



Pork Merchandiser's Profit Maximizer

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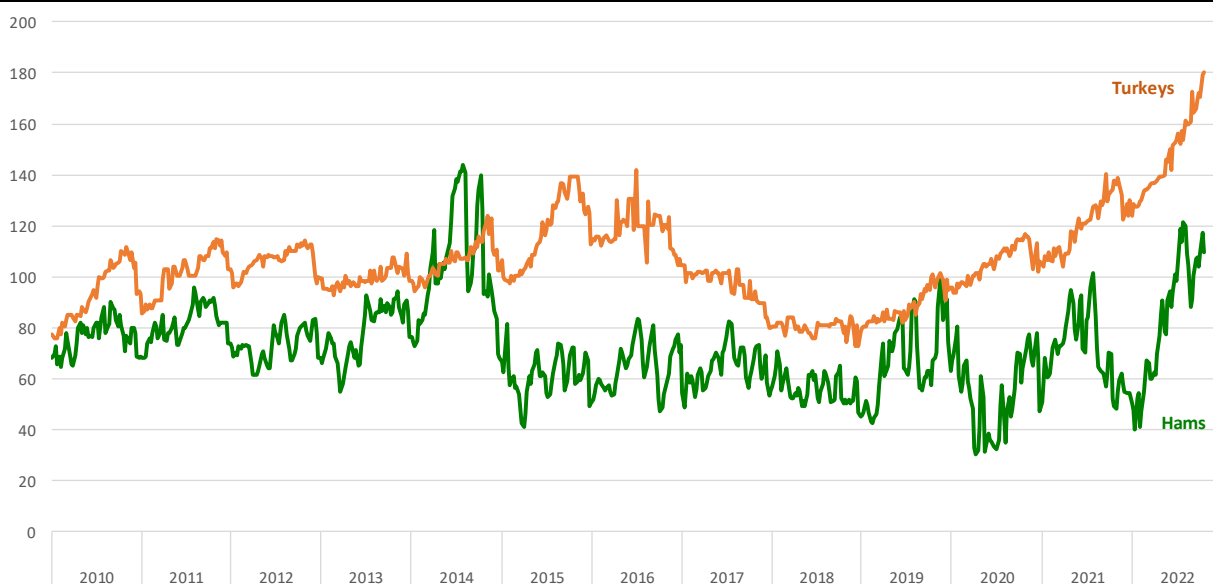
Robust ham market propels hog futures higher. Seasonal demand, shortfall in turkey supplies and Mexico sales underpin ham values in the near term.

Ham values have surged higher in the last few

weeks and the gains have not only helped steady the overall cutout, but they have forced market participants to rethink their ideas about hog prices this December. At the start of this month the December lean hog contract was trading under \$76/cwt. On Friday (10/21), December futures were over \$89/cwt, a 17% gain. For futures traders

#23-27 Bone-in Hams vs. Whole Turkeys

Source: USDA-AMS. Analysis by Steiner Consulting



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the question right now is whether current ham values are sustainable, at least through early December. Processors have the same question. Our opinion is that there is now a good chance that ham prices will hold up well above \$100/cwt through early December. This would justify pricing the cutout in the mid to high 90s and support lean hog prices in the mid to high 80s. Back in July our forecast for #23-27 ham prices for November was \$108/cwt and for December it was \$103/cwt - a forecast for an almost 90% increase year over year. Bullish as that forecast was, it appears it may have not been enough. Below are some of the factors that we see continuing to underpin ham values (and thus pork cutout and hog prices) through early December.

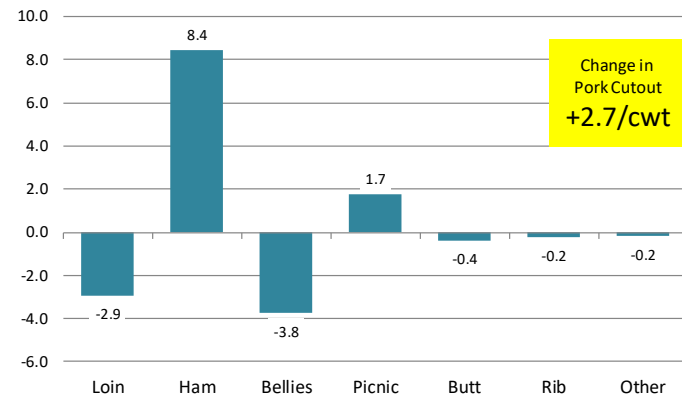
a. **High turkey prices.** This is something that is getting a lot of press, especially with Thanksgiving dinner only four weeks away. The loss of 5.4 million turkeys in the spring was seen as driving turkey prices higher through the holidays. The situation has become even worse in the last few weeks, with another 2.2 million turkeys lost in September and October. Whole turkey prices (see page 1) are currently at \$180/cwt, a record. High as ham prices are currently, they are not especially expensive relative to current turkey prices, with the price multiple at 0.6, on the low end of the 15-year range.

b. **Export demand remains robust.** There was some speculation that high ham prices would start to ration out Mexican demand. So far that has not happened. USDA reported that sales to Mexico in the last five weeks have averaged 15,800 MT/week compared to an average 14,200 MT/week the same time last year. China was a major buyer in 2019, contributing to the surge in ham prices that year. We would argue that demand from Mexico is even more significant for ham values as about 70% of our exports to that market tend to be hams.

c. **Holiday demand for both Thanksgiving and Christmas.** While we expect ham values to be notably lower by the second half of December, seasonally prices trend higher in early November and are only modestly lower in late November and

