Pork Merchandiser's **Profit Maximizer**

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

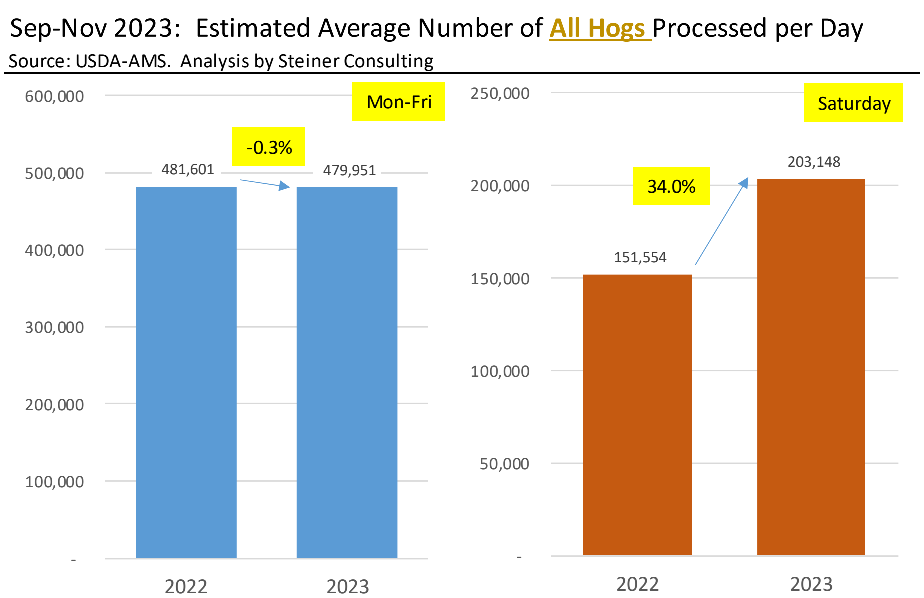
December 18, 2023

The staff of Steiner Consulting Group wishes you and your family:

A Happy Hanukkah, A Merry Christmas and A Healthy and Prosperous New Year!!!

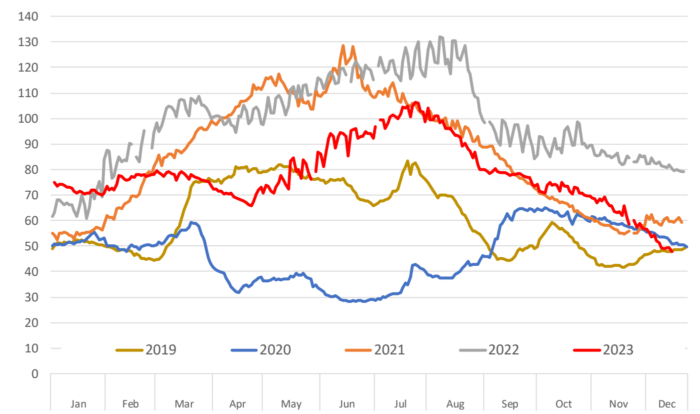
1. Slaughter remains above September 'Hogs and Pigs' indication. Will that continue in Q1?

In a few days (December 22), USDA will offer another update on the supply of pigs in the supply chain and the size of the breeding herd. It is a foregone conclusion that, based on the number of hogs that have come to market so far, USDA will go back and make some revisions to its estimates of the pig crop in the spring. We don't have the official slaughter statistics for November yet but can make a close estimate based on daily/weekly slaughter reported so far. According to our estimates, hog slaughter during the Sep-Nov quarter was 32.880 million head, about 565k head (+1.7%) higher than a year ago. The September 'Hogs and Pigs' report pegged the pig crop for Mar-May up 1% y/y.

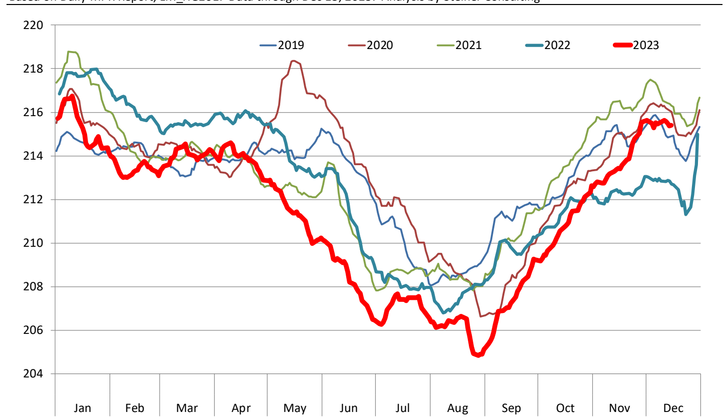


In the past there has been speculation that hog slaughter may be up due to producers pulling hogs forward, that is not the case this time around. The average weight of producer owned barrows and gilts is currently running 1.3% above year ago levels. And weights have been higher than in 2022 since mid-October. There are simply more hogs on the ground than expected. To get hogs processed, producers have had to push harder to get packers to run more shifts on weekends. To make this happen, however, producers have had to compete more aggressively, resulting in sharply lower prices for hogs in the negotiated market. The price of hogs in the negotiated (cash) market has declined from around $75cwt in mid-October to $48/cwt, currently. The $27/cwt (-36%) decline in cash hog prices is far bigger than the decline in the value of wholesale pork index (cutout). During this period, the pork cutout declined from $91/cwt to $84/cwt, a $7/cwt (-7.5%) decline. The difference implies an improvement in packer margins although it is important to note that the cash price is no longer the benchmark that it used to be. More and more producers are currently pricing hogs on some combination of wholesale and negotiated hog prices. Still, the drop in cash hog values has dragged lower the price producers were paid this fall, pushing them further into the red.

