



Pork Merchandiser's Profit Maximizer

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January 19, 2023

Ample belly inventories drag cutout lower, pressure futures. Pork supply will be lower into spring, however.

Key points:

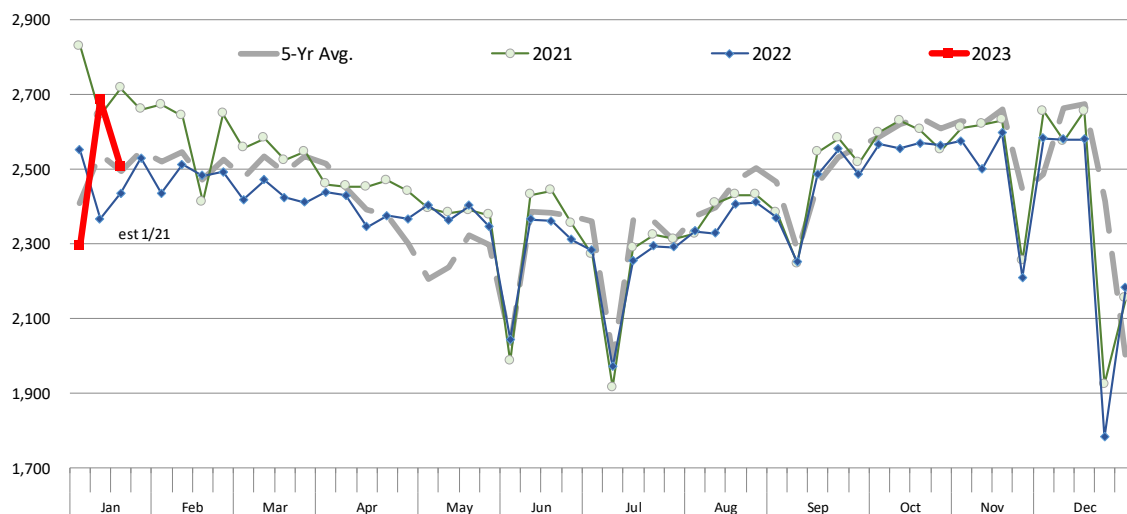
- Short term supply imbalance has pressured spot pricing.

- Current low prices should “buy” some demand for Feb/Mar, reducing spot supply.
- Take advantage of current low prices for hams to cover Easter needs.
- Ribs remain a great value and so are bellies.

The pork cutout started the year on a weak footing, and it has continued to lose ground this week. On Friday the pork cutout was quoted at

WEEKLY HOG SLAUGHTER. '000 HEAD

Source: USDA. Analysis by Steiner Consulting



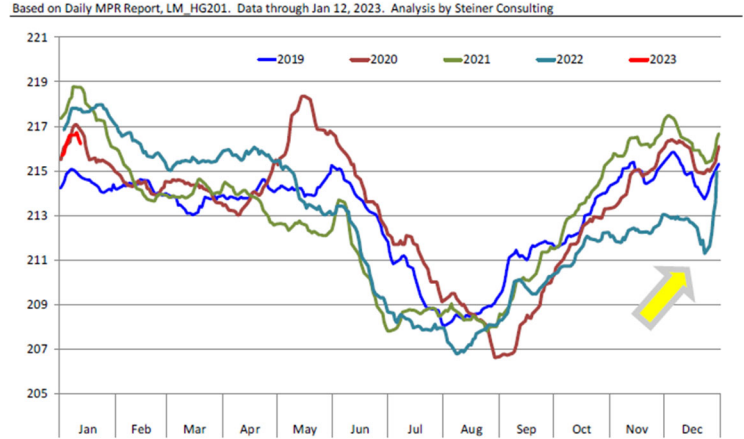
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\$81.64, down 5% since the start of the year and very close to the price levels at this time last year. But different from a year ago, when the cutout quickly rebounded in the second half of January, futures markets appear to be more apprehensive. The struggle of the pork cutout to get any traction combined with soft cash hog prices has impacted the front February contract the most. Since December 27 the CME Lean Hog futures contract has lost \$12.8/cwt (14%). While volatility in the second half of December and the weak start in the New Year may be blamed on holiday trading and thin volume, the most recent declines seem to reflect real concerns about pork demand, at least in the near term. With that said, the widening spread between February and summer futures suggests that market participants are still believing this is a short term issue.

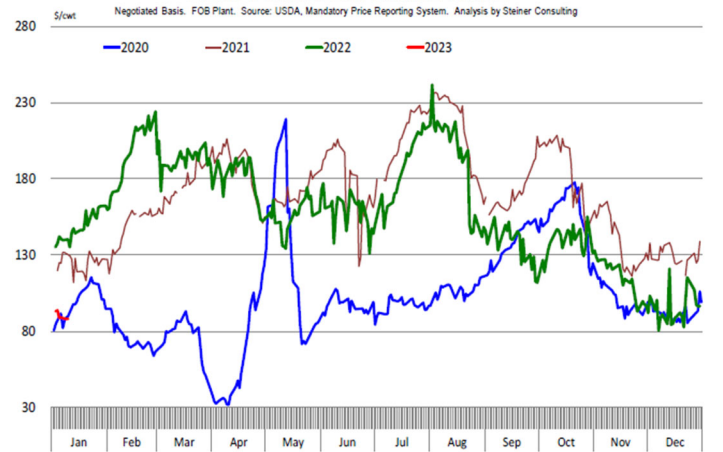
We think in part the weakness in product markets is a reflection of the disruption in supply caused by winter storms in the Midwest and then the two holiday shortened weeks. Producers were especially current through mid December but then lost significant ground (see chart). The average weight of producer owned barrows and gilts jumped 3.7 pounds from just before Christmas through the end of the year. Weights appear to have peaked but it will take a robust slaughter pace for the next couple of weeks to get caught up. Hog slaughter last week was near 2.7 million head but it will be lower this week due to the MLK holiday on Monday. Eventually slaughter should settle at around 2.43 million head/week in February, about 2% lower than a year ago.

