



Pork Merchandiser's Profit Maximizer

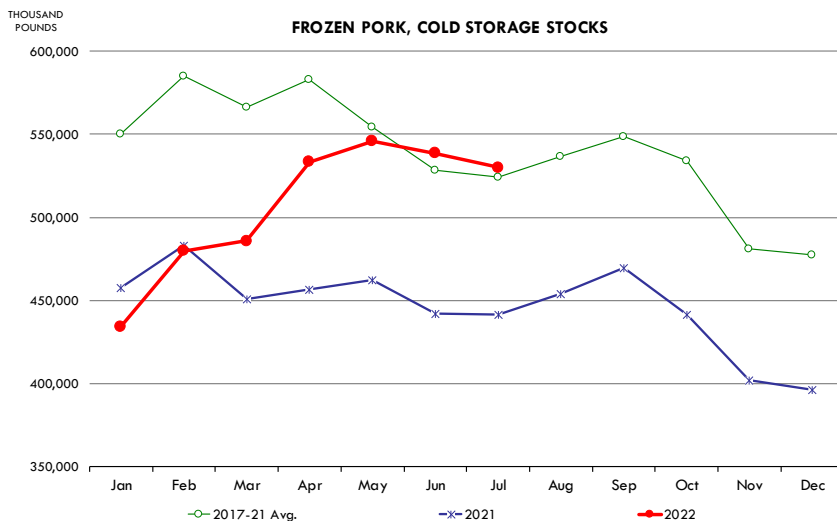
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Prepared by Steiner and Company, Manchester, NH 800-526-4612.

August 29, 2022

1. Pork in cold storage remains well above year ago but the situation varies greatly depending on product. Implications for prices as fall supplies seasonally increase.

Pork inventories at the end of July were 20% above last year, as well as above the five-year average. Normally see pork inventories decline from June to July and the 1.6% drawdown this

year was higher than the average 0.8% drawdown of the last five years. Ham inventories were 151.3 million pounds, 0.8% lower than last year and 9% lower than the five-year average. The ham inventory build rate was 8.6% in July, below the 11% average of the last five years. High ham prices in June and July most likely contributed to the slowdown in inventory building. This should also support better demand for ham in Sep/Oct as processors get ready for the surge in holiday demand. The inventory of pork bellies in the freezer was 42.4 million pounds, 53% higher than a year ago and 18.6% higher than the five-year average. Inventories declined 20% from the previous month compared to an average 19% drawdown in stocks in the last five years. With hog slaughter expected to increase in September, we would expect processors continuing to liquidate inventories in the next few weeks. The inventory of pork trim in the freezer remains very heavy at 52.1 million pounds, 45% above last year.



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Current high prices provide an opportunity to draw down this inventory although it is a bit of a surprise to us that we did not see more of that take place in July. We think the recent sharp pullback in part may be due to buyers rushing to liquidate inventories. Much will depend on the ability to liquidate stock at a time when production tends to seasonally increase. If more inventory is carried into Sep/Oct, then pork prices may need to be even lower to clear the market.

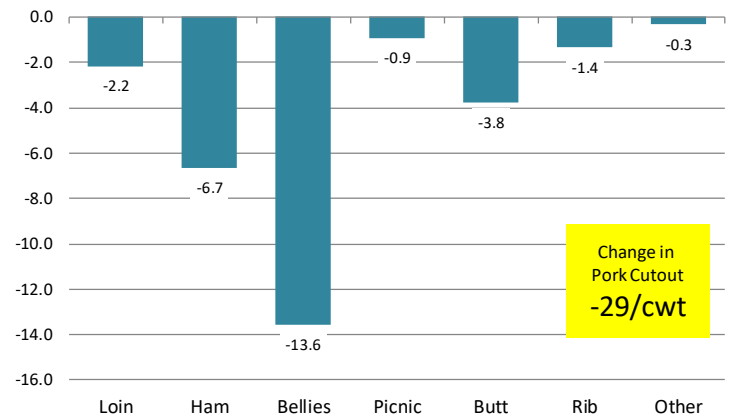
2. Hog/pork prices post a sharp correction as weekly slaughter picks up, speculators rush to get out and buyers step to the sidelines.

There was a belief, or hope, or guessing, that high hog and pork prices would persist into fall. The break in futures a few days ago was blamed on speculators, but then came the sharp decline in the cutout mid-week. Speculators pushed the market higher through July, but they could not just ship fast enough at the first sign of trouble. We still think that pork demand is in good shape. The challenge, however, is that going into the fall supplies will increase. It happens every year, it will happen again this year. Seasoned market participants have seen this movie way too many times.

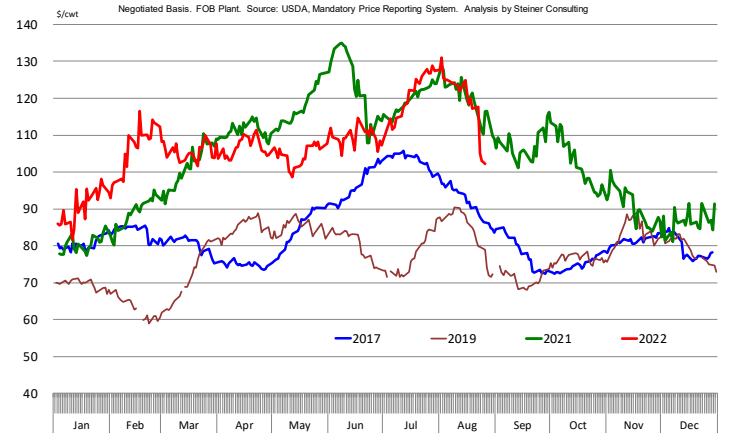
The decline in wholesale prices in the last few days had nothing to do with speculators, rather it was packers having to discount product to keep it moving. Sell it or smell it was true 30 years ago and it is still true today. It's not a coincidence that the price decline on Wednesday, mostly in bellies and hams, followed a higher-than-expected slaughter the previous week at 2.395 million head, three robust slaughter days on Monday (478k head), Tuesday (480k head) and Wednesday (480k head). Packers decided to run almost no slaughter on Saturday given current poor margins, but the damage was done during the week. The light kill on Saturday should help steady the market early next week but with a holiday shortened week coming up, packers will likely keep slaughter at +480k per day next week as well. Wholesale pork prices are now back at attractive levels, but buyers may sit on the sidelines for a bit longer, waiting to see product