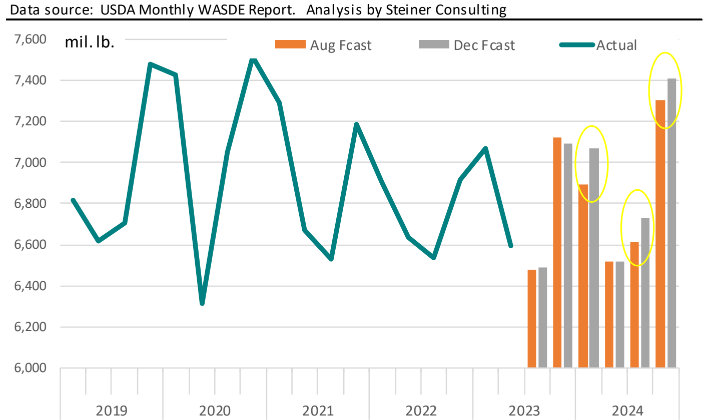
Daily Cash Hog Prices. National Price. Negotiated. $/cwt
Source: USDA-AMS (LM_HG200). Analysis by Steiner Consulting



Barrow/Gilt Dressed Carcass Weights, 5-day Moving Avg. - Producer Hogs
Based on Daily MPR Report, LM_HG201. Data through Dec 15, 2023. Analysis by Steiner Consulting



Quarterly **Pork Production** + USDA Forecasts Presented in August and December
Data source: USDA Monthly WASDE Report. Analysis by Steiner Consulting

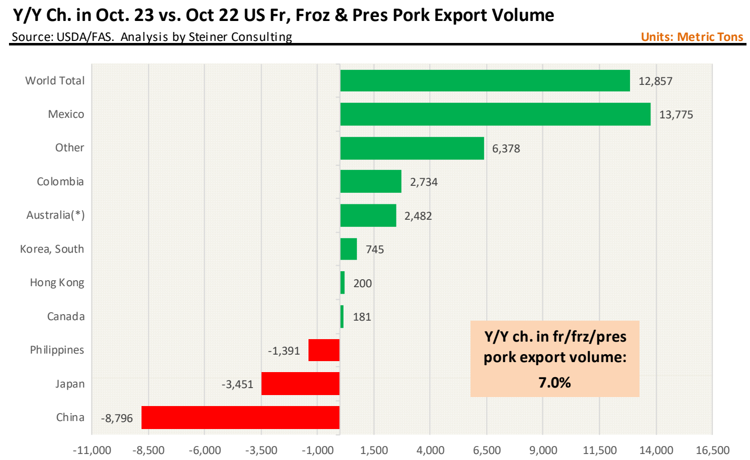


What will winter/spring supplies look like?

The September survey pegged the pig crop for Dec-Feb up just 0.4% from the same period a year ago. Furthermore, the USDA survey indicated that producers intended to farrow 5.2% fewer pigs during Sep-Nov. Even with big increases in the number of pigs per litter, the farrowing intentions would suggest lower hog slaughter during Mar-May. It will be interesting to see what changes, if any, USDA will report in the December survey results. Already USDA has made notable revisions to their production estimates for 2024. Back in August, before the release of the September survey, USDA was estimating pork production for all of 2024 at 27.335 billion pounds (dressed wt), 339 million pounds (+1.3%) higher than the previous year. In the December update (prior to the Dec survey release), USDA had the 2024 pork production forecast at 27.730 billion pounds, 734 million pounds (+2.7%) higher than in 2023 and 1.4% higher than the forecast made just a few months ago. As the chart to the right illustrates, the biggest supply revisions were to Q1, Q3 and Q4 of 2024. We are somewhat more skeptical about the supply outlook for the second half of 2023 for two reasons: a) we think that ongoing losses will eventually impact the size of the breeding herd, especially in the next six months. b) we think that the number of pigs saved per litter will not continue to increase at +3% and will return to its growth trend. For now it appears that the supply will be adequate through winter and early spring. But in our view market does have more upside price risk for late spring and summer, especially if end users are complacent and delay normal inventory building.

2. Mexico continues to lead export pack

In our last export update about a month ago, we thought October exports would be up about 2% y/y. Instead, the actual figures released yesterday put pork exports for October at 196,364 MT, 7% higher than a year ago. Continued export growth to Mexico was largely responsible for the increase. Shipments of fresh, frozen and cooked pork to Mexico in October were 86,750 MT, 13,775 MT (+18.9%) higher than a year ago. Mexico has accounted for about 40% of total pork exports so far this year and in October the share was 44.2%. If we also add the market share of Canada, then total North America exports accounted for 52% of all US pork export shipments in October. Very strong exports to a few smaller markets also contributed to the y/y increase. Shipments to Australia were almost double last year's levels and shipments to Colombia at 10,282 MT were 36% higher than last year. Exports to Asian markets, however, did not perform as well. Shipments to Japan were 23,740 MT, down 12.7% and shipments to China at 10,627 MT were down 45% y/y. It's quite telling that currently Colombia is as big a market for US pork as China. In a future update we'll focus more on increasing competition from Brazil and how that may affect US exports to markets in the Americas. Recently Mexico suspended pork imports from Brazil, which should help support US pork sales there but longer term Brazil will be a more significant competitor as its growth is export driven. Based on weekly shipments and adjusting for supply not being reported to USDA, we would expect November pork exports to be 6% higher than in 2022.



PORK

Hog Market. For the week ending December 16 hog slaughter was 2.689 million head, up 4.2% from a year ago. In the last two weeks hog slaughter is up 3.9% vs. year ago levels.

Iowa/Minnesota, Base Negotiated Purchase for Barrows and Gilts. Lean hog carcass values at about 67.13 /cwt. on Friday were down $2.0/cwt since Wed. December 6. 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 $0.9898, down about 1.7 cents since the Wed. December 6 quote and down about 3 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at $1.4761 for the strap on loins, up 5.7 cents since Wed. December 6 and up 24 cents from the year ago levels. Strap off loins at $1.6227 are up one cents since Wed. December 6 and up about 25 cents compared to the year ago quote.

Boneless sirloins at $1.1969 were down about 4 cent from the Wed. December 6 quote and down about 6.4 cents from the year ago price.

Pork tenderloin finished last week at $1.4512, up 11 cents since the Wed. December 6 quote and up about 4.1 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at $1.2342, up 5.2 cents since Wed. December 6. Prices are down 3 cents from a year ago.

Spareribs, Trimmed - LGT, Vac (page 8). Prices finished the week at $1.3294, up about 4 cents since Wed. December 6 and up about 8 cents from year ago levels.

