



# Pork Merchandiser's Profit Maximizer

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

January 8, 2024

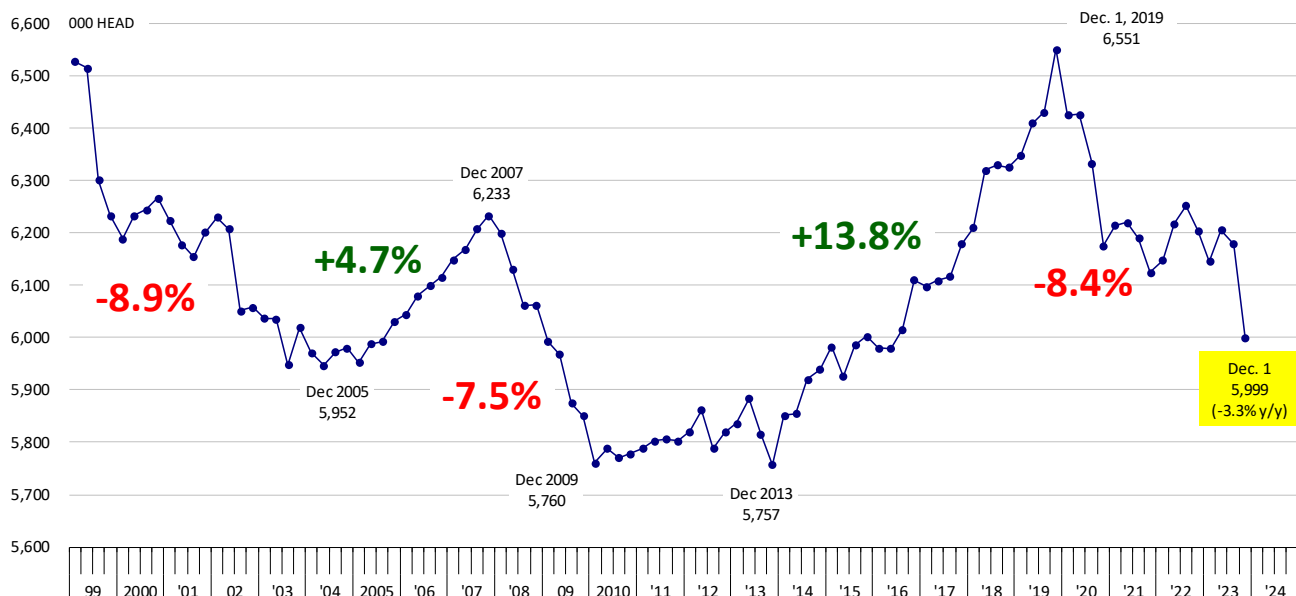
## 1. Productivity gains more than offset herd reductions, setting the stage for higher pork production in 2024.

Before we cover the implications of the latest USDA 'Hogs and Pigs' report, it is worth noting that USDA went back and made some significant revisions to estimates for the previous two years.

The September 1 inventory was revised up by 1 million hogs and the June 1 inventory was revised up 806k head. USDA usually does not make adjustments to the breeding herd estimate but the December 1 2022 breeding herd was revised up by almost 100k head. The breeding herd was also revised up all the way to March 2022. This puts a bit in context the sharp drop in the chart below.

### Hogs Kept for Breeding. Quarterly Inventory. '000 Head

Source: USDA-NASS. Analysis by Steiner Consulting

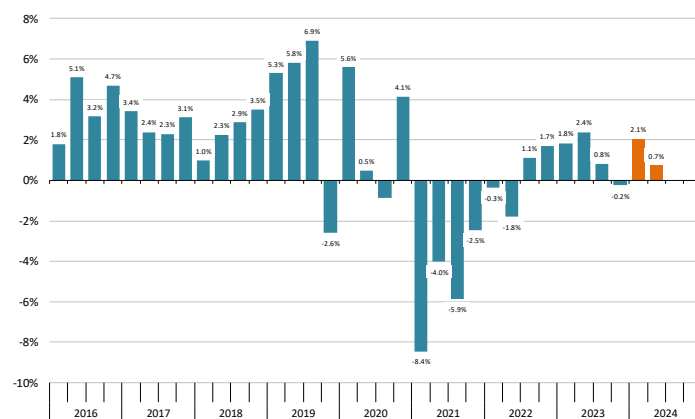


It's not that the December 1 herd declined sharply, it's that the herd from the previous quarters was revised higher.

**Market hogs and supply implications for the next six months:** The analyst estimates for hog supplies in the near term were demonstrably wrong based on the pace of slaughter during December. USDA pegged the supply of hogs over 180 pounds up 2.4% vs. year ago, recognizing the supply coming to market this far. This is 1.5% higher than what analysts were projecting. The inventory of hogs between 120-179 pounds, which should come to market between mid Jan and mid Feb was 0.7% higher than a year ago. Analysts were thinking this supply would be near last year. The pig crop for Jun-Aug, which should correspond to Dec-Feb was estimated 0.8% higher than last year. With the hogs coming to market up to this point, does this mean that we may see fewer hogs in late January and February? More likely in our view is that the pig crop for Jun-Aug will be revised higher.

