Pork Merchandiser's **Profit Maximizer**

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

December 4, 2023

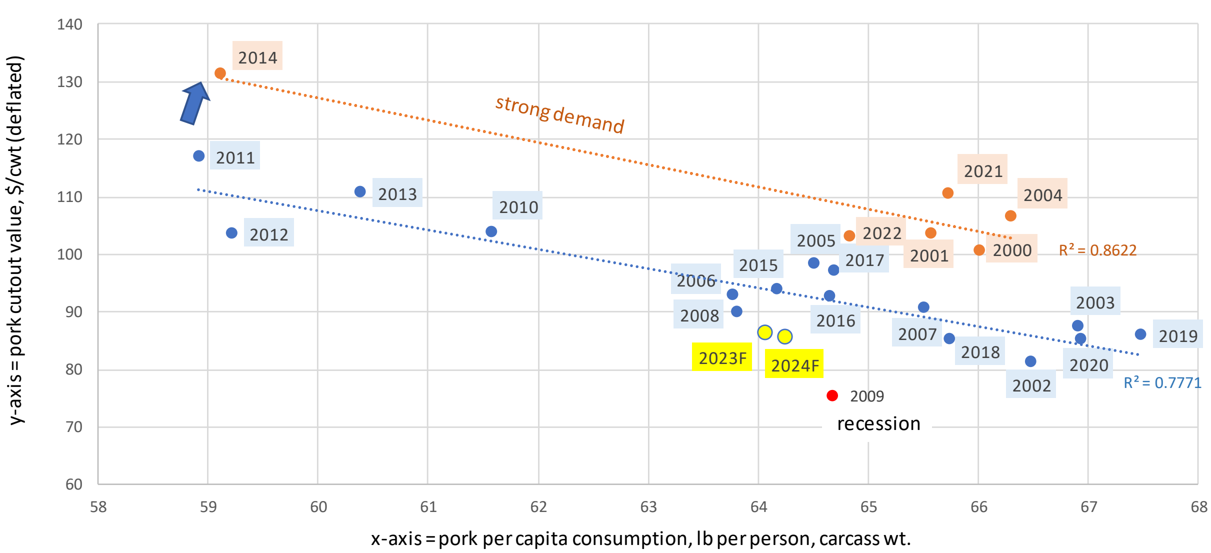
1. <u>2024 outlook</u>

In one of our of earlier reports we focused on beef demand at the wholesale level and the fact that futures were pricing a far weaker demand environment than what we have seen in the last few years. In this latest update we have made some revisions to our forecasts, mostly to account for an increase in front end cattle and beef supplies. But we have not made any significant changes to our assumptions for beef demand in 2024 and 2025. Clearly this is a downside risk but one that we will not change until we see evidence that beef demand is indeed shifting lower.

The situation in the pork market is quite different. Wholesale pork demand has declined dramatically vs. 2021 and 2022 and our current forecasts for pork cutout in 2024 also assume a similar level of demand. Current estimates are for a modest increase in US domestic per capita

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



consumption and a modest increase in wholesale pork prices. However, the price increase is well below the expected level of inflation (the chart below shows deflated cutout values). As with beef, we will maintain our demand assumptions until we see a material change.

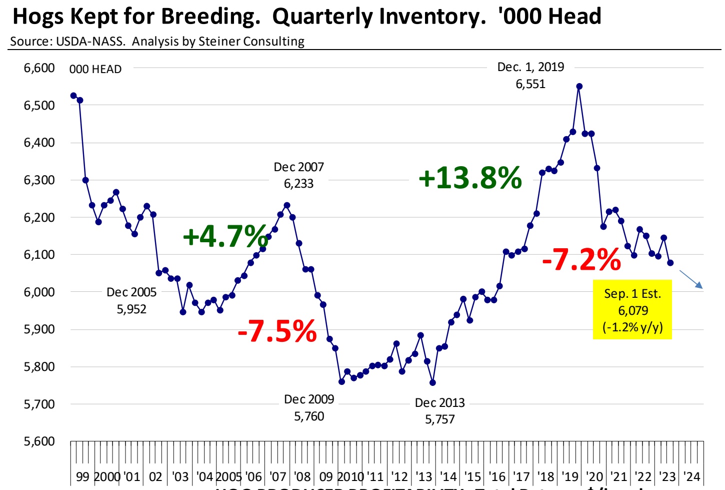
Recently we gave an email interview to a national ag publication. The answers to their questions summarize some of our views about the pork market, and pork market challenges, in 2023. The demand chart on page 1 should help illustrate why in our answers we continued to highlight demand as a key factor for the market in 2024.

