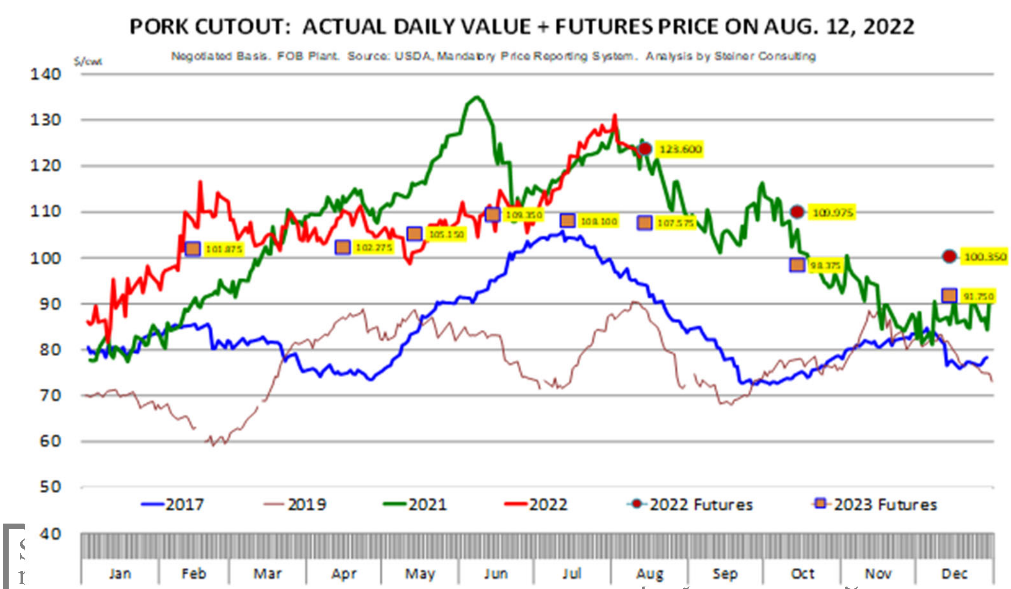
Pork Merchandiser's **Profit Maximizer**

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

August 17, 2022

<u>Pork market is hot and cash hog prices are near record levels, but does that warrant current fall premiums?</u>

Hog slaughter last week was pegged at 2.338 million head, only slightly higher than the previous week. This number was about 35k head smaller than what we expected when the week started. At 2.9% under year ago, this week's slaughter was well below the levels expected based on the June 'Hogs and Pigs' survey. **<u>Does this week's low slaughter mean the survey was wrong and, if so, should we rethink the supply outlook for the fall as well? In our view that would be premature</u>**. Rather, we think the market has swung from being overly pessimistic in May and June to overly optimistic in July and August. Producers worked hard to get current in June (see weight chart on page 2). Weekly hog slaughter between the start of June and second week of July was just 0.5% lower than the previous year. This number is higher than the survey suggested, implying producers pulled some supply forward. Since then, weekly hog slaughter has been 1.3% lower than the previous year. For the entire period, however, weekly slaughter has been 0.9% lower than a year ago, not far from the 0.8% decline that the June inventory suggested. Which is why we think it is

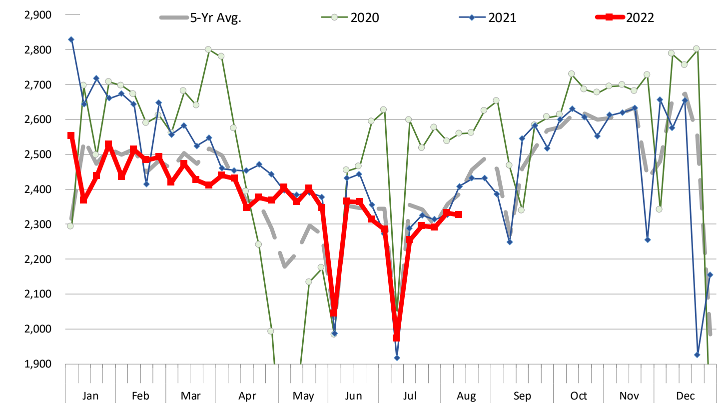


premature to think the hog survey was wrong. In the near-term packers have had little choice but to pay up in order to get orders filled. They were able to hold their margins together in late July as short bought processors paid up for hams, bellies and trim. Retailers also appear to be reluctantly paying up for fresh pork, with loins and ribs getting some support.

The current situation is a bit of a balancing act for packers as they need to fill orders for Labor Day but also recognize that spot hog supply is very current and can only be pushed so much. That explains, in our mind, **<u>why hog slaughter on Saturday came in at just 29k head compared to 78k head for the same week a year ago</u>**. Weights of producer owned hogs have been running well below year ago levels in recent weeks. Every year is different, but the current situation bears some resemblance to both 2021 and 2017. During both those years producers managed to get very current in the summer, a function of the supply of pigs born in late winter/early spring and high summer temps. But what's always useful to remember is that **<u>the supply situation will improve, it is not a matter of if but when</u>**. Hog slaughter in the second half of 2021 averaged 2.56 million head/week, 230k head higher than in early August. Hog supplies in the fall are expected to be about 0.5% to 1% under year ago. That would put hog slaughter in the second half of September at 2.54 million head. And by late October slaughter will approach 2.6 million head. Hog carcass weights will increase as well. It will not be +90 degrees in Iowa in September and October and hogs will convert at a more normal pace. The downside risk for the market is that current high prices will end up rationing out demand just as hog supplies start to pick up. And even as domestic production will be a bit lower than it was last year, supply availability will not change much, indeed it may increase. Pork imports are so far 40% higher than a year ago and current high US prices have likely meant more purchases of Canadian, Danish, and Brazilian pork. US pork exports remain under last year's levels, largely because of China but also because current high prices and the strong US dollar have negatively affected exports to Japan, S. Korea and several smaller markets.

