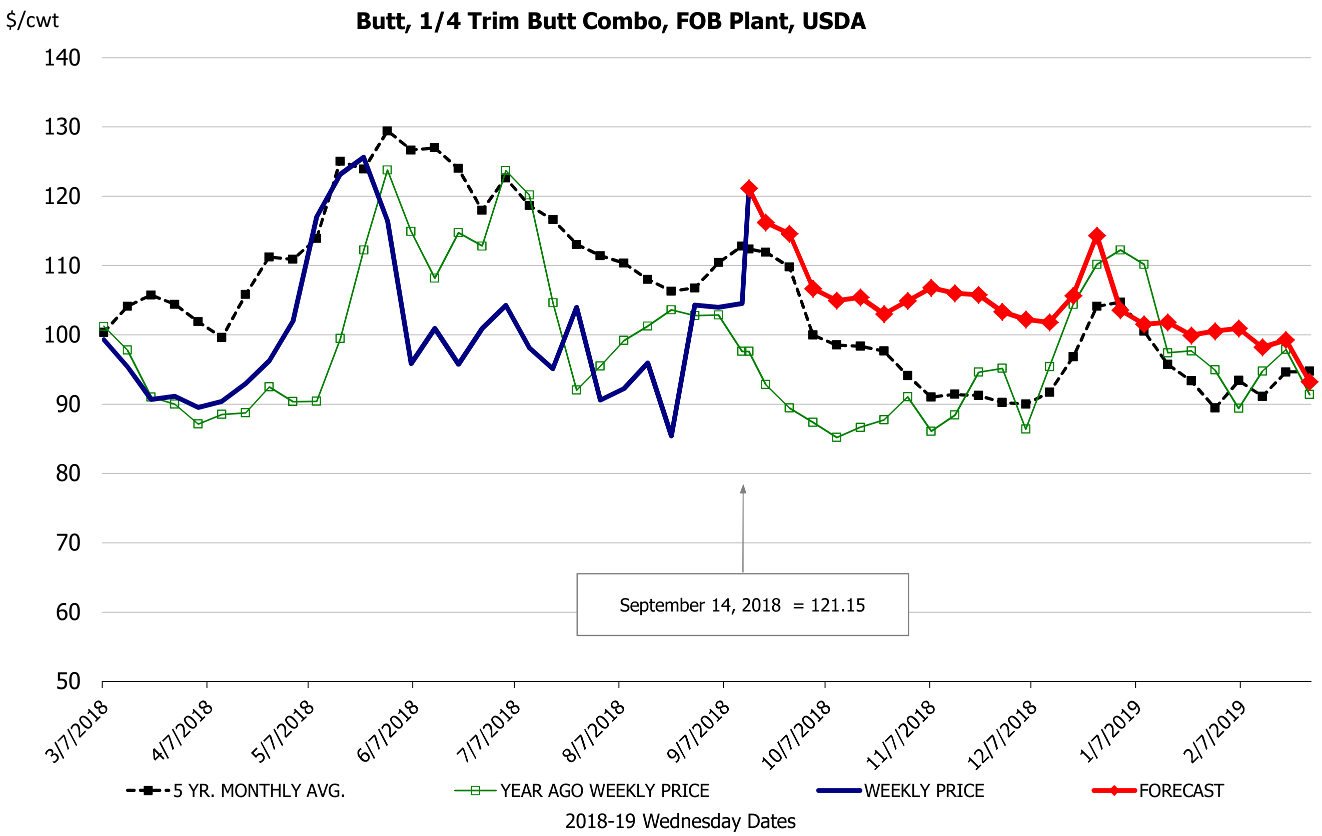


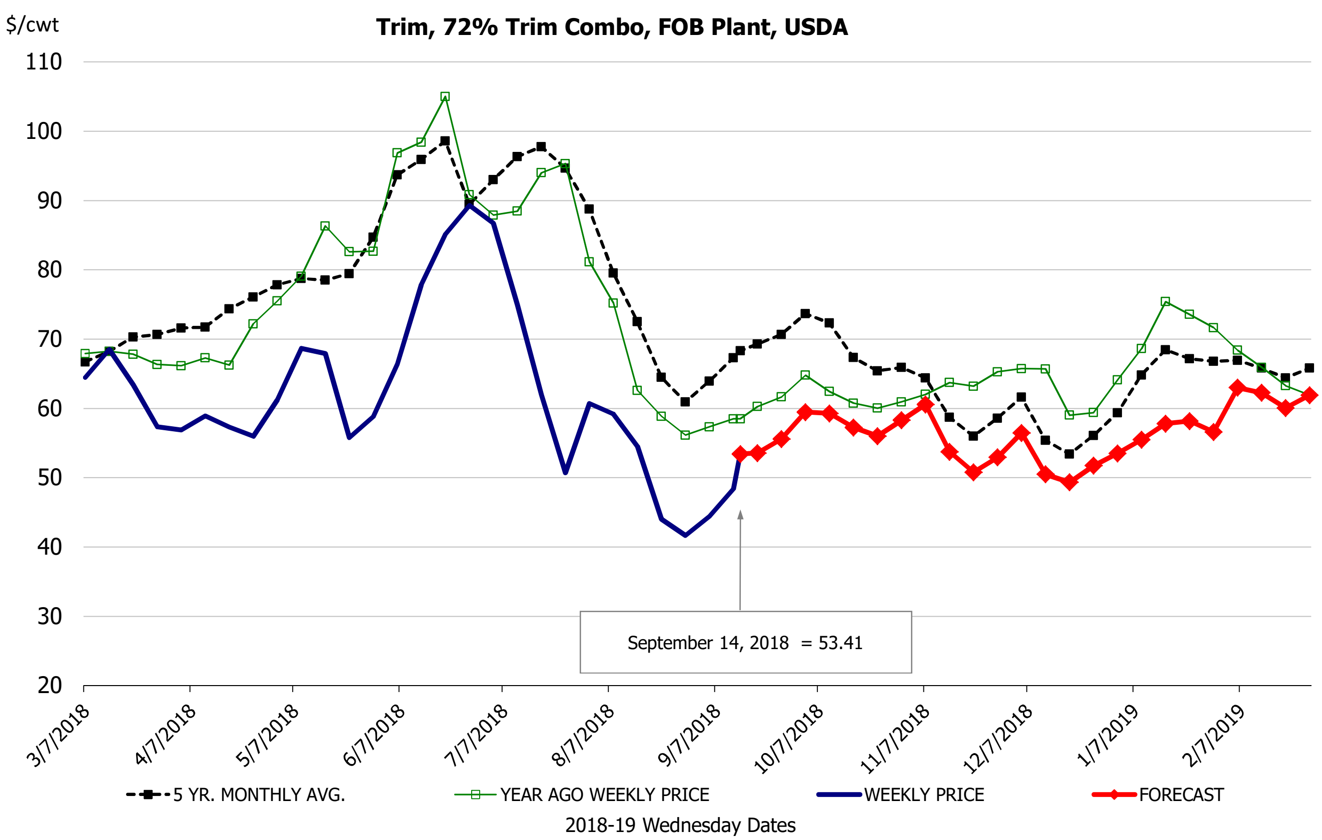
© 2018 Steiner Consulting Group (1-800-526-4612)





© 2018 Steiner Consulting Group (1-800-526-4612)