Last year the pork cutout traded as high as \$110/cwt in the second week of February and while 2023 futures for February were never as high, the expectation was for the cutout to be somewhere in the low 90s, which would then justify hog values in the mid-80s. **The biggest surprise so far, and which has likely contributed to the February retreat, is the price for bellies.** While a hog carcass produces twice the volume of loins than of bellies, bellies in 2022 contributed more value to the cutout. According to our calculations the average price of bellies in 2022 was \$157.85/cwt, contributing

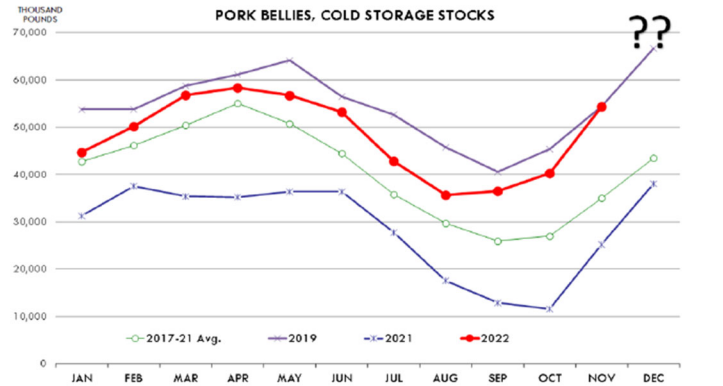
Barrow/Gilt Dressed Carcass Weights, 5-day Moving Avg. - Producer Hogs



DAILY PORK BELLY PRIMAL VALUE



PORK BELLIES, COLD STORAGE STOCKS



\$25.68/cwt to the value of the cutout. The average price of loins was \$96.65/cwt, contributing \$24.57. The value of the belly primal on Friday was \$93.48/cwt, 35% lower than the previous year. There were some 54 million pounds of bellies in the freezer at the end of November and that supply likely grew to 70 million pounds by the end of December. Last time we saw such inventory levels

was at the end of December 2019 and the belly cutout the following January and February failed to launch. With slaughter last week near 2.7 million head and plenty of bellies in the freezer, moving them is a struggle.

Current low prices for bellies, hams, and loins as well as the decline in futures presents opportunities to get product covered at attractive prices. The risk for the market is that pork supplies are expected to be down y/y through spring. Lower supply and more orders on the books can cause spot prices to quickly reverse course. Ham prices in our view have more upside risk considering Easter demand will soon come into focus and Mexico demand is expected to be firm.

PORK

Hog Market. For the week ending January 14 hog slaughter was 2.688 million head, up 13.6% from a year ago. In the last two weeks hog slaughter is up 1.3% vs. year ago levels.

Iowa/Minnesota, Base Negotiated Purchase for Barrows and Gilts. Lean hog carcass values at about 74.51 /cwt. on Friday were down \$3.8/cwt since Wed. January 4. Prices are down 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 \$1.0065, down about 2.3 cent since the Wed. January 4 quote but up about 18 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.3265 for the strap on loins, up 3.25 cent since Wed. January 4 and up 18 cent from the year ago levels. Strap off loins at \$1.4389 are up 0.1 cent since Wed. January 4 but down about 3 cent compared to the year ago quote.

Boneless sirloins at \$1.1800 were down about 10.5 cents from the Wed. January 4 quote and down about 7.2 cents from the year ago price.

Pork tenderloin finished last week at \$1.8162, up 11 cent since the Wed. January 4 quote but down about 35.1 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at \$1.1053, down 18.7 cents since Wed. January 4. Prices are down one cent from a year ago.

Spareribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$1.3124, down about one cent since Wed. January 4 and down about 49 cents from year ago levels.

Rib inventories on November 30 were 112.1 million pounds, up 48.3% from a year ago.

Bone-in Hams

17/20 hams (page 9) price was last quoted at \$0.7286/lb. down 11 cents since Wed. January 4 but up about 28 cents from a year ago.

20/23 hams finished the week at 72.17 cents (page 130) down about 7 cent since Wed. January 4 but up about 31 cents from the year ago level.

23/27 hams finished the week at 68.99 , down about 10 cent from the Wed. January 4 quote but up about 29 cents from the year ago level.

Total ham cold storage stocks on November 30 at 55.1 million pounds were down 28.2% from year ago levels.

42 CL Pork Trim "FOB Basis". Prices finished the week at 56.98 cents, down about 4.0 cent since Wed. January 4 but up about 7 cents from the year ago price.

72 CL Pork Trim "FOB Basis". Prices finished the week at 86.17 cents, up 1.7 cents since the Wed. January 4 quote but down about 8 cents from the year ago levels.

Freezer stocks of all trimmings on November 30 were 44.9 million pounds, down 8.3% 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 **31** cent average in the previous six months.

POULTRY

Whole Broilers

The National Whole Bird price was quoted at 127.31 on Friday, January 14, down about 7 cents from a year ago.

Broiler slaughter for the week ending January 14 was 162.12 million head, down 0.69% from a year ago. For the last two weeks broiler slaughter was down 2.0% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$0.9712, down 1 cents since Wed. January 4 and still down about 128 cents from year ago levels.

Leg Quarters. Last week leg quarter prices were up about 1.29 cents vs. two weeks ago but at 34.99 cents per pound prices were down 3 cent from a year ago.

Wings. Prices at \$0.8912 are down about 177 cents from year ago levels.

Turkeys

The prices below reflect weekly quoted USDA prices.

Hens finished last week at \$1.7150, unchanged cent since Wed. January 4 but up about 44 cents from the year ago price.

