



# Pork Merchandiser's Profit Maximizer

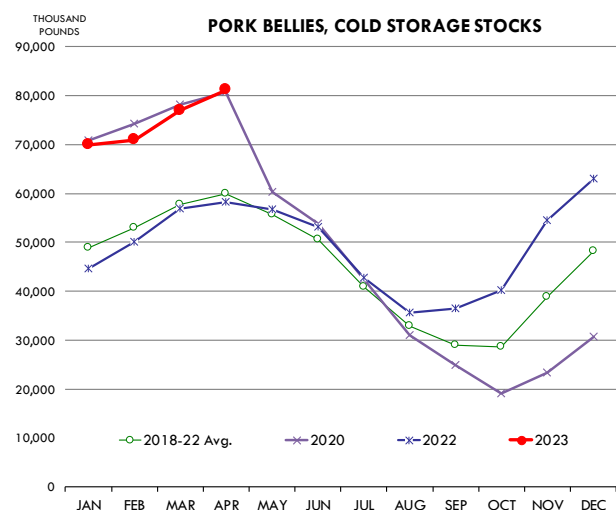
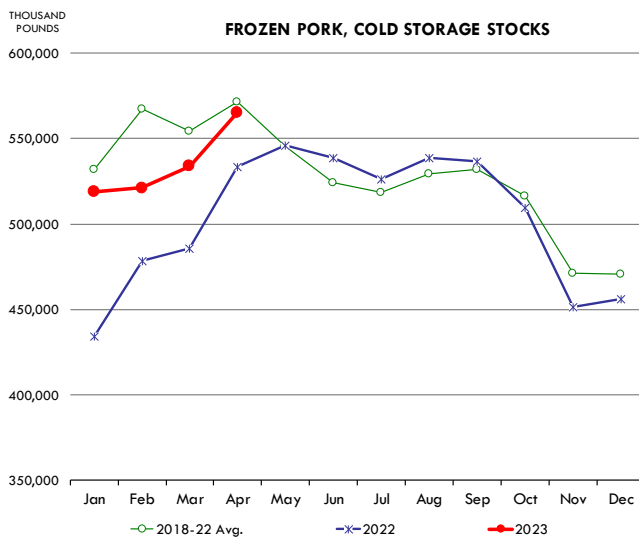
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Prepared by Steiner and Company, Manchester, NH 800-526-4612.

May 26, 2023

## 1. Prop 12 uncertainty, slowdown in demand, continues to pressure prices.

According to USDA, the supply of all pork products in cold storage at the end of April was 565.5 million pounds, 6% higher than a year ago but still about 1.1% lower than the five-year average. Inventories at the end of April were well below the levels we saw in 2018 and 2019 but that may not be especially helpful in understanding

current market dynamics. Rather, what's more important is that inventories in April increased 6% from the previous month, far more than what is normal for this time of year. This suggests that even as pork production did not register a significant increase, a slowdown in sales resulted in some of the supply stuck in cold storage. The Supreme Court decision about Proposition 12 in California makes the demand picture even more complicated. Even before this decision, market

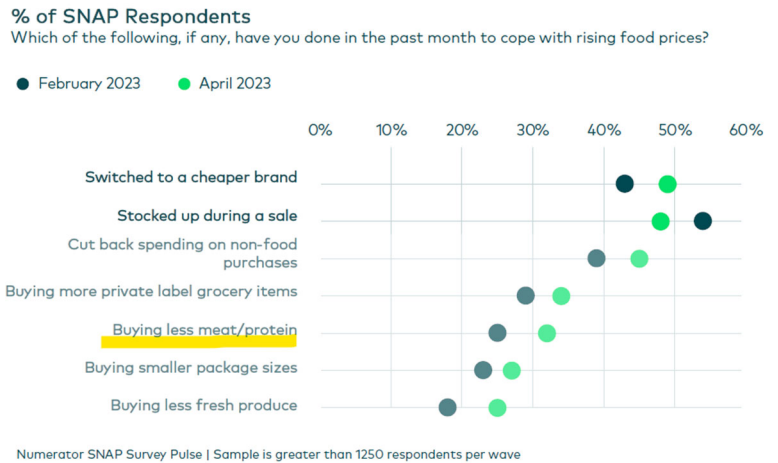


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participants were concerned about a slowdown in retail sales. The end of pandemic support structures has significantly impacted consumers, especially those on the lower end of income distribution. SNAP benefits have been significantly reduced or eliminated for many recipients and this directly impacts meat protein prices. SNAP recipients are now saying they are buying less meat protein than what they were doing only just a couple of months ago.

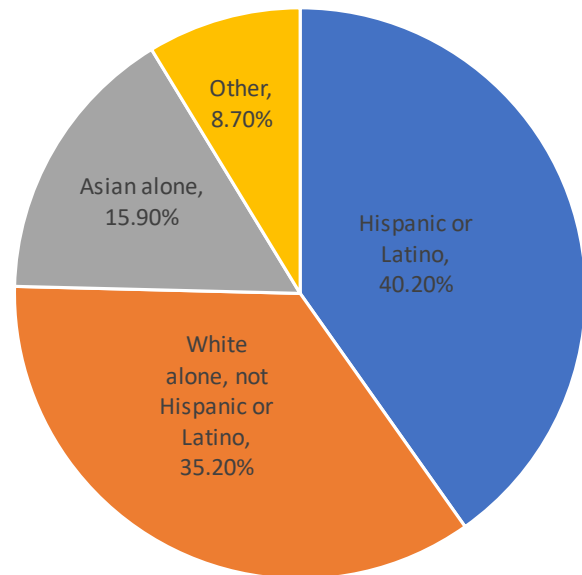
The end of SNAP benefits for some consumers is not the only change impacting the market. It is broadly expected that people will start to make payments on their student loans this summer. A decision from the Supreme Court on this matter is expected any day. Some estimates suggest that payments may start by the end of August, with September 1 seen as the more likely scenario. This will also impact consumers on the lower end of the income scale that are already struggling with a higher credit card debt load.

