Pork Merchandiser's **Profit Maximizer**

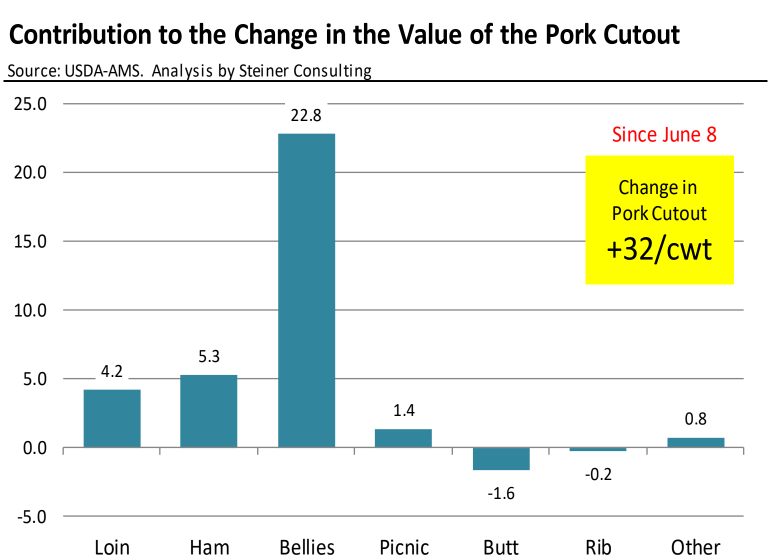
Prepared by Steiner and Company, Manchester, NH 800-526-4612.

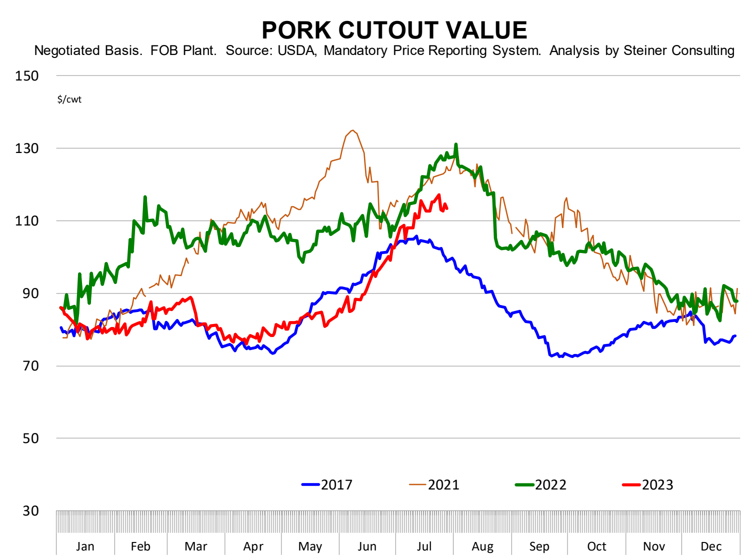
July 31, 2023

1. Pork cutout climbs on seasonal demand, short bought buyers, lack of frozen supply

Over the past two months, the value of the pork cutout has increased due to higher prices for bellies, hams, and fresh pork. Some of this increase may be attributed to seasonal factors such as lower supplies and increased demand for bacon and fresh pork. However, there are also indications that buyers may have misjudged the situation by having lower than usual inventory and speculating on a potential demand impact from the implementation of Prop 12.

During this two-month period, the pork cutout has risen by about $32 per hundredweight (+40%), with 70% of that gain attributed to higher belly prices. The value of the belly primal has surged to $214 per hundredweight, which is a remarkable 200% increase compared to two months ago. Other pork prices have also risen, with loins up by 18% and hams up by 30%.



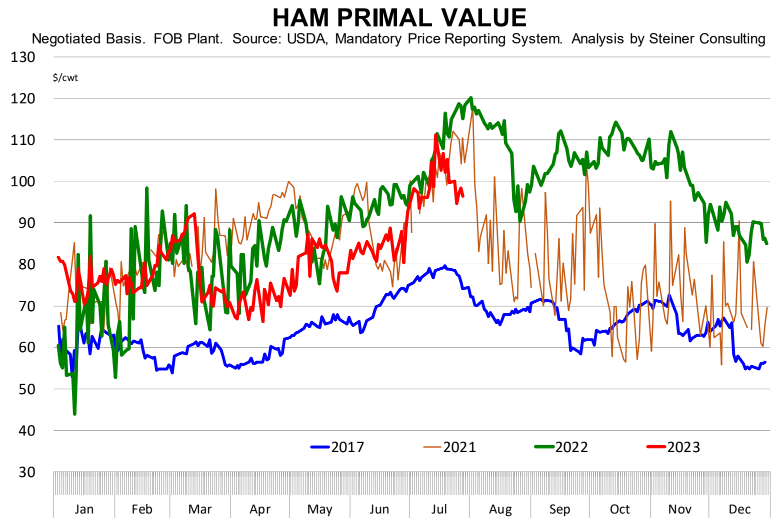


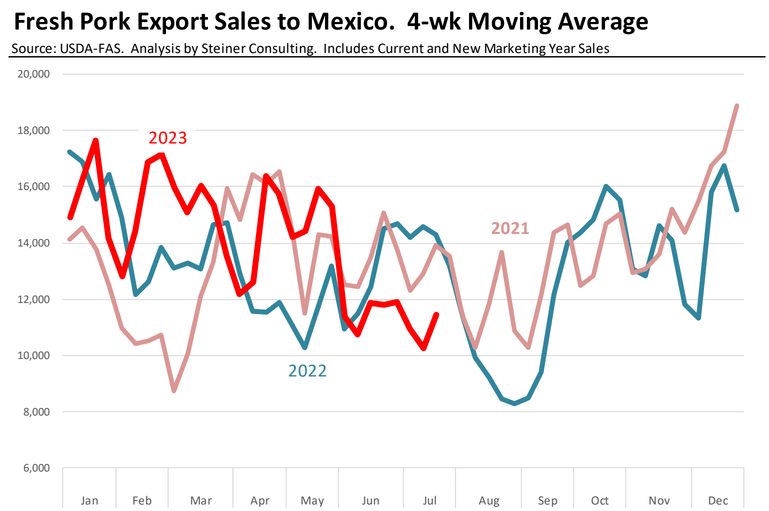
Futures currently predict a significant decline from the current price levels heading into the fall. The spread between the October contract and the current CME index indicates seasonal factors are at play, just as they were in June and July. Hog slaughter numbers have been increasing, and by early October, weekly hog slaughter is expected to rise by 8.5%. Additionally, the average weight of barrow and gilt carcasses is expected to climb by 2.8% in the same period, resulting in an approximate 10% swing in pork supplies from current levels.

