



Pork Merchandiser's Profit Maximizer

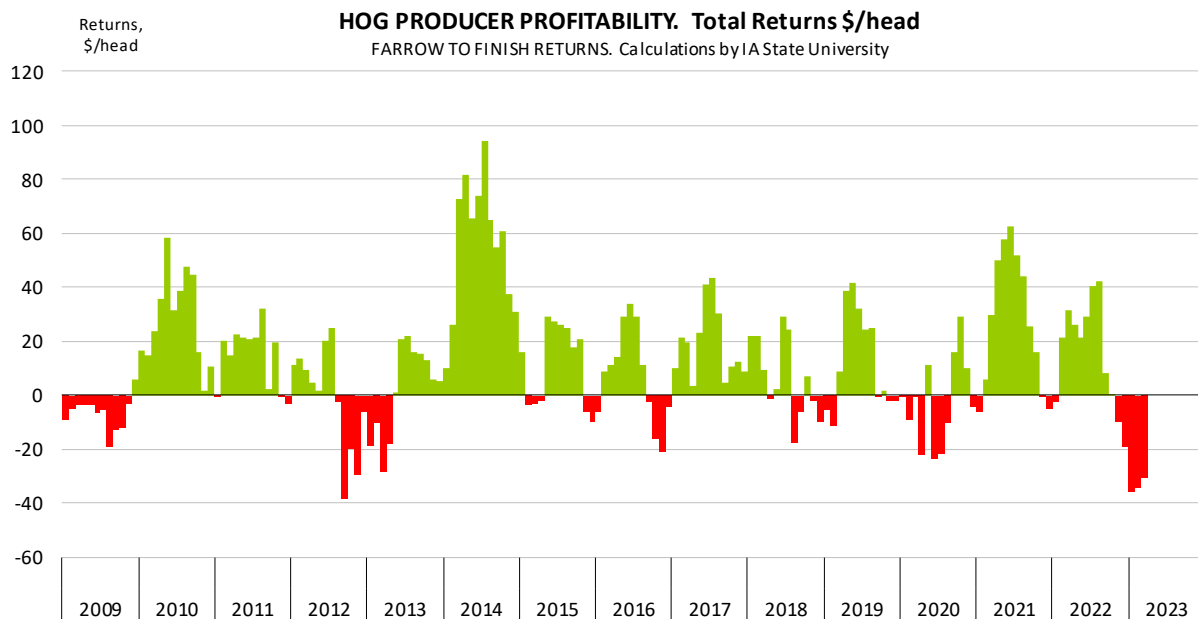
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Prepared by Steiner and Company, Manchester, NH 800-526-4612.

May 8, 2023

1. Producer profits sink in the red and outlook looks dire for the rest of 2023. Not if but how much.

The IA State Extension model shows that producers lost about \$31/head in March and an average of \$34/head for all Q1. That is the

biggest decline in producer profitability in a decade and the situation looks difficult for much of this year. Lean hog futures were down sharply at the end of the week on more long liquidation. There was some hope that May would see improved demand and higher wholesale prices. After all, futures earlier in the week were implying belly prices for June as high as \$120/cwt (based on



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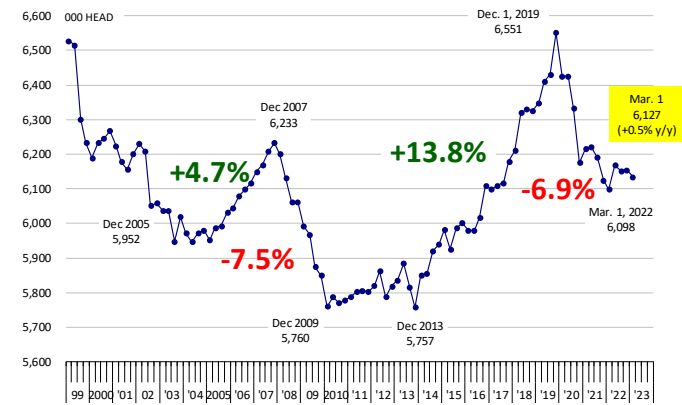
where the cutout was trading) and belly prices for August as high as \$150/cwt. But little has changed in the belly market and items that should be doing well at this time of year, such as loins, have also struggled.

The latest USDA 'Hogs and Pigs' report suggested that producers are looking to reduce output. This was evidenced in the farrowing intentions figure for Jun-Aug that was 2.9% lower than the previous year. It would be hard to get farrowings to decline to that extent without some liquidation and news reports suggest that liquidation is in the works. A report last week in the National Hog Farmer noted that Smithfield Foods, the largest hog producer in the country, is expected to close 37 sow farms in Missouri starting May 1. No mention was made in the story as to how many sows will be removed from production. But given the large network of farms involved, the final figure may be in the tens of thousands.

Other producers may be looking to reduce their footprint as well but that has yet to show up in the slaughter figures. USDA reported sow slaughter in the four weeks ending April 22 to be 236,100 head, 2.9% lower than a year ago. At the same time, the price of live cull sows has collapsed. According to USDA, yesterday the price of 450-499 lb. sows was under \$28/cwt, 59% lower than where it was in early March and 66% lower than the comparable week a year ago. Why have cull sow values tanked even as slaughter numbers are lower than a year ago? There is a clear mismatch between demand to get sows slaughtered vs. demand to get sow meat bought. Like pushing on a string, processors are finding that regular buyers already have too much inventory. Sow meat is not something that you can put on sale and sell in the meat case. The customers are processors that use it in sausage production and, just like with bellies, if the processor already is swimming in meat, it might take some seriously low prices to make product disappear. Competition for shackle space and weakness in retail and foodservice demand will make for a difficult couple of months for producers that have made the decision to liquidate. Just as important, however, is the decision to retain fewer gilts.

