Pork Merchandiser's **Profit Maximizer**

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

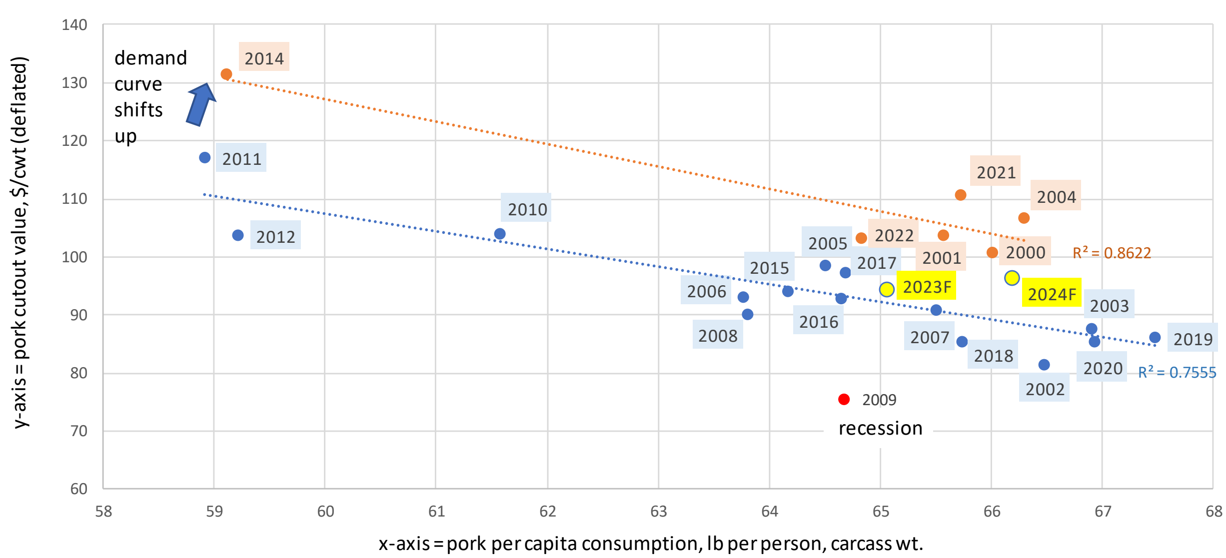
March 13, 2023

1. Domestic pork supplies remain plentiful, bringing more attention to demand going into the spring.

- We estimate per capita domestic pork disappearance in 2023 to be 0.2% lower than the previous year.
- Despite the lower supply, pork wholesale prices for all of 2023 are currently forecast at $97.5/cwt, 6% lower than a year ago.
- Demand was especially strong in 2021 and 2022, in part due to the post COVID rebound in sales at foodservice. Our current assumption is for demand to return to its long run trend.

Relationship of Pork Cutout vs. Per Capita Domestic Pork Consumption (carcass wt). 2022 Dollars

Sources: Historical Data from USDA. Calculations and Forecasts by Steiner Consulting



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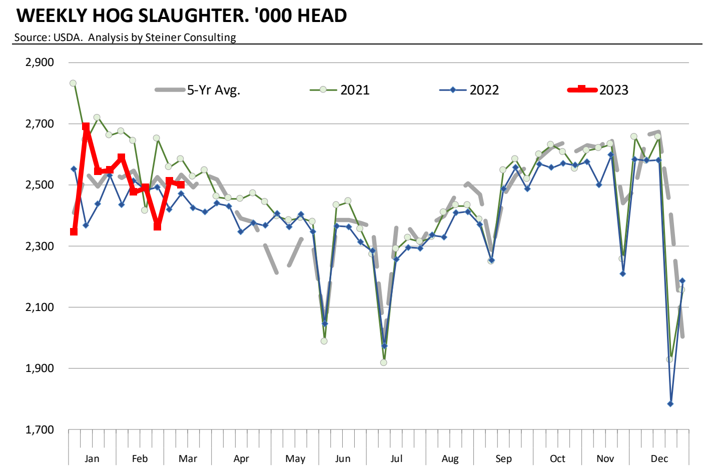
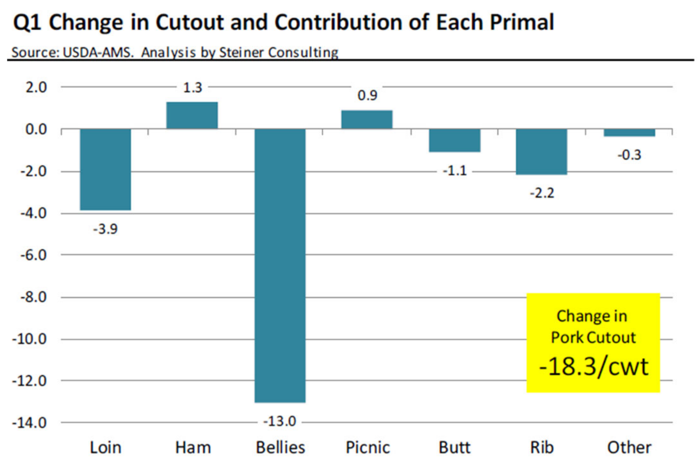
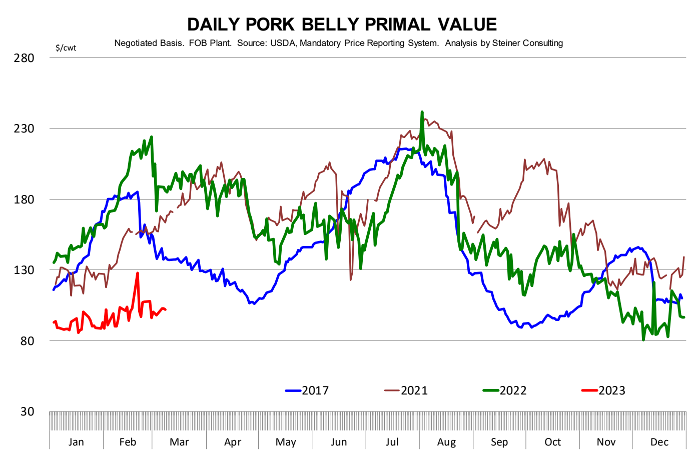
- Despite forecast for lower prices, there is more downside risk if the economy goes into a recession.
- Price performance will depend greatly on the product. Belly prices are expected to rebound but ample freezer inventories and slowdown in foodservice demand is expected to keep prices well below year ago levels.
- Fresh pork should be seasonally higher in Q2 but below year ago levels.