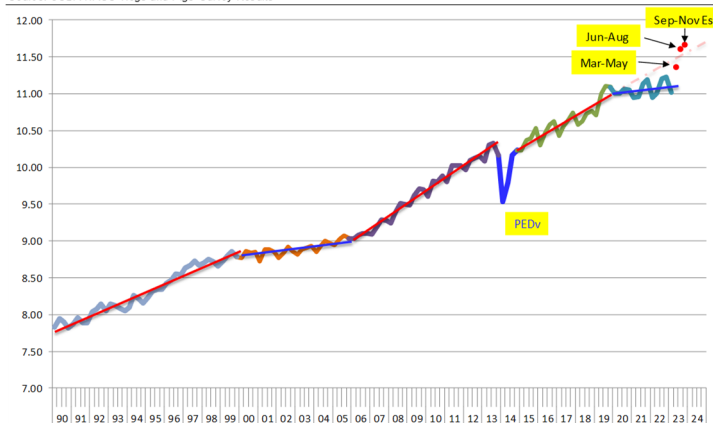
USDA was also a bit higher than estimates in the inventory of hogs between 50-119 pounds and under 50 pounds, basically hogs that should come to market through the spring. The inventory was 0.5% lower than last year and consistent with the pig crop for Sep-Nov. At this point the supply of market hogs for the spring is generally consistent with the Sep-Nov pig crop, estimated 0.2% lower than a year ago. However, the ratio of farrowings during Sep-Nov vs. the Sep 1 breeding herd calculates to 48.8%, one of the lowest in the past decade. USDA had something similar last year and then it was revised higher. Should the farrowing rate be closer to what it normally is for this time of year plus the 3.9% increase in pigs per litter, then we could presumably get the pig crop for Sep-Nov to be up 0.5% to 1% vs. year ago. This is part of the reason why we view the report as moderately bearish for the winter and spring months. We have revised our supply/demand table accordingly. The number of pigs saved per litter may appear big when compared to year ago but it's important to remember that productivity was well below trend in 2020-22. Productivity

**Y/Y % Change in Quarterly Pig Crop Data. USDA. Last Two Quarters Reflect Estimates**  
Data Source: USDA-NASS. Analysis and projections by Stiene Consulting



**Trend in Quarterly Pigs Saved Per Litter**

Source: USDA-NASS 'Hogs and Pigs' Survey Results



levels are now back to the pre-COVID trend, offsetting the reduction in the breeding herd and farrowings (see chart).

**Breeding herd and outlook for summer/fall:**

USDA made a big revision to the breeding herd for December 2022, reflecting the updates made to the farrowings in previous quarters. Prior to the report analysts were thinking that the breeding herd on December 1 would be 1.3% lower than a year ago. This implied a breeding herd of around 6.026 million head. The USDA breeding herd estimate was 5.999 million head, lower than expected. Because the breeding herd for December 1, 2022 was increased, the y/y change now is 205k head (-3.3%) and 2 full points lower than analysts. We have some reservations with regard to the revisions made by USDA and the breeding herd for December 1. According to USDA, the breeding herd September 1 was 6.179 million head. The estimate for December 1 was 5.999 million head,

about 180k head (-2.9%) decline from the previous quarter. If true, this would be the biggest such decline since 1999. Assuming this estimate is correct, it implies the lowest replacement ratio in more than a decade, and a 12% decline in gilt retention vs. the same quarter last year.

The decline in the breeding herd should result in lower farrowings during winter and spring. The survey put farrowing intentions for Dec-Feb at 2.900 million, 1.8% lower than a year ago. The ratio of these farrowings to the Dec 1 breeding herd calculates at 48.3%, higher than the previous three years and back to pre-COVID levels. The main reason why we see the report as friendly for the summer and fall is the sharp decline in the breeding herd. However, the decline in farrowings needs to be balanced against the potential for the pig crop this winter. If pigs/litter has indeed returned to pre-COVID levels, then we could presumably pigs per litter during Dec-Feb at 11.45, 3.9% higher than the previous year. This would more than offset the expected decline in farrowings, resulting in a pig crop during Dec-Feb 2.1% higher than the previous year. There are two unknowns here: a) farrowings may be down more than intended based on the lower breeding herd; b) pigs per litter may not be up as much depending on disease pressures this winter. Farrowings intentions for Mar-May were down 1.2% from the previous year. Again, using the pre-COVID trend, we could see pigs saved per litter for Mar-May in the 11.5 - 11.55 area, thus up 1.2% to 2% y/y. This would imply a pig crop that could range from slightly under to as much as 0.7% higher than a year ago.

We have raised our forecast for pork production in 2024 based on the latest numbers. It is also important to remember that there are extra marketing days in Q3 and Q4, which add to the overall estimate. Our forecast is for slaughter in 2024 to be up 1.7% vs. 2023, almost all of this due to more pigs saved per litter. Pork production is expected to be up 2% on modest growth in hog carcass weights.

## PORK

**Hog Market. For the week ending December 30 hog slaughter was 2.233 million head, up 2.2% from a year ago. In the last two weeks hog slaughter is up 17.4% vs. year ago levels.**

**Iowa/Minnesota, Base Negotiated Purchase for Barrows and Gilts.** Lean hog carcass values at about 65.49 /cwt. on Friday were down \$1.2/cwt since Wed. December 20. Prices are down about 15.3 \$/cwt compared to year ago values.

**Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA** (page 8). Prices finished last week at \$1.0040, up about 1.6 cents since the Wed. December 20 quote but down about 8 cents from year ago levels.

**Bnls. Strap on Pork Loins.** Prices finished the week at \$1.5124 for the strap on loins, down 0.9 cents since Wed. December 20 but up 23 cents from the year ago levels. Strap off loins at \$1.6835 are up 2.4 cents since Wed. December 20 and up about 23 cents compared to the year ago quote.

**Boneless sirloins** at \$1.2574 were up about 3 cent from the Wed. December 20 quote but down about 4.4 cents from the year ago price.

**Pork tenderloin** finished last week at \$1.4667, down 2 cents since the Wed. December 20 quote and down about 25.7 cents from the year ago price.

**1/4 Trim Pork Butts** (page 10), prices finished the week at \$1.1893, down 0.8 cents since Wed. December 20. Prices are down 4 cents from a year ago.

**Spareribs, Trimmed - LGT, Vac** (page 8). Prices finished the week at \$1.3226, down about 2 cents since Wed. December 20 but up about 7 cents from year ago levels.

Rib inventories on November 30 were 70.4 million pounds, down 31.0% from a year ago.