To make matters worse for pork producers and processors, the Supreme Court allowed the Prop 12 law in California to stand. The law requires a change in the way producers house and handle sows. Currently only a small share of the breeding herd meets the criteria outlined in California's Prop 12. It should also be noted that Massachusetts has a similar law on the books and that law is expected to go into effect by mid July. The combined population of California and Massachusetts is about 14% of the US. However, these two states are above average in terms of per capita expenditures. The combined personal expenditures of these two states represent about 17% of national expenditures. Already the price paid by consumers in these two states is higher, a function of higher incomes. California has a more diverse population. Data suggests that almost 40% of the population in California is Hispanic. Our initial assumption was that a larger Hispanic population means higher pork consumption but that's not what the data says. According to a USDA study, the largest pork consumption on a per capita basis is among blacks then whites and then Hispanics. This may impact the overall estimates of pork consumption in California which has a larger Hispanic or Latino



### California Demographic Data by Ethnicity

Source: US Census 2020. Analysis by Steiner Consulting



population and a relatively small (6.5%) black population. How much pork that currently goes to California will need to go elsewhere? It's a question that many are asking but no one really knows the answer to. First, we don't know how much of the current pork supply will be available for California consumers. There are some retailers that already are compliant, such as Whole Foods. But others may find it quite difficult to replace the supply needed. Steve Meyer, a well-respected ag economist, in a recent presentation suggested 5-8%. That estimate could very well be correct although our guess is that it may be on the higher end of the range.

Effective September 1, 2022, the California Department of Food and Agriculture (CDFA) required that breeding pigs be housed in systems that comply with new standards outlined in Prop 12. Courts stayed the enforcement of the law as the case made its way to the Supreme Court. The stay will be lifted July 1. The following day, the enforcement of the law goes into effect. The law says that “no person shall knowingly engage in a commercial sale within the state of whole pork meat for human food if the whole pork meat is the product of a breeding pig, or the product of the immediate offspring of a breeding pig, that was confined at any time during the production cycle for said product in an enclosure that fails to comply with all of the standards set forth in Chapter 10, Article 3, regarding Breeding Pigs.” It appears to us that all product in the meat case needs to be compliant starting July 2.

It is always possible that CA officials may adjust current rules to avoid a significant supply disruption. But it is far from certain.

## **PORK**

**Hog Market. For the week ending May 20 hog slaughter was 2.408 million head, up 0.2% from a year ago. In the last two weeks hog slaughter is up 0.4% vs. year ago levels.**

**Iowa/Minnesota, Base Negotiated Purchase for Barrows and Gilts.** Lean hog carcass values at about 79.42 /cwt. on Friday were up \$4.0/cwt since Wed. May 10. Prices are down about 21.0 \$/cwt compared to year ago values.

**Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA** (page 8). Prices finished last week at \$1.0603, up about 3.3 cent since the Wed. May 10 quote but down about 19 cents from year ago levels.

**Bnls. Strap on Pork Loins.** Prices finished the week at \$1.3420 for the strap on loins, down 2.45 cent since Wed. May 10 but up 9 cent from the year ago levels. Strap off loins at \$1.5322 are down 4.05 cent since Wed. May 10 but up about one cent compared to the year ago quote.

**Boneless sirloins** at \$1.2187 were down about 0.5 cents from the Wed. May 10 quote but up about 3.9 cents from the year ago price.

**Pork tenderloin** finished last week at \$1.5992, up 31 cent since the Wed. May 10 quote but down about 60.1 cents from the year ago price.

**1/4 Trim Pork Butts** (page 10), prices finished the week at \$1.4165, up 3.7 cents since Wed. May 10. Prices are up 9 cent from a year ago.

**Spareribs, Trimmed - LGT, Vac** (page 8). Prices finished the week at \$1.2630, down about 2 cent since Wed. May 10 and down about 97 cents from year ago levels.

Rib inventories on April 30 were 105.9 million pounds, down 10.8% from a year ago.

### **Bone-in Hams**

17/20 hams (page 9) price was last quoted at \$0.9043/lb. up 0 cents since Wed. May 10 and up about 13 cents from a year ago.

20/23 hams finished the week at 89.28 cents (page 130) up about 3 cent since Wed. May 10 and up about 12 cents from the year ago level.

23/27 hams finished the week at 89.10 , down about 0 cent from the Wed. May 10 quote but up about 12 cents from the year ago level.

Total ham cold storage stocks on April 30 at 117.5 million pounds were up 19.9% from year ago levels.

**42 CL Pork Trim** “FOB Basis”. Prices finished the week at 47.91 cents, down about 1.8 cent since Wed. May 10 and down about 41 cents from the year ago price.

**72 CL Pork Trim** “FOB Basis”. Prices finished the week at 60.83 cents, down 3.6 cents since the Wed. May 10 quote and down about 33 cents from the year ago levels.

Freezer stocks of all trimmings on April 30 were 56.8 million pounds, up 7.3% from the year ago levels.

**72 CL Picnic Meat** “FOB Basis”. The premium of picnic meat to 72CL trim is currently at **53** cents compared to **29** cent average in the previous six months.

## **POULTRY**

### **Whole Broilers**

The National Whole Bird price was quoted at 140.58 on Friday, May 20, down about 29.5 cents from a year ago.

Broiler slaughter for the week ending May 20 was 166.55 million head, up 0.90% from a year ago. For the last two weeks broiler slaughter was up 1.6% vs. a year ago.

**Breasts.** Prices on boneless skinless breasts finished the week at \$1.3855, up 3 cents since Wed. May 10 but still down about 218 cents from year ago levels.

**Leg Quarters.** Last week leg quarter prices were up about 0.45 cents vs. two weeks ago but at 49.71 cents per pound prices were down 3 cent from a year ago.