So far, **the first quarter has been somewhat of a wakeup call for pork producers and pork buyers alike**. The pork cutout through the first week of March averaged $82.4/cwt, down $18.3 (-18.2%) compared to first quarter of 2022. The decline was mostly due to lower prices for pork bellies but also a 15% decline in the value of the loin primal and 28% decline in the value of the rib primal. The decline in those two primals subtracted $6/cwt from the value of the cutout in addition to the $13/cwt decline due to lower belly prices. Higher than expected slaughter and large inventories of bellies accumulated in the freezer last year have kept belly prices in check so far this year. At the end of January USDA put the supply of bellies in cold storage at 70.1 million pounds, 57% higher than a year ago and 43.5% higher than the five year average. Normally belly inventories increase during winter and early spring as demand falls short of available supply. We expect total belly inventories by the end of April to be near 75 million pounds, about 33% higher than the five year average. **The large supply of bellies should help keep belly prices in check during May and June but we think that eventually freezer inventories get depleted and there is more upside risk for bellies in July and August**. Still, the average value of the belly primal for all of 2023 at $136/cwt is expected to be 14% lower than the previous year. This remains a key drag for the overall cutout.

As the chart on page 1 shows, during the last major recession pork demand was sharply lower, reflected in part in weaker belly values during that time. We think bacon demand has become more resilient in the past decade but this segment of the market remains vulnerable to a downturn in







foodservice demand. **Other pork items are expected to perform well at least through Q2**. Fresh pork has become highly competitive with beef and chicken at wholesale. Loin, butt, and rib values are expected to trend higher in Q2 but still fall short of the levels achieved in the previous two years. Consumer spending has slowed down and that trend is expected to continue into the spring and summer. But note that even as we see demand slowing down, it is still in line with the long-term trend rather than a deep recession scenario. We would be more concerned about the outlook for consumer spending and general demand if the unemployment rate was higher than it is currently. **Conclusion**: We think the slowdown in consumer spending will be enough to bring demand down from the lofty levels achieved post COVID. As for export demand, it only appears indirectly in the chart in the form of domestic disappearance. If exports increase, then it would reduce domestic supply availability, implying higher prices as we move to the left of the demand curve.

PORK

Hog Market. For the week ending March 11 hog slaughter was 2.497 million head, up 1.0% from a year ago. In the last two weeks hog slaughter is up 2.4% vs. year ago levels.

Iowa/Minnesota, Base Negotiated Purchase for Barrows and Gilts. Lean hog carcass values at about 79.80 /cwt. on Friday were up $1.1/cwt since Wed. March 1. 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 $0.9557, down about 1.9 cent since the Wed. March 1 quote and down about 17 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at $1.4467 for the strap on loins, up 3.95 cent since Wed. March 1 and up 18 cent from the year ago levels. Strap off loins at $1.5358 are down 0.0 cent since Wed. March 1 and down about 2 cent compared to the year ago quote.

Boneless sirloins at $1.1939 were up about one.5 cents from the Wed. March 1 quote and up about 12.8 cents from the year ago price.

Pork tenderloin finished last week at $1.5608, down 11 cent since the Wed. March 1 quote and down about 48.5 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at $1.1807, up 3.3 cents since Wed. March 1. Prices are down 10 cent from a year ago.

Spareribs, Trimmed - LGT, Vac (page 8). Prices finished the week at $1.2895, up about 2 cent since Wed. March 1 but down about 67 cents from year ago levels.

Rib inventories on January 31 were 116.7 million pounds, up 21.4% from a year ago.

Bone-in Hams

17/20 hams (page 9) price was last quoted at $0.9047/lb. up 7 cents since Wed. March 1 and up about 22 cents from a year ago.

20/23 hams finished the week at 87.08 cents (page 130) up about 3 cent since Wed. March 1 and up about 20 cents from the year ago level.

23/27 hams finished the week at 89.24 , up about 4 cent from the Wed. March 1 quote and up about 23 cents from the year ago level.

Total ham cold storage stocks on January 31 at 78.3 million pounds were up 4.8% from year ago levels.

42 CL Pork Trim "FOB Basis". Prices finished the week at 74.89 cents, up about 2.0 cent since Wed. March 1 but down about 13 cents from the year ago price.

72 CL Pork Trim "FOB Basis". Prices finished the week at 97.93 cents, down 1.2 cents since the Wed. March 1 quote but up about 5 cents from the year ago levels.

Freezer stocks of all trimmings on January 31 were 52.9 million pounds, up 8.2% from the year ago levels.

72 CL Picnic Meat "FOB Basis". The premium of picnic meat to 72CL trim is currently at **20** cents compared to **29** cent average in the previous six months.

POULTRY

Whole Broilers

The National Whole Bird price was quoted at 129.99 on Friday, March 11, down about 11.5 cents from a year ago.

Broiler slaughter for the week ending March 11 was 167.39 million head, up 0.54% from a year ago. For the last two weeks broiler slaughter was up 0.8% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at $1.3599, up 4 cents since Wed. March 1 but still down about 140 cents from year ago levels.

Leg Quarters. Last week leg quarter prices were up about 2.24 cents vs. two weeks ago and at 40.80 cents per pound prices were up 3 cent from a year ago.

Wings. Prices at $1.1239 are down about 117 cents from year ago levels.

Turkeys

The prices below reflect weekly quoted USDA prices.

Hens finished last week at $1.7150, unchanged cent since Wed. March 1 but up about 37 cents from the year ago price.

Toms finished last week at $1.6700, unchanged since Wed. March 1 but up about 32 cent from the year ago price.

Total turkey supplies in the freezer on January 31 were up 16.7% from a year ago at 284.5 million pounds. Whole birds were up 2.8% from a year ago with an inventory of 131.6 million pounds.

