Pork Merchandiser's **Profit Maximizer**

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June 5, 2023

1. Higher cash prices and a bit more clarity about Prop 12 helps futures…for now.

Lean hog futures have been quite volatile in the last couple of weeks. Going into the long Memorial Day weekend, thin volume and lack of any bullish news pushed futures to life of contract lows. Prices have rebounded ever since, in part due to modest gains in the value of the cutout as well as higher prices paid for hogs in the cash market. The average price for hogs in the negotiated market was $86/cwt, up $15/cwt (+21%) in a month. The gains in the value of the pork cutout during this period have been more muted. On Friday the value of the pork cutout was $85/cwt, $4.5/cwt (+5.3%) in a month. A document released by the California Department of Food and Agriculture injected some optimism towards the end of the week. The document clarifies that "current inventory is transient and as purchases of compliant products begin to be made after July 1, 2023, pork products in current stocks will eventually be cleared from freezers and retail stores in California." Until now there was a lot of confusion as to whether retailers could sell product that was bought and in storage prior to July. Additionally, the document states that "for the remainder of 2023, we intend to focus our limited implementation resources, not on covered

July 2023 Lean Hog Futures

products already in commerce." This should stop the inventory drawdown that many end users were doing and help normalize trade going into the 4th of July.

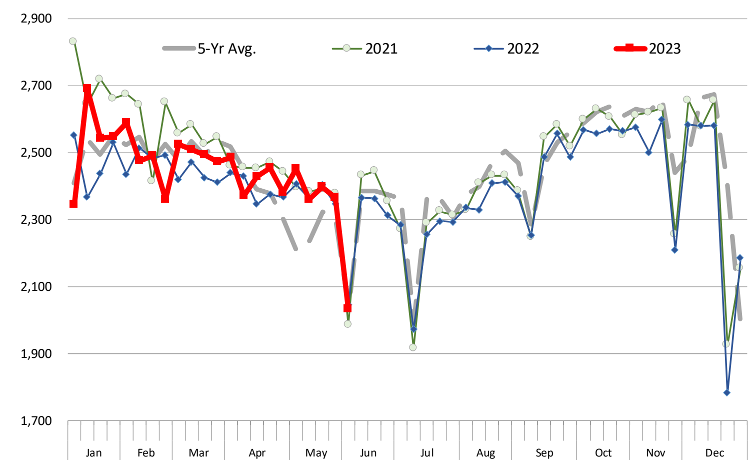
Even as the recent clarification from the CDFA may help stem the selloff in summer futures, there is little question that the restrictions imposed by California and Massachusetts will have a material impact on pork demand in those states. Some pork that complies with the rules in place is currently being offered to distributors and retailers but at prices that are dramatically higher than current market. We see this significantly impacting lower income consumers in these states. While Whole Foods and similar stores already have supply that meets California requirements, retailers that serve consumers with lower incomes will struggle to find product that they can sell. Given the price spreads between compliant and non-compliant pork, there is a real risk of a black market developing in some areas.

In the near term the main issue that continues to negatively impact the pork market is the extreme weakness in the value of pork bellies. On Friday the pork belly primal value was $78/cwt, 51% lower than a year ago. The decline in the value of the belly primal accounts for about half of the overall decline in the cutout. At the end of April, there were about 81 million pounds of bellies in cold storage, 39% more than a year ago. Processors drawing down this inventory while at the same time coping with the expected decline in demand from CA and MA has wiped out the seasonal price improvement we see during this time of year.

Fresh pork sales have been mixed, with butts and picnics performing relatively well. The value of the butt primal on Friday was 4.9% higher than a year ago and the value of the picnic primal was down only 1.6%. We think the high price of beef at retail has helped bolster the price of these items. Loins, however, continue to struggle. Inexpensive chicken continues to be a significant drag for this item. Last year the high price of chicken breasts helped bolster loin values in June and July. The opposite is the case this year. Boneless/skinless chicken breasts are plentiful and inexpensive. Last year the average price of b/s breasts at wholesale in early June was over $350/cwt compared to around $145/cwt currently. The value of the loin primal on Friday was $89/cwt, down 19% from a year ago.

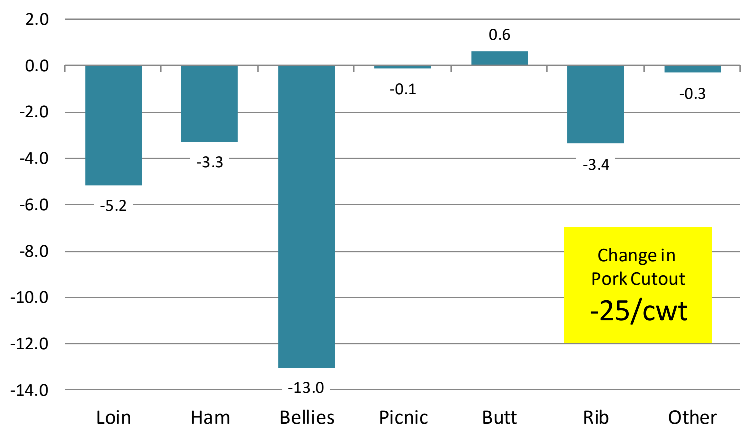
WEEKLY HOG SLAUGHTER. '000 HEAD

Source: USDA. Analysis by Steiner Consulting



Contribution to the Change in the Value of the Pork Cutout

Source: USDA-AMS. Analysis by Steiner Consulting



In the near term the pork industry is looking to adjust to both the overall slowdown in retail demand and the expected disruptions caused by the enforcement of Prop 12 and Question 3 laws in CA and MA. Pork exports will be higher this year although demand from China remains underwhelming. Overall, it appears that pork will remain a great value for retailers this summer and fall.

