Pork Merchandiser's **Profit Maximizer**

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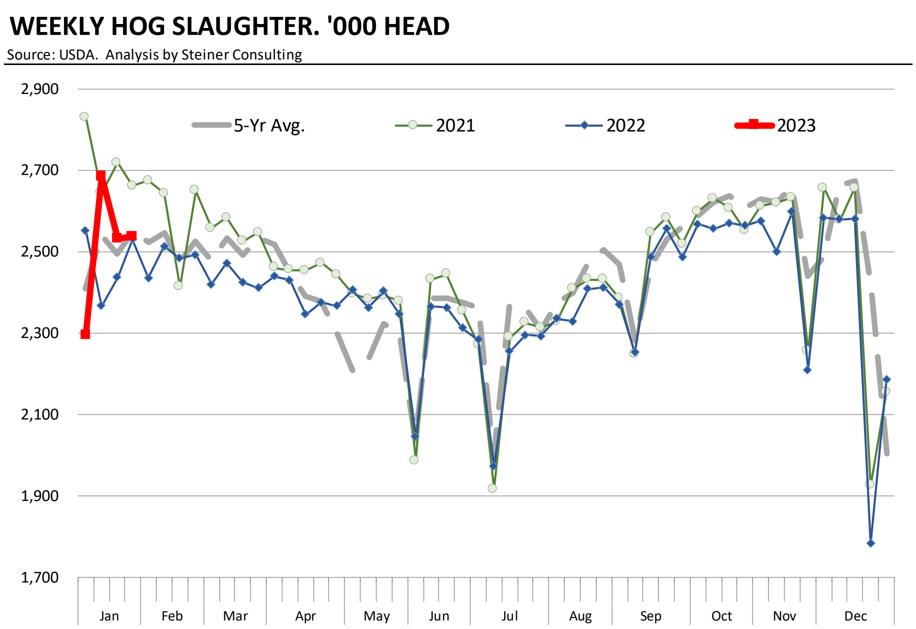
Doubts mount about that December 'Hogs and Pigs' report as supply far exceeds estimates and speculators jump ship.

Following the release of USDA's December 'Hogs and Pigs' report, there was broad expectation that pork supplies would remain limited through at least spring. The inventory of market hogs, which are hogs that will be marketed between December and May, was estimated at 66.966 million head, down 1.355 million head or 2% compared to last year. The breakdown of this inventory into subgroups, depending on weight, also showed that all subgroups were down about 2% from a year ago. **So far, the supply of hogs coming to market has differed greatly from expectations**. Through the week ending January 28 (about a third of the window for those market hogs), weekly slaughter has been a total of 19.173 million head, just 22k head or 0.1% lower than a year ago. Market participants would be justified to ask whether that shortfall of 1.3 million hogs is still in the cards or if USDA simply understated the inventory. **Judging by the reaction of speculators, market seems to believe that USDA missed the mark**. At the start of the year speculative funds held a



net long position of around 50k contracts in lean hogs. As of January 24, managed money net position in lean hog futures was a negative 5,240 contracts. In other words, speculators now hold a net short position in the lean hog futures contract.

The **higher-than-expected supply coming to market, ample freezer stocks for some products and increased competition at retail have all combined to pressure the pork cutout**. At the end of last week the pork cutout was quoted at $79.25/cwt, down $17/cwt (-18%) compared to a year ago. The chart to the right outlines what has contributed to this sharp decline in wholesale pork values. By far the biggest contributor were bellies, which accounted for $11.6 out of the $17 decline in the value of the cutout. Starting in December we have been warning about the impact that heavy belly inventories could have on overall pork pricing in Q1. USDA reported that at the end of December there were 63 million pounds of bellies in cold storage. This was not as high as we thought the inventory could be but it is still quite large, 66% higher than a year and 45% higher than the five year average. With slaughter at +2.5M each week in January, and plenty of bellies already in the freezer, spot belly prices have been under pressure. Loins have been weak as well, down 18% from the same period last year and contributing about $4.6/cwt to the decline in the cutout. Increased competition at retail from chicken and ample spot supply have kept belly prices below year ago levels.

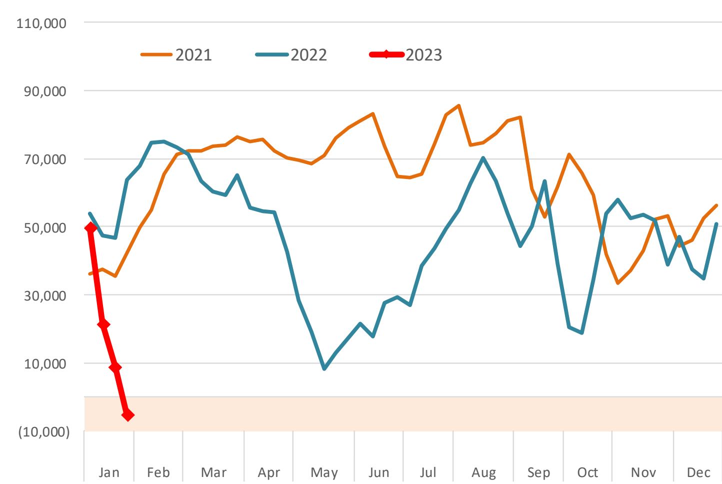
As for other pork items, the picture is mixed. Picnics have come under pressure since the start of the year but that's not unusual considering the slowdown in demand in Q1 and lack of any significant export demand from Asia. Rib inventories remain heavy, and this is keeping rib prices low for the moment. Ham market is the only item bucking the trend as Mexico demand remains robust, freezer inventories at the end of December were 13% lower than a year ago and processors are getting ready for Easter business. Still, boneless ham prices are far lower than expected at this time, an indication of slowing domestic demand. In all, pork prices are off to a slow start. Market participants are paying close attention to the trend in hog/pork supplies for Q1

Hog Slaughter in Last Four Weeks. USDA

	2023	2022	ch.	% ch.	2021	ch.	% ch.
			'000 head				
7-Jan-23	2,296	2,552	(256)	-10.0%	2,829	(533)	-18.9%
14-Jan-23	2,684	2,367	317	13.4%	2,644	40	1.5%
21-Jan-23	2,531	2,436	95	3.9%	2,718	(187)	-6.9%
28-Jan-23	2,536	2,530	6	0.2%	2,660	(124)	-4.7%
4-wk	10,047	9,885	162	1.6%	10,851	-804	-7.4%