### Bone-in Hams

17/20 hams (page 9) price was last quoted at \$0.7761/lb. down 3 cent since Wed. December 20 and down about 10 cents from a year ago.

20/23 hams finished the week at 79.06 cents (page 130) down about 11 cent since Wed. December 20 and down about 7 cent from the year ago level.

23/27 hams finished the week at 76.43 , up about 1 cents from the Wed. December 20 quote but down about 9 cents from the year ago level.

Total ham cold storage stocks on November 30 at 55.2 million pounds were up 5.4% from year ago levels.

**42 CL Pork Trim** "FOB Basis". Prices finished the week at 42.59 cents, up about 2.2 cents since Wed. December 20 but down about 16 cents from the year ago price.

**72 CL Pork Trim** "FOB Basis". Prices finished the week at 71.49 cents, up 2.3 cents since the Wed. December 20 quote but down about 6 cents from the year ago levels.

Freezer stocks of all trimmings on November 30 were 44.7 million pounds, down 0.01% from the year ago levels.

**72 CL Picnic Meat** "FOB Basis". The premium of picnic meat to 72CL trim is currently at **40** cents compared to **32** cents average in the previous six months.

## **POULTRY**

### **Whole Broilers**

The National Whole Bird price was quoted at 130.46 on Friday, December 29, up about 2 cents from a year ago.

Broiler slaughter for the week ending December 23 was 167.14 million head, up 3.89% from a year ago. For the last two weeks broiler slaughter was up 1.1% vs. a year ago.

**Breasts.** Prices on boneless skinless breasts finished the week at \$1.0191, up 3 cents since

Wed. December 20 and up about 3 cents from year ago levels.

**Leg Quarters.** Last week leg quarter prices at 42.04 cents per pound prices were up about 1.20 cents vs. two weeks ago and were up 6 cents from a year ago.

**Wings.** Prices at \$1.6155 are up about 73 cents from year ago levels.

## **Turkeys**

### **The prices below reflect weekly quoted USDA prices.**

**Hens** finished last week at \$0.8650, unchanged 0.0 cent since Wed. December 20 but down about 85 cents from the year ago price.

**Toms** finished last week at \$0.8750, unchanged since Wed. December 20 but down about 84 cents from the year ago price.

Total turkey supplies in the freezer on November 30 were up 44.4% from a year ago at 140.260 million pounds. Whole birds were up 54.7% from a year ago with an inventory of 35.238 million pounds.

Turkey slaughter was 3.3010 million head for the week ending December 23, up 25.32% from a year ago. For the last two weeks slaughter has been up 13.75%.

**Boneless Turkey Breast Meat.** Boneless skinless turkey breast meat prices finished last week at \$2.6000, unchanged since Wed. December 20. Prices are down about 410 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 \$12.9203 (weighted average quote) finished last

week up about 18 cents since the Wed. December 20 quote and up about 56 cents vs. the year ago price.

**Select 112A Heavy Lip On Rib Eyes** at \$9.9557 (weighted average quote) finished last week down about 67 cents since the Wed. December 20 quote and up about 189 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$2.9646 /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 \$2.5217 for 90CL and \$0.5427 for 50CL product, an 81CL meat block value is now \$2.0764 and a 78CL meat block is \$1.9280. Choice 114, 3 Clods are now being priced 83.16 cents over 81CL meat block grinding values of 90s and 50s. A year ago the spread was 59.99 cents and the five year average spread for is 44.68 cents over.

**Choice #161 Boneless Rounds** finished last week at **\$3.7500, up** about 55 cent since **Wed.** December 20 and up about 46 cents from year ago levels.

**Choice regular #168 insides** finished last week quoted at \$2.5477 up about 3 cents since Wed. December 20 but down about 21 cents from the year ago price.

**Choice ¼ inch trimmed #168 insides** finished last week quoted at \$2.5542 down about 8 cents since Wed. December 20 and down about 10 cents from year ago levels.

**Choice #170 Gooseneck Rounds** finished last week at \$2.6850 up about 11 cents since Wed. December 20 but down about 2 cents from the year ago levels.

**Choice #180 (0x1) Bnls. Strip Loins** finished last week quoted at \$7.5272 (wt. avg.) down about 6 cents from the Wed. December 20 quote. Prices are up 85 cents from year ago levels.

**Choice #184 Regular Heavy top butts** finished at \$3.9861 (wt. avg.) **down** about one cents since Wed. December 20 and **up** about **40** cents from year ago levels.

**Choice #184 ¼ inch trimmed Top Butts** finished at \$3.9051 (wt. avg.) down about 10 cents since Wed. December 20 but up about 14 cents from the year ago levels.

**Choice #185A Flap Meat** prices finished Friday at \$6.5986 (wt. avg.) down about 7 cents since Wed. December 20 but up about 85 cents from year ago values.

