Pork Merchandiser's **Profit Maximizer**

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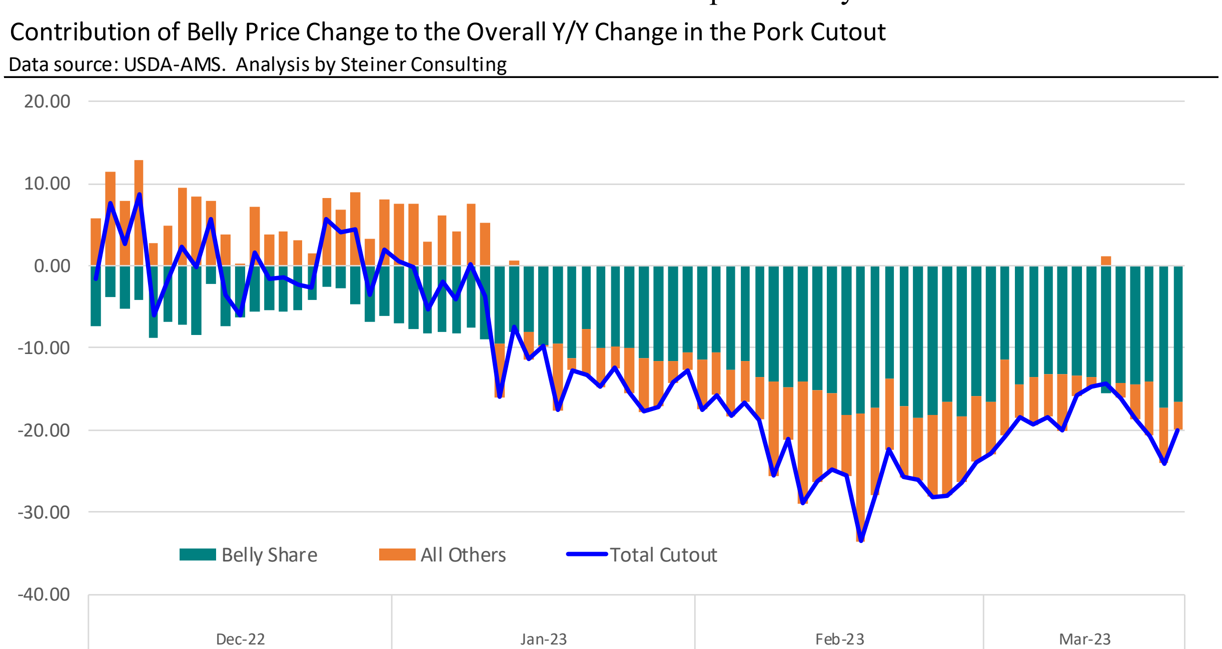
March 27, 2023

1. Weak belly prices and sudden drop in ham values drag pork cutout and hog values lower. But is a 10% drop in summer prices justified?

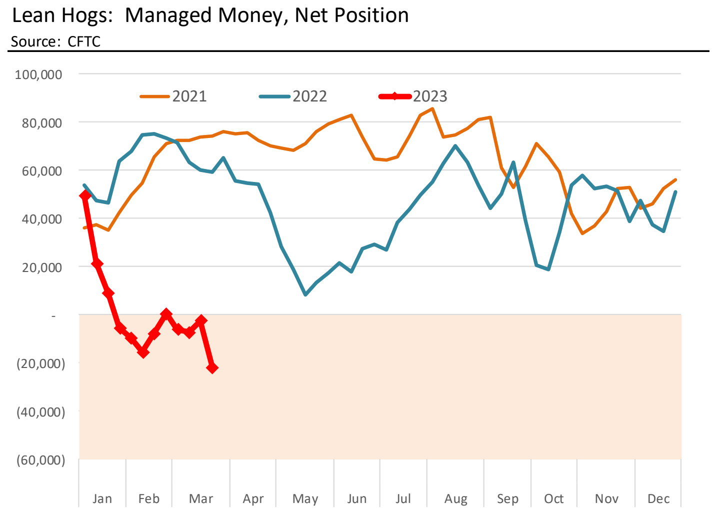
It has been a rough few days in the hog and pork markets, with plenty of speculation as to the reasons for the collapse and a lot of guessing where prices go next. Turbulence in outside markets does not help, with some market participants likely taking risk off the table. But it should be noted that spec funds have been trading hog futures from the short side since late January (see chart on page 2). The latest data from CFTC shows managed money funds increased their net short position by 19k contracts. So far cash hog

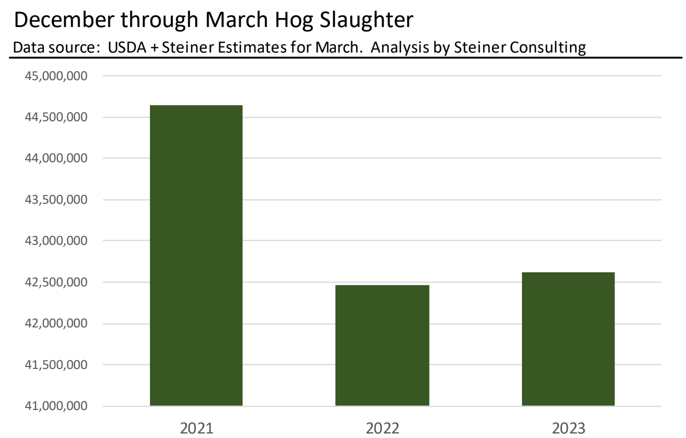


and product markets have given speculators few reasons to feel optimistic about the market and they have voted with their dollars.

We can argue whether speculators are right or wrong in their assessment of the market for the summer months. But we can't argue with what has been taking place so far. Wholesale pork prices have traded very differently than they did a year ago, with the pork cutout last night quoted at $81.6/cwt, down $20/cwt or 20% compared to a year ago. One argument thrown about has been that hog numbers coming to market have been larger than expected. That seems to be true enough. We calculate that Federally Inspected hog slaughter December through March at 42.617 million head, up 156k head or 0.4% compared to a year ago. This includes our estimate for the next 10 days but it should be close to the actual numbers. In its December 'Hogs and Pigs' report, USDA pegged the inventory of market hogs 50 pounds and up at 45.813 million head, 914k head or 2% lower than the previous year. There was one extra Saturday and one less week day this year than last but that does not explain the big discrepancy. But keep in mind that the supply of pork coming to market in the last four months has been lower than a year ago. Slaughter may be up 0.4% but average hog carcass weights have averaged about 0.5% lower. With pork supplies about the same as last year, a 20% decline in the cutout points an accusatory finger at demand. It is easy for market participants to talk about supply. We see slaughter numbers daily, make supply comparisons to the previous year and then project prices on that basis. What's always hard to figure out without the benefit of hindsight is demand. Futures markets are similar to football general managers in that regard. Tell me what you have done recently not what your stats were in the past. Last year, we saw futures get all excited about summer market potential when cutout in January and February was far higher than expected. The reverse is true today.