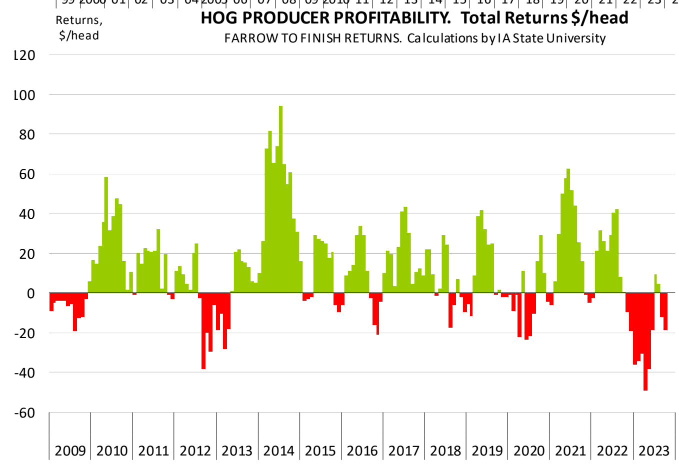
What is your 2024 outlook for the pork industry?

From a supply perspective we expect very modest growth if anything at all. It has been a very unprofitable year for producers, and usually there is a lag in terms of the supply response. We think the breeding herd on December 1 will be about 1.3 - 1.5% lower than the previous year. Productivity gains have offset the reduction in the breeding herd so far. If that persists, then we are probably too conservative in our supply projections. Increased competition from chicken at retail and a slowdown in economic activity is problematic from a demand perspective. The post-COVID demand bump (2021/2022) all but disappeared in 2023 and is unlikely to be repeated in 2024. But we also do not think that the wholesale price collapse we saw in the spring of 2023 is a good indication either. Our expectation is for wholesale prices to be higher than they were in 2023 but the forecasted wholesale prices are not expected to be robust enough to support expansion. Despite lower grain prices, margins are expected to be thin and inefficient producers will have an uphill climb.

What do you anticipate as the biggest obstacles regarding profitability in 2024?

Demand remains the biggest challenge in our view. The obstacles created by Proposition 12 in California and Question 3 in Massachusetts have not gone away and have the potential to negatively impact sales in 2024. Our





understanding is that the supply of compliant pork continues to fall short of potential sales. Export demand is also problematic with more competition from Brazil and punishing tariffs in China. The slowdown in global economic growth and higher odds of recession further cloud the profitability outlook.

If you could offer up one piece of advice to producers in 2024, what would it be?

It is the same advice we have given in the past. Live to fight another day. Have a risk management plan in place, understand the difference between hedging and speculating, and take advantage of opportunities when they appear.

What will be the drivers of change for pork producers in the year ahead?

Several factors have the potential to impact pork producers in 2024. Feed costs are expected to be contained but nothing is guaranteed, especially with Brazil now the top corn exporter in the world. African Swine Fever has not gone away. China and counties in Southeast Asia have learned to live with it and major European pork producers (Denmark, Spain, France) have managed to keep it at bay. But it's knocking on their door. This has the potential to significantly impact demand for US pork. The global economy is slowing down as higher interest rates start to bite. About two thirds of the growth in US pork production the last two decades is due to higher exports. Exports have been and will continue to be a key driver for change. Often producers tend to focus on supply but demand, both in domestic and particularly export markets, has the potential to be a significant driver.

What is the most important pork industry question on your mind heading into 2024?

Will domestic and export demand be robust enough to allow producers to eke out a margin and avoid more small producers from abandoning production, leading to further consolidation and concentration?

PORK

Hog Market. For the week ending December 2 hog slaughter was 2.704 million head, up 4.7% from a year ago. In the last two weeks hog slaughter is up 2.8% vs. year ago levels.