Despite the expected shifts in supply, there remain several unanswered questions about demand. Bellies play a significant role, but hams are crucial for the fall market. The demand for ham primal is closely tied to domestic holiday demand and exports, particularly to Mexico. Sales to Mexico in the spring supported ham values, but the recent high prices may have impacted sales in recent weeks. However, it seems that export buyers took advantage of the price drop to place more orders, suggesting that ham exports will continue to be well supported heading into the fall.

Regarding domestic demand, it is believed that Prop 12 will not have as significant an impact on hams as it might on other pork items like bellies, loins, and butts. Cooked hams have become more common for holidays, and cooked ham sales in California do not need to be Prop 12 compliant. Moreover, current inventory levels are not overly burdensome, and more supply will be required to meet fall demand.

Considering all these factors, the futures market is currently pricing a $90 ham market for October. This is more conservative compared to last year's peak of $110 for ham values, but it is still seen as a reasonable outlook for the item at present.





2. Pork cold storage supply

In recent weeks, there has been a lot of discussion about inventory building ahead of Prop 12, but the data does not seem to support this notion. In fact, pork inventory depletion in June was larger than in previous years. Concerns about Prop 12 eligibility and higher prices might have contributed to this situation.

By the end of June, the total amount of pork in cold storage was 490.2 million pounds, which is 9.1% lower than the previous year and 6.5% lower than the five-year average. The inventories experienced a significant decline of 7.8% compared to the previous month, while the average decline over the past five years was 3.9%.

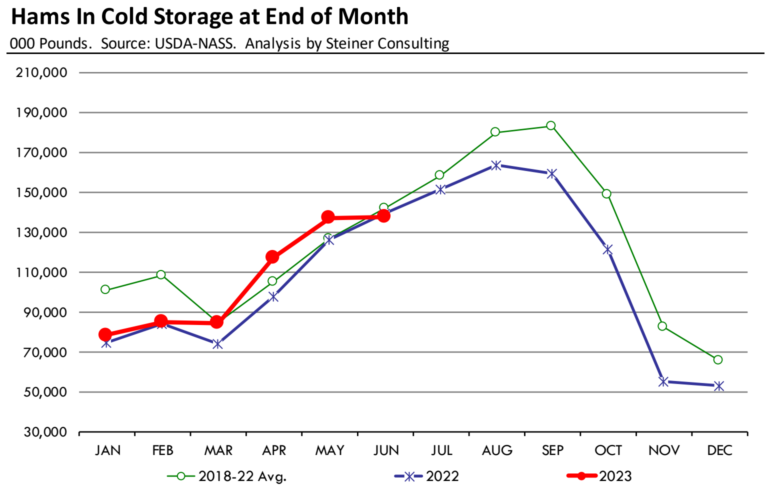
Typically, ham inventories increase in June, but last month was an exception, with inventories only slightly higher than in May and now 1.2% lower than the previous year. This could be seen as a positive sign for ham values in the third quarter.

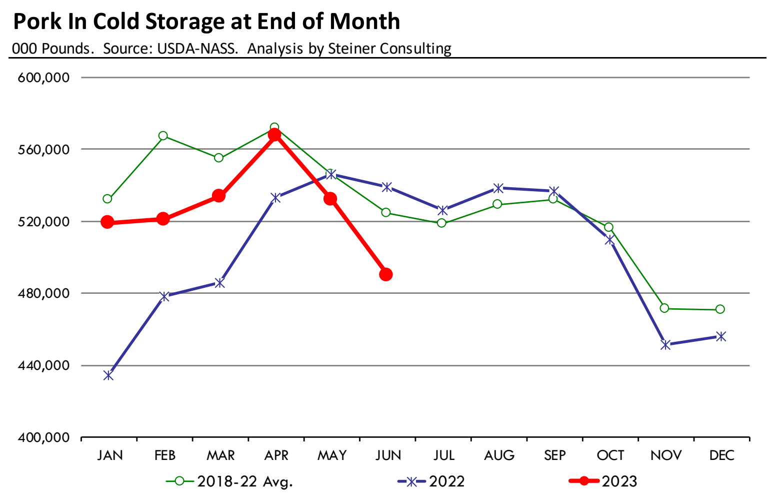
On the other hand, belly inventories declined by 14.5% compared to the previous month. Although the inventory drawdown in June averaged 9% over the past five years, belly inventories started from a much higher level and are still about 33% higher than a year ago. Despite this, the larger inventories do not appear to be a problem currently as those who own the supply are likely looking to support California demand in the coming months.

Pork ribs inventory saw a sharp decline as users took advantage of the price increase and cashed out of their positions. By the end of June, total rib inventory was 62.7 million pounds, showing a 42% decrease compared to the previous year.

Pork trim inventory also experienced a decline of 12% compared to the previous month, which is higher than the average 5% drawdown observed in the last five years. The lower inventories, combined with the seasonal decline in supply during July, resulted in significantly higher pork trim prices recently.

Unlike beef, the USDA does not provide a regional breakdown of inventory numbers. However, export outstanding sales have increased by double digits from a year ago, indicating that more pork is staged for export than last year. This implies that the available pork inventory for domestic use may be even lower than the overall numbers suggest.





PORK

Hog Market. For the week ending July 29 hog slaughter was 2.392 million head, up 4.3% from a year ago. In the last two weeks hog slaughter is up 2.6% vs. year ago levels.

Iowa/Minnesota, Base Negotiated Purchase for Barrows and Gilts. Lean hog carcass values at about 105.86 /cwt. on Friday were up $2.3/cwt since Wed. July 19. Prices are down about 14.7 $/cwt compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at $1.2122, up about 2.0 cent since the Wed. July 19 quote but down about 7 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at $1.6087 for the strap on loins, down 6.5 cent since Wed. July 19 but up 12 cents from the year ago levels. Strap off loins at $1.7142 are down 8.8 cent since Wed. July 19 but up about 8 cent compared to the year ago quote.