**Wings.** Prices at \$0.8818 are down about 98 cents from year ago levels.

## **Turkeys**

### **The prices below reflect weekly quoted USDA prices.**

**Hens** finished last week at \$1.4338, down cent since Wed. May 10 and down about 2 cents from the year ago price.

**Toms** finished last week at \$1.4101, down since Wed. May 10 and down about 5 cent from the year ago price.

Total turkey supplies in the freezer on April 30 were up 10.7% from a year ago at 368.0 million pounds. Whole birds were down 1.6% from a year ago with an inventory of 177.9 million pounds.

Turkey slaughter was 4.0220 million head for the week ending May 13, up 9.06% from a year

ago. For the last two weeks slaughter has been up 15.66%.

**Boneless Turkey Breast Meat.** Boneless skinless turkey breast meat prices finished last week at \$3.2000, unchanged since Wed. May 10. Prices are down about 300 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 \$9.2658 (weighted average quote) finished last week down about 92 cents since the Wed. May 10 quote but up about 68 cents vs. the year ago price.

**Select 112A Heavy Lip On Rib Eyes** at \$8.2610 (weighted average quote) finished last week up about 37 cents since the Wed. May 10 quote but up about 67 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$1.0048 /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 \$2.7639 for 90CL and \$1.8919 for 50CL product, an 81CL meat block value is now \$2.5677 and a 78CL meat block is \$2.5023. Choice 114, 3 Clods are now being priced 35.76 cents over 81CL meat block grinding values of 90s and 50s. A year ago the spread was 25.50 cents and the five year average spread for is 56.11 cents over.

**Choice #161 Boneless Rounds** finished last week at **\$3.5200**, up slightly since Wed. May 10 and up about 72 cents from year ago levels.

**Choice regular #168 insides** finished last week quoted at \$2.8609 down about 9 cents since Wed. May 10 but up about 25 cents from the year ago price.

**Choice ¼ inch trimmed #168 insides** finished last week quoted at \$2.9758 down about 6 cent since Wed. May 10 and up about 31 cents from year ago levels.

**Choice #170 Gooseneck Rounds** finished last week at \$2.6032 down about 3.5 cents since Wed. May 10 but up about 14 cents from the year ago levels.

**Choice #180 (0x1) Bnls. Strip Loins** finished last week quoted at \$8.1376 (wt. avg.) down about 20 cents from the Wed. May 10 quote. Prices are up 45 cents from year ago levels.

**Choice #184 Regular Heavy top butts** finished at \$5.1113 (wt. avg.) **up** about 58 cents since Wed. May 10 and **up** about 142 cent from year ago levels.

**Choice #184 ¼ inch trimmed Top Butts** finished at \$5.0832 (wt. avg.) up about one cents since Wed. May 10 and up about 129 cents from the year ago levels.

**Choice #185A Flap Meat** prices finished Friday at \$8.6601 (wt. avg.) up about one cents since Wed. May 10 and up about 288 cents from year ago values.