Toms finished last week at \$1.7150, unchanged since Wed. January 4 but up about 44 cent from the year ago price.

Total turkey supplies in the freezer on November 30 were up 1.2% from a year ago at 141.4 million pounds. Whole birds were down 7.3% from a year ago with an inventory of **35.9** million pounds.

Turkey slaughter was 3.1380 million head for the week ending January 7, down -8.38% from a year ago. For the last two weeks slaughter has been down 10.3%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$6.7000, unchanged since Wed. January 4. Prices are up about 250 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 \$11.3923 (weighted average quote) finished last week down about 105 cents since the Wed. January 4 quote but up about 281 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$7.8431 (weighted average quote) finished last week down about 36 cents since the Wed. January 4 quote but down about 5 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$3.5492 /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 \$2.4698 for 90CL and \$1.0729 for 50CL product, an 81CL meat block value is now \$2.1555 and a 78CL meat block is \$2.0507. Choice 114, 3 Clods are now being priced 55.71 cents over 81CL meat block grinding values of 90s and 50s. A year ago the spread was **63.63** cents and the five year average spread for is **40.67** cents over.

Choice #161 Boneless Rounds finished last week at **\$3.2881**, up slightly since Wed. January 4 and up about 32 cents from year ago levels.

Choice regular #168 insides finished last week quoted at \$2.6596 down about 15 cents since Wed. January 4 and down about 31 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$2.7147 down about 3 cent since Wed. January 4 and down about 35 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$2.8633 up about 3 cents since Wed. January 4 but down about 29 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$7.5503 (wt. avg.) up about 49 cents from the Wed. January 4 quote. Prices are up 56 cents from year ago levels.

Choice #184 Regular Heavy top butts finished at \$3.6438 (wt. avg.) down about 3 cents since Wed. January 4 and down about 7 cent from year ago levels. **Choice #184 ¼ inch trimmed Top Butts** finished at \$3.7367 (wt. avg.) down about 2 cents since Wed. January 4 and down about 18 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$5.8559 (wt. avg.) down about 5 cents since Wed. January 4 and down about 141 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at **\$2.0437 down** about 0 cents since Wed. January 4 and down about 34 cents from year ago levels.

81CL Coarse Ground product finished last week at \$2.4103 down about 2 cent since Wed. **January 4 and down about 29 cents** from the year ago quote.

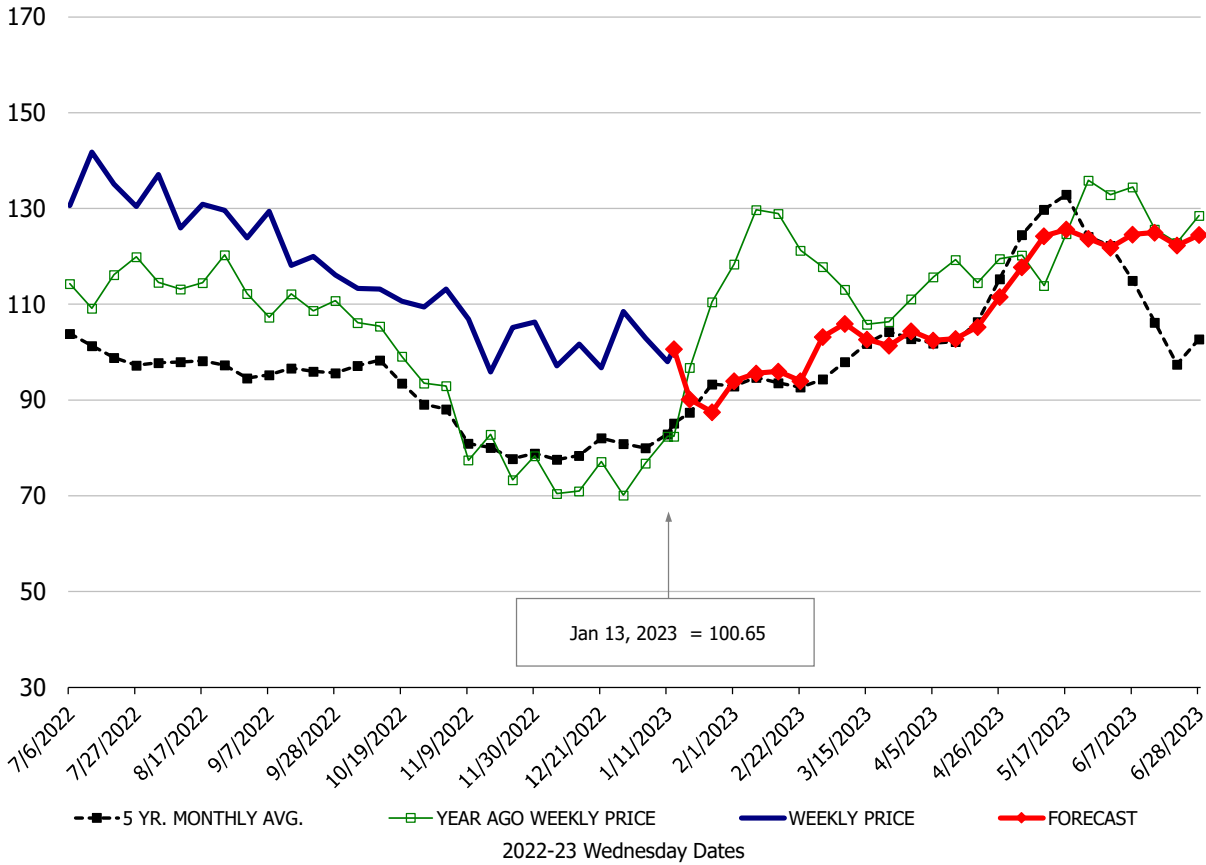
90CL Bnls. Beef prices finished the week at **\$2.4698 (wt. avg.) up 2.38 cent** since Wed. January 4 but down 28 cents compared to the year ago price quote. **50 CL Beef Trim** prices finished last week at \$1.0729, up about 5 cent since Wed. January 4 but down 6 cents compared to the year ago level.

