



Pork Merchandiser's Profit Maximizer

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Prepared by Steiner and Company, Manchester, NH 800-526-4612.

September 26, 2022

1. Hog breeding herd unlikely to show growth despite good profits reported over the summer months.

The hog breeding herd as of June 1 was estimated at 6.168 million head, an increase of 70k head from the previous quarter but still 1.1% lower than the previous year. Weekly sow

slaughter during the Mar - May quarter was down by about 50k head although the monthly figures put the decline at 52k. Weekly slaughter for the Jun-Aug period was slightly higher than the previous year which would suggest a modest change in the breeding stock on September 1. However, the slaughter numbers are a very imperfect indicator because gilt retention in a quarter can significantly affect the final inventory number. We don't have any figures as to gilt retention, either weekly or monthly, and the only way to even come close to an estimate is when the inventory numbers are published by backing into it.

It would be reasonable to expect some relationship between producer margins in each quarter and changes in the breeding herd. The theory being that if a producer is making money then this will encourage an increase in gilt retention. But production decisions are not that simple as producers have to account not just for the

Hogs Kept for Breeding. Quarterly Inventory. '000 Head

Source: USDA-NASS. Analysis by Steiner Consulting



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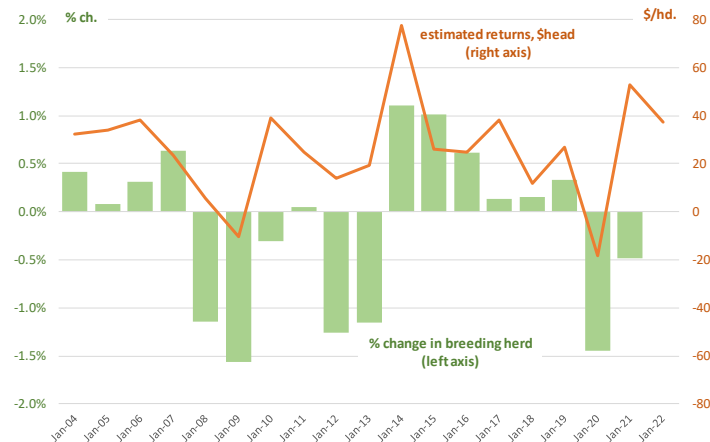
profitability in the near term but also the outlook in the next 12-18 months. We do not think it is a coincidence that hog futures for 2023 have rallied just as the grain market has moved up. Some of this is probably money flow and inflation bets but it also reflects the idea that higher breakevens for producers will keep supply in check. Going back to the relationship of producer returns and change in the breeding herd, one can see that negative returns sometimes result in a drop in the breeding herd from June to September. But positive returns do not always result in herd increases. Last year returns for the Jun-Aug quarter were solid and yet the breeding herd declined. We suspect uncertainty about Prop 12, higher future grain prices and slowdown in Chinese demand played a role. During 2012-13, another year with high future grain prices, herd declined even as returns for the quarter were good. The point here is that it is not a given that improving margins during the summer will result in breeding herd increases. The USDA forecast for a 1.5% increase in 2023 pork production may end up being right, but those productivity numbers better hold up.

2. Pork cold storage inventories

Pork supplies in the freezer are still running as much as 20% above last year but slightly under the five-year average. The pace of inventory building in August was lower than normal, largely due to a slower build for hams as well as a larger than normal decline in some processing items. The total inventory of hams at the end of August was estimated at 163.5 million pounds, 11.9% lower than a year ago and 13% lower than the five-year average. In the last five years ham inventories in August increased an average of 13% from the previous month. This year inventories increased by 8%. High ham prices have resulted in a slower than normal build, which increases upside price risk due to the limited number of production days between now and Thanksgiving as well as potentially higher holiday demand for hams as HPAI decimates turkey flocks. The inventory of pork bellies at the end of August was 32.5 million pounds, 85% higher than a year ago as well as 9.5% higher than

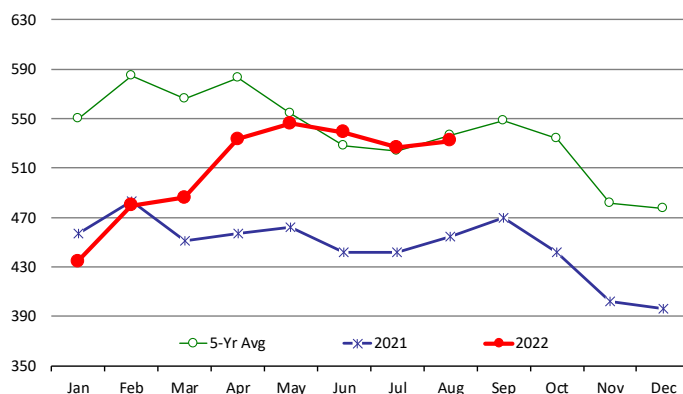
% Change in Hog Breeding Herd from Jun. to Sep. vs. Estimated Producer Margin for Jun-Aug

Data source: USDA Quarterly Hog Surveys and IA State Est. Farrow-Finish Returns. Analysis by Steiner Consulting



All Pork In Cold Storage at End of Month

Million Pounds. Source: USDA-NASS



the five-year average. We thought the cold storage number was supportive for bellies given that the drawdown in stocks during August was 24% compared to an average 17% the last five years. Last year August belly inventory drawdown was 37%, which set the stage for a sudden price increase in late September and October. USDA also made significant downward revisions to pork trim inventories for July and the inventory of trim at the end of August was 39.9 million pounds, 15% lower than the previous month and now just 3% higher than the five-year average.