Turkey slaughter was 3.7710 million head for the week ending March 4, down -2.26% from a year ago. For the last two weeks slaughter has been down 3.44%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at $3.5000, down since Wed. March 1. Prices are down about 95 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 $10.5112 (weighted average quote) finished last week up about 3 cents since the Wed. March 1 quote and up about 268 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at $8.9437 (weighted average quote) finished last week up about 31 cents since the Wed. March 1 quote but up about 97 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are $1.5675 /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 $2.6542 for 90CL and $1.2658 for 50CL product, an 81CL meat block value is now $2.3418 and a 78CL meat block is $2.2377. Choice 114, 3 Clods are now being priced 49.25 cents over 81CL meat block grinding values of 90s and 50s. A year ago the spread was 11.29 cents and the five year average spread for is 38.22 cents over.

Choice #161 Boneless Rounds finished last week at $**3.2991**, **down** slightly since **Wed.** March 1 but up about 49 cents from year ago levels.

Choice regular #168 insides finished last week quoted at $2.6736 down about 23 cents since Wed. March 1 and down about 16 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at $2.7872 down about 9 cent since Wed. March 1 and down about 7 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at $2.5730 down about 33.5 cents since Wed.

March 1 and down about 16 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at $8.6739 (wt. avg.) down about 15 cents from the Wed. March 1 quote. Prices are up 133 cents from year ago levels.

Choice #184 Regular Heavy top butts finished at $3.9714 (wt. avg.) **down** about 13 cents since Wed. March 1 and **up** about **55** cent from year ago levels. **Choice #184 ¼ inch trimmed Top Butts** finished at $4.0629 (wt. avg.) down about 8 cents since Wed. March 1 but up about 56 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at $7.0975 (wt. avg.) down about 9 cents since Wed. March 1 and down about 3 cents from year ago values.

COARSE GROUND BEEF –

73CL Coarse Ground product finished last week at $**1.9152 down** about 14 cents since Wed. March 1 but up about 41 cents from year ago levels.

81CL Coarse Ground product finished last week at $2.1840 down about 24 cent since Wed. **March 1 and down** about **25** cents from the year ago quote.

90CL Bnls. Beef prices finished the week at $**2.6542** (wt. avg.) **up 0.88** cent since Wed. March 1 but down 17 cents compared to the year ago price quote. **50 CL Beef Trim** prices finished last week at $1.2658, up about 2 cent since Wed. March 1 and up 20 cents compared to year ago levels.

Protein Summary Table - WT. AVE.

	HISTORY								FORECAST						
	Sep	Oct	Nov	Dec	Jan	Feb	3/1/2023	3/10/2023	3/22/2023	Mar	Apr	May	Jun	Jul	Aug
PORK															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	121.0	111.4	104.6	99.8	104.0	98.3	97.5	95.57	92	94	109	121	128	125	124
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	125.3	116.8	106.8	101.7	106.2	104.0	106.9	103.40	102	105	113	123	130	127	127
Loin, Bnls CC Strap-off, FOB Plant, USDA	167.9	159.0	141.0	139.0	144.1	146.4	153.6	153.58	154	154	154	165	172	159	166
Loin, Tenderloin, FOB Plant, USDA	184.8	184.1	165.6	167.1	172.2	162.4	166.9	156.08	169	170	183	187	210	213	219
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	111.8	103.7	100.0	111.7	101.2	99.1	111.9	106.48	113	109	125	140	138	131	129
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	144.4	135.3	130.7	126.7	131.0	126.8	127.0	128.95	137	134	156	177	182	160	173
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	295.5	306.6	316.3	290.1	239.9	253.7	263.0	278.82	266	268	278	295	305	291	298
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	142.5	133.8	129.1	126.0	129.7	125.6	126.9	129.43	136	134	160	179	184	162	176
Loin, Backribs 2.0#/up, FOB Plant, USDA	191.6	182.0	165.3	171.3	180.7	176.0	194.4	175.00	181	180	215	225	229	229	217
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	104.4	111.2	104.9	87.9	75.2	76.3	83.8	90.47	87	91	88	92	100	104	99
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	103.5	110.4	105.1	85.7	74.5	75.4	84.1	87.08	90	92	86	90	99	101	97
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	103.9	107.8	99.6	84.2	72.5	73.7	85.1	89.24	90	92	85	89	98	100	96
Belly Cutout, FOB Plant, USDA	136.4	138.6	116.2	94.8	90.9	100.4	100.6	102.57	108	108	111	130	149	181	176
Belly, Derind Belly 9-13#, FOB Plant, USDA	166.9	171.7	149.1	121.2	119.0	130.5	129.7	131.61	145	142	143	160	187	223	208
Belly, Derind Belly 13-17#, FOB Plant, USDA	157.8	164.7	140.1	112.7	107.8	114.9	120.0	122.38	126	128	132	158	175	211	204
Trim, 42% Trim Combo, FOB Plant, USDA	75.2	71.2	66.5	57.9	59.4	66.0	72.9	74.89	75	76	84	89	111	115	98
Trim, 72% Trim Combo, FOB Plant, USDA	99.3	100.4	102.2	88.8	84.9	91.2	99.2	97.93	96	97	109	118	135	126	99
Trim, Picnic Meat Combo Cushion Out, FOB Plant, USDA	114.8	114.8	110.1	102.9	97.5	92.5	100.4	104.33	107	105	115	132	145	144	119
Carcass Cutout, FOB Plant, USDA	102.9	101.1	93.4	87.2	81.0	82.3	85.5	87.64	89	88	93	101	110	111	110
HOG CARCASS															
CME 1-Day Lean Hog Index	98.2	93.5	88.0	81.2	74.4	75.5	78.7	79.80	81	81	86	95	105	106	104
BROILERS															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	124.7	121.9	124.6	123.7	121.8	121.7	126.1	129.99	129	129	137	146	144	133	117
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	184.5	117.7	98.1	96.0	100.6	123.0	132.2	135.99	141	135	155	175	170	168	161
N.E. BROILER BREAST LINE RUN, USDA	159.9	137.2	107.3	104.4	106.1	114.6	115.9	115.87	123	120	137	150	153	144	138
N.E. BROILER LEG QUARTERS, USDA	43.8	37.0	34.2	35.8	34.5	37.2	38.6	40.80	39	39	42	44	46	44	42
N.E. BROILER WINGS, USDA, WT.AVG.	117.3	109.2	98.9	89.1	91.2	110.3	117.9	112.39	118	118	118	118	123	126	130
TURKEYS															
HEN TURKEYS, EAST, FROZEN 10-12LBS, USDA	169.5	179.6	175.9	172.4	171.8	170.6	171.5	171.50	171	170	160	159	154	155	157
TOM TURKEYS, EAST, FROZEN 16-22LBS, USDA	167.9	177.7	178.0	171.0	171.8	170.7	171.5	167.00	171	170	160	159	154	155	157
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	670.0	670.0	670.0	670.0	662.5	538.8	395.0	350.00	362	355	325	325	325	330	335
LIVE STEERS															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	143.6	147.3	153.2	156.0	157.0	159.1	163.9	164.93	166	165	166	162	161	159	160
BEEF															
CHOICE, 112A, 3, USDA,RIBEYE, BONELESS, HEAVY, WT.AVG.	889.5	915.8	1039.4	1149.2	1023.0	1006.1	1048.1	1051.12	1051	1049	1059	1065	1087	972	1058
CHOICE, 161, 1, USDA,ROUND, BONELESS, WT. AVG.	296.0	304.4	306.7	310.8	317.4	323.6	339.1	329.91	315	327	310	303	312	319	324
CHOICE, 168, 3, TOP INSIDE ROUND, 1/4" MAX, WT. AVG., USDA	273.8	267.6	250.9	240.0	267.4	270.3	288.0	278.72	282	290	287	286	291	299	310
CHOICE, 170, 1, BOTTOM GOOSENECK ROUND, WT. AVG., USDA	276.3	294.2	251.5	251.1	259.4	260.4	289.8	257.30	238	255	254	258	270	281	290
CHOICE, 180, 3, USDA,STRIP LOIN, BONELESS, 0X1, WT. AVG.	637.7	562.7	563.7	572.8	756.1	833.4	882.9	867.39	898	872	876	967	929	786	764
CHOICE, 184, 3, USDA,TOP BUTT, BONELESS, WT. AVG.	357.4	340.7	349.2	354.4	376.0	393.6	413.8	406.29	407	405	443	433	418	428	425
CHOICE, 185A, 4, USDA,BOTTOM SIRLOIN, FLAP, WT. AVG.	604.4	535.7	523.5	529.5	587.1	687.4	719.2	709.75	743	727	787	795	744	705	742
USDA,COARSE GROUND 73%, WT. AVG.	164.1	158.2	150.6	145.2	197.9	183.9	205.8	191.52	193	197	196	204	202	193	213
COARSE GROUND 81%, WT. AVG., USDA	219.8	208.4	207.4	193.0	235.9	222.3	242.8	218.40	230	242	247	256	257	250	270
USDA, 90% BONELESS BEEF, CENTRAL, FRESH, WT. AVG.	263.5	252.8	241.8	238.5	246.2	257.0	264.5	265.42	267	269	284	292	300	307	309
USDA, 50CL BEEF TRIM, FRESH, NATIONAL, WT. AVG.	98.6	71.4	73.0	86.6	108.1	116.6	124.8	126.58	125	127	142	144	138	129	118