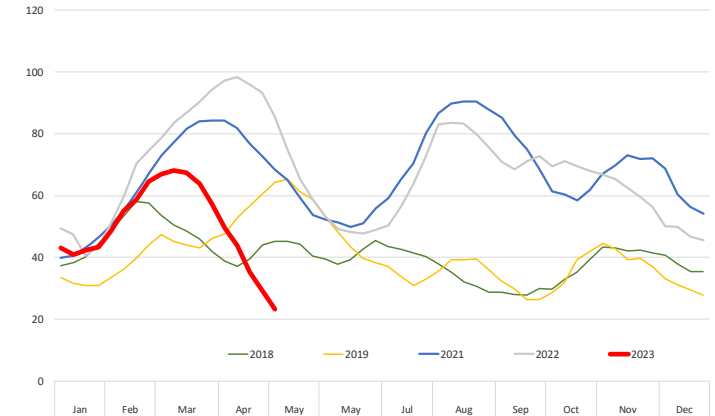
Hogs Kept for Breeding. Quarterly Inventory. '000 Head

Source: USDA-NASS. Analysis by Steiner Consulting



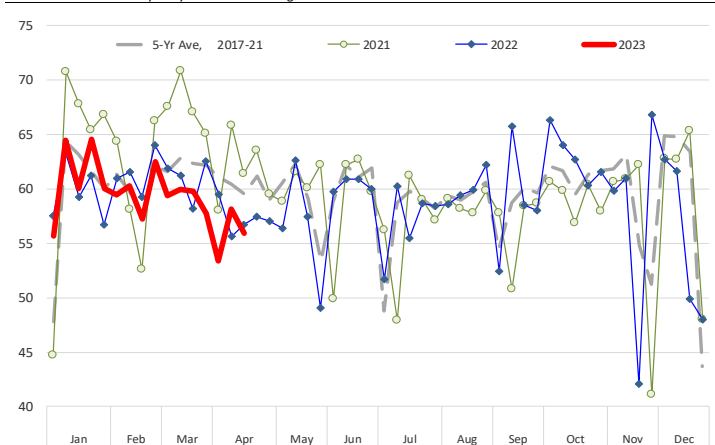
USDA, Live Sows, 450 - 499, Des Moines, Wt. Avg. Price

Source: USDA-AMS. Analysis by Steiner Consulting



Weekly Sow Slaughter: 2018 - 2023

Data source: USDA. Analysis by Steiner Consulting



That is always somewhat of a black box and we can only get an idea about gilt retention trends after the inventory data is released.

The inventory of breeding hogs on March 1 was estimated at 6.127 million head, about 0.5% higher than a year ago. Any liquidation and gilt retention decisions during Mar-May will be reflected in the

Jun 1 herd and ultimately in the pig crop for the next quarter. The chart to the right shows the relationship of the Jun 1 hog breeding herd and the Jun-Aug pig crop. If the 2.9% farrowing estimate from the last inventory report is close to right, then it would imply a breeding herd at around 6 million head level as of June 1, the lowest since 2016. It would also imply a pig crop for that Jun-Aug quarter down about 800-900k head vs. the same time in 2022 and lower hog supplies next winter.

Bottom line: Contraction in the industry is coming. At the same time, we are seeing less pork production in Europe. One way or another producers will look to bring a margin back in the business and get pork prices at a level that corresponds to their rising costs.

PORK

Hog Market. For the week ending April 22 hog slaughter was 2.454 million head, up 3.3% from a year ago. In the last two weeks hog slaughter is up 3.4% vs. year ago levels.

Iowa/Minnesota, Base Negotiated Purchase for Barrows and Gilts. Lean hog carcass values at about 74.57 /cwt. on Friday were up \$3.3/cwt since Wed. April 26. Prices are down about 26.4 \$/cwt compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at \$0.9927, down about 0.9 cent since the Wed. April 26 quote and down about 21 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.3918 for the strap on loins, up 3.35 cent since Wed. April 26 and up 14 cent from the year ago levels. Strap off loins at \$1.5584 are up 4.85 cent since Wed. April 26 and up about 16 cent compared to the year ago quote.

Boneless sirloins at \$1.2080 were up about 2.5 cents from the Wed. April 26 quote but down about 6.2 cents from the year ago price.

Pork tenderloin finished last week at \$1.6061, down 4 cent since the Wed. April 26 quote and down about 58.8 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at \$1.3165, up 3.1 cents since Wed. April 26. Prices are down one cent from a year ago.

Spareribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$1.2900, up about 5 cent since Wed. April 26 but down about 106 cents from year ago levels.

Rib inventories on March 31 were 111.9 million pounds, down 4.2% from a year ago.

Bone-in Hams

17/20 hams (page 9) price was last quoted at \$0.7337/lb. up 3 cents since Wed. April 26 but down about 17 cents from a year ago.

20/23 hams finished the week at 73.90 cents (page 130) up about 3 cent since Wed. April 26 but down about 16 cents from the year ago level.

23/27 hams finished the week at 76.30 , up about 5 cent from the Wed. April 26 quote but down about 15 cents from the year ago level.

Total ham cold storage stocks on March 31 at 84.7 million pounds were up 14.3% from year ago levels.

42 CL Pork Trim "FOB Basis". Prices finished the week at 50.57 cents, up about 1.9 cent since Wed. April 26 but down about 32 cents from the year ago price.

72 CL Pork Trim "FOB Basis". Prices finished the week at 67.94 cents, up 1.2 cents since the Wed. April 26 quote but down about 37 cents from the year ago levels.

Freezer stocks of all trimmings on March 31 were 55.7 million pounds, up 5.1% from the year ago levels.

72 CL Picnic Meat "FOB Basis". The premium of picnic meat to 72CL trim is currently at 43 cents compared to 29 cent average in the previous six months.

POULTRY

Whole Broilers

The National Whole Bird price was quoted at 138.94 on Friday, April 22, down about 31.5 cents from a year ago.