Iowa/Minnesota, Base Negotiated Purchase for Barrows and Gilts. Lean hog carcass values at about 70.22 /cwt. on Friday were down $3.7/cwt since Wed. November 22. Prices are down about 13.0 $/cwt compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at $1.0085, up about 2.7 cents since the Wed. November 22 quote but down about 5 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at $1.4204 for the strap on loins, down 0.3 cents since Wed. November 22 but up 20 cents from the year ago levels. Strap off loins at $1.6047 are up 1.5 cents since Wed. November 22 and up about 30 cents compared to the year ago quote.

Boneless sirloins at $1.2390 were down about one cent from the Wed. November 22 quote and down about 0.7 cents from the year ago price.

Pork tenderloin finished last week at $1.3409, up 10 cents since the Wed. November 22 quote but down about 38.4 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at $1.1863, up 2.3 cents since Wed. November 22. Prices are up 7 cents from a year ago.

Spareribs, Trimmed - LGT, Vac (page 8). Prices finished the week at $1.2520, down about 0 cents since Wed. November 22 and down about 6 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 $0.8545/lb. up 6 cent since Wed. November 22 but down about 7 cents from a year ago.

20/23 hams finished the week at 84.89 cents (page 130) up about 4 cent since Wed. November 22 but down about 8 cent from the year ago level.

23/27 hams finished the week at 83.98 , up about 4 cents from the Wed. November 22 quote but down about 6 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 46.17 cents, up about 2.7 cents since Wed. November 22 but down about 16 cents from the year ago price.

72 CL Pork Trim "FOB Basis". Prices finished the week at 74.69 cents, up 2.3 cents since the Wed. November 22 quote but down about 26 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 **35** cents compared to **32** cents average in the previous six months.

POULTRY

Whole Broilers

The National Whole Bird price was quoted at 125.23 on Friday, December 1, down about 6 cents from a year ago.

Broiler slaughter for the week ending November 25 was 131.28 million head, up 3.10% from a year ago. For the last two weeks broiler slaughter was down 1.1% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at $0.9771, up 1 cents since Wed. November 22 and up about 2 cents from year ago levels.

Leg Quarters. Last week leg quarter prices at 41.26 cents per pound prices were up about 0.18 cents vs. two weeks ago and were up 6 cents from a year ago.

Wings. Prices at $1.6052 are up about 68 cents from year ago levels.

Turkeys

The prices below reflect weekly quoted USDA prices.

Hens finished last week at $0.9250, up 1.0 cent since Wed. November 22 but down about 82 cents from the year ago price.

Toms finished last week at $0.9700, up since Wed. November 22 but down about 84 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 2.0110 million head for the week ending November 25, up 3.45% from a year ago. For the last two weeks slaughter has been up 4.31%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at $2.6000, unchanged since Wed. November 22. 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 $12.9630 (weighted average quote) finished last week up about 53 cents since the Wed. November 22 quote and up about 191 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at $9.8311 (weighted average quote) finished last week up about 33 cents since the Wed. November 22 quote and up about 169 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are $3.1319 /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 $2.6905 for 90CL and $0.6053 for 50CL product, an 81CL meat block value is now $2.2213 and a 78CL meat block is $2.0649. Choice 114, 3 Clods are now being priced 96.53 cents over 81CL meat block grinding values of 90s and 50s. A year ago the spread was 39.18 cents and the five year average spread for is 51.12 cents over.

Choice #161 Boneless Rounds finished last week at $**3.7500**, **down** about one cent since **Wed.** November 22 but up about 69 cents from year ago levels.

Choice regular #168 insides finished last week quoted at $2.6280 down about 40 cents since Wed. November 22 but up about 22 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at $2.7008 down about 20 cents since Wed. November 22 and up about 35 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at $2.6137 down about 37 cents since Wed. November 22 and down about 4 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at $7.5431 (wt. avg.) up about 13 cents from the Wed. November 22 quote. Prices are up 219 cents from year ago levels.

