

TURNING MARKET VOLATILITY INTO PROFIT  
IN THE PORK INDUSTRY

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## Our Point of View

While some pork processors believe their product's selling price is dictated by following the variable USDA and live hog markets, SignalDemand has proven that this market volatility actually represents an opportunity to improve profitability. By applying advanced analytics to link demand with the current pre-sold position, available inventory and all fabrication options, pork processors can provide consistent and accurate pricing for their customers, maximize their cutout value and increase margin on their products.

## Your Challenges

Every day you are tasked with improving the cutout by processing hogs coming in the back door into a product mix that meets your customers' ever-changing demand while still achieving your profit objectives. This is made increasingly

complicated by volatile costs, such as the price of live hogs, incomplete USDA price reporting and the downward pressure on your prices from competition and the retailers. During your daily pricing meetings your team uses experience and a good bit of intuition to determine the best strategy for the day based on the cutout, projected profitability and estimated primal prices based upon past reports. Then your sales team must execute this strategy in hundreds if not thousands of pricing decisions for each product in the mix, with its only guidance being yesterday's events and reports to guide negotiations. Only when it may be too late is it clear if you met your objectives or are left dumping excess meat on the market. With so much subjective information being distributed through so many hands so quickly, one can easily see how margin and pricing consistency can be lost—leaving profits on the table.



## How Our Customers Use Our Solution

Accurately price every product, every day

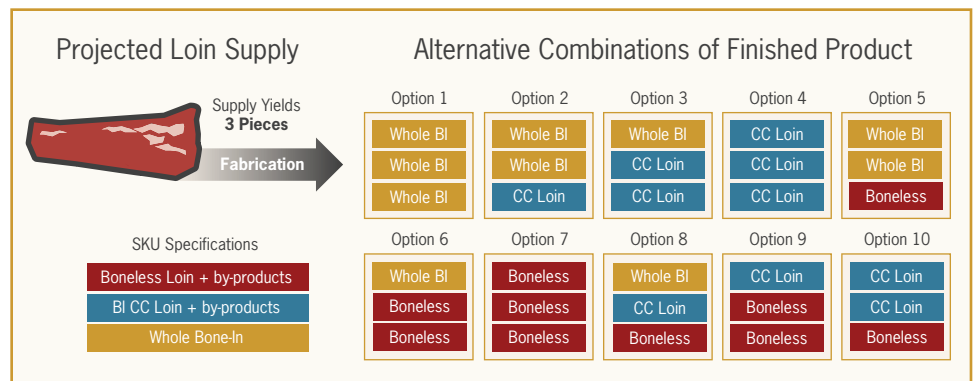
SignalDemand uses a patent-pending combination of all pertinent data, a rigorous rules-based approach and purpose-built science to recommend price ranges for cuts of meat. The data includes past and forecasted market prices (based on USDA data in the US), demand, documented buying patterns, seasonality, pre-sold positions, available inventory, costs, margin goals and other corporate objectives. The result is Price Forecasting—the customer knows the best and fairest price range to charge for a product before quoting.

Optimize cutout margin

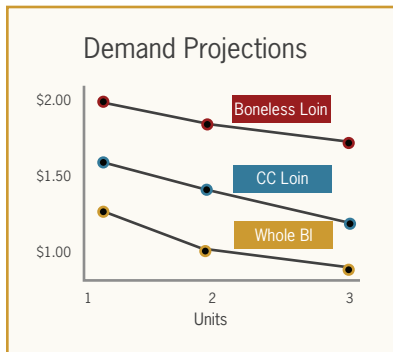
Margin pressures are raising the importance for meat companies of maximizing cutout margins while balancing existing pre-sold commitments and the requirements of existing customer relationships. SignalDemand customers can evaluate every fabrication alternative and then see the corresponding margin and revenue implications so that their inventory can be kept in balance and sold on schedule.

## So How Does It Really Work?

**1** First, SignalDemand evaluates all the possible fabrication alternatives



**2** Next, SignalDemand measures demand for each cut at different prices using your history and available market data



**3** Then SignalDemand instantly calculates margin and revenue for thousands of potential scenarios

**Performance Projections**

Option	Revenue	Margin
1	\$34.50	\$3.00
2	\$39.50	\$7.00
3	\$42.50	\$9.00
4	\$40.50	\$6.00
5	\$42.00	\$9.00
<b>6</b>	<b>\$49.65</b>	<b>\$13.65</b>
7	\$47.50	\$13.00
<b>8</b>	<b>\$49.50</b>	<b>\$14.00</b>
9	\$47.00	\$13.00
10	\$47.00	\$12.00

Which combination best meets your goals?

← **Max Revenue**

← **Max Margin**

**4** Last, SignalDemand recommends prices that are driven by your corporate objectives and business rules

**"Demand Shaping" Price Sheet**

Trim	\$/Pc	Avg. Wt	\$/Lb	Units
Whole BI	\$14.00	10	\$1.30	0
CC Loin	\$15.50	9	\$1.88	1
Boneless	\$17.00	8	\$2.83	2

## How SignalDemand Adds Financial Value

SignalDemand's capabilities convert to improved profits:

- Every pricing decision is systematically aligned with corporate goals—no “bad deals”
- Each price quote is based on a mathematically calculated higher probability of acceptance
- Fabrication decisions (bone-in/bone-out) are made for every muscle group to optimize margin
- Products are directed to the most profitable customer type or channel
- Know when to raise the value of products and how much to charge for improved margin
- Changes in inventory are immediately reflected in new pricing recommendations
- Inventory imbalances are caught earlier than humans can usually detect them, so they can be corrected without having a “fire sale”

Margin increase of  
**\$20MM–40MM**  
is possible for every  
\$1B under management

- Allows a more proactive relationship with your customer by recommending ad features—by customer, by product and by time frame—to calculate promotions that maximize profit for both you and your customer (and that solve inventory imbalance problems)
- Quotes customized pricing for every cut so you can be confident that each product price is reasonable and fair
- Changes pricing from an intuition-based process to a science-based one, with robust software that incorporates pricing expertise, numerous pricing rules and corporate objectives

## How SignalDemand Adds Strategic Value

SignalDemand's application ensures your pricing reflects your corporate objectives:

- Strengthens your partnership with your customers by sharing valuable market demand information

## How can I know if SignalDemand can help me?

SignalDemand offers a condensed analytical process for meat manufacturers to investigate possible areas for margin improvement including:

- 1 **Visibility** – Are we losing margin? Is there price dispersion?
- 2 **Efficiency** – Are we making the best cutout decisions?
- 3 **Execution** – Do we have full control of our price execution?  
*and*
- 4 **Price Forecasting** – Can we earn higher margin by more reliably predicting the market price?



## About SignalDemand

SignalDemand's solutions help manufacturers fine-tune demand and supply, leading to dramatic improvement in their financial performance. Commodity food processors and consumer goods manufacturers use SignalDemand to optimize a wide range of pricing and promotion decisions while understanding the impact on supply costs and inventory. SignalDemand uses patent-pending econometric models, optimization algorithms and activity-based costing techniques. Customers include Cargill Meat Solutions, National

Frozen Foods, Rich Products, and Ventura Foods. To learn more or to request information, please visit [www.signaldemand.com](http://www.signaldemand.com).

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