Contribution to the Change in the Value of the Pork Cutout

Based on USDA-MPR data for Oct 21, 2022 vs. Aug. 2 Peak. Analysis by Steiner Consulting

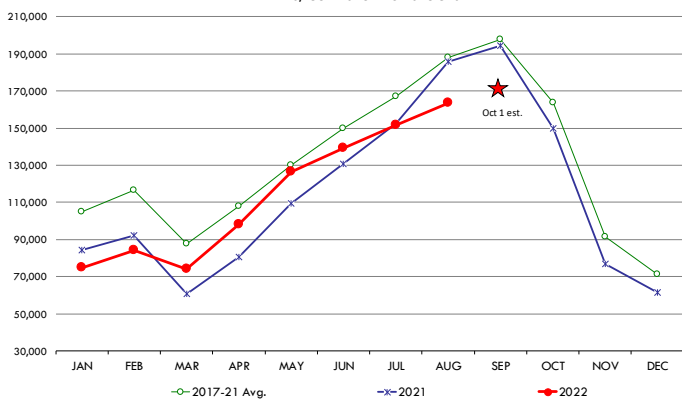


#23-27 Ham Daily Price in 2019 and 2022

Source: USDA-AMS. Analysis by Steiner Consulting



HAMS, COLD STORAGE STOCKS



early December. In 2019 prices in the second week of December were down 7% from their peak in mid-November. A similar trend this year would put prices for #23-27 hams in early December at around \$107/cwt.

d. **Lower cold storage inventories.** Packers and processors normally accumulate hams in the spring and summer to meet the surge in demand later in the year. High prices this summer, however,

limited inventory building. At the end of August inventories were down 12% from a year ago and we expect inventories at the end of September to be down 12.7% compared to last year and 14% lower than the five year average. Lower inventories are forcing processors to rely on the spot market more at a time when kills are down and exports firm.

e. **Lower slaughter.** The latest USDA inventory survey indicated that hog slaughter through the end of the year would be down about 1.5%. So far slaughter has been running below that benchmark and 4.7% lower than in 2019.

To recap: slaughter is down almost 5% from 2019, exports to Mexico are record high, turkey prices are record high and cold storage inventory is down double digits. Expect ham prices to remain firm through the holidays this year.

PORK

Hog Market. For the week ending October 22 hog slaughter was 2.571 million head, down 1.4% from a year ago. In the last two weeks hog slaughter is down 2.3% vs. year ago levels.

Iowa/Minnesota, Base Negotiated Purchase for Barrows and Gilts. Lean hog carcass values at about 94.14 /cwt. on Friday were up \$1.5/cwt since Wed. October 12. Prices are up about 9.3 \$/cwt compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at \$1.1020, down about 3.0 cent since the Wed. October 12 quote but up about 11 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.3897 for the strap on loins, down 6.1 cent since Wed. October 12 but up 12 cent from the year ago levels. Strap off loins at \$1.5778 are down 2.7 cent since Wed. October 12 and down about 13 cent compared to the year ago quote.

Boneless sirloins at \$1.3498 are up about one cent from the Wed. October 12 quote but down about 18.0 cents from the year ago price.

Pork tenderloin finished last week at \$1.8012, down 24 cent since the Wed. October 12 quote and down about 65.9 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at \$1.0778, down 2.3 cents since Wed. October 12. Prices are up 7 cent from a year ago.

Spareribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$1.3320, up about one cent since Wed. October 12 but down about 2 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 \$1.1249/lb. down 2 cents since Wed. October 12 but up about 60 cents from a year ago.

20/23 hams finished the week at 111.99 cents (page 130) down about 2 cent since Wed. October 12 but up about 64 cents from the year ago level.

23/27 hams finished the week at 110.14 , down about 7 cent from the Wed. October 12 quote but up about 61 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 71.70 cents, up about 5.6 cent since Wed. October 12 and up about 3 cents from the year ago price.

72 CL Pork Trim "FOB Basis". Prices finished the week at 99.42 cents, up 2.4 cents since the Wed. October 12 quote and up about 21 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 **34** cents compared to **27** cent average in the previous six months.

POULTRY

Whole Broilers

The National Whole Bird price was quoted at 127.16 on Friday, October 22, up about 25 cents from a year ago.

Broiler slaughter for the week ending October 22 was 174.42 million head, up 3.76% from a year ago. For the last two weeks broiler slaughter was up 4.5% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$1.1462, down 10 cents since Wed. October 12 and still down about 67 cents from year ago levels.

Leg Quarters. Last week leg quarter prices were down about 2.21 cents vs. two weeks ago and at 35.95 cents per pound prices were down 4.5 cent from a year ago.

Wings. Prices at \$1.0952 are down about 176 cents from year ago levels.

Turkeys

The prices below reflect weekly quoted USDA prices.

Hens finished last week at \$1.7996, up cent since Wed. October 12 and up about 39 cents from the year ago price.

Toms finished last week at \$1.8023, up since Wed. October 12 and up about 43 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 4.4170 million head for the week ending October 15, up 12.97% from a year ago. For the last two weeks slaughter has been up 1.1%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$6.7000, unchanged since Wed. October 12. Prices are up about 325 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 \$9.2269 (weighted average quote) finished last week up about 39 cents since the Wed. October 12 quote but down about 176 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$6.1710 (weighted average quote) finished last week up about 15 cents since the Wed. October 12 quote but down about 307 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$3.0559 /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 \$2.5247 for 90CL and \$0.7172 for 50CL product, an 81CL meat block value is now \$2.1180 and a 78CL meat block is \$1.9825. Choice 114, 3 Clods are now being priced 24.09 cents over 81CL meat block grinding values of 90s and 50s. A year ago the spread was **55.93** cents

and the five year average spread for is **38.25** cents over.