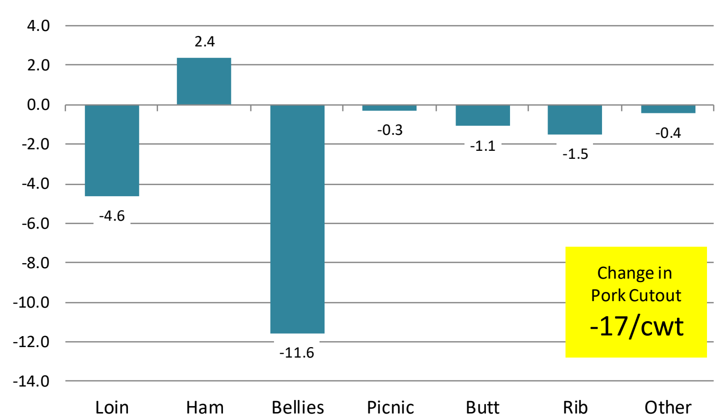
Lean Hogs: Managed Money, Net Position

Source: CFTC



Contribution to the Y/Y Change in the Value of the Pork Cutout

Source: USDA-AMS. Analysis by Steiner Consulting



and likely starting to adjust expectations for late spring and summer as well.

2. Cold Storage Update

Coming into the report there was a lot of focus on belly inventories. In this regard the numbers were not as bearish as expected. Total belly inventory at the end of December was 63.1 million pounds, 65.6% higher than last year and 45% higher than the five-year average. This large supply will continue to negatively impact belly prices in the near term. December inventories increased 16% from November compared to an average gain of 24% in the last five years. Ham carryover stocks for 2023 are much lower than normal, which should continue to support ham values. At the end of December, the supply of hams in cold storage was 13% lower than a year ago and 25% lower than the five-year average. However, inventories declined just 3% compared to November vs. a 22% average drawdown in the past five years. So while the belly numbers were not as bearish as expected ham numbers were not as bullish as forecasts were suggesting. Inventory of pork ribs remains burdensome at 113.6 million pounds, 42% higher than a year ago and 11% higher than the five-year average. Pork trim inventories have increased sharply, up 19% from the previous month.

PORK

Hog Market. For the week ending January 28 hog slaughter was 2.536 million head, up 0.3% from a year ago. In the last two weeks hog slaughter is up 2.0% vs. year ago levels.

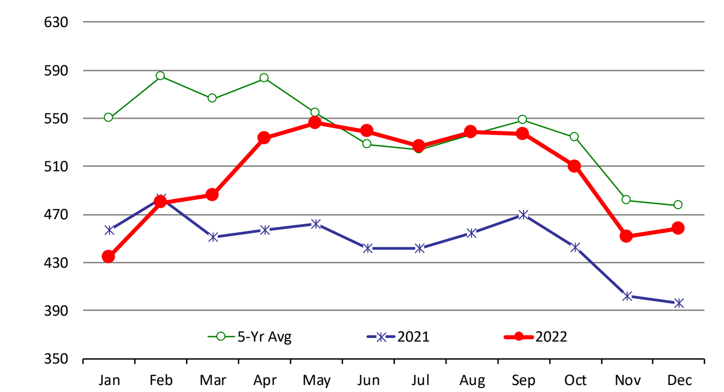
Iowa/Minnesota, Base Negotiated Purchase for Barrows and Gilts. Lean hog carcass values at about 72.70 /cwt. on Friday were down $0.6/cwt since Wed. January 18. Prices are down about 7.0 $/cwt compared to year ago values.

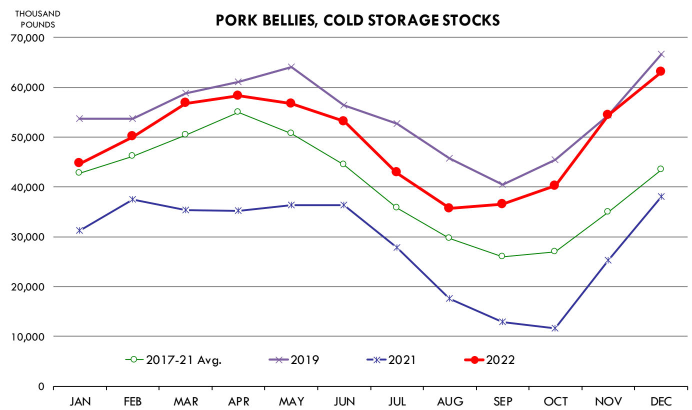
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at $1.0585, down about 2.8 cent since the Wed. January 18 quote and down about 5 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at $1.2913 for the strap on loins, down 2.65 cent since Wed. January 18 and down 8 cent from the year ago levels. Strap off loins at $1.4440 are up 2.5 cent since Wed. January 18 but down about 13 cent compared to the year ago quote.

All Pork In Cold Storage at End of Month

Million Pounds. Source: USDA-NASS





Boneless sirloins at $1.2061 were up about 3.5 cents from the Wed. January 18 quote but down about 10.8 cents from the year ago price.

Pork tenderloin finished last week at $1.6829, up 27 cent since the Wed. January 18 quote but down about 60.8 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at $1.0452, up 9.5 cents since Wed. January 18. Prices are up 8 cent from a year ago.

Spareribs, Trimmed - LGT, Vac (page 8). Prices finished the week at $1.3055, down about 3 cent since Wed. January 18 and down about 36 cents from year ago levels.

Rib inventories on December 31 were 113.6 million pounds, up 41.6% from a year ago.

Bone-in Hams

17/20 hams (page 9) price was last quoted at $0.7582/lb. up 3 cents since Wed. January 18 and up about 22 cents from a year ago.

20/23 hams finished the week at 74.80 cents (page 130) up about 1 cent since Wed. January 18 and up about 22 cents from the year ago level.

23/27 hams finished the week at 74.11 , up about 3 cent from the Wed. January 18 quote and up about 20 cents from the year ago level.

Total ham cold storage stocks on December 31 at 53.4 million pounds were down 12.9% from year ago levels.

<u>42 CL Pork Trim</u> "FOB Basis". Prices finished the week at 61.40 cents, up about 3.5 cent since Wed. January 18 and up about 3 cents from the year ago price.

