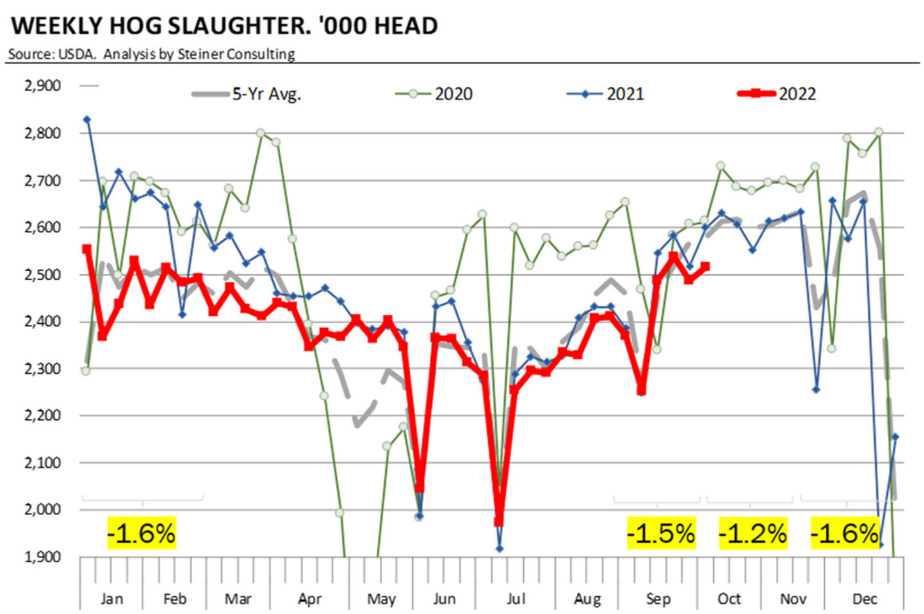
Pork Merchandiser's **Profit Maximizer**

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

October 10, 2022

1. Lower pork supplies expected for the rest of 2022 and no supply growth is expected for spring and summer of 2023.

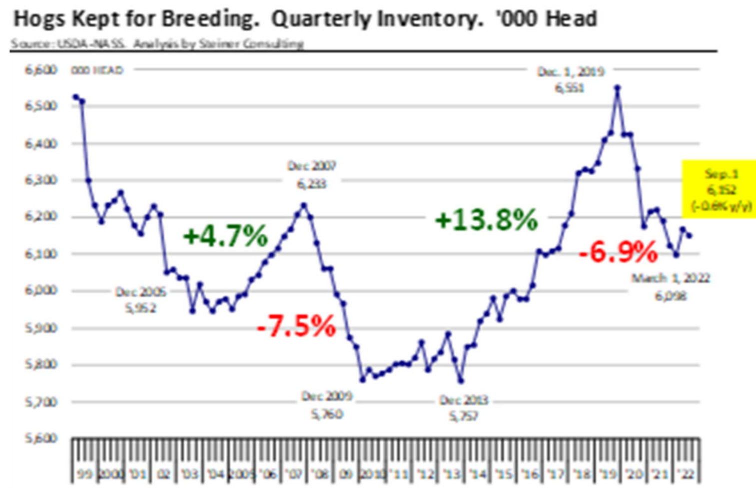
The USDA survey pegged the September 1 breeding herd at 6.152 million head, 38k head or 0.6% lower than a year ago and also 16k head lower than the previous quarter. Normally September breeding herd is higher than June. That changed last year when September breeding herd numbers declined, and it happened again this year. We view the smaller breeding herd, and the consequent decline in farrowings, as supportive for pork prices next spring and summer. Hog futures have declined recently due to the seasonal decline in pork prices and concerns about domestic and export demand. We remain bullish vs. current futures in our forecast, mostly because we think retail demand will be less vulnerable to an economic slowdown but also because pork prices at retail have not increased as much as other proteins. We also see export demand for next year holding up better than USDA is currently forecasting due to lower supplies in the EU and

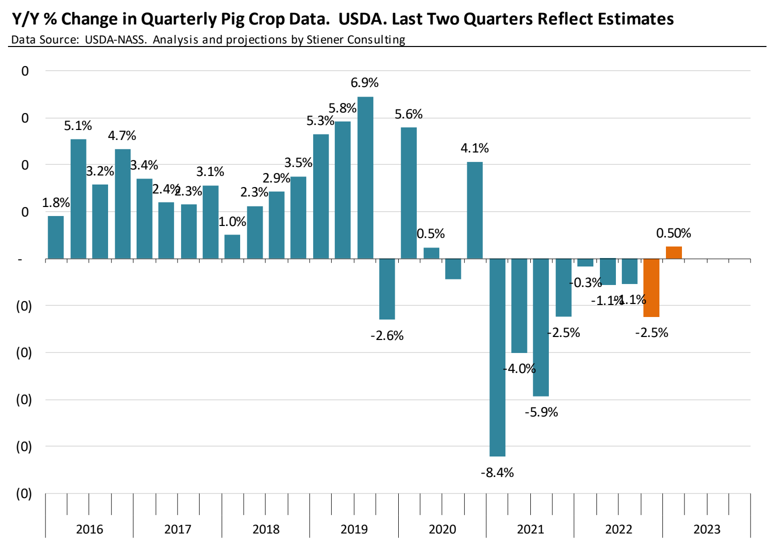


some improvement in Chinese import demand.

There was significant uncertainty about the size of the breeding herd among analysts, with some thinking the breeding herd could even register an increase. Producer margins were positive during the Jun-Aug quarter, which normally would provide an incentive to retain more gilts. However, producers continue to struggle with several challenges: high feed costs, a tight labor market, uncertain export demand, and regulatory ambiguity (CA Prop 12). This has prevented producers from expanding and we think will keep breeding herd numbers and pork production in check for all of 2023. On this latest point, the US Supreme Court will hear a challenge to California's Proposition 12 on Tuesday, but a decision will not be made until Q1 of next year. No decisions on expansion will be made until there is some resolution to this case.