Choice #161 Boneless Rounds finished last week at **\$2.9738**, down slightly since Wed. October 12 and down about 27 cents from year ago levels.

Choice regular #168 insides finished last week quoted at \$2.6537 up about one cents since Wed. October 12 but down about 26 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$2.6608 down about 0 cent since Wed. October 12 and down about 38 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$2.8828 up about one cents since Wed. October 12 but down about 32 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$5.5759 (wt. avg.) down about 15 cents from the Wed. October 12 quote. Prices are down 80 cents from year ago levels.

Choice #184 Regular Heavy top butts finished at \$3.3714 (wt. avg.) up about 12 cents since Wed. October 12 and down about 11 cent from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$3.3783 (wt. avg.) down about 5 cents since Wed. October 12 and down about 2 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$5.3585 (wt. avg.) down about 46 cents since Wed. October 12 and down about 188 cents from year ago values.

COARSE GROUND BEEF –

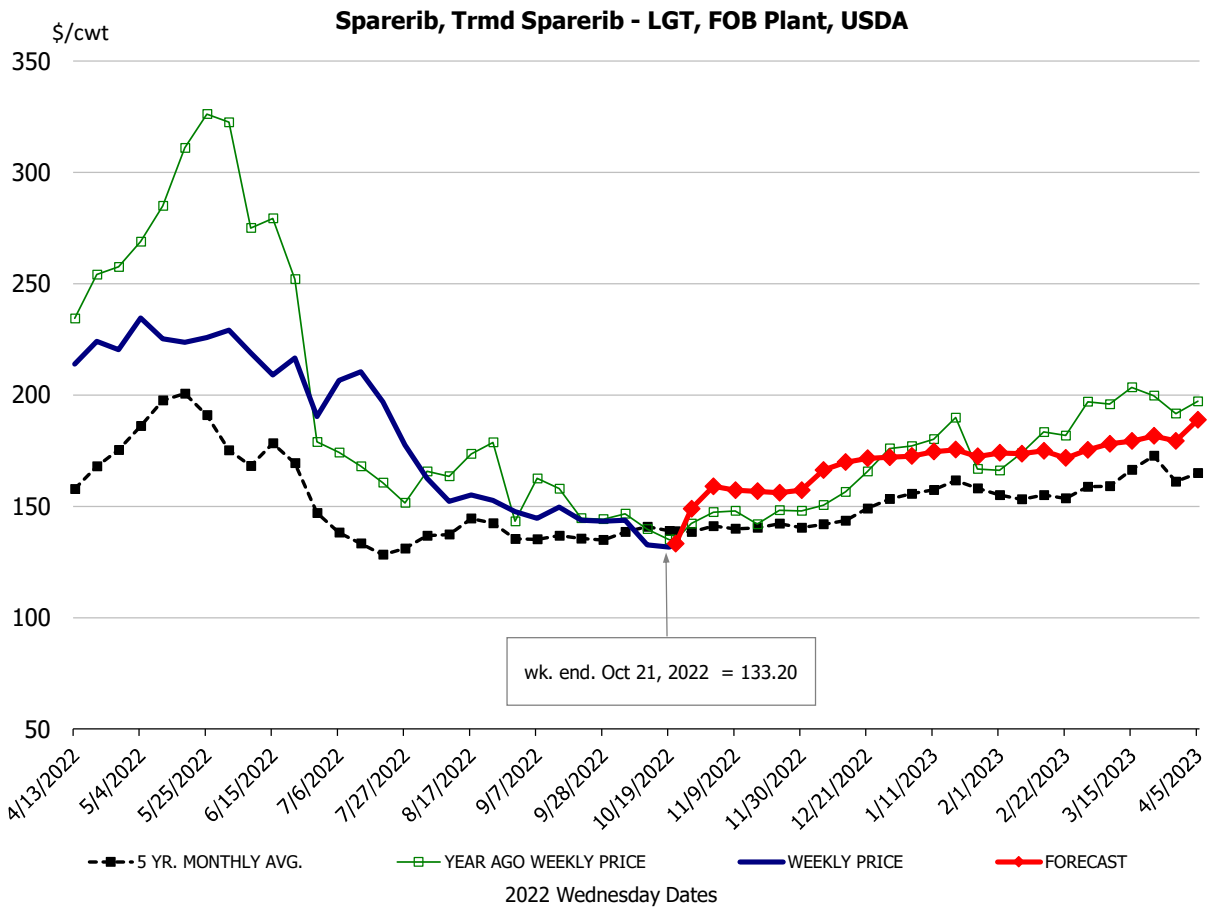
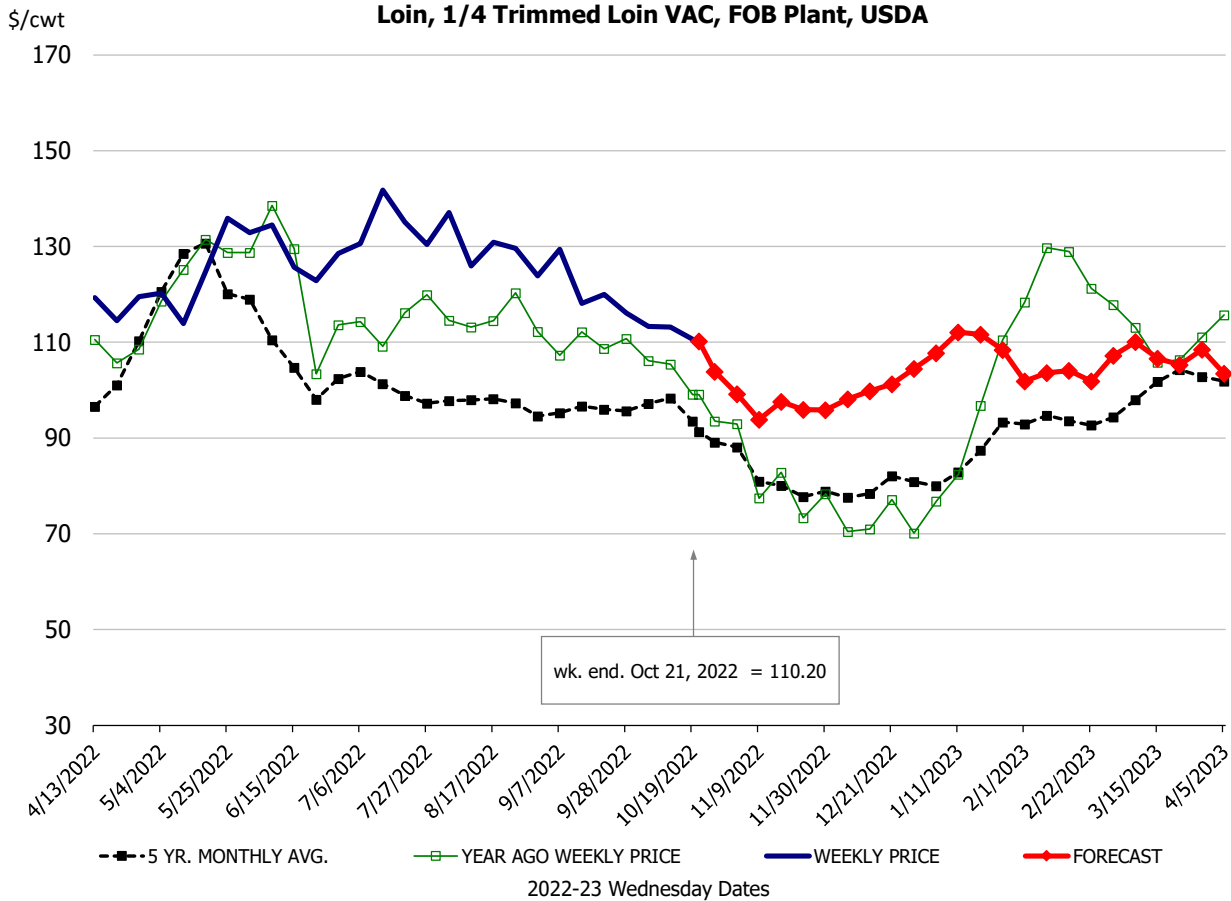
73CL Coarse Ground product finished last week at **\$1.5774** down about 4 cents since Wed. October 12 and down about 34 cents from year ago levels.