Contribution to the Change in the Value of the Pork Cutout

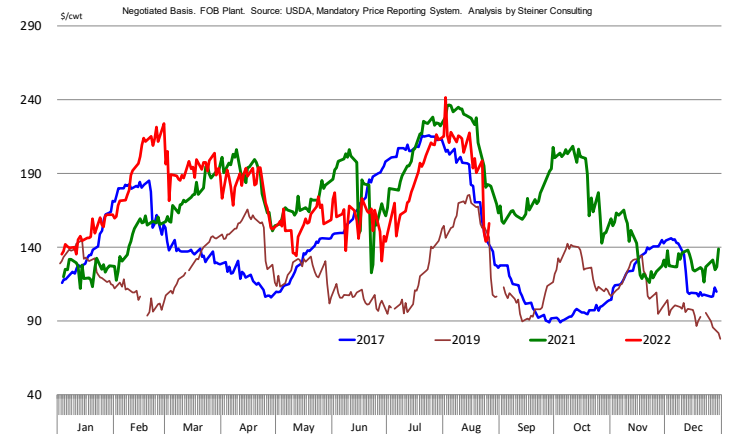
Based on USDA-MPR data for Aug 26, 2022 vs. Aug. 2 Peak. Analysis by Steiner Consulting



DAILY PORK OVERALL CUTOUT PRIMAL VALUE



DAILY PORK BELLY PRIMAL VALUE



sales during the holiday weekend and also because of scheduling issues. We expect wholesale prices to trade better the following week.

The risk in the hog market all along was that prices peaked in early August rather than early July. This means that by the time buyers reacted to

high prices slaughter would be seasonally higher. The pork cutout peaked on August 2 at \$131/cwt but since then it has lost \$29/cwt or 22%. A big chunk of that decline happened on Wednesday, with the cutout down \$12.5/cwt or 11% from the previous day. By the end of the week the cutout was down 12.7% from the previous week, with ham primal down 17% and belly primal down 18% in just 5 days.

Lower belly prices have been the main contributor to the decline in the cutout (see chart on page 2). The belly primal on Friday was quoted at \$156/cwt, 35% lower than it was on August 2. Bellies have contributed \$13.6/cwt to the overall decline in the cutout. Lower belly prices in May and June likely drove sales and features for July and August (see chart). But at some point retail ads are done and now packers once again are once again looking to move product. Processors are looking at holiday shortened production coming up, and they are more interested in cashing out of their inventories, especially after the recent break in futures. Inventory of bellies in cold storage at the end of July was 42.4 million pounds, 53% higher than the limited supply a year ago but also 19% higher than the five year average. This is the wrong time of year to get someone to put bellies away and between fewer processing shifts and seasonally higher slaughter prices often have to adjust sharply in order to get product sold. Hog supplies are likely to be lower than a year ago in the fall but weekly kill by mid September could be as high as 2.5 million head. Cooler temps will also result in improved performance. Hog weights have already started to trend up and will accelerate. If producers stay aggressive in marketing hogs and stay ahead of the seasonal gains in weights then they stand a good chance to get higher prices for their hogs than they did a year ago. Belly prices are once again at attractive levels. Keep in mind that last year processors took advantage of a similar pullback in August to drive sales for October.

PORK

Hog Market. For the week ending August 27 hog slaughter was 2.393 million head, down 1.6% from a year ago. In the last two weeks hog slaughter is down 1.5% vs. year ago levels.

Iowa/Minnesota, Base Negotiated Purchase for Barrows and Gilts. Lean hog carcass values at about 114.59 /cwt. on Friday were down \$6.0/cwt since Wed. August 17. Prices are up about 9.8 \$/cwt compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at \$1.2741, down about 3.5 cent since the Wed. August 17 quote but up about 7 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at \$1.5557 for the strap on loins, down 6.1 cent since Wed. August 17 and down 26 cent from the year ago levels. Strap off loins at \$1.6935 are down 7.5 cent since Wed. August 17 and down about 30 cent compared to the year ago quote.

Boneless sirloins at \$1.3958 are up about 0 cents from the Wed. August 17 quote but down about 10.3 cents from the year ago price.

Pork tenderloin finished last week at \$1.9675, down 17 cent since the Wed. August 17 quote and down about 25.0 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at \$1.1474, down 13.3 cents since Wed. August 17. Prices are down one cent from a year ago.

Spareribs, Trimmed - LGT, Vac (page 8). Prices finished the week at \$1.4972, down about 5 cent since Wed. August 17 and down about 29 cents from year ago levels.

Rib inventories on July 31 were 108.2 million pounds, up 77.2% from a year ago.

Bone-in Hams

17/20 hams (page 9) price was last quoted at \$0.9410/lb. down 13 cents since Wed. August 17 but up about 30 cents from a year ago.

20/23 hams finished the week at 91.64 cents (page 130) down about 13 cent since Wed. August 17 but up about 27 cents from the year ago level.

23/27 hams finished the week at 90.05 , down about 15 cent from the Wed. August 17 quote but up about 27.5 cents from the year ago level.

Total ham cold storage stocks on July 31 at 151.3 million pounds were down 0.8% from year ago levels.

42 CL Pork Trim "FOB Basis". Prices finished the week at 109.71 cents, down about 30.4 cent since Wed. August 17 and down about 24 cents from the year ago price.

72 CL Pork Trim "FOB Basis". Prices finished the week at 113.69 cents, down 23.8 cents since the Wed. August 17 quote and down about 6 cents from the year ago levels.

Freezer stocks of all trimmings on July 31 were 52.1 million pounds, up 45.2% from the year ago levels.