PORK

Hog Market. For the week ending September 24 hog slaughter was 2.538 million head, down 1.7% from a year ago. In the last two weeks hog slaughter is down 2.4% vs. year ago levels.

Iowa/Minnesota, Base Negotiated Purchase for Barrows and Gilts. Lean hog carcass values at about 97.09 /cwt. on Friday were down \$0.7/cwt since Wed. September 14. Prices are up about 5.2 \$/cwt compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at \$1.2170, up about 3.6 cent since the Wed. September 14 quote and up about 13 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.5797 for the strap on loins, down 1.4 cent since Wed. September 14 but up 5 cent from the year ago levels. Strap off loins at \$1.6753 are down 5.1 cent since Wed. September 14 and down about 15 cent compared to the year ago quote.

Boneless sirloins at \$1.3626 are down about one cents from the Wed. September 14 quote and down about 18.8 cents from the year ago price.

Pork tenderloin finished last week at \$1.8362, up 2 cent since the Wed. September 14 quote but down about 68.3 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at \$1.2182, up 1.9 cents since Wed. September 14. Prices are up 14 cent from a year ago.

Spareribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$1.4333, down about 6 cent since Wed. September 14 and down about one cents from year ago levels.

Rib inventories on August 31 were 107.3 million pounds, up 98.2% from a year ago.

Bone-in Hams

17/20 hams (page 9) price was last quoted at \$1.0863/lb. up 2 cents since Wed. September 14 and up about 46 cents from a year ago.

20/23 hams finished the week at 108.08 cents (page 130) up about 2 cent since Wed. September 14 and up about 46 cents from the year ago level.

23/27 hams finished the week at 106.87 , down about 0 cent from the Wed. September 14 quote but up about 45.5 cents from the year ago level.

Total ham cold storage stocks on August 31 at 163.5 million pounds were down 11.9% from year ago levels.

42 CL Pork Trim "FOB Basis". Prices finished the week at 72.64 cents, down about 9.3 cent since Wed. September 14 but up about 2 cents from the year ago price.

72 CL Pork Trim "FOB Basis". Prices finished the week at 103.22 cents, down 7.1 cents since the Wed. September 14 quote and down about 5 cents from the year ago levels.

Freezer stocks of all trimmings on August 31 were 39.9 million pounds, up 7.2% from the year ago levels.

72 CL Picnic Meat "FOB Basis". The premium of picnic meat to 72CL trim is currently at **29** cents compared to **26** cent average in the previous six months.

POULTRY

Whole Broilers

The National Whole Bird price was quoted at 129.38 on Friday, September 24, up about 23 cents from a year ago.

Broiler slaughter for the week ending September 24 was 173.30 million head, up 3.07% from a year ago. For the last two weeks broiler slaughter was up 2.7% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$1.7907, down 15 cents since Wed. September 14 and still down about 30 cents from year ago levels.

Leg Quarters. This market continues to be export driven. Last week leg quarter prices were down about 0.29 cents vs. two weeks ago but at 43.90 cents per pound prices were up 4 cent from a year ago.

Wings. Prices at \$1.1542 are down about 194 cents from year ago levels.

Turkeys

The prices below reflect weekly quoted USDA prices.

Hens finished last week at \$1.7108, up cent since Wed. September 14 and up about 32 cents from the year ago price.

Toms finished last week at \$1.6960, up since Wed. September 14 and up about 40 cent from the year ago price.

Total turkey supplies in the freezer on August 31 were up 0.8% from a year ago at 431.7 million pounds. Whole birds were down 3.2% from a year ago with an inventory of 254.8 million pounds.

Turkey slaughter was 3.7710 million head for the week ending September 17, down -2.58% from a year ago. For the last two weeks slaughter has been down 1.4%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$6.7000, unchanged since Wed. September 14. Prices are up about 345 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 \$8.7747 (weighted average quote) finished last week down about 54 cents since the Wed. September 14 quote and down about 582 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$6.4071 (weighted average quote) finished last week down about 12 cents since the Wed. September 14 quote but down about 369 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$2.3676 /lb. over Select. The 2017 annual average spread (wt. average price) had the Choice at a premium to the Select by \$0.1235 per pound and the previous five years (2015 thru 2019) average spread was Choice at a premium to the Select by \$0.1244 per pound.

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 \$2.6385 for 90CL and \$0.9899 for 50CL product, an 81CL meat block value is now \$2.2676 and a 78CL meat block is \$2.1439. Choice 114, 3 Clods are now being priced 20.49 cents over 81CL meat block grinding values of 90s and 50s. A year ago the spread was **69.79** cents and the five year average spread for is **33.03** cents over.

Choice #161 Boneless Rounds finished last week at **\$2.9627**, down slightly since Wed. September 14 and down about 24 cents from year ago levels.

Choice regular #168 insides finished last week quoted at \$2.6866 down about 11 cents since Wed. September 14 and down about 35 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$2.7188 down about 6 cent since Wed. September 14 and down about 27 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$2.6632 down about 16 cents since Wed. September 14 and down about 27 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$6.4795 (wt. avg.) down about 0.5 cents from the Wed. September 14 quote. Prices are up 24 cents from year ago levels.