One item more than any other has impacted the wholesale price so far - bellies (see chart). The drop in the value of hams the last few days was seen as a catalyst for the selloff but we would argue that the fact that bellies lost ground was an

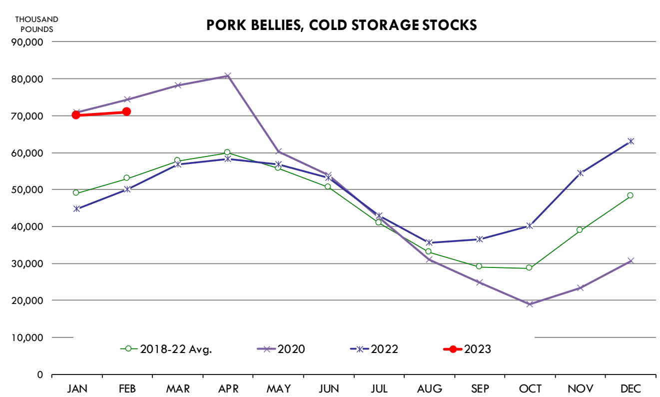


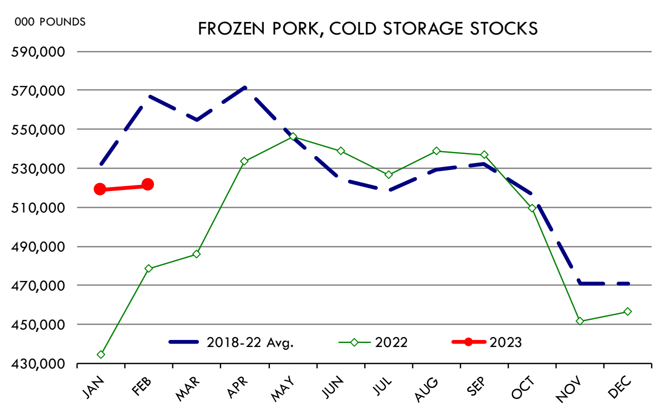


important factor as well. In order for the cutout in April to be worth around $92/cwt and thus justify April hogs in the mid 80s, it would be necessary for the belly primal value to approach $125/cwt. Instead last night the belly primal value was $88/cwt. For now market seems to have repriced belly expectations for June and July. Bellies in mid June 2022 were around $165 and around $195 in mid July. How much belly prices recover in the next three months will be critical for hog values this summer. It has nothing to do with futures traders, and much to do with fast food chains and retailers.

2. Cold Storage Update

Much of the speculation in the pork complex has centered around pork belly inventories. The latest data was not as bad as feared although overall belly supply in cold storage remains burdensome. The total inventory of pork bellies at the end of February was near 71 million pounds, about the same as in January and 42% higher than a year ago. The fact that inventories did not increase may come as a relief but if history is any guide those inventories will likely linger until April, keeping prices in check in the meantime. Ham inventory was 85.1 million pounds, 1% higher than year ago but 21.4% lower than the five year average. This is a low level for ham inventories for this time of year, and will result in relatively low inventories coming out of Easter. Pork loin inventories declined 6% from the previous month compared to a 6% increase in the last five years. Boneless loin inventories remain light, pointing to good clearance. Pork trim inventory at 51.1 million pounds was 3.8% lower than the previous month compared to an average 8% build the last five years. Overall pork inventory at the end of February was 521.2 million pounds, 9% higher than last year but 8% lower than the five-year average, not a particularly burdensome level.





PORK

<u>Hog Market. For the week ending March 25 hog slaughter was 2.457 million head, up 1.9% from a year ago. In the last two weeks hog slaughter is up 2.3% vs. year ago levels.</u>

<u>Iowa/Minnesota, Base Negotiated Purchase for Barrows and Gilts.</u> Lean hog carcass values at about 76.72 /cwt. on Friday were <u>down $3.2/cwt</u> since Wed. March 15. Prices are down about 25.1 $/cwt compared to year ago values.

<u>Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA</u> (page 8). Prices finished last week at $0.9766, up about 3.2 cent since the Wed. March 15 quote but down about 9 cents from year ago levels.

<u>Bnls. Strap on Pork Loins</u>. Prices finished the week at $1.3846 for the strap on loins, down 3.95 cent since Wed. March 15 but up 8 cent from the year ago levels. Strap off loins at $1.5369 are up 5.9 cent since Wed. March 15 and up about 3 cent compared to the year ago quote.

<u>Boneless sirloins</u> at $1.2792 were up about 7.5 cents from the Wed. March 15 quote and up about 8.2 cents from the year ago price.

<u>Pork tenderloin</u> finished last week at $1.5780, up 11 cent since the Wed. March 15 quote but down about 65.9 cents from the year ago price.

<u>1/4 Trim Pork Butts</u> (page 10), prices finished the week at $1.1385, down 4.3 cents since Wed. March 15. Prices are down 11 cent from a year ago.

<u>Spareribs, Trimmed - LGT, Vac</u> (page 8). Prices finished the week at $1.3051, down about one cent since Wed. March 15 and down about 69 cents from year ago levels.

Rib inventories on February 28 were 116.5 million pounds, up 9.0% from a year ago.

<u>Bone-in Hams</u>

17/20 hams (page 9) price was last quoted at $0.7615/lb. down 13 cents since Wed. March 15 but up about 15 cents from a year ago.

20/23 hams finished the week at 74.07 cents (page 130) down about 16 cent since Wed. March 15 but up about 14 cents from the year ago level.

23/27 hams finished the week at 71.88 , down about 12 cent from the Wed. March 15 quote but up about 12 cents from the year ago level.