Choice #184 Regular Heavy top butts finished at $3.8432 (wt. avg.) **up** about 6 cents since Wed. November 22 and **up** about **50** cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at $3.8878 (wt. avg.) up about 4 cents since Wed. November 22 and up about 38 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at $6.0361 (wt. avg.) down about 22 cents since Wed. November 22 but up about 127 cents from year ago values.

COARSE GROUND BEEF –

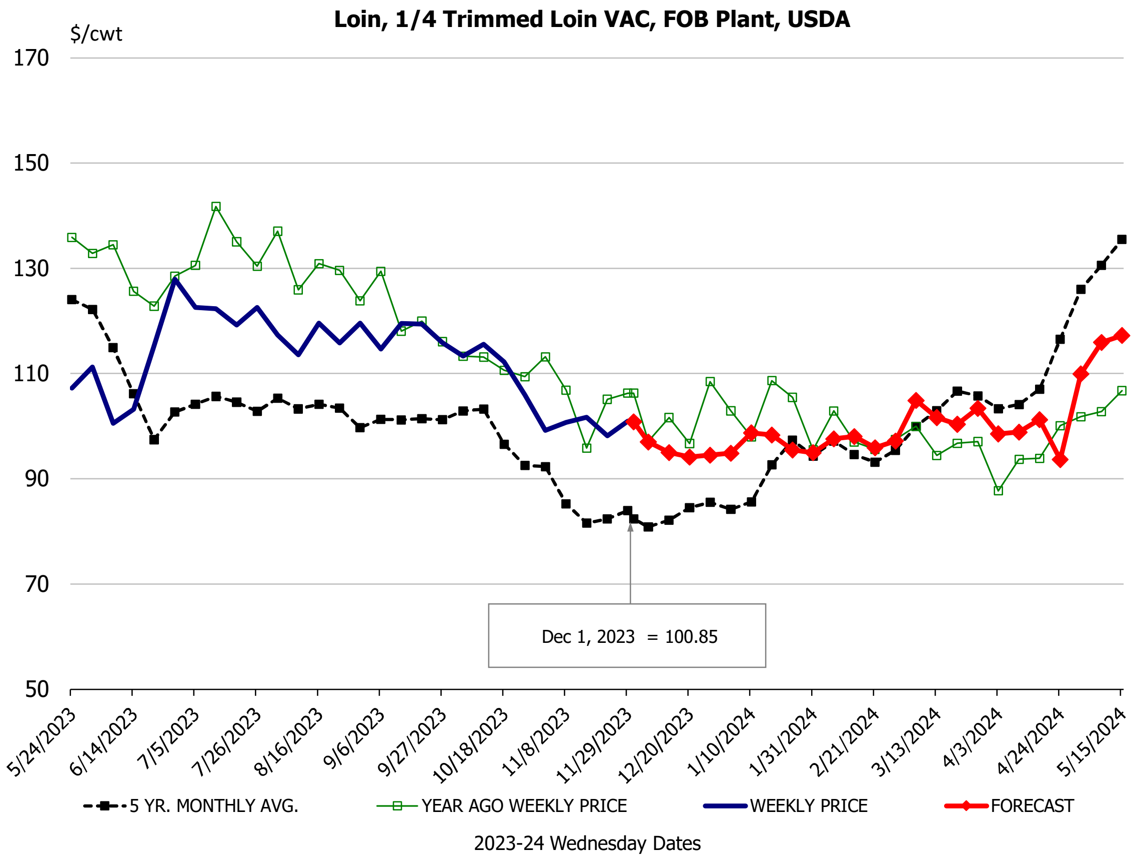
73CL Coarse Ground product finished last week at $**1.9010 down** about 7 cents since Wed. November 22 but up about 59 cents from year ago levels.