### **COARSE GROUND BEEF –**

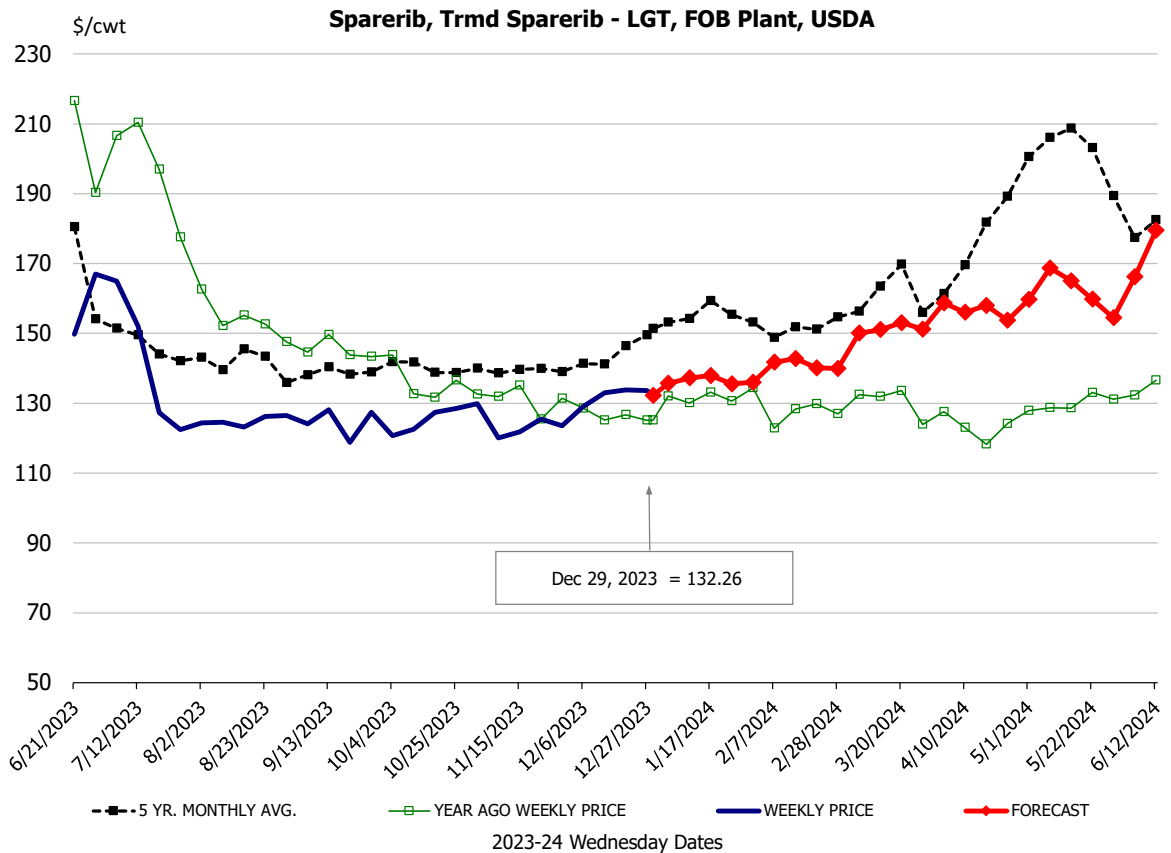
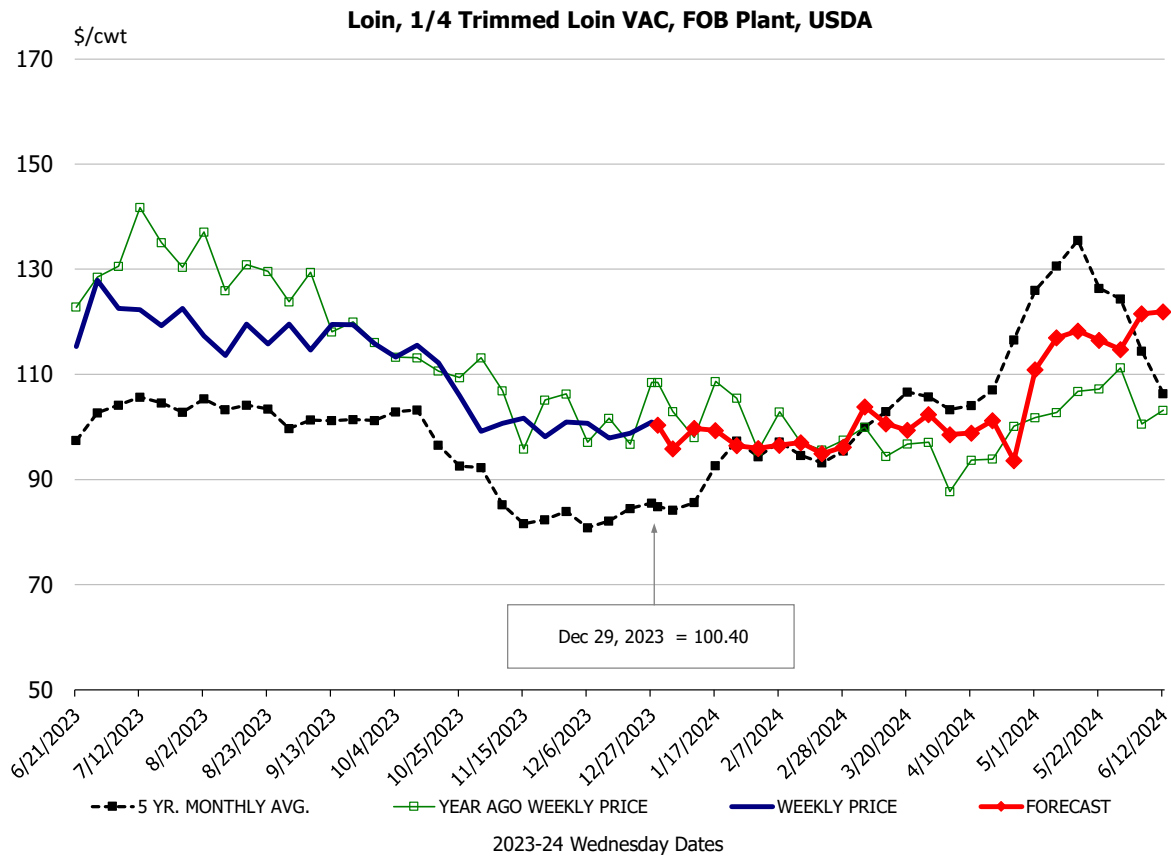
**73CL Coarse Ground** product finished last week at **\$1.8589 up** about 20 cents since Wed. December 20 but down about 10 cents from year ago levels.

**81CL Coarse Ground** product finished last week at \$2.4220 up about 32 cents since Wed. **December 20 and up** about **11** cents from the year ago quote.