In the most recent USDA report producers indicated that they expect farrowings (births) during the September through November period to be 2.973 million head, lower than the estimate offered in June (two such estimates are given before actual numbers). If the number holds, it will imply a 2.5% decline in farrowings from a year ago. Given the reported size of the breeding herd on September 1, the farrowing rate calculates to 48.3%, one percentage point lower than a year ago and two points lower than the levels routinely achieved in previous years. The survey does not offer an estimate as to the litter size for Sep-Nov but we are pegging it at 11.19 pigs per litter. This would be 0.6% higher than during the Jun-Aug quarter, a similar rate of quarterly increase as what we saw last year and consistent with the q/q average in recent years. If correct, this would imply a pigs per litter number that's about the same as last year and therefore **__a pig crop for Sep-Nov down 2.5% from a year ago__**. Non holiday weekly slaughter for Mar-May 2022 averaged around 2.4M head/week and this report would suggest a weekly kill of around 2.34M. We think this supports hog prices above the current April futures of $85/cwt. But again, pricing recession and trade effects is tricky and futures traders will wait and see how business develops in December before starting to adjust spring and summer premiums.





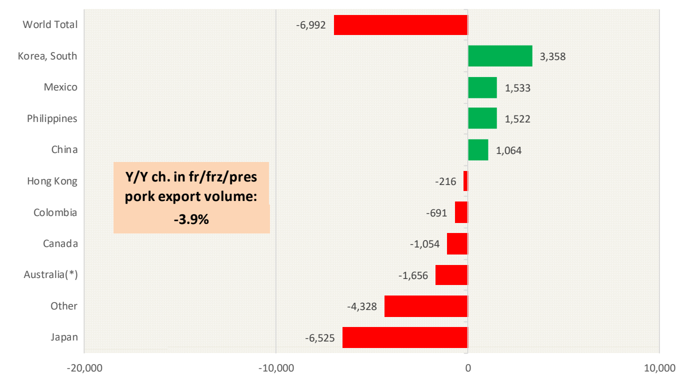
Farrowing intentions for Dec-Feb are more problematic since its more of a guess but at face value they are bullish as well. Analysts thought we would see Dec-Feb farrowings up 0.5% y/y and coupled with a possible y/y increase of 1% for pigs per litter this implies summer supplies potentially increasing 1.5% vs. previous year. The most recent survey pegged Dec-Feb intentions down 0.6%. This points to only a slight increase in hog numbers for the summer of 2023 and it is still unknown how producers will manage disease pressures this winter. Hog futures for next June and July are priced in the mid 90s compared to

$110-$120 we saw this year. Barring a significant demand shock, we think fundamentally hog futures for next summer are also undervalued.

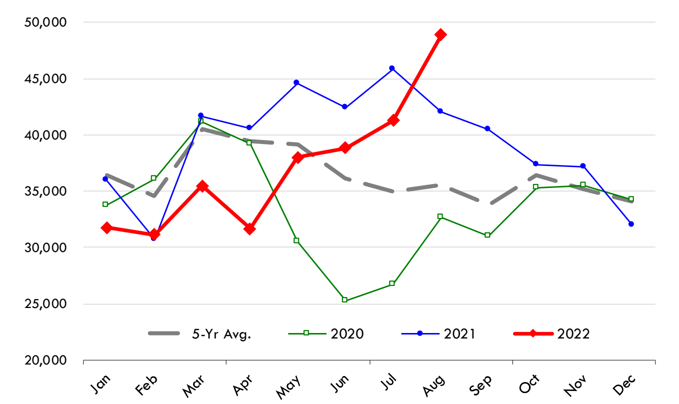
2. <u>Exports to Mexico continue to offset some of the reductions in shipments to other markets and underpin current ham values</u>.

US pork exports in August were down almost 4% from a year ago as higher shipments to S. Korea and Mexico were offset by lower exports to Japan, Australia and a number of smaller markets. Exports of fresh, frozen and cooked pork in August were 173,335 MT (product weight), 3.9% lower than a year ago. Through August exports to Japan were down 11% compared to the same eight month period a year ago and the decline accelerated in August (see chart on page 2). A strong US dollar and high pork prices over the summer likely contributed to the drop. We did not see much improvement in exports to Japan in September as weekly shipments in the four weeks ending September 29 were 5.6% lower than a year ago. The weakness in exports to a high value market such as Japan was in part offset by more product going to Mexico. Total shipments to Mexico in August were 70,482 MT, 2.2% higher than a year ago. The value of pork export shipments to Mexico was $175 million, up $36 million or +26% compared to a year ago. This almost offset the $38.6 million decline in the value of exports to Japan. Shipments to Mexico in September averaged about 15% below year ago but the pace of sales in the last two weeks has shown a significant improvement, implying robust shipments through at least early November.

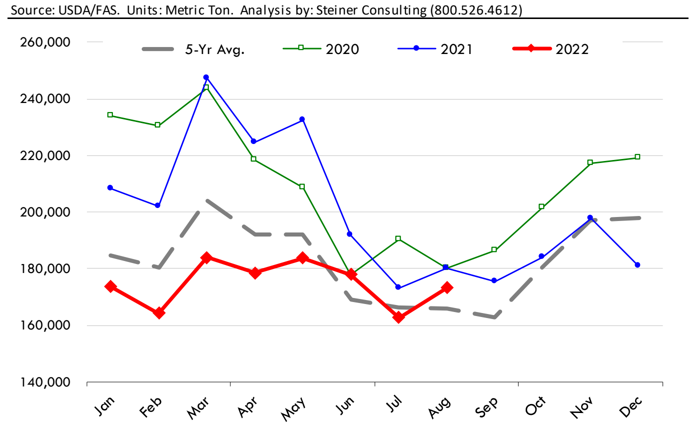
Y/Y Ch. in Aug. 22 vs. Aug 21 US Fr, Froz & Pres Pork Export Volume
Source: USDA/FAS. Analysis by Steiner Consulting Units: Metric Tons



Quantity of US Exports of Pork Variety Meat: World Total
Source: USDA/FAS. Units: Metric Ton. Analysis by: Steiner Consulting (800.526.4612)



Quantity of US Exports of Fr/Frz/Cooked Pork: World Total
Source: USDA/FAS. Units: Metric Ton. Analysis by: Steiner Consulting (800.526.4612)



<u>PORK</u>

<u>Hog Market. For the week ending October 8 hog slaughter was 2.558 million head, down 1.6% from a year ago. In the last two weeks hog slaughter is down 1.4% vs. year ago levels.</u>

<u>Iowa/Minnesota, Base Negotiated Purchase for Barrows and Gilts.</u> Lean hog carcass values at about 92.72 /cwt. on Friday were down $2.4/cwt since Wed. September 28. Prices are up about 0.1 $/cwt compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at $1.1368, down about 2.4 cent since the Wed. September 28 quote but up about 8 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at $1.4861 for the strap on loins, down 7.4 cent since Wed. September 28 but up 2 cent from the year ago levels. Strap off loins at $1.6493 are down 7.5 cent since Wed. September 28 and down about 6 cent compared to the year ago quote.