<u>72 CL Pork Trim</u> "FOB Basis". Prices finished the week at 84.91 cents, up 0.9 cents since the Wed. January 18 quote but down about 30 cents from the year ago levels.

Freezer stocks of all trimmings on December 31 were 53.1 million pounds, up 5.1% from the year ago levels.

<u>72 CL Picnic Meat</u> "FOB Basis". The premium of picnic meat to 72CL trim is currently at **27** cents compared to **31** cent average in the previous six months.

POULTRY

<u>Whole Broilers</u>

The National Whole Bird price was quoted at 126.11 on Friday, January 28, up about 0.5 cents from a year ago.

Broiler slaughter for the week ending January 28 was 160.07 million head, up 3.63% from a year ago. For the last two weeks broiler slaughter was up 1.9% vs. a year ago.

<u>Breasts</u>. Prices on boneless skinless breasts finished the week at $1.0661, up 6 cents since Wed. January 18 but still down about 136 cents from year ago levels.

<u>Leg Quarters</u>. Last week leg quarter prices were up about 2.72 cents vs. two weeks ago but at 36.01 cents per pound prices were down 1 cent from a year ago.

<u>Wings</u>. Prices at $0.9595 are down about 174 cents from year ago levels.

Turkeys

<u>The prices below reflect weekly quoted USDA prices.</u>

<u>Hens</u> finished last week at $1.7200, unchanged cent since Wed. January 18 but up about 44 cents from the year ago price.

<u>Toms</u> finished last week at $1.7200, unchanged since Wed. January 18 but up about 44 cent from the year ago price.

Total turkey supplies in the freezer on December 31 were up 14.5% from a year ago at 189.7 million pounds. Whole birds were up 7.8% from a year ago with an inventory of 68.5 million pounds.

Turkey slaughter was 3.4340 million head for the week ending January 21, down -1.77% from a year ago. For the last two weeks slaughter has been up 0.01%.

<u>Boneless Turkey Breast Meat.</u> Boneless skinless turkey breast meat prices finished last week at $6.3500, down since Wed. January 18. Prices are up about 200 cents vs. year ago levels.

BEEF

NOTE: WE ARE NOW REPORTING AND FORECASTING WEIGHTED AVERAGE BLUE SHEET PRICES FOR BEEF CUTS.

<u>Choice 112A Heavy Bnls. Lip On Rib Eyes</u> at $9.7996 (weighted average quote) finished last week down about 112 cents since the Wed. January 18 quote but up about 97 cents vs. the year ago price.

<u>Select 112A Heavy Lip On Rib Eyes</u> at $7.9429 (weighted average quote) finished last week up about 23 cents since the Wed. January 18 quote but down about 39 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are $1.8567 /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 $2.4848 for 90CL and $1.1099 for 50CL product, an 81CL meat block value is now $2.1754 and a 78CL meat block is $2.0723. Choice 114, 3 Clods are now being priced 50.75 cents over 81CL meat block grinding values of 90s and 50s. A year ago the spread was 52.86 cents and the five year average spread for is 40.67 cents over.

Choice #161 Boneless Rounds finished last week at $**3.2881**, **down** slightly since **Wed.** January 18 but up about 20 cents from year ago levels.

Choice regular #168 insides finished last week quoted at $2.5956 down about one cents since Wed. January 18 and down about 51 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at $2.5878 down about 14 cent since Wed. January 18 and down about 43 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at $2.5623 up about 7 cents since Wed. January 18 but down about 46 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at $7.7839 (wt. avg.) up about 2 cents from the Wed. January 18 quote. Prices are up 23 cents from year ago levels.

Choice #184 Regular Heavy top butts finished at $3.7064 (wt. avg.) **up** about 2 cents since Wed. January 18 and **down** about **26** cent from year ago levels. **Choice #184 ¼ inch trimmed Top Butts** finished at $3.7872 (wt. avg.) up about 4 cents since Wed. January 18 but down about 57 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at $6.1763 (wt. avg.) up about 14 cents since Wed. January 18 but down about 158 cents from year ago values.

COARSE GROUND BEEF –

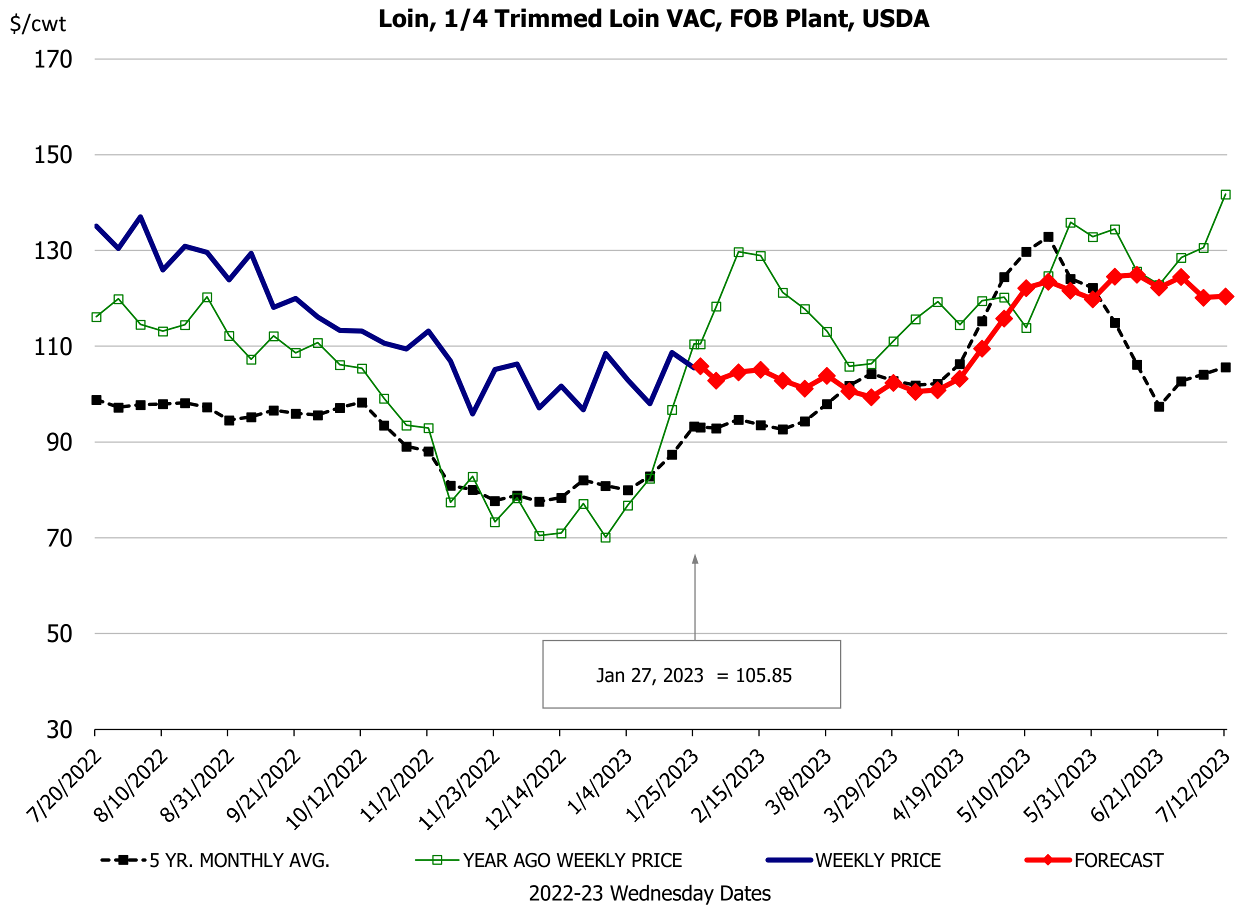
73CL Coarse Ground product finished last week at $**1.8999 down** about 11 cents since Wed. January 18 and down about 77 cents from year ago levels.