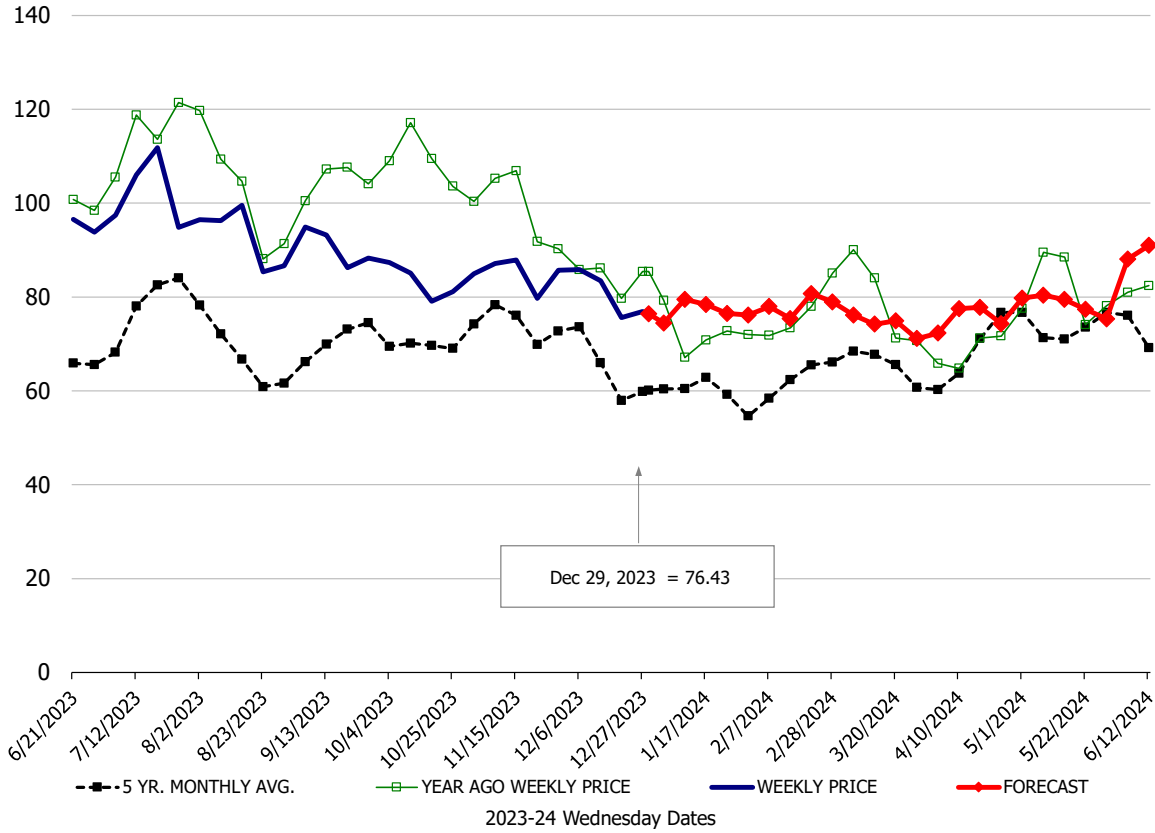
**90CL Bnls. Beef** prices finished the week at **\$2.5217** (wt. avg.) **up 0.75** cents since Wed. December 20 and up 11 cents compared to the year ago price quote. **50 CL Beef Trim** prices finished last week at \$0.5427, up about 2 cents since Wed. December 20 but down 45 cents compared to year ago levels.