PORK

Hog Market. For the week ending June 3 hog slaughter was 2.033 million head, down 0.6% from a year ago. In the last two weeks hog slaughter is up 0.2% vs. year ago levels.

Iowa/Minnesota, Base Negotiated Purchase for Barrows and Gilts. Lean hog carcass values at about 80.98 /cwt. on Friday were up $0.2/cwt since Wed. May 24. Prices are down about 24.1 $/cwt compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at $1.1060, up about 3.4 cent since the Wed. May 24 quote but down about 22 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at $1.4082 for the strap on loins, down 1.35 cent since Wed. May 24 but up 13 cent from the year ago levels. Strap off loins at $1.5784 are up 2.8 cent since Wed. May 24 and up about 7 cent compared to the year ago quote.

Boneless sirloins at $1.2060 were up about one.5 cents from the Wed. May 24 quote and up about 0.8 cents from the year ago price.

Pork tenderloin finished last week at $1.5536, up 5 cent since the Wed. May 24 quote but down about 67.1 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at $1.4707, up 1.7 cents since Wed. May 24. Prices are up 6 cent from a year ago.

Spareribs, Trimmed - LGT, Vac (page 8). Prices finished the week at $1.3120, down about 2 cent since Wed. May 24 and down about 98 cents from year ago levels.

Rib inventories on April 30 were 105.9 million pounds, down 10.8% from a year ago.

Bone-in Hams

17/20 hams (page 9) price was last quoted at $0.7737/lb. down 10 cents since Wed. May 24 and down about 16 cents from a year ago.

20/23 hams finished the week at 77.84 cents (page 130) up about 4 cent since Wed. May 24 but down about 14 cents from the year ago level.

23/27 hams finished the week at 77.68 , up about 4 cent from the Wed. May 24 quote but down about 16 cents from the year ago level.

Total ham cold storage stocks on April 30 at 117.5 million pounds were up 19.9% from year ago levels.

42 CL Pork Trim "FOB Basis". Prices finished the week at 57.55 cents, up about 6.9 cent since Wed. May 24 but down about 25 cents from the year ago price.

72 CL Pork Trim "FOB Basis". Prices finished the week at 69.81 cents, up 8.5 cents since the Wed. May 24 quote but down about 31 cents from the year ago levels.

Freezer stocks of all trimmings on April 30 were 56.8 million pounds, up 7.3% from the year ago levels.

72 CL Picnic Meat "FOB Basis". The premium of picnic meat to 72CL trim is currently at **49** cents compared to **33** cent average in the previous six months.

POULTRY

Whole Broilers

The National Whole Bird price was quoted at 140.67 on Friday, June 3, down about 28.5 cents from a year ago.

Broiler slaughter for the week ending June 3 was 171.44 million head, up 1.75% from a year ago. For the last two weeks broiler slaughter was up 1.9% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at $1.4015, up 0.5 cents since

Wed. May 24 but still down about 219 cents from year ago levels.

Leg Quarters. Last week leg quarter prices were down about 0.38 cents vs. two weeks ago and at 49.83 cents per pound prices were down 9 cent from a year ago.

Wings. Prices at $0.8882 are down about 91 cents from year ago levels.

Turkeys

The prices below reflect weekly quoted USDA prices.

Hens finished last week at $1.5615, up cent since Wed. May 24 and up about 7 cents from the year ago price.

Toms finished last week at $1.5000, up since Wed. May 24 and down about 0 cent from the year ago price.

Total turkey supplies in the freezer on April 30 were up 10.7% from a year ago at 368.0 million pounds. Whole birds were down 1.6% from a year ago with an inventory of 177.9 million pounds.

Turkey slaughter was 3.8950 million head for the week ending May 27, up 11.80% from a year ago. For the last two weeks slaughter has been up 13.45%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at $2.9000, down since Wed. May 24. Prices are down about 330 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 $9.5009 (weighted average quote) finished last week up about 65 cents since the Wed. May 24 quote and up about 69 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at $8.3510 (weighted average quote) finished last week up about 11 cents since the Wed. May 24 quote but up about 104 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are $1.1499 /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 $2.7990 for 90CL and $1.8094 for 50CL product, an 81CL meat block value is now $2.5763 and a 78CL meat block is $2.5021. Choice 114, 3 Clods are now being priced 48.21 cents over 81CL meat block grinding values of 90s and 50s. A year ago the spread was 31.36 cents and the five year average spread for is 95.85 cents over.

Choice #161 Boneless Rounds finished last week at $**3.4513**, **up** slightly since **Wed.** May 24 and up about 66 cents from year ago levels.

Choice regular #168 insides finished last week quoted at $3.1046 up about 3 cents since Wed. May 24 and up about 39 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at $3.0954 up about 9 cent since Wed. May 24 and up about 47 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at $2.7498 up about 4.5 cents since Wed. May 24 but down about 6 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at $8.6173 (wt. avg.) up about 35 cents from the Wed. May 24 quote. Prices are up 56 cents from year ago levels.

Choice #184 Regular Heavy top butts finished at $4.8935 (wt. avg.) **down** about 14 cents since

Wed. May 24 and **up** about **123** cent from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at $5.0656 (wt. avg.) up about 2 cents since Wed. May 24 and up about 127 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at $9.1003 (wt. avg.) up about 31 cents since Wed. May 24 and up about 301 cents from year ago values.