Rib inventories on October 30 were 70.4 million pounds, down 36.4% from a year ago.

Bone-in Hams

17/20 hams (page 9) price was last quoted at $0.8555/lb. down 1 cent since Wed. December 6 and down about 3 cents from a year ago.

20/23 hams finished the week at 81.02 cents (page 130) down about 6 cent since Wed. December 6 and down about 7 cent from the year ago level.

23/27 hams finished the week at 79.28 , down about 7 cents from the Wed. December 6 quote and down about 7 cents from the year ago level.

Total ham cold storage stocks on October 30 at 113.5 million pounds were down 6.7% from year ago levels.

42 CL Pork Trim "FOB Basis". Prices finished the week at 47.08 cents, up about 1.9 cents since Wed. December 6 but down about 9 cents from the year ago price.

72 CL Pork Trim "FOB Basis". Prices finished the week at 73.80 cents, down 2.2 cents since the Wed. December 6 quote and down about 14 cents from the year ago levels.

Freezer stocks of all trimmings on October 30 were 37.8 million pounds, down 1.7% from the year ago levels.

72 CL Picnic Meat "FOB Basis". The premium of picnic meat to 72CL trim is currently at **38** cents compared to **32** cents average in the previous six months.

POULTRY

Whole Broilers

The National Whole Bird price was quoted at 127.98 on Friday, December 15, down about 2 cents from a year ago.

Broiler slaughter for the week ending December 9 was 170.07 million head, down 1.24% from a year ago. For the last two weeks broiler slaughter was down 2.3% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at $0.9737, up 0 cents since Wed. December 6 and up about 2 cents from year ago levels.

Leg Quarters. Last week leg quarter prices at 41.09 cents per pound prices were down about 0.41 cents vs. two weeks ago but were up 5 cents from a year ago.

Wings. Prices at $1.5686 are up about 67 cents from year ago levels.

Turkeys

The prices below reflect weekly quoted USDA prices.

Hens finished last week at $0.8024, down 16.0 cent since Wed. December 6 and down about 95 cents from the year ago price.

Toms finished last week at $0.8004, down since Wed. December 6 and down about 91 cents from the year ago price.

Total turkey supplies in the freezer on October 30 were up 12.7% from a year ago at 421.231 million pounds. Whole birds were down 1.7% from a year ago with an inventory of 148.3 million pounds.

Turkey slaughter was 3.9480 million head for the week ending December 9, down -3.92% from a year ago. For the last two weeks slaughter has been down 2.54%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at $2.6000, unchanged since Wed. December 6. Prices are down about 410 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 $13.1438 (weighted average quote) finished last week down about 21 cents since the Wed. December 6 quote but up about 116 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at $10.3253 (weighted average quote) finished last week up about 14 cents since the Wed. December 6 quote and up about 172 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are $2.8185 /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 $2.4964 for 90CL and $0.5386 for 50CL product, an 81CL meat block value is now $2.0559 and a 78CL meat block is $1.9091. Choice 114, 3 Clods are now being priced 90.56 cents over 81CL meat block grinding values of 90s and 50s. A year ago the spread was 41.96 cents and the five year average spread for is 51.12 cents over.

Choice #161 Boneless Rounds finished last week at $**3.1767**, **down** about 58 cent since **Wed.** December 6 but up about 11 cents from year ago levels.

Choice regular #168 insides finished last week quoted at $2.4278 down about 12 cents since Wed. December 6 but up about 4 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at $2.4309 down about 2 cents since Wed. December 6 and up about one cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at $2.4801 down about 16 cents since Wed. December 6 but up about 4 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at $7.4985 (wt. avg.) down about 9 cents from the Wed. December 6 quote. Prices are up 170 cents from year ago levels.

Choice #184 Regular Heavy top butts finished at $3.9273 (wt. avg.) **up** about 37 cents since Wed. December 6 and **up** about **31** cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at $3.9326 (wt. avg.) up about 12 cents since Wed. December 6 and up about 42 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at $6.1067 (wt. avg.) down about 33 cents since Wed. December 6 but up about 69 cents from year ago values.

COARSE GROUND BEEF –

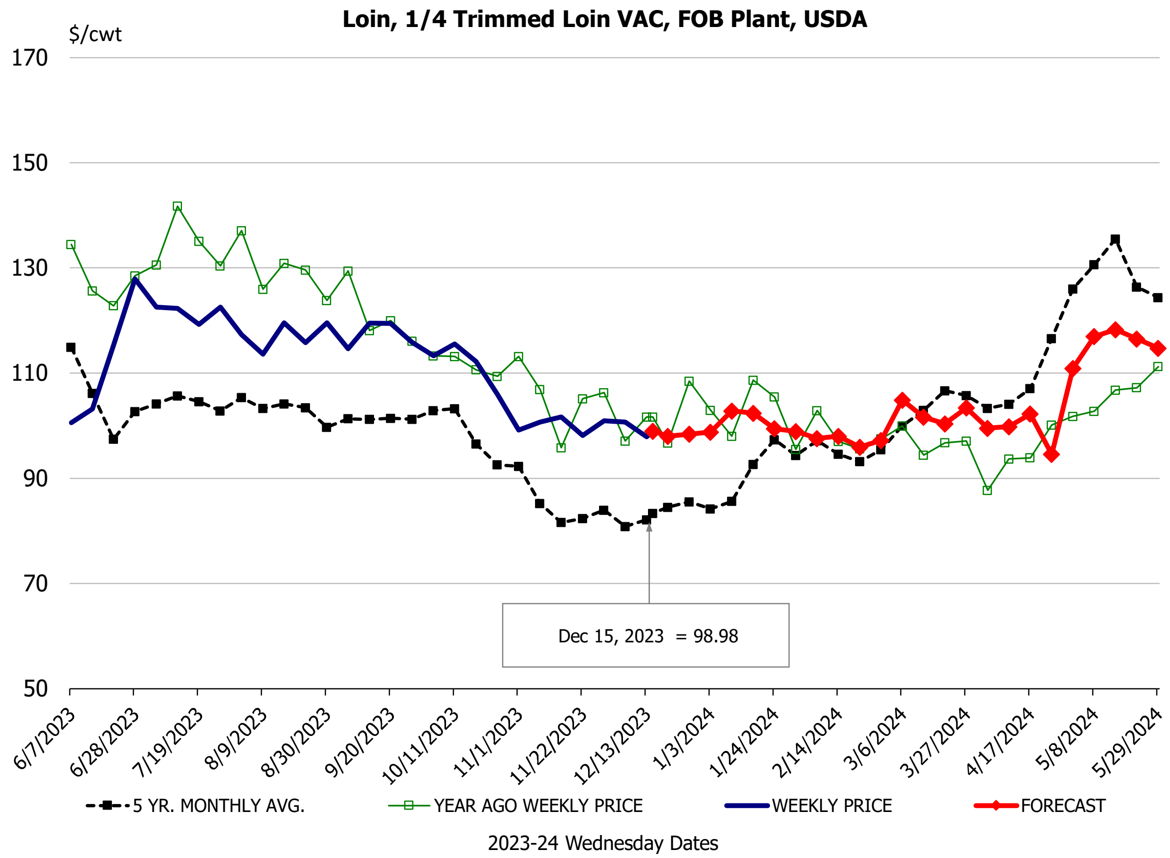
73CL Coarse Ground product finished last week at $**1.7501 down** about 10 cents since Wed. December 6 but up about 30 cents from year ago levels.