## Protein Summary Table - WT. AVE.

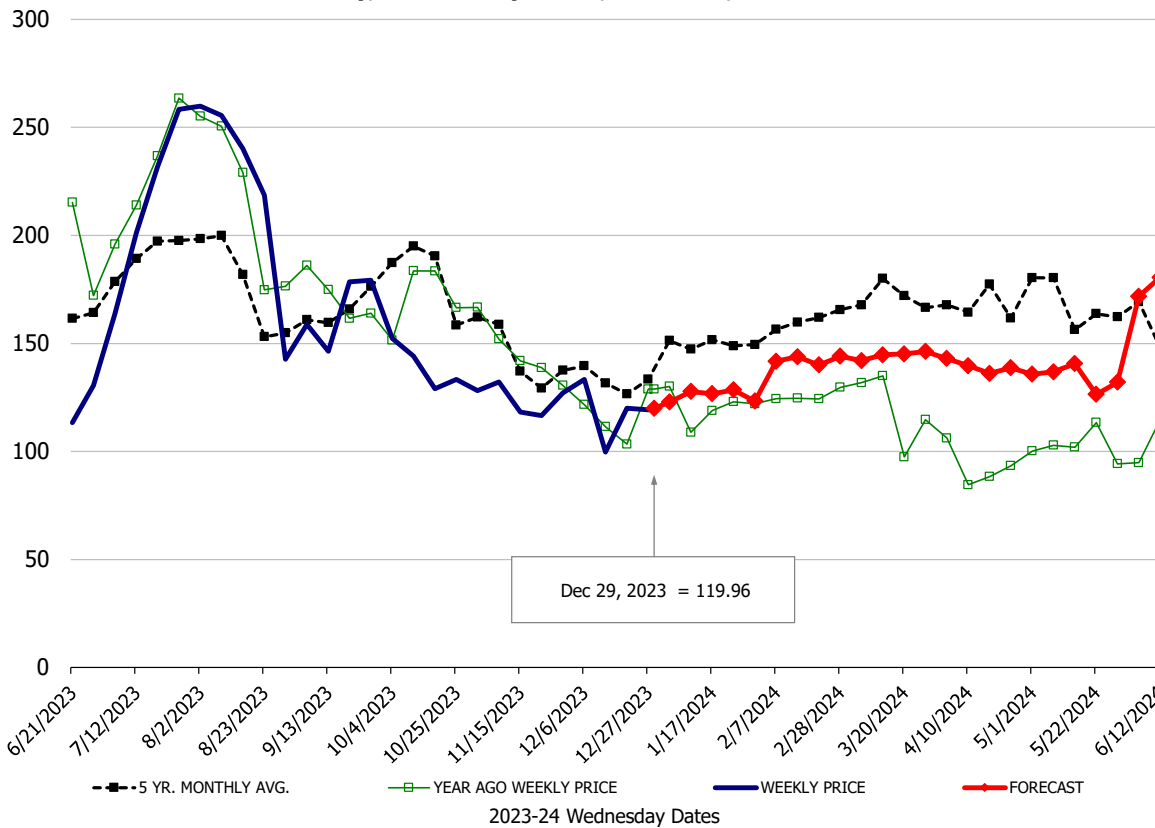
	HISTORY								FORECAST						
	Jul	Aug	Sep	Oct	Nov	Dec	12/20/2023	12/29/2023	1/10/2024	Jan	Feb	Mar	Apr	May	Jun
<b><u>PORK</u></b>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	121.1	117.6	117.2	110.3	101.2	100.8	98.8	100.40	100	97	96	101	100	113	121
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	127.4	123.7	120.9	117.5	109.1	107.0	106.5	108.06	108	105	101	107	105	115	124
Loin, Bnls CC Strap-off, FOB Plant, USDA	173.6	171.4	180.2	176.8	162.0	164.1	166.0	168.35	171	167	162	165	168	172	176
Loin, Tenderloin, FOB Plant, USDA	158.1	150.1	146.3	137.7	124.4	141.8	148.6	146.67	155	152	160	163	166	170	195
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	125.1	110.5	129.9	115.7	107.1	107.2	114.7	110.39	111	111	105	114	121	138	141
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	138.5	125.1	126.9	125.0	125.9	131.3	133.9	132.26	137	136	142	150	158	163	169
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	267.7	255.3	252.3	257.8	242.3	243.9	268.6	258.09	247	247	266	277	280	291	298
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	141.2	121.7	121.5	119.2	118.7	125.6	125.9	123.53	135	133	139	147	152	161	167
Loin, Backribs 2.0#/up, FOB Plant, USDA	213.7	194.8	192.7	191.5	185.2	183.9	188.6	183.69	187	185	191	212	240	243	249
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	105.0	94.4	92.9	85.7	86.6	84.0	80.5	77.61	80	78	80	81	76	83	88
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	101.0	93.2	88.9	83.1	84.9	84.1	89.8	79.06	80	77	79	79	75	82	87
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	101.5	90.7	89.6	82.8	84.0	80.3	75.6	76.43	80	76	77	77	74	80	86
Belly Cutout, FOB Plant, USDA	183.4	185.7	131.5	113.5	102.2	87.6	80.5	91.53	105	103	120	118	117	114	143
Belly, Derind Belly 9-13#, FOB Plant, USDA	225.4	184.9	154.3	140.6	128.4	109.8	119.9	119.96	128	124	145	142	141	137	172
Belly, Derind Belly 13-17#, FOB Plant, USDA	215.9	195.9	158.4	136.8	118.9	104.6	98.0	109.09	127	123	144	141	140	137	171
Trim, 42% Trim Combo, FOB Plant, USDA	95.8	81.6	69.0	55.5	47.7	43.8	40.4	42.59	47	45	49	59	62	62	79
Trim, 72% Trim Combo, FOB Plant, USDA	117.9	99.0	98.1	76.7	74.6	72.1	69.2	71.49	79	77	78	80	93	98	118
Trim, Picnic Meat Combo Cushion Out, FOB Plant, USDA	123.4	112.1	111.7	95.3	87.3	91.1	92.2	93.15	93	94	98	100	107	112	127
Carcass Cutout, FOB Plant, USDA	112.2	105.9	98.3	90.4	86.7	83.6	81.4	83.00	83	81	83	84	85	89	97
<b><u>HOG CARCASS</u></b>															
CME 1-Day Lean Hog Index	102.0	99.3	86.4	80.7	74.7	67.7	66.7	65.49	69	68	69	73	75	82	91
<b><u>BROILERS</u></b>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	118.9	112.4	119.5	119.6	121.7	127.9	128.2	130.46	128	129	129	130	133	139	137
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	116.3	140.3	165.3	145.3	109.2	98.8	99.2	101.91	114	112	125	137	151	170	164
N.E. BROILER BREAST LINE RUN, USDA	118.0	117.9	116.6	105.2	101.0	101.6	101.8	102.14	105	104	109	118	128	140	145
N.E. BROILER LEG QUARTERS, USDA	49.6	42.8	41.3	41.1	41.1	41.4	40.8	42.04	42	42	43	45	46	47	46
N.E. BROILER WINGS, USDA, WT.AVG.	101.4	123.6	153.9	168.2	160.7	158.9	157.5	161.55	170	165	170	164	160	155	150
<b><u>TURKEYS</u></b>															
HEN TURKEYS, EAST, FROZEN 10-12LBS, USDA	142.5	128.2	125.7	115.4	98.4	87.5	86.5	86.50	94	100	110	115	121	125	130
TOM TURKEYS, EAST, FROZEN 16-22LBS, USDA	140.2	128.8	126.0	114.7	97.0	87.8	87.5	87.50	94	100	110	115	121	125	130
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	268.8	260.6	260.0	260.0	260.0	260.0	260.0	260.00	258	260	265	265	270	270	275
<b><u>LIVE STEERS</u></b>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	183.6	185.2	183.9	184.0	180.5	170.6	168.7	172.08	170	171	172	174	176	175	175
<b><u>BEEF</u></b>															
CHOICE, 112A, 3, USDA,RIBEYE, BONELESS, HEAVY, WT.AVG.	981.4	1045.6	1150.3	1087.4	1197.5	1300.3	1273.7	1292.03	1175	1145	1065	1070	1120	1050	1128
CHOICE, 161, 1, USDA,ROUND, BONELESS, WT. AVG.	349.1	350.0	370.2	381.1	378.1	333.5	320.1	375.00	366	364	357	353	353	350	344
CHOICE, 168, 3, TOP INSIDE ROUND, 1/4" MAX, WT. AVG., USDA	305.1	331.5	358.3	351.7	303.9	249.4	263.8	255.42	278	282	290	290	307	314	319
CHOICE, 170, 1, BOTTOM GOOSENECK ROUND, WT. AVG., USDA	270.7	294.2	340.9	338.7	276.3	251.7	257.8	268.50	284	285	277	274	268	269	276
CHOICE, 180, 3, USDA,STRIP LOIN, BONELESS, 0X1, WT. AVG.	886.9	750.2	634.4	649.0	730.8	753.5	759.0	752.72	756	754	768	853	905	976	934
CHOICE, 184, 3, USDA,TOP BUTT, BONELESS, WT. AVG.	475.3	466.6	421.7	390.6	385.7	390.3	400.2	390.51	400	400	418	450	477	506	488
CHOICE, 185A, 4, USDA,BOTTOM SIRLOIN, FLAP, WT. AVG.	991.3	768.5	644.2	623.0	625.6	607.8	667.1	659.86	663	657	674	718	825	888	826
USDA,COARSE GROUND 73%, WT. AVG.	257.6	255.4	251.4	226.6	201.1	173.5	166.3	185.89	216	208	196	200	232	249	234
COARSE GROUND 81%, WT. AVG., USDA	274.3	281.8	274.1	258.5	247.4	209.5	210.0	242.20	256	251	229	233	269	299	273
USDA, 90% BONELESS BEEF, CENTRAL, FRESH, WT. AVG.	293.2	300.0	306.3	289.2	276.8	248.4	251.4	252.17	265	264	277	284	305	310	316
USDA, 50CL BEEF TRIM, FRESH, NATIONAL, WT. AVG.	171.8	144.1	126.9	87.3	64.6	55.3	51.6	54.27	67	78	85	109	139	170	170



