



Pork Merchandiser's Profit Maximizer

- Foodservice Edition -

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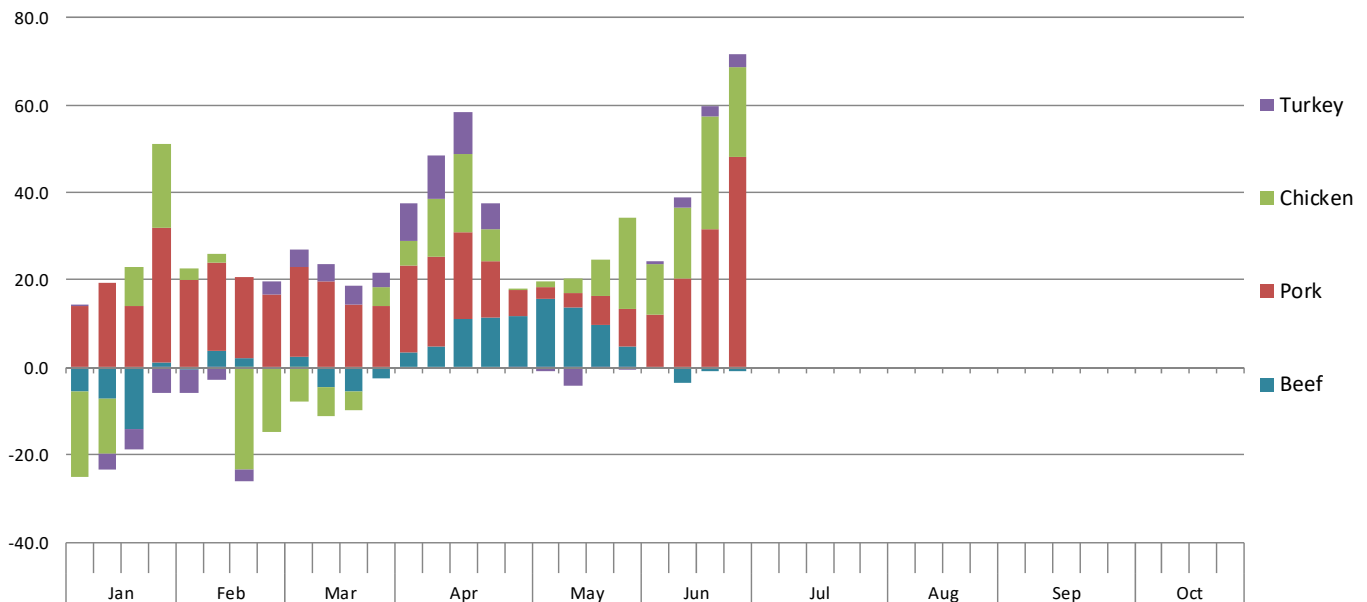
Big increase in pork supplies overwhelms the market, forces futures to erase nearby ASF premiums...at least for now

Earlier in the spring futures markets struck a very bullish tone for the US meat complex,

largely based on expectations that a meat supply hole in China would present significant competition for domestic end users. The role of futures markets is to look for supply/demand imbalances and adjust the pricing mechanism in order to correct for them. Higher prices did what they were

Weekly Increase in Beef, Pork, Chicken and Turkey Production vs. Year Ago. 4-wk Moving Avg.

Million Pounds. 4-wk MA. Carcass Wt. Basis. Source: USDA Weekly Production Reports



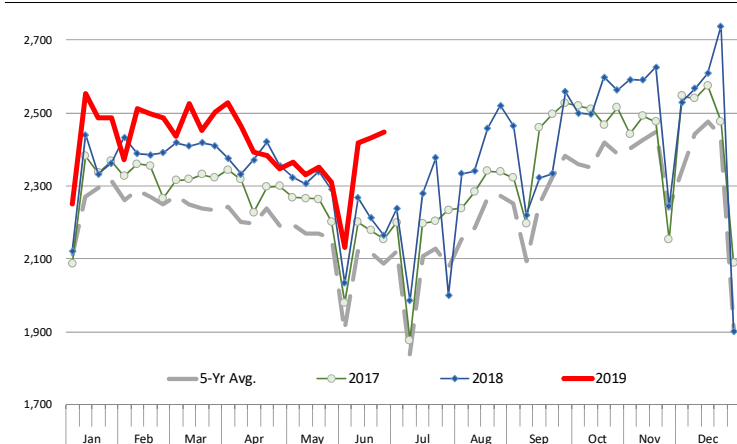
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supposed to do, they rationed out forward demand in a number of ways: a) causing processors and users to raise prices they charge to their customers; b) encouraging producers to maximize production efficiency; c) encouraging everyone to build more inventory. But all this was based on the explicit assumption that summer demand was going to be explosive. So far the situation has been very different than earlier envisioned, resulting in a sharp price correction both in the hog and cattle complex. The situation has been particularly difficult in the pork complex and the chart on page 1 shows why. The supply of pork coming to market on a weekly basis so far in June has been far higher than anyone could imagine even a month ago. Note that the chart shows a rolling four week moving average. Last week, pork production was up 16.4% compared to a year ago and in the two weeks prior production was up 10.8% and 8.4%, respectively. This means that in the last three weeks weekly pork production has averaged about 55 million pounds higher than it was a year ago. While exports are better than they were last year, they are nowhere close to absorbing this additional supply. Weekly USDA pork export data shows that exports of fresh/frozen pork are currently running about 7 million pounds/wk higher than last year. This represents just 12% of the additional supply of pork that has come to market in the last few weeks, it is an even smaller share of the 74 million additional pounds that packers produced last week.

Supplies of other proteins are up only slightly relative to the amount of pork coming to market. Beef production last week was 522.3 million pounds, 6.6 million pounds or 1.2% lower than last year. This is largely due to lighter

WEEKLY HOG SLAUGHTER. '000 HEAD

Source: USDA



weight cattle coming to market at this time. In the last four weeks beef production is only slightly under last year's levels but beef exports have also been slightly lower as well. We think broiler production last week was 797 million pounds (rtc weight), about 16 million pounds or 2.1% higher than last year. Turkey supplies are lower but this is a relatively small protein supply compared to beef, pork and broiler meat.