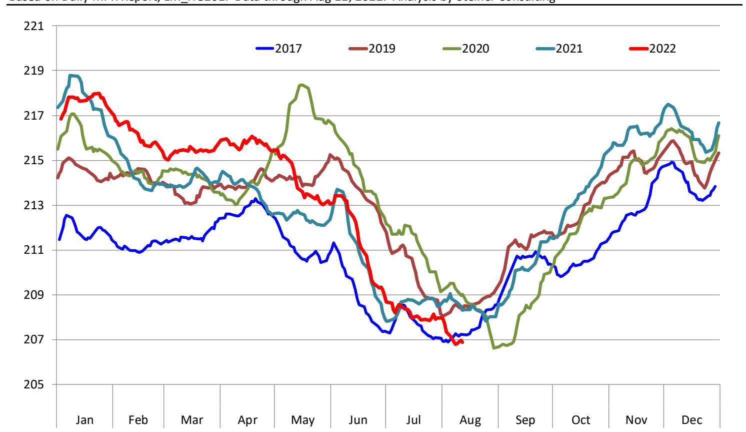
WEEKLY HOG SLAUGHTER. '000 HEAD

Source: USDA. Analysis by Steiner Consulting



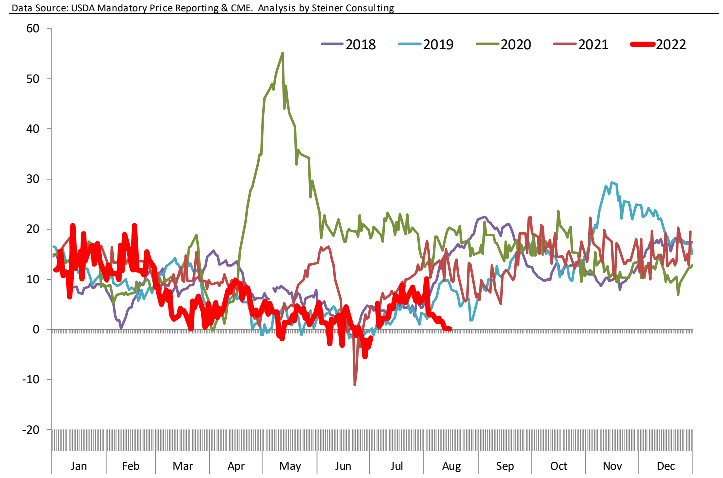
Barrow/Gilt Dressed Carcass Weights, 5-day Moving Avg. - Producer Hogs

Based on Daily MPR Report, LM_HG201. Data through Aug 12, 2022. Analysis by Steiner Consulting



SPREAD BETWEEN PORK CUTOUT AND CME HOG INDEX, $/cwt

Data Source: USDA Mandatory Price Reporting & CME. Analysis by Steiner Consulting



Pork cutout futures are currently pricing the October cutout at near $110/cwt. Last year in mid October were around $94/cwt. In order for this

17% increase in the cutout to be justified, we would need to see the ham primal hold above $100/cwt (last year it collapsed to under $70), and the belly primal to hold at $180/cwt. These are possible but lofty targets with 2.6m head kills.

PORK

Hog Market. For the week ending August 13 hog slaughter was 2.325 million head, down 3.5% from a year ago. In the last two weeks hog slaughter is down 1.7% vs. year ago levels.

Iowa/Minnesota, Base Negotiated Purchase for Barrows and Gilts. Lean hog carcass values at about 122.06 /cwt. on Friday were up $0.4/cwt since Wed. August 3. Prices are up about 11.9 $/cwt compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at $1.2552, down about 11.5 cent since the Wed. August 3 quote but up about 12 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at $1.5606 for the strap on loins, up 4.9 cent since Wed. August 3 but down 12 cent from the year ago levels. Strap off loins at $1.7417 are down 3.1 cent since Wed. August 3 and down about 6 cent compared to the year ago quote.

Boneless sirloins at $1.3841 are down about 2 cents from the Wed. August 3 quote and down about 25.5 cents from the year ago price.

Pork tenderloin finished last week at $2.1334, down 3 cent since the Wed. August 3 quote and down about 12.5 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at $1.3689, down 13.4 cents since Wed. August 3. Prices are up 36 cent from a year ago.

Spareribs, Trimmed - LGT, Vac (page 8). Prices finished the week at $1.5800, down about 5 cent since Wed. August 3 and down about 5 cents from year ago levels.

Rib inventories on June 30 were 108.9 million pounds, up 57.2% from a year ago.

Bone-in Hams

17/20 hams (page 9) price was last quoted at $1.1420/lb. down 7 cents since Wed. August 3 but up about 38 cents from a year ago.

20/23 hams finished the week at 109.39 cents (page 130) down about 9 cent since Wed. August 3 but up about 31 cents from the year ago level.

23/27 hams finished the week at 110.09 , down about 10 cent from the Wed. August 3 quote but up about 38.5 cents from the year ago level.

Total ham cold storage stocks on June 30 at 139.2 million pounds were up 6.6% from year ago levels.

42 CL Pork Trim "FOB Basis". Prices finished the week at 133.86 cents, down about 0.5 cent since Wed. August 3 and down about 10 cents from the year ago price.

72 CL Pork Trim "FOB Basis". Prices finished the week at 142.87 cents, down 1.8 cents since the Wed. August 3 quote and down about 1 cents from the year ago levels.

Freezer stocks of all trimmings on June 30 were 52.4 million pounds, up 27.0% from the year ago levels.

72 CL Picnic Meat "FOB Basis". The premium of picnic meat to 72CL trim is currently at **23** cents compared to **25** cent average in the previous six months.

POULTRY

Whole Broilers

The National Whole Bird price was quoted at 132.25 on Friday, August 13, up about 27 cents from a year ago.

Broiler slaughter for the week ending August 13 was 171.48 million head, up 4.08% from a year ago. For the last two weeks broiler slaughter was up 2.9% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at $2.2666, down 17 cents since Wed. August 3 but still up about 45 cents from year ago levels.

Leg Quarters. This market continues to be export driven. Last week leg quarter prices were down about 0.10 cents vs. two weeks ago but at 60.57 cents per pound prices were up 18 cent from a year ago.

Wings. Prices at $1.3121 are down about 192 cents from year ago levels.

Turkeys

The prices below reflect weekly quoted USDA prices.

Hens finished last week at $1.5689, down cent since Wed. August 3 but up about 28 cents from the year ago price.

Toms finished last week at $1.5985, down since Wed. August 3 but up about 33 cent from the year ago price.

Total turkey supplies in the freezer on June 30 were up 2.2% from a year ago at 415.1 million pounds. Whole birds were up 7.0% from a year ago with an inventory of 244.3 million pounds.