81CL Coarse Ground product finished last week at $2.0150 down about 19 cents since Wed. **December 6 but up** about **0** cents from the year ago quote.

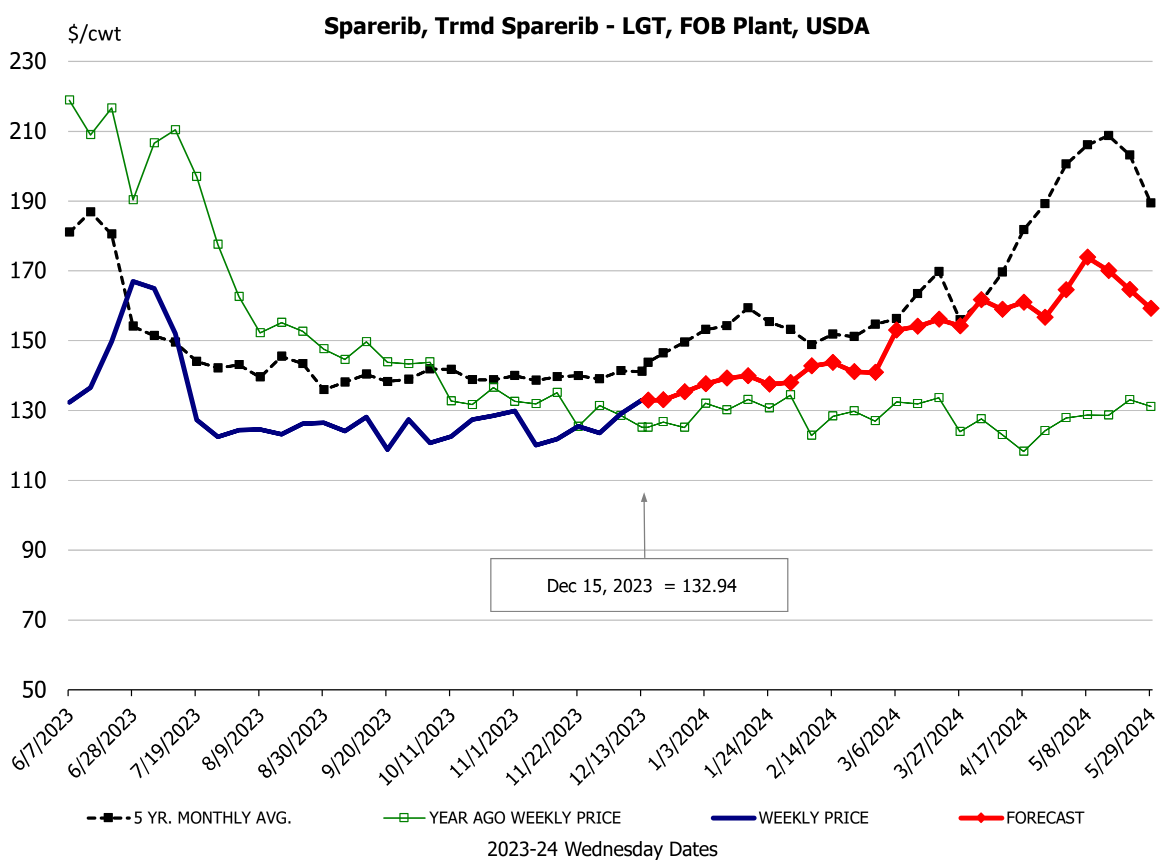
90CL Bnls. Beef prices finished the week at $**2.4964** (wt. avg.) **down 15.60** cents since Wed. December 6 but up 9 cents compared to the year ago price quote. **50 CL Beef Trim** prices finished last week at $0.5386, down about 2 cents since Wed. December 6 and down 39 cents compared to year ago levels.

Protein Summary Table - WT. AVE.