COARSE GROUND BEEF –

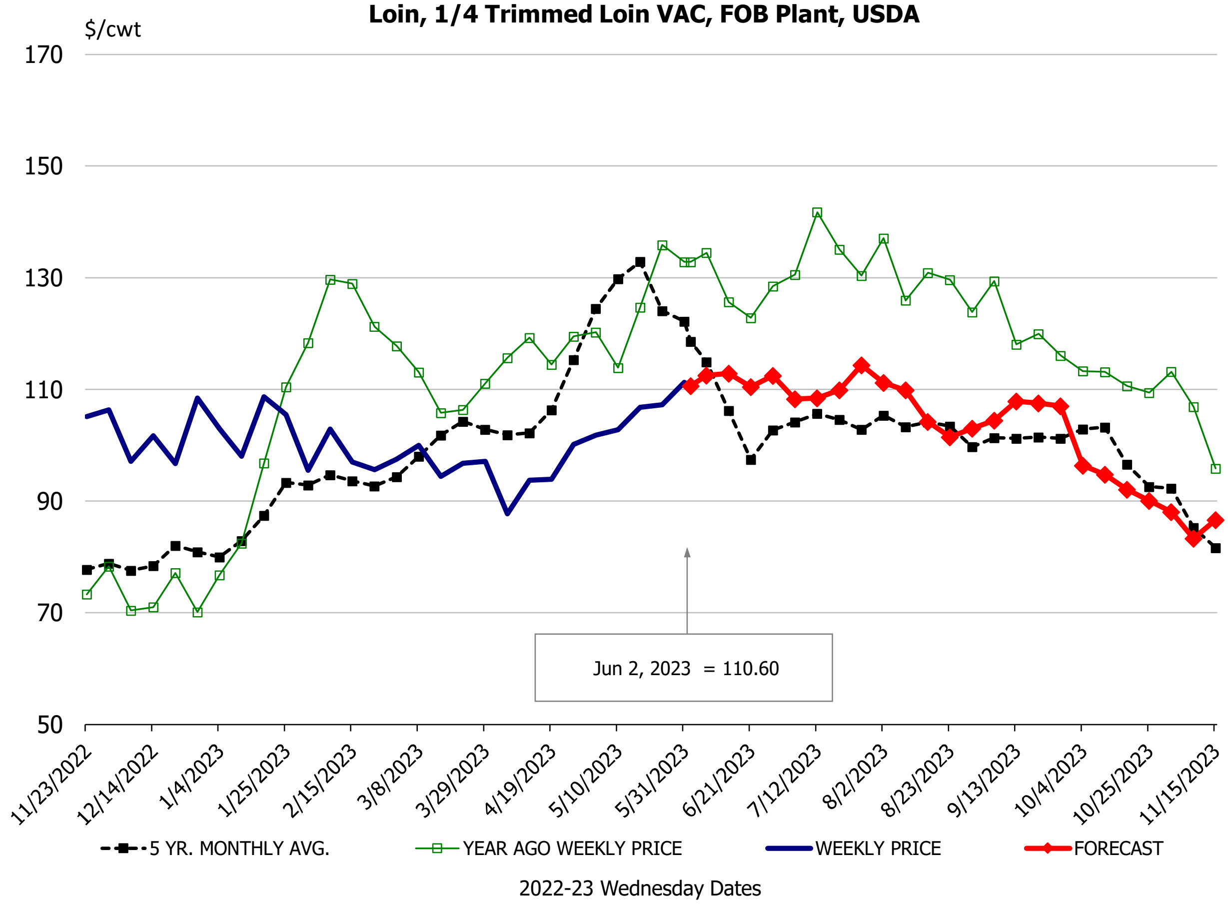
73CL Coarse Ground product finished last week at $**2.4551 up** about one cents since Wed. May 24 and up about 53 cents from year ago levels.

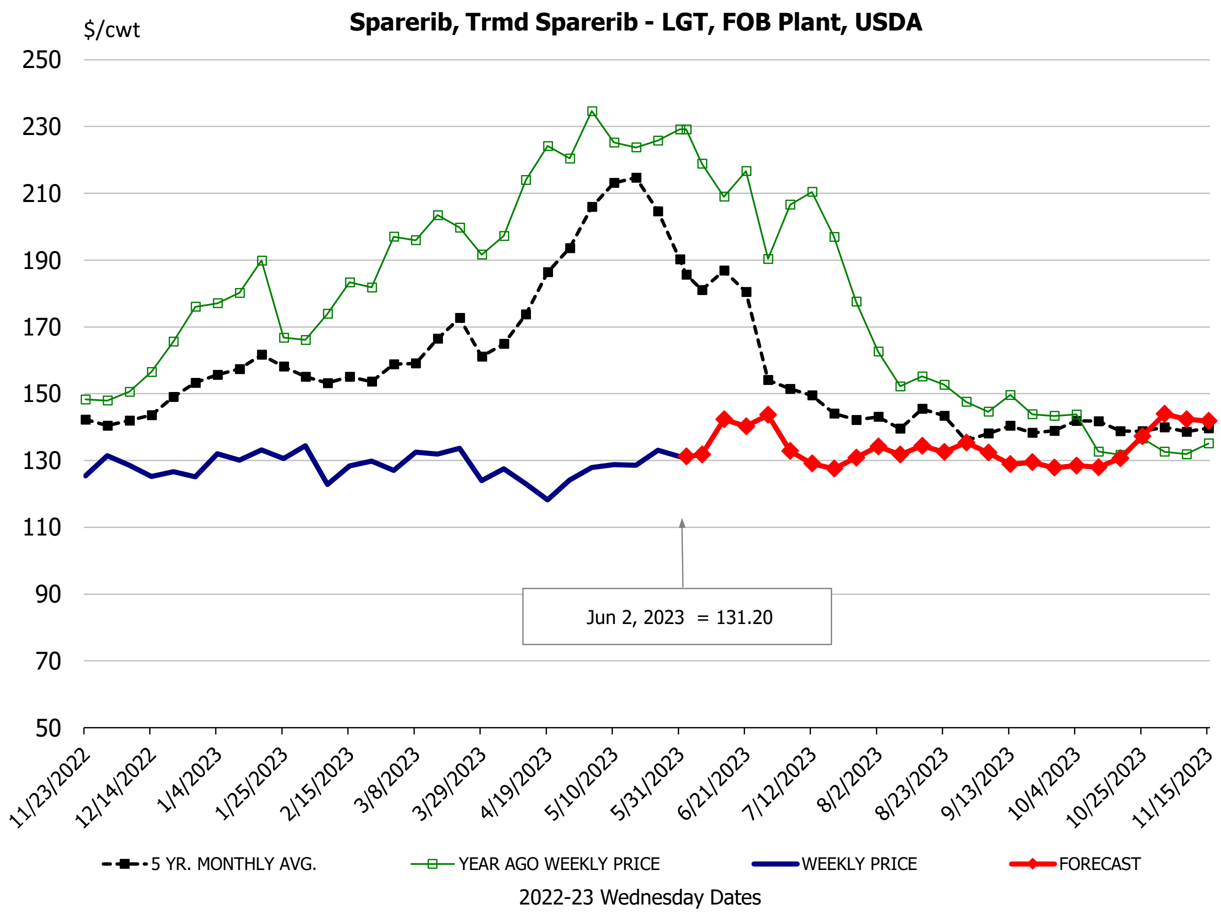
81CL Coarse Ground product finished last week at $2.7871 down about 5 cent since Wed. **May 24 and down** about **10** cents from the year ago quote.