Where does the market go from here? Much will depend on the outlook for US trade with China and other markets this fall. We have trimmed our forecasts modestly but they still reflect double digit growth in US pork exports. Futures markets reacted negatively to reports last week that the number of China pork cancellations surpassed new orders. However, China still has about 360 million pounds of pork orders on the books and forecasts are for bigger orders coming in August and September. Futures have erased all the ASF premium from the summer contracts and have cut in half the premiums for the fall market. In the short term spot market prices will be a key driver. Hog producers are currently in the midst of a sharp correction. They fell behind in marketings during May and

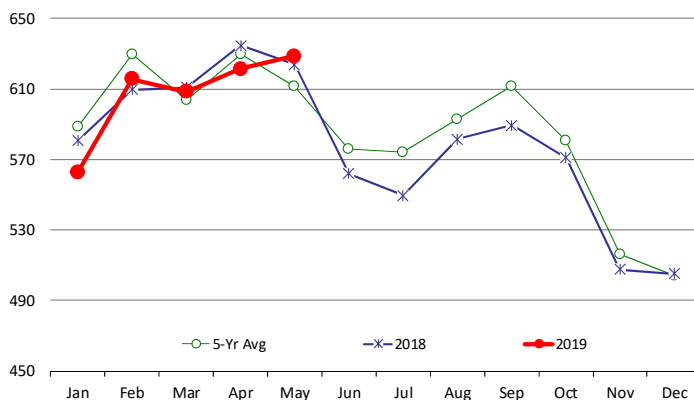
combined with cool weather this resulted in much heavier hog carcass weights for this time of year. The result is a big push to market hogs in June, resulting in the big production weeks we are now experiencing. We do not think hog slaughter of +6, 7 or 8% is sustainable. So you need to start thinking about a slower growth later in July and August, once producers have returned to a more current state. Summer heat is also ahead of us. As we write this it is 63 degrees in Des Moines but it will not stay this cool forever. The time to think about the potential shift in available supply is now. There are some attractive prices in the market at this time and we urge you to take advantage of them rather than sit on the sidelines. These markets have shown that they can turn very quickly. It is also best to have an open and frank discussion with your customers. While the current price correction is certainly welcome, it is also quite unusual. We stand ready to help as you look to inform your customers and try to stay ahead of these very volatile, and difficult, market conditions.

2. Cold Storage

Total pork inventory in cold storage as of May 31 was estimated at 628.7 million pounds, 0.8% higher than a year ago and 2.7% higher than the five year average. The pork inventory in May increased 1.2% from April levels. In the last five years the inventory has declined an average of 2.8% from April to May. Faced with speculation about higher summer prices it appears some end users opted to either hold on or even add to their inventory. Now that production levels have increased,

All Pork In Cold Storage at End of Month

Million Pounds. Source: USDA-NASS



with pork output last week up 16% y/y, the increase in May inventories is decidedly negative in the short term. Some of the end users that bulked up on inventory now are looking to deplete some before they go in the market to buy again, limiting short term demand. Inventory of hams in cold storage was 150.1 million pounds, 7.8% higher than a year ago and 7.9% higher than the five year average. May ham inventories increased 24% from the previous month compared to an average increase of 21% in the last five years. The inventory of pork bellies in storage at the end of May was 64.1 million pounds, 4.7% higher than last year. Belly inventories increased 4.9% in May compared to an average decline of 1% in the last five years. The supply of boneless and bone-in loins in cold storage was 45.8 million pounds, 25% higher than last year. Boneless loin supply was slightly under last year while the bone-in inventory was 81% higher than year ago.

Upcoming holidays:

2019 Father's Day [US and Canada] (Sunday June 16); Canada Day [Canada] (Monday July 1); Independence Day (Thursday July 4); Labor Day [US and Canada] (Monday September 2); Rosh Hashanah (Sunday September 29, at sundown); Yom Kippur (Tuesday October 8, at sundown); Columbus Day (Monday October 14); Canadian Thanksgiving Day (Monday October 14); Daylight Savings Time Ends [US and Canada] (Sunday October 27); Veterans Day (Monday November 11); Remembrance Day [Canada] (Monday November 11); Thanksgiving (Thursday November 28); Hanukkah (Sunday December 22, starts at sundown); Christmas Day (Wednesday December 25); Boxing Day [Canada] (Thursday December 26).

PORK

Hog Market. For the week ending June 22 slaughter was 2.449 million head, up 13.2% from a year ago. In the last two weeks hog slaughter is up 11.6% vs. year ago levels.

Iowa/Minnesota, Base Lean Market Hog 185 lbs. Carcass Values. Lean hog carcass values at about 79.55 /cwt. on Friday were down \$0.05/cwt since Wed. June 12. Prices are down 6.5 dollars compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at \$0.9961, down about 11.4 cents since the Wed. June 12 quote and down about 3 cent from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.1940 for the strap on loins, down 2.4 cent since Wed. June 12 but up about one cent from the year ago levels. Strap off loins at \$1.3800 are down about one cent since Wed. June 12 but up about 8 cent compared to the year ago quote.

Boneless sirloins at \$1.1441 are up one cents from the Wed. June 12 quote and up about 16.2 cents from the year ago price.

Pork tenderloin finished last week at \$1.9482, down 9.5 cent from the Wed. June 12 quote and down about 29.7 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at \$1.0722, up 2.8 cent since Wed. June 12. Prices are up 6 cents from a year ago.

Spare Ribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$1.3911, up about 17 cent since Wed. June 12 but down about 19 cents from year ago levels.

Rib inventories on May 31 were 127.6 million pounds, up 7.0% percent from a year ago.

Bone-in Hams.

17/20 hams (page 9) price was \$0.7101/lb., down 12.5 cents since Wed. June 12 but up about 6 cent from a year ago.