81CL Coarse Ground 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.

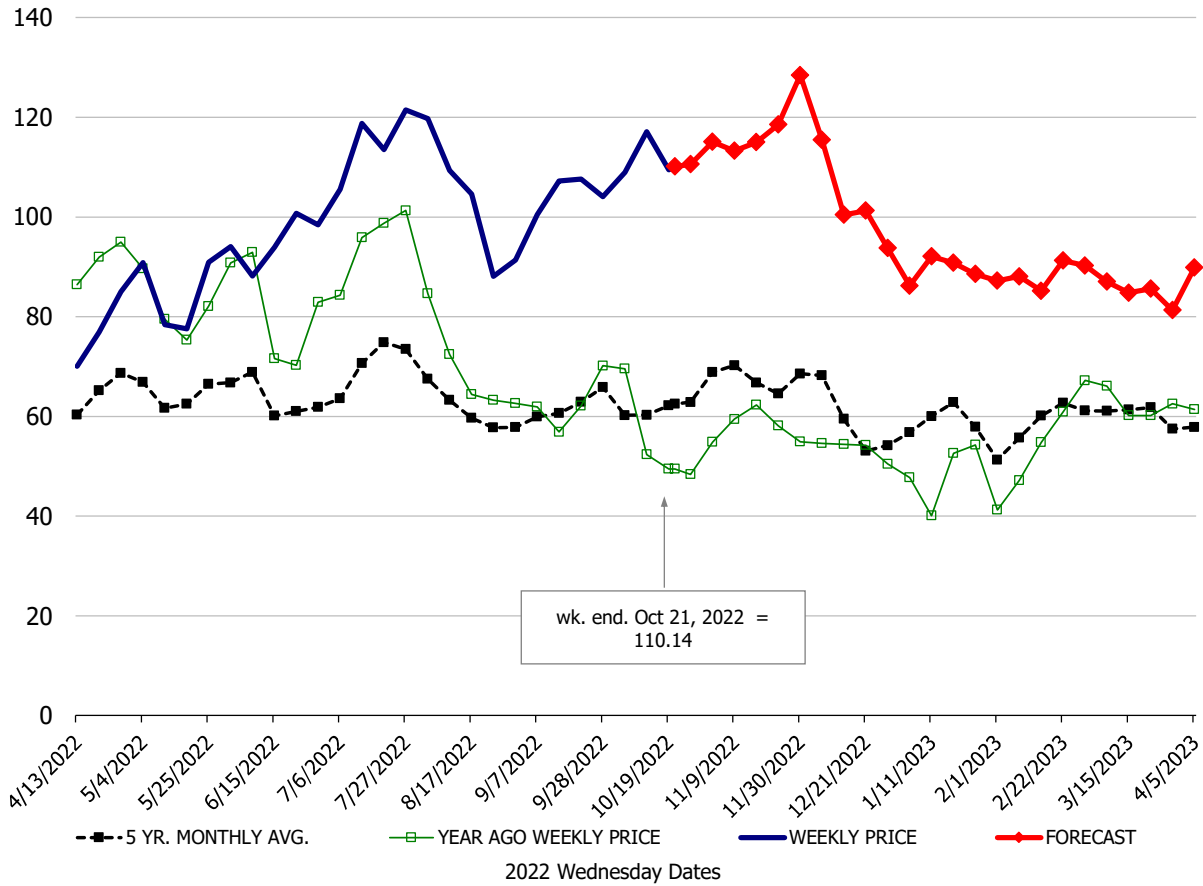
90CL Bnls. Beef prices finished the week at **\$2.6113** (wt. avg.) up 1.67 cent since Wed. September 28 but down 13 cents compared to the year ago price quote. **50 CL Beef Trim** prices finished last week at \$0.7708, down about 9 cent since Wed. September 28 and down 35 cents compared to the year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