72 CL Picnic Meat "FOB Basis". The premium of picnic meat to 72CL trim is currently at 42 cents compared to 25 cent average in the previous six months.

POULTRY

Whole Broilers

The National Whole Bird price was quoted at 125.97 on Friday, August 27, up about 21 cents from a year ago.

Broiler slaughter for the week ending August 27 was 170.98 million head, up 2.08% from a year ago. For the last two weeks broiler slaughter was up 1.8% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at \$2.2145, down 6 cents since

Wed. August 17 but still up about 26 cents from year ago levels.

Leg Quarters. This market continues to be export driven. Last week leg quarter prices were down about 3.38 cents vs. two weeks ago but at 56.13 cents per pound prices were up 14 cent from a year ago.

Wings. Prices at \$1.3015 are down about 186 cents from year ago levels.

Turkeys

The prices below reflect weekly quoted USDA prices.

Hens finished last week at \$1.5900, down cent since Wed. August 17 but up about 30 cents from the year ago price.

Toms finished last week at \$1.6060, down since Wed. August 17 and up about 31 cent from the year ago price.

Total turkey supplies in the freezer on July 31 were down 2.9% from a year ago at 422.7 million pounds. Whole birds were down 5.4% from a year ago with an inventory of 247.4 million pounds.

Turkey slaughter was 3.6630 million head for the week ending August 20, down -6.46% from a year ago. For the last two weeks slaughter has been down 8.2%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at \$6.6500, unchanged since Wed. August 17. Prices are up about 360 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 \$9.3337 (weighted average quote) finished last week up about 5 cents since the Wed. August 17 quote but down about 540 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at \$6.6390 (weighted average quote) finished last week down about 16 cents since the Wed. August 17 quote but down about 394 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are \$2.6947 /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.

Choice #115 Chucks are no longer being quoted. We suggest that those participants still benchmarking pricing off the 115 Chuck market switch to 114 clods.

With prices at \$2.6826 for 90CL and \$1.0440 for 50CL product, an 81CL meat block value is now \$2.3139 and a 78CL meat block is \$2.1910. Choice 114, 3 Clods are now being priced 30.15 cents over 81CL meat block grinding values of 90s and 50s. A year ago the spread was **118.23** cents and the five year average spread for is **19.15** cents over.

Choice #161 Boneless Rounds finished last week at **\$2.8004**, down slightly since Wed. August 17 and down about 89 cents from year ago levels.

Choice regular #168 insides finished last week quoted at \$2.6812 down about 5 cents since Wed. August 17 and down about 126 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at \$2.7277 up about 0 cent since Wed. August 17 and down about 126 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at \$2.5458 down about 15 cents since Wed. August 17 and down about 123 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at \$7.7711 (wt. avg.) down about 101 cents from the Wed. August 17 quote. Prices are down 101 cents from year ago levels.

Choice #184 Regular Heavy top butts finished at \$3.5309 (wt. avg.) down about 12 cents since Wed. August 17 and down about 166 cent from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at \$3.6829 (wt. avg.) up about 9 cents since Wed. August 17 but down about 134 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at \$7.8827 (wt. avg.) down about 8 cents since Wed. August 17 and down about 11 cents from year ago values.