	HISTORY								FORECAST						
	Jun	Jul	Aug	Sep	Oct	Nov	12/6/2023	12/15/2023	12/27/2023	Dec	Jan	Feb	Mar	Apr	May
PORK															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	109.6	121.1	117.6	117.2	110.3	101.2	100.7	98.98	98	102	100	97	102	101	113
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	113.5	127.4	123.7	120.9	117.5	109.1	107.5	107.71	106	107	104	100	105	105	115
Loin, Bnls CC Strap-off, FOB Plant, USDA	159.0	173.6	171.4	180.2	176.8	162.0	161.4	162.27	166	162	168	161	164	170	172
Loin, Tenderloin, FOB Plant, USDA	156.6	158.1	150.1	146.3	137.7	124.4	134.2	145.12	149	140	155	162	164	166	170
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	147.2	125.1	110.5	129.9	115.7	107.1	108.4	111.51	108	105	103	96	104	114	130
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	140.6	138.5	125.1	126.9	125.0	125.9	129.0	132.94	135	131	138	143	153	161	168
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	262.5	267.7	255.3	252.3	257.8	242.3	239.4	281.78	243	236	248	259	273	281	289
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	144.2	141.2	121.7	121.5	119.2	118.7	124.1	134.14	132	129	136	141	151	159	166
Loin, Backribs 2.0#/up, FOB Plant, USDA	210.4	213.7	194.8	192.7	191.5	185.2	189.8	185.15	186	185	187	196	220	245	246
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	88.2	105.0	94.4	92.9	85.7	86.6	86.3	85.55	82	84	81	82	84	81	86
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	84.7	101.0	93.2	88.9	83.1	84.9	86.7	81.02	79	83	77	79	81	78	83
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	84.0	101.5	90.7	89.6	82.8	84.0	85.9	79.28	75	81	75	76	77	75	80
Belly Cutout, FOB Plant, USDA	95.9	183.4	185.7	131.5	113.5	102.2	85.2	95.76	103	93	115	124	118	119	114
Belly, Derind Belly 9-13#, FOB Plant, USDA	112.0	225.4	184.9	154.3	140.6	128.4	133.3	125.04	128	118	141	152	145	146	140
Belly, Derind Belly 13-17#, FOB Plant, USDA	110.6	215.9	195.9	158.4	136.8	118.9	102.9	114.96	121	110	136	147	140	143	131
Trim, 42% Trim Combo, FOB Plant, USDA	68.5	95.8	81.6	69.0	55.5	47.7	45.2	47.08	44	44	45	49	59	71	75
Trim, 72% Trim Combo, FOB Plant, USDA	90.3	117.9	99.0	98.1	76.7	74.6	76.0	73.80	77	74	81	78	80	94	98
Trim, Picnic Meat Combo Cushion Out, FOB Plant, USDA	111.1	123.4	112.1	111.7	95.3	87.3	89.7	90.36	89	91	92	88	93	107	112
Carcass Cutout, FOB Plant, USDA	92.7	112.2	105.9	98.3	90.4	86.7	83.2	84.33	82	83	82	83	84	86	89
HOG CARCASS															
CME 1-Day Lean Hog Index	87.9	102.0	99.3	86.4	80.7	75.5	69.1	67.13	68	68	70	73	76	78	85
BROILERS															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	134.7	118.9	112.4	119.5	119.6	121.7	127.7	127.98	127	127	125	125	127	131	139
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	132.7	116.3	140.3	165.3	145.3	109.2	96.9	97.37	97	100	112	123	137	151	170
N.E. BROILER BREAST LINE RUN, USDA	120.4	118.0	117.9	116.6	105.2	101.0	101.4	101.26	98	101	105	111	120	128	140
N.E. BROILER LEG QUARTERS, USDA	49.5	49.6	42.8	41.3	41.1	41.1	41.5	41.09	41	41	42	43	45	46	47
N.E. BROILER WINGS, USDA, WT.AVG.	88.7	101.4	123.6	153.9	168.2	160.7	158.2	156.86	150	157	165	170	164	160	155
TURKEYS															
HEN TURKEYS, EAST, FROZEN 10-12LBS, USDA	153.4	142.5	128.2	125.7	115.4	98.4	96.7	80.24	90	89	100	110	115	121	125
TOM TURKEYS, EAST, FROZEN 16-22LBS, USDA	148.6	140.2	128.8	126.0	114.7	97.0	96.0	80.04	90	89	100	110	115	121	125
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	274.8	268.8	260.6	260.0	260.0	260.0	260.0	260.00	268	260	260	265	265	270	270
LIVE STEERS															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	182.7	183.6	185.2	183.9	184.0	180.5	174.1	168.11	169	170	171	173	174	177	176
BEEF															
CHOICE, 112A, 3, USDA,RIBEYE, BONELESS, HEAVY, WT.AVG.	1066.3	981.4	1045.6	1150.3	1087.4	1197.5	1334.9	1314.38	1131	1240	1020	997	1061	1073	1108
CHOICE, 161, 1, USDA,ROUND, BONELESS, WT. AVG.	360.8	349.1	350.0	370.2	381.1	378.1	376.0	317.67	336	320	347	346	352	352	350
CHOICE, 168, 3, TOP INSIDE ROUND, 1/4" MAX, WT. AVG., USDA	325.7	305.1	331.5	358.3	351.7	303.9	244.8	243.09	272	248	285	297	295	306	314
CHOICE, 170, 1, BOTTOM GOOSENECK ROUND, WT. AVG., USDA	286.8	270.7	294.2	340.9	338.7	276.3	264.0	248.01	279	254	282	290	271	270	277
CHOICE, 180, 3, USDA,STRIP LOIN, BONELESS, 0X1, WT. AVG.	1020.5	886.9	750.2	634.4	649.0	730.8	759.3	749.85	753	753	737	750	824	902	976
CHOICE, 184, 3, USDA,TOP BUTT, BONELESS, WT. AVG.	525.7	475.3	466.6	421.7	390.6	385.7	381.6	393.26	400	394	395	414	442	477	506
CHOICE, 185A, 4, USDA,BOTTOM SIRLOIN, FLAP, WT. AVG.	1032.0	991.3	768.5	644.2	623.0	625.6	644.0	610.67	619	610	624	653	716	822	888
USDA,COARSE GROUND 73%, WT. AVG.	245.6	257.6	255.4	251.4	226.6	201.1	184.7	175.01	209	185	210	199	204	231	249
COARSE GROUND 81%, WT. AVG., USDA	270.7	274.3	281.8	274.1	258.5	247.4	220.9	201.50	232	205	240	236	244	268	299
USDA, 90% BONELESS BEEF, CENTRAL, FRESH, WT. AVG.	285.1	293.2	300.0	306.3	289.2	276.8	265.2	249.64	262	258	269	285	292	309	314
USDA, 50CL BEEF TRIM, FRESH, NATIONAL, WT. AVG.	189.2	171.8	144.1	126.9	87.3	64.6	55.4	53.86	79	62	87	92	112	145	177



Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA
$/cwt
170
150
130
110
90
70
50
Dec 15, 2023 = 98.98
6/7/2023
6/28/2023
7/19/2023
8/9/2023
8/30/2023
9/20/2023
10/11/2023
11/1/2023
11/22/2023
12/13/2023
1/3/2024
1/24/2024
2/14/2024
3/6/2024
3/27/2024
4/17/2024
5/8/2024
5/29/2024
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2023-24 Wednesday Dates



Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA
$/cwt
230
210
190
170
150
130
110
90
70
50
Dec 15, 2023 = 132.94
6/7/2023
6/28/2023
7/19/2023
8/9/2023
8/30/2023
9/20/2023
10/11/2023
11/1/2023
11/22/2023
12/13/2023
1/3/2024
1/24/2024
2/14/2024
3/6/2024
3/27/2024
4/17/2024
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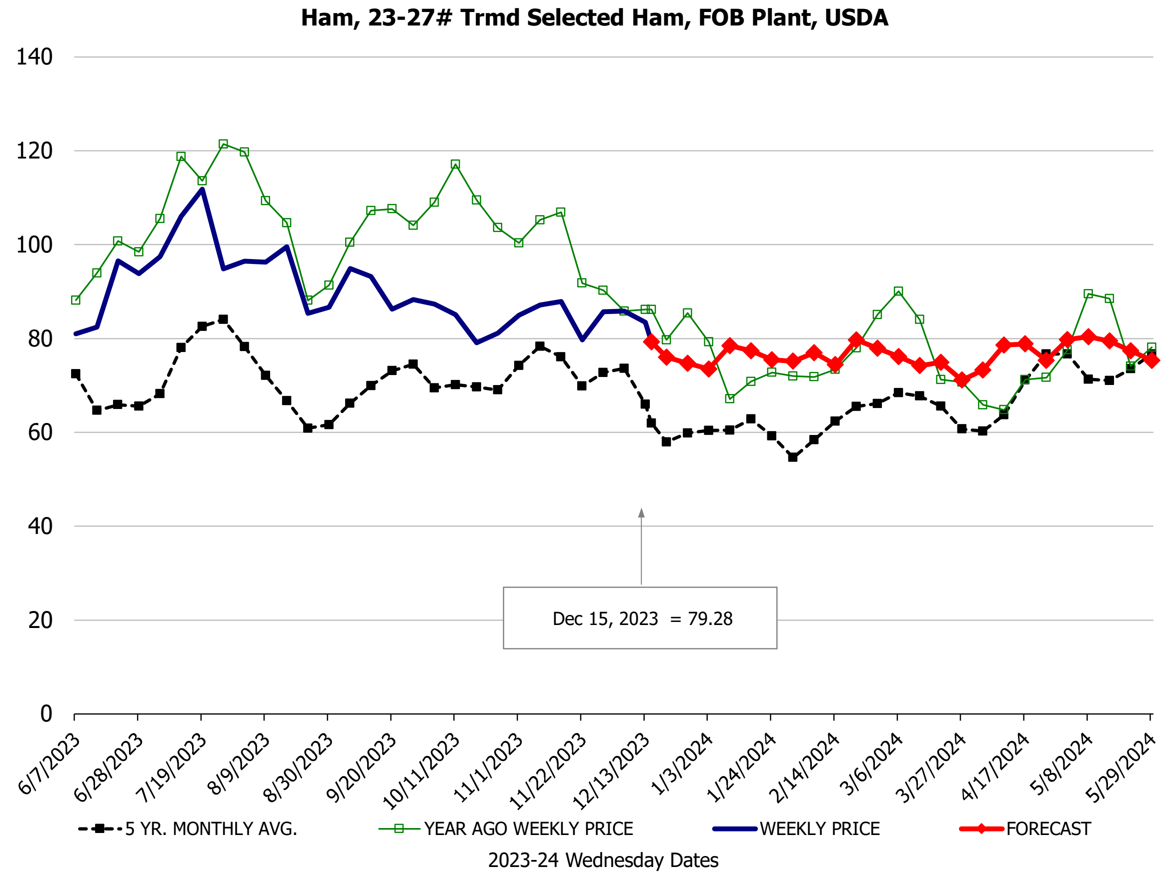
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA
140
120
100
80
60
40
20
0
Dec 15, 2023 = 79.28
6/7/2023
6/28/2023
7/19/2023
8/9/2023
8/30/2023
9/20/2023
10/11/2023
11/1/2023
11/22/2023
12/13/2023
1/3/2024
1/24/2024
2/14/2024
3/6/2024