Turkey slaughter was 3.7070 million head for the week ending August 6, down -8.81% from a year ago. For the last two weeks slaughter has been down 12.2%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at $6.6500, unchanged since Wed. August 3. Prices are up about 380 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 $9.1086 (weighted average quote) finished last week up about 21 cents since the Wed. August 3 quote but down about 377 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at $6.5411 (weighted average quote) finished last week up about 23 cents since the Wed. August 3 quote but down about 255 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are $2.5675 /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 $2.6835 for 90CL and $1.0510 for 50CL product, an 81CL meat block value is now $2.3162 and a 78CL meat block is $2.1938. Choice 114, 3 Clods are now being priced 37.54 cents over 81CL meat block grinding values of 90s and 50s. A year ago the spread was **92.72** cents and the five year average spread for is **19.15** cents over.

Choice #161 Boneless Rounds finished last week at $**2.7800**, **down** slightly since **Wed.** August 3 and down about 50 cents from year ago levels.

Choice regular #168 insides finished last week quoted at $2.6321 down about 12 cents since Wed. August 3 and down about 100 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at $2.7749 up about 3 cent since Wed. August 3 and down about 72 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at $2.4892 up about 0 cents since Wed. August 3 but down about 59 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at $8.5437 (wt. avg.) down about 31 cents from the Wed. August 3 quote. Prices are up 112 cents from year ago levels.

Choice #184 Regular Heavy top butts finished at $3.5705 (wt. avg.) **up** about 4 cents since Wed. August 3 and **down** about **50** cent from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at $3.6775 (wt. avg.) up about 2 cents since Wed. August 3 but down about 70 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at $7.8648 (wt. avg.) up about 12 cents since Wed. August 3 and up about 70 cents from year ago values.

COARSE GROUND BEEF –

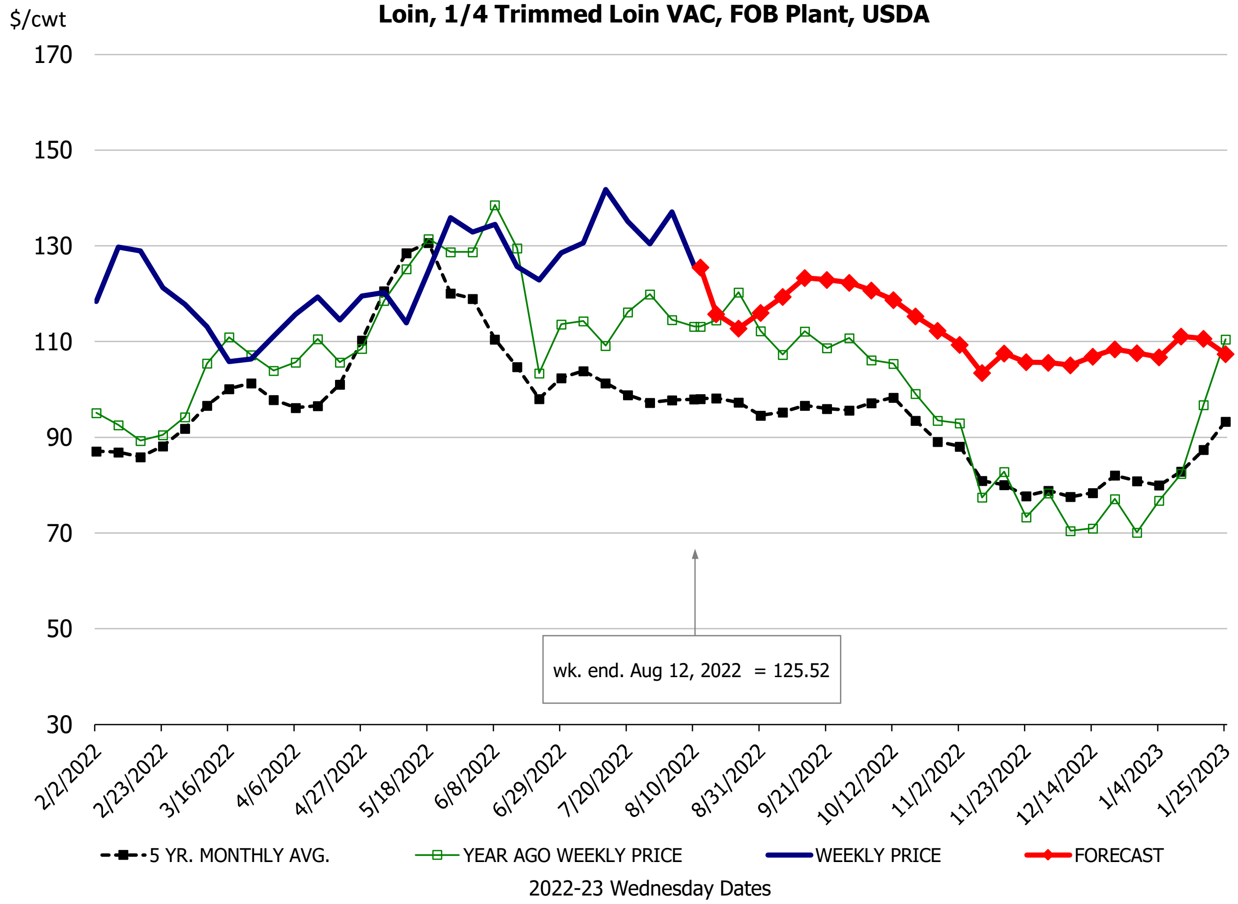
73CL Coarse Ground product finished last week at $**1.7058 up** about 14 cents since Wed. August 3 but down about 10 cents from year ago levels.

81CL Coarse Ground product finished last week at $2.3627 down about 15 cent since Wed. **August 3 but up** about **5** cents from the year ago quote.