Protein Summary Table - WT. AVE.

	HISTORY								FORECAST						
	Jul	Aug	Sep	Oct	Nov	Dec	1/4/2023	1/13/2023	1/25/2023	Jan	Feb	Mar	Apr	May	Jun
<u>PORK</u>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	132.0	126.7	121.0	111.4	104.6	99.6	102.9	100.65	88	88	95	103	104	120	124
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	134.8	130.6	125.3	116.8	106.8	101.5	109.6	107.32	105	107	101	108	110	123	129
Loin, Bnls CC Strap-off, FOB Plant, USDA	154.3	173.6	167.9	159.0	141.0	138.7	143.8	143.89	144	144	146	152	159	165	164
Loin, Tenderloin, FOB Plant, USDA	215.0	206.6	184.8	184.1	165.6	166.2	170.6	181.62	182	182	191	187	189	197	219
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	179.7	137.9	111.8	103.7	100.0	111.6	117.2	100.16	103	104	103	114	129	149	143
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	188.6	155.4	144.4	135.3	130.7	126.5	132.0	131.24	134	134	149	165	186	190	190
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	368.6	348.3	295.5	306.6	316.3	291.5	257.8	267.21	285	303	310	299	303	306	306
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	184.9	151.3	142.5	133.8	129.1	125.9	131.1	133.22	133	133	150	159	173	186	186
Loin, Backribs 2.0#/up, FOB Plant, USDA	222.8	213.9	191.6	182.0	165.3	170.6	172.4	180.71	177	181	209	228	246	251	239
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	110.8	103.7	104.4	111.2	104.9	88.2	83.5	72.86	73	74	75	78	84	90	96
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	111.3	103.3	103.5	110.4	105.1	87.9	79.5	72.17	73	73	74	77	83	89	95
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	113.6	101.9	103.9	107.8	99.6	84.3	79.3	68.99	73	73	73	76	82	88	94
Belly Cutout, FOB Plant, USDA	184.5	191.2	136.4	138.6	116.2	94.7	93.8	89.13	90	90	110	124	127	140	154
Belly, Derind Belly 9-13#, FOB Plant, USDA	224.2	217.2	166.9	171.7	149.1	120.9	130.1	116.12	120	116	136	153	157	173	190
Belly, Derind Belly 13-17#, FOB Plant, USDA	210.3	209.7	157.8	164.7	140.1	112.5	113.0	105.84	116	112	132	149	153	169	186
Trim, 42% Trim Combo, FOB Plant, USDA	110.6	114.8	75.2	71.2	66.5	57.9	61.0	56.98	52	54	60	71	75	81	102
Trim, 72% Trim Combo, FOB Plant, USDA	121.3	125.3	99.3	100.4	102.2	88.8	84.5	86.17	87	86	84	88	106	113	128
Trim, Picnic Meat Combo Cushion Out, FOB Plant, USDA	131.4	137.6	114.8	114.8	110.1	102.8	105.2	100.76	103	101	96	98	116	132	142
Carcass Cutout, FOB Plant, USDA	120.6	117.0	102.9	101.1	93.4	87.2	85.8	81.15	83	83	89	92	97	103	110
<u>HOG CARCASS</u>															
CME 1-Day Lean Hog Index	115.5	118.3	98.2	93.5	88.0	82.5	78.3	74.51	77	77	82	86	91	97	106
<u>BROILERS</u>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	153.5	131.5	124.7	121.9	124.6	123.7	128.1	127.31	125	129	129	128	128	127	127
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	281.1	228.9	184.5	117.7	98.1	96.0	98.0	97.12	99	98	105	127	142	163	165
N.E. BROILER BREAST LINE RUN, USDA	192.8	185.6	159.9	137.2	107.3	104.4	104.8	105.27	110	108	115	123	125	135	138
N.E. BROILER LEG QUARTERS, USDA	61.2	56.3	43.8	37.0	34.2	35.8	33.7	34.99	35	35	36	39	42	42	43
N.E. BROILER WINGS, USDA, WT.AVG.	167.2	128.4	117.3	109.2	98.9	89.1	88.6	89.12	93	89	89	86	85	89	98
<u>TURKEYS</u>															
HEN TURKEYS, EAST, FROZEN 10-12LBS, USDA	157.6	163.4	169.5	179.6	175.9	172.4	171.5	171.50	171	172	160	152	146	147	147
TOM TURKEYS, EAST, FROZEN 16-22LBS, USDA	154.7	162.9	167.9	177.7	178.0	171.0	171.5	171.50	171	172	160	152	146	147	147
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	663.8	665.0	670.0	670.0	670.0	670.0	670.0	670.00	682	650	570	510	480	463	467
<u>LIVE STEERS</u>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	143.4	144.3	143.6	147.3	153.2	156.0	157.8	157.74	159	158	160	163	164	160	159
<u>BEEF</u>															
CHOICE, 112A, 3, USDA,RIBEYE, BONELESS, HEAVY, WT.AVG.	847.4	918.4	889.5	915.8	1039.4	1145.8	1243.8	1139.23	1007	1030	879	953	986	1019	1053
CHOICE, 161, 1, USDA,ROUND, BONELESS, WT. AVG.	279.7	288.1	296.0	304.4	306.7	310.8	328.0	328.81	327	320	298	297	292	286	298
CHOICE, 168, 3, TOP INSIDE ROUND, 1/4" MAX, WT. AVG., USDA	274.2	274.8	273.8	267.6	250.9	239.8	274.8	271.47	273	275	294	295	290	289	298
CHOICE, 170, 1, BOTTOM GOOSENECK ROUND, WT. AVG., USDA	258.1	254.0	276.3	294.2	251.5	249.3	283.0	286.33	285	285	280	266	260	259	271
CHOICE, 180, 3, USDA,STRIP LOIN, BONELESS, 0X1, WT. AVG.	866.5	792.4	637.7	562.7	563.7	572.8	705.9	755.03	737	755	755	826	889	983	954
CHOICE, 184, 3, USDA,TOP BUTT, BONELESS, WT. AVG.	368.5	366.6	357.4	340.7	349.2	354.4	376.1	373.67	369	377	377	416	433	422	413
CHOICE, 185A, 4, USDA,BOTTOM SIRLOIN, FLAP, WT. AVG.	714.8	772.4	604.4	535.7	523.5	529.5	590.3	585.59	611	600	621	712	805	815	770
USDA,COARSE GROUND 73%, WT. AVG.	174.9	172.9	164.1	158.2	150.6	144.6	204.7	204.37	225	218	197	206	212	217	218
COARSE GROUND 81%, WT. AVG., USDA	267.9	239.2	219.8	208.4	207.4	191.5	243.4	241.03	260	253	269	276	281	291	297
USDA, 90% BONELESS BEEF, CENTRAL, FRESH, WT. AVG.	271.7	266.6	263.5	252.8	241.8	238.5	244.6	246.98	258	250	267	277	285	288	296
USDA, 50CL BEEF TRIM, FRESH, NATIONAL, WT. AVG.	109.8	104.1	98.6	71.4	73.0	86.4	102.5	107.29	105	107	105	125	135	137	129