Boneless sirloins at $1.3448 were down about one cent from the Wed. July 19 quote and down about 1.7 cents from the year ago price.

Pork tenderloin finished last week at $1.5921, up 7 cents since the Wed. July 19 quote but down about 63.9 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at $1.1214, down 6.1 cents since Wed. July 19. Prices are down 6 cent from a year ago.

Spareribs, Trimmed - LGT, Vac (page 8). Prices finished the week at $1.2601, down about one cent since Wed. July 19 and down about 52 cents from year ago levels.

Rib inventories on June 30 were 62.7 million pounds, down 42.4% from a year ago.

Bone-in Hams

17/20 hams (page 9) price was last quoted at $0.9636/lb. down 9 cents since Wed. July 19 and down about 7 cents from a year ago.

20/23 hams finished the week at 95.27 cents (page 130) down about 9 cent since Wed. July 19 and down about 7 cents from the year ago level.

23/27 hams finished the week at 95.39 , down about 5 cent from the Wed. July 19 quote and down about 7 cents from the year ago level.

Total ham cold storage stocks on June 30 at 137.7 million pounds were down 1.2% from year ago levels.

42 CL Pork Trim "FOB Basis". Prices finished the week at 110.90 cents, up about 10.8 cent since Wed. July 19 but down about 2 cents from the year ago price.

72 CL Pork Trim "FOB Basis". Prices finished the week at 115.27 cents, down 12.1 cents since the Wed. July 19 quote and down about 17 cents from the year ago levels.

Freezer stocks of all trimmings on June 30 were 48.3 million pounds, down 7.9% from the year ago levels.

72 CL Picnic Meat "FOB Basis". The premium of picnic meat to 72CL trim is currently at **23** cents compared to **32** cent average in the previous six months.

POULTRY

Whole Broilers

The National Whole Bird price was quoted at 110.89 on Friday, July 29, down about 32 cents from a year ago.

Broiler slaughter for the week ending July 29 was 165.93 million head, down 2.17% from a year ago. For the last two weeks broiler slaughter was down 0.8% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at $1.2037, up 5 cents since Wed. July 19 but still down about 139 cents from year ago levels.

Leg Quarters. Last week leg quarter prices at 47.74 cents per pound prices were down about 2.35 cents vs. two weeks ago and were down 14 cents from a year ago.

Wings. Prices at $1.0941 are down about 92 cents from year ago levels.

Turkeys

The prices below reflect weekly quoted USDA prices.

Hens finished last week at $1.3500, down cent since Wed. July 19 and down about 19 cents from the year ago price.

Toms finished last week at $1.3500, down since Wed. July 19 and down about 19 cents from the year ago price.

Total turkey supplies in the freezer on June 30 were up 6.3% from a year ago at 437.8 million pounds. Whole birds were down 5.5% from a year ago with an inventory of 230.0 million pounds.

Turkey slaughter was 4.1550 million head for the week ending July 22, up 14.56% from a year ago. For the last two weeks slaughter has been up 11.01%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at $2.6800, unchanged since Wed. July 19. Prices are down about 397 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 $9.5340 (weighted average quote) finished last week down about 36 cents since the Wed. July 19 quote but up about 89 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at $7.2658 (weighted average quote) finished last week down about 6 cents since the Wed. July 19 quote but up about 98 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are $2.2682 /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 $2.9443 for 90CL and $1.5770 for 50CL product, an 81CL meat block value is now $2.6367 and a 78CL meat block is $2.5341. Choice 114, 3 Clods are now being priced 39.64 cents over 81CL meat block grinding values of 90s and 50s. A year ago, the spread was 48.70 cents and the five-year average spread for is 24.60 cents over.

Choice #161 Boneless Rounds finished last week at $**3.6000**, **up** slightly since **Wed.** July 19 and up about 80 cents from year ago levels.

Choice regular #168 insides finished last week quoted at $2.9852 up about one cents since Wed. July 19 and up about 30 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at $3.0908 up about 5 cent since Wed. July 19 and up about 34 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at $2.6906 up about 3 cents since Wed. July 19 and up about 11 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at $8.2750 (wt. avg.) down about 11 cents from the Wed. July 19 quote. Prices are up 0 cents from year ago levels.

Choice #184 Regular Heavy top butts finished at $4.6789 (wt. avg.) **down** about 24 cents since Wed. July 19 and **up** about **99** cent from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at $4.5975 (wt. avg.) down about 5 cents since Wed. July 19 but up about 94 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at $9.3290 (wt. avg.) down about 44 cents since Wed. July 19 but up about 143 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at $**2.5684 down** about one cent since Wed. July 19 but up about 104 cents from year ago levels.