Boneless sirloins at $1.3639 are down about 4 cents from the Wed. September 28 quote and down about 19.1 cents from the year ago price.

Pork tenderloin finished last week at $1.8678, up 7 cent since the Wed. September 28 quote but down about 68.8 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at $1.0667, down 8.8 cents since Wed. September 28. Prices are down 13 cent from a year ago.

Spareribs, Trimmed - LGT, Vac (page 8). Prices finished the week at $1.3944, down about 4 cent since Wed. September 28 and down about 7 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 $1.0812/lb. up 2 cents since Wed. September 28 and up about 36 cents from a year ago.

20/23 hams finished the week at 108.01 cents (page 130) up about 4 cent since Wed. September 28 and up about 39 cents from the year ago level.

23/27 hams finished the week at 106.90 , up about 3 cent from the Wed. September 28 quote and up about 37.5 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 68.03 cents, up about 3.0 cent since Wed. September 28 but down about 6 cents from the year ago price.

72 CL Pork Trim "FOB Basis". Prices finished the week at 99.06 cents, up 6.7 cents since the Wed. September 28 quote and up about 19 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 **31** cents compared to **27** cent average in the previous six months.

POULTRY

Whole Broilers

The National Whole Bird price was quoted at 128.33 on Friday, October 8, up about 24 cents from a year ago.

Broiler slaughter for the week ending October 8 was 173.60 million head, up 3.03% from a year ago. For the last two weeks broiler slaughter was up 3.5% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at $1.2571, down 28 cents since Wed. September 28 and still down about 73 cents from year ago levels.

Leg Quarters. Last week leg quarter prices were down about 3.79 cents vs. two weeks ago and at 38.76 cents per pound prices were down 0.5 cent from a year ago.

Wings. Prices at $1.1108 are down about 198 cents from year ago levels.

Turkeys

The prices below reflect weekly quoted USDA prices.

Hens finished last week at $1.8015, up cent since Wed. September 28 and up about 50 cents from the year ago price.

Toms finished last week at $1.7025, up since Wed. September 28 but up about 36 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 3.9350 million head for the week ending October 1, up 0.28% from a year ago. For the last two weeks slaughter has been down 3.2%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at $6.7000, unchanged since Wed. September 28. Prices are up about 341 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 $8.8651 (weighted average quote) finished last week down about 7 cents since the Wed. September 28 quote and down about 371 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at $6.0355 (weighted average quote) finished last week down about 42 cents since the Wed. September 28 quote but down about 346 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are $2.8296 /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 $2.6113 for 90CL and $0.7708 for 50CL product, an 81CL meat block value is now $2.1972 and a 78CL meat block is $2.0592. Choice 114, 3 Clods are now being priced 14.08 cents over 81CL meat block grinding values of 90s and 50s. A year ago the spread was **69.84** cents and the five year average spread for is **38.25** cents over.

Choice #161 Boneless Rounds finished last week at $**2.9931**, **up** slightly since **Wed.** September 28 but down about 21 cents from year ago levels.

Choice regular #168 insides finished last week quoted at $2.7087 up about 13 cents since Wed. September 28 but down about 41 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at $2.6777 down about 2 cent since Wed. September 28 and down about 43 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at $2.8632 up about 5 cents since Wed. September 28 but down about 50 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at $5.6523 (wt. avg.) down about 75 cents from the Wed. September 28 quote. Prices are down 44 cents from year ago levels.

Choice #184 Regular Heavy top butts finished at $3.3953 (wt. avg.) **down** about 10 cents since Wed. September 28 and **down** about **36** cent from year ago levels.

<u>Choice #184 ¼ inch trimmed Top Butts</u> finished at $3.4632 (wt. avg.) down about 8 cents since Wed. September 28 and down about 35 cents from the year ago levels.

<u>Choice #185A Flap Meat</u> prices finished Friday at $5.4479 (wt. avg.) down about 45 cents since Wed. September 28 and down about 100 cents from year ago values.

<u>COARSE GROUND BEEF –</u>

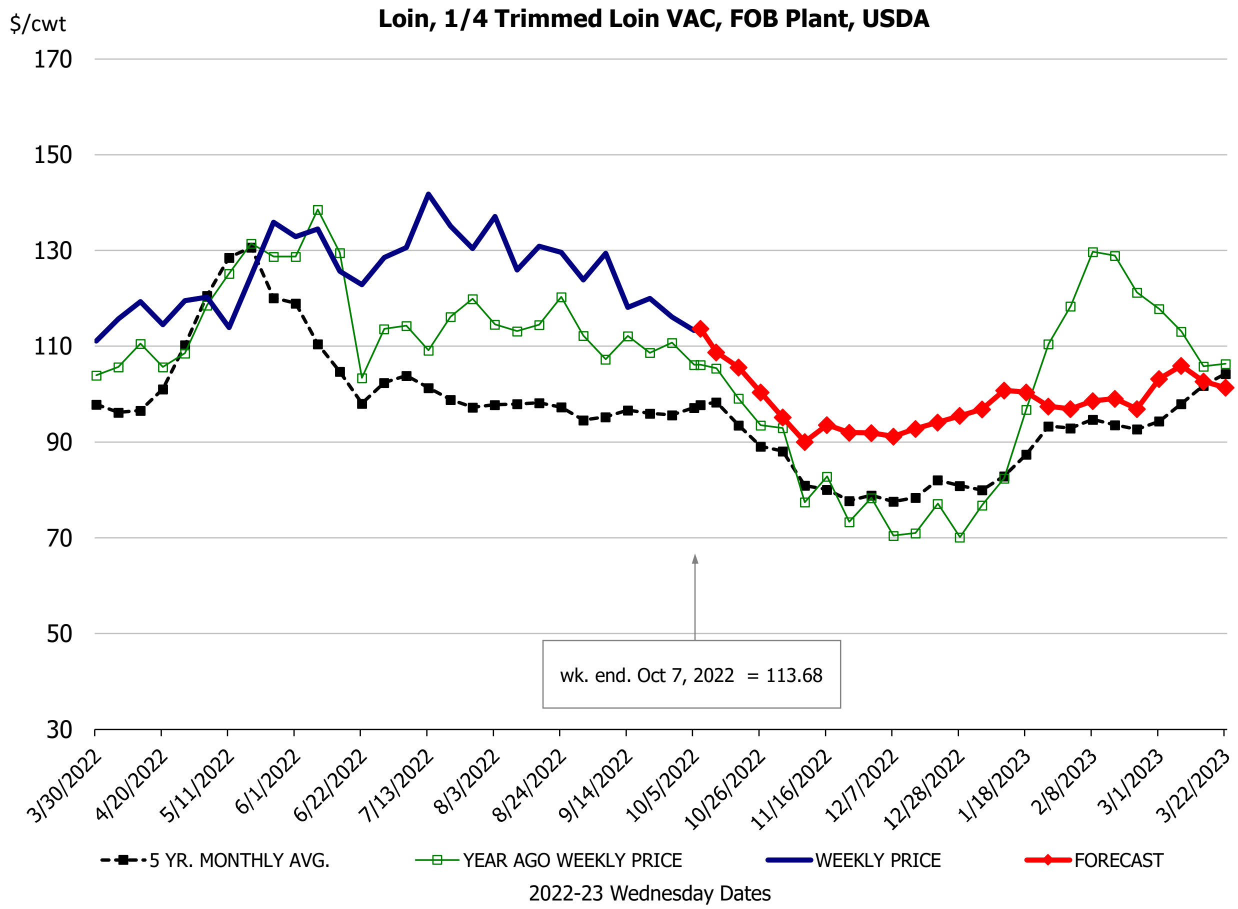
<u>73CL Coarse Ground</u> product finished last week at $**1.5525 up** about 5 cents since Wed. September 28 but down about 35 cents from year ago levels.