Choice #184 Regular Heavy top butts finished at \$3.4819 (wt. avg.) down about 7 cents since Wed. September 14 and down about 79 cent from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$3.5053 (wt. avg.) down about 4 cents since Wed. September 14 and down about 77 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$6.4151 (wt. avg.) up about 28 cents since Wed. September 14 and up about 10 cents from year ago values.

COARSE GROUND BEEF –

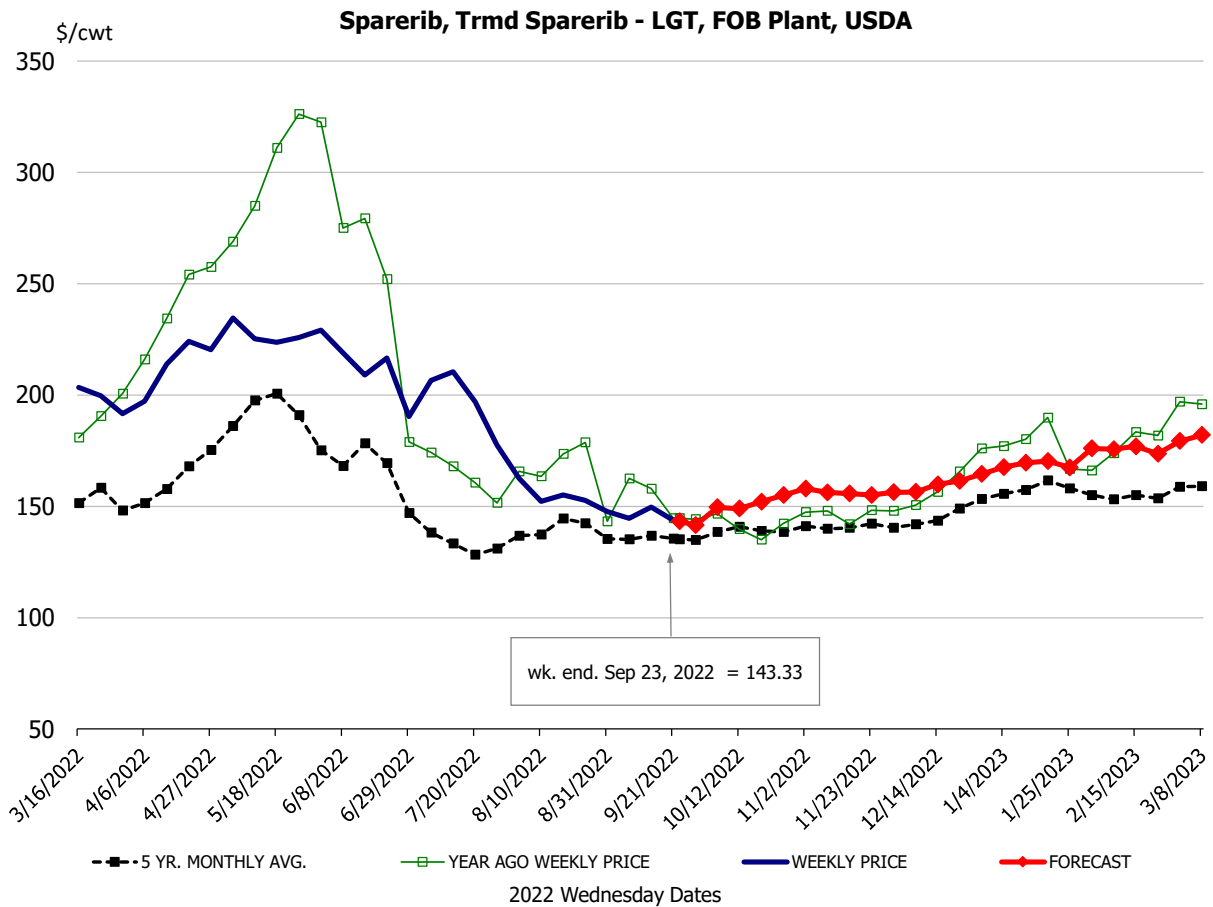
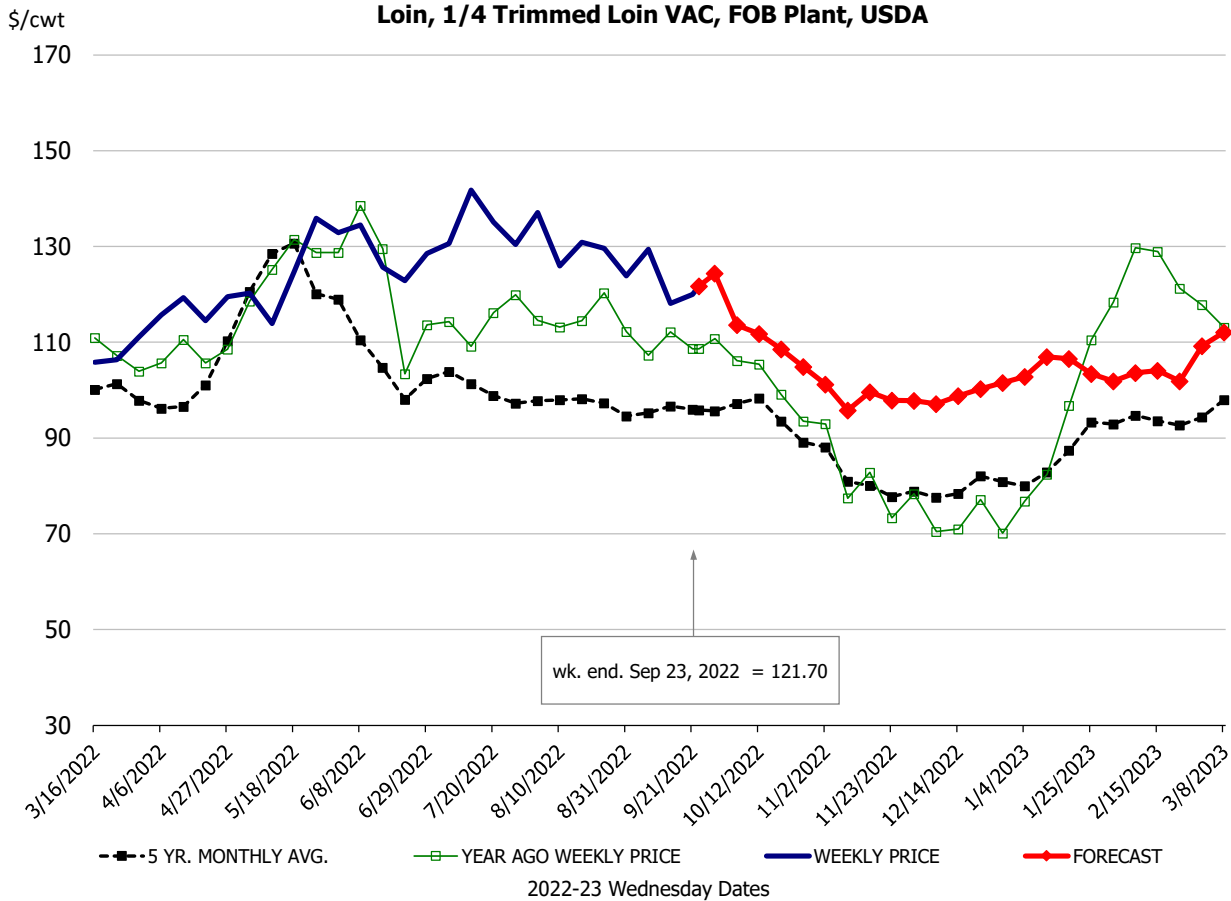
73CL Coarse Ground product finished last week at **\$1.9420 up** about 7 cents since Wed. August 31 but down about 35 cents from year ago levels.