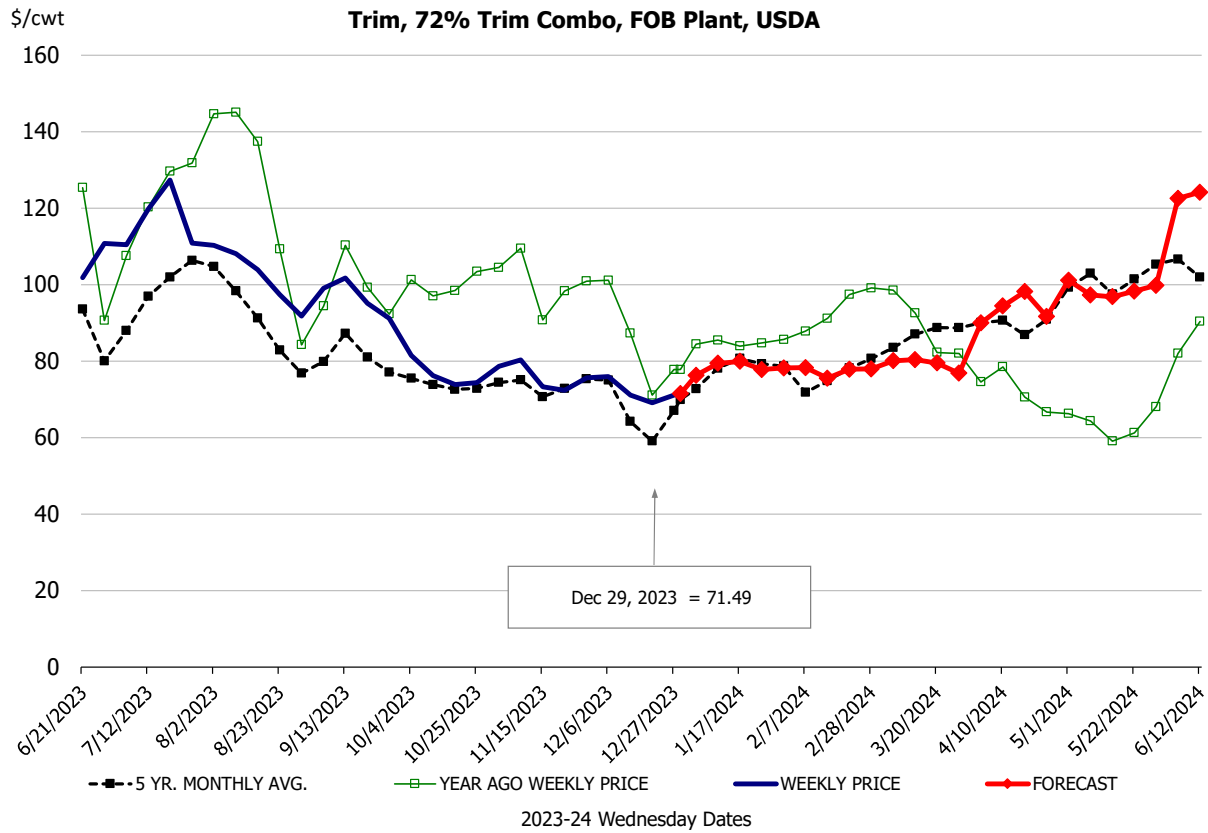
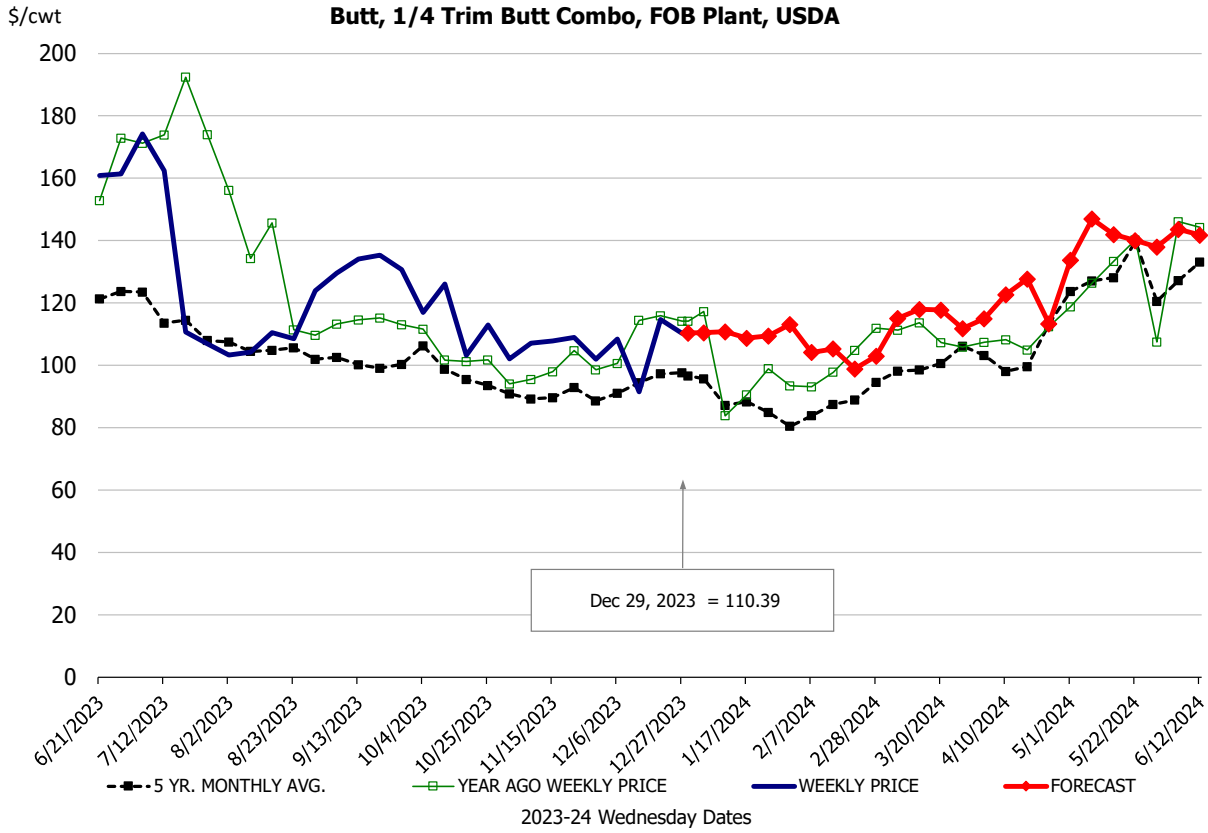
**Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA**