90CL Bnls. Beef prices finished the week at $**2.7990** (wt. avg.) **up 4.90** cent since Wed. May 24 and up 6 cents compared to the year ago price quote. **50 CL Beef Trim** prices finished last week at $1.8094, down about 0 cent since Wed. May 24 but up 65 cents compared to year ago levels.

Protein Summary Table - WT. AVE.

	HISTORY								FORECAST						
	Dec	Jan	Feb	Mar	Apr	May	5/24/2023	6/2/2023	6/14/2023	Jun	Jul	Aug	Sep	Oct	Nov
PORK															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	99.8	104.0	98.3	95.7	93.3	105.1	107.2	110.60	113	112	109	108	105	95	87
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	101.7	106.2	104.0	101.9	100.0	108.5	109.7	111.18	116	115	114	111	106	98	92
Loin, Bnls CC Strap-off, FOB Plant, USDA	139.0	144.1	146.4	152.8	151.1	155.1	155.1	157.84	162	161	159	155	168	164	156
Loin, Tenderloin, FOB Plant, USDA	167.1	172.2	162.4	152.5	157.5	155.3	150.8	155.36	163	161	173	171	166	160	156
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	111.7	101.2	99.1	107.0	106.3	125.8	140.2	126.65	147	146	129	131	120	111	106
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	126.7	131.0	126.8	129.4	123.8	127.6	133.1	131.20	142	134	133	133	131	128	143
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	290.1	239.9	253.7	265.0	243.9	256.0	275.1	255.48	280	276	273	270	266	255	258
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	126.0	129.7	125.6	129.5	124.0	125.0	129.3	127.92	144	134	133	133	131	128	139
Loin, Backribs 2.0#/up, FOB Plant, USDA	171.3	180.7	176.0	181.8	195.4	201.5	187.8	199.59	217	213	215	207	208	201	212
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	87.9	75.2	76.3	83.4	70.1	83.1	87.6	77.37	93	88	87	92	89	85	93
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	85.7	74.5	75.4	78.0	69.4	78.4	74.3	77.84	93	87	86	91	88	84	92
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	84.2	72.5	73.7	76.1	66.4	82.1	74.1	77.68	92	87	86	91	88	84	92
Belly Cutout, FOB Plant, USDA	94.8	90.9	100.4	96.2	80.0	79.3	72.0	78.19	106	99	125	125	112	124	119
Belly, Derind Belly 9-13#, FOB Plant, USDA	121.2	119.0	130.5	121.6	100.6	105.8	113.4	96.01	127	121	154	154	137	152	146
Belly, Derind Belly 13-17#, FOB Plant, USDA	112.7	107.8	114.9	110.3	95.7	93.5	88.3	93.00	119	111	144	144	127	142	136
Trim, 42% Trim Combo, FOB Plant, USDA	57.9	59.4	66.0	66.4	52.8	50.2	50.7	57.55	58	60	77	75	72	57	49
Trim, 72% Trim Combo, FOB Plant, USDA	88.8	84.9	91.2	90.2	73.7	63.8	61.3	69.81	84	80	85	78	72	69	69
Trim, Picnic Meat Combo Cushion Out, FOB Plant, USDA	102.9	97.5	92.5	102.3	94.8	97.1	94.0	101.42	116	112	111	96	97	108	103
Carcass Cutout, FOB Plant, USDA	87.2	81.0	82.3	84.9	78.1	82.6	80.9	84.84	94	90	90	90	88	86	87
HOG CARCASS															
CME 1-Day Lean Hog Index	81.2	74.4	75.6	78.2	72.1	76.0	80.8	80.98	87	85	86	83	78	77	75
BROILERS															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	123.7	121.8	121.7	130.0	140.2	139.9	140.8	140.67	140	141	133	121	114	109	112
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	96.0	100.6	123.0	136.5	131.3	136.4	139.8	140.15	143	145	145	141	138	132	124
N.E. BROILER BREAST LINE RUN, USDA	104.4	106.1	114.6	116.8	118.0	119.3	120.9	120.90	123	125	125	125	121	112	110
N.E. BROILER LEG QUARTERS, USDA	35.8	34.5	37.2	42.0	46.6	49.6	50.2	49.83	50	51	51	50	47	45	43
N.E. BROILER WINGS, USDA, WT.AVG.	89.1	91.2	110.3	108.2	102.3	89.0	88.5	88.82	90	90	94	101	107	107	110
TURKEYS															
HEN TURKEYS, EAST, FROZEN 10-12LBS, USDA	172.4	171.8	169.4	171.4	165.5	155.4	150.5	156.15	151	160	160	162	165	168	166
TOM TURKEYS, EAST, FROZEN 16-22LBS, USDA	171.0	171.8	169.2	169.4	168.5	151.6	150.5	150.00	151	150	150	153	156	159	166
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	670.0	662.5	538.8	344.0	320.0	313.0	310.0	290.00	297	295	295	300	305	310	320
LIVE STEERS															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	156.0	157.0	159.1	164.5	175.4	175.6	175.1	178.04	175	178	174	173	174	176	178
BEEF															
CHOICE, 112A, 3, USDA,RIBEYE, BONELESS, HEAVY, WT.AVG.	1149.2	1023.0	1006.1	1036.3	1019.5	980.4	885.2	950.09	998	985	969	1141	1156	1304	1392
CHOICE, 161, 1, USDA,ROUND, BONELESS, WT. AVG.	310.8	317.4	323.6	331.2	340.5	347.1	339.8	345.13	357	357	363	369	383	387	384
CHOICE, 168, 3, TOP INSIDE ROUND, 1/4" MAX, WT. AVG., USDA	240.0	267.4	270.3	278.6	297.4	303.1	300.6	309.54	313	310	314	326	322	330	316
CHOICE, 170, 1, BOTTOM GOOSENECK ROUND, WT. AVG., USDA	251.1	259.4	260.4	262.8	256.9	255.8	270.7	274.98	278	277	286	296	323	328	314
CHOICE, 180, 3, USDA,STRIP LOIN, BONELESS, 0X1, WT. AVG.	572.8	756.1	833.4	799.0	797.5	824.8	826.8	861.73	853	875	767	746	758	715	668
CHOICE, 184, 3, USDA,TOP BUTT, BONELESS, WT. AVG.	354.4	376.0	393.6	406.9	447.4	505.4	504.5	506.56	502	506	470	467	435	403	393
CHOICE, 185A, 4, USDA,BOTTOM SIRLOIN, FLAP, WT. AVG.	529.5	587.1	687.4	708.8	769.8	865.0	879.1	910.03	901	910	839	830	794	716	703
USDA,COARSE GROUND 73%, WT. AVG.	145.2	197.9	183.9	192.9	228.9	245.2	244.7	245.51	255	249	239	261	255	243	235
COARSE GROUND 81%, WT. AVG., USDA	193.0	235.9	222.3	222.0	265.3	283.6	283.6	278.71	290	288	280	301	292	294	277
USDA, 90% BONELESS BEEF, CENTRAL, FRESH, WT. AVG.	238.5	246.2	257.0	268.6	272.2	273.9	275.0	279.90	286	285	293	295	290	290	290
USDA, 50CL BEEF TRIM, FRESH, NATIONAL, WT. AVG.	86.6	108.1	116.6	134.6	173.8	191.6	181.1	180.94	175	171	156	145	114	110	130


Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA
$/cwt
170
150
130
110
90
70
50
Jun 2, 2023 = 110.60
11/23/2022
12/14/2022
1/4/2023
1/25/2023
2/15/2023
3/8/2023
3/29/2023
4/19/2023
5/10/2023
5/31/2023
6/21/2023
7/12/2023
8/2/2023
8/23/2023
9/13/2023
10/4/2023
10/25/2023
11/15/2023
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2022-23 Wednesday Dates


Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA
$/cwt
250
230
210
190
170
150
130
110
90
70
50
Jun 2, 2023 = 131.20
11/23/2022
12/14/2022
1/4/2023
1/25/2023
2/15/2023
3/8/2023
3/29/2023
4/19/2023
5/10/2023
5/31/2023
6/21/2023
7/12/2023
8/2/2023
8/23/2023
9/13/2023
10/4/2023
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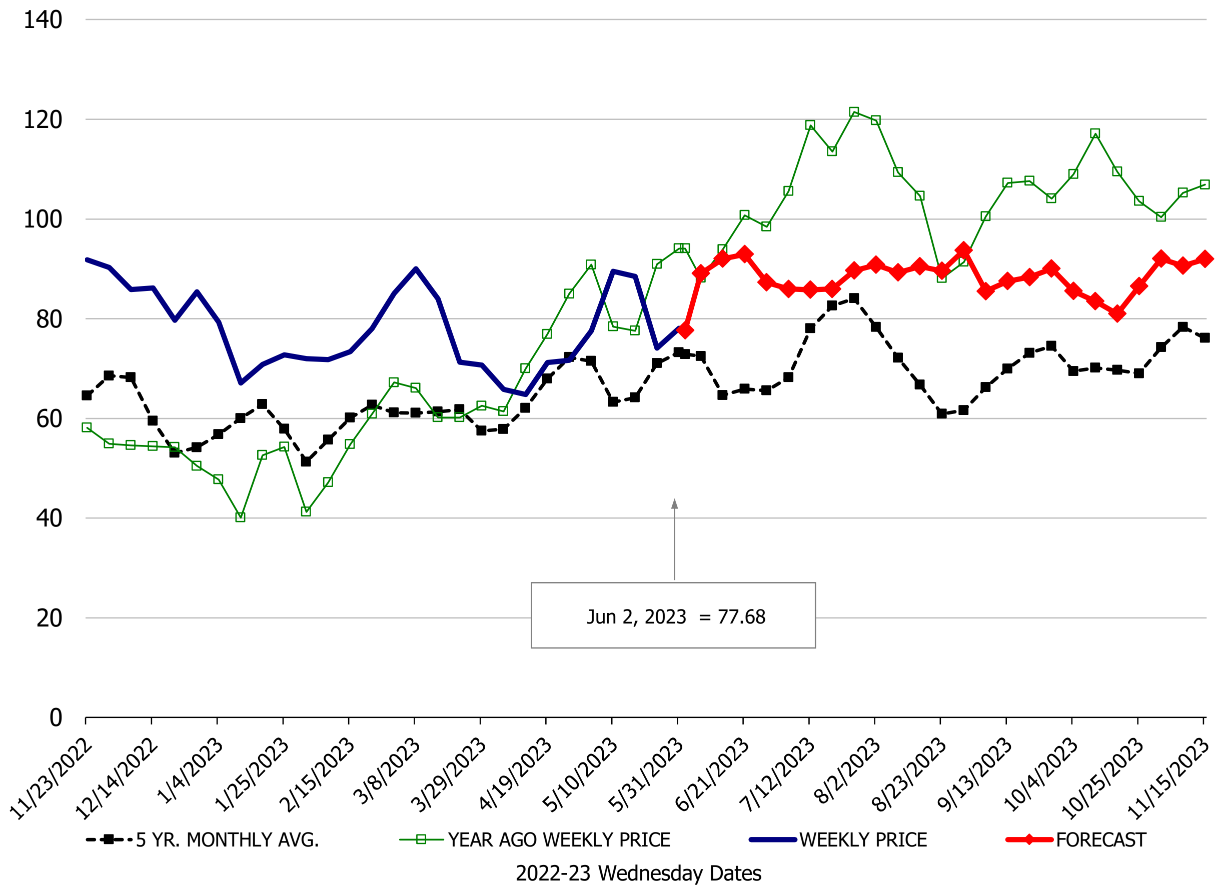
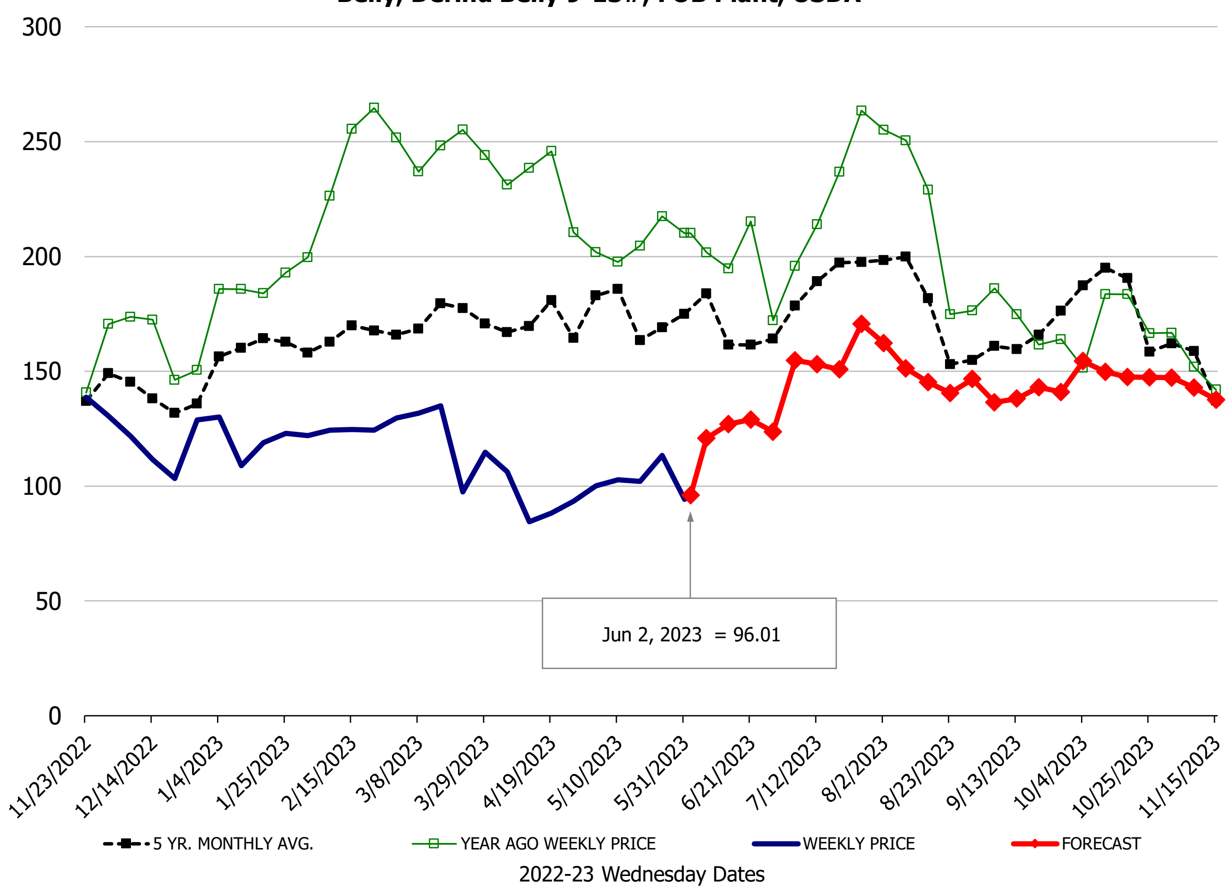
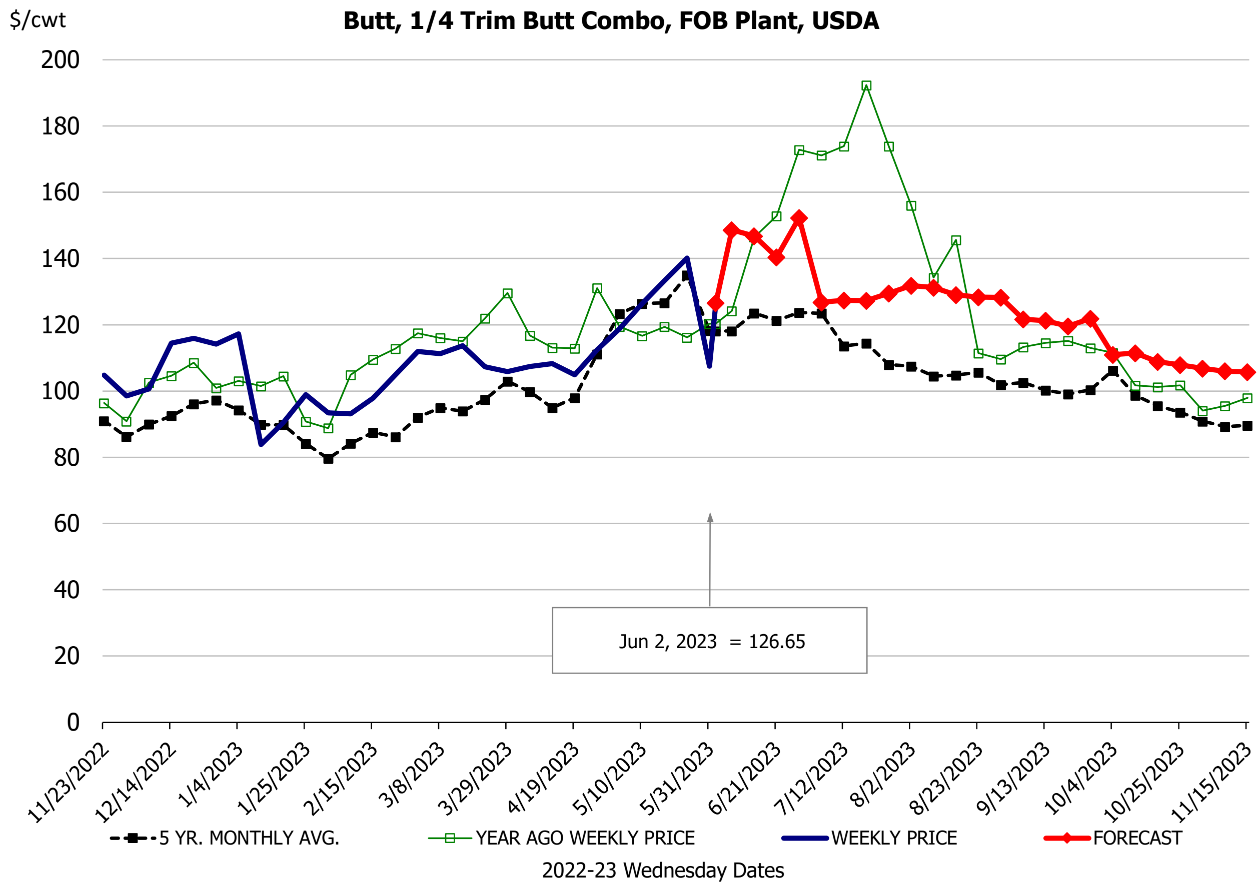
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA



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




$/cwt
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA
200
180
160
140
120
100
80
60
40
20
0
Jun 2, 2023 = 126.65
11/23/2022
12/14/2022
1/4/2023
1/25/2023
2/15/2023
3/8/2023
3/29/2023
4/19/2023
5/10/2023
5/31/2023
6/21/2023
7/12/2023
8/2/2023
8/23/2023
9/13/2023
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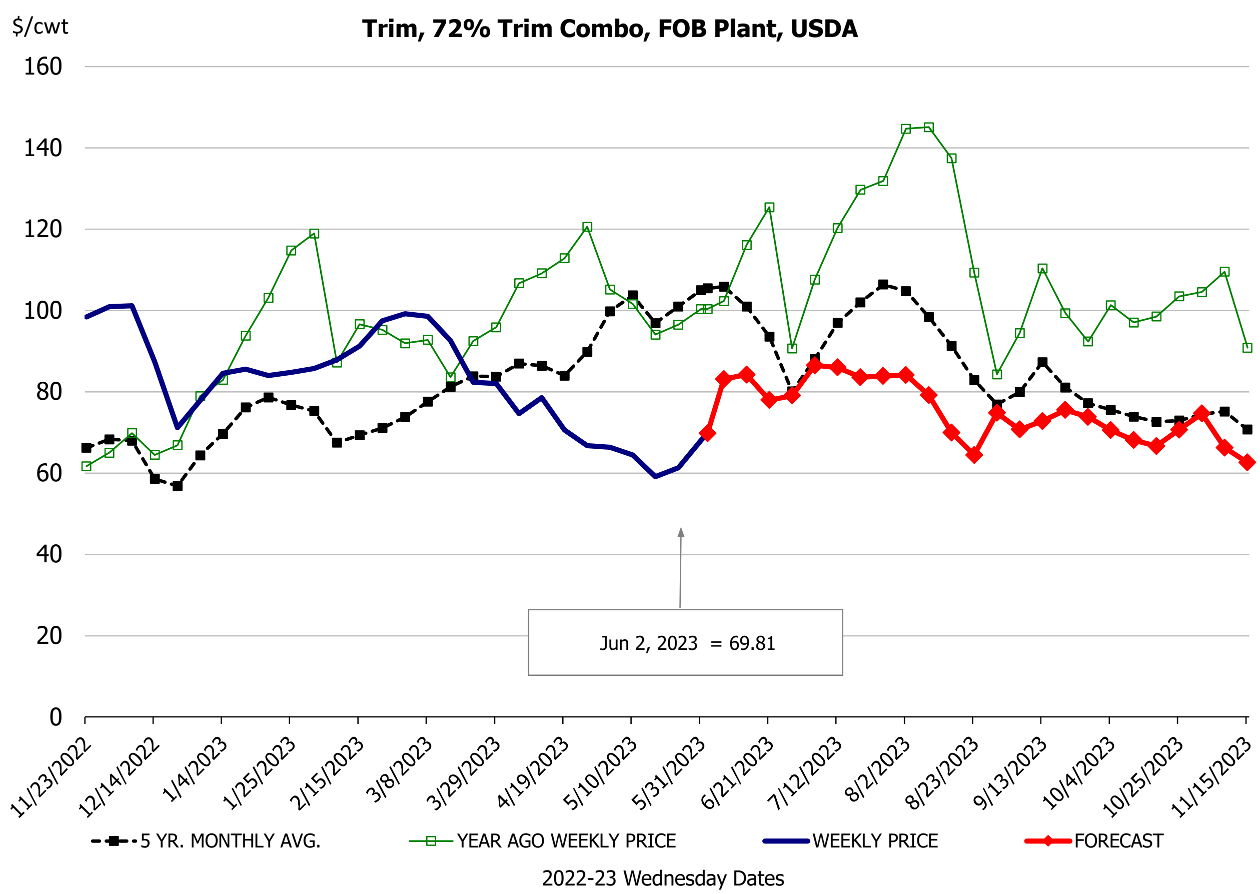
$/cwt
Trim, 72% Trim Combo, FOB Plant, USDA
160
140
120
100
80
60
40
20
0