81CL Coarse Ground product finished last week at \$2.4153 up about 2 cent since Wed. **August 31 but down** about 14 cents from the year ago quote.

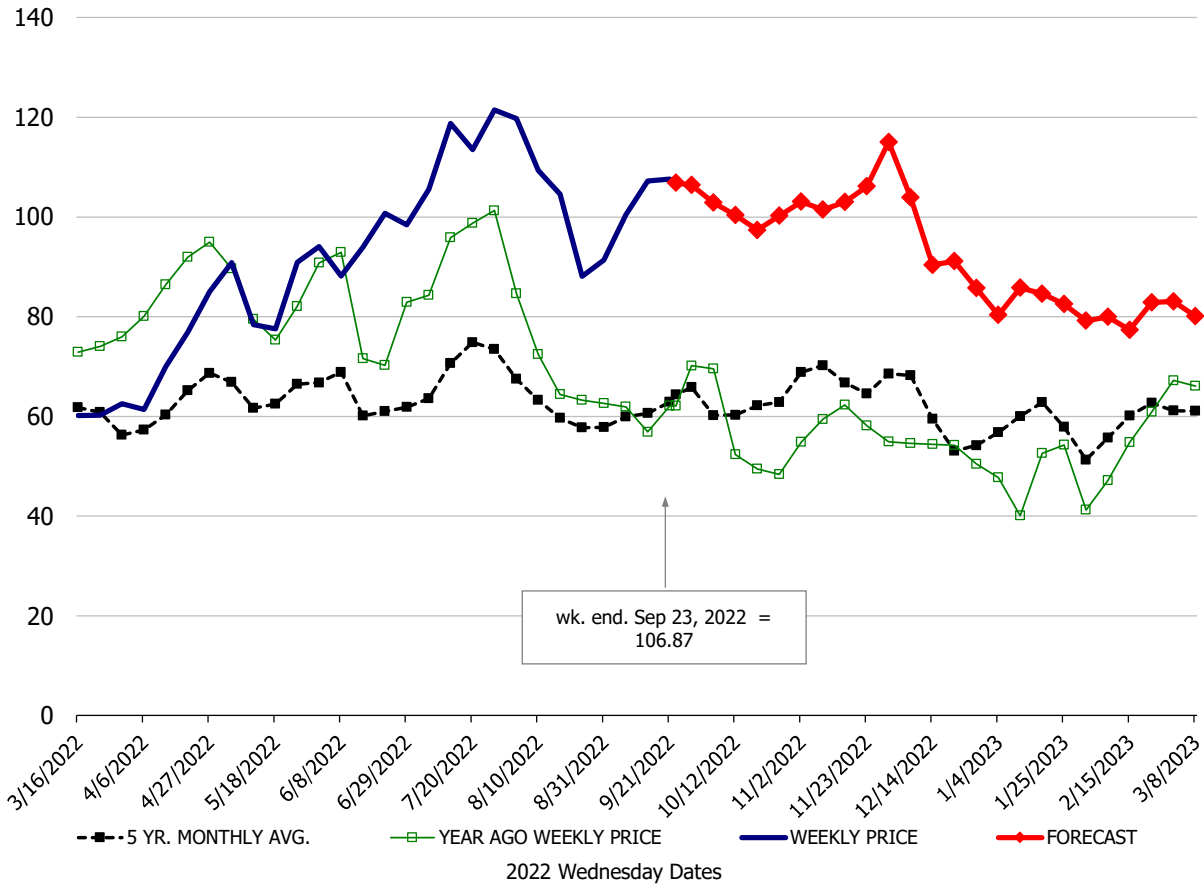
90CL Bnls. Beef prices finished the week at **\$2.6589** (wt. avg.) **down 12.61** cent since Wed. August 31 and down 13 cents compared to the year ago price quote. **50 CL Beef Trim** prices finished last week at \$1.0456, down about 2 cent since Wed. August 31 and down 39 cents compared to the year ago level.