COARSE GROUND BEEF –

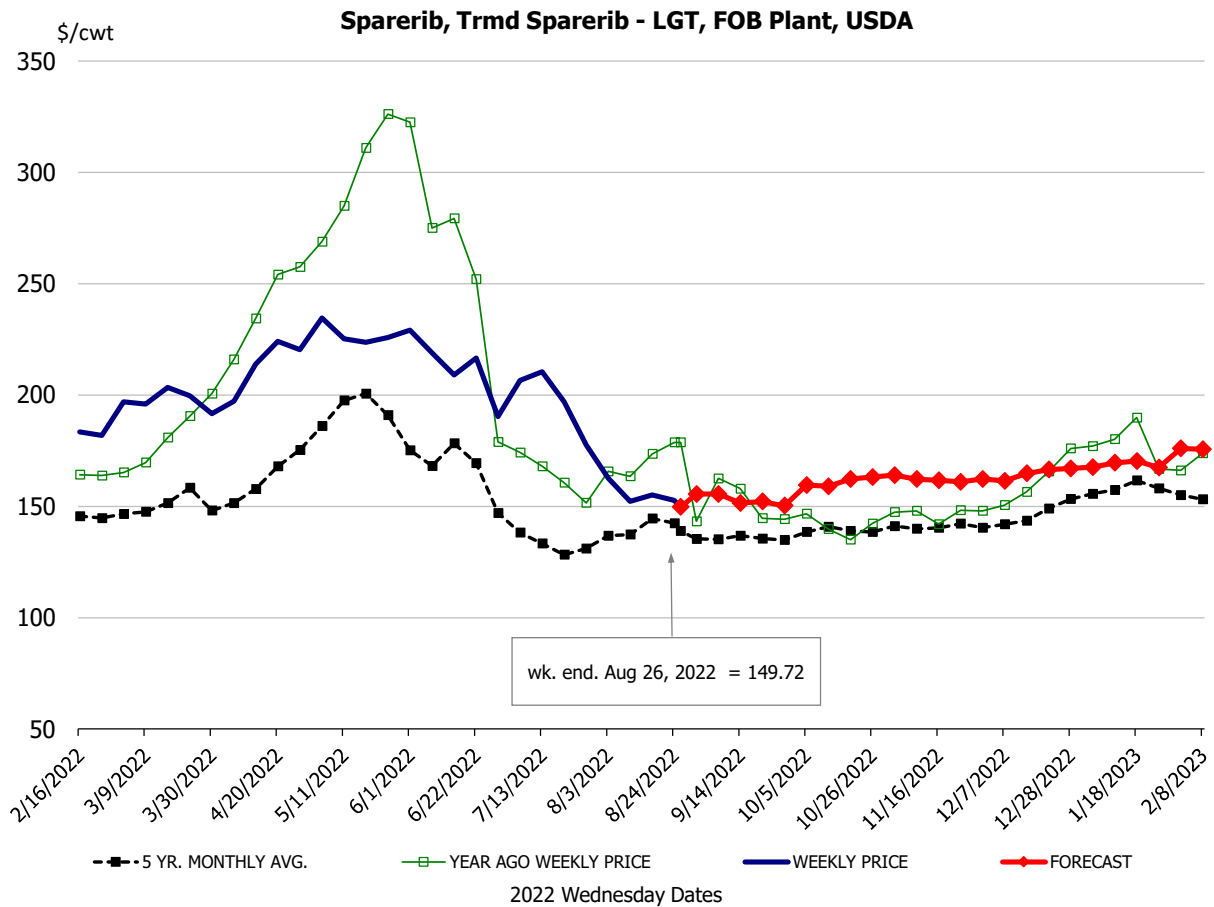
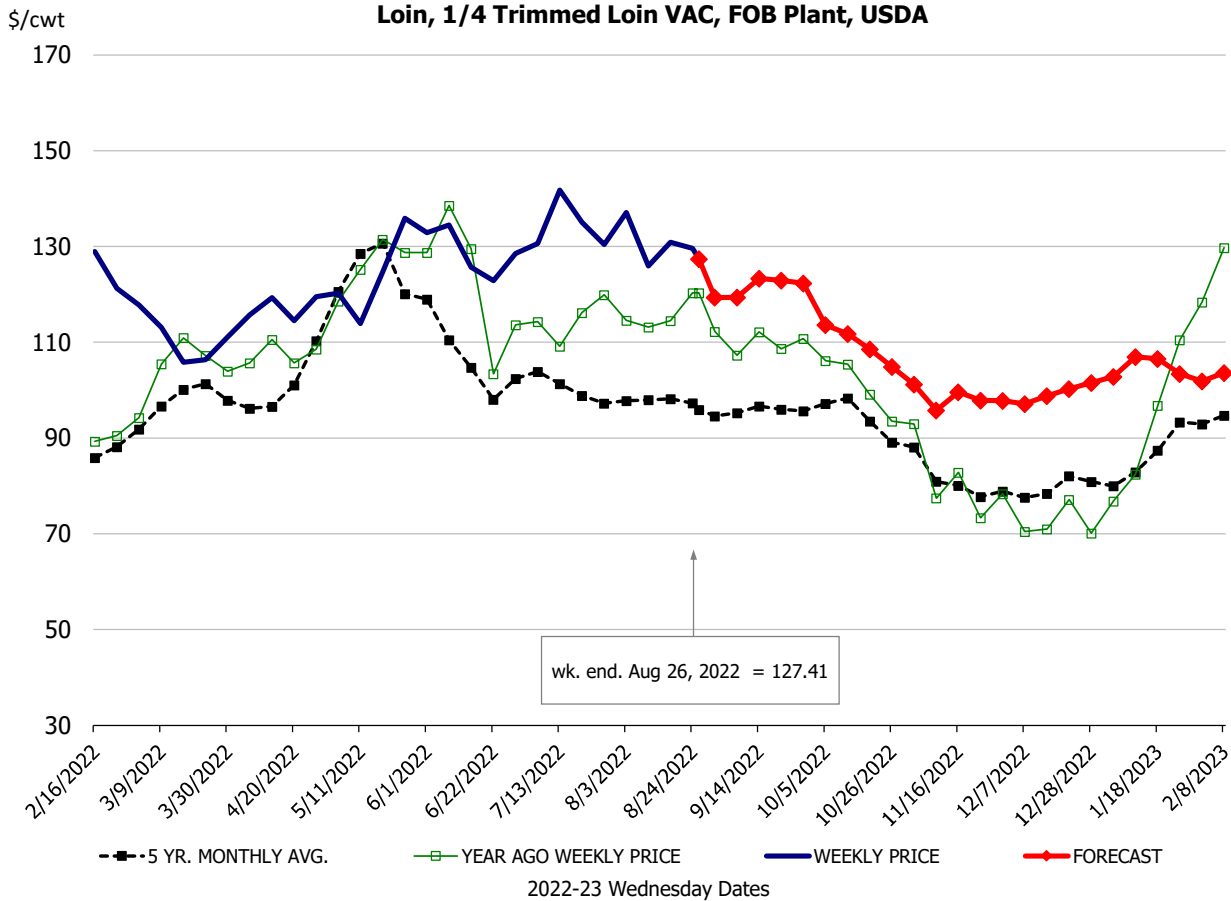
73CL Coarse Ground product finished last week at **\$1.8403** up about 0 cents since Wed. August 17 but down about 46 cents from year ago levels.

81CL Coarse Ground product finished last week at \$2.3537 down about one cent since Wed. August 17 and down about 23 cents from the year ago quote.