20/23 hams finished the week at 70.61 cents, down about 14 cents since Wed. June 12 but up about 2 cent from the year ago level.

23/27 hams finished the week at 66.46 , down about 16 cents from the Wed. June 12 quote but up about 7 cents from the year ago level.

Total ham cold storage stocks on May 31 at 150.1 million pounds were up 7.8% from year ago levels.

42 CL Pork Trim “FOB Basis”. Prices finished the week at 53.87 cent, down about 7.9 cent since Wed. June 12 and down about 8 cents from the year ago price.

72 CL Pork Trim “FOB Basis”. Prices finished the week at 86.82 cents, down about 13.0 cents since the Wed. June 12 quote but up about 2 cents from the year ago level.

Freezer stocks of all trimmings on May 31 were 47.9 million pounds, down 15.9% percent from the year ago levels.

72 CL Picnic Meat “FOB Basis”. The premium of picnic meat to 72CL trim is currently

at 31 cents compared to 23 cent average in the previous six months.

POULTRY

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

The National Whole Bird price was quoted at 93.96 on Friday, June 22, down about 24 cents from a year ago.

Broiler slaughter for the week ending June 22 was 168.84 million head, up 4.78% from a year ago. For the last two weeks slaughter was up 3.9% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$1.1592, down 1.5 cents since Wed. June 12 but still up about 0 cents from year ago levels.

Leg Quarters. This item continues to be driven by export demand. Last week leg quarter prices were up about 0.01 cents vs. two weeks ago and at 45.06 cents per pound prices were up 9 cents from a year ago.

Wings. Prices at \$1.9124 are up about 55 cents from year ago levels.

Turkeys

The prices quoted below reflect prices as quoted by USDA.

Hens finished last week at \$0.8823, up since Wed. June 12 and up about 7 cent from the year ago price.

Toms finished last week at \$0.8650, up since Wed. June 12 and up about 11 cent from the year ago price.

Total turkey supplies in the freezer on May 31 were down 7.7% from a year ago at 494.8 million pounds. Whole birds were down 10.1%

from a year ago with an inventory of 255.5 million pounds.

Turkey slaughter was 4.2730 million head for the week ending June 15, up 6.64% from a year ago. For the last two weeks slaughter has been down 0.5%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$2.0700, unchanged since Wed. June 12. Prices are up about 19 cents vs. year ago levels.

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 \$7.6684 (weighted average quote) finished last week down about 14 cents since the Wed. June 12 quote and down about 41 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$6.2522 (weighted average quote) finished last week down about 47 cents since the Wed. June 12 quote but down about 77 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$1.4162 /lb. over Select. The 2017 annual average spread (wt. average price) had the Choice at a premium to the Select by \$0.1048 per pound and the previous five years (2013 thru 2017) average spread was Choice at a premium to the Select by \$0.1030 per pound.

Choice regular #168 insides finished last week quoted at \$2.0482 up about 0.5 cents since Wed. June 12 and up about 16 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$2.1465 up about 2 cents since Wed. June 12 and up about 16 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$1.9921 down about 2 cents since Wed. June 12 but up about 6 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$6.3921 (wt. avg.) down about 22 cents from the Wed. June 12 quote. Prices are down 166 cents from year ago levels.

Choice #184 Regular Heavy top butts finished at \$2.9324 (wt. avg.) down about 25 cent since Wed. June 12 and down about 57 cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$3.1819 (wt. avg.) up about 2 cents since Wed. June 12 but down about 47 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$5.4402 (wt. avg.) down about 2 cents since Wed. June 12 and down about 41 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at \$1.7605 up about one cents since Wed. June 12 and up about 40 cents from year ago levels.

