



# Pork Merchandiser's Profit Maximizer

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August 14, 2023

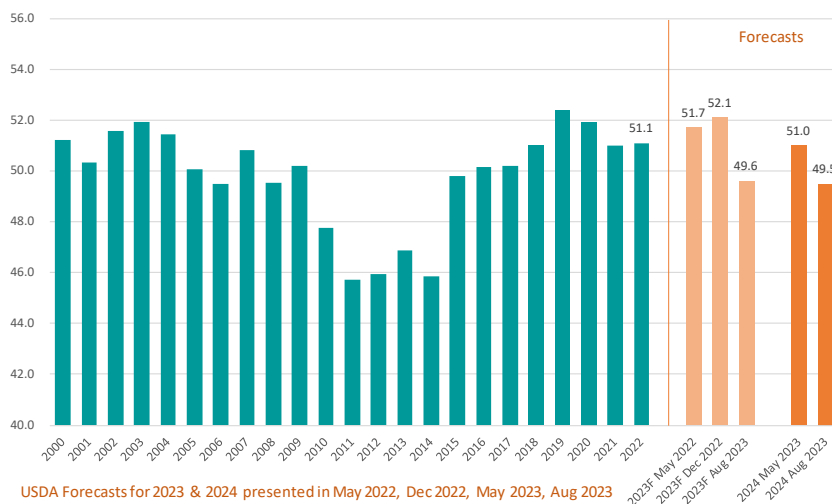
## **1. Lower Per Capita Availability Even As Pork Production Increases Y/Y**

USDA recently lowered its forecasts for pork production for 2023 by 107 million pounds or 0.4%. Current forecast is still for pork production this year to be up 268 million pounds or 1% vs. 2022. Higher slaughter has been offset by lower hog carcass weights so far. But **even as overall**

**pork production is up, supply in domestic channels on a per capita basis is forecast down 2.9% for 2023 and at similar levels in 2024** (see chart). USDA is currently forecasting pork exports for 2023 at 6.926 billion pounds, 581 million pounds (+9.2%) higher than a year ago. Lower imports have further reduced domestic availability, with pork imports in 2023 forecast at 1.080 billion pounds, 264 million pounds lower. The swing in

### **Per Capita Pork Consumption.** Retail Basis. Lb./pp

Source: USDA-WASDE. Analysis by Steiner Consulting



trade has meant 845 million fewer pounds available in the domestic market, far more than the increase in production. USDA currently expects marginal production gains for 2024. Production for 2024 is forecast to increase just 71 million pounds (+0.2% y/y). Yes the breeding herd may decline but USDA seems to be arguing that this will be offset by more pigs per litter and expectations for heavier weights for hogs coming to market. Per capita availability for 2023 and 2024 is currently expected to be at the lowest point in a decade.

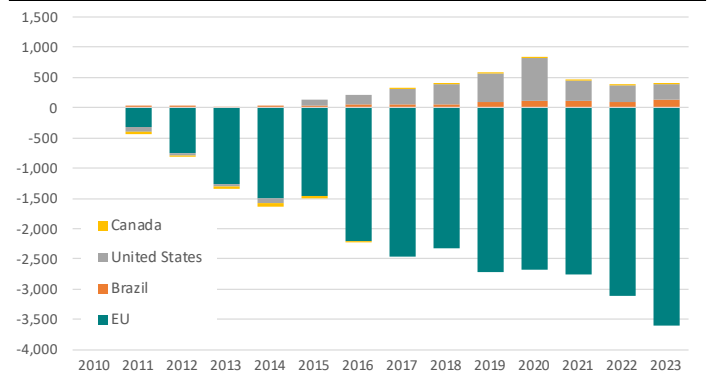
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## 2. Global Pork Supplies, Sow Inventories And Production Prospects