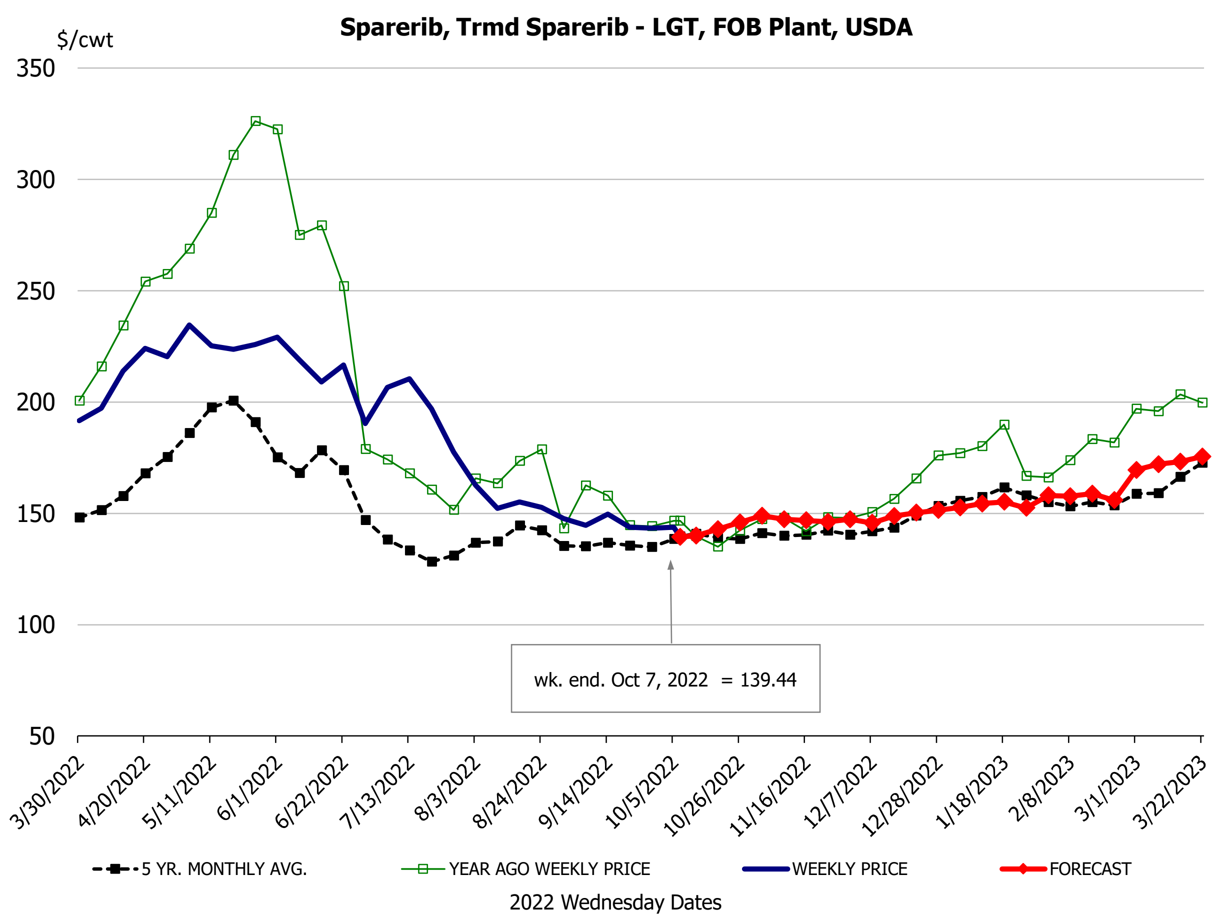
<u>81CL Coarse Ground</u> product finished last week at $2.1276 up about 2 cent since Wed. **September 28 but down** about **17** cents from the year ago quote.