Broiler slaughter for the week ending April 22 was 167.57 million head, down 1.18% from a year ago. For the last two weeks broiler slaughter was down 0.7% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$1.3181, up 1 cents since Wed. April 26 but still down about 207 cents from year ago levels.

Leg Quarters. Last week leg quarter prices were up about 1.32 cents vs. two weeks ago and at 48.78 cents per pound prices were up 1 cent from a year ago.

Wings. Prices at \$0.9127 are down about 111 cents from year ago levels.

Turkeys

The prices below reflect weekly quoted USDA prices.

Hens finished last week at \$1.6500, up cent since Wed. April 26 and up about 27 cents from the year ago price.

Toms finished last week at \$1.5500, up since Wed. April 26 but up about 16 cent from the year ago price.

Total turkey supplies in the freezer on March 31 were up 9.8% from a year ago at 338.3 million pounds. Whole birds were down 2.9% from a year ago with an inventory of 155.8 million pounds.

Turkey slaughter was 4.0320 million head for the week ending April 15, up 21.37% from a year ago. For the last two weeks slaughter has been down 1.10%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last

week at \$3.2000, unchanged since Wed. April 26. Prices are down about 270 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 \$10.3005 (weighted average quote) finished last week down about 49 cents since the Wed. April 26 quote but up about 195 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$8.0901 (weighted average quote) finished last week down about 153 cents since the Wed. April 26 quote but up about 32 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$2.2104 /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.

81CL Meat Block With prices at \$2.7835 for 90CL and \$1.9732 for 50CL product, an 81CL meat block value is now \$2.6012 and a 78CL meat block is \$2.5404. Choice 114, 3 Clods are now being priced 49.27 cents over 81CL meat block grinding values of 90s and 50s. A year ago the spread was 26.41 cents and the five year average spread for is 56.11 cents over.

Choice #161 Boneless Rounds finished last week at **\$3.5052**, up slightly since Wed. April 26 and up about 71 cents from year ago levels.

Choice regular #168 insides finished last week quoted at \$2.9904 down about 7 cents since Wed. April 26 but up about 21 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$3.0523 up about one cent since Wed. April 26 and up about 32 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$2.5170 down about 16.5 cents since Wed. April 26 but up about 13 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$8.3501 (wt. avg.) down about 3 cents from the Wed. April 26 quote. Prices are up 54 cents from year ago levels.

Choice #184 Regular Heavy top butts finished at \$4.7631 (wt. avg.) up about 0 cents since Wed. April 26 and up about 104 cent from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$5.0541 (wt. avg.) up about 38 cents since Wed. April 26 and up about 127 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$8.5324 (wt. avg.) up about 20 cents since Wed. April 26 and up about 231 cents from year ago values.