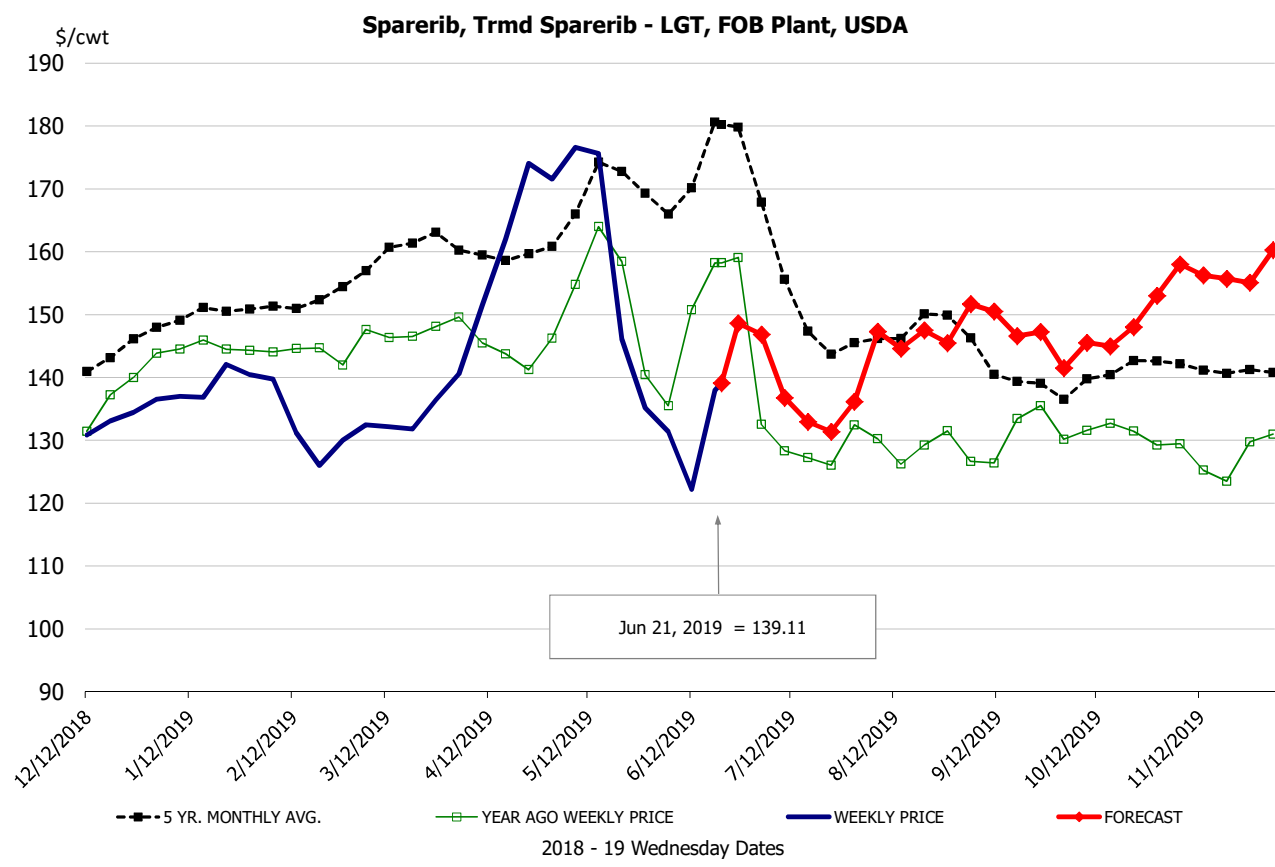
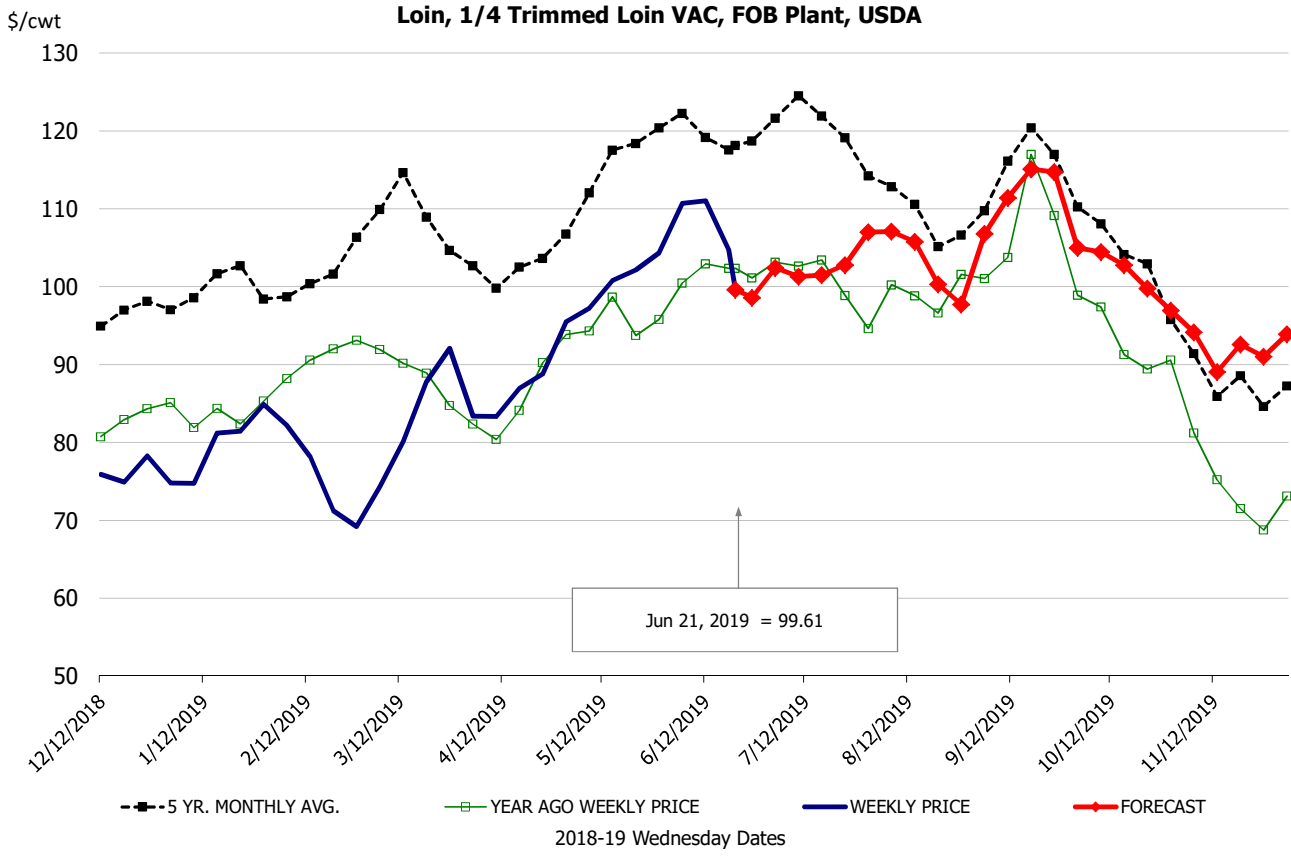
81CL Coarse Ground product finished last week at \$2.0313 up about 5 cent since Wed. June 12 and up about 44 cents from the year ago quote.

90CL Bnls. Beef prices finished the week at \$2.2396 (wt. avg.) up about 0.20 cent since Wed. June 12 and up 4 cents compared to the year ago price quote.