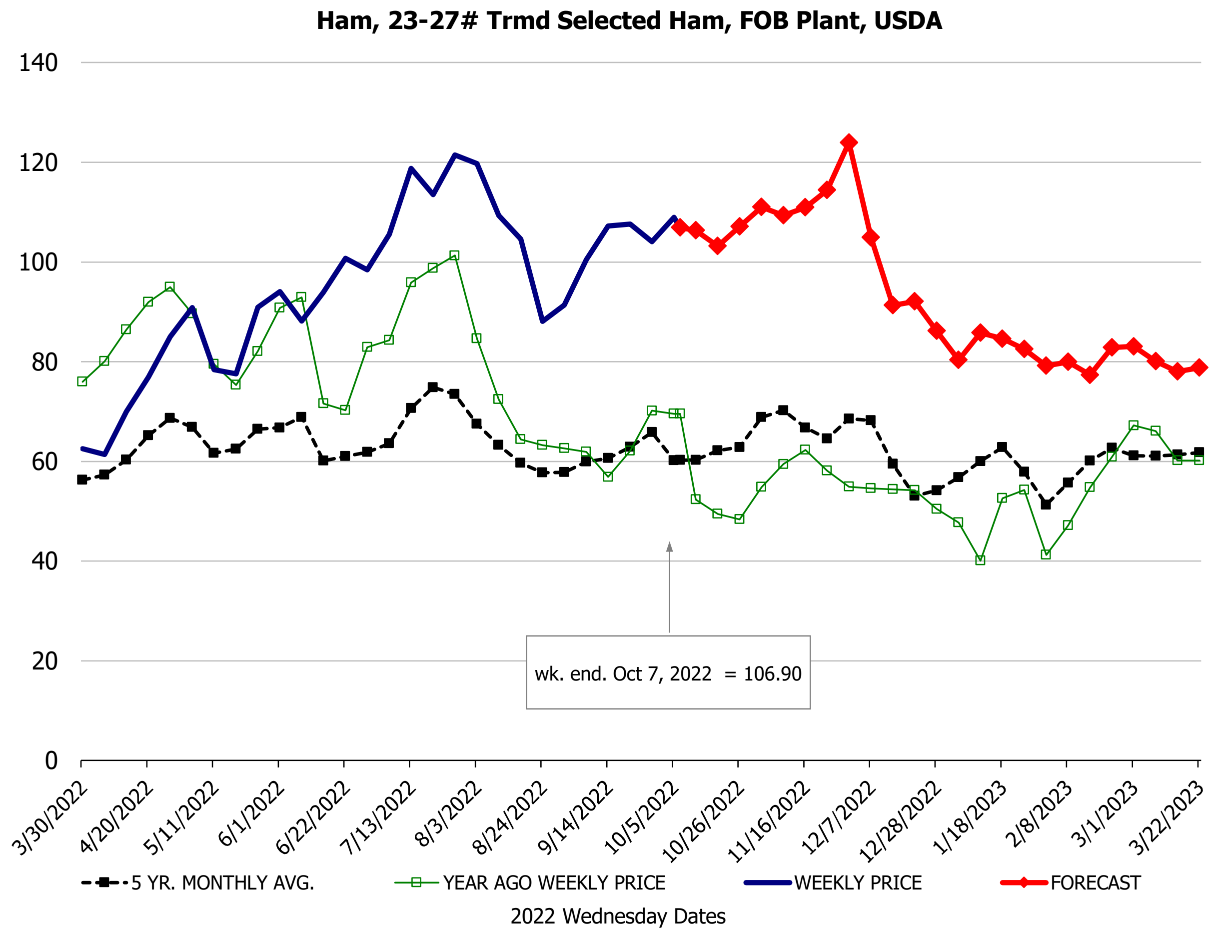
<u>90CL Bnls. Beef</u> prices finished the week at $**2.6113** (wt. avg.) **up 1.67** cent since Wed. September 28 but down 13 cents compared to the year ago price quote. **<u>50 CL Beef Trim</u>** prices finished last week at $0.7708, down about 9 cent since Wed. September 28 and down 35 cents compared to the year ago level.

Protein Summary Table - WT. AVE.