Protein Summary Table - WT. AVE.

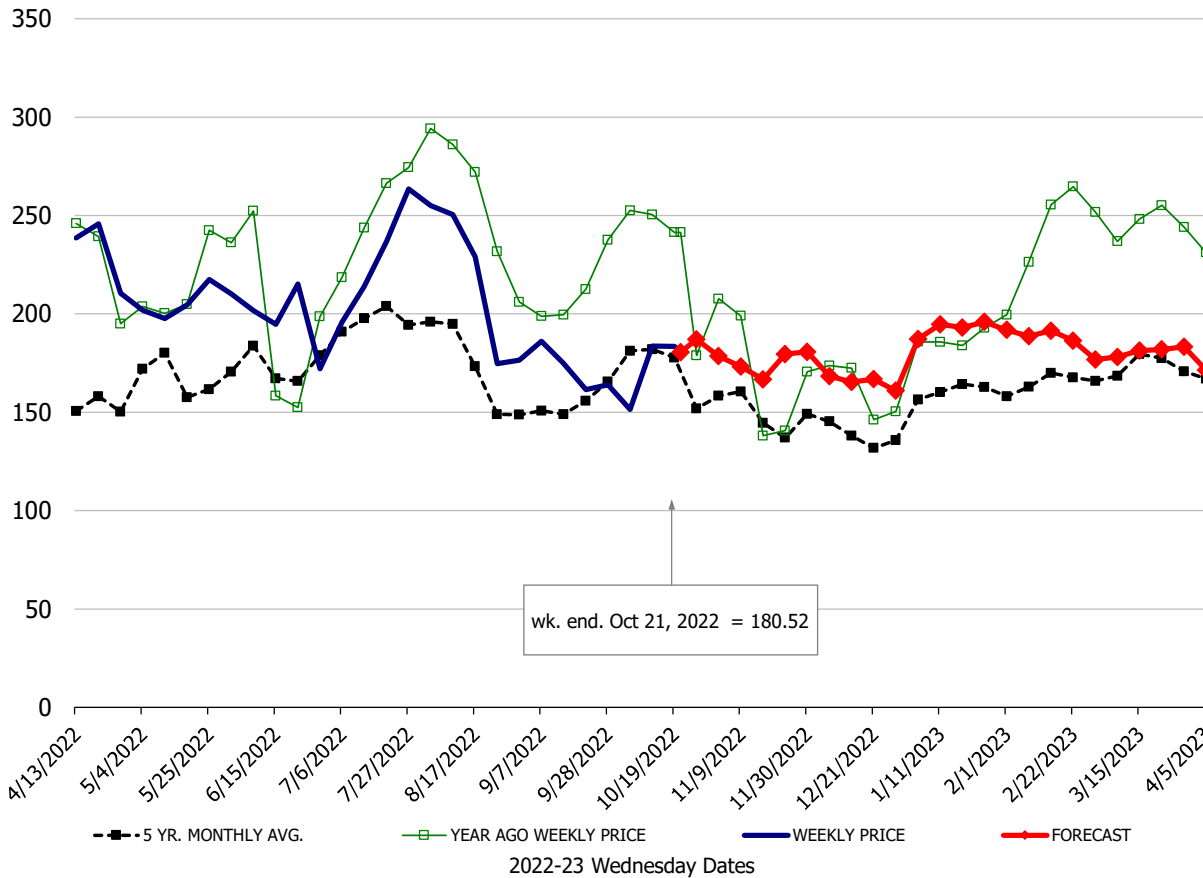
	HISTORY								FORECAST						
	Apr	May	Jun	Jul	Aug	Sep	10/12/2022	10/21/2022	11/2/2022	Oct	Nov	Dec	Jan	Feb	Mar
<u>PORK</u>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	115.7	120.2	127.0	132.0	126.7	121.0	113.2	110.20	99	112	98	99	109	103	107
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	116.5	125.0	132.4	134.8	130.6	125.3	120.0	118.03	109	119	108	107	108	109	112
Loin, Bnls CC Strap-off, FOB Plant, USDA	152.5	151.0	149.4	154.3	173.6	167.9	160.5	157.78	160	161	158	163	164	158	158
Loin, Tenderloin, FOB Plant, USDA	212.5	217.3	213.2	215.0	206.6	184.8	203.7	180.12	183	184	180	181	201	208	195
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	120.2	121.3	147.4	179.7	137.9	113.2	101.7	104.85	121	105	120	125	124	112	119
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	208.6	224.7	208.7	188.6	155.4	144.9	132.7	133.20	159	136	158	169	173	174	178
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	375.6	384.1	373.4	368.6	348.3	302.6	355.4	276.63	308	309	309	310	306	295	296
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	205.0	208.5	197.6	184.9	151.3	142.8	131.6	133.95	151	135	149	160	161	165	166
Loin, Backribs 2.0#/up, FOB Plant, USDA	377.9	355.1	316.6	222.8	213.9	191.6	198.1	185.74	202	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	114.0	112.49	118	112	120	115	97	95	96
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	74.3	90.2	75.4	94.8	121.6	103.4	113.5	111.99	119	112	119	113	95	93	92
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	64.6	94.2	86.6	102.4	108.4	94.2	117.1	110.14	115	110	115	110	88	87	88
Belly Cutout, FOB Plant, USDA	179.8	155.8	158.2	184.5	191.2	136.4	146.3	143.74	148	140	143	136	153	156	144
Belly, Derind Belly 9-13#, FOB Plant, USDA	232.4	196.9	200.3	224.2	217.2	177.4	183.6	180.52	179	177	177	168	189	193	178
Belly, Derind Belly 13-17#, FOB Plant, USDA	207.3	179.9	186.9	210.3	209.7	166.4	178.4	171.58	179	169	173	164	185	189	174
Trim, 42% Trim Combo, FOB Plant, USDA	76.7	83.6	81.9	110.6	114.8	80.1	66.2	71.70	65	70	60	52	54	56	64
Trim, 72% Trim Combo, FOB Plant, USDA	110.8	101.7	107.6	121.3	125.3	100.9	97.1	99.42	104	100	96	93	97	91	91
Trim, Picnic Meat Combo Cushion Out, FOB Plant, USDA	111.8	104.6	117.2	131.4	137.6	116.8	115.9	115.78	119	115	116	120	111	105	102
Carcass Cutout, FOB Plant, USDA	106.6	104.4	109.5	120.6	117.0	102.9	103.9	102.46	104	102	102	102	99	97	96
<u>HOG CARCASS</u>															