### **COARSE GROUND BEEF –**

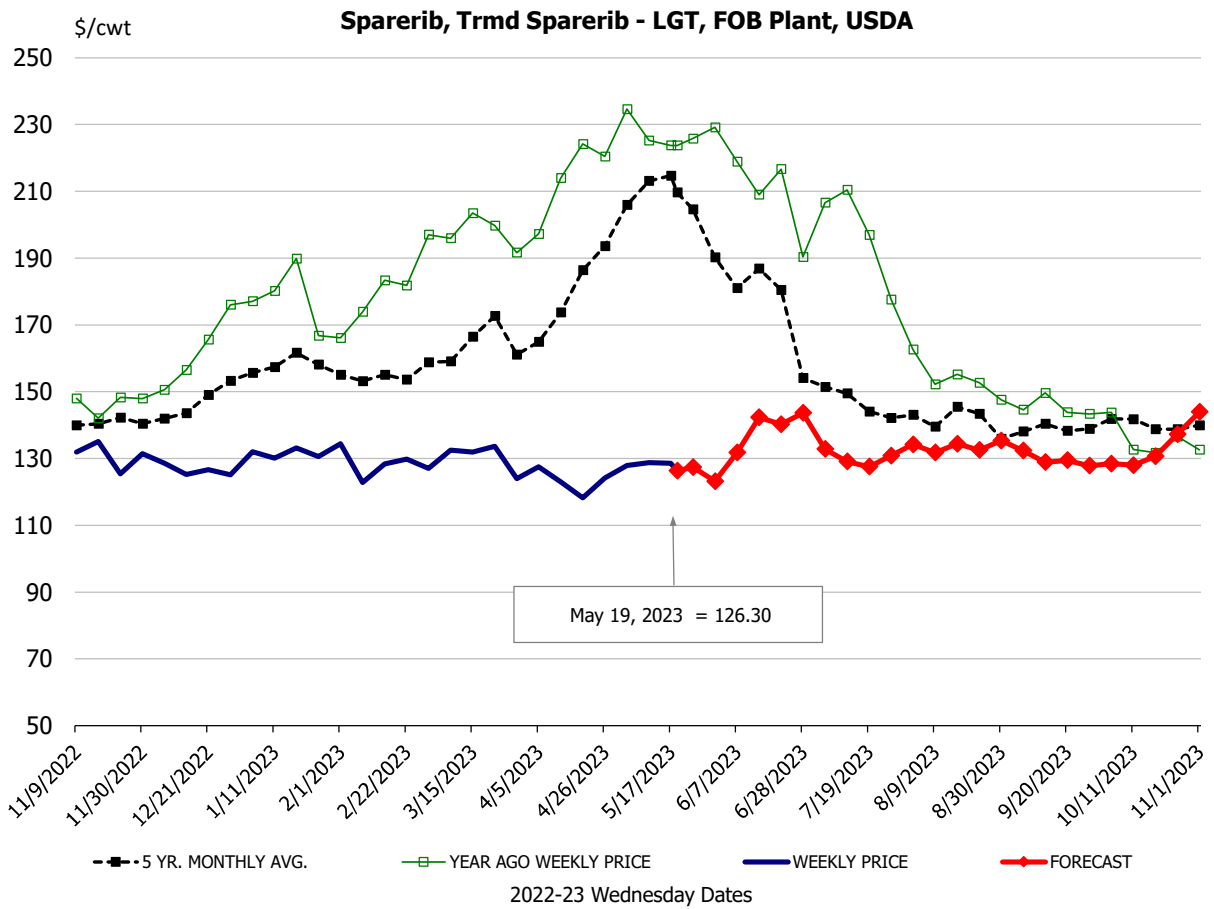
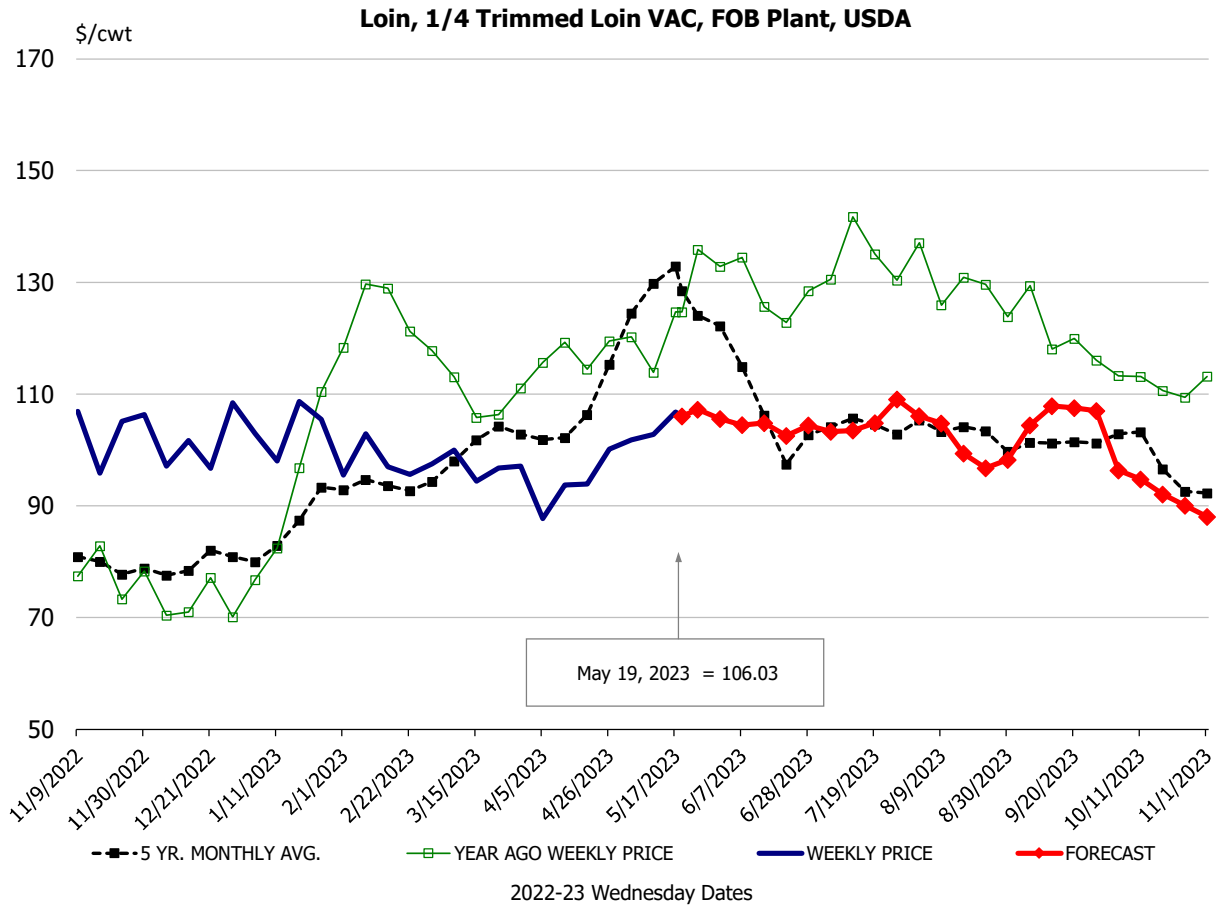
**73CL Coarse Ground** product finished last week at \$2.4311 **down** about 8 cents since Wed. May 10 but up about 65 cents from year ago levels.

**81CL Coarse Ground** product finished last week at \$2.8590 up about 4 cent since Wed. **May 10 and up** about 12 cents from the year ago quote.