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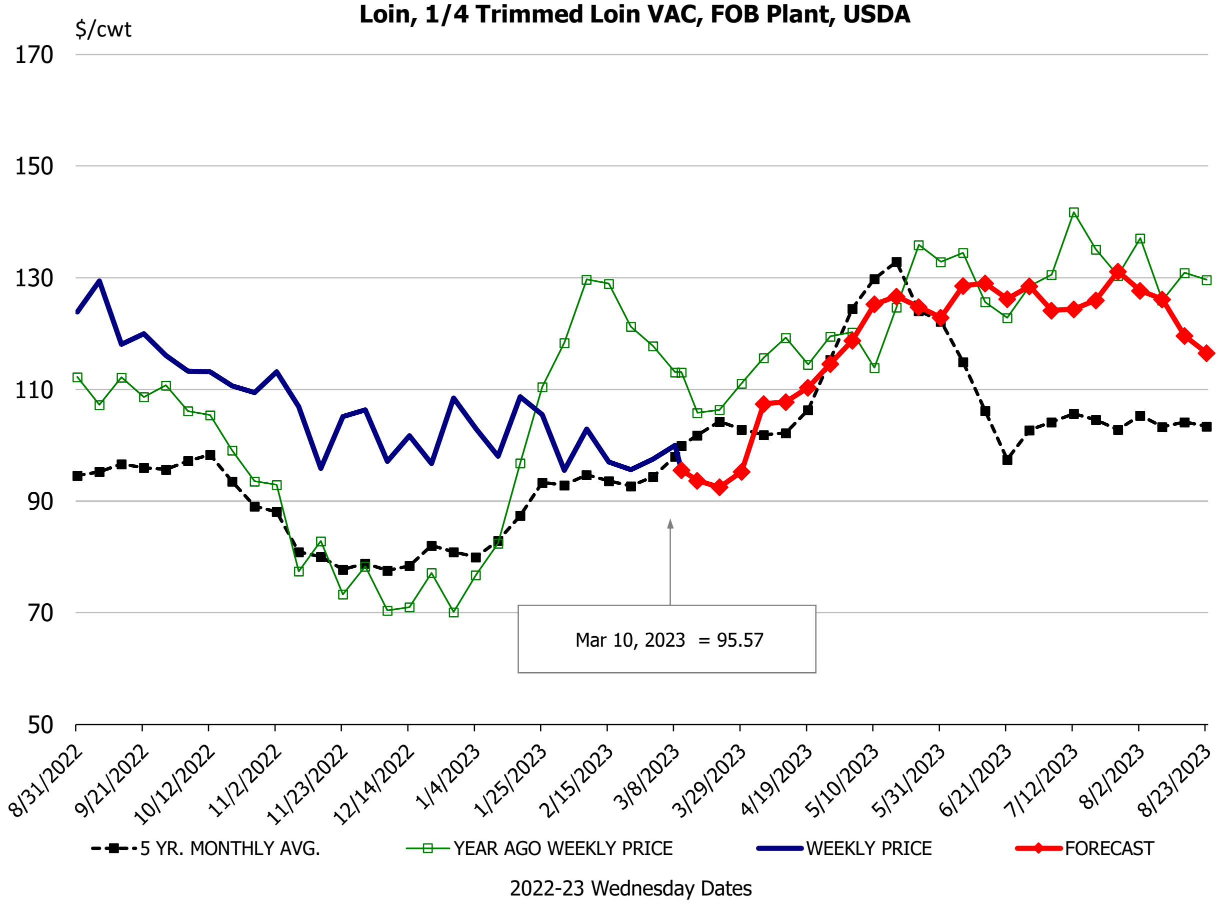