COARSE GROUND BEEF –

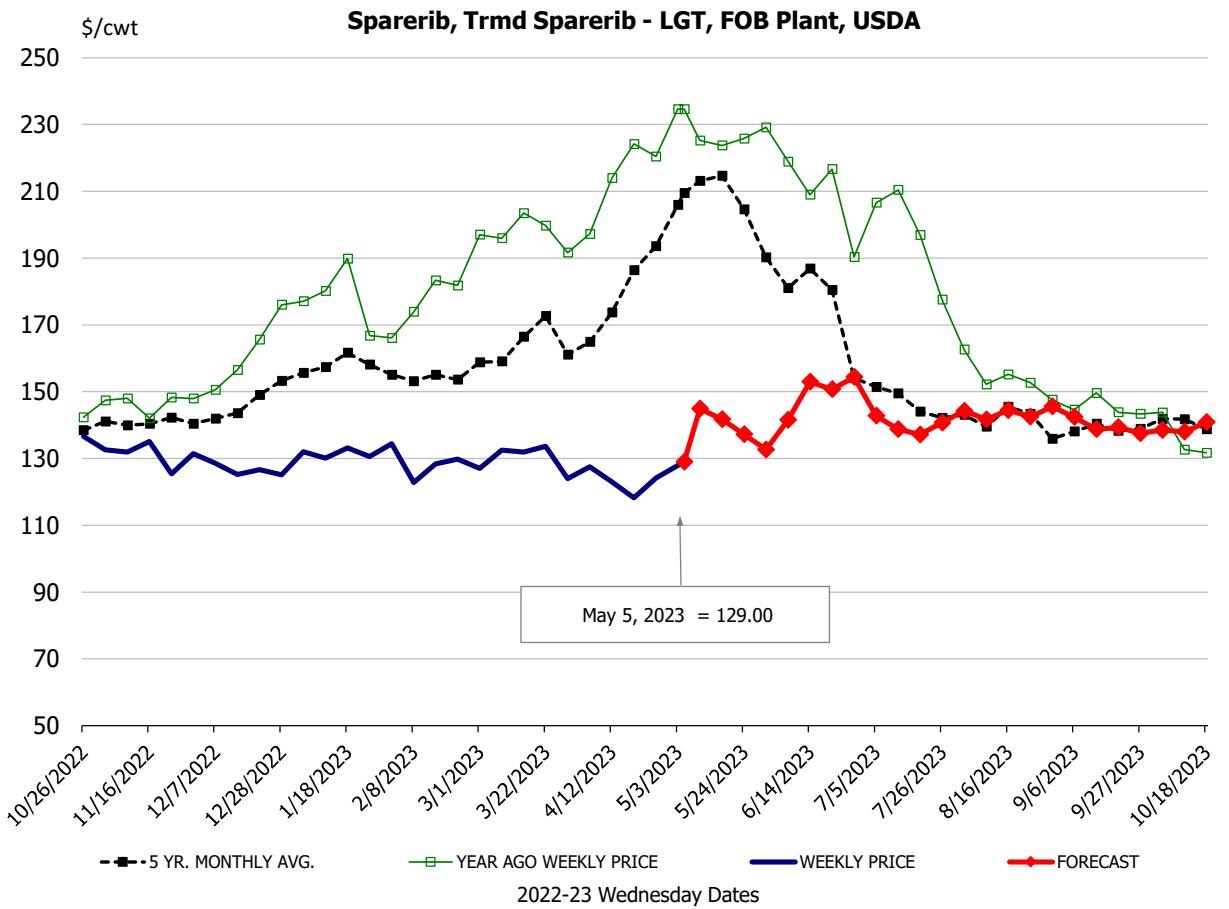
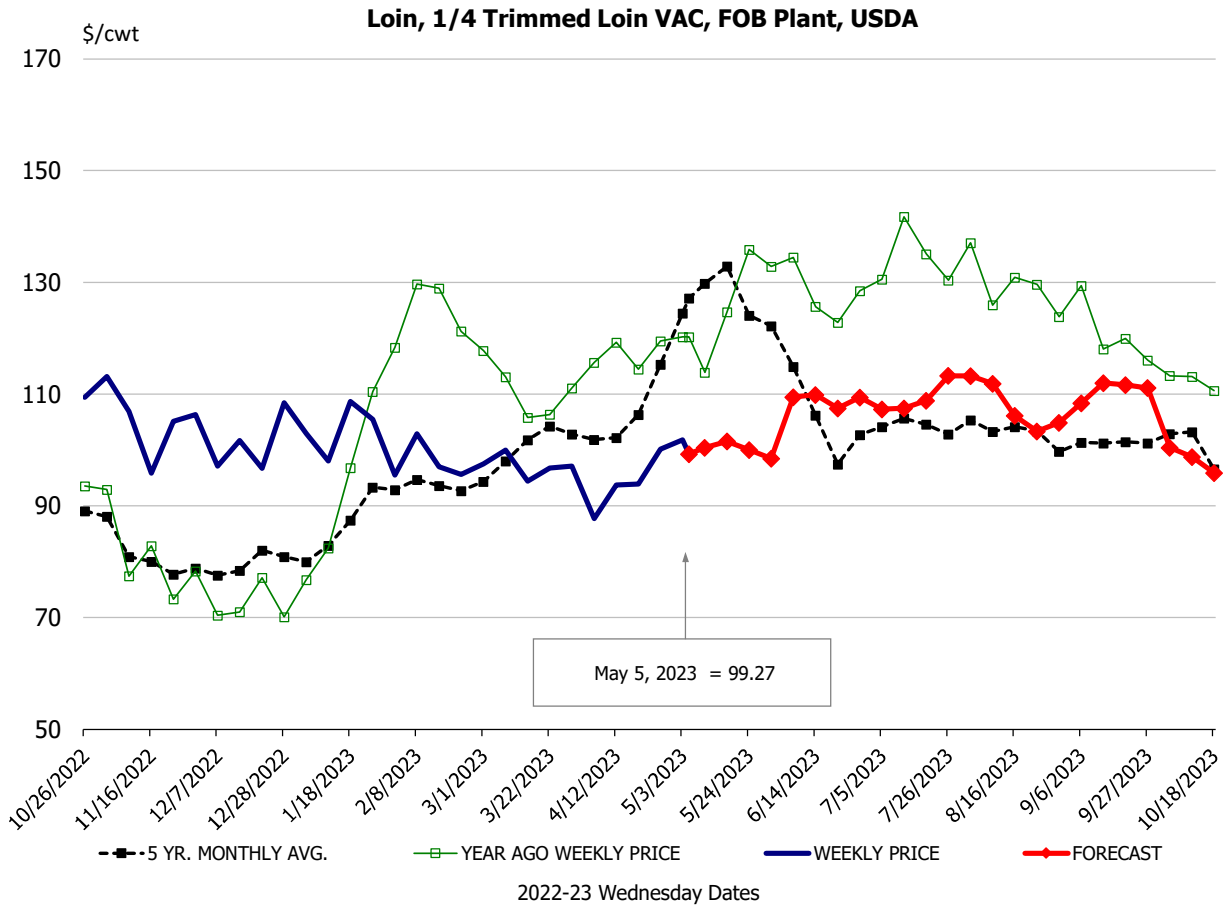
73CL Coarse Ground product finished last week at \$2.4734 down about 5 cents since Wed. April 26 but up about 89 cents from year ago levels.

81CL Coarse Ground product finished last week at \$2.8036 up about 20 cent since Wed. April 12 and up about 8 cents from the year ago quote.