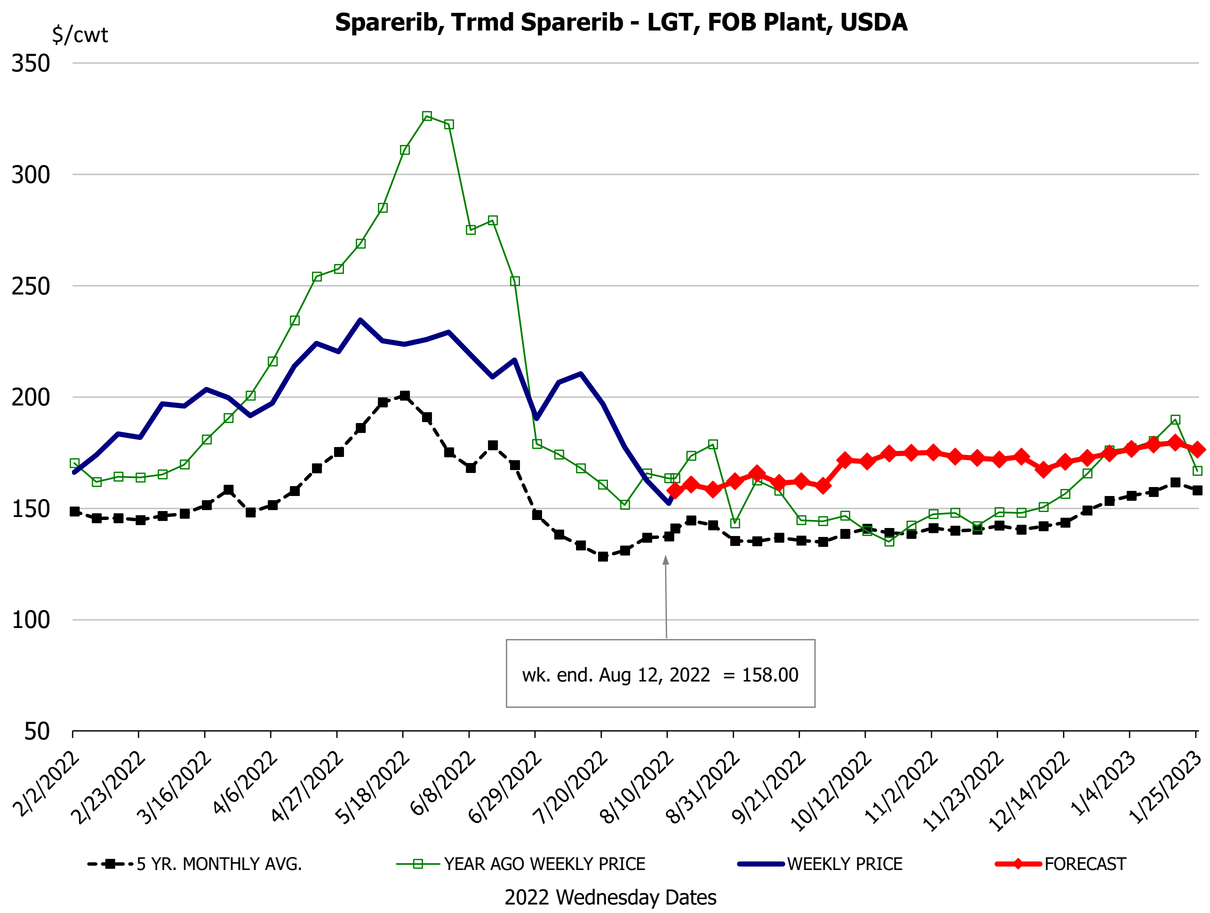
90CL Bnls. Beef prices finished the week at $**2.6835** (wt. avg.) **up 3.35** cent since Wed. August 3 but down 6 cents compared to the year ago price quote. **50 CL Beef Trim** prices finished last week at $1.0510, up about one cent since Wed. August 3 but down 63 cents compared to the year ago level.

Protein Summary Table - WT. AVE.