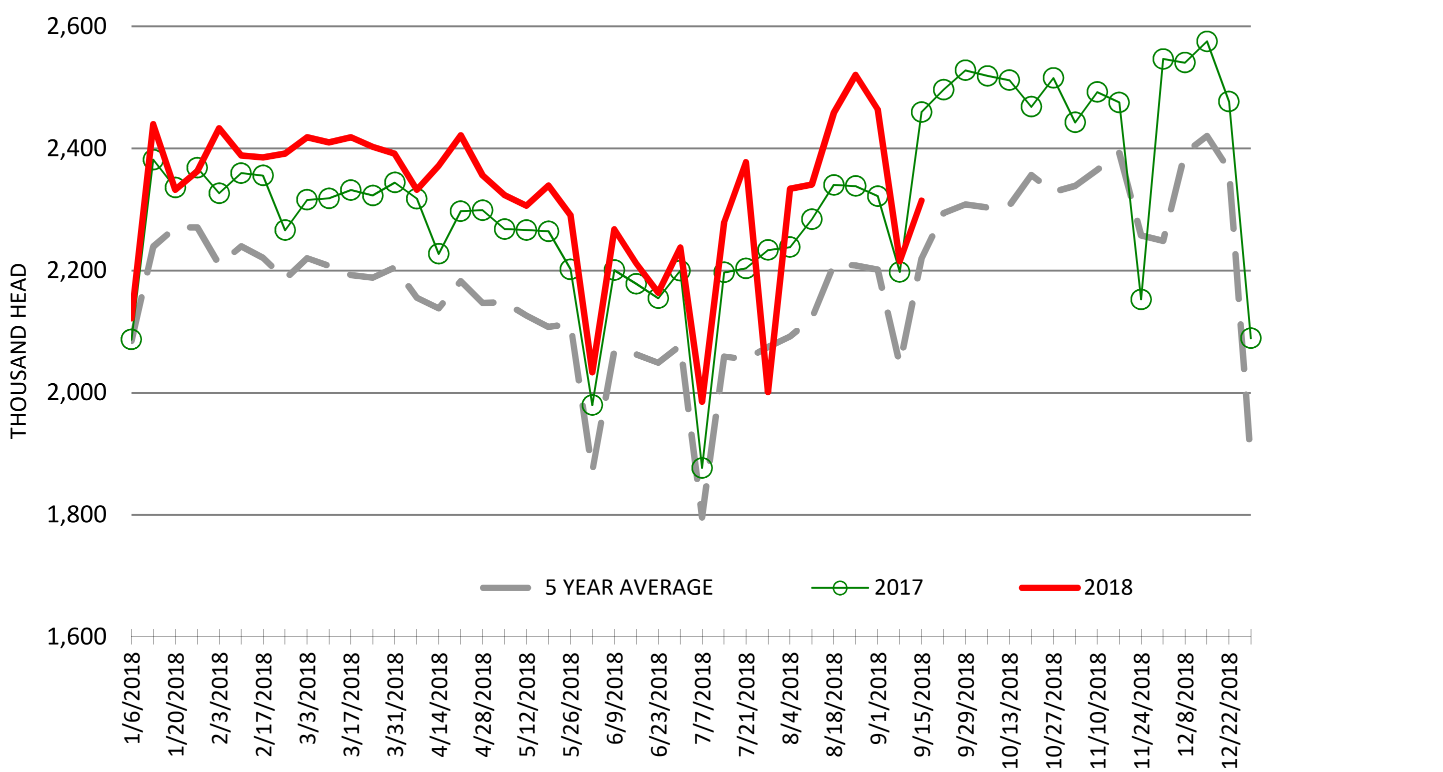




© 2018 Steiner Consulting Group (1-800-526-4612)

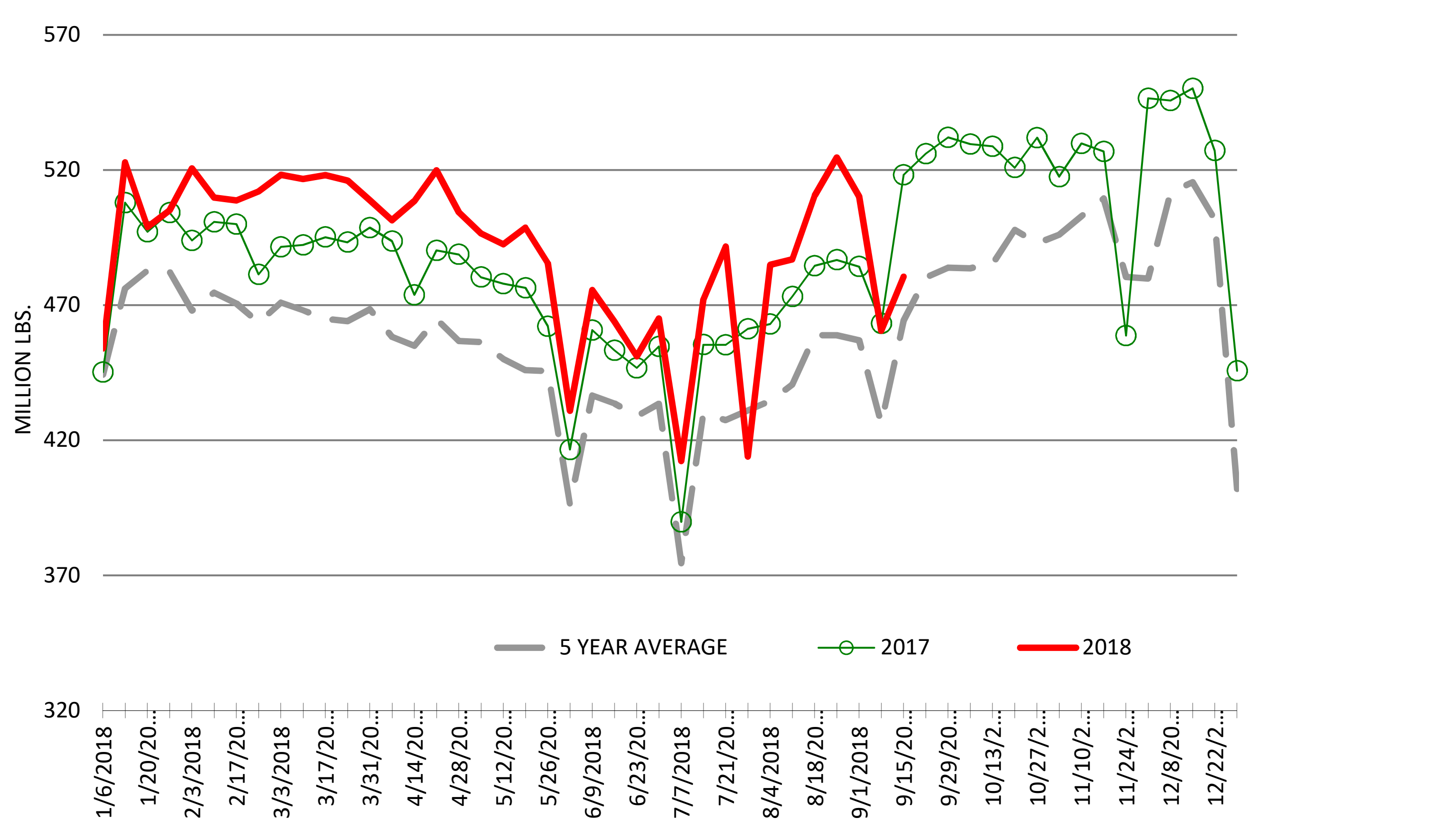
ESTIMATED WEEKLY FI HOG SLAUGHTER

Source: USDA, '000 head



ESTIMATED WEEKLY FI PORK PRODUCTION

Source: USDA, Mil. Pounds



 © 2018 Steiner Consulting Group (1-800-526-4612)