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

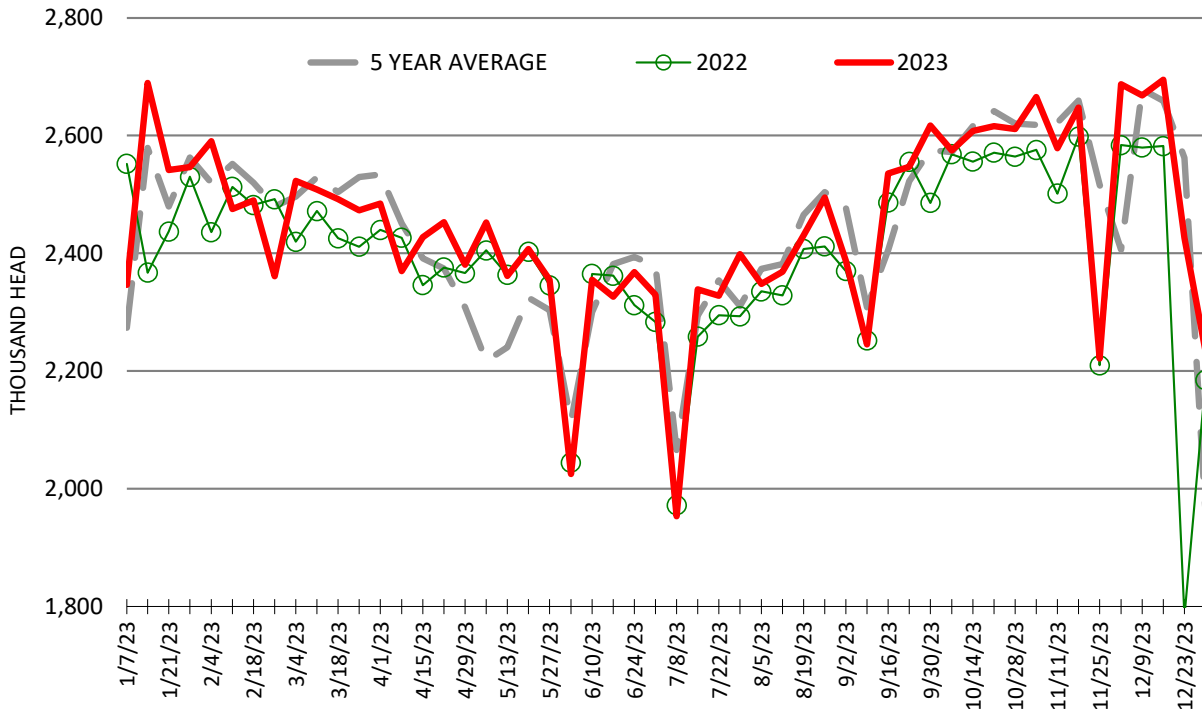






## ESTIMATED WEEKLY FI HOG SLAUGHTER

Source: USDA, '000 head



## ESTIMATED WEEKLY FI PORK PRODUCTION

Source: USDA, Mil. Pounds