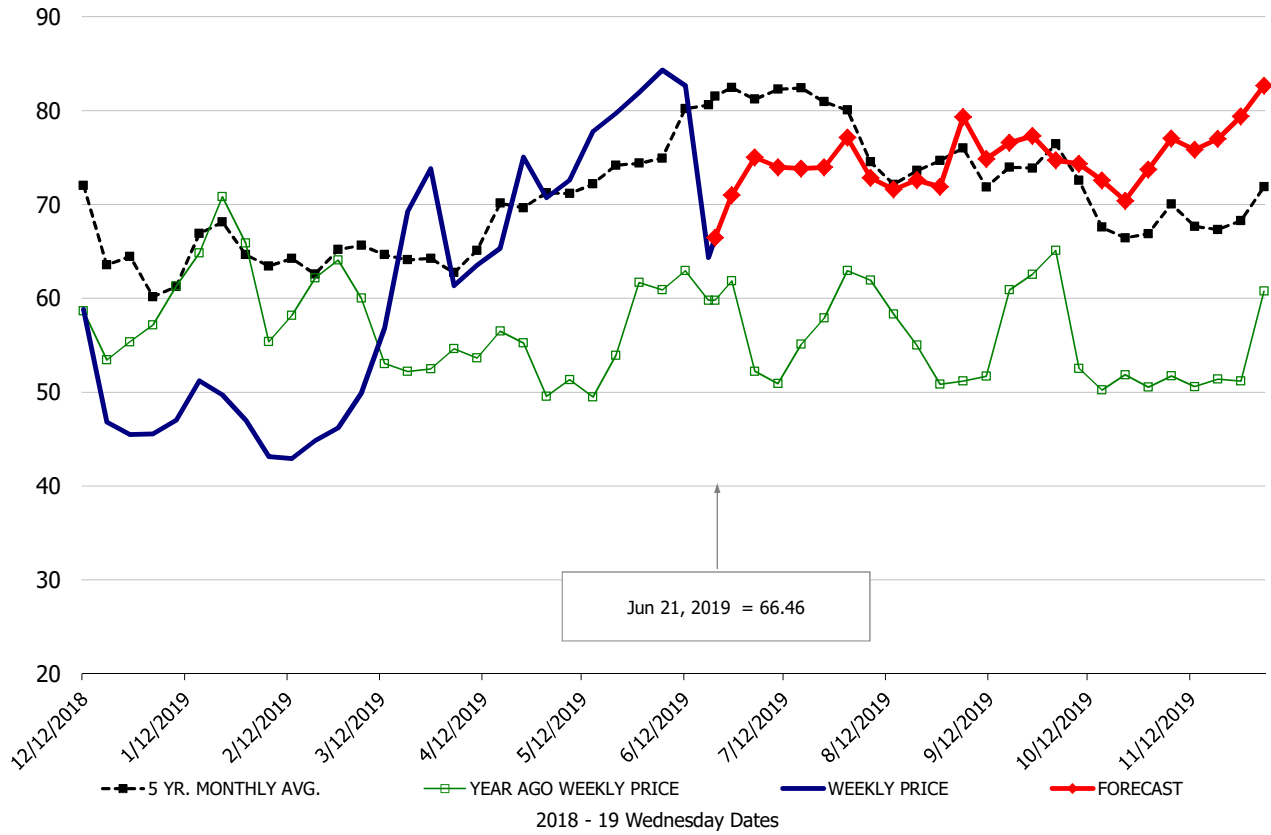
50 CL Beef Trim prices finished last week at \$0.9433, down about 0.4 cent since Wed. June 12 but up 31 cent compared to the year ago level.