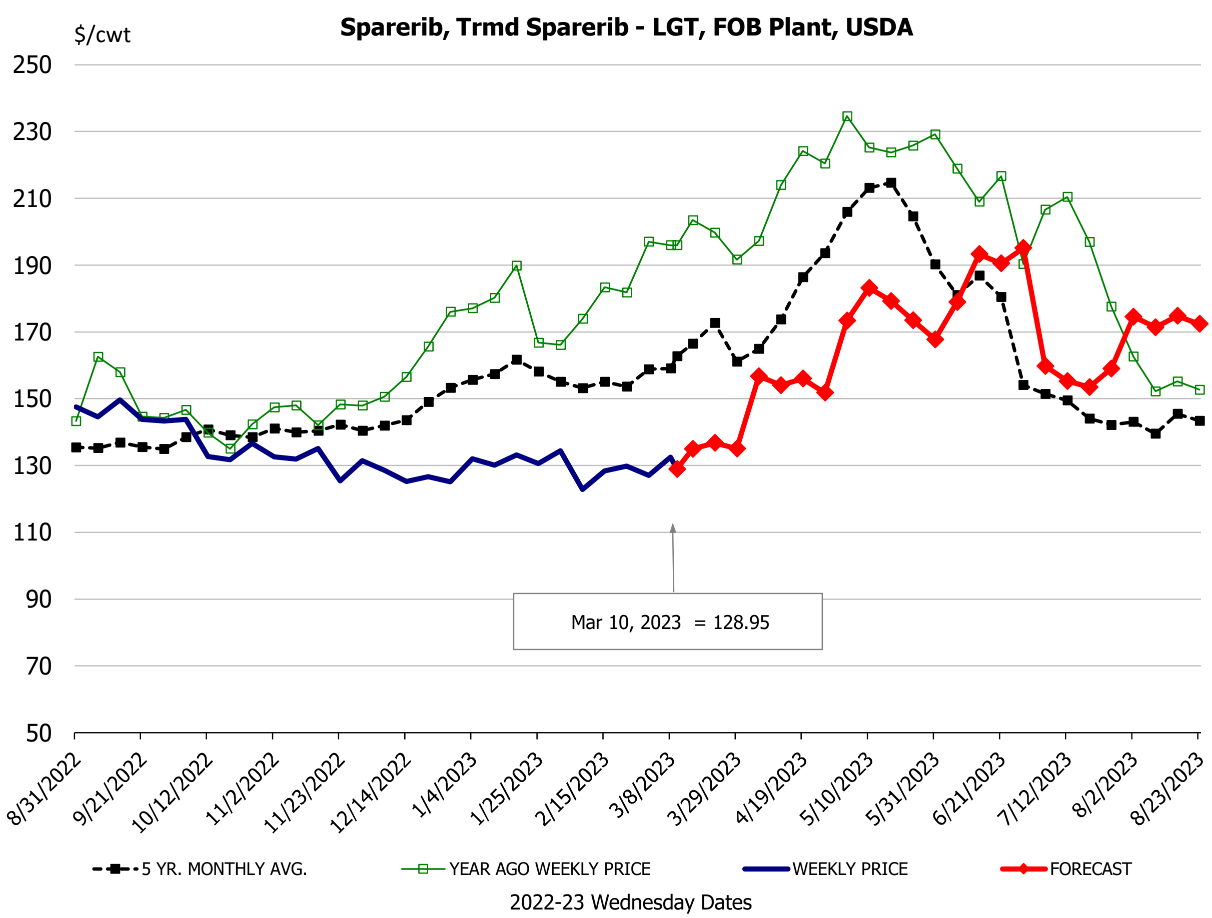

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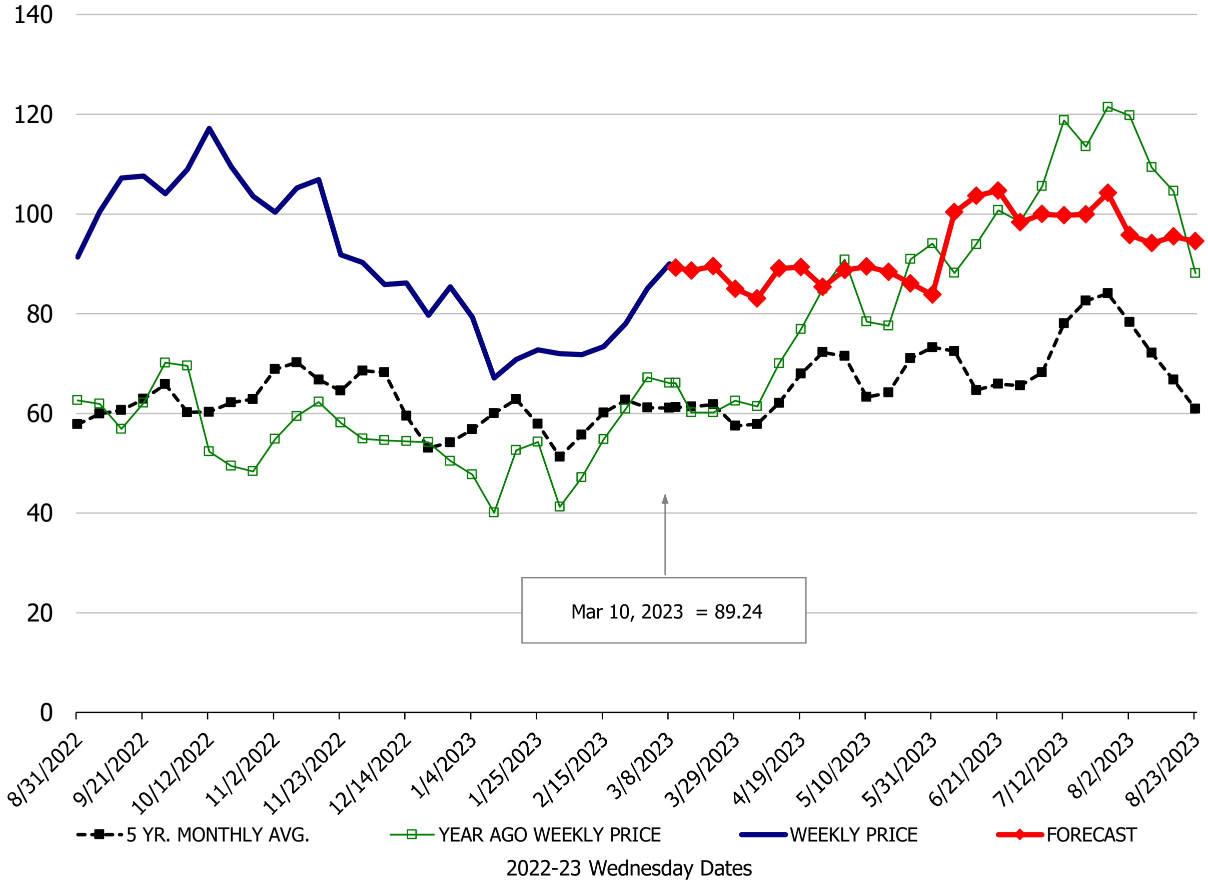