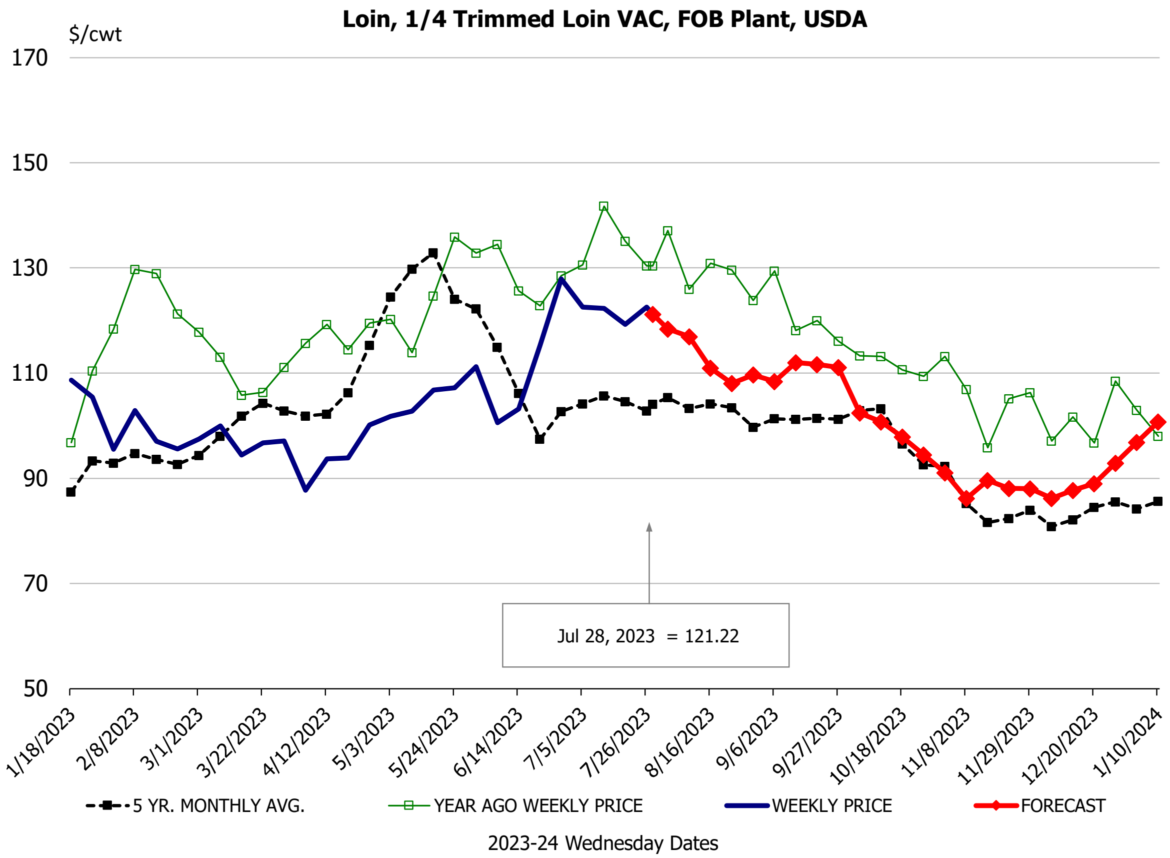
81CL Coarse Ground product finished last week at $2.7824 down about 2 cents since Wed. **July 19 but up** about **13** cents from the year ago quote.

90CL Bnls. Beef prices finished the week at $**2.9443** (wt. avg.) **up 1.37** cent since Wed. July 19 and up 28 cents compared to the year ago price quote.

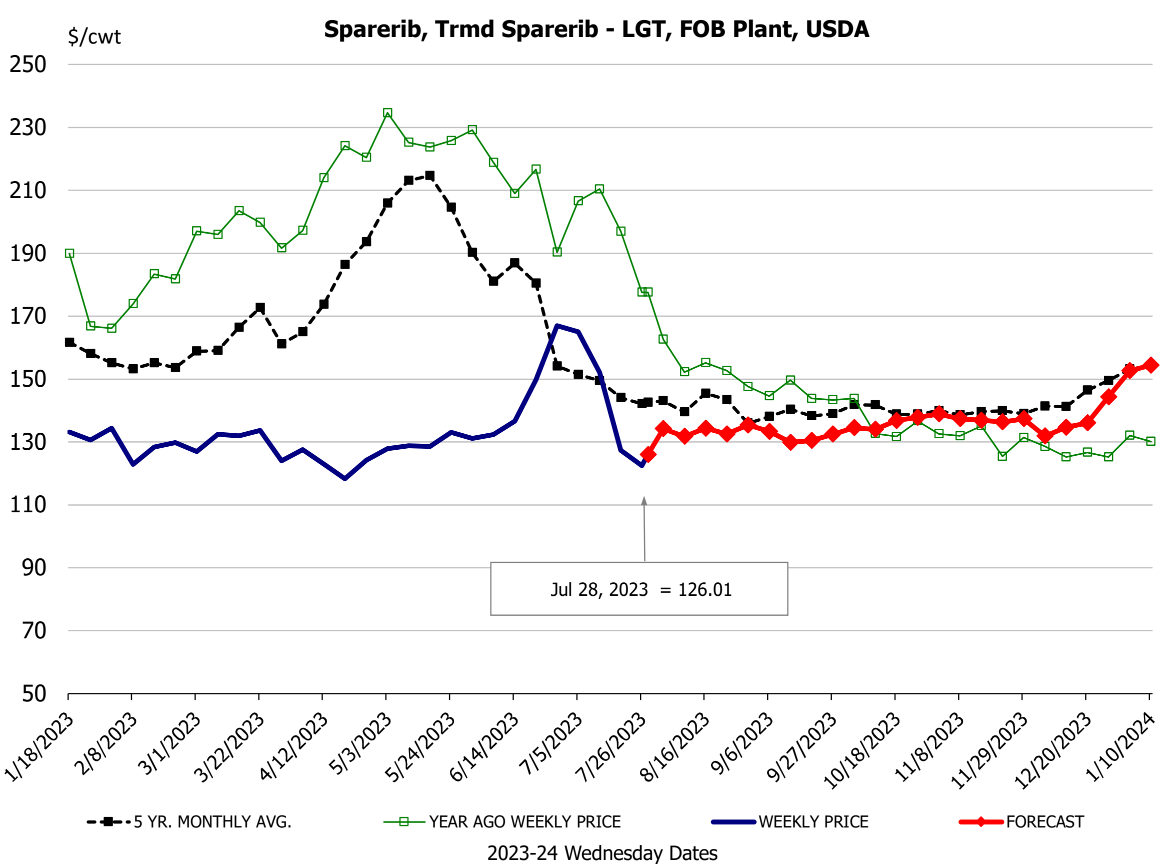
50 CL Beef Trim prices finished last week at $1.5770, down about 3 cents since Wed. July 19 but up 62 cents compared to year ago levels.

Protein Summary Table - WT. AVE.