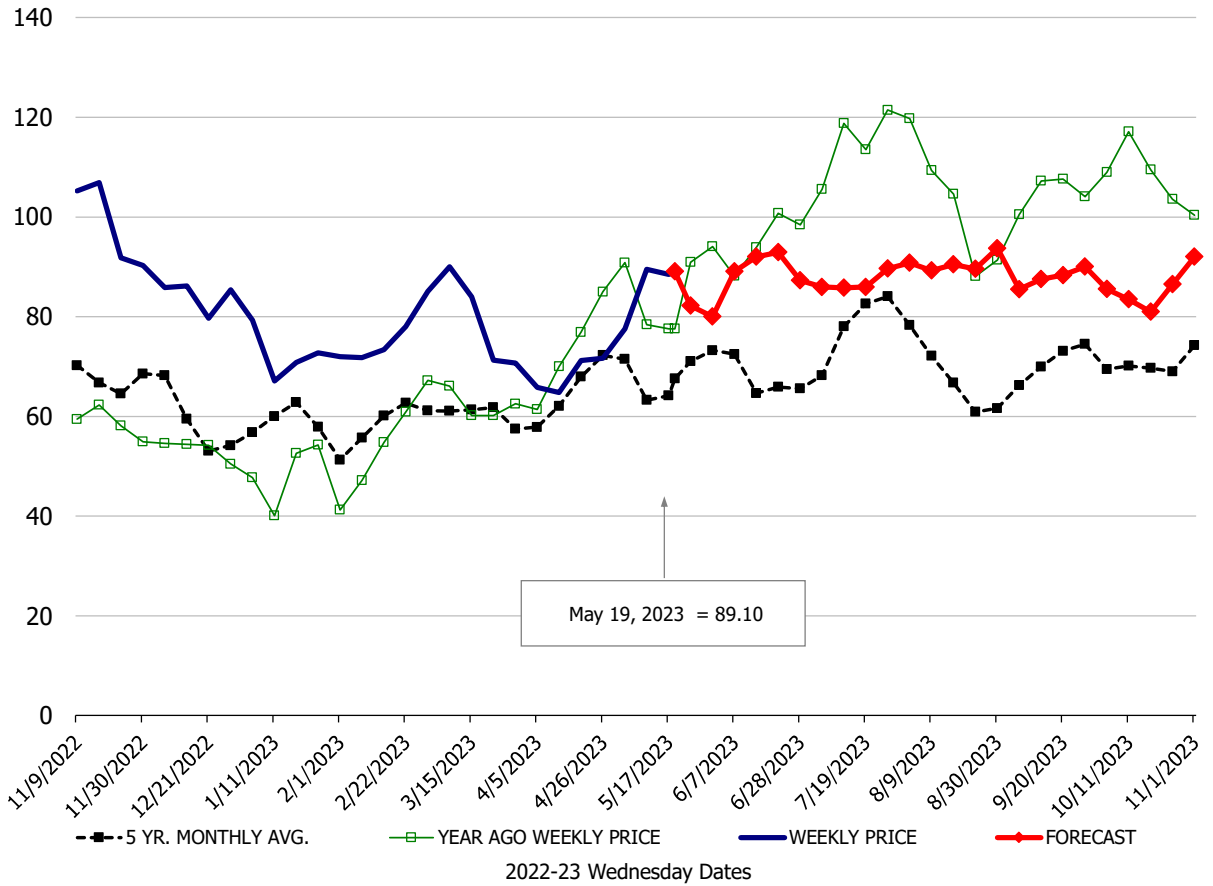
**90CL Bnls. Beef** prices finished the week at \$2.7639 (wt. avg.) **up 4.57** cent since Wed. May 10 and up 0 cents compared to the year ago price quote. **50 CL Beef Trim** prices finished last week at \$1.8919, down about 13 cent since Wed. May 10 but up 81 cents compared to year ago levels.