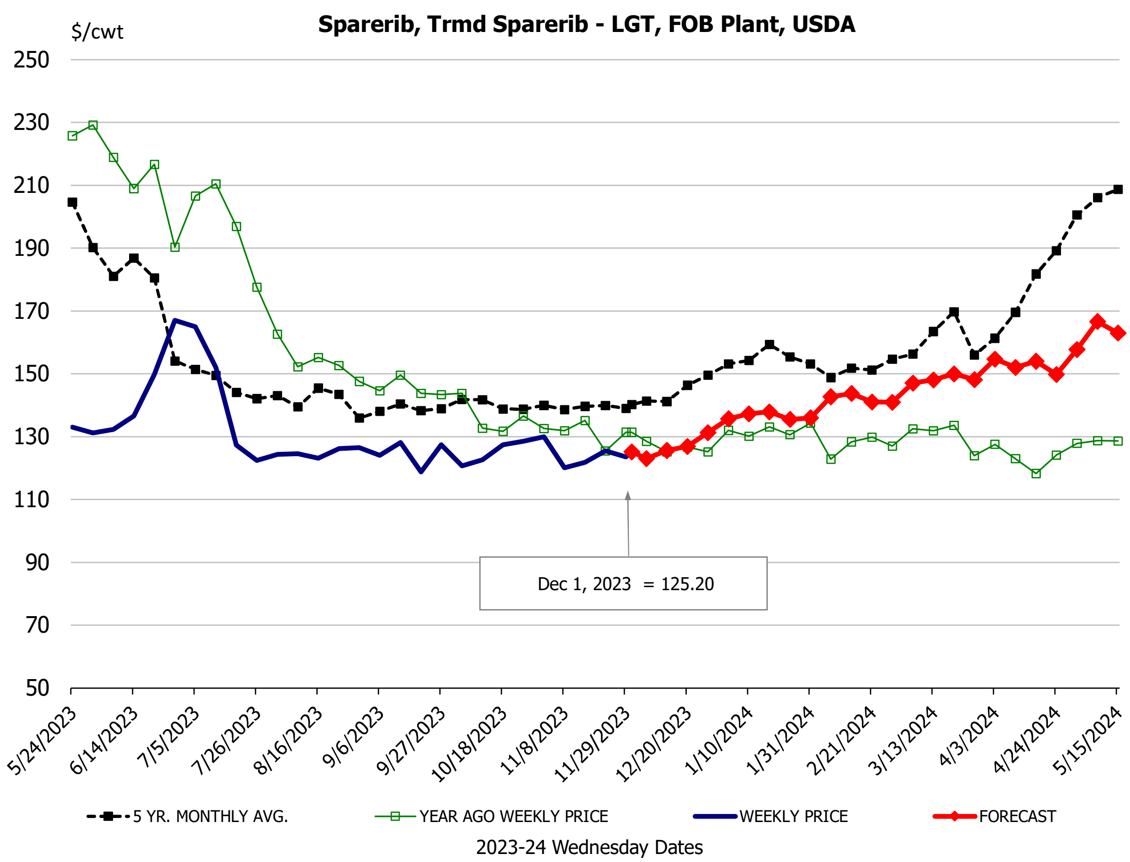
81CL Coarse Ground product finished last week at $2.2402 down about 26 cents since Wed. **November 22 but up** about **28** cents from the year ago quote.