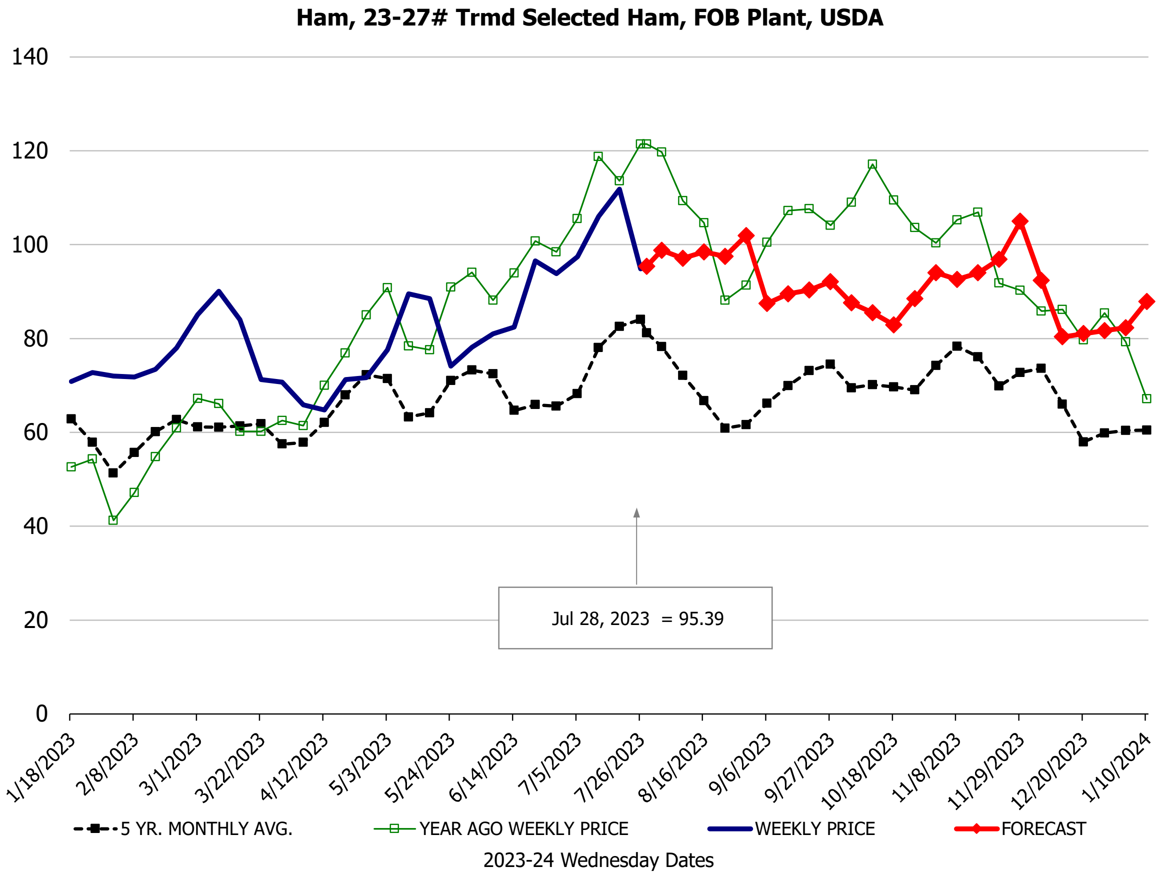
	HISTORY								FORECAST						
	Feb	Mar	Apr	May	Jun	Jul	7/19/2023	7/28/2023	8/9/2023	Aug	Sep	Oct	Nov	Dec	Jan
PORK															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	98.3	95.7	93.3	105.1	109.6	121.0	119.2	121.22	117	115	109	101	90	87	98
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	104.0	101.9	100.0	108.5	113.5	127.4	129.0	129.40	125	121	116	106	96	92	100
Loin, Bnls CC Strap-off, FOB Plant, USDA	146.4	152.8	151.1	155.1	159.0	173.5	180.2	171.42	180	183	186	182	168	165	165
Loin, Tenderloin, FOB Plant, USDA	162.4	152.5	157.5	155.3	156.6	157.9	155.8	159.21	166	166	164	162	157	154	180
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	99.1	107.0	106.3	125.8	147.2	125.8	110.7	109.08	119	119	115	114	110	111	113
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	126.8	129.4	123.8	127.6	140.6	139.0	127.3	126.01	132	133	132	134	138	134	153
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	253.7	265.0	243.9	256.0	262.5	266.9	272.1	256.07	279	277	267	265	265	258	277
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	125.6	129.5	124.0	125.0	144.2	142.3	133.8	127.63	135	135	131	134	135	131	147
Loin, Backribs 2.0#/up, FOB Plant, USDA	176.0	181.8	195.4	201.5	210.4	213.8	224.9	213.62	213	215	210	211	222	227	238
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	76.3	83.4	70.1	83.1	88.2	105.0	110.3	96.36	103	104	97	94	99	94	85
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	75.4	78.0	69.4	78.4	84.7	101.2	111.6	95.27	104	105	97	91	98	94	84
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	73.7	76.1	66.4	82.1	84.0	101.6	111.9	95.39	97	99	90	86	94	88	84
Belly Cutout, FOB Plant, USDA	100.4	94.0	80.0	79.3	95.9	180.9	192.6	217.17	181	180	140	130	128	125	141
Belly, Derind Belly 9-13#, FOB Plant, USDA	130.5	121.6	100.6	105.8	112.0	225.0	231.7	264.11	213	217	166	156	154	150	173
Belly, Derind Belly 13-17#, FOB Plant, USDA	114.9	110.3	95.7	93.5	110.6	215.9	232.3	259.56	212	214	163	153	151	150	159
Trim, 42% Trim Combo, FOB Plant, USDA	66.0	66.4	52.8	50.2	68.5	94.2	100.1	110.90	101	97	85	63	53	48	52
Trim, 72% Trim Combo, FOB Plant, USDA	91.2	90.2	73.7	63.8	90.3	117.9	127.4	115.27	100	99	90	84	81	80	92
Trim, Picnic Meat Combo Cushion Out, FOB Plant, USDA	92.5	102.3	94.8	97.1	111.1	123.5	126.0	121.19	109	112	106	107	104	99	96
Carcass Cutout, FOB Plant, USDA	82.3	83.7	78.1	82.6	92.7	111.9	112.6	114.24	105	106	96	93	91	88	89
HOG CARCASS															
CME 1-Day Lean Hog Index	75.6	78.2	72.1	77.3	87.9	101.6	103.6	105.86	100	100	87	83	78	76	79
BROILERS															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	121.7	130.0	140.2	139.9	134.7	118.9	115.9	110.89	114	113	110	109	112	116	122
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	123.0	136.5	131.3	136.4	132.7	116.3	115.5	120.37	127	124	120	120	116	116	122
N.E. BROILER BREAST LINE RUN, USDA	114.6	116.8	118.0	119.3	120.4	118.0	117.7	117.82	119	118	115	112	110	111	115
N.E. BROILER LEG QUARTERS, USDA	37.2	42.0	46.6	49.6	49.5	49.9	50.1	47.74	46	47	45	44	43	42	42
N.E. BROILER WINGS, USDA, WT.AVG.	110.3	108.2	102.3	89.0	88.7	101.4	104.2	109.41	111	110	115	120	127	132	135
TURKEYS															
HEN TURKEYS, EAST, FROZEN 10-12LBS, USDA	169.4	171.4	165.5	155.4	153.4	142.5	144.5	135.00	137	137	140	149	152	147	142
TOM TURKEYS, EAST, FROZEN 16-22LBS, USDA	169.2	169.4	168.5	151.6	148.6	140.2	139.8	135.00	137	137	140	149	152	147	142
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	538.8	344.0	320.0	313.0	274.8	268.8	268.0	268.00	265	265	265	270	270	275	277
LIVE STEERS															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	159.1	164.5	175.4	175.6	182.7	183.6	184.3	185.56	183	182	181	183	184	185	185
BEEF															
CHOICE, 112A, 3, USDA,RIBEYE, BONELESS, HEAVY, WT.AVG.	1006.1	1036.3	1025.0	950.4	1066.3	981.3	989.3	953.40	994	985	994	1121	1240	1123	960
CHOICE, 161, 1, USDA,ROUND, BONELESS, WT. AVG.	323.6	331.2	340.5	347.1	360.8	349.1	338.3	360.00	366	360	355	365	364	358	376
CHOICE, 168, 3, TOP INSIDE ROUND, 1/4" MAX, WT. AVG., USDA	270.3	278.6	298.6	304.9	325.7	304.9	304.5	309.08	313	310	305	315	310	305	307
CHOICE, 170, 1, BOTTOM GOOSENECK ROUND, WT. AVG., USDA	260.4	262.8	258.0	257.5	286.8	270.7	265.8	269.06	286	282	301	310	301	297	304
CHOICE, 180, 3, USDA,STRIP LOIN, BONELESS, 0X1, WT. AVG.	833.4	799.0	797.5	824.8	1020.5	887.1	888.6	827.50	811	800	736	700	681	687	668
CHOICE, 184, 3, USDA,TOP BUTT, BONELESS, WT. AVG.	393.6	406.9	447.4	505.4	525.7	475.8	463.3	459.75	479	470	447	419	405	417	397
CHOICE, 185A, 4, USDA,BOTTOM SIRLOIN, FLAP, WT. AVG.	687.4	708.8	769.8	865.0	1032.0	991.3	977.0	932.90	926	920	795	725	716	720	683
USDA,COARSE GROUND 73%, WT. AVG.	183.9	192.9	228.9	245.2	245.6	257.4	257.9	256.84	273	260	241	233	229	226	270
COARSE GROUND 81%, WT. AVG., USDA	222.3	222.0	265.3	283.6	270.7	274.2	279.6	278.24	288	282	275	270	266	258	306
USDA, 90% BONELESS BEEF, CENTRAL, FRESH, WT. AVG.	257.0	268.6	272.2	274.7	285.1	293.2	293.1	294.43	299	298	295	296	295	290	289
USDA, 50CL BEEF TRIM, FRESH, NATIONAL, WT. AVG.	116.6	134.6	173.8	191.6	189.2	171.8	160.2	157.70	148	145	126	120	132	123	146