CME 1-Day Lean Hog Index	101.0	101.9	109.0	115.5	118.3	99.1	92.7	94.14	89	93	89	88	88	89	90
<u>BROILERS</u>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	166.9	169.7	165.8	153.5	131.1	129.2	127.4	127.16	123	128	125	121	118	117	115
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	302.1	351.6	331.6	281.1	228.9	184.5	124.9	114.62	111	120	110	109	110	120	137
N.E. BROILER BREAST LINE RUN, USDA	152.2	185.0	192.4	192.8	185.6	159.9	143.3	132.47	125	140	125	118	117	127	123
N.E. BROILER LEG QUARTERS, USDA	44.4	51.6	59.7	61.2	56.3	43.8	38.2	35.95	38	37	38	38	38	39	41
N.E. BROILER WINGS, USDA, WT.AVG.	208.1	190.8	180.5	167.2	128.4	117.3	110.1	109.52	127	110	128	142	171	169	166
<u>TURKEYS</u>															
HEN TURKEYS, EAST, FROZEN 10-12LBS, USDA	137.8	142.1	152.9	157.6	163.4	169.5	178.1	179.96	183	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	179.2	180.23	183	177	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	684	670	670	630	495	490	460
<u>LIVE STEERS</u>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	141.5	142.4	141.8	143.4	144.3	143.6	146.3	149.82	149	147	150	152	153	156	159
<u>BEEF</u>															
CHOICE, 112A, 3, USDA,RIBEYE, BONELESS, HEAVY, WT.AVG.	887.4	809.1	881.1	847.4	918.4	889.5	884.0	922.69	1018	919	1039	945	765	813	904
CHOICE, 161, 1, USDA,ROUND, BONELESS, WT. AVG.	280.7	278.5	277.7	279.7	288.1	296.0	315.4	297.38	278	304	277	274	287	288	287
CHOICE, 168, 3, TOP INSIDE ROUND, 1/4" MAX, WT. AVG., USDA	283.3	267.7	263.7	274.2	274.8	273.8	266.3	266.08	263	268	263	260	269	279	281
CHOICE, 170, 1, BOTTOM GOOSENECK ROUND, WT. AVG., USDA	254.1	242.7	245.8	258.1	254.0	276.3	287.5	288.28	277	287	273	272	282	270	257
CHOICE, 180, 3, USDA,STRIP LOIN, BONELESS, 0X1, WT. AVG.	764.5	766.0	820.9	866.5	792.4	637.7	572.2	557.59	564	571	565	585	631	670	811
CHOICE, 184, 3, USDA,TOP BUTT, BONELESS, WT. AVG.	383.3	378.4	372.0	368.5	366.6	357.4	343.0	337.83	322	342	322	328	342	360	403
CHOICE, 185A, 4, USDA,BOTTOM SIRLOIN, FLAP, WT. AVG.	710.4	603.8	622.6	714.8	772.4	604.4	581.5	535.85	570	561	573	610	613	631	689
USDA,COARSE GROUND 73%, WT. AVG.	174.3	172.9	182.1	174.9	172.9	164.1	161.8	157.74	160	157	156	163	203	177	185
COARSE GROUND 81%, WT. AVG., USDA	261.1	268.6	285.8	267.9	239.2	219.8	205.4	202.38	222	206	217	225	290	260	267
USDA, 90% BONELESS BEEF, CENTRAL, FRESH, WT. AVG.	276.1	272.0	275.6	271.7	266.6	263.5	254.6	252.47	256	254	255	256	264	271	277
USDA, 50CL BEEF TRIM, FRESH, NATIONAL, WT. AVG.	123.4	105.4	116.2	109.8	104.1	98.6	69.4	71.72	97	74	90	85	101	99	119