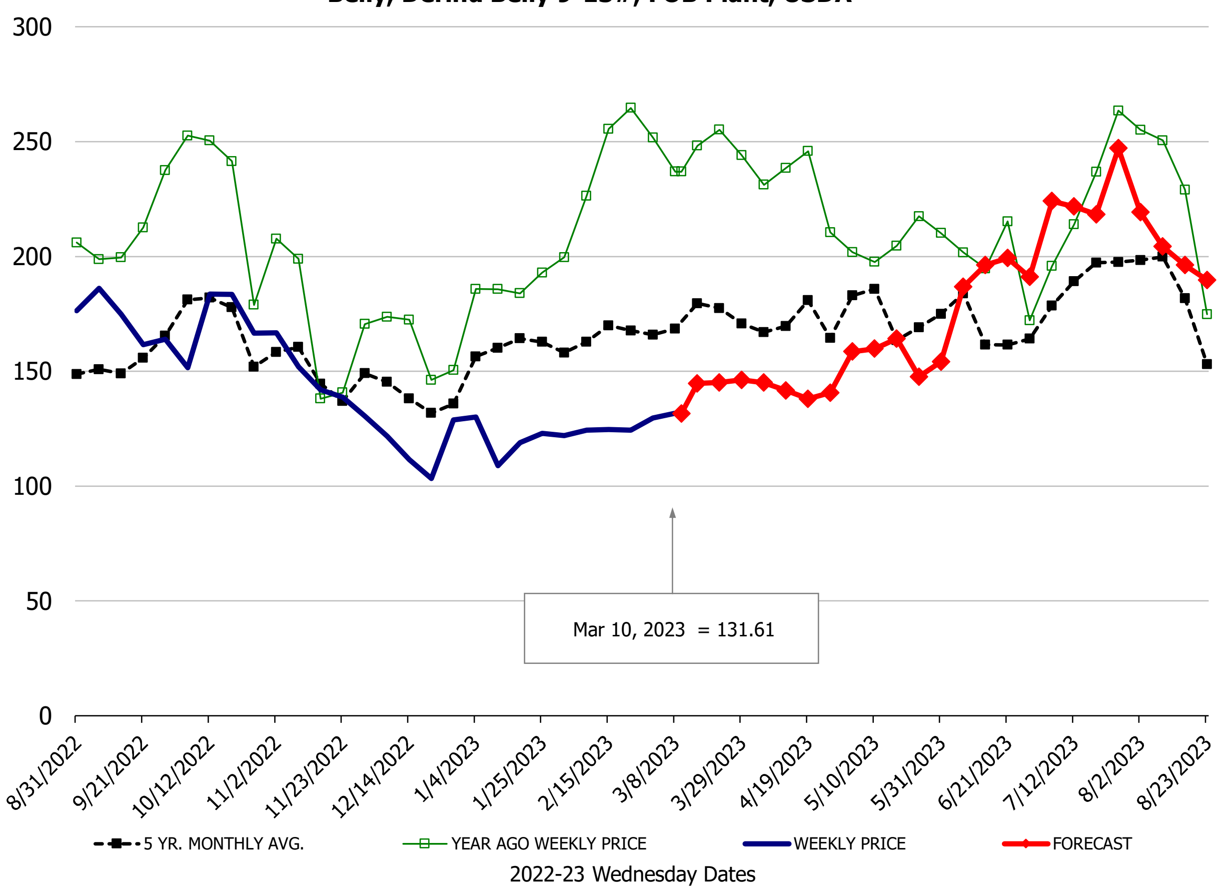
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA



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



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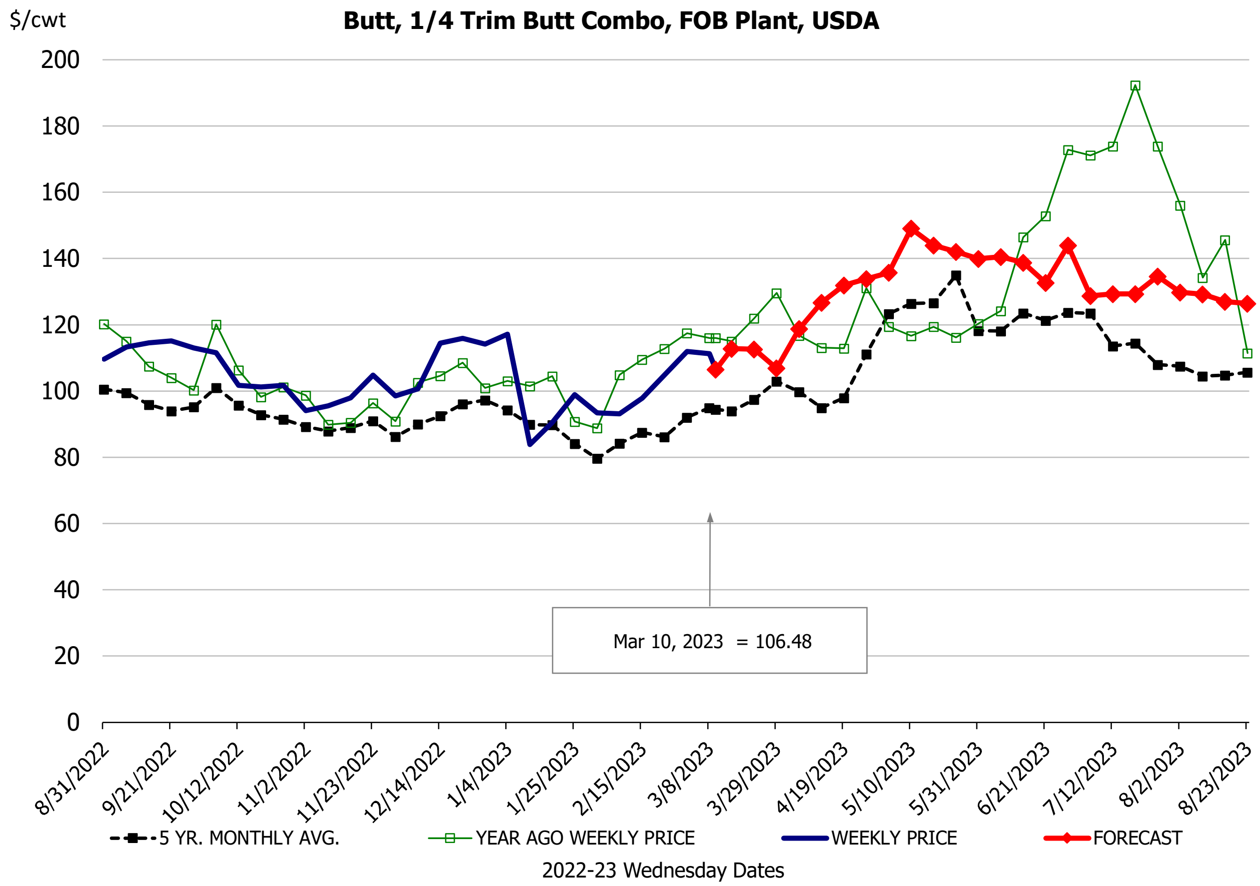