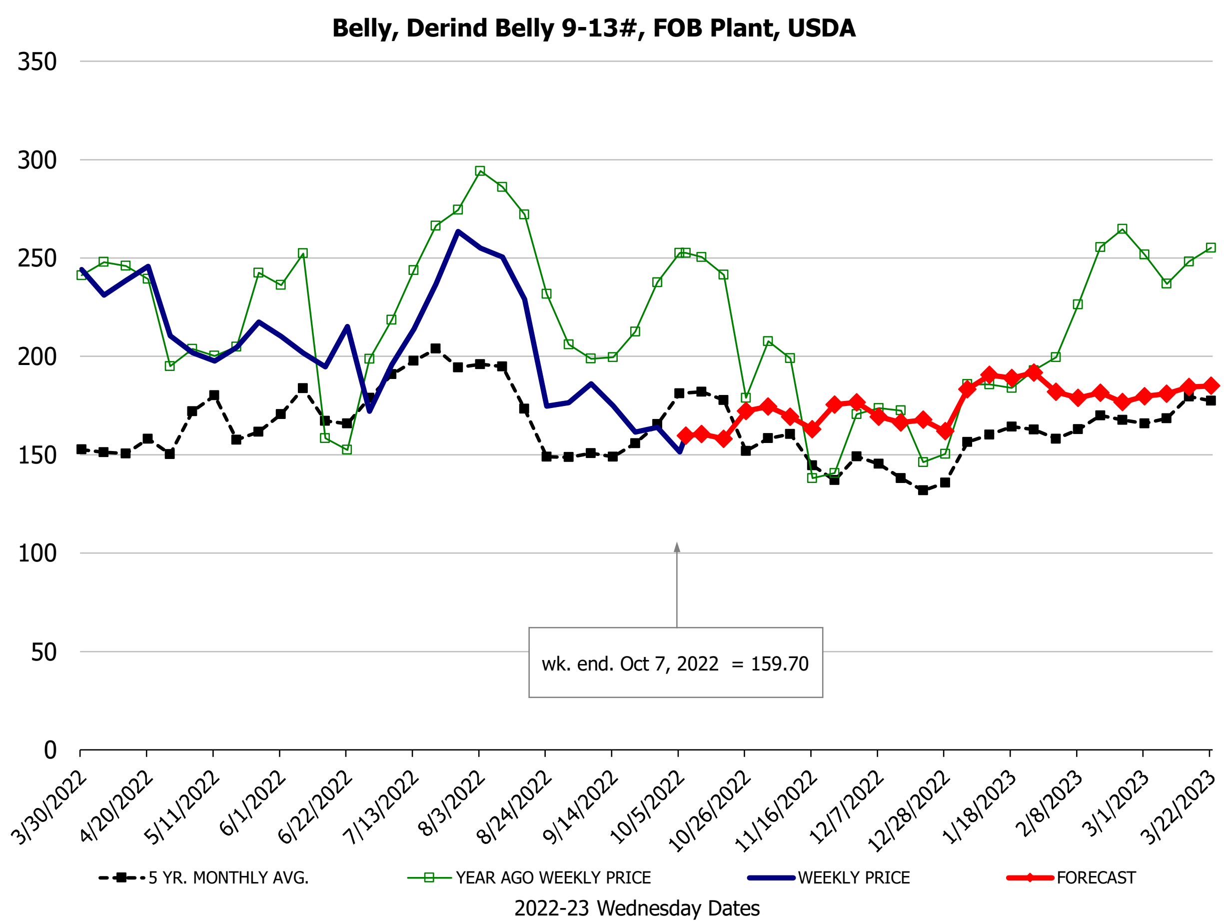
	HISTORY								FORECAST						
	Apr	May	Jun	Jul	Aug	Sep	9/28/2022	10/7/2022	10/19/2022	Oct	Nov	Dec	Jan	Feb	Mar
PORK															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	115.7	120.2	127.0	132.0	126.7	121.0	116.1	113.68	106	109	94	92	98	98	103
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	116.5	125.0	132.4	134.8	130.6	125.3	124.0	120.51	112	120	110	106	106	103	108
Loin, Bnls CC Strap-off, FOB Plant, USDA	152.5	151.0	149.4	154.3	173.6	167.9	172.4	164.93	158	165	153	151	153	151	152
Loin, Tenderloin, FOB Plant, USDA	212.5	217.3	213.2	215.0	206.6	184.8	180.3	186.78	186	186	175	170	190	201	191
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	120.2	121.3	147.4	179.7	137.9	113.2	113.0	107.34	105	107	107	108	112	107	114
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	208.6	224.7	208.7	188.6	155.4	144.9	143.4	139.44	143	140	148	148	153	158	172
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	375.6	384.1	373.4	368.6	348.3	302.6	293.3	327.90	312	312	310	300	300	290	304
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	205.0	208.5	197.6	184.9	151.3	142.8	142.5	138.29	138	138	146	146	151	156	170
Loin, Backribs 2.0#/up, FOB Plant, USDA	377.9	355.1	316.6	222.8	213.9	191.6	187.3	184.38	191	189	199	199	212	229	246
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	68.5	66.9	93.6	115.6	98.0	87.4	106.0	108.12	108	108	112	101	84	82	84
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	74.3	90.2	75.4	94.8	121.6	103.4	104.0	108.01	105	108	112	101	83	80	82
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	64.6	94.2	86.6	102.4	108.4	94.2	104.1	106.90	103	107	111	100	82	79	81
Belly Cutout, FOB Plant, USDA	179.8	155.8	158.2	184.5	191.2	136.4	128.9	128.65	128	132	140	137	150	156	146
Belly, Derind Belly 9-13#, FOB Plant, USDA	232.4	196.9	200.3	224.2	217.2	177.4	163.9	159.70	158	163	173	169	185	183	181
Belly, Derind Belly 13-17#, FOB Plant, USDA	207.3	179.9	186.9	210.3	209.7	166.4	155.4	151.22	150	155	169	165	181	189	177
Trim, 42% Trim Combo, FOB Plant, USDA	76.7	83.6	81.9	110.6	114.8	80.1	65.0	68.03	66	70	60	55	54	57	67
Trim, 72% Trim Combo, FOB Plant, USDA	110.8	101.7	107.6	121.3	125.3	100.9	92.3	99.06	89	92	83	82	90	85	87
Trim, Picnic Meat Combo Cushion Out, FOB Plant, USDA	111.8	104.6	117.2	131.4	137.6	116.8	112.6	112.68	109	112	110	109	103	98	98
Carcass Cutout, FOB Plant, USDA	106.6	104.4	109.5	120.6	117.0	102.9	100.8	100.09	98	102	97	94	92	92	92
HOG CARCASS															
CME 1-Day Lean Hog Index	101.0	101.9	109.0	115.5	118.3	99.1	95.1	92.72	88	92	84	80	81	84	86
BROILERS															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	166.9	169.7	165.8	153.5	131.1	129.2	129.2	128.33	126	123	110	109	107	110	110
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	302.1	351.6	331.6	281.1	228.9	184.5	153.6	125.71	120	125	120	110	110	120	120
N.E. BROILER BREAST LINE RUN, USDA	152.2	185.0	192.4	192.8	185.6	159.9	160.3	151.70	142	145	125	120	120	120	120
N.E. BROILER LEG QUARTERS, USDA	44.4	51.6	59.7	61.2	56.3	43.8	42.6	38.76	38	39	38	38	38	39	41
N.E. BROILER WINGS, USDA, WT.AVG.	208.1	190.8	180.5	167.2	128.4	117.3	116.7	111.08	109	111	128	142	171	169	166
TURKEYS															
HEN TURKEYS, EAST, FROZEN 10-12LBS, USDA	137.8	142.1	152.9	157.6	163.4	169.5	171.4	180.15	180	180	181	155	145	135	135
TOM TURKEYS, EAST, FROZEN 16-22LBS, USDA	138.3	142.4	149.9	154.7	162.9	167.9	171.8	170.25	180	179	181	155	145	135	135
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	523.8	610.0	642.0	663.8	665.0	670.0	670.0	670.00	669	670	670	630	495	490	460
LIVE STEERS															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	141.5	142.4	141.8	143.4	144.3	143.6	144.8	146.12	148	145	147	149	150	153	157
BEEF															
CHOICE, 112A, 3, USDA,RIBEYE, BONELESS, HEAVY, WT.AVG.	887.4	809.1	881.1	847.4	918.4	889.5	893.9	886.51	962	933	1023	934	758	807	901
CHOICE, 161, 1, USDA,ROUND, BONELESS, WT. AVG.	280.7	278.5	277.7	279.7	288.1	296.0	296.0	299.31	297	294	278	275	290	290	291
CHOICE, 168, 3, TOP INSIDE ROUND, 1/4" MAX, WT. AVG., USDA	283.3	267.7	263.7	274.2	274.8	273.8	269.3	267.77	274	266	264	262	272	282	285
CHOICE, 170, 1, BOTTOM GOOSENECK ROUND, WT. AVG., USDA	254.1	242.7	245.8	258.1	254.0	276.3	281.2	286.32	289	286	273	272	282	278	261
CHOICE, 180, 3, USDA,STRIP LOIN, BONELESS, 0X1, WT. AVG.	764.5	766.0	820.9	866.5	792.4	637.7	639.8	565.23	575	565	565	585	631	645	788
CHOICE, 184, 3, USDA,TOP BUTT, BONELESS, WT. AVG.	383.3	378.4	372.0	368.5	366.6	357.4	354.7	346.32	336	336	317	324	339	357	401
CHOICE, 185A, 4, USDA,BOTTOM SIRLOIN, FLAP, WT. AVG.	710.4	603.8	622.6	714.8	772.4	604.4	589.5	544.79	565	564	573	610	608	626	687
USDA,COARSE GROUND 73%, WT. AVG.	174.3	172.9	182.1	174.9	172.9	164.1	150.4	155.25	160	155	156	163	202	176	185
COARSE GROUND 81%, WT. AVG., USDA	261.1	268.6	285.8	267.9	239.2	219.8	210.4	212.76	225	215	217	225	287	248	256
USDA, 90% BONELESS BEEF, CENTRAL, FRESH, WT. AVG.	276.1	272.0	275.6	271.7	266.6	263.5	259.5	261.13	259	261	261	263	264	271	277
USDA, 50CL BEEF TRIM, FRESH, NATIONAL, WT. AVG.	123.4	105.4	116.2	109.8	104.1	98.6	85.9	77.08	86	77	90	85	101	99	119