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

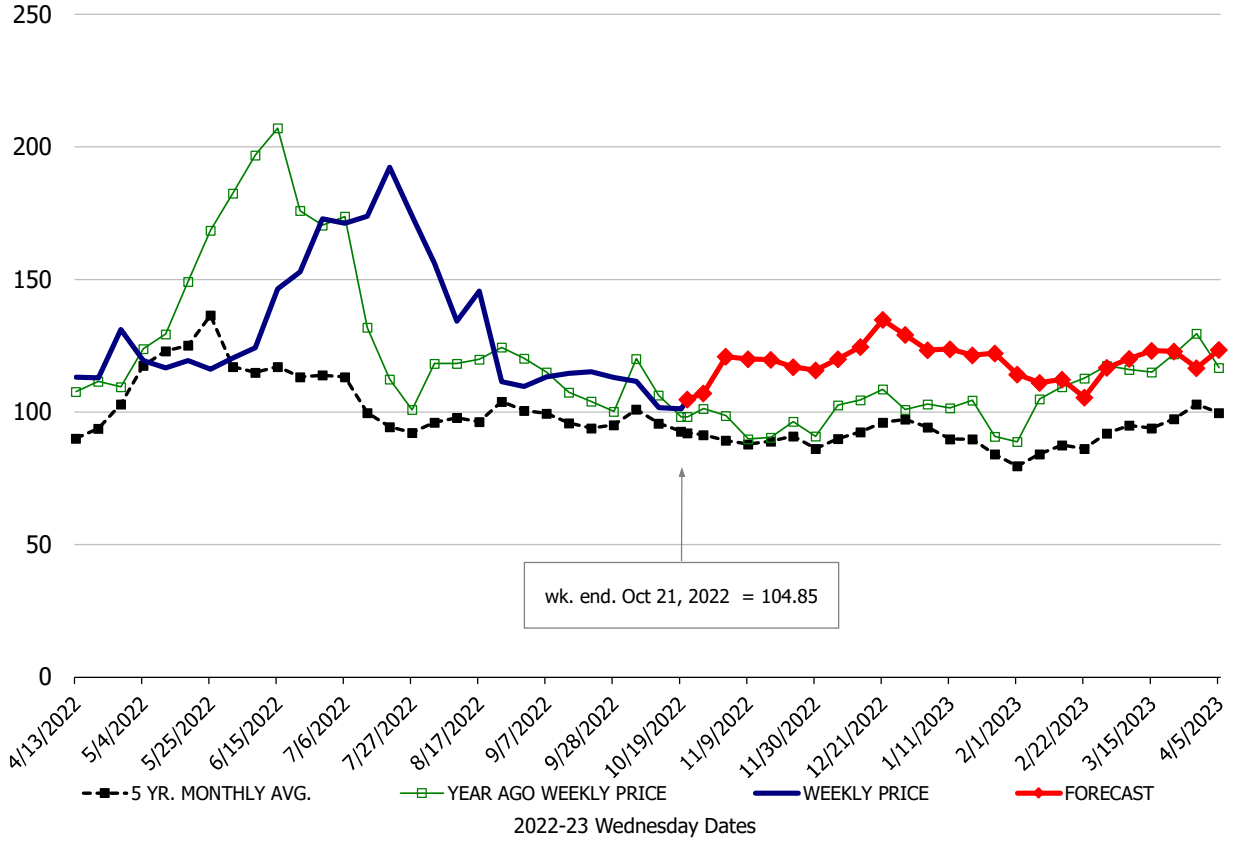


Belly, Derind Belly 9-13#, FOB Plant, USDA



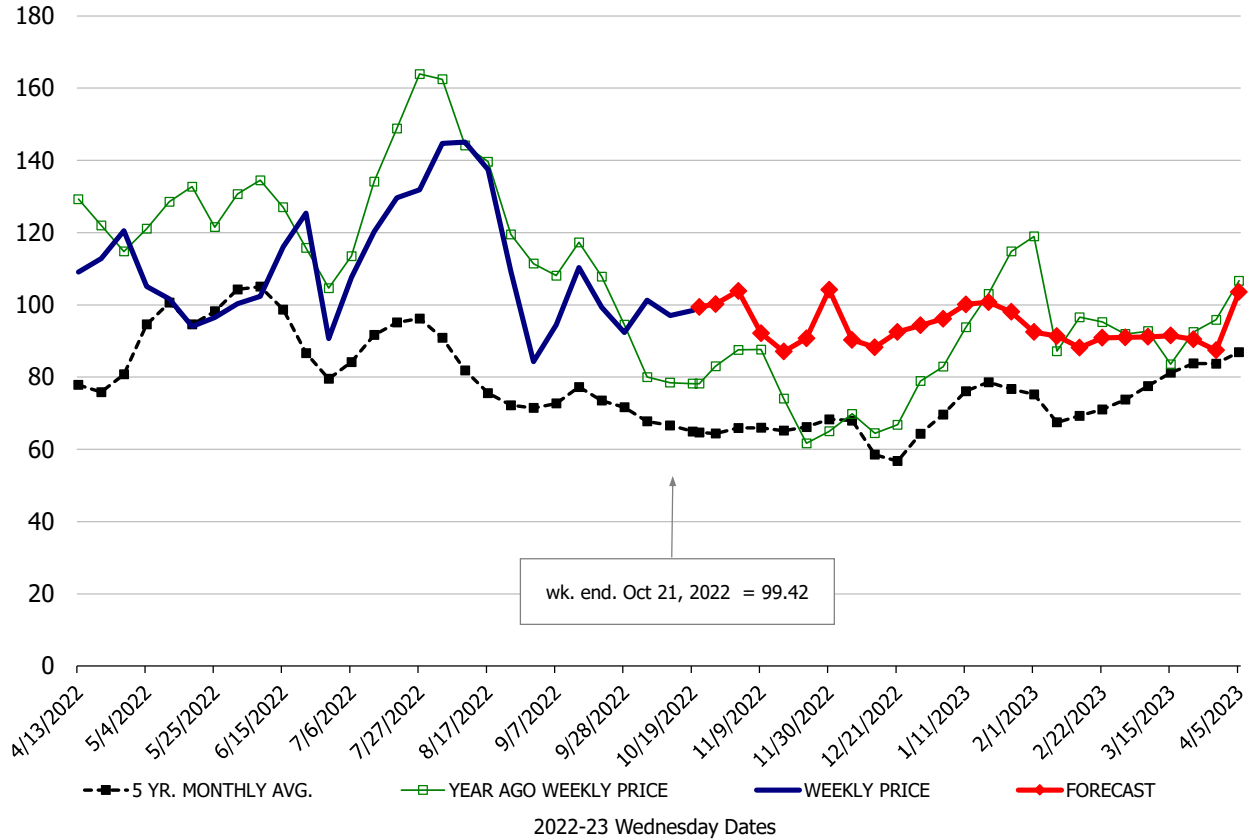
\$/cwt

Butt, 1/4 Trim Butt Combo, FOB Plant, USDA