Protein Summary Table - WT. AVE.

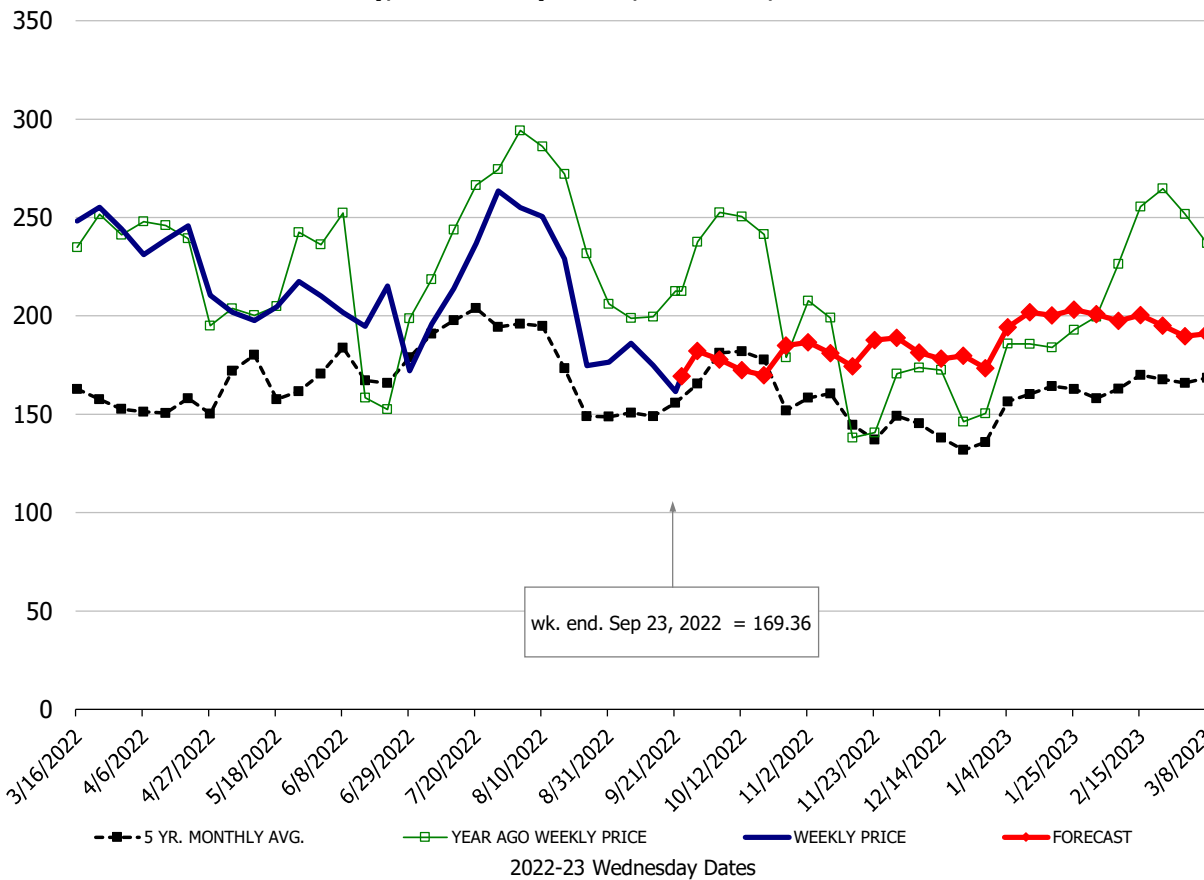
	HISTORY								FORECAST						
	Mar	Apr	May	Jun	Jul	Aug	9/14/2022	9/23/2022	10/5/2022	Sep	Oct	Nov	Dec	Jan	Feb
<u>PORK</u>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	108.7	115.7	120.2	127.0	132.3	126.7	118.1	121.70	114	122	112	100	98	104	103
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	118.9	116.5	125.0	132.4	135.0	130.6	125.3	124.79	119	126	115	106	102	107	108
Loin, Bnls CC Strap-off, FOB Plant, USDA	158.9	152.5	151.0	149.4	153.9	173.6	172.7	167.53	179	168	176	163	161	162	158
Loin, Tenderloin, FOB Plant, USDA	217.2	212.5	217.3	213.2	215.1	206.6	181.9	183.62	192	184	194	194	179	199	208
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	119.2	120.2	120.2	147.4	179.8	137.9	114.6	117.89	125	115	125	122	124	123	112
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	193.1	208.6	224.7	208.7	188.6	155.4	149.6	143.33	150	145	149	157	159	168	176
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	363.1	375.6	384.1	373.4	368.6	348.3	287.3	310.42	280	304	279	284	284	278	286
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	186.7	205.0	208.5	197.6	184.9	151.3	145.8	141.49	147	142	147	157	157	166	174
Loin, Backribs 2.0#/up, FOB Plant, USDA	406.1	377.9	355.1	316.6	225.0	213.9	199.0	187.19	189	195	189	199	199	212	229
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	63.7	71.0	85.4	96.6	110.8	103.7	106.9	108.63	105	105	104	105	101	84	82
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	62.3	72.4	80.6	95.2	111.3	103.3	105.9	108.08	104	105	102	104	100	83	80
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	62.3	73.8	81.2	93.5	113.6	101.9	107.3	106.87	103	104	101	103	99	82	79
Belly Cutout, FOB Plant, USDA	192.3	179.8	155.8	158.2	184.5	191.2	151.8	135.63	144	140	142	150	147	159	164
Belly, Derind Belly 9-13#, FOB Plant, USDA	245.1	232.4	196.9	200.3	224.2	217.2	174.8	169.36	178	177	175	185	181	196	202
Belly, Derind Belly 13-17#, FOB Plant, USDA	231.6	207.3	179.9	186.9	210.3	209.7	186.6	157.70	176	167	171	181	177	192	198
Trim, 42% Trim Combo, FOB Plant, USDA	82.0	76.7	83.6	81.9	109.9	114.8	81.9	72.64	69	79	70	60	55	54	57
Trim, 72% Trim Combo, FOB Plant, USDA	90.7	110.8	101.7	107.6	120.7	125.3	110.3	103.22	87	102	85	83	82	90	85
Trim, Picnic Meat Combo Cushion Out, FOB Plant, USDA	97.8	111.8	104.6	117.2	130.9	137.6	115.5	115.73	123	117	121	121	119	103	98
Carcass Cutout, FOB Plant, USDA	105.7	106.6	104.4	109.5	120.6	117.0	106.9	103.20	106	104	104	102	99	98	97
<u>HOG CARCASS</u>															
CME 1-Day Lean Hog Index	101.1	101.0	101.9	109.0	115.5	121.4	97.8	97.09	95	99	93	87	84	85	89