Jun 2, 2023 = 69.81
11/23/2022
12/14/2022
1/4/2023
1/25/2023
2/15/2023
3/8/2023
3/29/2023
4/19/2023
5/10/2023
5/31/2023
6/21/2023
7/12/2023
8/2/2023
8/23/2023
9/13/2023
10/4/2023
10/25/2023
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5 YR. MONTHLY AVG.
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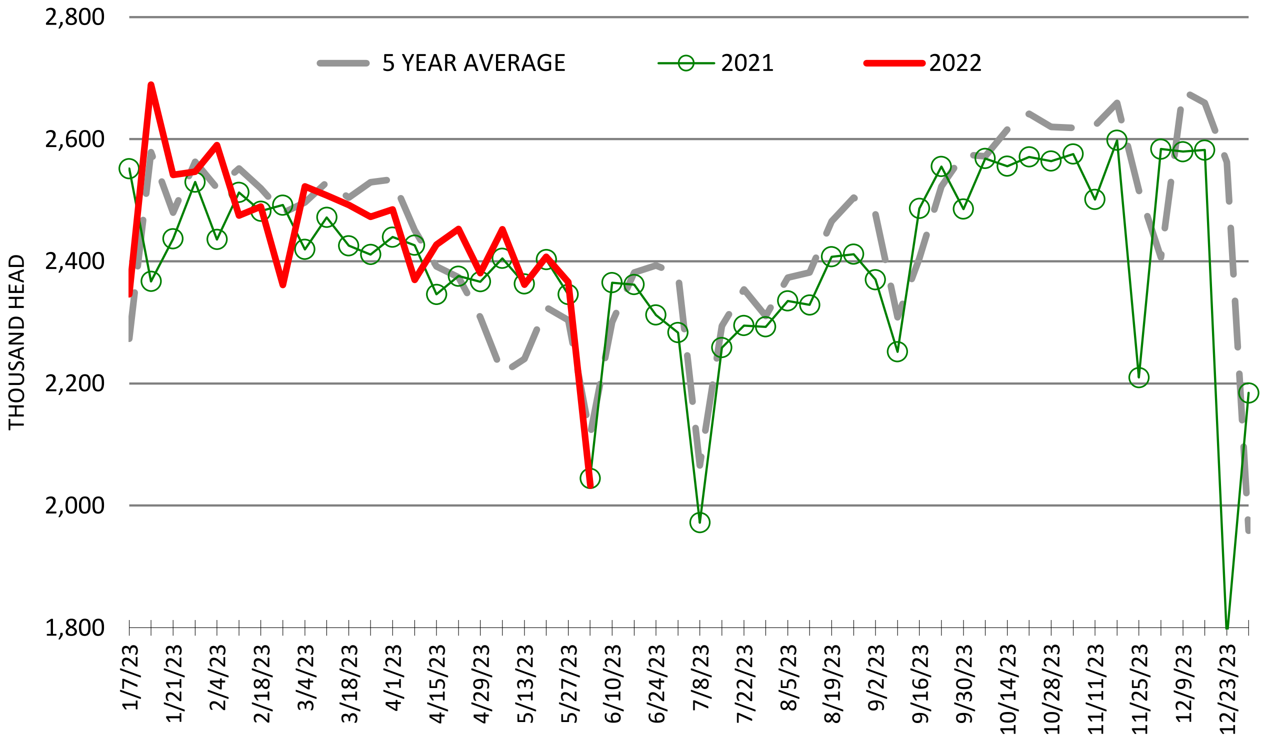
FORECAST
2022-23 Wednesday Dates

ESTIMATED WEEKLY FI HOG SLAUGHTER

Source: USDA, '000 head



ESTIMATED WEEKLY FI PORK PRODUCTION

Source: USDA, Mil. Pounds