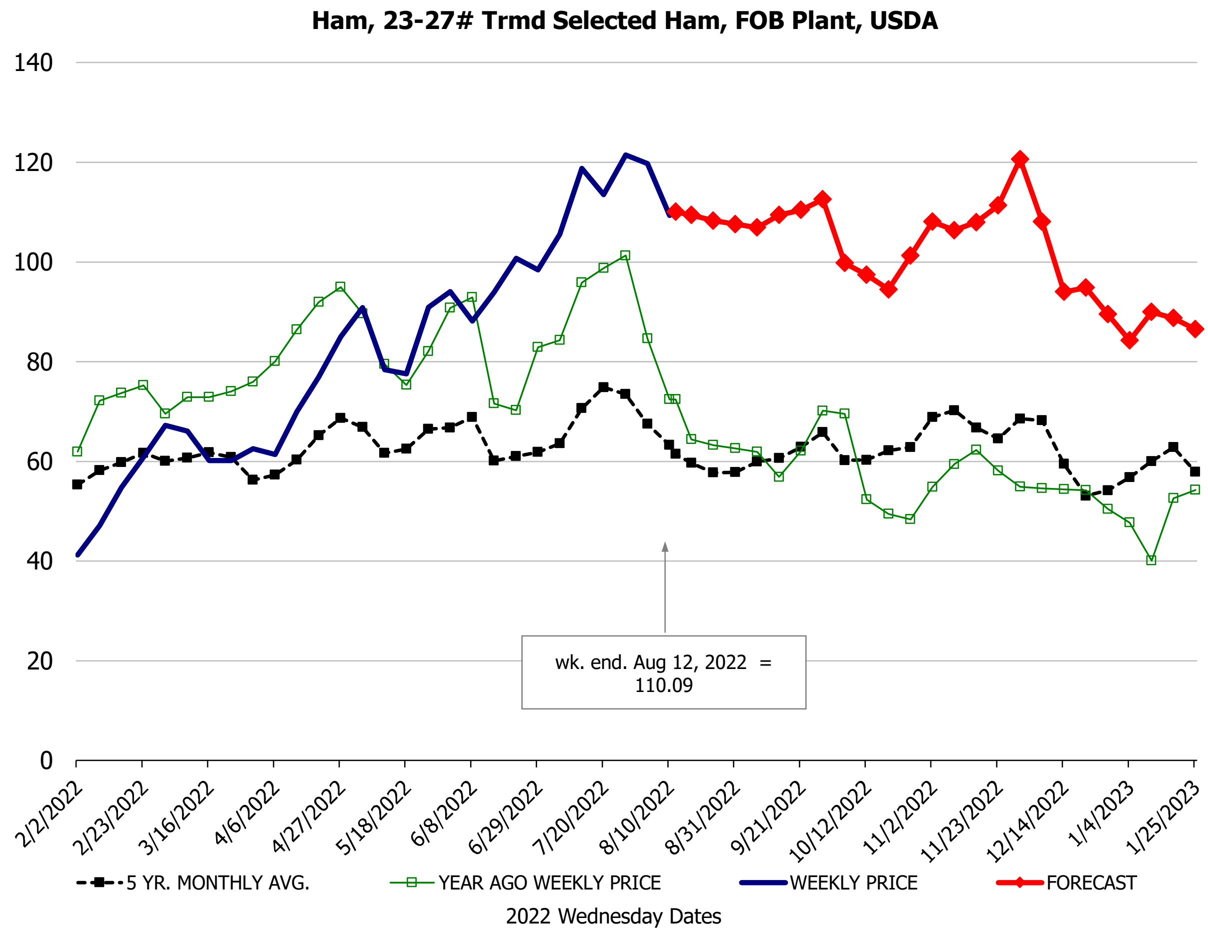
	HISTORY								FORECAST						
	Feb	Mar	Apr	May	Jun	Jul	8/3/2022	8/12/2022	8/24/2022	Aug	Sep	Oct	Nov	Dec	Jan
PORK															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	124.7	108.7	115.7	120.2	127.0	132.3	137.1	125.52	113	120	120	119	108	106	108
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	130.0	118.9	116.5	125.0	132.4	135.0	131.2	134.38	127	135	128	124	115	111	112
Loin, Bnls CC Strap-off, FOB Plant, USDA	167.7	158.9	152.5	151.0	149.4	153.9	177.3	174.17	176	174	186	182	171	169	167
Loin, Tenderloin, FOB Plant, USDA	228.3	217.2	212.5	217.3	213.2	215.1	216.7	213.34	206	215	225	210	199	194	205
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	108.6	119.2	120.2	120.2	147.4	179.8	156.1	154.29	151	154	150	132	133	135	123
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	176.3	193.1	208.6	225.6	208.7	188.7	162.6	158.00	158	159	164	171	174	170	177
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	360.6	363.1	375.6	387.7	373.4	368.4	360.8	357.39	320	323	324	291	294	290	287
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	168.7	186.7	205.0	208.1	197.6	185.1	175.6	152.76	150	153	162	169	172	168	175
Loin, Backribs 2.0#/up, FOB Plant, USDA	405.9	406.1	377.9	355.1	316.6	225.0	179.1	225.04	222	224	199	199	199	209	212
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	54.4	63.7	71.0	85.4	96.6	110.5	120.8	114.20	112	114	110	98	108	103	86
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	47.7	62.3	72.4	80.6	95.2	110.5	118.6	109.39	112	113	110	98	108	103	86
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	48.8	62.3	73.8	81.2	93.5	113.4	119.8	110.09	108	110	110	98	108	103	86
Belly Cutout, FOB Plant, USDA	194.7	192.3	179.8	155.8	158.2	183.1	215.5	211.91	192	213	182	184	173	160	175
Belly, Derind Belly 9-13#, FOB Plant, USDA	246.7	245.1	232.4	193.7	200.3	223.1	255.1	250.34	241	264	225	228	214	198	216
Belly, Derind Belly 13-17#, FOB Plant, USDA	239.5	231.6	207.3	176.0	186.9	210.3	267.7	264.30	237	260	221	224	210	194	212
Trim, 42% Trim Combo, FOB Plant, USDA	74.6	82.0	76.7	83.6	81.9	109.9	134.4	133.86	99	133	89	70	60	55	54
Trim, 72% Trim Combo, FOB Plant, USDA	97.9	90.7	110.8	101.7	107.6	120.7	144.7	142.87	117	142	111	101	99	98	99
Trim, Picnic Meat Combo Cushion Out, FOB Plant, USDA	105.9	97.8	111.8	104.6	117.2	130.9	144.6	149.91	120	130	126	116	109	108	103
Carcass Cutout, FOB Plant, USDA	105.6	105.7	106.6	104.4	109.5	120.2	125.5	123.34	118	123	120	112	112	109	101
HOG CARCASS															
CME 1-Day Lean Hog Index	92.1	101.1	101.0	101.9	109.0	115.2	121.6	122.06	113	122	107	100	93	90	90
BROILERS															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	125.8	148.1	166.9	169.7	165.8	153.5	138.4	132.25	132	134	128	125	111	107	112
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	263.3	277.6	302.1	351.6	331.6	281.1	243.9	226.66	224	225	220	215	210	210	215
N.E. BROILER BREAST LINE RUN, USDA	115.4	132.6	152.2	185.0	192.4	192.8	192.0	191.79	188	190	175	155	135	130	130
N.E. BROILER LEG QUARTERS, USDA	37.6	39.0	44.4	51.6	59.7	61.2	60.7	60.57	61	60	57	53	48	46	44
N.E. BROILER WINGS, USDA, WT.AVG.	260.9	222.7	208.1	190.8	180.5	167.2	134.2	131.21	131	130	160	161	178	192	221
TURKEYS															
HEN TURKEYS, EAST, FROZEN 10-12LBS, USDA	130.8	135.1	137.8	142.1	152.9	157.6	167.0	156.89	169	167	170	174	174	153	145
TOM TURKEYS, EAST, FROZEN 16-22LBS, USDA	131.9	135.9	138.3	142.4	149.9	154.7	161.5	159.85	169	167	170	174	174	153	145
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	438.8	446.0	523.8	610.0	642.0	663.8	665.0	665.00	681	665	665	665	665	630	495
LIVE STEERS															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	140.5	140.0	141.5	142.4	141.8	143.4	140.2	144.69	142	141	141	145	149	151	152
BEEF															
CHOICE, 112A, 3, USDA,RIBEYE, BONELESS, HEAVY, WT.AVG.	820.1	814.1	887.4	799.8	881.1	847.2	890.2	910.86	962	934	950	1030	1113	1003	788
CHOICE, 161, 1, USDA,ROUND, BONELESS, WT. AVG.	293.4	280.9	280.7	280.6	280.1	279.9	278.5	278.00	274	280	291	295	297	290	296
CHOICE, 168, 3, TOP INSIDE ROUND, 1/4" MAX, WT. AVG., USDA	282.3	286.0	283.3	267.3	263.7	274.1	274.2	277.49	269	280	279	287	282	276	277
CHOICE, 170, 1, BOTTOM GOOSENECK ROUND, WT. AVG., USDA	275.7	271.6	254.1	242.8	245.8	258.1	248.7	248.92	259	263	288	293	287	281	282
CHOICE, 180, 3, USDA,STRIP LOIN, BONELESS, 0X1, WT. AVG.	732.1	743.8	764.5	766.0	820.9	867.2	885.5	854.37	810	836	773	701	670	683	677
CHOICE, 184, 3, USDA,TOP BUTT, BONELESS, WT. AVG.	384.1	356.1	383.3	378.4	372.0	368.6	366.1	367.75	368	371	369	346	345	348	353
CHOICE, 185A, 4, USDA,BOTTOM SIRLOIN, FLAP, WT. AVG.	720.1	712.8	710.4	603.8	622.6	713.1	774.1	786.48	734	745	691	644	646	655	632
USDA,COARSE GROUND 73%, WT. AVG.	227.3	153.1	174.3	172.9	182.1	174.5	157.1	170.58	170	170	187	179	176	172	207
COARSE GROUND 81%, WT. AVG., USDA	311.2	244.0	261.1	268.6	285.8	268.1	251.1	236.27	253	246	272	265	261	251	295
USDA, 90% BONELESS BEEF, CENTRAL, FRESH, WT. AVG.	281.8	282.5	276.1	272.0	275.6	271.7	265.0	268.35	272	270	273	273	270	267	270
USDA, 50CL BEEF TRIM, FRESH, NATIONAL, WT. AVG.	105.8	108.5	123.4	105.4	116.2	109.8	103.7	105.10	98	105	82	79	94	80	95