<u>BROILERS</u>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	148.1	166.9	169.7	165.8	153.5	130.8	129.1	129.38	123	129	123	110	109	107	110
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	277.6	302.1	351.6	331.6	281.1	228.9	193.6	179.07	180	191	179	169	165	170	180
N.E. BROILER BREAST LINE RUN, USDA	132.6	152.2	185.0	192.4	192.8	185.6	159.5	158.74	146	159	145	125	120	120	120
N.E. BROILER LEG QUARTERS, USDA	39.0	44.4	51.6	59.7	61.2	56.3	44.2	43.90	42	44	42	42	42	42	43
N.E. BROILER WINGS, USDA, WT.AVG.	222.7	208.1	190.8	180.5	167.2	128.4	118.5	115.42	132	125	131	148	162	191	189
<u>TURKEYS</u>															
HEN TURKEYS, EAST, FROZEN 10-12LBS, USDA	135.1	137.8	142.1	152.9	157.6	163.4	171.0	171.08	179	169	179	181	155	145	135
TOM TURKEYS, EAST, FROZEN 16-22LBS, USDA	135.9	138.3	142.4	149.9	154.7	162.9	166.0	169.60	179	167	179	181	155	145	135
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	446.0	523.8	610.0	642.0	663.8	665.0	670.0	670.00	670	669	670	670	630	495	490
<u>LIVE STEERS</u>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	140.0	141.5	142.4	141.8	143.4	144.3	142.7	144.70	144	143	145	149	151	152	155
<u>BEEF</u>															
CHOICE, 112A, 3, USDA,RIBEYE, BONELESS, HEAVY, WT.AVG.	814.1	887.4	809.1	881.1	847.4	918.4	931.4	877.47	978	903	995	1090	963	788	838
CHOICE, 161, 1, USDA,ROUND, BONELESS, WT. AVG.	280.9	280.7	278.5	277.7	279.7	288.1	296.5	296.27	291	296	290	294	290	296	297
CHOICE, 168, 3, TOP INSIDE ROUND, 1/4" MAX, WT. AVG., USDA	286.0	283.3	267.7	263.7	274.2	274.8	278.3	271.88	273	276	275	271	265	277	288
CHOICE, 170, 1, BOTTOM GOOSENECK ROUND, WT. AVG., USDA	271.6	254.1	242.7	245.8	258.1	254.0	282.0	266.32	285	279	280	276	270	282	278
CHOICE, 180, 3, USDA,STRIP LOIN, BONELESS, 0X1, WT. AVG.	743.8	764.5	766.0	820.9	866.5	792.4	664.7	648.35	635	649	689	663	681	677	691
CHOICE, 184, 3, USDA,TOP BUTT, BONELESS, WT. AVG.	356.1	383.3	378.4	372.0	368.5	366.6	367.4	362.56	355	362	340	342	347	353	371
CHOICE, 185A, 4, USDA,BOTTOM SIRLOIN, FLAP, WT. AVG.	712.8	710.4	603.8	622.6	714.8	772.4	756.4	593.19	622	639	633	639	652	632	650
USDA,COARSE GROUND 73%, WT. AVG.	153.1	174.3	172.9	182.1	174.9	172.9	178.8	154.14	171	172	172	172	168	209	182
COARSE GROUND 81%, WT. AVG., USDA	244.0	261.1	268.6	285.8	267.9	239.2	235.5	205.22	221	225	225	235	225	295	263
USDA, 90% BONELESS BEEF, CENTRAL, FRESH, WT. AVG.	282.5	276.1	272.0	275.6	271.7	266.6	262.2	263.85	265	265	264	262	264	270	277
USDA, 50CL BEEF TRIM, FRESH, NATIONAL, WT. AVG.	108.5	123.4	105.4	116.2	109.8	104.1	102.2	98.99	85	102	89	104	90	95	92