81CL Coarse Ground product finished last week at $2.2989 down about 15 cent since Wed. **January 18 and down** about **85** cents from the year ago quote.

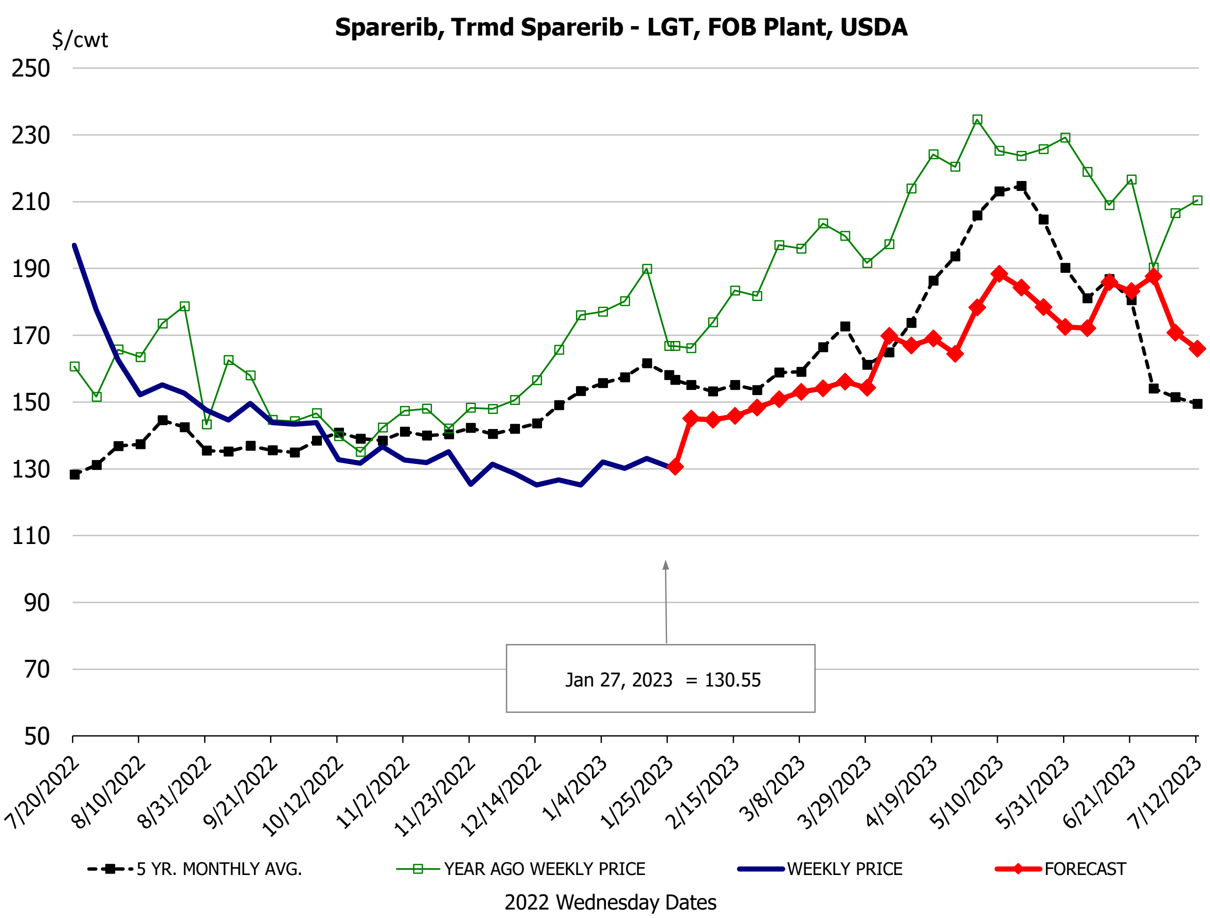
90CL Bnls. Beef prices finished the week at $**2.4848** (wt. avg.) **down 3.54** cent since Wed. January 18 and down 27 cents compared to the year ago price quote. **50 CL Beef Trim** prices finished last week at $1.1099, down about 5 cent since Wed. January 18 and down 0.5 cents compared to year ago levels.

Protein Summary Table - WT. AVE.