Total ham cold storage stocks on February 28 at 85.1 million pounds were up 1.0% from year ago levels.

42 CL Pork Trim "FOB Basis". Prices finished the week at 65.45 cents, down about 12.6 cent since Wed. March 15 and down about 12 cents from the year ago price.

72 CL Pork Trim "FOB Basis". Prices finished the week at 83.43 cents, down 9.1 cents since the Wed. March 15 quote and down about 9 cents from the year ago levels.

Freezer stocks of all trimmings on February 28 were 51.1 million pounds, down 5.3% from the year ago levels.

72 CL Picnic Meat "FOB Basis". The premium of picnic meat to 72CL trim is currently at **36** cents compared to **29** cent average in the previous six months.

POULTRY

Whole Broilers

The National Whole Bird price was quoted at 133.92 on Friday, March 25, down about 22.5 cents from a year ago.

Broiler slaughter for the week ending March 25 was 164.29 million head, up 0.41% from a year ago. For the last two weeks broiler slaughter was up 0.9% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at $1.3975, down 0 cents since Wed. March 15 and still down about 140 cents from year ago levels.

Leg Quarters. Last week leg quarter prices were up about 1.22 cents vs. two weeks ago and at 43.89 cents per pound prices were up 4 cent from a year ago.

Wings. Prices at $1.0462 are down about 107 cents from year ago levels.

Turkeys

The prices below reflect weekly quoted USDA prices.

Hens finished last week at $1.7100, down cent since Wed. March 15 but up about 35 cents from the year ago price.

Toms finished last week at $1.7100, down since Wed. March 15 but up about 34 cent from the year ago price.

Total turkey supplies in the freezer on February 28 were up 10.0% from a year ago at 322.3 million pounds. Whole birds were up 0.5% from a year ago with an inventory of 160.2 million pounds.

Turkey slaughter was 3.6120 million head for the week ending March 18, down -10.62% from a year ago. For the last two weeks slaughter has been down 7.96%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at $3.2000, down since Wed. March 15. Prices are down about 125 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 $10.3002 (weighted average quote) finished last week down about 33 cents since the Wed. March 15 quote but up about 181 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at $9.3931 (weighted average quote) finished last week up about 26 cents since the Wed. March 15 quote but up about 141 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are $0.9071 /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.

81CL Meat Block With prices at $2.7254 for 90CL and $1.3973 for 50CL product, an 81CL meat block value is now $2.4266 and a 78CL meat block is $2.3270. Choice 114, 3 Clods are now being priced 34.44 cents over 81CL meat block grinding values of 90s and 50s. A year ago the spread was 6.70 cents and the five year average spread for is 38.22 cents over.

Choice #161 Boneless Rounds finished last week at $**3.3529**, **up** slightly since **Wed.** March 15 and up about 55 cents from year ago levels.

Choice regular #168 insides finished last week quoted at $2.7591 up about 4 cents since Wed. March 15 but down about 16 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at $2.7410 down about 7 cent since Wed. March 15 and down about 17 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at $2.5781 down about 3.5 cents since Wed. March 15 but up about 0 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at $7.4374 (wt. avg.) down about 66 cents from the Wed. March 15 quote. Prices are down 17 cents from year ago levels.

Choice #184 Regular Heavy top butts finished at $3.8916 (wt. avg.) **down** about 14 cents since Wed. March 15 and **up** about **47** cent from year ago levels. **Choice #184 ¼ inch trimmed Top Butts** finished at $4.0131 (wt. avg.) down about 16 cents since Wed. March 15 but up about 37 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at $7.0329 (wt. avg.) down about one cents since Wed. March 15 but up about 19 cents from year ago values.

COARSE GROUND BEEF –

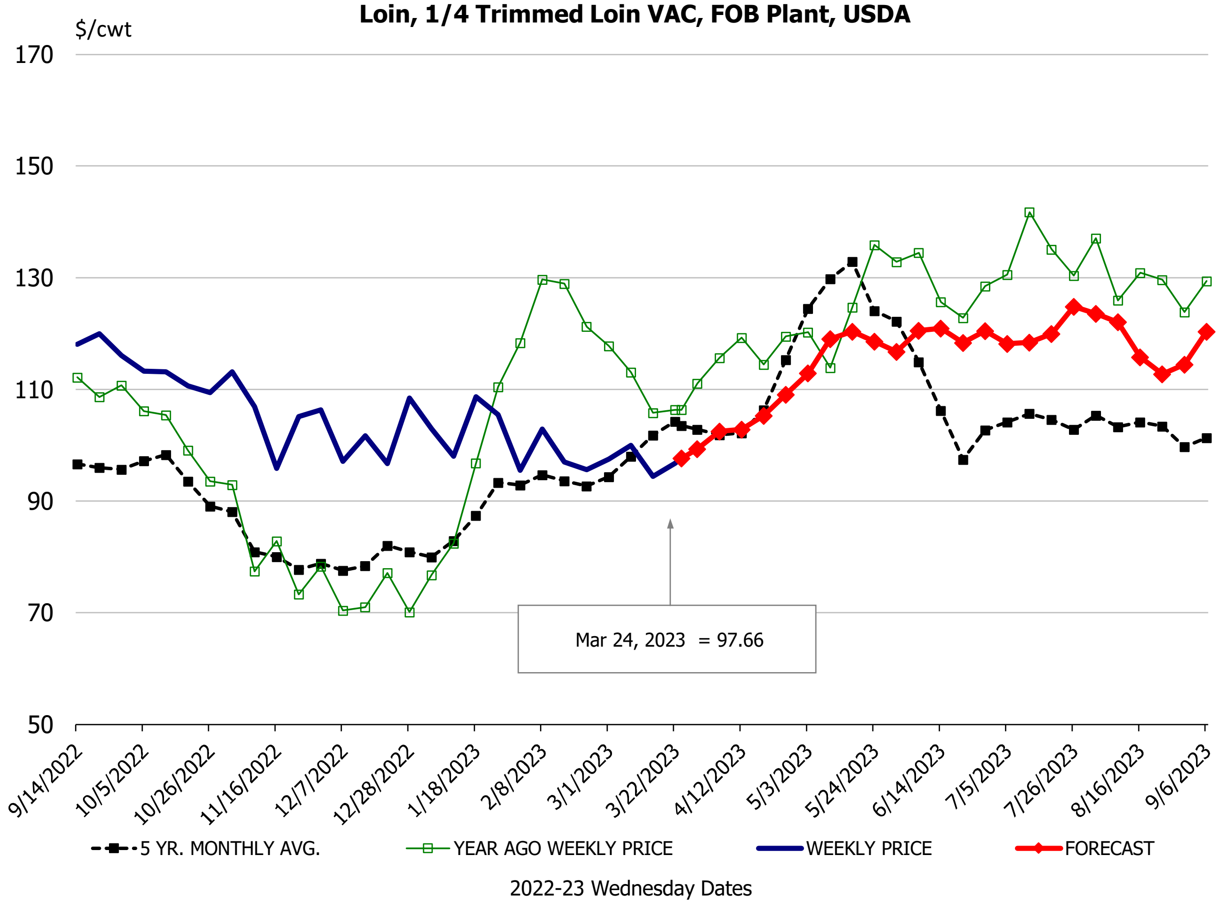
73CL Coarse Ground product finished last week at $**1.9100 down** about 2 cents since Wed. March 15 but up about 35 cents from year ago levels.