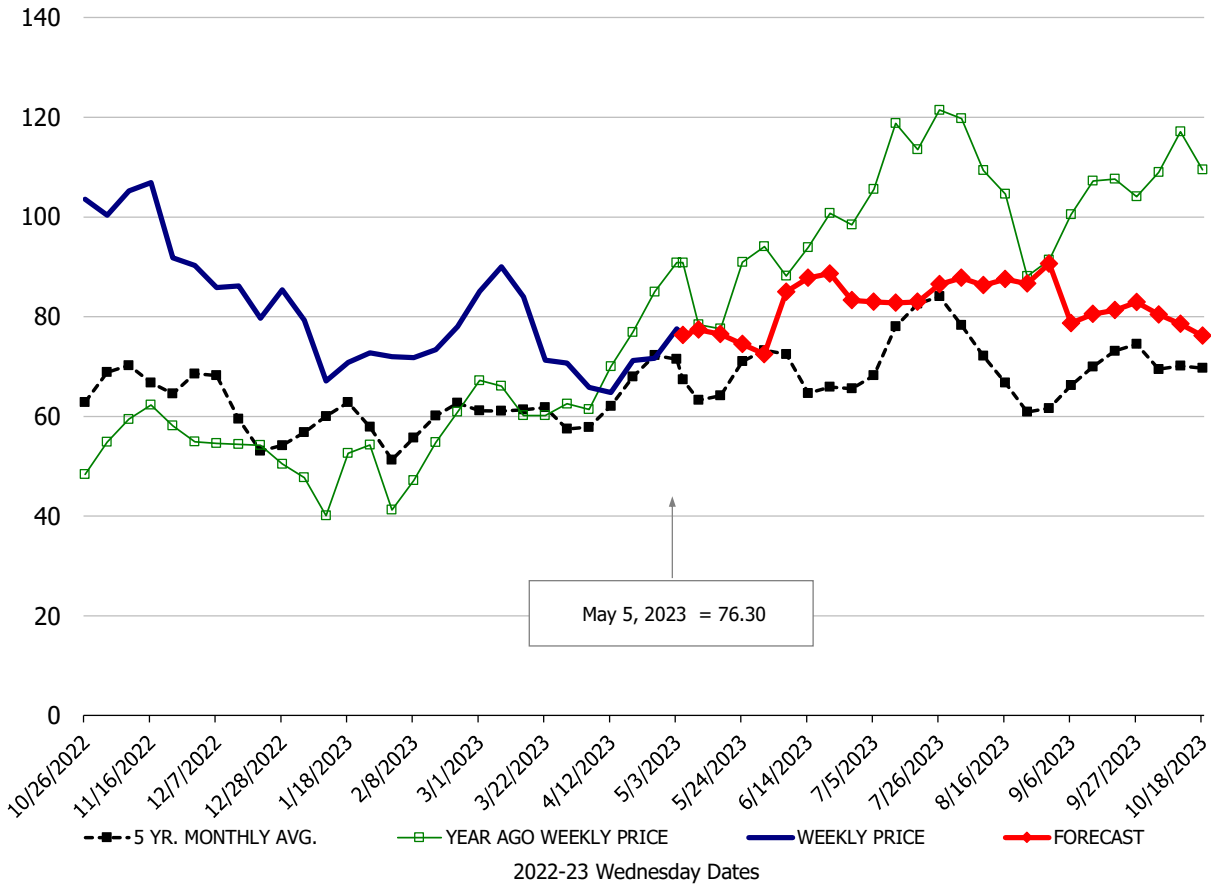
90CL Bnls. Beef prices finished the week at \$2.7346 (wt. avg.) up 1.96 cent since Wed. April 12 but down 2 cents compared to the year ago price quote. **50 CL Beef Trim** prices finished last week at \$1.8205, up about 18 cent since Wed. April 12 and up 62 cents compared to year ago levels.

Protein Summary Table - WT. AVE.