$/cwt
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA
170
150
130
110
90
70
50
30
wk. end. Oct 7, 2022 = 113.68
3/30/2022
4/20/2022
5/11/2022
6/1/2022
6/22/2022
7/13/2022
8/3/2022
8/24/2022
9/14/2022
10/5/2022
10/26/2022
11/16/2022
12/7/2022
12/28/2022
1/18/2023
2/8/2023
3/1/2023
3/22/2023
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2022-23 Wednesday Dates

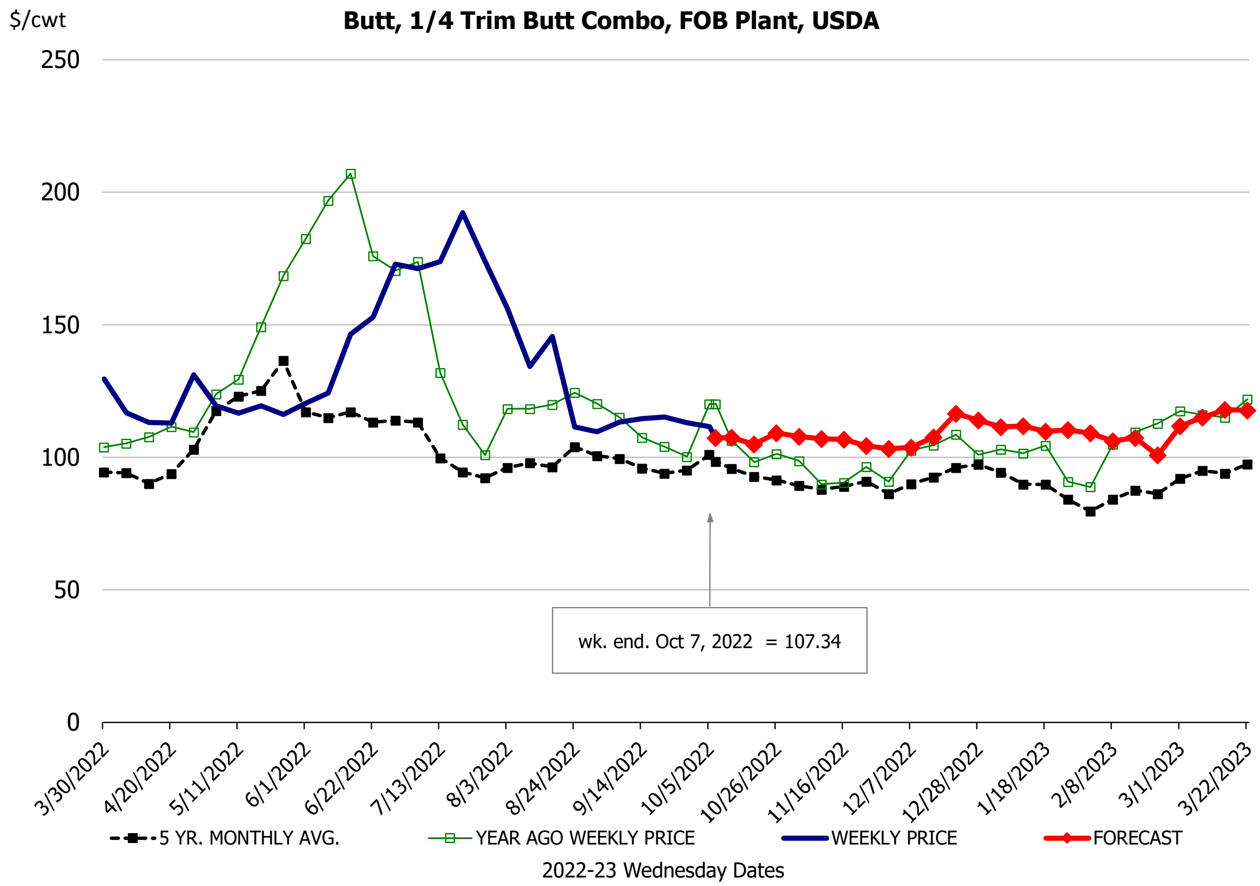

$/cwt
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA
350
300
250
200
150
100
50
wk. end. Oct 7, 2022 = 139.44
3/30/2022
4/20/2022
5/11/2022
6/1/2022
6/22/2022
7/13/2022
8/3/2022
8/24/2022
9/14/2022
10/5/2022
10/26/2022
11/16/2022
12/7/2022
12/28/2022
1/18/2023
2/8/2023
3/1/2023
3/22/2023
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2022 Wednesday Dates