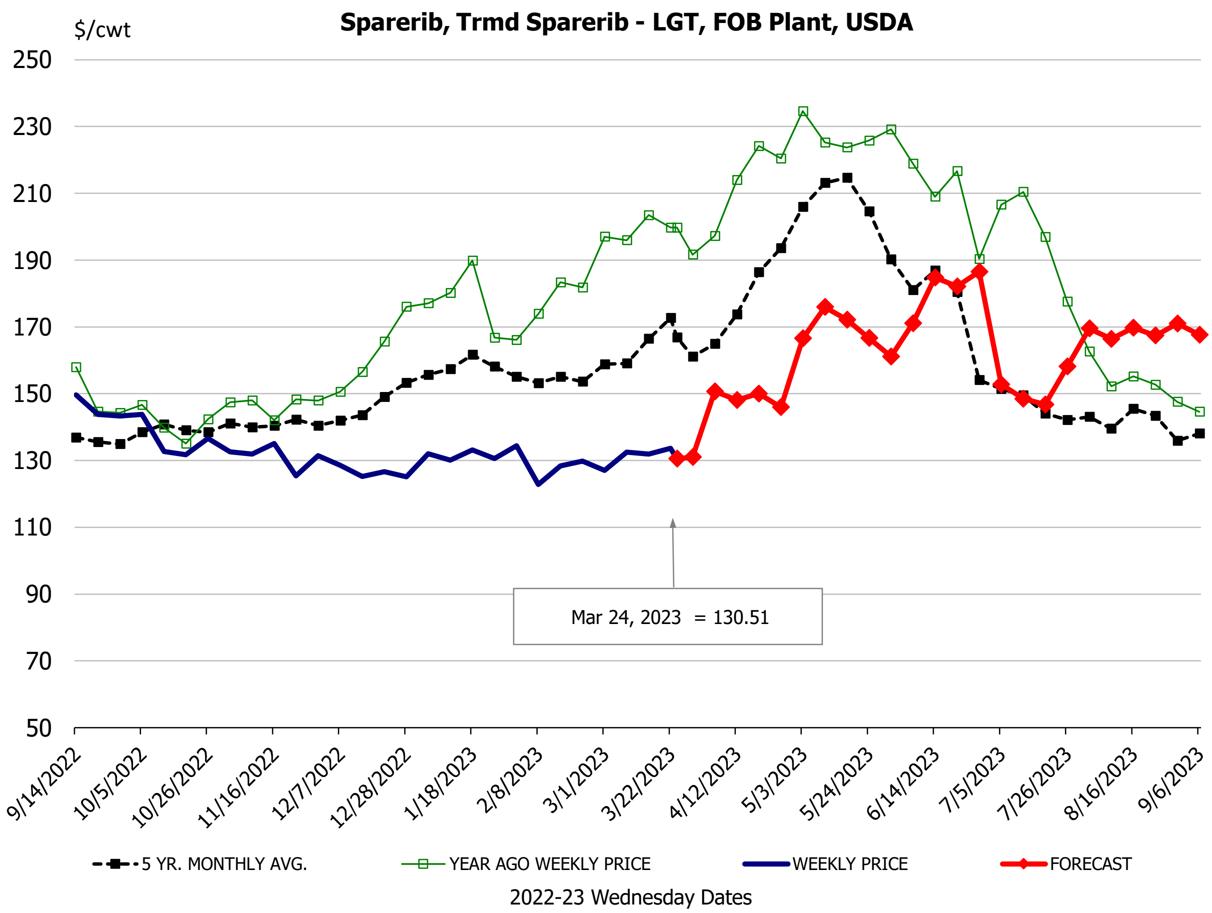
81CL Coarse Ground product finished last week at $2.1599 down about 10 cent since Wed. **March 15 and down** about **38** cents from the year ago quote.

90CL Bnls. Beef prices finished the week at $**2.7254** (wt. avg.) **up 3.62** cent since Wed. March 15 but down 7 cents compared to the year ago price quote. **50 CL Beef Trim** prices finished last week at $1.3973, up about 10 cent since Wed. March 15 and up 21 cents compared to year ago levels.

Protein Summary Table - WT. AVE.