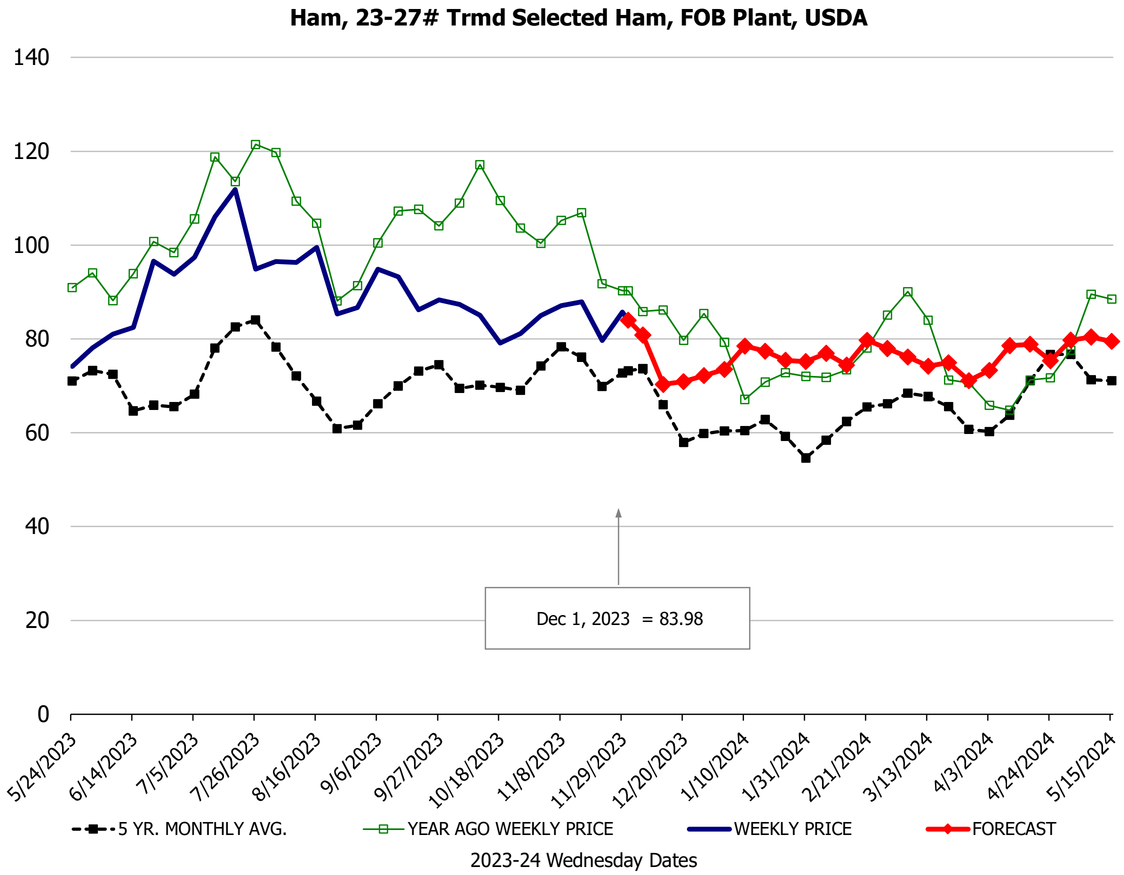
90CL Bnls. Beef prices finished the week at $**2.6905** (wt. avg.) **down 2.93** cents since Wed. November 22 but up 28 cents compared to the year ago price quote. **50 CL Beef Trim** prices finished last week at $0.6053, up about 0 cents since Wed. November 22 but down 2 cents compared to year ago levels.

Protein Summary Table - WT. AVE.