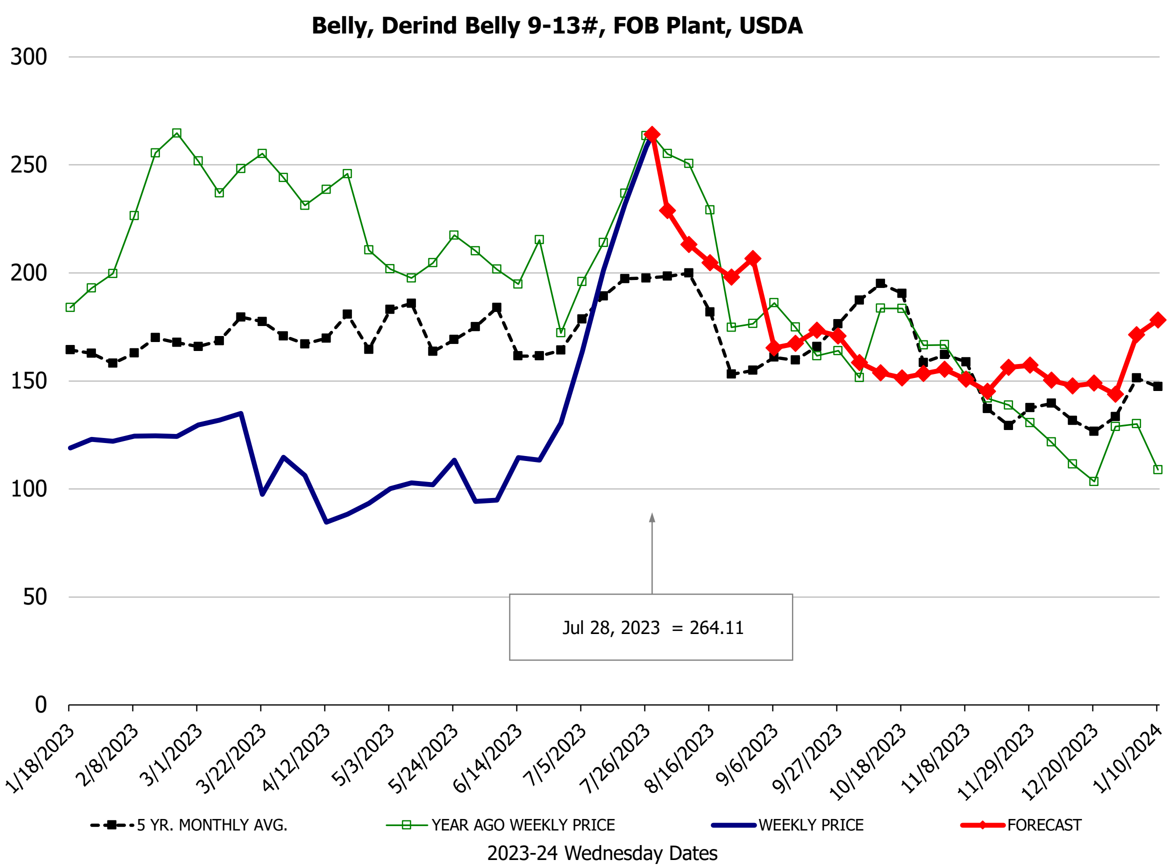
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA
$/cwt
170
150
130
110
90
70
50
Jul 28, 2023 = 121.22
1/18/2023
2/8/2023
3/1/2023
3/22/2023
4/12/2023
5/3/2023
5/24/2023
6/14/2023
7/5/2023
7/26/2023
8/16/2023
9/6/2023
9/27/2023
10/18/2023
11/8/2023
11/29/2023
12/20/2023
1/10/2024
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2023-24 Wednesday Dates