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

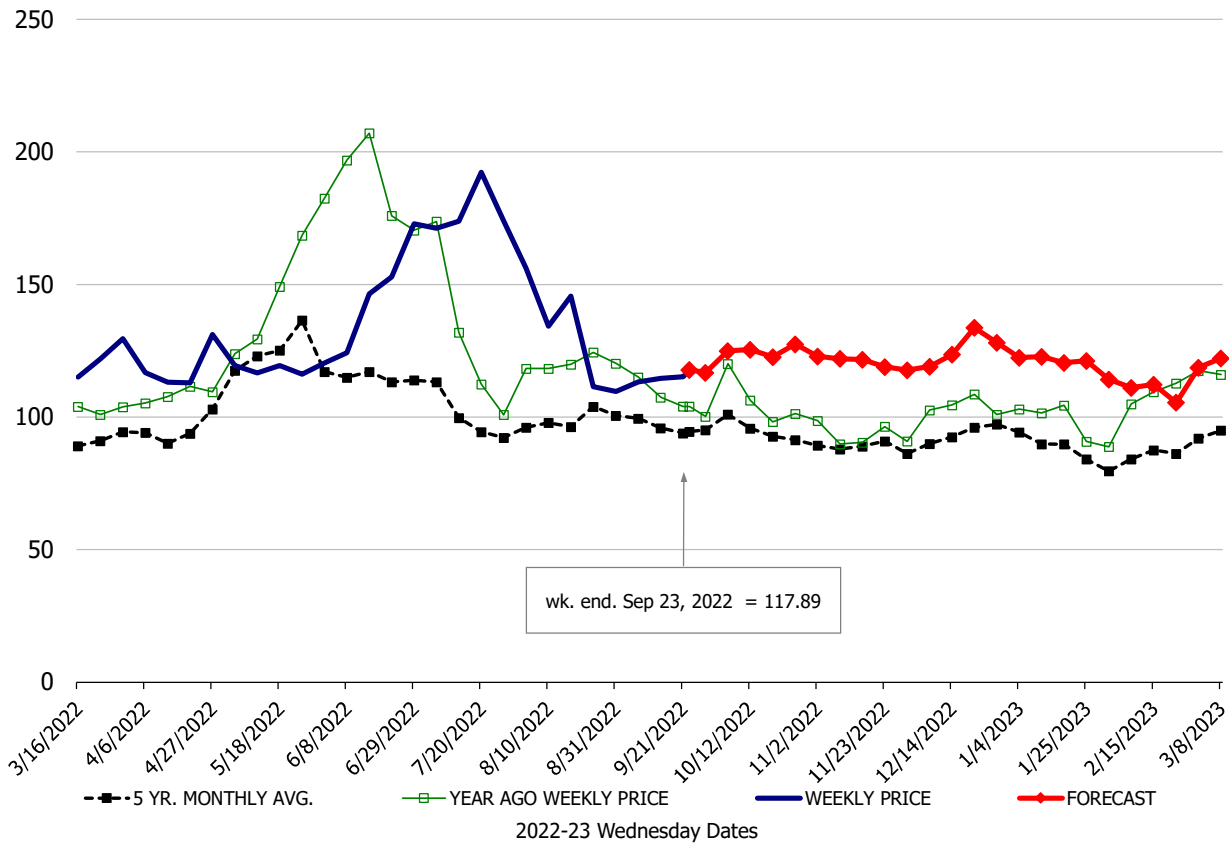


Belly, Derind Belly 9-13#, FOB Plant, USDA



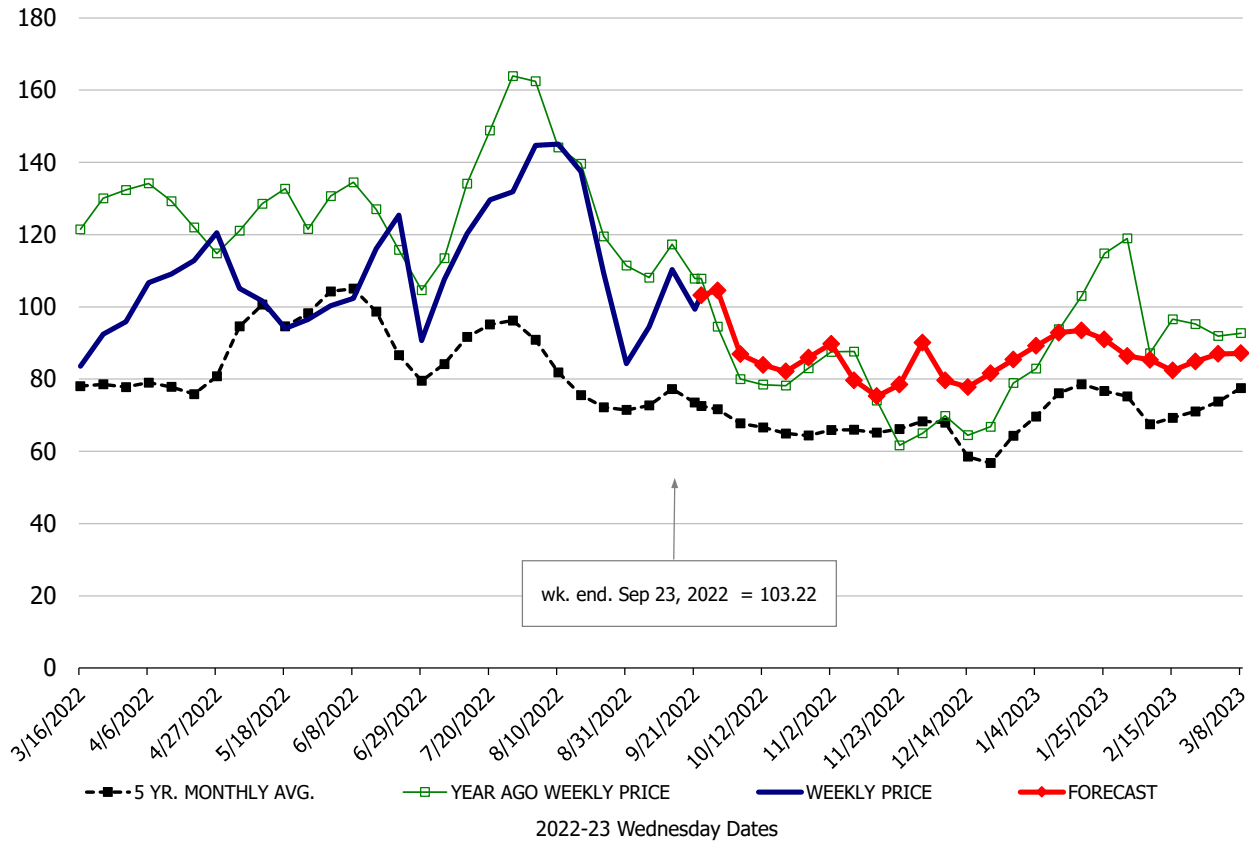