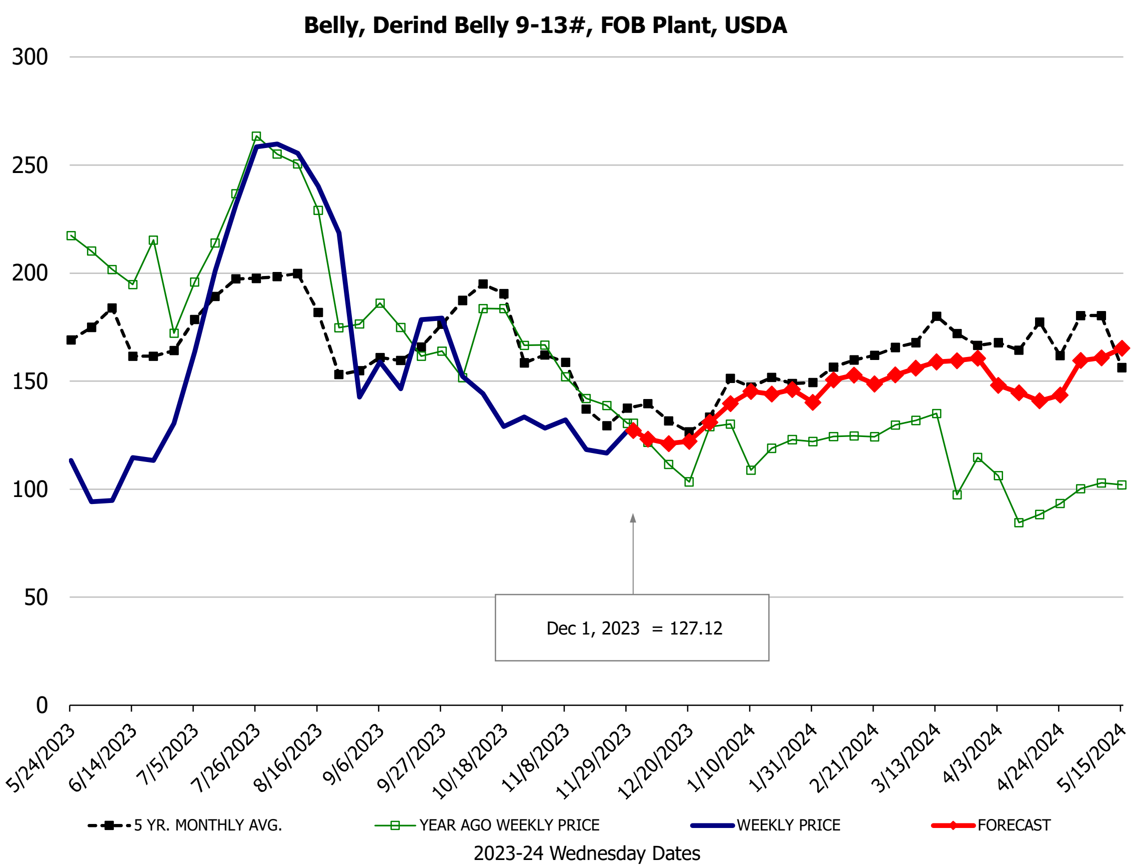
	HISTORY								FORECAST						
	Jun	Jul	Aug	Sep	Oct	Nov	11/22/2023	12/1/2023	12/13/2023	Dec	Jan	Feb	Mar	Apr	May
PORK															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	109.6	121.1	117.6	117.2	110.3	101.2	98.2	100.85	95	92	96	97	102	100	112
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	113.5	127.4	123.7	120.9	117.5	109.1	109.5	106.46	104	102	100	98	105	104	114
Loin, Bnls CC Strap-off, FOB Plant, USDA	159.0	173.6	171.4	180.2	176.8	162.0	159.0	160.47	158	154	165	164	167	168	170
Loin, Tenderloin, FOB Plant, USDA	156.6	158.1	150.1	146.3	137.7	124.4	124.4	134.09	141	140	165	176	169	164	168
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	147.2	125.1	110.5	129.9	115.7	107.1	108.9	105.46	105	105	103	96	104	113	130
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	140.6	138.5	125.1	126.9	125.0	125.9	125.5	125.20	126	125	136	143	147	154	161
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	262.5	267.7	255.3	252.3	257.8	242.3	266.7	230.40	232	230	255	269	274	280	288
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	144.2	141.2	121.7	121.5	119.2	118.7	118.4	120.66	120	120	134	141	145	152	159
Loin, Backribs 2.0#/up, FOB Plant, USDA	210.4	213.7	194.8	192.7	191.5	185.2	181.0	180.69	183	182	193	209	220	242	243
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	88.2	105.0	94.4	92.9	85.7	86.6	79.5	85.45	76	82	79	80	83	79	85
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	84.7	101.0	93.2	88.9	83.1	84.9	80.9	84.89	74	80	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	79.7	83.98	70	77	75	76	77	75	80
Belly Cutout, FOB Plant, USDA	95.9	183.4	185.7	131.5	113.5	102.2	95.3	93.83	100	100	115	126	127	119	131
Belly, Derind Belly 9-13#, FOB Plant, USDA	112.0	225.4	184.9	154.3	140.6	128.4	116.6	127.12	121	123	141	154	156	146	161
Belly, Derind Belly 13-17#, FOB Plant, USDA	110.6	215.9	195.9	158.4	136.8	118.9	116.2	105.46	113	115	136	149	151	143	150
Trim, 42% Trim Combo, FOB Plant, USDA	68.5	95.8	81.6	69.0	55.5	47.7	43.5	46.17	35	40	48	52	60	70	75
Trim, 72% Trim Combo, FOB Plant, USDA	90.3	117.9	99.0	98.1	76.7	74.6	72.4	74.69	68	72	79	82	85	99	104
Trim, Picnic Meat Combo Cushion Out, FOB Plant, USDA	111.1	123.4	112.1	111.7	95.3	87.3	85.5	87.92	82	84	91	90	93	105	112
Carcass Cutout, FOB Plant, USDA	92.7	112.2	105.9	98.3	90.4	86.7	84.7	84.98	81	81	82	83	84	85	89
HOG CARCASS															
CME 1-Day Lean Hog Index	87.9	102.0	99.3	86.4	80.7	75.5	73.9	70.22	69	70	71	74	77	79	85
BROILERS															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	134.7	118.9	112.4	119.5	119.6	121.7	123.1	125.23	126	124	122	123	124	131	139