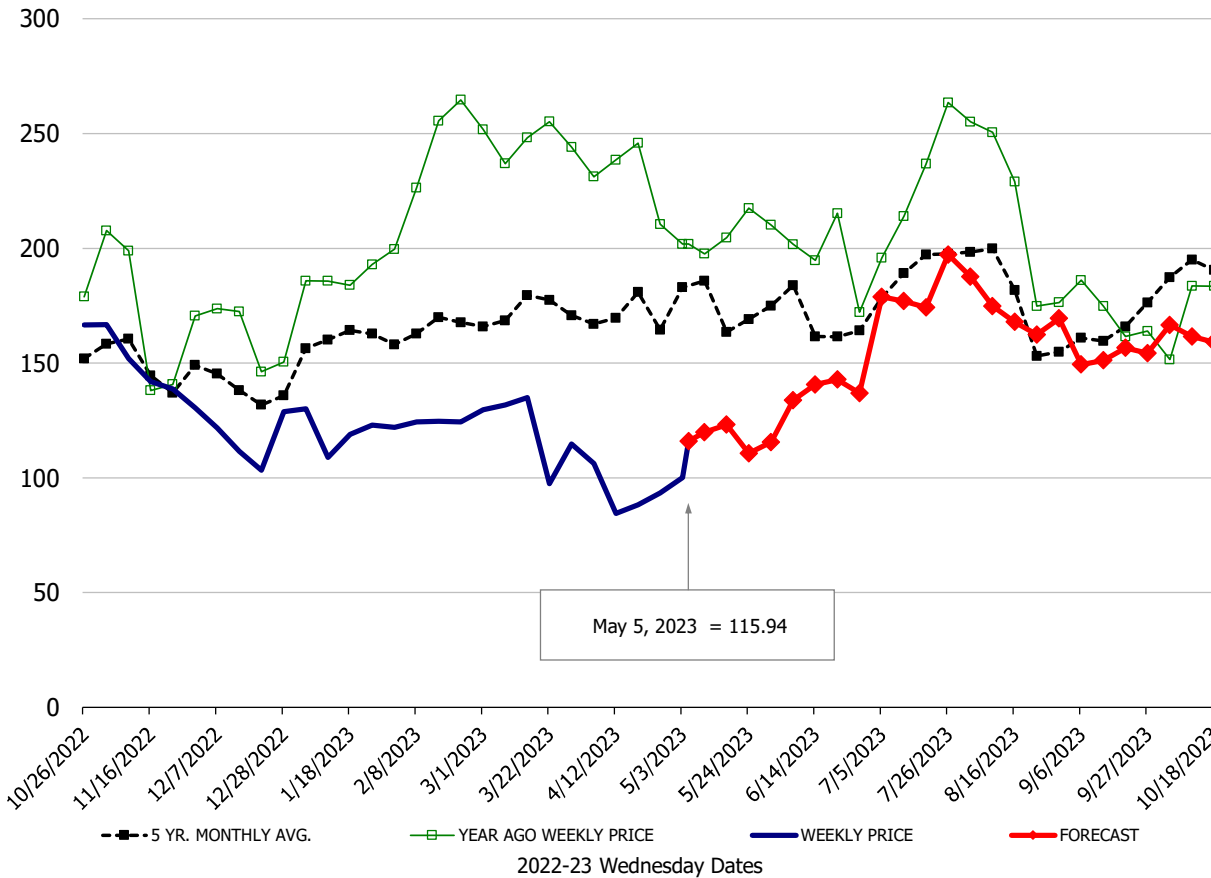
	HISTORY								FORECAST						
	Nov	Dec	Jan	Feb	Mar	Apr	4/26/2023	5/5/2023	5/17/2023	May	Jun	Jul	Aug	Sep	Oct
<u>PORK</u>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	104.6	99.8	104.0	98.3	95.7	93.3	100.1	99.27	102	97	109	108	110	109	99
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	106.8	101.7	106.2	104.0	101.9	100.0	103.7	104.30	109	105	111	110	112	110	102
Loin, Bnls CC Strap-off, FOB Plant, USDA	141.0	139.0	144.1	146.4	152.8	151.1	151.0	155.84	163	156	155	154	152	169	165
Loin, Tenderloin, FOB Plant, USDA	165.6	167.1	172.2	162.4	152.5	157.5	164.6	160.61	174	169	190	194	196	187	172
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	100.0	111.7	101.2	99.1	107.0	106.3	112.4	118.55	123	120	124	119	125	129	114
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	130.7	126.7	131.0	126.8	129.4	124.5	124.2	129.00	142	140	144	143	143	141	138
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	316.3	290.1	239.9	253.7	265.0	256.0	261.9	289.14	263	266	270	268	265	266	260
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	129.1	126.0	129.7	125.6	129.5	123.4	124.1	127.72	141	140	144	143	143	141	138
Loin, Backribs 2.0#/up, FOB Plant, USDA	165.3	171.3	180.7	176.0	181.8	195.4	201.7	200.86	208	211	213	215	207	208	201
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	104.9	87.9	75.2	76.3	83.4	70.1	70.5	73.37	80	78	88	88	93	89	85
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	105.1	85.7	74.5	75.4	78.0	69.4	71.2	73.90	76	77	87	87	92	88	84
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	99.6	84.2	72.5	73.7	76.1	66.4	71.7	76.30	76	77	83	83	88	81	79
Belly Cutout, FOB Plant, USDA	116.2	94.8	90.9	100.4	96.2	80.0	78.4	82.91	89	86	109	145	145	122	134
Belly, Derind Belly 9-13#, FOB Plant, USDA	149.1	121.2	119.0	130.5	121.6	102.7	93.4	115.94	123	120	134	178	178	150	164
Belly, Derind Belly 13-17#, FOB Plant, USDA	140.1	112.7	107.8	114.9	110.3	95.1	96.9	100.81	106	102	130	174	174	146	160
Trim, 42% Trim Combo, FOB Plant, USDA	66.5	57.9	59.4	66.0	66.4	52.8	48.7	50.57	51	55	60	77	75	72	57
Trim, 72% Trim Combo, FOB Plant, USDA	102.2	88.8	84.9	91.2	90.2	73.7	66.8	67.94	76	77	90	95	78	72	69
Trim, Picnic Meat Combo Cushion Out, FOB Plant, USDA	110.1	102.9	97.5	92.5	102.3	94.8	89.4	95.04	102	99	112	115	99	102	97
Carcass Cutout, FOB Plant, USDA	93.4	87.2	81.0	82.3	84.9	78.1	78.4	82.08	87	85	92	95	96	92	89
<u>HOG CARCASS</u>															
CME 1-Day Lean Hog Index	88.0	81.2	74.4	75.6	78.2	73.2	71.3	74.57	81	80	87	90	91	82	81
<u>BROILERS</u>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	124.6	123.7	121.8	121.7	130.0	140.2	138.6	138.94	144	142	141	133	121	114	109
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	98.1	96.0	100.6	123.0	136.5	131.3	131.0	131.81	138	138	147	145	141	138	132
N.E. BROILER BREAST LINE RUN, USDA	107.3	104.4	106.1	114.6	116.8	118.0	119.1	118.07	129	126	138	134	134	121	112
N.E. BROILER LEG QUARTERS, USDA	34.2	35.8	34.5	37.2	42.0	46.6	47.5	48.78	49	49	48	47	46	44	42
N.E. BROILER WINGS, USDA, WT.AVG.	98.9	89.1	91.2	110.3	108.2	102.3	98.9	91.27	95	95	102	104	106	107	107
<u>TURKEYS</u>															
HEN TURKEYS, EAST, FROZEN 10-12LBS, USDA	175.9	172.4	171.8	169.4	171.4	165.5	164.0	165.00	156	155	155	154	157	160	163
TOM TURKEYS, EAST, FROZEN 16-22LBS, USDA	178.0	171.0	171.8	169.2	169.4	168.5	165.5	155.00	156	155	155	154	157	160	163
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	670.0	670.0	662.5	538.8	344.0	320.0	320.0	320.00	309	305	300	300	310	315	320
<u>LIVE STEERS</u>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	153.2	156.0	157.0	159.1	164.5	175.4	178.7	174.35	172	172	164	163	162	164	167
<u>BEEF</u>															
CHOICE, 112A, 3, USDA,RIBEYE, BONELESS, HEAVY, WT.AVG.	1039.4	1149.2	1023.0	1006.1	1036.3	1019.5	1079.4	1030.05	1120	1085	1045	969	1048	1048	1215
CHOICE, 161, 1, USDA,ROUND, BONELESS, WT. AVG.	306.7	310.8	317.4	323.6	331.2	340.5	346.0	350.52	347	346	341	346	349	358	361
CHOICE, 168, 3, TOP INSIDE ROUND, 1/4" MAX, WT. AVG., USDA	250.9	240.0	267.4	270.3	278.6	297.4	304.6	305.23	303	304	292	298	307	300	306
CHOICE, 170, 1, BOTTOM GOOSENECK ROUND, WT. AVG., USDA	251.5	251.1	259.4	260.4	262.8	256.9	267.7	251.70	271	267	263	272	279	301	305
CHOICE, 180, 3, USDA,STRIP LOIN, BONELESS, 0X1, WT. AVG.	563.7	572.8	756.1	833.4	799.0	789.5	838.3	835.01	906	850	832	727	700	703	661
CHOICE, 184, 3, USDA,TOP BUTT, BONELESS, WT. AVG.	349.2	354.4	376.0	393.6	406.9	437.1	467.8	505.41	495	490	420	428	421	405	374
CHOICE, 185A, 4, USDA,BOTTOM SIRLOIN, FLAP, WT. AVG.	523.5	529.5	587.1	687.4	708.8	749.1	833.3	853.24	850	854	746	703	735	721	665
USDA,COARSE GROUND 73%, WT. AVG.	150.6	145.2	197.9	183.9	192.9	228.9	252.5	247.34	255	250	239	228	248	238	227
COARSE GROUND 81%, WT. AVG., USDA	207.4	193.0	235.9	222.3	222.0	265.3	280.4	287.33	291	286	275	267	285	273	265
USDA, 90% BONELESS BEEF, CENTRAL, FRESH, WT. AVG.	241.8	238.5	246.2	257.0	268.6	272.2	269.6	278.35	285	285	289	295	300	296	294
USDA, 50CL BEEF TRIM, FRESH, NATIONAL, WT. AVG.	73.0	86.6	108.1	116.6	134.6	173.8	192.0	197.32	187	199	171	149	137	107	103