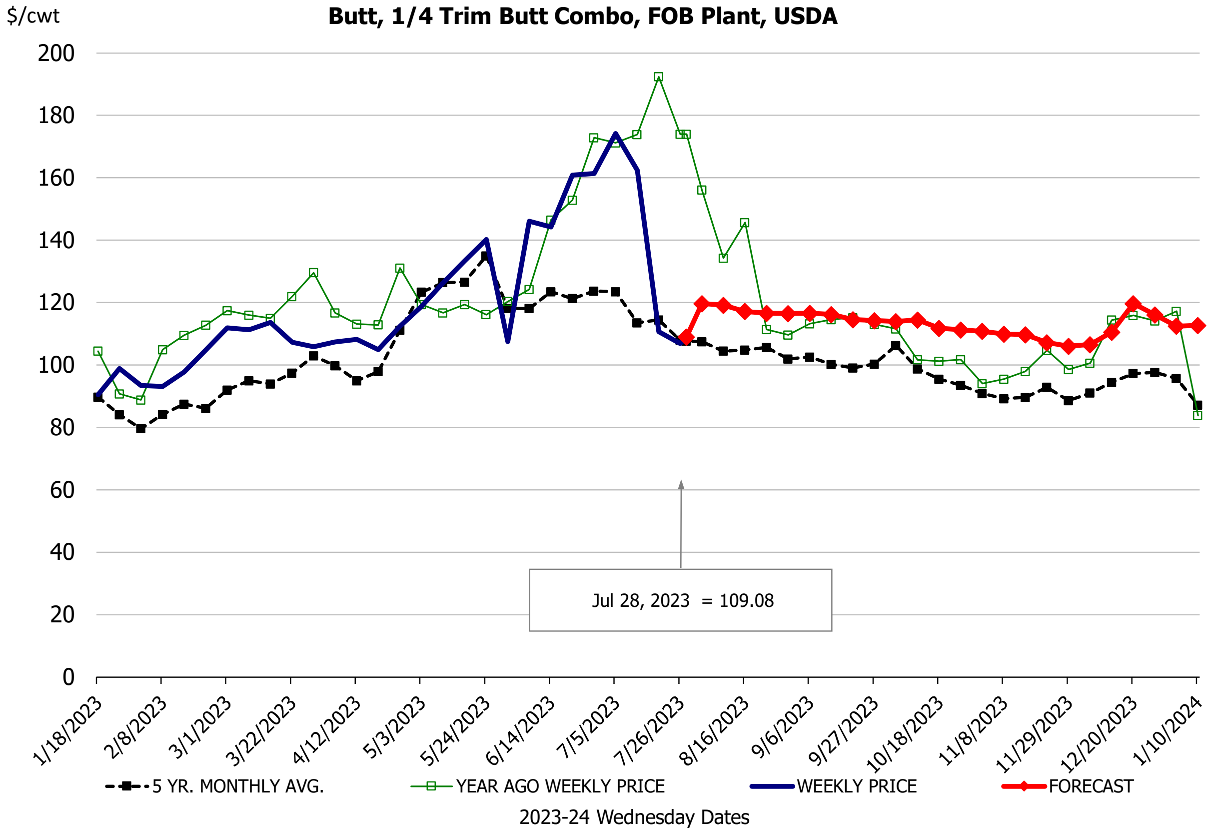
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA
$/cwt
250
230
210
190
170
150
130
110
90
70
50
Jul 28, 2023 = 126.01
1/18/2023
2/8/2023
3/1/2023
3/22/2023
4/12/2023
5/3/2023
5/24/2023
6/14/2023
7/5/2023
7/26/2023
8/16/2023
9/6/2023
9/27/2023
10/18/2023
11/8/2023
11/29/2023
12/20/2023
1/10/2024
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2023-24 Wednesday Dates