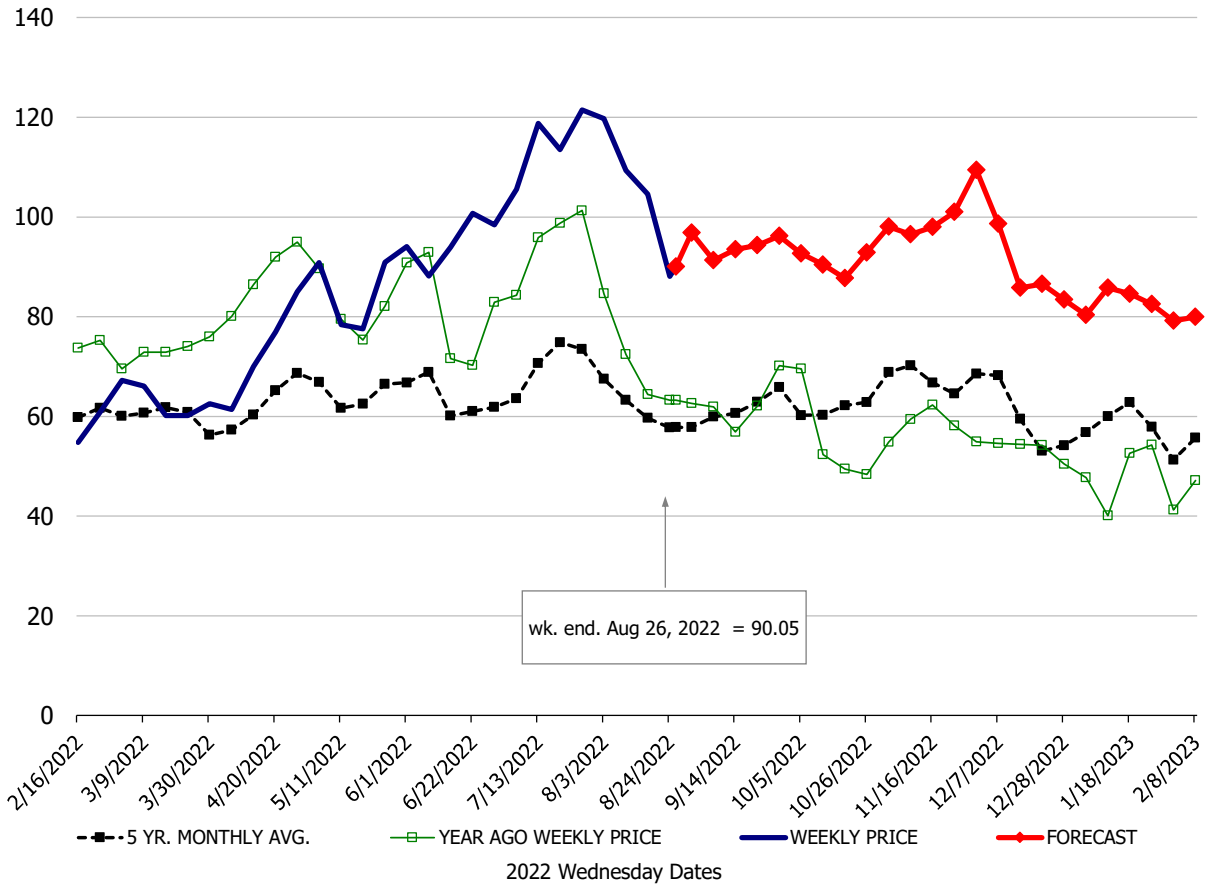
90CL Bnls. Beef prices finished the week at **\$2.6826** (wt. avg.) down 1.80 cent since Wed. August 17 and down 9 cents compared to the year ago price quote. **50 CL Beef Trim** prices finished last week at \$1.0440, up about one cent since Wed. August 17 but down 42 cents compared to the year ago level.

Protein Summary Table - WT. AVE.