Food Service Summary Table - WT. AVE

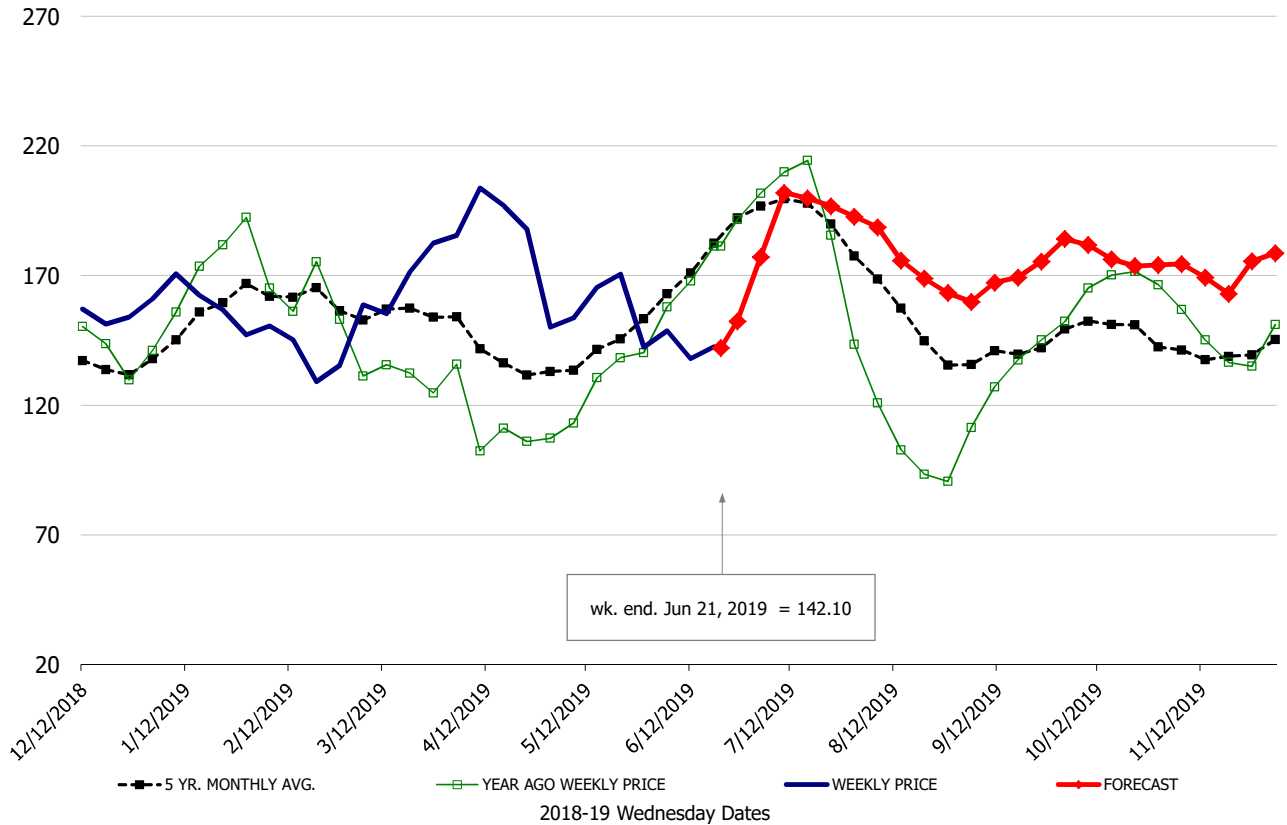
	HISTORY							FORECAST							
	Dec	Jan	Feb	Mar	Apr	May	6/12/2019	6/21/2019	7/3/2019	Jun	Jul	Aug	Sep	Oct	Nov
PORK															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	0.75	0.79	0.74	0.82	0.87	1.00	1.11	1.00	1.02	1.00	1.02	1.04	1.12	1.03	0.93
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	0.81	0.82	0.82	0.85	0.93	1.05	1.14	1.05	1.04	1.05	1.03	1.04	1.11	1.03	0.95
Loin, Bnls CC Strap-off, FOB Plant, USDA	1.29	1.26	1.25	1.24	1.38	1.41	1.39	1.38	1.38	1.38	1.37	1.44	1.64	1.64	1.52
Loin, Tenderloin, FOB Plant, USDA	1.66	1.77	1.80	1.74	1.77	1.86	2.04	1.95	2.16	1.96	2.10	2.18	2.22	2.12	2.05
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	0.90	0.80	0.71	0.74	1.04	1.11	1.01	1.01	1.10	1.02	1.05	1.09	1.16	1.04	1.03
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	1.32	1.38	1.31	1.31	1.58	1.55	1.22	1.39	1.47	1.42	1.37	1.46	1.49	1.45	1.57
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	2.08	2.09	2.12	2.16	2.17	2.25	2.21	2.15	2.10	2.11	2.05	2.14	2.17	2.13	0.00
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	1.30	1.35	1.29	1.27	1.56	1.59	1.41	1.43	1.47	1.44	1.40	1.49	1.52	1.48	1.56
Loin, Backribs 2.0#/up, FOB Plant, USDA	2.12	2.20	2.21	2.23	2.43	2.56	2.63	2.63	2.47	2.62	2.41	2.38	2.40	2.29	2.48
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	0.55	0.57	0.51	0.70	0.70	0.83	0.83	0.71	0.79	0.71	0.78	0.81	0.83	0.86	0.86
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	0.57	0.54	0.48	0.67	0.70	0.79	0.84	0.71	0.76	0.71	0.77	0.79	0.82	0.78	0.82
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	0.50	0.48	0.43	0.63	0.67	0.76	0.83	0.66	0.75	0.67	0.74	0.73	0.77	0.73	0.77
Belly Cutout, FOB Plant, USDA	1.23	1.29	1.06	1.28	1.49	1.23	1.06	1.04	1.38	1.08	1.59	1.42	1.33	1.42	1.37
Belly, Derind Belly 9-13#, FOB Plant, USDA	1.55	1.66	1.41	1.64	1.90	1.58	1.38	1.42	1.77	1.43	2.01	1.79	1.68	1.79	1.73
Belly, Derind Belly 13-17#, FOB Plant, USDA	1.49	1.53	1.30	1.58	1.74	1.40	1.27	1.23	1.61	1.25	1.89	1.77	1.66	1.77	1.71
Trim, 42% Trim Combo, FOB Plant, USDA	0.25	0.24	0.26	0.27	0.48	0.48	0.62	0.54	0.46	0.54	0.53	0.48	0.46	0.38	0.33
Trim, 72% Trim Combo, FOB Plant, USDA	0.47	0.53	0.48	0.56	0.88	0.81	1.00	0.87	0.91	0.87	0.92	0.73	0.73	0.72	0.67
HOG CARCASS															