\$/cwt

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



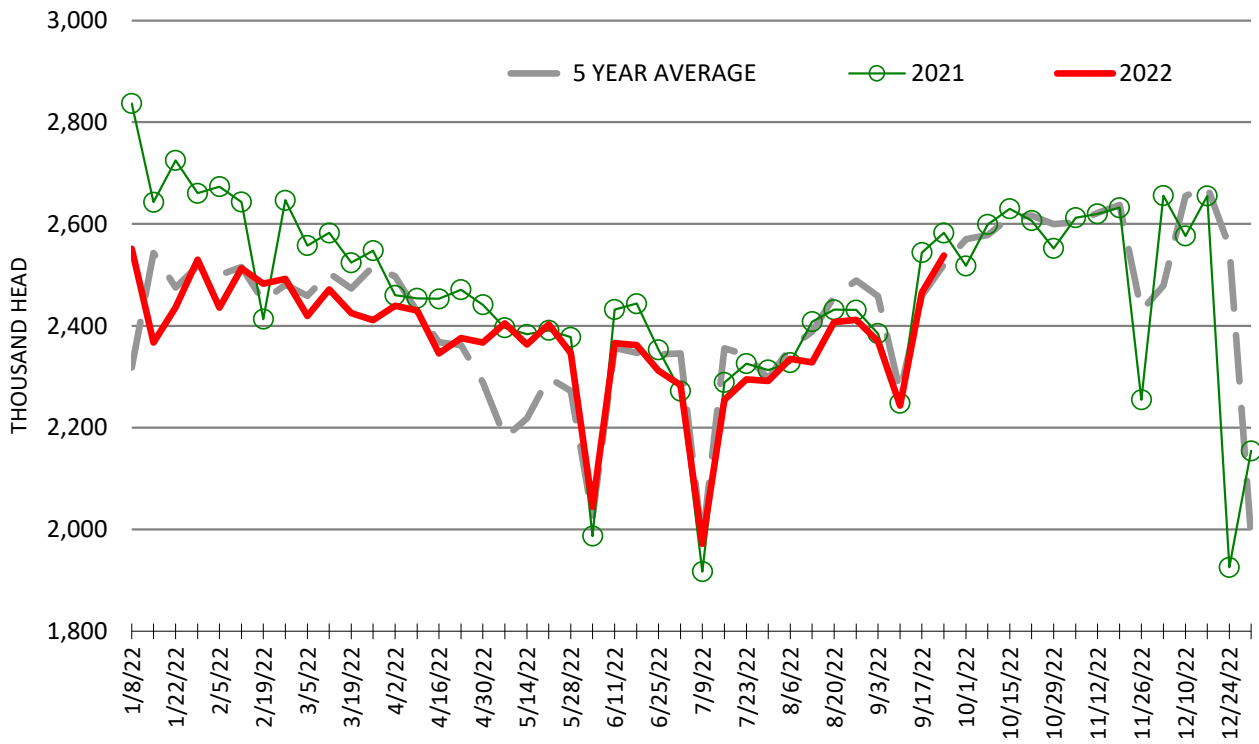
\$/cwt

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