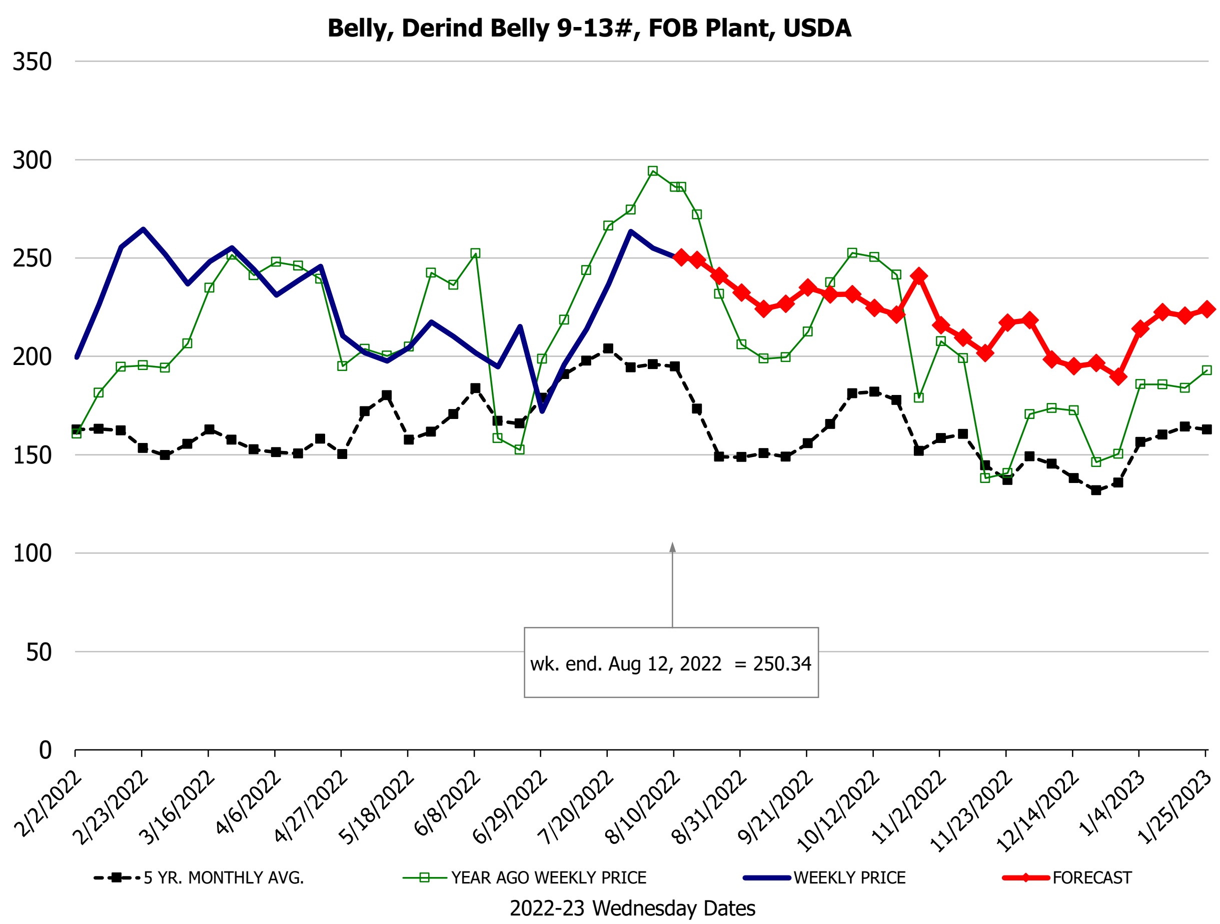
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA
$/cwt
170
150
130
110
90
70
50
30
wk. end. Aug 12, 2022 = 125.52
2/2/2022
2/23/2022
3/16/2022
4/6/2022
4/27/2022
5/18/2022
6/8/2022
6/29/2022
7/20/2022
8/10/2022
8/31/2022
9/21/2022
10/12/2022
11/2/2022
11/23/2022
12/14/2022
1/4/2023
1/25/2023
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2022-23 Wednesday Dates