CME 1-Day Lean Hog Index	0.55	0.57	0.55	0.59	0.81	0.83	0.80	0.80	0.82	0.80	0.82	0.80	0.80	0.79	0.76
BROILERS															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	0.90	0.99	0.90	0.93	0.98	1.01	0.95	0.94	0.96	0.94	0.94	0.94	0.91	0.89	0.90
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	0.89	1.01	1.07	1.14	1.28	1.21	1.16	1.16	1.23	1.18	1.20	1.21	1.15	1.04	0.93
N.E. BROILER BREAST LINE RUN, USDA	0.93	1.00	1.02	1.04	1.06	1.07	1.07	1.06	1.11	1.07	1.08	1.07	1.05	1.00	0.96
N.E. BROILER LEG QUARTERS, USDA	0.29	0.30	0.31	0.39	0.42	0.44	0.45	0.45	0.48	0.46	0.47	0.46	0.45	0.44	0.44
N.E. BROILER WINGS, USDA, WT.AVG.	1.47	1.73	1.88	1.89	1.99	1.93	1.91	1.91	1.94	1.93	1.96	1.97	2.01	2.05	1.97
TURKEYS															
HEN TURKEYS, EAST, FROZEN 10-12LBS, USDA	0.79	0.81	0.84	0.85	0.85	0.85	0.87	0.88	0.91	0.89	0.92	0.94	0.96	0.97	0.98
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	2.10	2.09	2.09	2.08	2.07	2.07	2.07	2.07	2.08	2.09	2.12	2.26	2.43	2.50	2.50
LIVE STEERS															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	1.18	1.23	1.25	1.28	1.27	1.20	1.14	1.11	1.08	1.11	1.07	1.06	1.08	1.11	1.17
BEEF															
CHOICE, 112A, 3 RIBEYE, BONELESS, HEAVY, USDA	8.25	7.38	7.66	8.04	8.37	7.93	7.81	7.67	7.56	7.80	7.28	7.51	7.76	8.51	9.26
CHOICE, 168, 3 TOP INSIDE ROUND, 1/4" MAX, USDA	2.13	2.16	2.20	2.24	2.24	2.07	2.13	2.15	2.06	2.12	2.10	2.15	2.10	2.16	2.09
CHOICE, 170, 1 BOTTOM GOOSENECK ROUND, USDA	1.86	1.93	2.00	2.06	1.98	1.91	2.01	1.99	1.91	1.98	1.93	1.90	2.08	2.13	2.04
CHOICE, 180, 3 STRIP LOIN, BONELESS, 0x1, USDA	5.04	5.36	5.65	6.67	7.66	7.36	6.61	6.39	6.43	6.60	6.08	5.58	5.48	5.34	5.19
CHOICE, 184, 3 TOP BUTT, BONELESS, USDA	3.39	3.53	3.54	3.60	3.63	3.32	3.16	3.18	3.62	3.27	3.47	3.37	3.32	3.07	3.07
CHOICE, 185A, 4 BOTTOM SIRLOIN, FLAP, USDA	4.68	5.14	5.14	5.07	5.81	5.16	5.46	5.44	5.08	5.48	4.84	4.99	5.14	4.79	4.69
COARSE GROUND 73%, USDA	1.56	1.69	1.57	1.73	1.81	1.73	1.75	1.76	1.76	1.77	1.70	1.66	1.66	1.61	1.54
COARSE GROUND 81%, USDA	1.74	1.86	1.76	1.94	1.98	1.94	1.98	2.03	2.00	2.03	1.93	1.89	1.76	1.78	1.73
90% BONELESS BEEF, CENTRAL, FRESH, USDA	1.95	2.02	2.11	2.16	2.19	2.23	2.24	2.24	2.27	2.24	2.25	2.20	2.20	2.16	2.08
50CL BEEF TRIM, FRESH, NATIONAL, USDA	0.61	0.59	0.66	0.80	0.89	0.83	0.94	0.94	0.83	0.94	0.85	0.78	0.63	0.63	0.71