	HISTORY								FORECAST						
	Jul	Aug	Sep	Oct	Nov	Dec	1/18/2023	1/27/2023	2/8/2023	Jan	Feb	Mar	Apr	May	Jun
PORK															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	132.0	126.7	121.0	111.4	104.6	99.6	108.7	105.85	105	106	104	101	102	118	124
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	134.8	130.6	125.3	116.8	106.8	101.5	99.3	105.10	107	107	106	106	108	121	127
Loin, Bnls CC Strap-off, FOB Plant, USDA	154.3	173.6	167.9	159.0	141.0	138.7	142.0	144.40	141	146	142	149	156	162	163
Loin, Tenderloin, FOB Plant, USDA	215.0	206.6	184.8	184.1	165.6	166.2	141.6	168.29	177	171	177	180	185	194	217
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	179.7	137.9	111.8	103.7	100.0	111.6	90.6	98.48	98	101	99	112	126	146	142
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	188.6	155.4	144.4	135.3	130.7	126.5	133.1	130.55	145	130	145	153	169	182	175
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	368.6	348.3	295.5	306.6	316.3	291.5	237.2	248.00	265	240	263	275	289	300	301
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	184.9	151.3	142.5	133.8	129.1	125.9	133.9	127.79	143	129	143	150	167	180	172
Loin, Backribs 2.0#/up, FOB Plant, USDA	222.8	213.9	191.6	182.0	165.3	170.6	193.5	179.39	201	182	199	218	236	241	229
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	110.8	103.7	104.4	111.2	104.9	88.2	72.6	75.82	76	75	75	79	85	91	98
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	111.3	103.3	103.5	110.4	105.1	87.9	73.4	74.80	77	74	76	80	86	92	99
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	113.6	101.9	103.9	107.8	99.6	84.3	70.8	74.11	75	73	74	78	84	90	97
Belly Cutout, FOB Plant, USDA	184.5	191.2	136.4	138.6	116.2	94.7	87.4	92.13	110	94	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	118.9	117.77	133	123	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	104.3	109.79	128	109	132	149	153	169	186
Trim, 42% Trim Combo, FOB Plant, USDA	110.6	114.8	75.2	71.2	66.5	57.9	57.9	61.40	61	60	60	71	75	81	102
Trim, 72% Trim Combo, FOB Plant, USDA	121.3	125.3	99.3	100.4	102.2	88.8	84.0	84.91	84	85	84	91	106	113	128
Trim, Picnic Meat Combo Cushion Out, FOB Plant, USDA	131.4	137.6	114.8	114.8	110.1	102.8	96.6	92.26	94	98	96	98	116	132	142
Carcass Cutout, FOB Plant, USDA	120.6	117.0	102.9	101.1	93.4	87.2	77.9	79.96	86	81	85	90	95	101	109
HOG CARCASS															
CME 1-Day Lean Hog Index	115.5	118.3	98.2	93.5	88.0	82.5	73.3	72.70	77	75	78	84	89	95	105
BROILERS															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	153.5	131.5	124.7	121.9	124.6	123.7	125.2	126.11	127	126	125	127	128	127	127
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	281.1	228.9	184.5	117.7	98.1	96.0	100.8	106.61	115	99	115	129	142	163	165
N.E. BROILER BREAST LINE RUN, USDA	192.8	185.6	159.9	137.2	107.3	104.4	105.7	108.68	115	105	115	123	125	135	138
N.E. BROILER LEG QUARTERS, USDA	61.2	56.3	43.8	37.0	34.2	35.8	33.3	36.01	36	34	36	38	42	42	43
N.E. BROILER WINGS, USDA, WT.AVG.	167.2	128.4	117.3	109.2	98.9	89.1	91.3	95.95	89	90	91	92	93	95	98
TURKEYS															
HEN TURKEYS, EAST, FROZEN 10-12LBS, USDA	157.6	163.4	169.5	179.6	175.9	172.4	172.0	172.00	162	173	162	152	146	147	147
TOM TURKEYS, EAST, FROZEN 16-22LBS, USDA	154.7	162.9	167.9	177.7	178.0	171.0	172.0	172.00	162	173	162	152	146	147	147
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	663.8	665.0	670.0	670.0	670.0	670.0	665.0	635.00	560	662	570	510	480	463	467
LIVE STEERS															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	143.4	144.3	143.6	147.3	153.2	156.0	156.9	155.29	157	156	158	161	164	160	159
BEEF															
CHOICE, 112A, 3, USDA,RIBEYE, BONELESS, HEAVY, WT.AVG.	847.4	918.4	889.5	915.8	1039.4	1145.8	1091.5	979.96	928	1078	924	946	986	1019	1053
CHOICE, 161, 1, USDA,ROUND, BONELESS, WT. AVG.	279.7	288.1	296.0	304.4	306.7	310.8	334.8	328.81	307	331	310	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	272.5	258.78	272	270	274	275	285	289	298
CHOICE, 170, 1, BOTTOM GOOSENECK ROUND, WT. AVG., USDA	258.1	254.0	276.3	294.2	251.5	249.3	249.5	256.23	270	273	270	264	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	776.4	778.39	784	757	785	836	889	983	954
CHOICE, 184, 3, USDA,TOP BUTT, BONELESS, WT. AVG.	368.5	366.6	357.4	340.7	349.2	354.4	375.0	378.72	396	377	390	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	604.0	617.63	615	602	641	712	805	815	770
USDA,COARSE GROUND 73%, WT. AVG.	174.9	172.9	164.1	158.2	150.6	144.6	200.8	189.99	193	200	197	204	212	217	218
COARSE GROUND 81%, WT. AVG., USDA	267.9	239.2	219.8	208.4	207.4	191.5	244.6	229.89	243	238	249	256	271	291	297
USDA, 90% BONELESS BEEF, CENTRAL, FRESH, WT. AVG.	271.7	266.6	263.5	252.8	241.8	238.5	252.0	248.48	256	247	254	265	280	288	296
USDA, 50CL BEEF TRIM, FRESH, NATIONAL, WT. AVG.	109.8	104.1	98.6	71.4	73.0	86.4	116.2	110.99	112	109	114	130	140	142	129



Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA
$/cwt
170
150
130
110
90
70
50
30
Jan 27, 2023 = 105.85
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
2/15/2023
3/8/2023
3/29/2023
4/19/2023
5/10/2023
5/31/2023
6/21/2023
7/12/2023
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2022-23 Wednesday Dates



Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA
$/cwt
250
230
210
190
170
150
130
110
90
70
50
Jan 27, 2023 = 130.55
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
2/15/2023
3/8/2023
3/29/2023
4/19/2023
5/10/2023
5/31/2023
6/21/2023
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YEAR AGO WEEKLY PRICE
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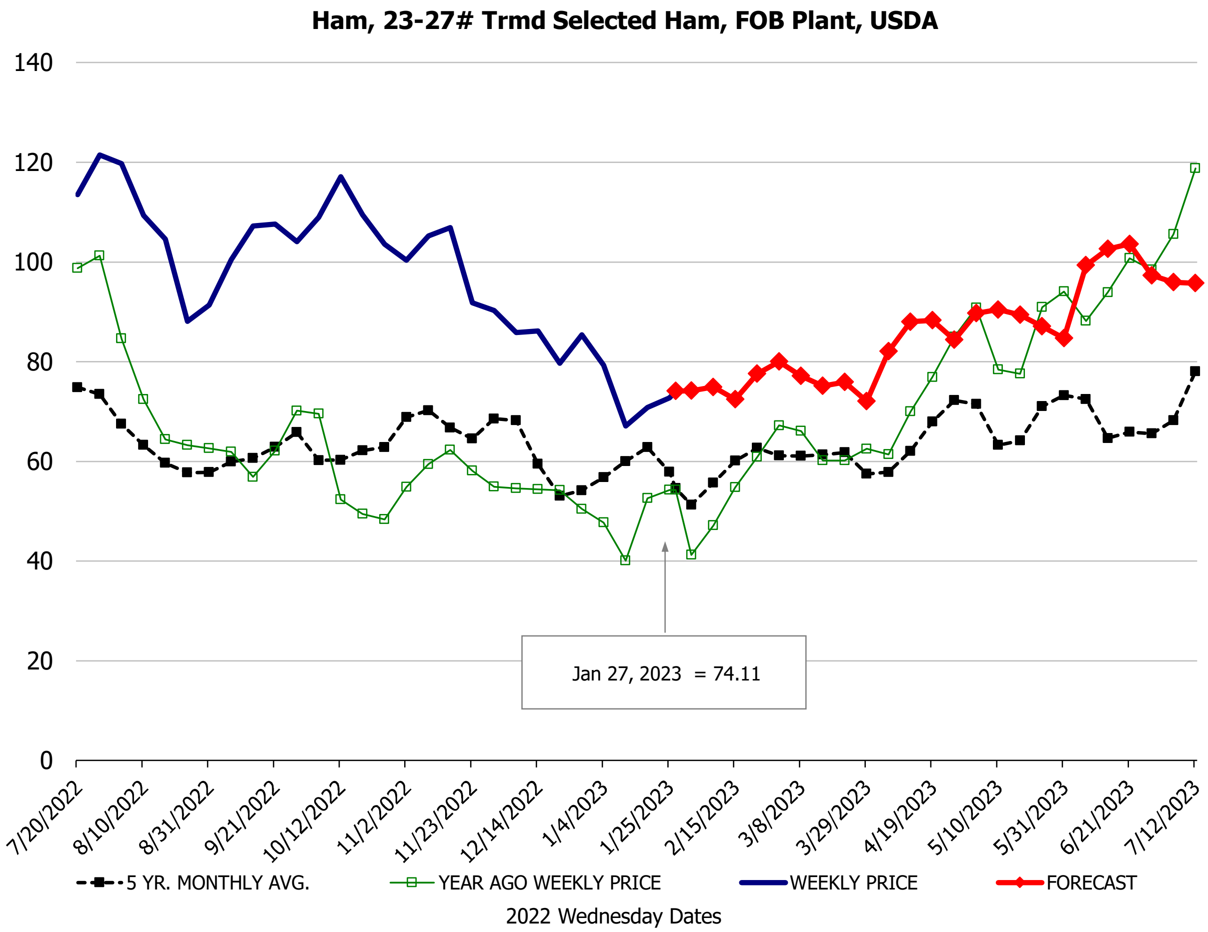
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA
140
120
100
80
60
40
20
0
Jan 27, 2023 = 74.11