\$/cwt

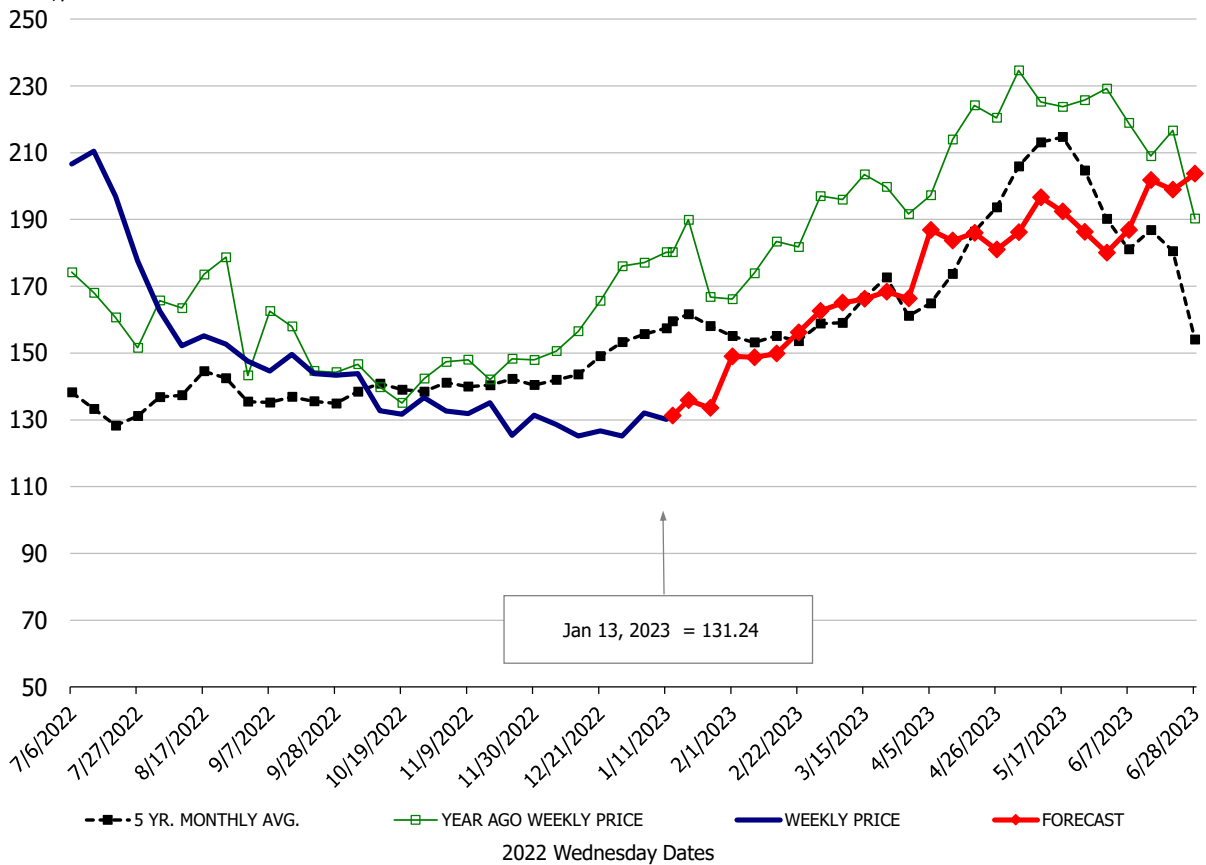
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA



--- 5 YR. MONTHLY AVG. - - - YEAR AGO WEEKLY PRICE — WEEKLY PRICE — FORECAST
2022-23 Wednesday Dates

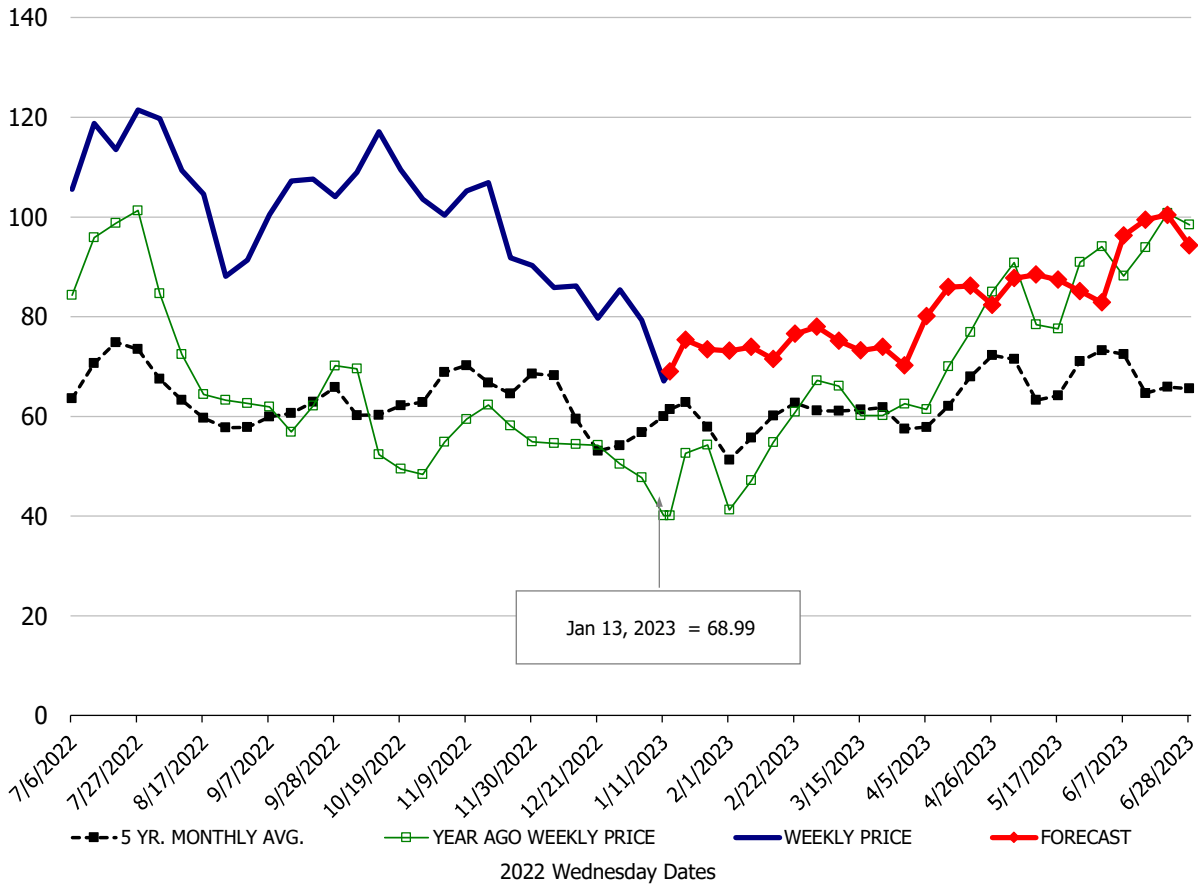
\$/cwt

Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA