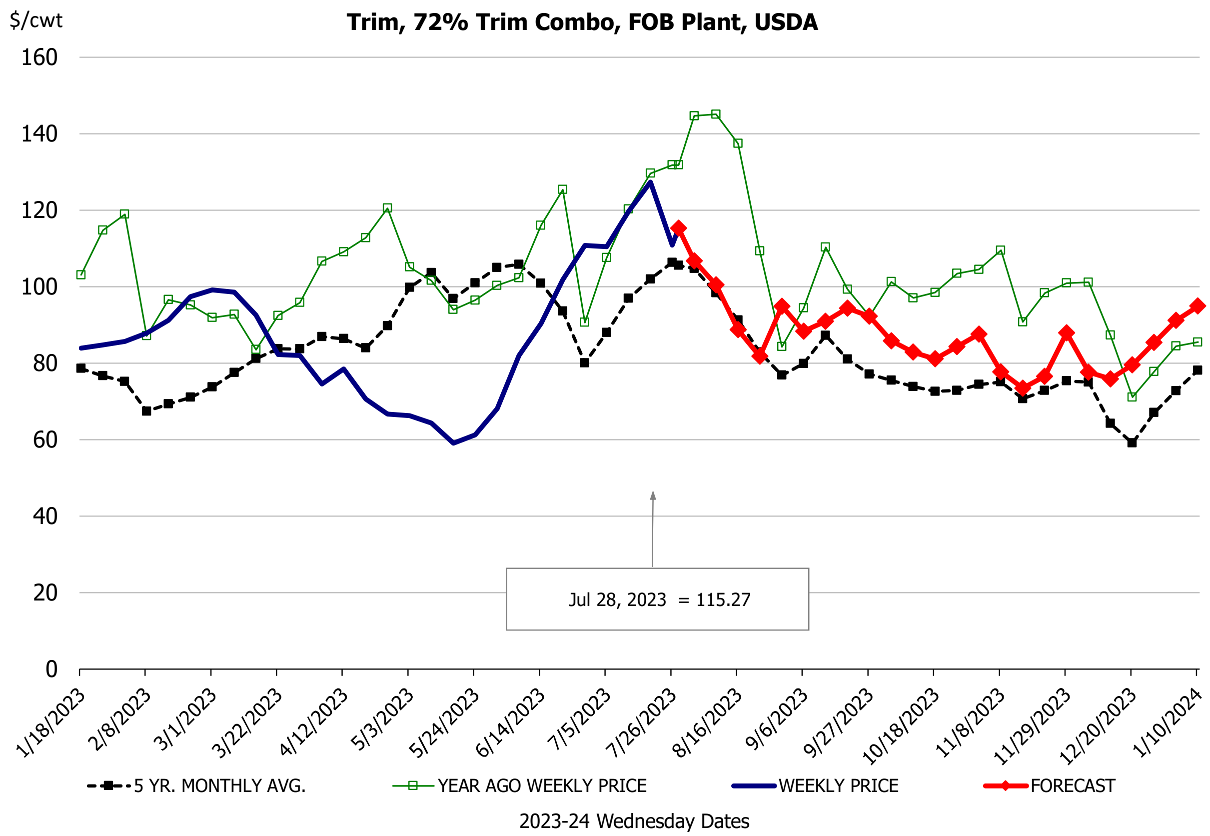


Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA
140
120
100
80
60
40
20
0
Jul 28, 2023 = 95.39
1/18/2023
2/8/2023
3/1/2023
3/22/2023
4/12/2023
5/3/2023
5/24/2023
6/14/2023
7/5/2023
7/26/2023
8/16/2023
9/6/2023
9/27/2023
10/18/2023
11/8/2023
11/29/2023
12/20/2023
1/10/2024
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2023-24 Wednesday Dates



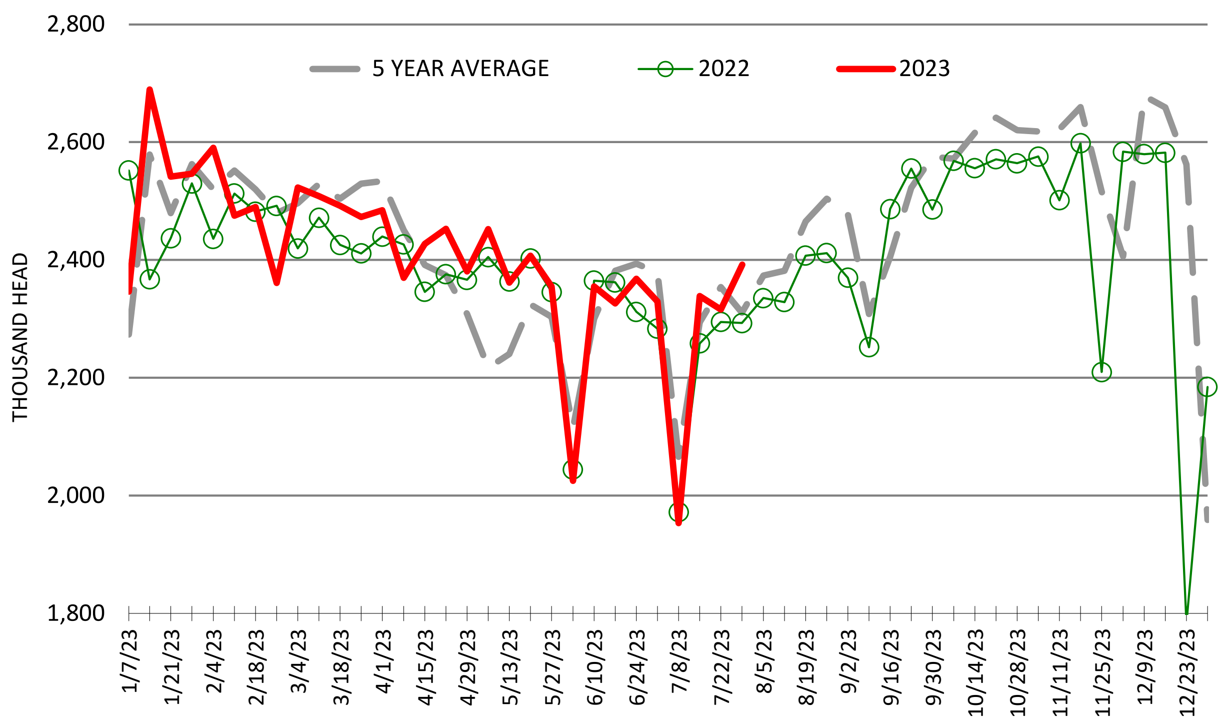
Belly, Derind Belly 9-13#, FOB Plant, USDA
300
250
200
150
100
50
0
Jul 28, 2023 = 264.11
1/18/2023
2/8/2023
3/1/2023
3/22/2023
4/12/2023
5/3/2023
5/24/2023
6/14/2023
7/5/2023
7/26/2023
8/16/2023
9/6/2023
9/27/2023
10/18/2023
11/8/2023
11/29/2023
12/20/2023
1/10/2024
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2023-24 Wednesday Dates


$/cwt
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA
Jul 28, 2023 = 109.08
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2023-24 Wednesday Dates


$/cwt
Trim, 72% Trim Combo, FOB Plant, USDA
Jul 28, 2023 = 115.27
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2023-24 Wednesday Dates

ESTIMATED WEEKLY FI HOG SLAUGHTER

Source: USDA, '000 head



ESTIMATED WEEKLY FI PORK PRODUCTION

Source: USDA, Mil. Pounds