7/20/2022
8/10/2022
8/31/2022
9/21/2022
10/12/2022
11/2/2022
11/23/2022
12/14/2022
1/4/2023
1/25/2023
2/15/2023
3/8/2023
3/29/2023
4/19/2023
5/10/2023
5/31/2023
6/21/2023
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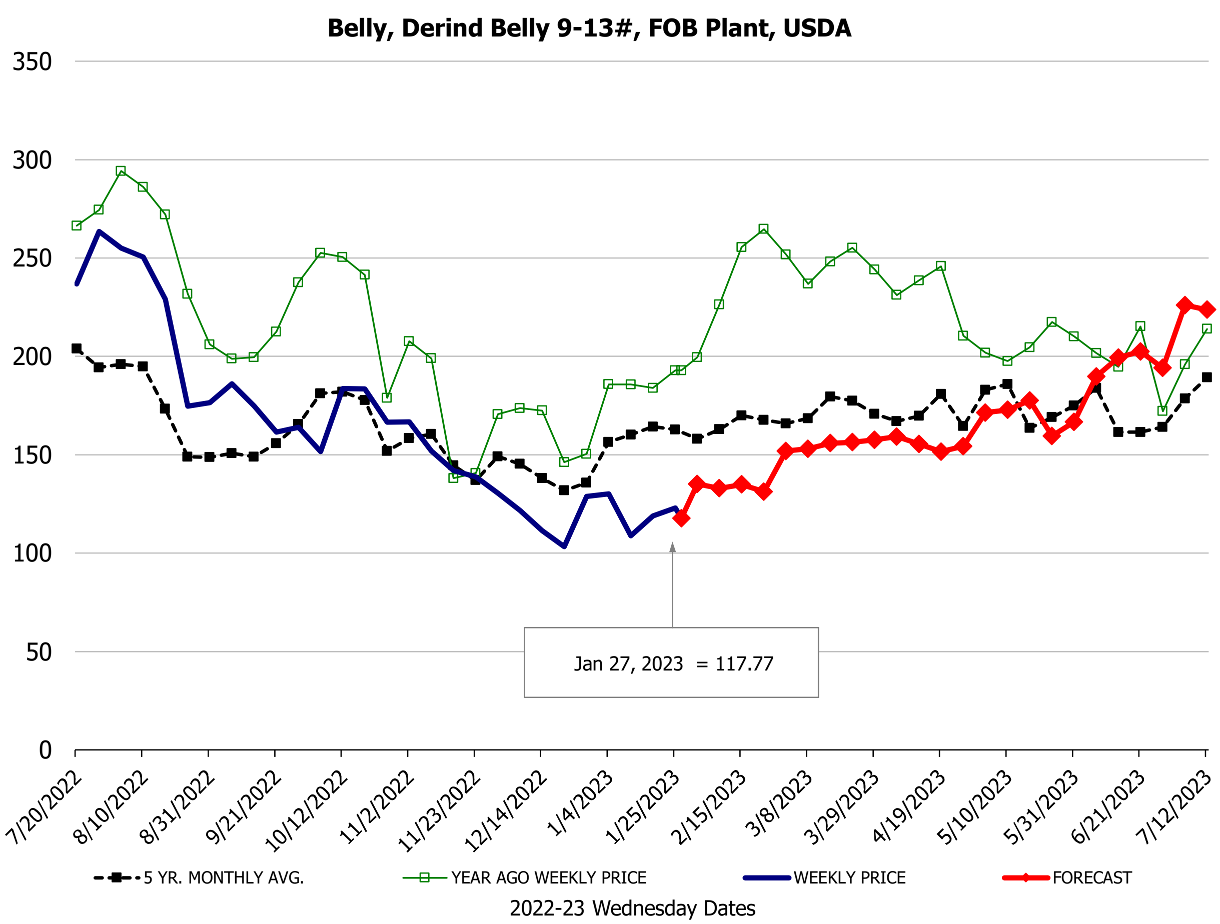
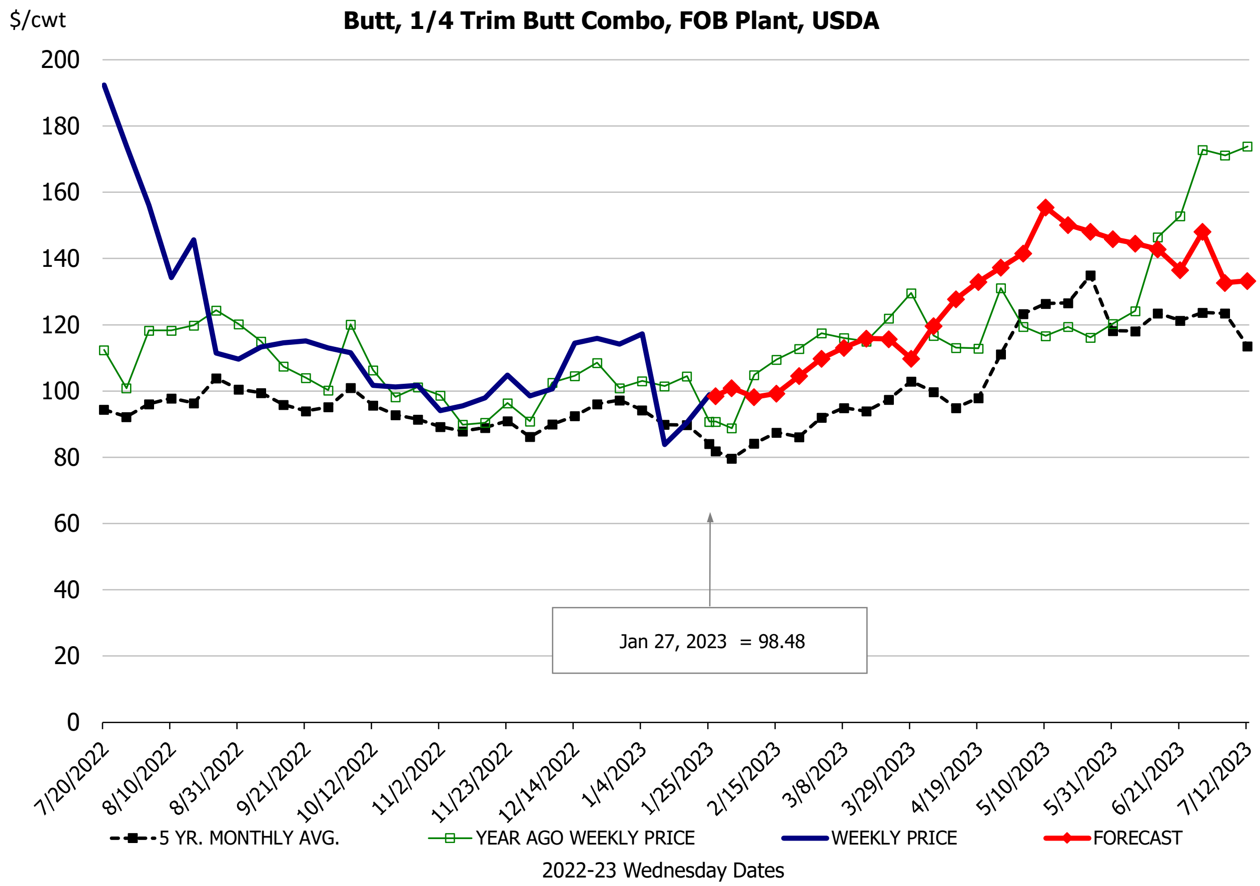
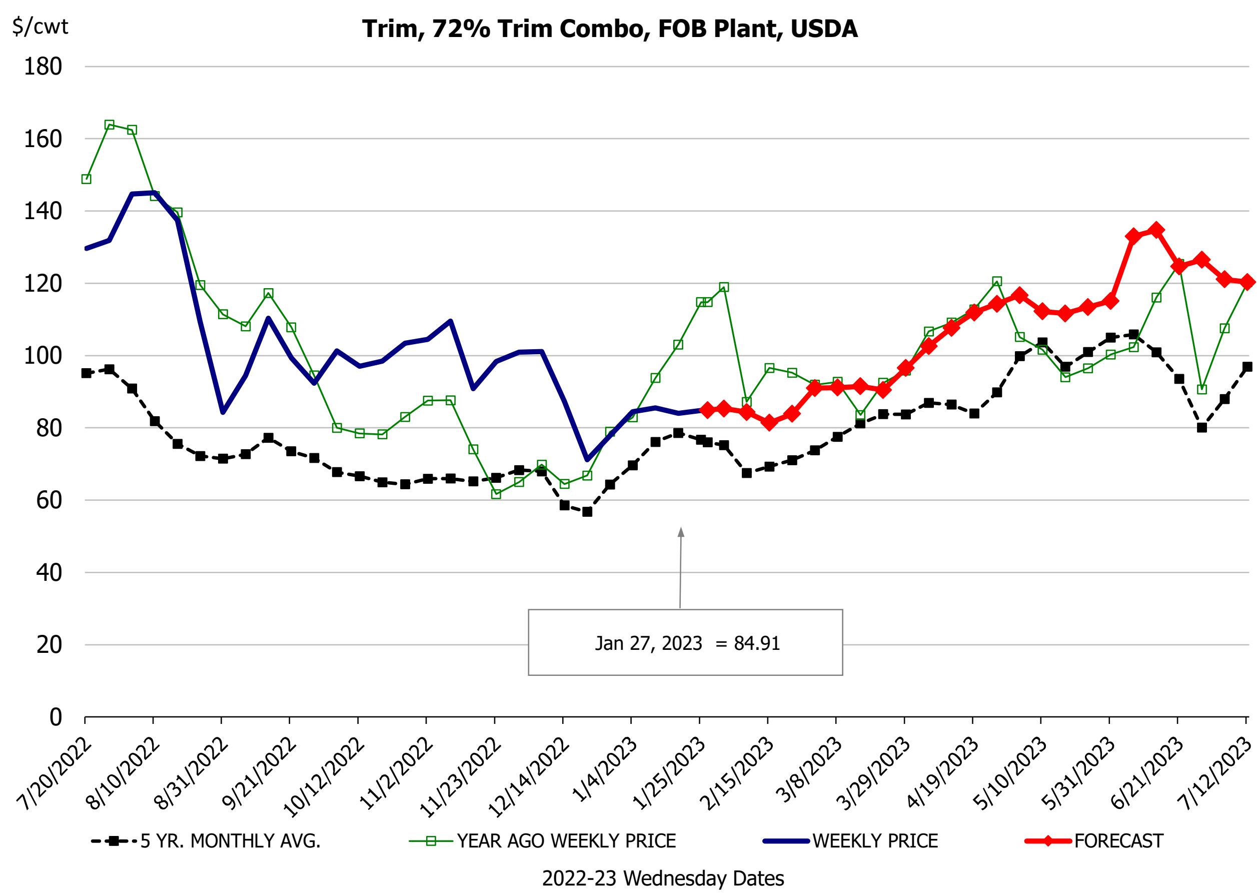
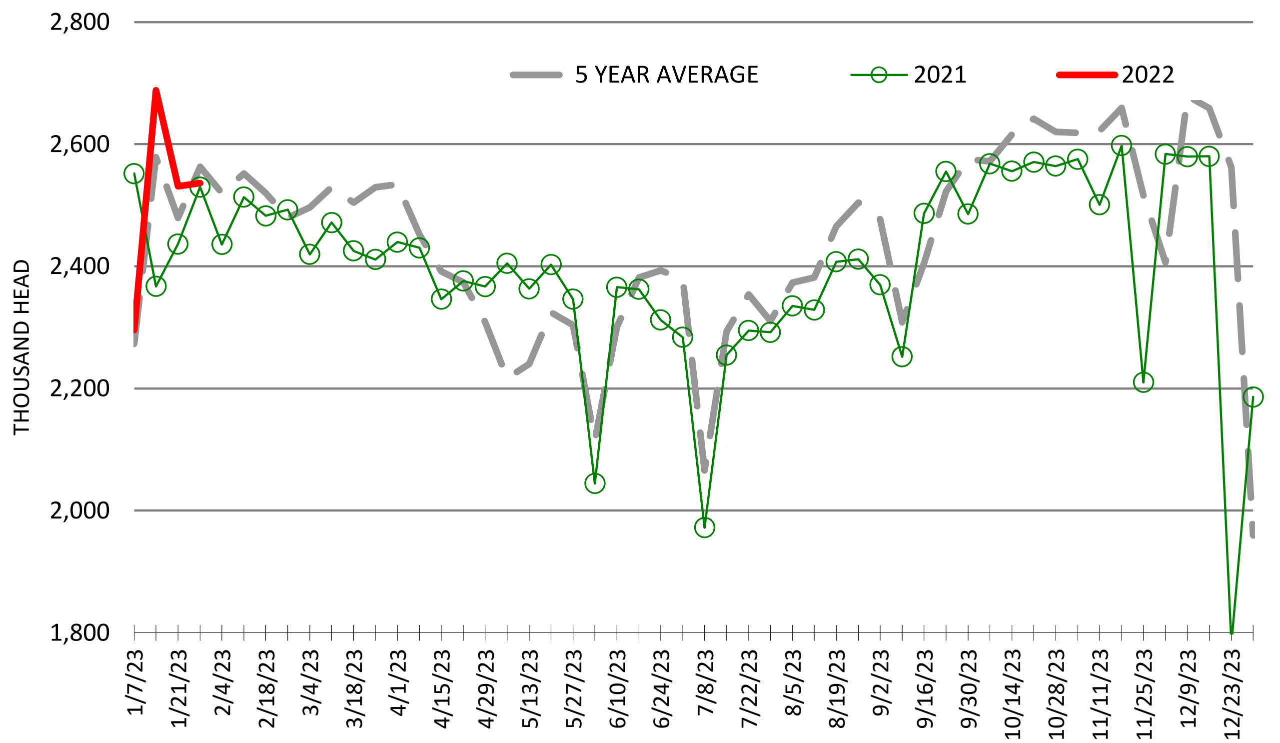

Belly, Derind Belly 9-13#, FOB Plant, USDA
350
300
250
200
150
100
50
0
Jan 27, 2023 = 117.77
7/20/2022
8/10/2022
8/31/2022
9/21/2022
10/12/2022
11/2/2022
11/23/2022
12/14/2022
1/4/2023
1/25/2023
2/15/2023
3/8/2023
3/29/2023
4/19/2023
5/10/2023
5/31/2023
6/21/2023
7/12/2023
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2022-23 Wednesday Dates


$/cwt
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA
Jan 27, 2023 = 98.48
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2022-23 Wednesday Dates


$/cwt
Trim, 72% Trim Combo, FOB Plant, USDA
Jan 27, 2023 = 84.91
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