	HISTORY								FORECAST						
	Sep	Oct	Nov	Dec	Jan	Feb	3/15/2023	3/24/2023	4/5/2023	Mar	Apr	May	Jun	Jul	Aug
PORK															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	121.0	111.4	104.6	99.8	104.0	98.3	94.4	97.66	102	98	104	115	120	119	120
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	125.3	116.8	106.8	101.7	106.2	104.0	101.3	103.28	107	103	108	117	122	121	123
Loin, Bnls CC Strap-off, FOB Plant, USDA	167.9	159.0	141.0	139.0	144.1	146.4	147.8	153.69	151	153	151	157	158	157	155
Loin, Tenderloin, FOB Plant, USDA	184.8	184.1	165.6	167.1	172.2	162.4	146.9	157.80	172	157	173	183	205	208	210
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	111.8	103.7	100.0	111.7	101.2	99.1	113.7	111.12	112	111	118	137	134	128	129
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	144.4	135.3	130.7	126.7	131.0	126.8	131.9	130.51	151	130	150	170	174	153	168
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	295.5	306.6	316.3	290.1	239.9	253.7	278.2	269.89	260	254	268	286	295	282	290
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	142.5	133.8	129.1	126.0	129.7	125.6	133.6	130.64	151	130	150	170	174	153	168
Loin, Backribs 2.0#/up, FOB Plant, USDA	191.6	182.0	165.3	171.3	180.7	176.0	178.3	184.35	202	184	203	211	213	215	207
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	104.4	111.2	104.9	87.9	75.2	76.3	89.0	76.15	75	85	76	83	91	92	99
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	103.5	110.4	105.1	85.7	74.5	75.4	89.8	74.07	71	82	74	81	90	89	97
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	103.9	107.8	99.6	84.2	72.5	73.7	84.0	71.88	71	81	73	80	89	88	96
Belly Cutout, FOB Plant, USDA	136.4	138.6	116.2	94.8	90.9	100.4	103.0	85.20	109	95	105	123	141	174	171
Belly, Derind Belly 9-13#, FOB Plant, USDA	166.9	171.7	149.1	121.2	119.0	130.5	135.0	112.90	131	125	129	151	173	213	209
Belly, Derind Belly 13-17#, FOB Plant, USDA	157.8	164.7	140.1	112.7	107.8	114.9	123.2	100.03	128	112	125	147	169	209	205
Trim, 42% Trim Combo, FOB Plant, USDA	75.2	71.2	66.5	57.9	59.4	66.0	78.0	65.45	75	71	78	83	105	109	96
Trim, 72% Trim Combo, FOB Plant, USDA	99.3	100.4	102.2	88.8	84.9	91.2	92.6	83.43	100	91	103	112	129	120	96
Trim, Picnic Meat Combo Cushion Out, FOB Plant, USDA	114.8	114.8	110.1	102.9	97.5	92.5	103.9	102.49	106	103	109	126	139	138	116
Carcass Cutout, FOB Plant, USDA	102.9	101.1	93.4	87.2	81.0	82.3	86.4	80.87	87	84	87	94	102	104	105
HOG CARCASS															
CME 1-Day Lean Hog Index	98.2	93.5	88.0	81.2	74.4	75.6	80.0	76.72	80	79	82	89	97	99	100
BROILERS															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	124.7	121.9	124.6	123.7	121.8	121.7	130.1	133.92	138	131	137	146	144	133	117
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	184.5	117.7	98.1	96.0	100.6	123.0	139.9	139.75	146	138	147	170	167	165	161
N.E. BROILER BREAST LINE RUN, USDA	159.9	137.2	107.3	104.4	106.1	114.6	116.3	117.98	127	117	127	141	148	139	134
N.E. BROILER LEG QUARTERS, USDA	43.8	37.0	34.2	35.8	34.5	37.2	42.7	43.89	44	42	44	46	48	46	43
N.E. BROILER WINGS, USDA, WT.AVG.	117.3	109.2	98.9	89.1	91.2	110.3	107.3	104.62	109	109	108	113	123	126	130
TURKEYS															
HEN TURKEYS, EAST, FROZEN 10-12LBS, USDA	169.5	179.6	175.9	172.4	171.8	169.4	171.5	171.00	160	171	160	159	154	155	157
TOM TURKEYS, EAST, FROZEN 16-22LBS, USDA	167.9	177.7	178.0	171.0	171.8	169.2	171.5	171.00	160	170	160	159	154	155	157
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	670.0	670.0	670.0	670.0	662.5	538.8	325.0	320.00	314	343	315	305	300	300	310
LIVE STEERS															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	143.6	147.3	153.2	156.0	157.0	159.1	165.1	164.93	165	164	165	162	159	158	160
BEEF															
CHOICE, 112A, 3, USDA,RIBEYE, BONELESS, HEAVY, WT.AVG.	889.5	915.8	1039.4	1149.2	1023.0	1006.1	1063.0	1051.12	1043	1048	1059	1065	1087	972	1058
CHOICE, 161, 1, USDA,ROUND, BONELESS, WT. AVG.	296.0	304.4	306.7	310.8	317.4	323.6	330.8	329.91	316	334	320	303	312	319	324
CHOICE, 168, 3, TOP INSIDE ROUND, 1/4" MAX, WT. AVG., USDA	273.8	267.6	250.9	240.0	267.4	270.3	281.4	278.72	277	279	277	282	291	299	310
CHOICE, 170, 1, BOTTOM GOOSENECK ROUND, WT. AVG., USDA	276.3	294.2	251.5	251.1	259.4	260.4	261.1	257.30	256	268	254	258	270	281	290
CHOICE, 180, 3, USDA,STRIP LOIN, BONELESS, 0X1, WT. AVG.	637.7	562.7	563.7	572.8	756.1	833.4	810.0	867.39	850	808	876	967	929	786	764
CHOICE, 184, 3, USDA,TOP BUTT, BONELESS, WT. AVG.	357.4	340.7	349.2	354.4	376.0	393.6	416.9	406.29	443	406	443	433	418	428	425
CHOICE, 185A, 4, USDA,BOTTOM SIRLOIN, FLAP, WT. AVG.	604.4	535.7	523.5	529.5	587.1	687.4	704.3	709.75	764	717	787	795	744	705	742
USDA,COARSE GROUND 73%, WT. AVG.	164.1	158.2	150.6	145.2	197.9	183.9	192.6	191.52	195	197	196	204	202	193	213
COARSE GROUND 81%, WT. AVG., USDA	219.8	208.4	207.4	193.0	235.9	222.3	226.1	218.40	233	228	237	256	257	250	270
USDA, 90% BONELESS BEEF, CENTRAL, FRESH, WT. AVG.	263.5	252.8	241.8	238.5	246.2	257.0	268.9	265.42	285	268	284	292	300	307	309
USDA, 50CL BEEF TRIM, FRESH, NATIONAL, WT. AVG.	98.6	71.4	73.0	86.6	108.1	116.6	130.0	126.58	142	133	146	149	142	131	120


Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA
$/cwt
170
150
130
110
90
70
50
Mar 24, 2023 = 97.66
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
4/12/2023
5/3/2023
5/24/2023
6/14/2023
7/5/2023
7/26/2023
8/16/2023
9/6/2023
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
Mar 24, 2023 = 130.51
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
4/12/2023
5/3/2023
5/24/2023
6/14/2023
7/5/2023
7/26/2023
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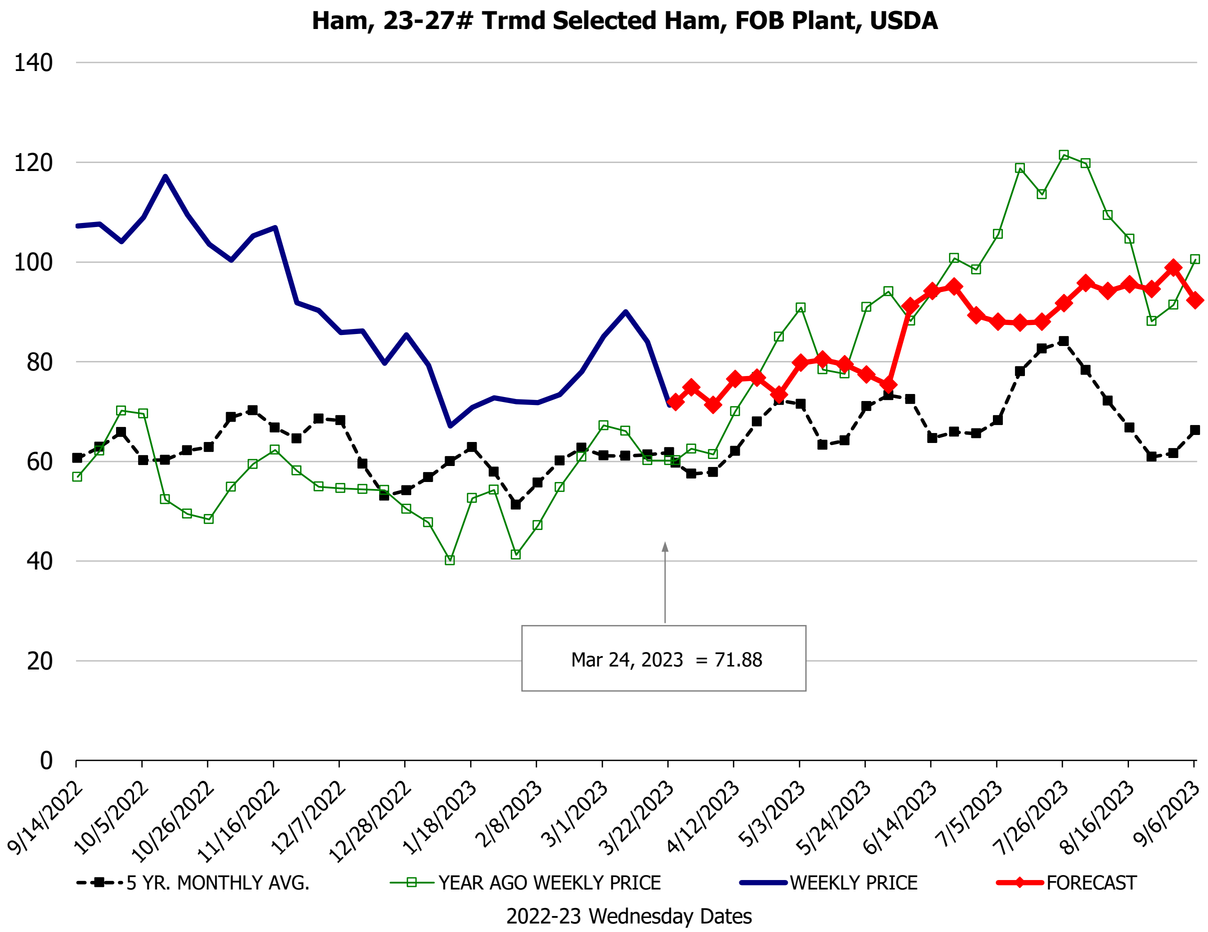

Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA
140
120
100
80
60
40
20
0
Mar 24, 2023 = 71.88
9/14/2022
10/5/2022
10/26/2022
11/16/2022
12/7/2022
12/28/2022
1/18/2023
2/8/2023
3/1/2023
3/22/2023
4/12/2023
5/3/2023
5/24/2023
6/14/2023
7/5/2023
7/26/2023
8/16/2023
9/6/2023
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
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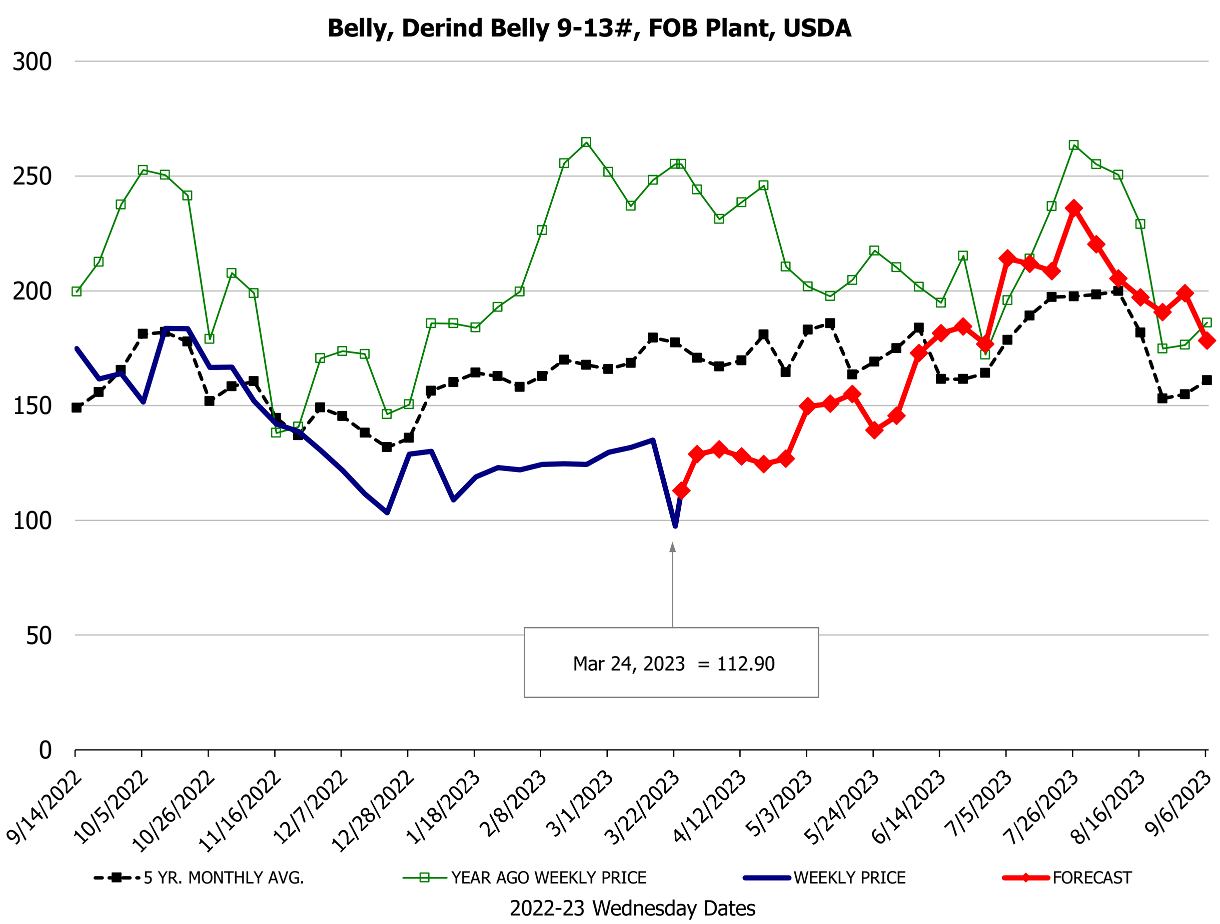