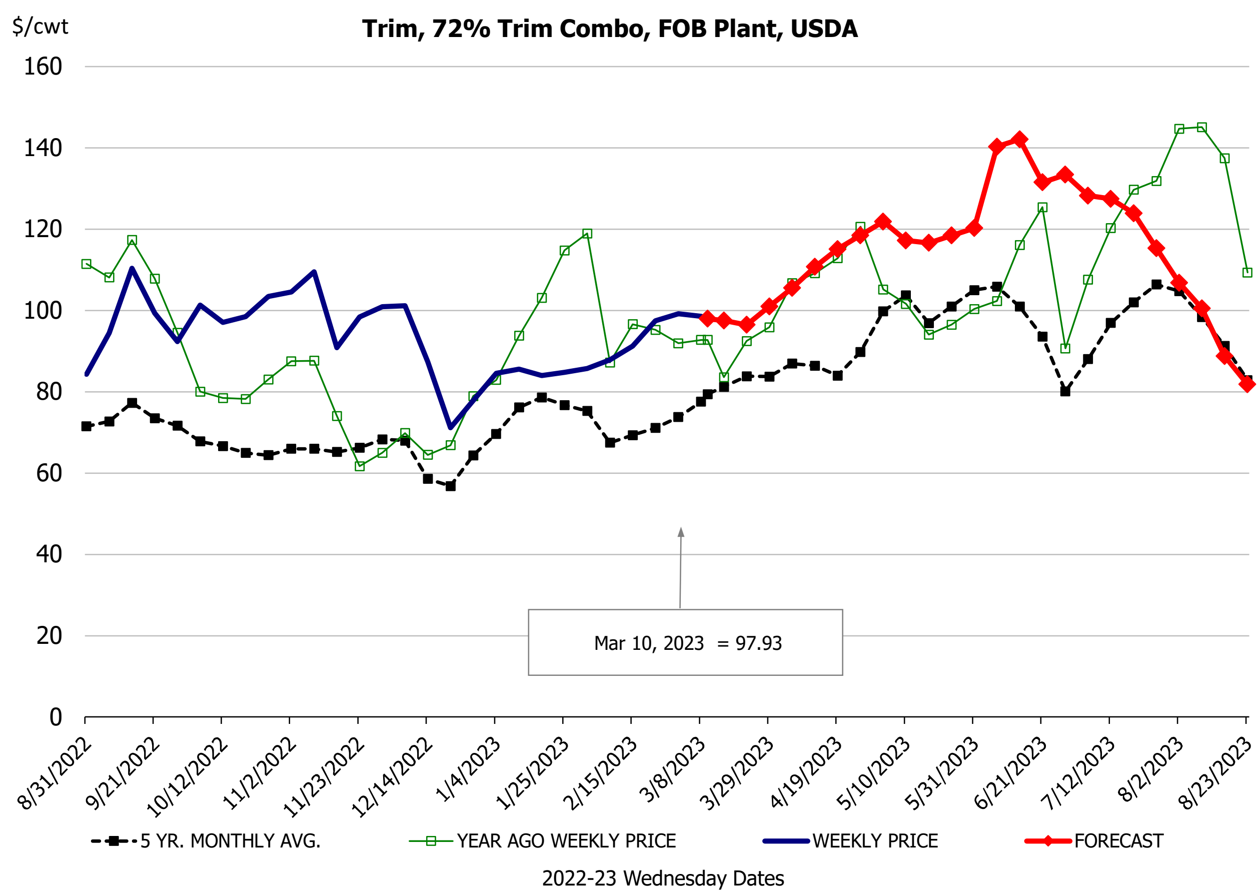

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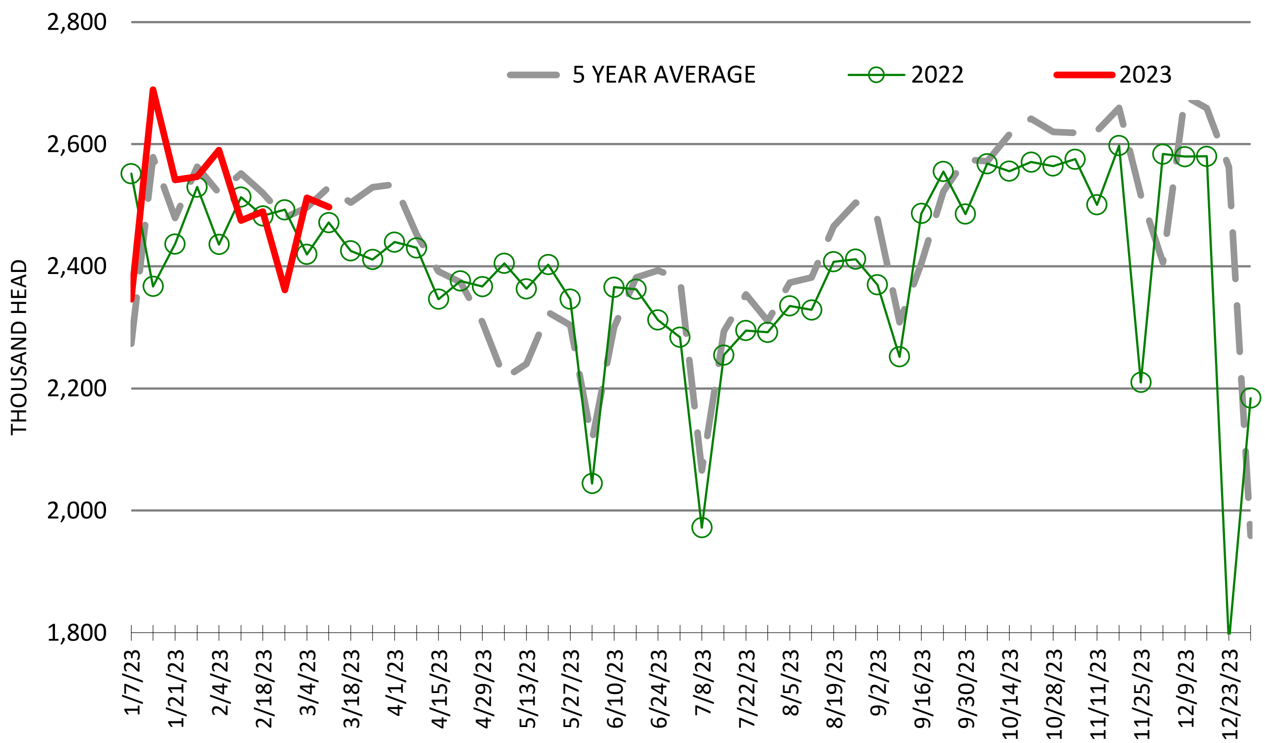
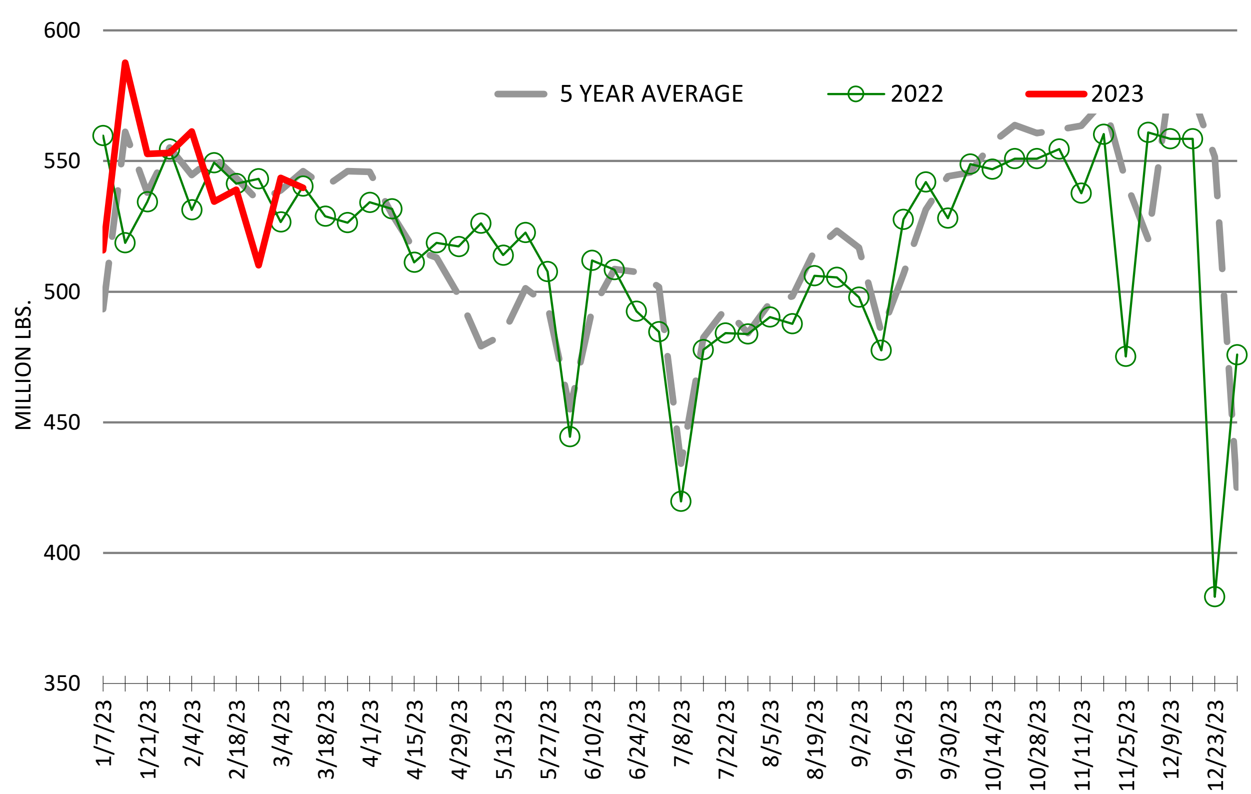
ESTIMATED WEEKLY FI HOG SLAUGHTER

Source: USDA, '000 head



ESTIMATED WEEKLY FI PORK PRODUCTION

Source: USDA, Mil. Pounds



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