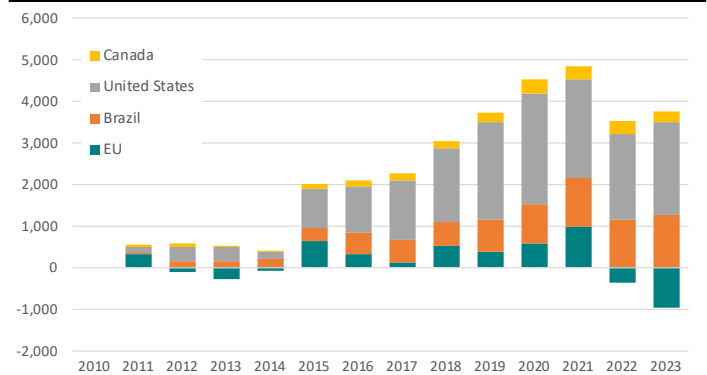
As we noted in the first section, the shift in global trade patterns, with exports up and imports down, have had a significant impact on the US domestic market. **The pork market is global in nature, with a quarter of all the pork produced in the US going to consumers outside US borders.** In addition to looking at what domestic suppliers are doing, it is important to consider what other major pork exporting countries are doing as well. We tried to figure out a way to illustrate the change in the sow inventory for the top four global pork suppliers and changes in supply (see charts). By far the biggest decline in the sow inventory has taken place in the EU. The block includes some of the biggest global pork producers: Germany, Denmark, Spain, France, Poland. The combined sow inventory in the EU at the start of 2023 was estimated at 10.4 million head, 3.6 million head (-26%) lower than the inventory level more than a decade ago (2010). However, pork production in the EU during this period declined from around 22.6 million MT to an estimated 21.6 million MT for 2023, a 4% reduction. Furthermore, because of shifts in domestic consumption and global demand, EU in 2022 exported 4.1 million MT of pork vs. 1.6 million MT in 2010. Exports for 2023 are expected to drop to 3.7 million MT, but that is still over 2 million MT (+124%) higher than in 2010. Productivity gains have been even more pronounced in countries like Brazil. The sow inventory in Brazil on January 1, 2023 was estimated at a little over 3 million head, a 4% gain compared to 2010 levels. Pork production during this period increased by 1.27 million MT, a 40% increase, implying a productivity gain of about 36% in the past decade. Last year Brazil exported about 1.3 million MT of pork, compared to 600k MT in 2010. Current forecasts are for exports in 2023 to hit 1.5 million MT. Brazil has been successfully competing with US pork producers in South America, Caribbean and even Mexico. That competition will only heat up as Brazilian feed production expands.

The US sow inventory is expected to be lower by the end of the year, maybe as much as 150k

**Change in Sow Breeding Stock Since 2010.** Top 4 Global Pork Exporting Countries/Regions  
Data source: USDA-FAS. '000 Head. Analysis by Steiner Consulting



**Change in Pork Production Since 2010.** Top 4 Global Pork Exporting Countries/Regions  
Data source: USDA-FAS. '000 Metric Ton. Analysis by Steiner Consulting



head. Since the first week of May, sow slaughter has been about 67k head higher than the same period last year (+9%). Some of this increase is due to announced sow farm closures. But when we look at regional numbers, sow slaughter increases have been broadly distributed. And as we have noted previously, the sow herd will decline both due to more culling as well lower gilt retention. However, keep in mind the implications of productivity gains. In 2019 and 2020 US, Canada, Brazil and even EU ramped up production to fill the supply hole created by ASF in China. Now that Chinese supply has recovered, major exporters are looking to balance the decline in Chinese demand with the increase in productivity. This means fewer sows needed, with increasing pressure on inefficient producers.

## PORK

**Hog Market. For the week ending August 12 hog slaughter was 2.354 million head, up 1.1% from a year ago. In the last two weeks hog slaughter is up 0.6% vs. year ago levels.**

**Iowa/Minnesota, Base Negotiated Purchase for Barrows and Gilts.** Lean hog carcass values at about 102.70 /cwt. on Friday were down \$3.2/cwt since Wed. August 2. Prices are down about 19.2 \$/cwt compared to year ago values.

**Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA** (page 8). Prices finished last week at \$1.1643, down about 0.9 cent since the Wed. August 2 quote and down about 10 cents from year ago levels.

**Bnls. Strap on Pork Loins.** Prices finished the week at \$1.5761 for the strap on loins, up 2.4 cent since Wed. August 2 and up 2 cent from the year ago levels. Strap off loins at \$1.6897 are down 8.7 cent since Wed. August 2 and down about 12 cent compared to the year ago quote.

**Boneless sirloins** at \$1.2973 were down about 2 cents from the Wed. August 2 quote and down about 10.6 cents from the year ago price.

**Pork tenderloin** finished last week at \$1.5689, down 2 cent since the Wed. August 2 quote and down about 40.5 cents from the year ago price.

**1/4 Trim Pork Butts** (page 10), prices finished the week at \$1.0812, down 0.2 cents since Wed. August 2. Prices are down 30 cent from a year ago.

**Spareribs, Trimmed - LGT, Vac** (page 8). Prices finished the week at \$1.2453, up about 0 cent since Wed. August 2 but down about 28 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 \$1.0332/lb. down 7 cents since Wed. August 2 and down about 11 cents from a year ago.