# Protein Summary Table - WT. AVE.

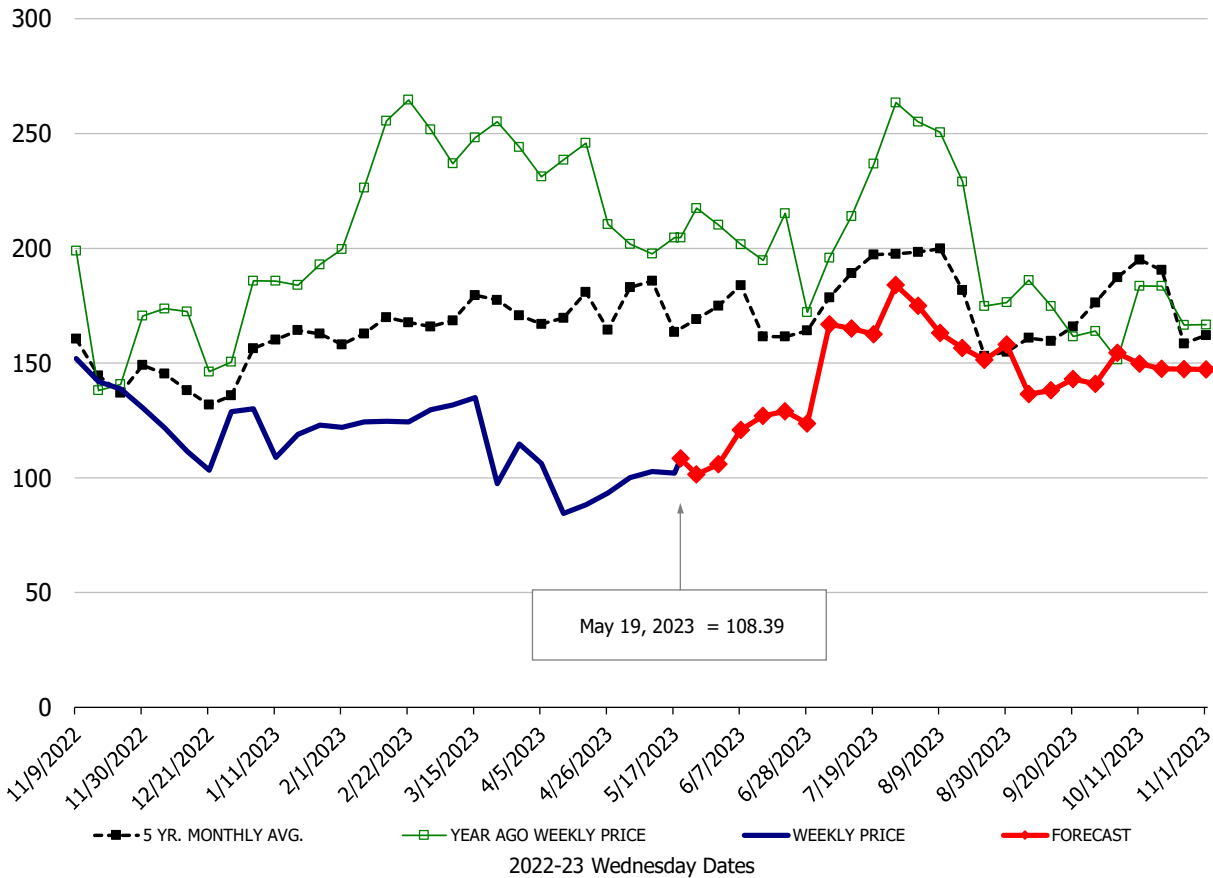
	HISTORY								FORECAST						
	Nov	Dec	Jan	Feb	Mar	Apr	5/10/2023	5/19/2023	5/31/2023	May	Jun	Jul	Aug	Sep	Oct
<b><u>PORK</u></b>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	104.6	99.8	104.0	98.3	95.7	93.3	102.8	106.03	106	104	104	104	103	105	95
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	106.8	101.7	106.2	104.0	101.9	100.0	105.7	108.77	108	108	109	106	105	106	98
Loin, Bnls CC Strap-off, FOB Plant, USDA	141.0	139.0	144.1	146.4	152.8	151.1	157.2	153.22	154	155	152	149	155	150	148
Loin, Tenderloin, FOB Plant, USDA	165.6	167.1	172.2	162.4	152.5	157.5	129.4	159.92	153	154	171	173	171	166	154
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	100.0	111.7	101.2	99.1	107.0	106.3	126.4	128.75	125	125	119	114	116	110	106
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	130.7	126.7	131.0	126.8	129.4	124.5	128.7	126.30	123	125	127	128	125	122	120
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	316.3	290.1	239.9	253.7	265.0	256.0	272.3	271.23	266	267	260	258	255	256	250
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	129.1	126.0	129.7	125.6	129.5	123.4	120.5	127.05	123	128	134	133	133	131	128
Loin, Backribs 2.0#/up, FOB Plant, USDA	165.3	171.3	180.7	176.0	181.8	195.4	202.8	204.80	206	204	213	215	207	208	201
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	104.9	87.9	75.2	76.3	83.4	70.1	90.3	90.43	82	84	86	87	88	83	82
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	105.1	85.7	74.5	75.4	78.0	69.4	86.1	89.28	80	83	85	86	87	81	81
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	99.6	84.2	72.5	73.7	76.1	66.4	89.5	89.10	80	81	83	85	86	79	77
Belly Cutout, FOB Plant, USDA	116.2	94.8	90.9	100.4	96.2	80.0	70.9	79.35	89	86	109	125	130	131	124
Belly, Derind Belly 9-13#, FOB Plant, USDA	149.1	121.2	119.0	130.5	121.6	102.7	102.8	108.39	123	120	135	154	160	162	153
Belly, Derind Belly 13-17#, FOB Plant, USDA	140.1	112.7	107.8	114.9	110.3	95.1	85.9	94.10	106	117	132	151	157	159	150
Trim, 42% Trim Combo, FOB Plant, USDA	66.5	57.9	59.4	66.0	66.4	52.8	49.8	47.91	51	55	57	62	64	59	57
Trim, 72% Trim Combo, FOB Plant, USDA	102.2	88.8	84.9	91.2	90.2	73.7	64.4	60.83	76	77	85	90	78	72	69
Trim, Picnic Meat Combo Cushion Out, FOB Plant, USDA	110.1	102.9	97.5	92.5	102.3	94.8	97.0	101.02	102	99	105	110	94	95	97
Carcass Cutout, FOB Plant, USDA	93.4	87.2	81.0	82.3	84.9	78.1	81.7	83.86	83	84	85	87	88	85	83
<b><u>HOG CARCASS</u></b>															
CME 1-Day Lean Hog Index	88.0	81.2	74.4	75.6	78.2	73.2	75.4	79.42	79	79	80	82	83	76	73
<b><u>BROILERS</u></b>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	124.6	123.7	121.8	121.7	130.0	140.2	139.2	140.58	141	140	141	133	121	114	109
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	98.1	96.0	100.6	123.0	136.5	131.3	135.4	138.55	135	136	147	145	141	138	132
N.E. BROILER BREAST LINE RUN, USDA	107.3	104.4	106.1	114.6	116.8	118.0	117.6	120.49	120	119	128	134	134	121	112
N.E. BROILER LEG QUARTERS, USDA	34.2	35.8	34.5	37.2	42.0	46.6	49.3	49.71	49	49	49	48	46	44	42
N.E. BROILER WINGS, USDA, WT.AVG.	98.9	89.1	91.2	110.3	108.2	102.3	87.9	88.18	89	89	92	94	101	107	107
<b><u>TURKEYS</u></b>															
HEN TURKEYS, EAST, FROZEN 10-12LBS, USDA	175.9	172.4	171.8	169.4	171.4	165.5	162.0	143.38	150	153	145	150	153	156	159
TOM TURKEYS, EAST, FROZEN 16-22LBS, USDA	178.0	171.0	171.8	169.2	169.4	168.5	161.6	141.01	150	150	145	150	153	156	159
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	670.0	670.0	662.5	538.8	344.0	320.0	320.0	320.00	316	320	300	300	310	315	320
<b><u>LIVE STEERS</u></b>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	153.2	156.0	157.0	159.1	164.5	175.4	174.3	174.87	177	175	166	165	164	166	168
<b><u>BEEF</u></b>															
CHOICE, 112A, 3, USDA,RIBEYE, BONELESS, HEAVY, WT.AVG.	1039.4	1149.2	1023.0	1006.1	1036.3	1019.5	1019.1	926.58	971	978	995	969	1048	1048	1215
CHOICE, 161, 1, USDA,ROUND, BONELESS, WT. AVG.	306.7	310.8	317.4	323.6	331.2	340.5	350.0	352.00	359	350	341	346	349	358	361
CHOICE, 168, 3, TOP INSIDE ROUND, 1/4" MAX, WT. AVG., USDA	250.9	240.0	267.4	270.3	278.6	297.4	303.8	297.58	298	302	292	298	307	300	306
CHOICE, 170, 1, BOTTOM GOOSENECK ROUND, WT. AVG., USDA	251.5	251.1	259.4	260.4	262.8	256.9	263.1	260.32	262	263	263	272	279	301	305
CHOICE, 180, 3, USDA,STRIP LOIN, BONELESS, 0X1, WT. AVG.	563.7	572.8	756.1	833.4	799.0	797.5	833.6	813.76	852	820	832	727	700	703	661
CHOICE, 184, 3, USDA,TOP BUTT, BONELESS, WT. AVG.	349.2	354.4	376.0	393.6	406.9	447.4	507.1	508.32	513	506	445	428	421	405	374
CHOICE, 185A, 4, USDA,BOTTOM SIRLOIN, FLAP, WT. AVG.	523.5	529.5	587.1	687.4	708.8	769.8	864.9	866.01	872	863	776	703	735	721	665
USDA,COARSE GROUND 73%, WT. AVG.	150.6	145.2	197.9	183.9	192.9	228.9	251.0	243.11	237	246	239	228	248	238	227
COARSE GROUND 81%, WT. AVG., USDA	207.4	193.0	235.9	222.3	222.0	265.3	281.8	285.90	281	286	275	267	285	273	265
USDA, 90% BONELESS BEEF, CENTRAL, FRESH, WT. AVG.	241.8	238.5	246.2	257.0	268.6	272.2	271.8	276.39	273	276	290	303	303	300	298
USDA, 50CL BEEF TRIM, FRESH, NATIONAL, WT. AVG.	73.0	86.6	108.1	116.6	134.6	173.8	202.1	189.19	191	194	171	149	137	107	103