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

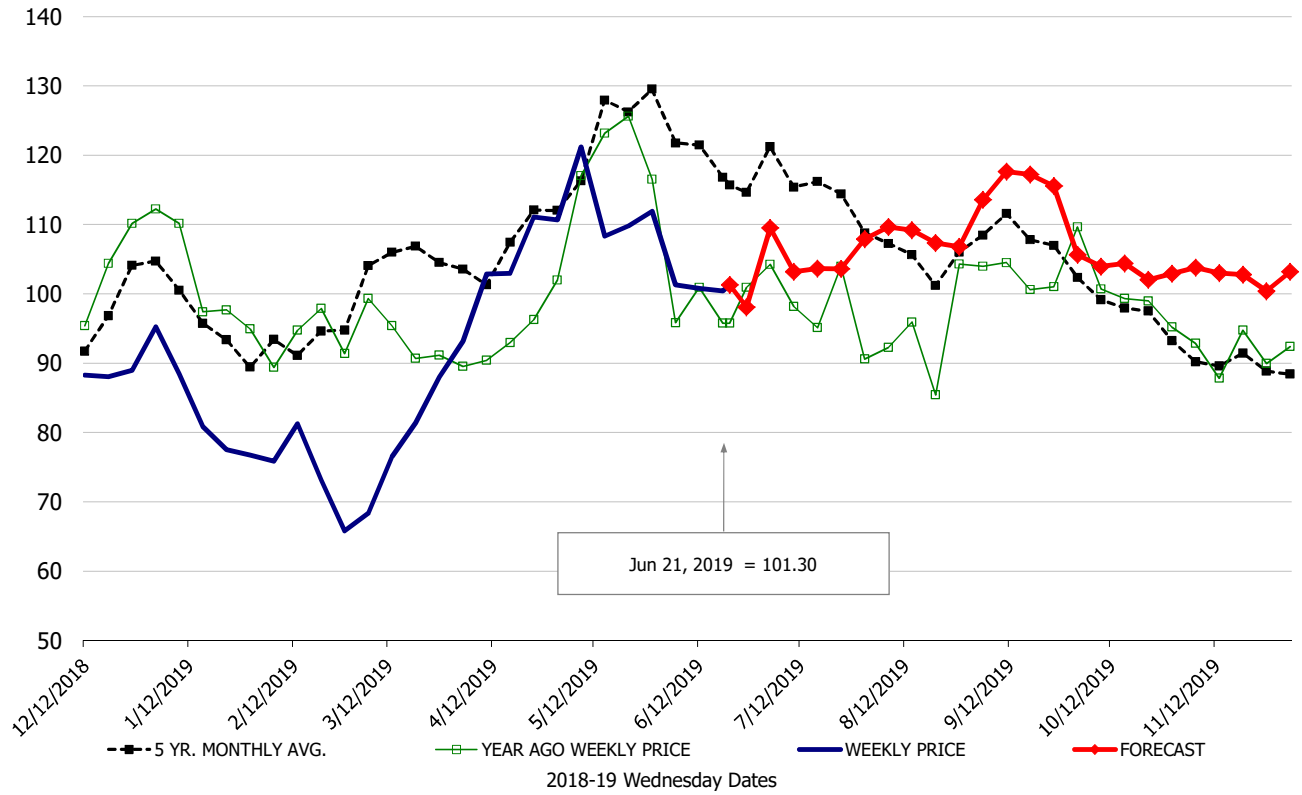


Belly, Derind Belly 9-13#, FOB Plant, USDA



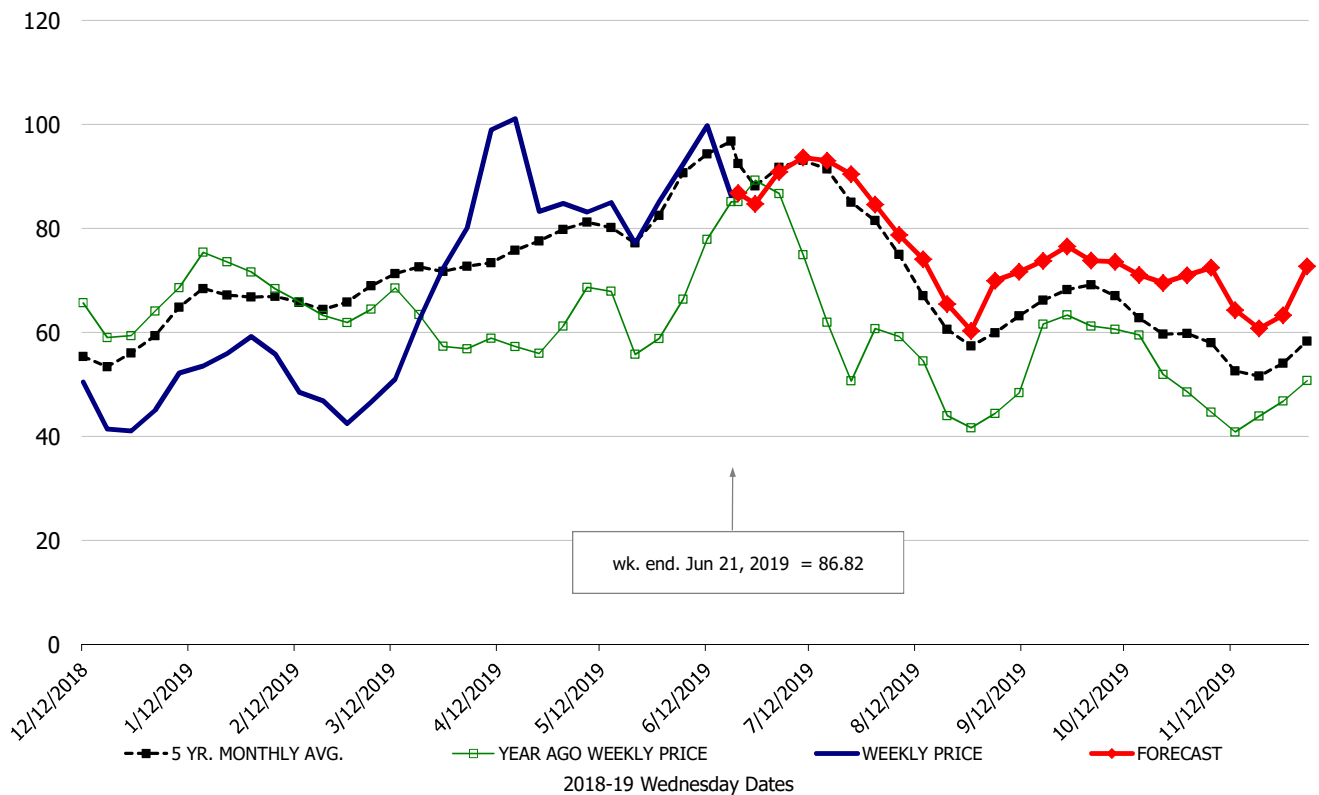
\$/cwt

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



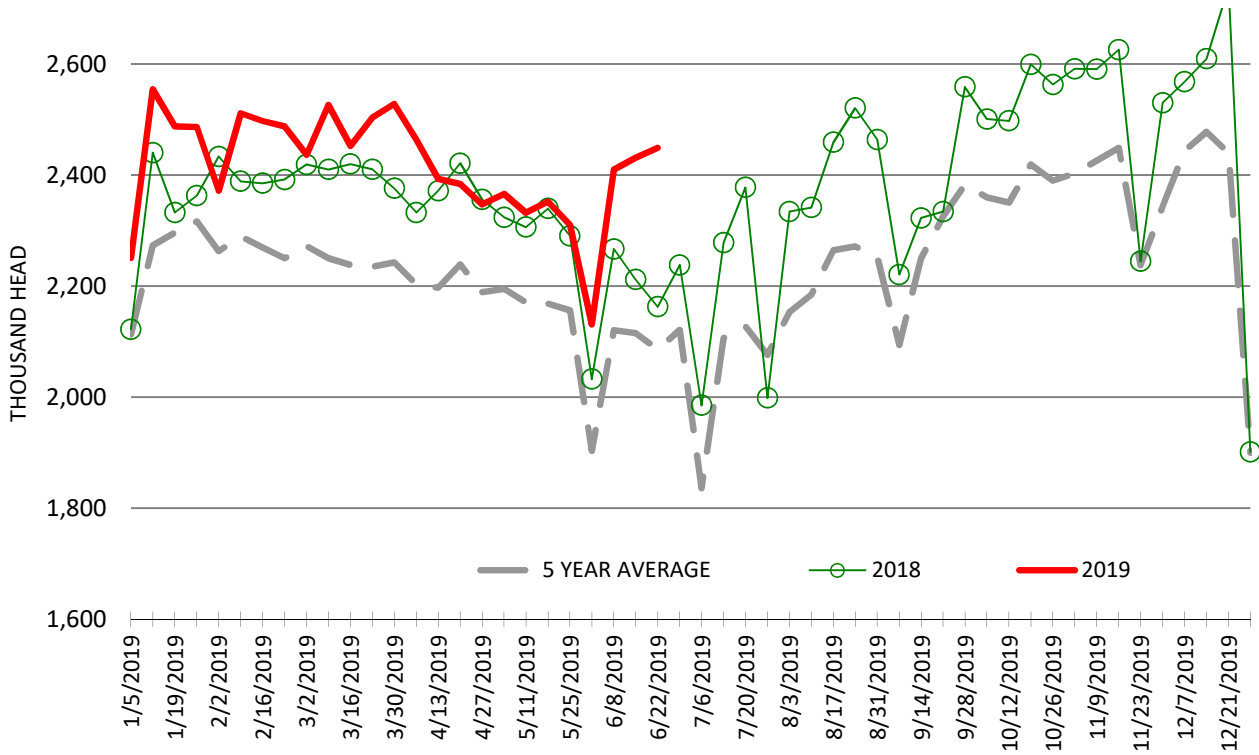
\$/cwt

Trim, 72% Trim Combo, FOB Plant, USDA



ESTIMATED WEEKLY FI HOG SLAUGHTER

Source: USDA, '000 head



ESTIMATED WEEKLY FI PORK PRODUCTION

Source: USDA, Mil. Pounds