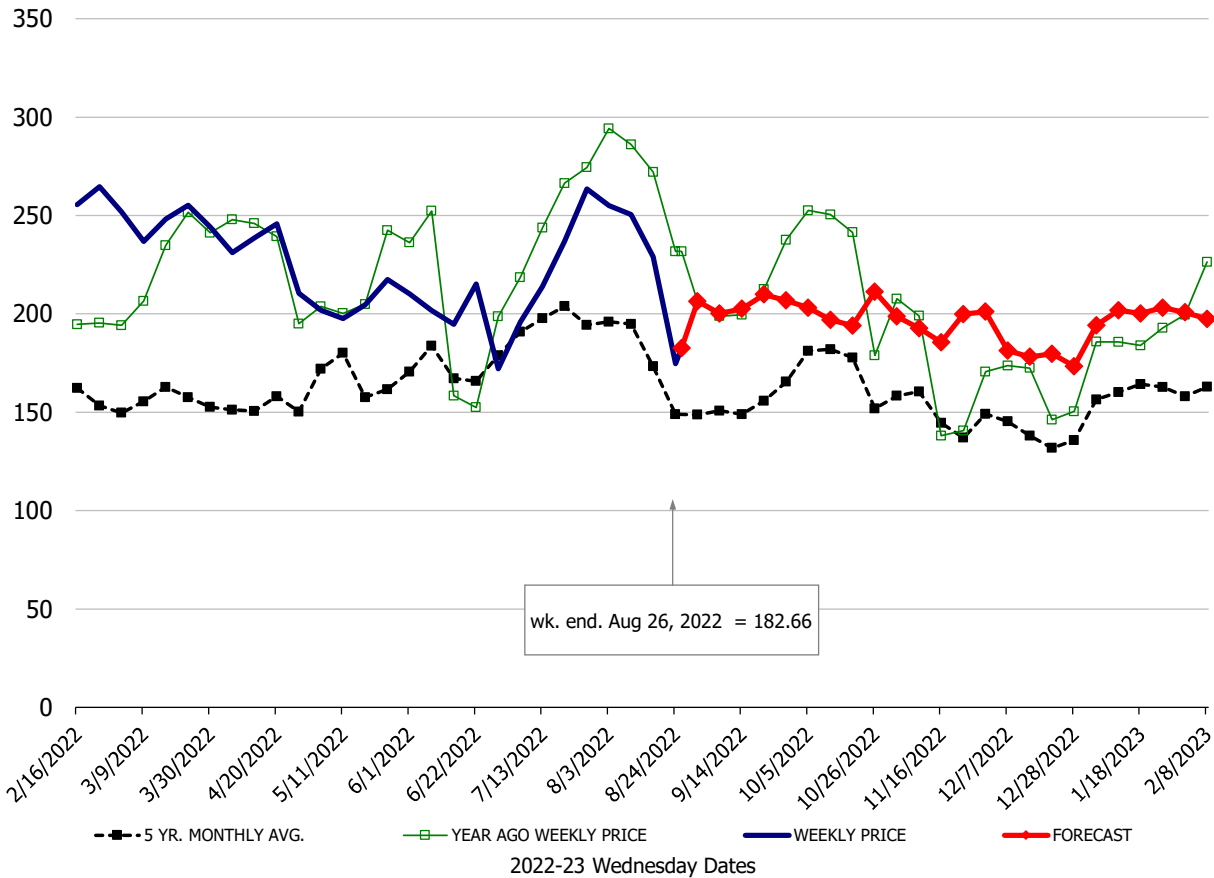
	HISTORY								FORECAST						
	Feb	Mar	Apr	May	Jun	Jul	8/17/2022	8/26/2022	9/7/2022	Aug	Sep	Oct	Nov	Dec	Jan
<u>PORK</u>															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	124.7	108.7	115.7	120.2	127.0	132.3	130.9	127.41	119	127	120	112	100	98	104
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	130.0	118.9	116.5	125.0	132.4	135.0	126.9	126.28	130	131	128	115	106	102	107
Loin, Bnls CC Strap-off, FOB Plant, USDA	167.7	158.9	152.5	151.0	149.4	153.9	176.8	169.35	170	174	175	176	163	161	162
Loin, Tenderloin, FOB Plant, USDA	228.3	217.2	212.5	217.3	213.2	215.1	213.3	196.75	209	208	205	197	194	179	199
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	108.6	119.2	120.2	120.2	147.4	179.8	145.6	122.94	138	146	136	125	122	124	123
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	176.3	193.1	208.6	225.6	208.7	188.7	155.2	149.72	156	156	154	159	163	164	168
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	360.6	363.1	375.6	387.7	373.4	368.4	306.4	338.36	320	331	319	279	284	284	278
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	168.7	186.7	205.0	208.1	197.6	185.1	142.6	146.25	156	153	152	157	162	162	166
Loin, Backribs 2.0#/up, FOB Plant, USDA	405.9	406.1	377.9	355.1	316.6	225.0	224.0	208.47	201	217	199	199	199	209	212
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	54.4	63.7	71.0	85.4	96.6	110.5	106.6	94.10	96	108	98	94	100	96	84
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	47.7	62.3	72.4	80.6	95.2	110.5	104.6	91.64	95	105	95	92	99	95	83
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	48.8	62.3	73.8	81.2	93.5	113.4	104.6	90.05	91	104	94	91	98	94	82
Belly Cutout, FOB Plant, USDA	194.7	192.3	179.8	155.8	158.2	183.1	193.5	158.91	163	193	163	162	160	147	159
Belly, Derind Belly 9-13#, FOB Plant, USDA	246.7	245.1	232.4	193.7	200.3	223.1	229.1	182.66	200	233	201	200	197	181	196
Belly, Derind Belly 13-17#, FOB Plant, USDA	239.5	231.6	207.3	176.0	186.9	210.3	233.3	184.63	193	230	197	196	193	177	192
Trim, 42% Trim Combo, FOB Plant, USDA	74.6	82.0	76.7	83.6	81.9	109.9	140.1	109.71	94	126	89	70	60	55	54
Trim, 72% Trim Combo, FOB Plant, USDA	97.9	90.7	110.8	101.7	107.6	120.7	137.5	113.69	96	131	98	85	83	82	90
Trim, Picnic Meat Combo Cushion Out, FOB Plant, USDA	105.9	97.8	111.8	104.6	117.2	130.9	154.1	129.22	114	141	117	127	121	119	103
Carcass Cutout, FOB Plant, USDA	105.6	105.7	106.6	104.4	109.5	120.2	118.5	106.11	110	117	110	105	104	101	98
<u>HOG CARCASS</u>															
CME 1-Day Lean Hog Index	92.1	101.1	101.0	101.9	109.0	115.2	120.6	114.59	101	120	102	93	87	84	85
<u>BROILERS</u>															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	125.8	148.1	166.9	169.7	165.8	153.5	129.2	125.97	122	132	123	120	108	108	107
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	263.3	277.6	302.1	351.6	331.6	281.1	227.5	221.45	213	231	210	205	205	205	210
N.E. BROILER BREAST LINE RUN, USDA	115.4	132.6	152.2	185.0	192.4	192.8	191.3	191.42	175	192	175	155	135	130	130
N.E. BROILER LEG QUARTERS, USDA	37.6	39.0	44.4	51.6	59.7	61.2	59.5	56.13	56	59	55	51	48	46	44
N.E. BROILER WINGS, USDA, WT.AVG.	260.9	222.7	208.1	190.8	180.5	167.2	130.7	130.15	140	132	140	141	158	172	201
<u>TURKEYS</u>															
HEN TURKEYS, EAST, FROZEN 10-12LBS, USDA	130.8	135.1	137.8	142.1	152.9	157.6	161.0	159.00	169	161	170	174	174	153	145
TOM TURKEYS, EAST, FROZEN 16-22LBS, USDA	131.9	135.9	138.3	142.4	149.9	154.7	160.0	160.60	169	160	170	174	174	153	145
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	438.8	446.0	523.8	610.0	642.0	663.8	665.0	665.00	664	665	665	665	665	630	495
<u>LIVE STEERS</u>															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	140.5	140.0	141.5	142.4	141.8	143.4	144.7	145.77	145	143	145	147	149	151	152
<u>BEEF</u>															
CHOICE, 112A, 3, USDA,RIBEYE, BONELESS, HEAVY, WT.AVG.	820.1	814.1	887.4	799.8	881.1	847.2	928.9	933.37	952	915	950	1030	1113	1003	788
CHOICE, 161, 1, USDA,ROUND, BONELESS, WT. AVG.	293.4	280.9	280.7	280.6	280.1	279.9	315.0	280.04	296	288	291	295	297	290	296
CHOICE, 168, 3, TOP INSIDE ROUND, 1/4" MAX, WT. AVG., USDA	282.3	286.0	283.3	267.3	263.7	274.1	272.3	272.77	280	278	279	287	282	276	277
CHOICE, 170, 1, BOTTOM GOOSENECK ROUND, WT. AVG., USDA	275.7	271.6	254.1	242.8	245.8	258.1	269.7	254.58	287	268	288	293	287	281	282
CHOICE, 180, 3, USDA,STRIP LOIN, BONELESS, 0X1, WT. AVG.	732.1	743.8	764.5	766.0	820.9	866.5	877.8	777.11	763	841	763	701	670	683	677
CHOICE, 184, 3, USDA,TOP BUTT, BONELESS, WT. AVG.	384.1	356.1	383.3	378.4	372.0	368.5	359.2	368.29	375	368	369	346	345	348	353
CHOICE, 185A, 4, USDA,BOTTOM SIRLOIN, FLAP, WT. AVG.	720.1	712.8	710.4	603.8	622.6	714.8	796.5	788.27	719	785	711	644	646	655	632
USDA,COARSE GROUND 73%, WT. AVG.	227.3	153.1	174.3	172.9	182.1	174.5	183.9	184.03	187	176	184	179	176	172	207
COARSE GROUND 81%, WT. AVG., USDA	311.2	244.0	261.1	268.6	285.8	268.1	236.8	235.37	261	240	252	255	261	251	295
USDA, 90% BONELESS BEEF, CENTRAL, FRESH, WT. AVG.	281.8	282.5	276.1	272.0	275.6	271.7	270.1	268.26	274	267	270	269	269	267	270
USDA, 50CL BEEF TRIM, FRESH, NATIONAL, WT. AVG.	105.8	108.5	123.4	105.4	116.2	109.8	103.3	104.40	85	104	82	79	94	80	95