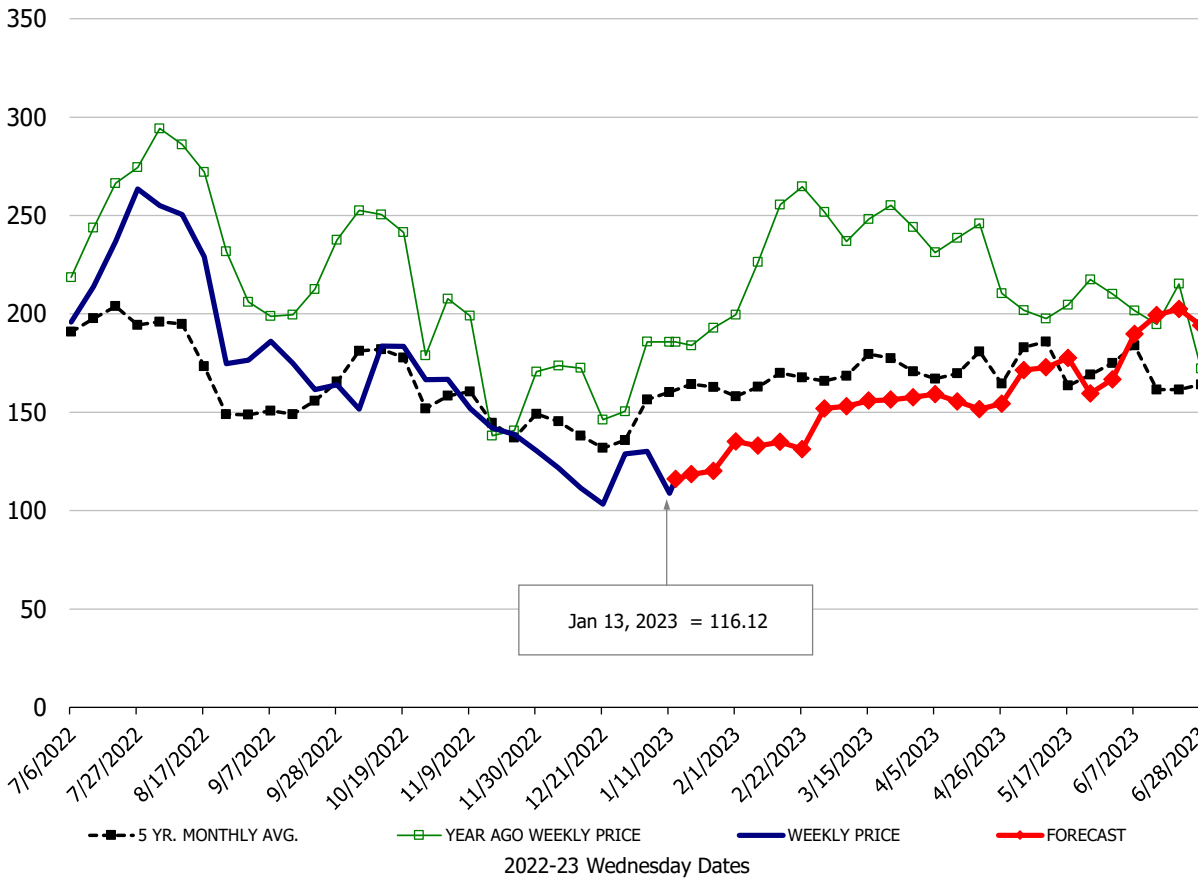


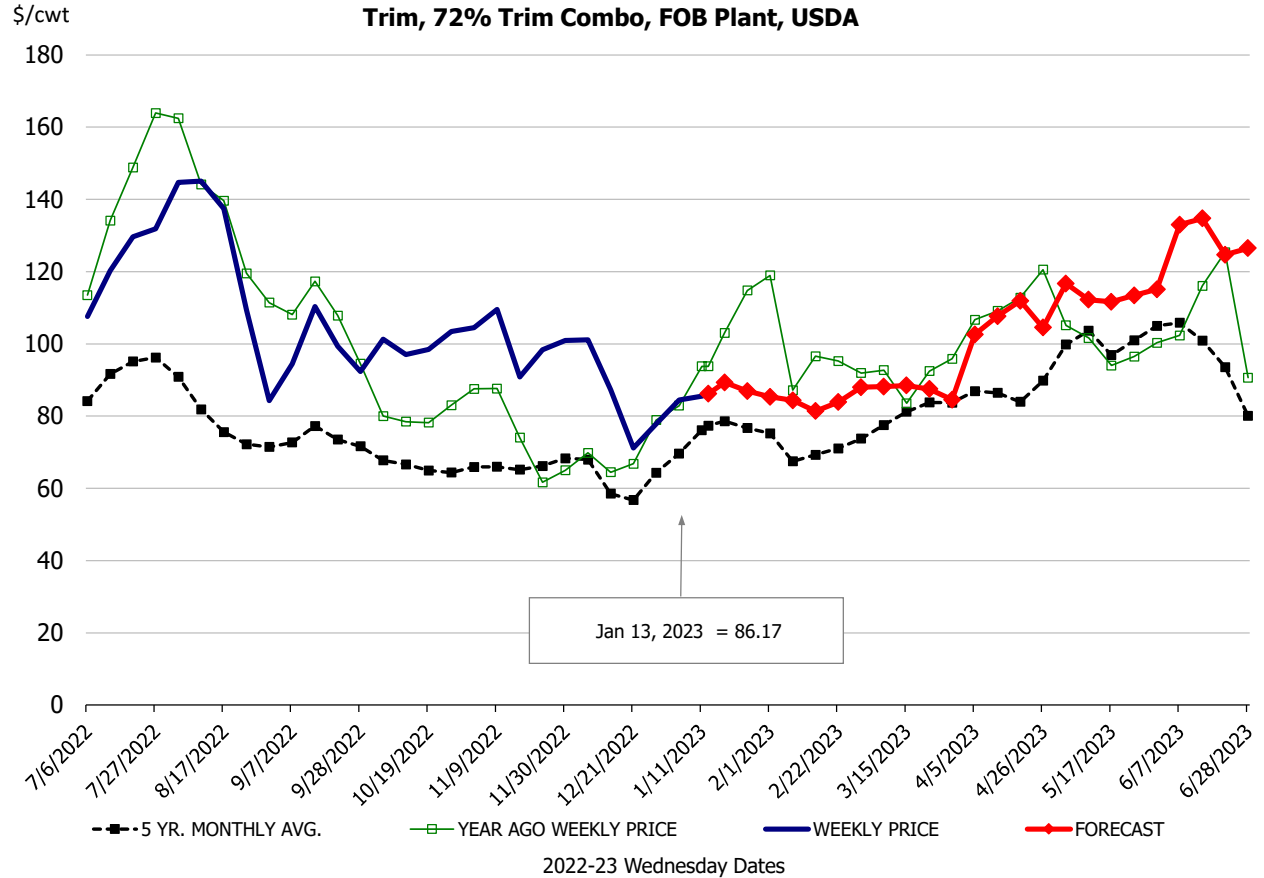
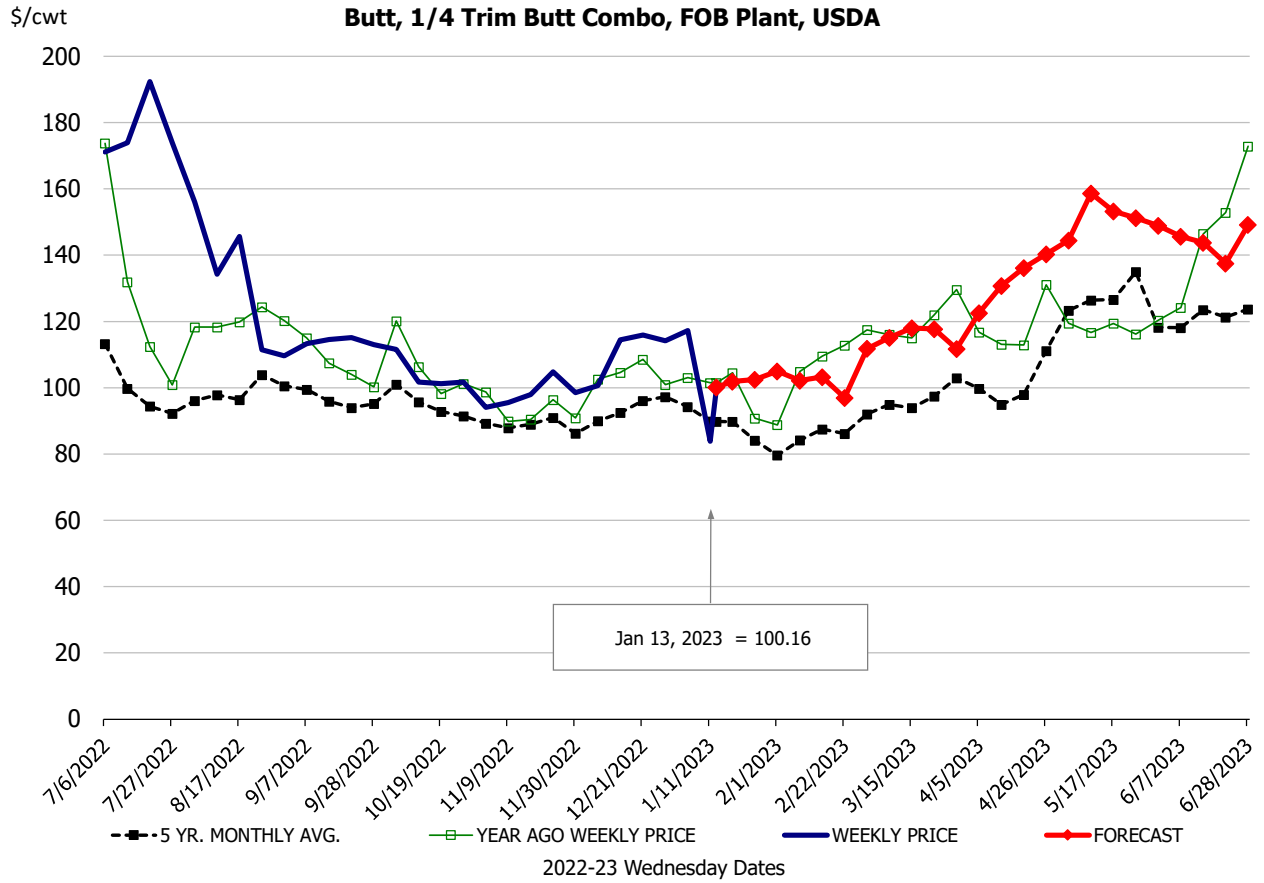
--- 5 YR. MONTHLY AVG. - - - YEAR AGO WEEKLY PRICE — WEEKLY PRICE — FORECAST
2022 Wednesday Dates