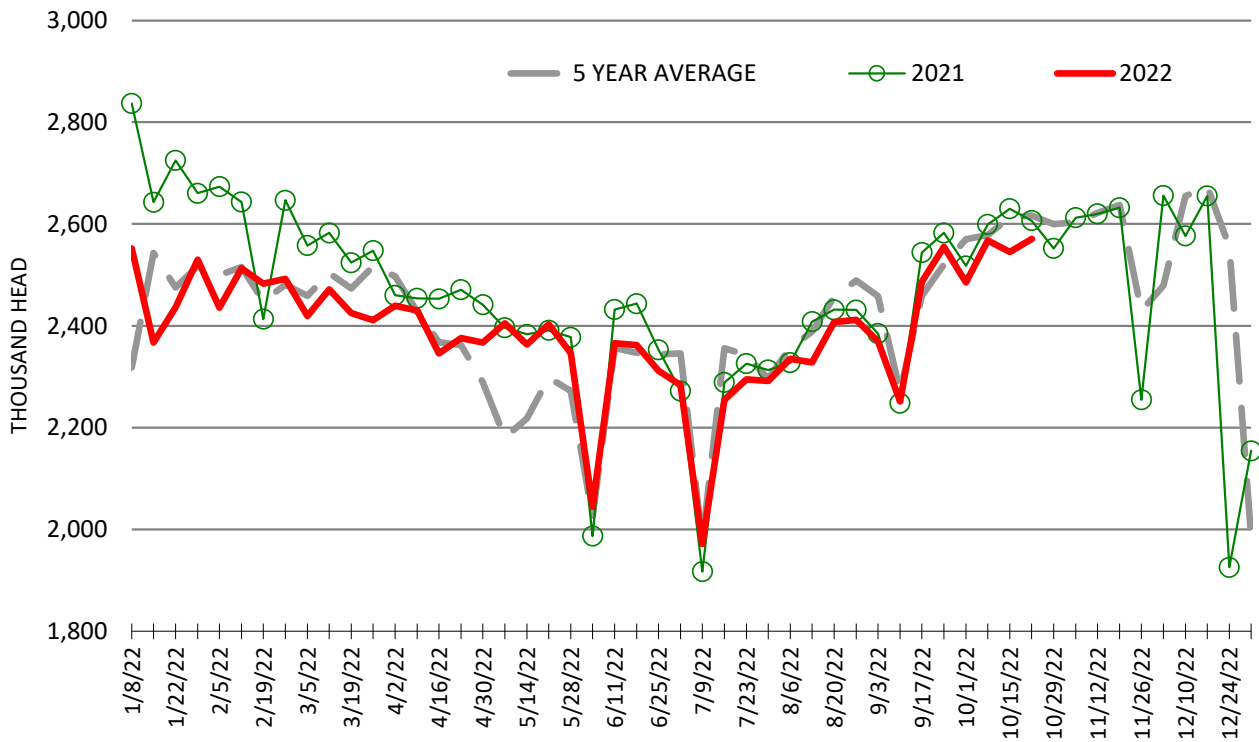
\$/cwt

Trim, 72% Trim Combo, FOB Plant, USDA



ESTIMATED WEEKLY FI HOG SLAUGHTER

Source: USDA, '000 head



ESTIMATED WEEKLY FI PORK PRODUCTION

Source: USDA, Mil. Pounds