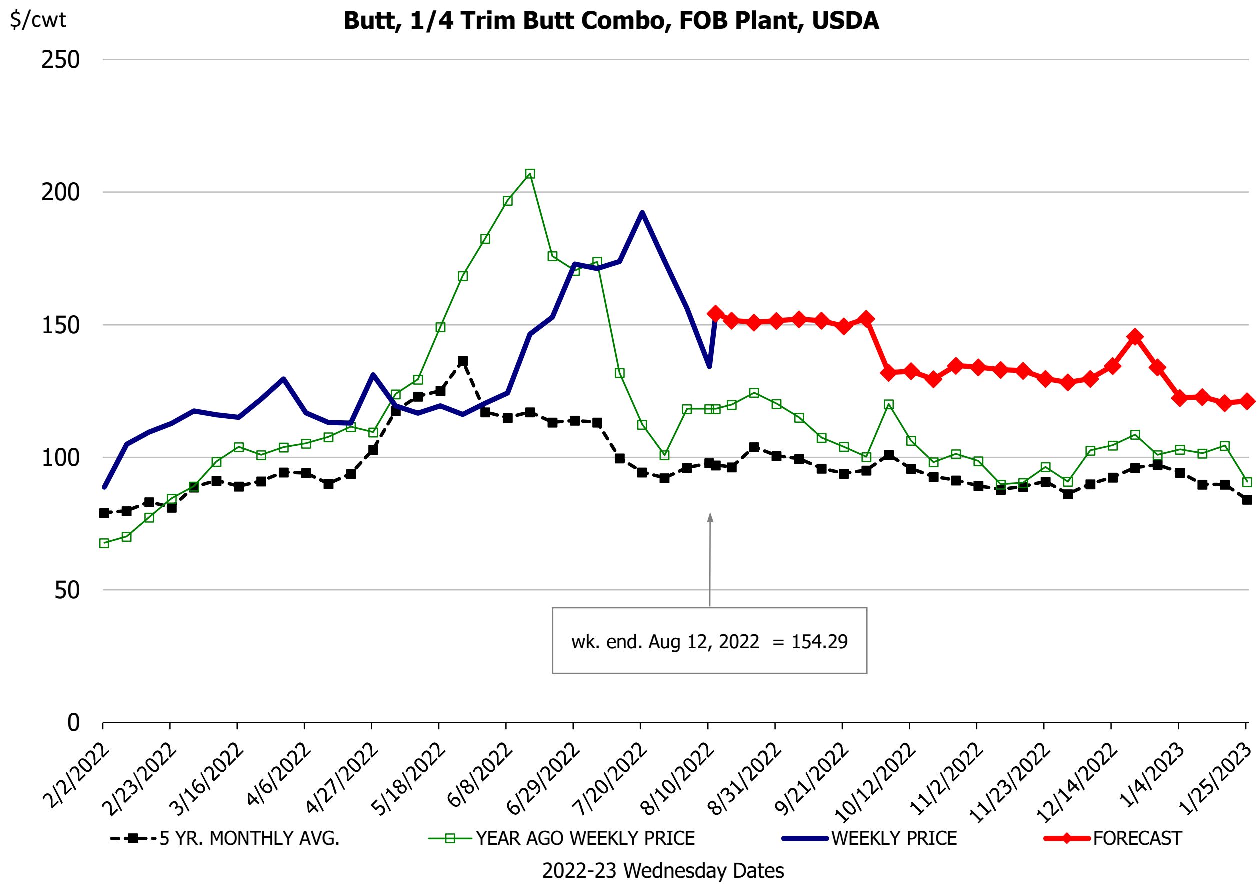
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA
$/cwt
350
300
250
200
150
100
50
wk. end. Aug 12, 2022 = 158.00
2/2/2022
2/23/2022
3/16/2022
4/6/2022
4/27/2022
5/18/2022
6/8/2022
6/29/2022
7/20/2022
8/10/2022
8/31/2022
9/21/2022
10/12/2022
11/2/2022
11/23/2022
12/14/2022
1/4/2023
1/25/2023
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2022 Wednesday Dates