Belly, Derind Belly 9-13#, FOB Plant, USDA
300
250
200
150
100
50
0
Mar 24, 2023 = 112.90
9/14/2022
10/5/2022
10/26/2022
11/16/2022
12/7/2022
12/28/2022
1/18/2023
2/8/2023
3/1/2023
3/22/2023
4/12/2023
5/3/2023
5/24/2023
6/14/2023
7/5/2023
7/26/2023
8/16/2023
9/6/2023
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YEAR AGO WEEKLY PRICE
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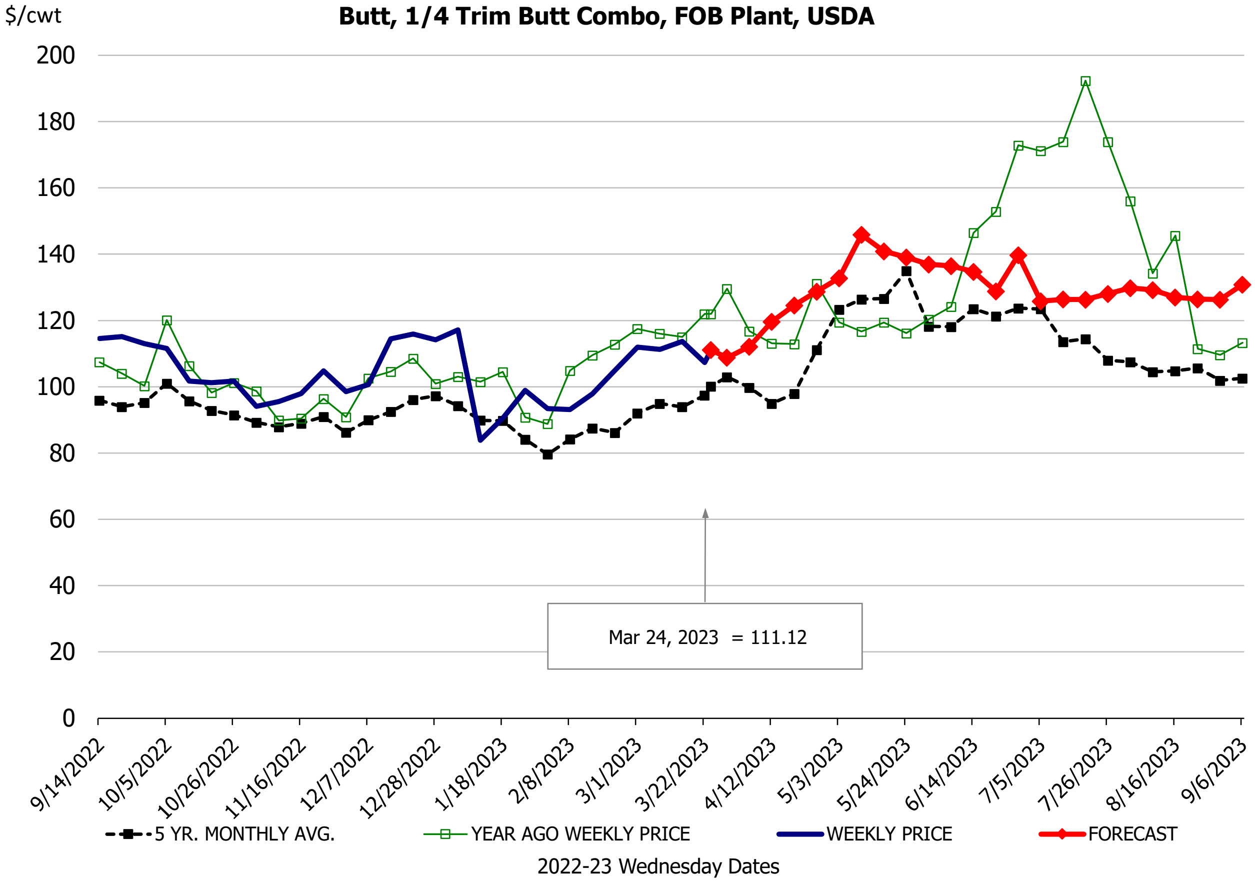