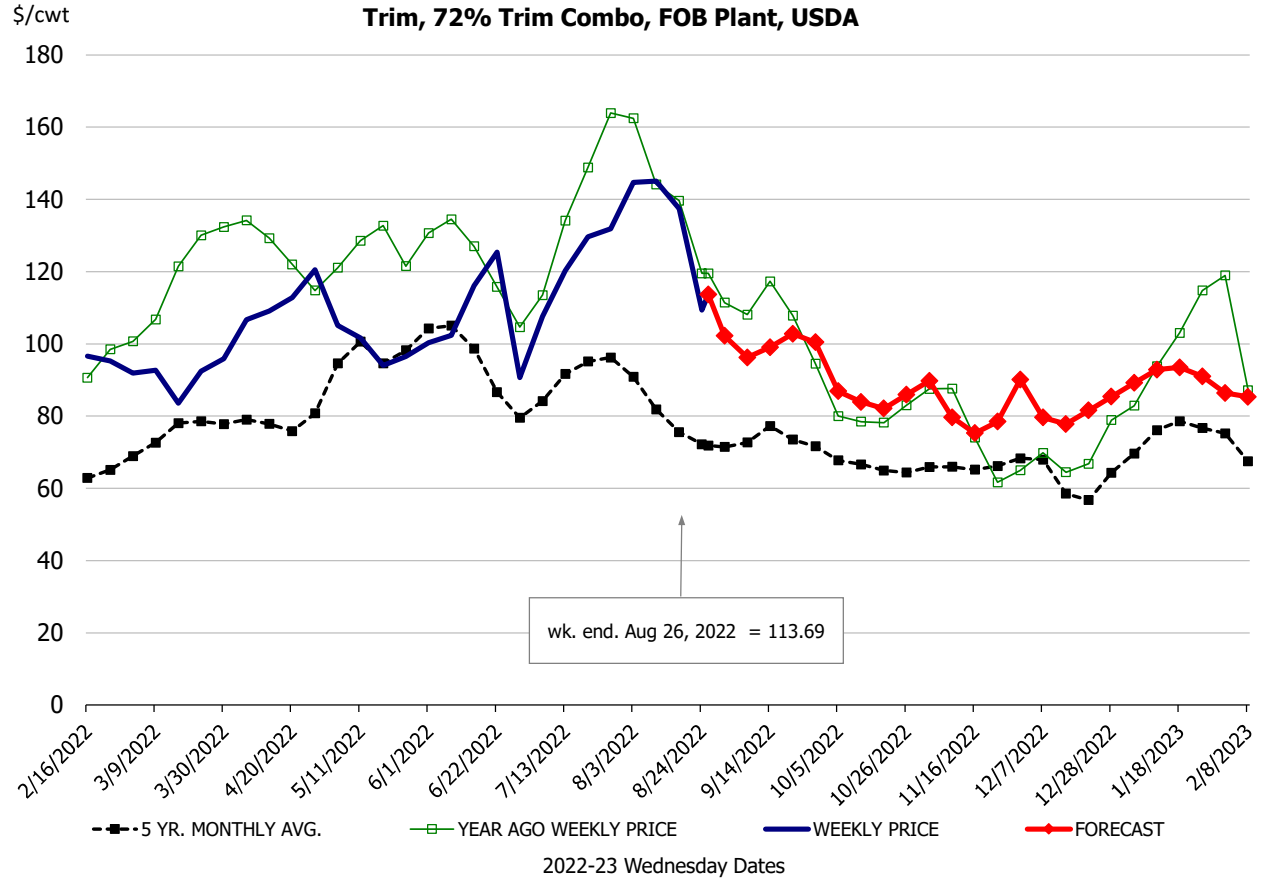
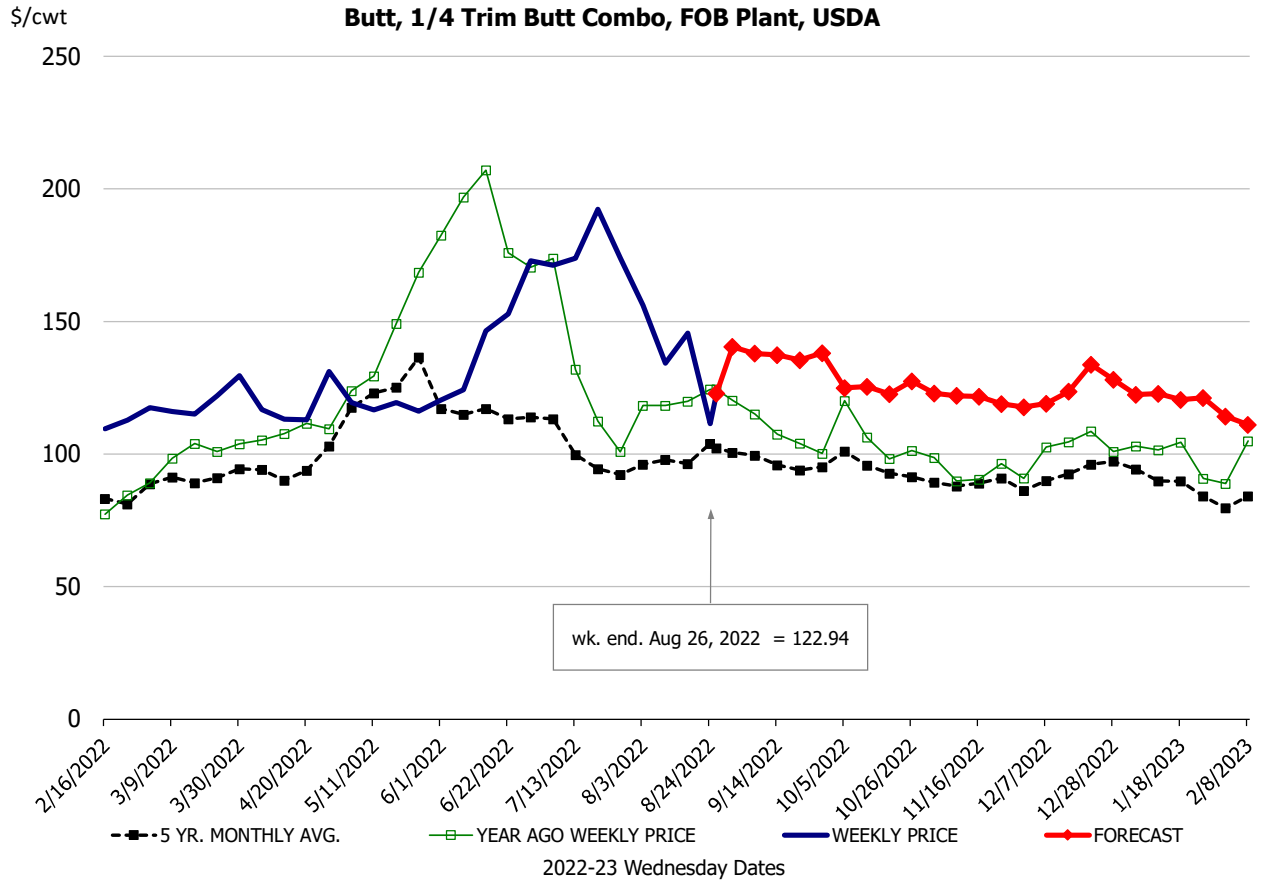


Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA



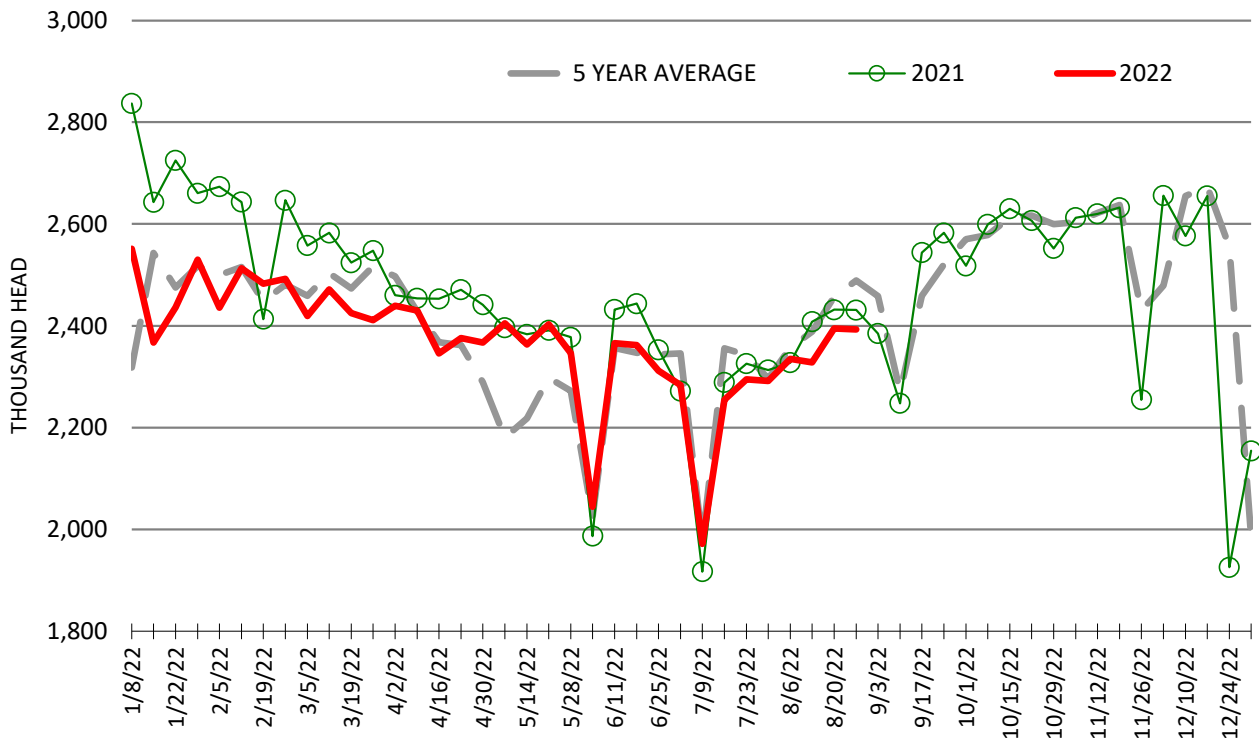
Belly, Derind Belly 9-13#, FOB Plant, USDA





ESTIMATED WEEKLY FI HOG SLAUGHTER

Source: USDA, '000 head



ESTIMATED WEEKLY FI PORK PRODUCTION

Source: USDA, Mil. Pounds