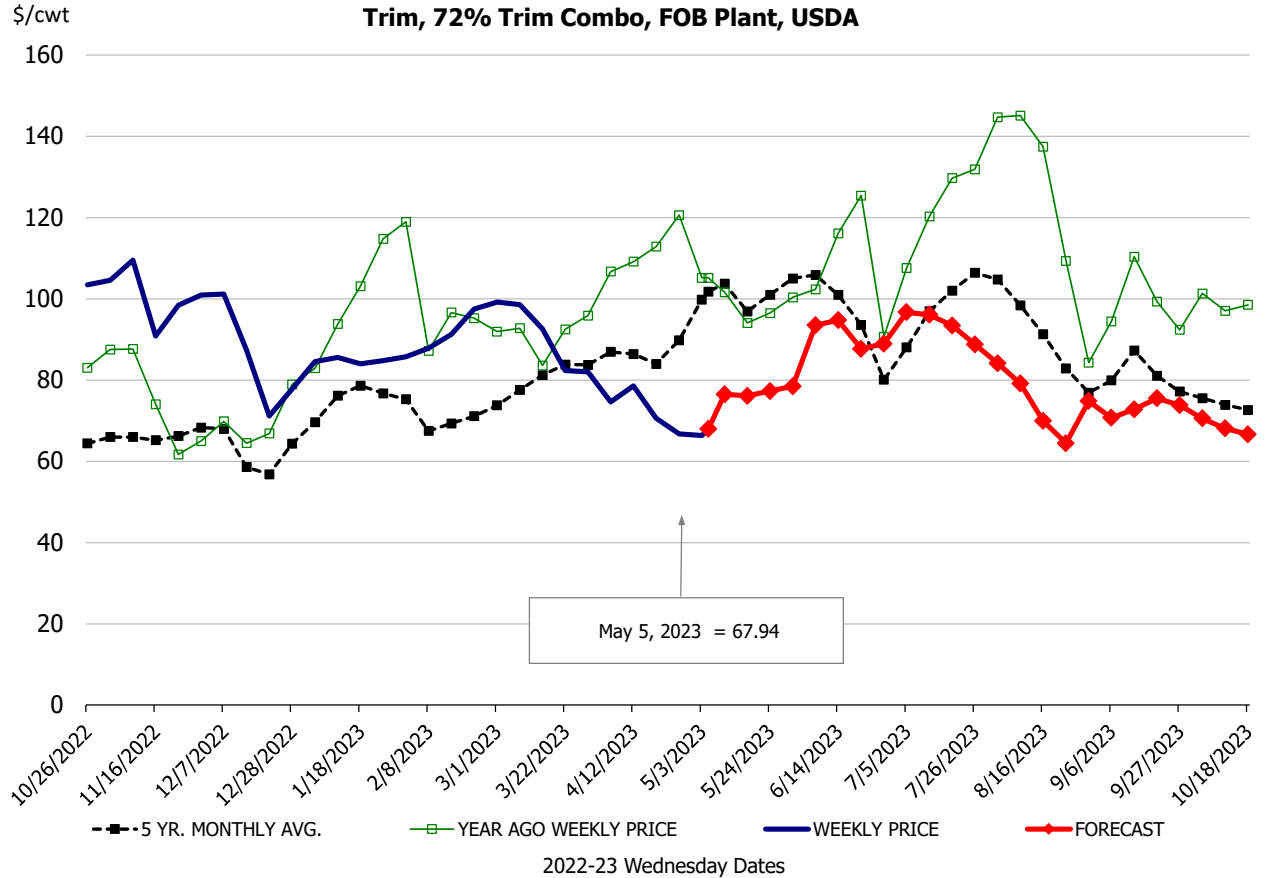
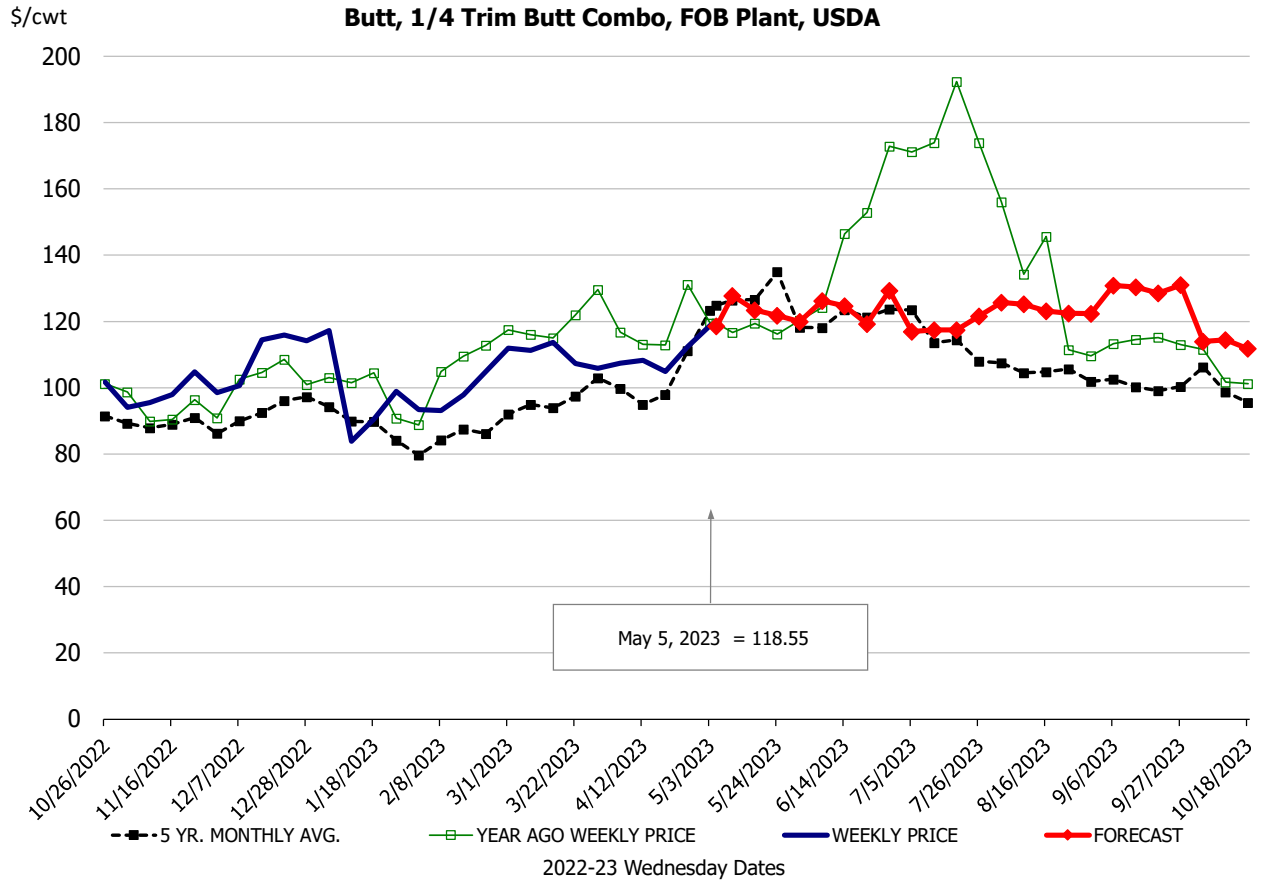


Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA



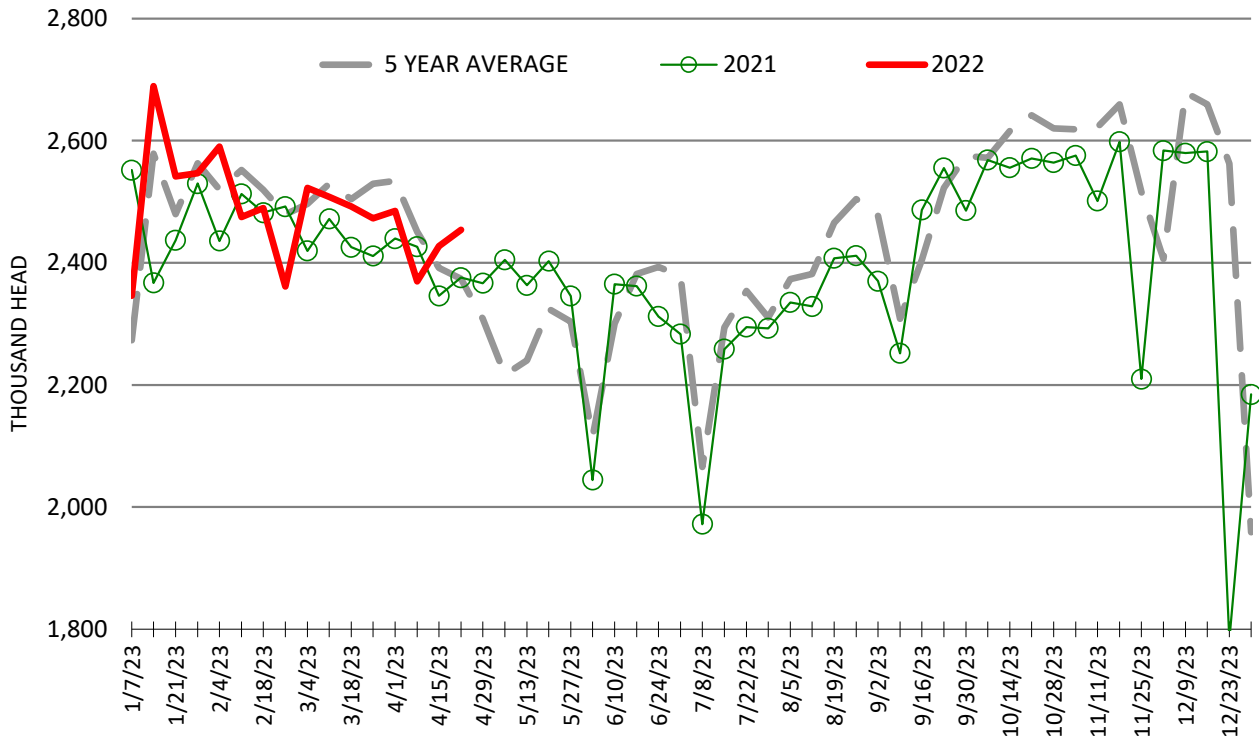
Belly, Derind Belly 9-13#, FOB Plant, USDA





ESTIMATED WEEKLY FI HOG SLAUGHTER

Source: USDA, '000 head



ESTIMATED WEEKLY FI PORK PRODUCTION

Source: USDA, Mil. Pounds