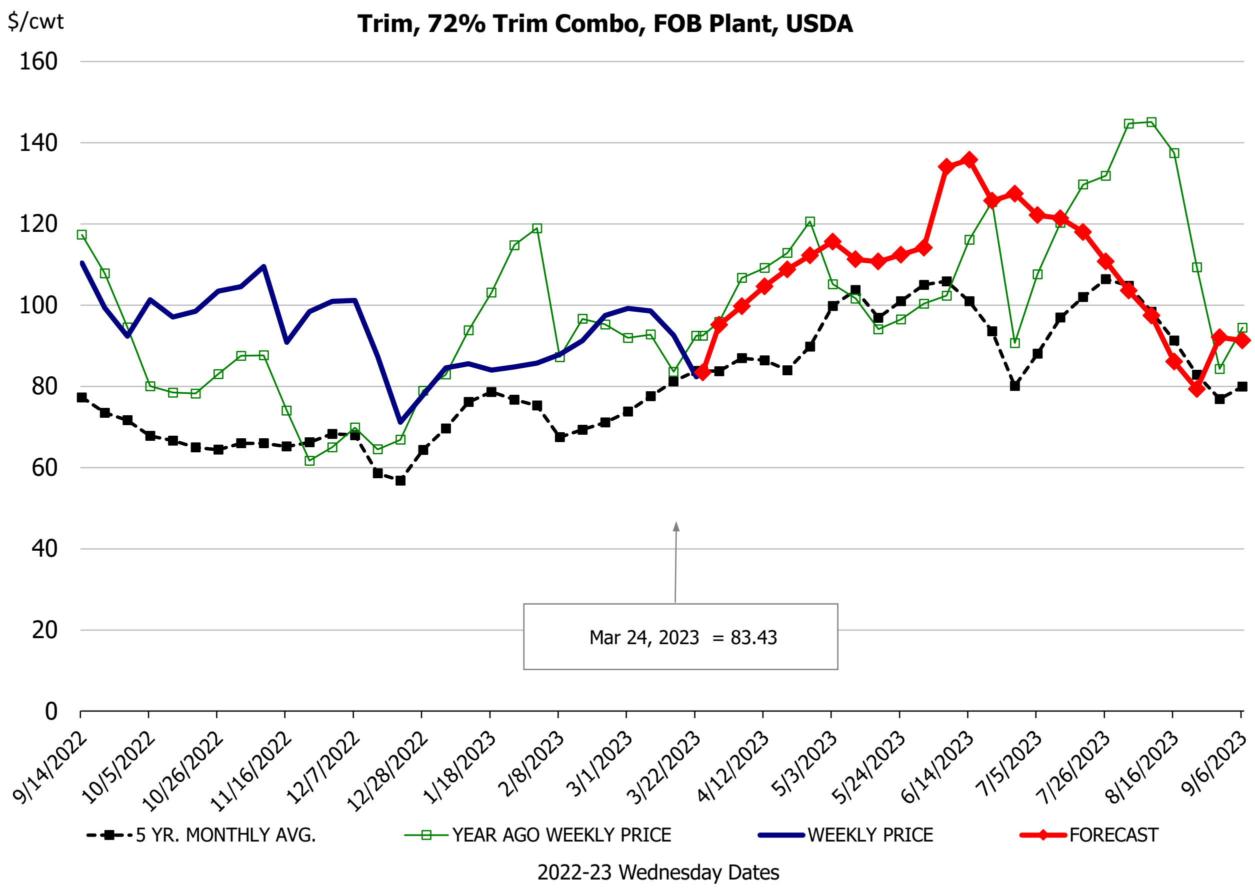
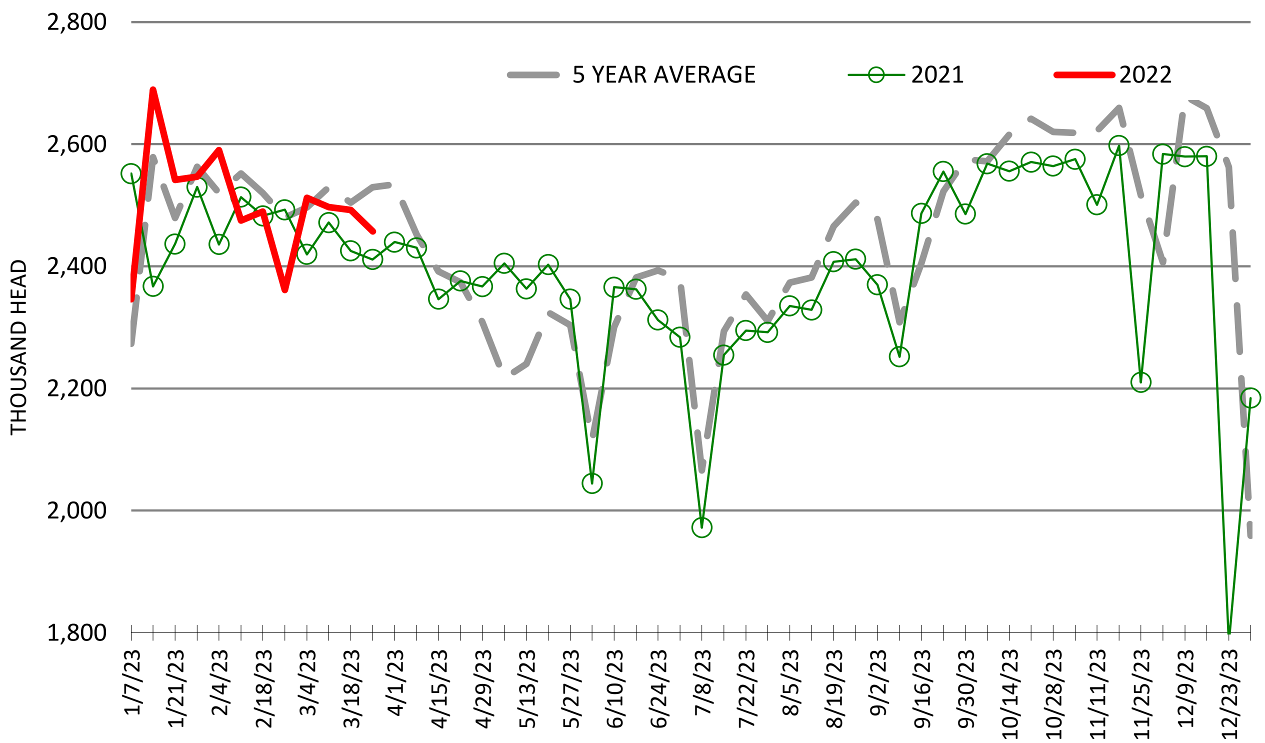
FORECAST
2022-23 Wednesday Dates


$/cwt
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA
Mar 24, 2023 = 111.12
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2022-23 Wednesday Dates


$/cwt
Trim, 72% Trim Combo, FOB Plant, USDA
Mar 24, 2023 = 83.43
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