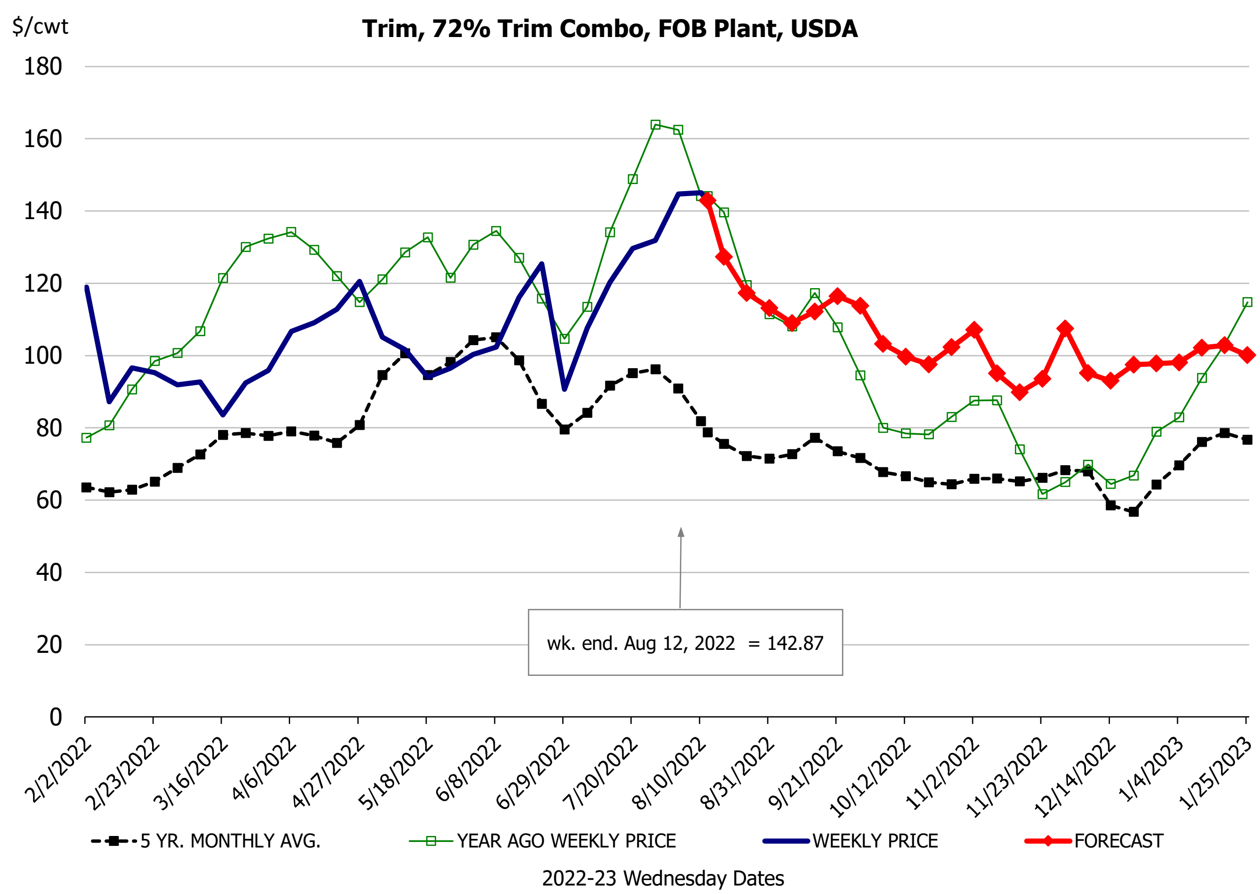


Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA
140
120
100
80
60
40
20
0
wk. end. Aug 12, 2022 = 110.09
2/2/2022
2/23/2022
3/16/2022
4/6/2022
4/27/2022
5/18/2022
6/8/2022
6/29/2022
7/20/2022
8/10/2022
8/31/2022
9/21/2022
10/12/2022
11/2/2022
11/23/2022
12/14/2022
1/4/2023
1/25/2023
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2022 Wednesday Dates



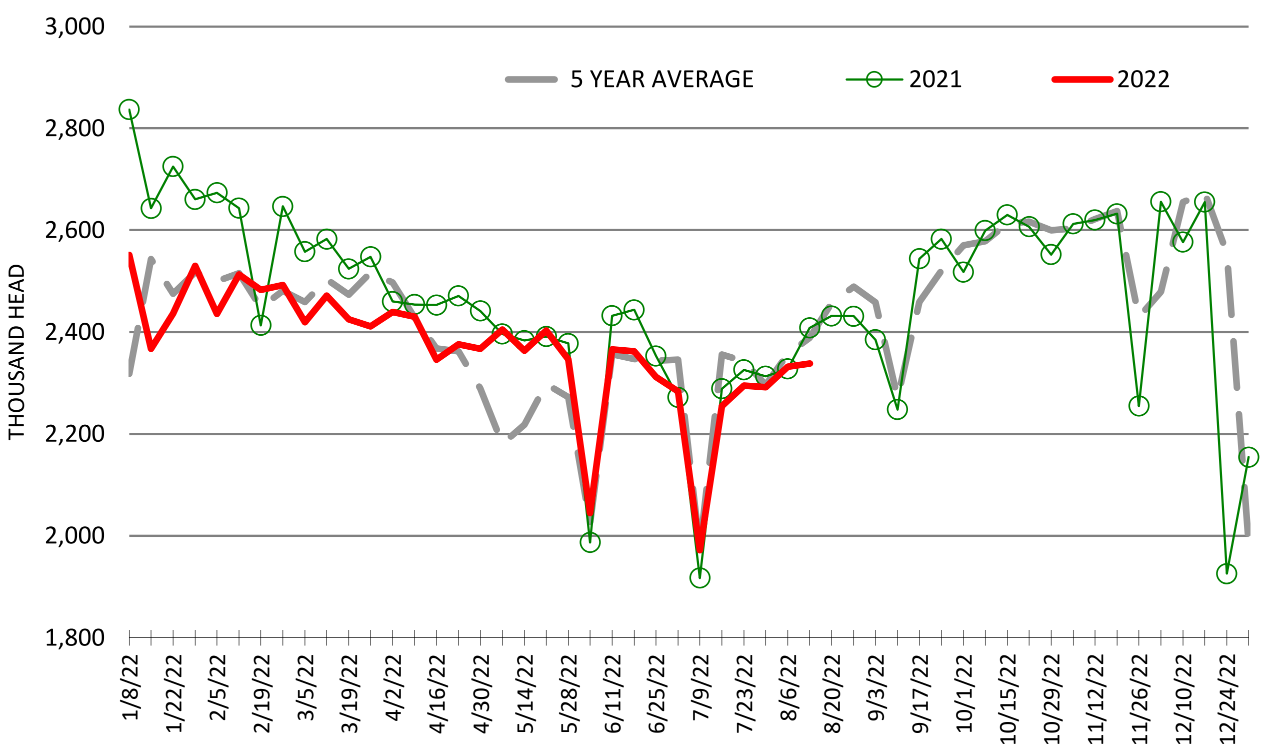
Belly, Derind Belly 9-13#, FOB Plant, USDA
350
300
250
200
150
100
50
0
wk. end. Aug 12, 2022 = 250.34
2/2/2022
2/23/2022
3/16/2022
4/6/2022
4/27/2022
5/18/2022
6/8/2022
6/29/2022
7/20/2022
8/10/2022
8/31/2022
9/21/2022
10/12/2022
11/2/2022
11/23/2022
12/14/2022
1/4/2023
1/25/2023
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2022-23 Wednesday Dates


$/cwt
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA
250
200
150
100
50
0
wk. end. Aug 12, 2022 = 154.29
2/2/2022
2/23/2022
3/16/2022
4/6/2022
4/27/2022
5/18/2022
6/8/2022
6/29/2022
7/20/2022
8/10/2022
8/31/2022
9/21/2022
10/12/2022
11/2/2022
11/23/2022
12/14/2022
1/4/2023
1/25/2023
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2022-23 Wednesday Dates


$/cwt
Trim, 72% Trim Combo, FOB Plant, USDA
180
160
140
120
100
80
60
40
20
0
wk. end. Aug 12, 2022 = 142.87
2/2/2022
2/23/2022
3/16/2022
4/6/2022
4/27/2022
5/18/2022
6/8/2022
6/29/2022
7/20/2022
8/10/2022
8/31/2022
9/21/2022
10/12/2022
11/2/2022
11/23/2022
12/14/2022
1/4/2023
1/25/2023
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2022-23 Wednesday Dates

ESTIMATED WEEKLY FI HOG SLAUGHTER

Source: USDA, '000 head



ESTIMATED WEEKLY FI PORK PRODUCTION

Source: USDA, Mil. Pounds