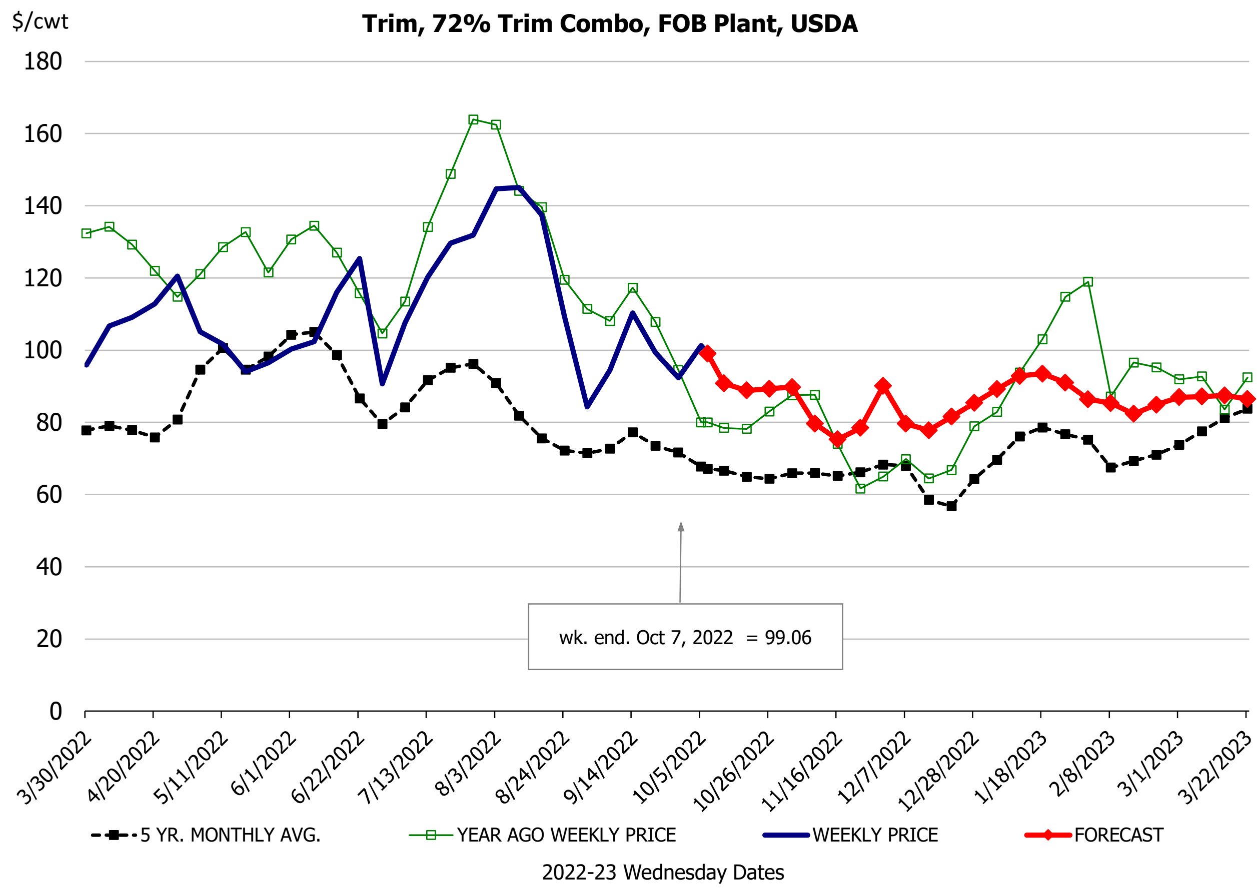
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA
140
120
100
80
60
40
20
0
wk. end. Oct 7, 2022 = 106.90
3/30/2022
4/20/2022
5/11/2022
6/1/2022
6/22/2022
7/13/2022
8/3/2022
8/24/2022
9/14/2022
10/5/2022
10/26/2022
11/16/2022
12/7/2022
12/28/2022
1/18/2023
2/8/2023
3/1/2023
3/22/2023
5 YR. MONTHLY AVG.
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. Oct 7, 2022 = 159.70
3/30/2022
4/20/2022
5/11/2022
6/1/2022
6/22/2022
7/13/2022
8/3/2022
8/24/2022
9/14/2022
10/5/2022
10/26/2022
11/16/2022
12/7/2022
12/28/2022
1/18/2023
2/8/2023
3/1/2023
3/22/2023
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2022-23 Wednesday Dates



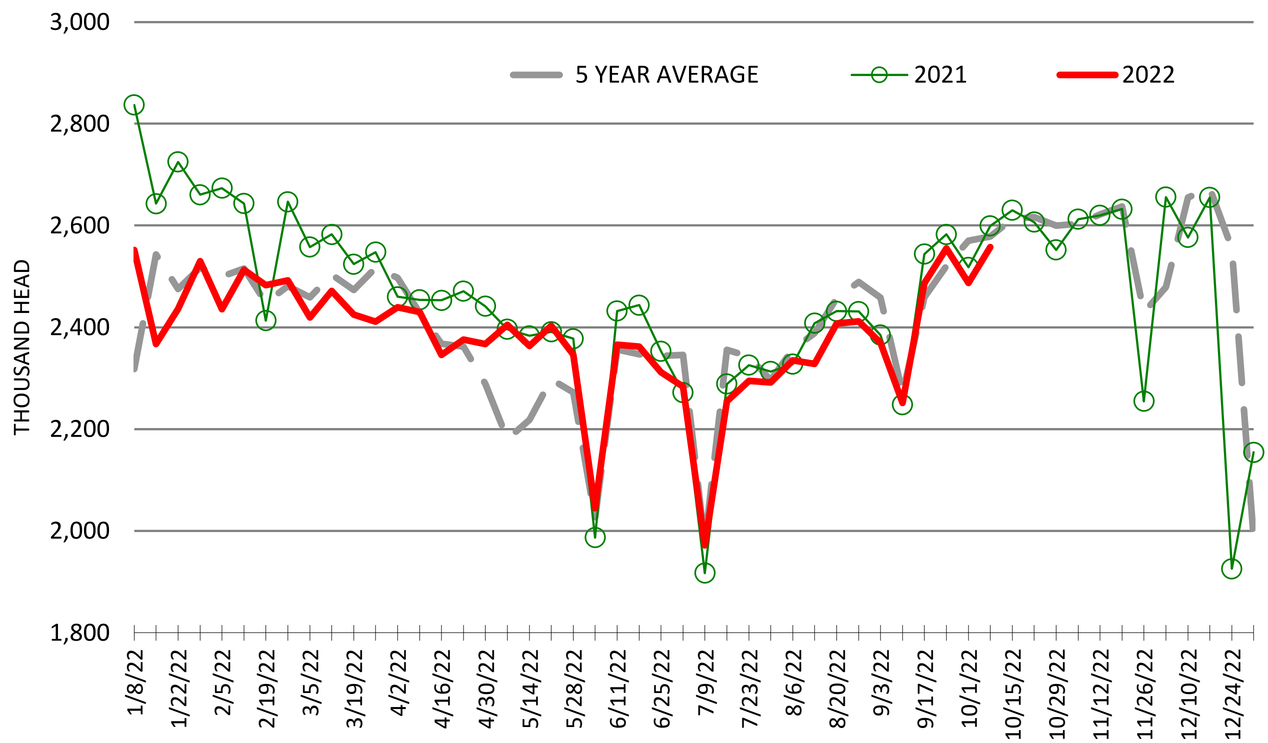
$/cwt
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA
250
200
150
100
50
0
wk. end. Oct 7, 2022 = 107.34
3/30/2022
4/20/2022
5/11/2022
6/1/2022
6/22/2022
7/13/2022
8/3/2022
8/24/2022
9/14/2022
10/5/2022
10/26/2022
11/16/2022
12/7/2022
12/28/2022
1/18/2023
2/8/2023
3/1/2023
3/22/2023
5 YR. MONTHLY AVG.
YEAR 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. Oct 7, 2022 = 99.06
3/30/2022
4/20/2022
5/11/2022
6/1/2022
6/22/2022
7/13/2022
8/3/2022
8/24/2022
9/14/2022
10/5/2022
10/26/2022
11/16/2022
12/7/2022
12/28/2022
1/18/2023
2/8/2023
3/1/2023
3/22/2023
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