20/23 hams finished the week at 102.91 cents (page 130) up about 7 cent since Wed. August 2 but down about 10 cents from the year ago level.

23/27 hams finished the week at 100.38 , up about 4 cent from the Wed. August 2 quote but down about 9 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 106.24 cents, down about 4.9 cent since Wed. August 2 and down about 30 cents from the year ago price.

**72 CL Pork Trim** "FOB Basis". Prices finished the week at 111.01 cents, up 0.7 cents since the Wed. August 2 quote but down about 34 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 **21** cents compared to **32** cent average in the previous six months.

## POULTRY

### **Whole Broilers**

The National Whole Bird price was quoted at 109.52 on Friday, July 29, down about 23 cents from a year ago.

Broiler slaughter for the week ending August 12 was 166.27 million head, down 3.04% from a year ago. For the last two weeks broiler slaughter was down 1.8% vs. a year ago.

**Breasts.** Prices on boneless skinless breasts finished the week at \$1.2981, up 5 cents since Wed. August 2 but still down about 97 cents from year ago levels.

**Leg Quarters.** Last week leg quarter prices at 41.67 cents per pound prices were down about 3.00 cents vs. two weeks ago and were down 19 cent from a year ago.

Wings. Prices at \$1.1891 are down about 12 cents from year ago levels.

## **Turkeys**

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

**Hens** finished last week at \$1.2333, down cent since Wed. August 2 and down about 34 cents from the year ago price.

**Toms** finished last week at \$1.2540, down since Wed. August 2 but down about 34 cent 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 4.1110 million head for the week ending August 5, up 10.90% from a year ago. For the last two weeks slaughter has been up 11.32%.

**Boneless Turkey Breast Meat.** Boneless skinless turkey breast meat prices finished last week at \$2.6000, down since Wed. August 2. Prices are down about 405 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 \$10.0782 (weighted average quote) finished last week up about 65 cents since the Wed. August 2 quote and up about 95 cents vs. the year ago price.

**Select 112A Heavy Lip On Rib Eyes** at \$7.7121 (weighted average quote) finished last week up about 31 cents since the Wed. August 2

quote but up about 111 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$2.3661 /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 \$2.9601 for 90CL and \$1.3923 for 50CL product, an 81CL meat block value is now \$2.6073 and a 78CL meat block is \$2.4898. Choice 114, 3 Clods are now being priced 45.58 cents over 81CL meat block grinding values of 90s and 50s. A year ago the spread was 39.27 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. August 2 and up about 82 cents from year ago levels.

**Choice regular #168 insides** finished last week quoted at \$3.1309 up about 22 cents since Wed. August 2 and up about 31 cents from the year ago price.

**Choice ¼ inch trimmed #168 insides** finished last week quoted at \$3.1979 up about 12 cent since Wed. August 2 and up about 42 cents from year ago levels.

**Choice #170 Gooseneck Rounds** finished last week at \$2.8301 down about 2 cents since Wed. August 2 but up about 3 cents from the year ago levels.

**Choice #180 (0x1) Bnls. Strip Loins** finished last week quoted at \$8.0465 (wt. avg.) down about 0 cents from the Wed. August 2 quote. Prices are down 49 cents from year ago levels.

**Choice #184 Regular Heavy top butts** finished at \$4.7334 (wt. avg.) up about 22 cents since Wed. August 2 and up about 102 cent from year ago levels.

**Choice #184 ¼ inch trimmed Top Butts** finished at \$4.6848 (wt. avg.) up about 13 cents since Wed. August 2 and up about 104 cents from the year ago levels.

**Choice #185A Flap Meat** prices finished Friday at \$8.5523 (wt. avg.) down about 74 cents since Wed. August 2 but up about 55 cents from year ago values.

**COARSE GROUND BEEF –**

**73CL Coarse Ground** product finished last week at **\$2.4791 down** about one cents since Wed. August 2 but up about 75 cents from year ago levels.

**81CL Coarse Ground** product finished last week at \$2.7920 down about 5 cent since Wed. **August 2 but up** about **40** cents from the year ago quote.

**90CL Bnls. Beef** prices finished the week at **\$2.9601** (wt. avg.) **up 3.44** cent since Wed. August 2 and up 31 cents compared to the year ago price quote. **50 CL Beef Trim** prices finished last week at \$1.3923, down about 19 cent since Wed. August 2 but up 37 cents compared to year ago levels.