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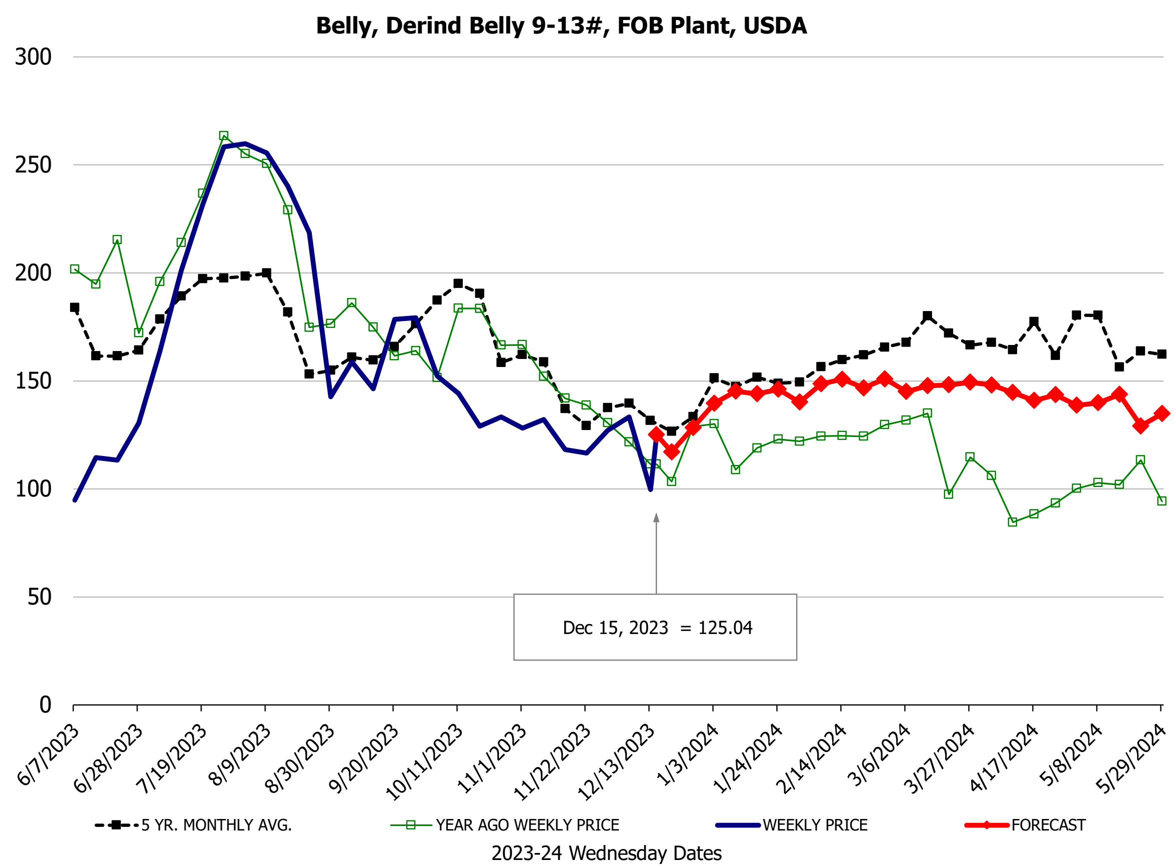
Belly, Derind Belly 9-13#, FOB Plant, USDA
300
250
200
150
100
50
0
Dec 15, 2023 = 125.04
6/7/2023
6/28/2023
7/19/2023
8/9/2023
8/30/2023
9/20/2023
10/11/2023
11/1/2023
11/22/2023
12/13/2023
1/3/2024
1/24/2024
2/14/2024
3/6/2024
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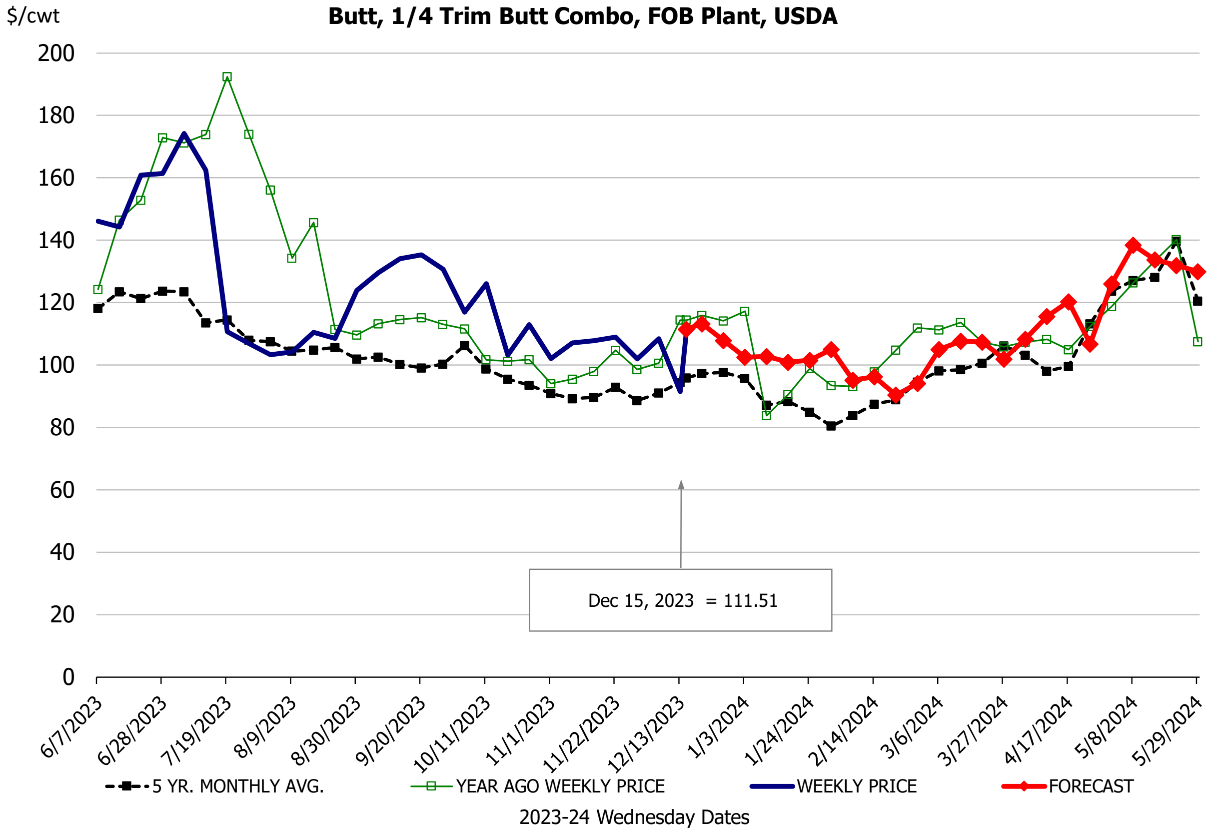
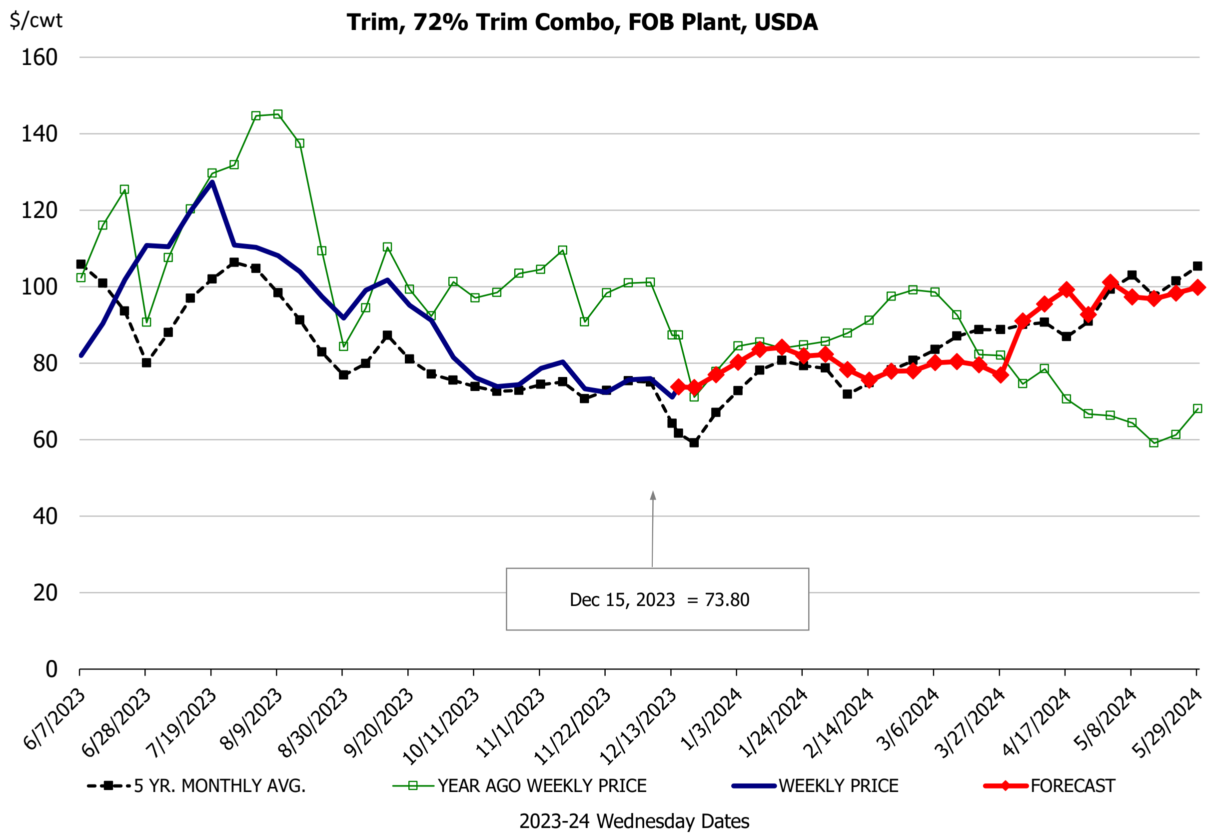
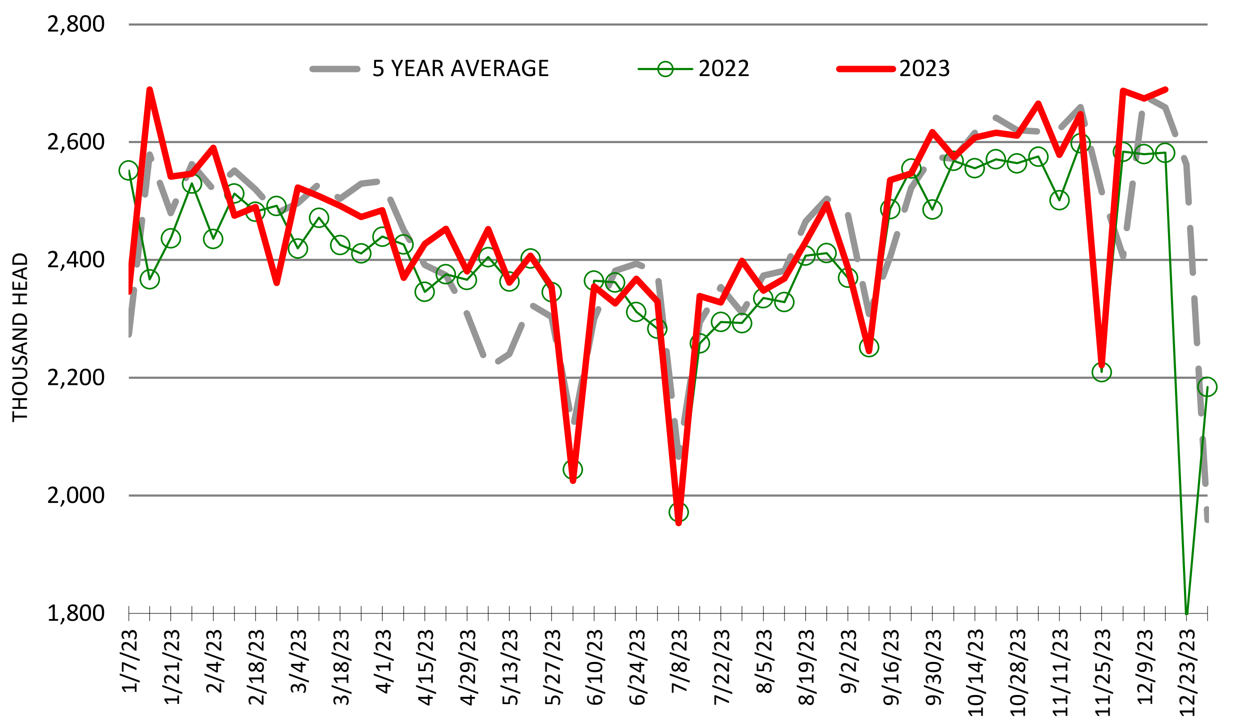
WEEKLY PRICE
FORECAST
2023-24 Wednesday Dates


$/cwt
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA
200
180
160
140
120
100
80
60
40
20
0
Dec 15, 2023 = 111.51
6/7/2023
6/28/2023
7/19/2023
8/9/2023
8/30/2023
9/20/2023
10/11/2023
11/1/2023
11/22/2023
12/13/2023
1/3/2024
1/24/2024
2/14/2024
3/6/2024
3/27/2024
4/17/2024
5/8/2024
5/29/2024
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2023-24 Wednesday Dates


$/cwt
Trim, 72% Trim Combo, FOB Plant, USDA
160
140
120
100
80
60
40
20
0
Dec 15, 2023 = 73.80
6/7/2023
6/28/2023
7/19/2023
8/9/2023
8/30/2023
9/20/2023
10/11/2023
11/1/2023
11/22/2023
12/13/2023
1/3/2024
1/24/2024
2/14/2024
3/6/2024
3/27/2024
4/17/2024
5/8/2024
5/29/2024
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