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



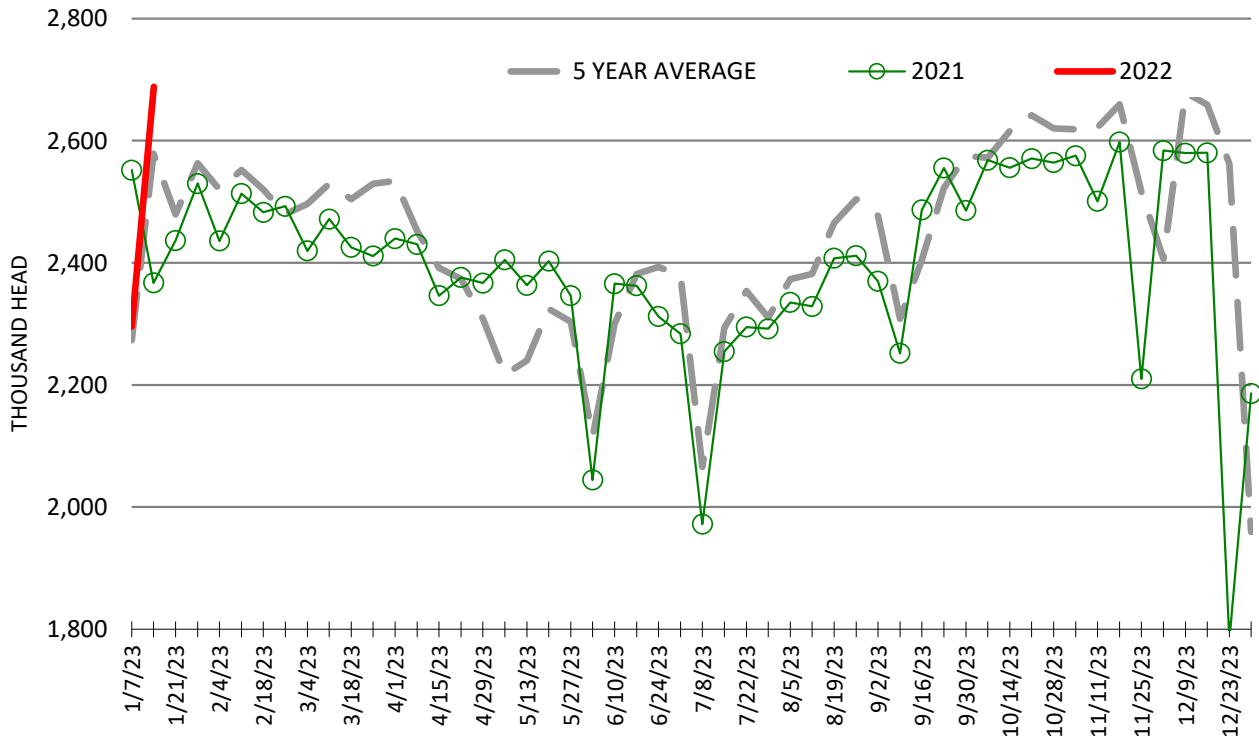
Belly, Derind Belly 9-13#, FOB Plant, USDA





ESTIMATED WEEKLY FI HOG SLAUGHTER

Source: USDA, '000 head



ESTIMATED WEEKLY FI PORK PRODUCTION

Source: USDA, Mil. Pounds