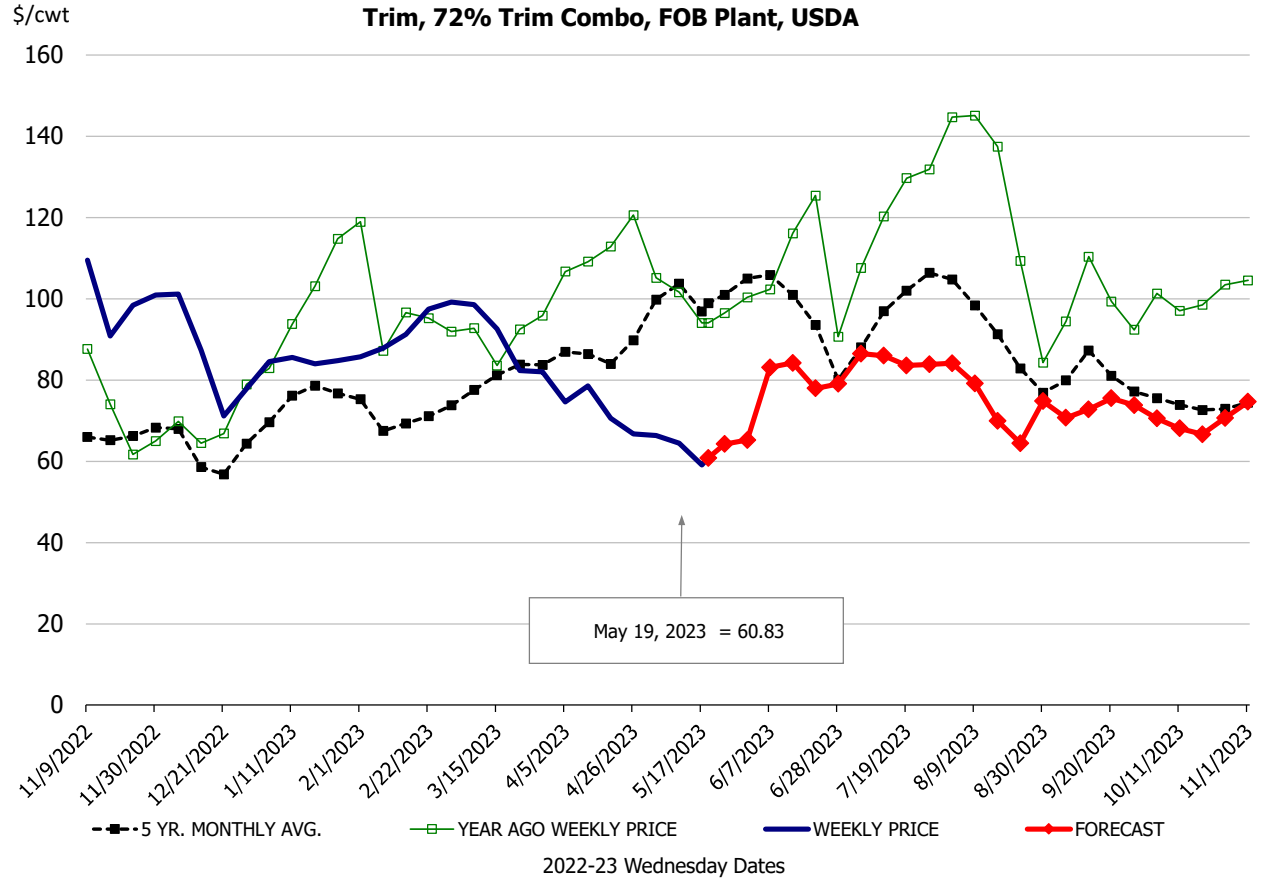
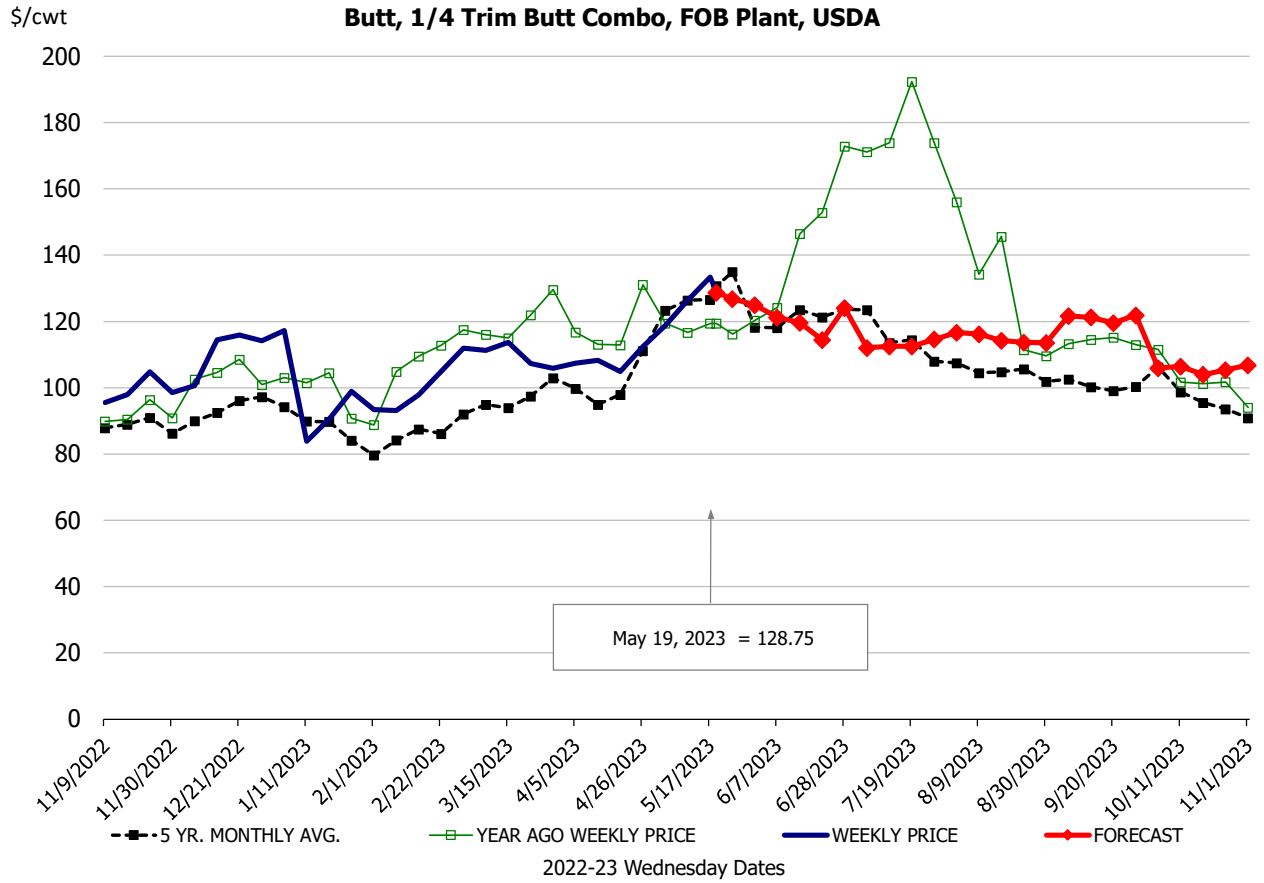


**Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA**



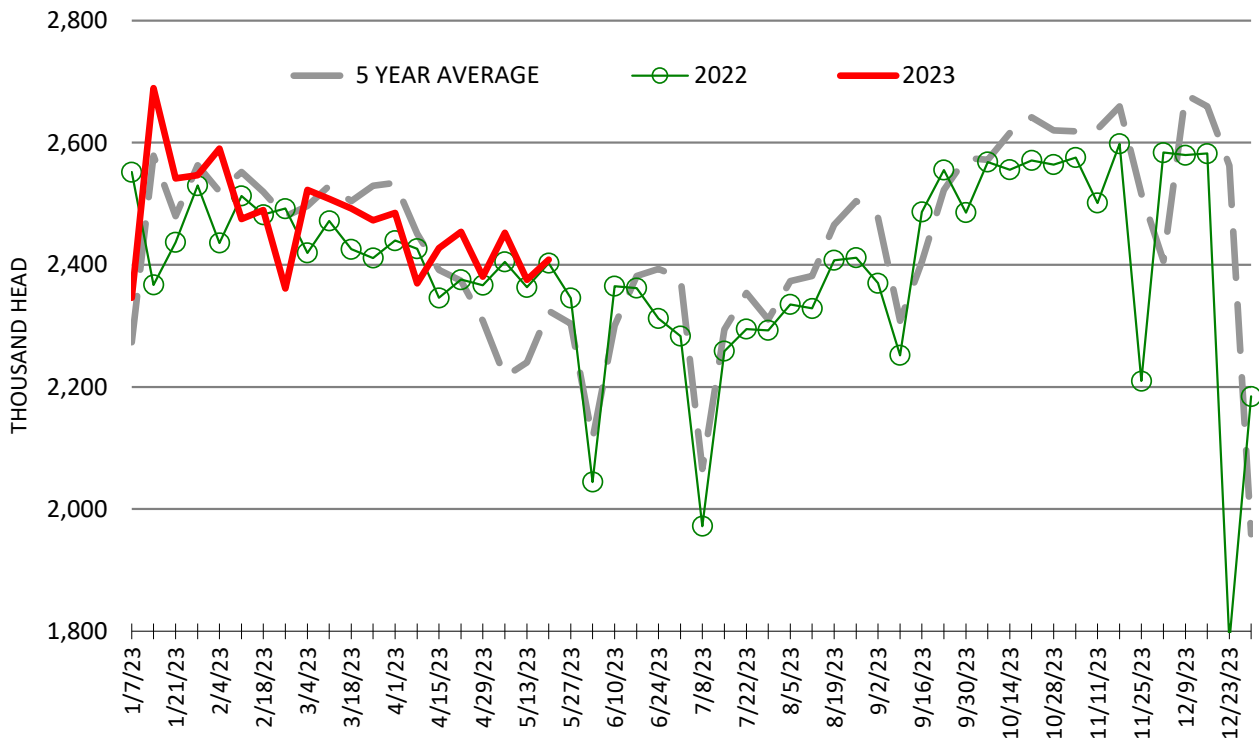
**Belly, Derind Belly 9-13#, FOB Plant, USDA**





# ESTIMATED WEEKLY FI HOG SLAUGHTER

Source: USDA, '000 head



# ESTIMATED WEEKLY FI PORK PRODUCTION

Source: USDA, Mil. Pounds