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	132.7	116.3	140.3	165.3	145.3	109.2	97.0	97.71	105	105	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	101.25	103	103	108	115	124	136	144
N.E. BROILER LEG QUARTERS, USDA	49.5	49.6	42.8	41.3	41.1	41.1	41.1	41.26	41	41	41	42	45	46	47
N.E. BROILER WINGS, USDA, WT.AVG.	88.7	101.4	123.6	153.9	168.2	160.7	158.9	160.52	165	165	170	178	171	160	155
TURKEYS															
HEN TURKEYS, EAST, FROZEN 10-12LBS, USDA	153.4	142.5	128.2	125.7	115.4	98.4	92.0	92.50	95	95	105	110	115	121	125
TOM TURKEYS, EAST, FROZEN 16-22LBS, USDA	148.6	140.2	128.8	126.0	114.7	97.0	92.0	97.00	95	95	105	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	253	255	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	177.8	175.77	174	173	172	174	176	179	178
BEEF															
CHOICE, 112A, 3, USDA,RIBEYE, BONELESS, HEAVY, WT.AVG.	1066.3	981.4	1045.6	1150.3	1087.4	1197.5	1243.3	1296.30	1140	1175	970	997	1072	1118	1171
CHOICE, 161, 1, USDA,ROUND, BONELESS, WT. AVG.	360.8	349.1	350.0	370.2	381.1	378.1	376.0	375.00	367	370	375	379	367	365	363
CHOICE, 168, 3, TOP INSIDE ROUND, 1/4" MAX, WT. AVG., USDA	325.7	305.1	331.5	358.3	351.7	303.9	290.2	270.08	282	279	306	315	311	307	308
CHOICE, 170, 1, BOTTOM GOOSENECK ROUND, WT. AVG., USDA	286.8	270.7	294.2	340.9	338.7	276.3	298.3	261.37	273	270	282	282	274	271	277
CHOICE, 180, 3, USDA,STRIP LOIN, BONELESS, 0X1, WT. AVG.	1020.5	886.9	750.2	634.4	649.0	730.8	741.4	754.31	726	720	737	761	833	905	976
CHOICE, 184, 3, USDA,TOP BUTT, BONELESS, WT. AVG.	525.7	475.3	466.6	421.7	390.6	385.7	384.3	388.78	400	394	395	420	447	479	474
CHOICE, 185A, 4, USDA,BOTTOM SIRLOIN, FLAP, WT. AVG.	1032.0	991.3	768.5	644.2	623.0	625.6	626.0	603.61	626	625	624	662	723	825	888
USDA,COARSE GROUND 73%, WT. AVG.	245.6	257.6	255.4	251.4	226.6	201.1	196.8	190.10	202	195	239	232	236	245	260
COARSE GROUND 81%, WT. AVG., USDA	270.7	274.3	281.8	274.1	258.5	247.4	249.8	224.02	234	230	272	272	272	280	299
USDA, 90% BONELESS BEEF, CENTRAL, FRESH, WT. AVG.	285.1	293.2	300.0	306.3	289.2	276.8	272.0	269.05	276	275	284	295	301	310	314
USDA, 50CL BEEF TRIM, FRESH, NATIONAL, WT. AVG.	#REF!	#REF!	#REF!	#REF!	#REF!	#REF!	60.1	60.53	66	70	95	99	127	152	177


Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA
$/cwt
170
150
130
110
90
70
50
Dec 1, 2023 = 100.85
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
1/31/2024
2/21/2024
3/13/2024
4/3/2024
4/24/2024
5/15/2024
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2023-24 Wednesday Dates

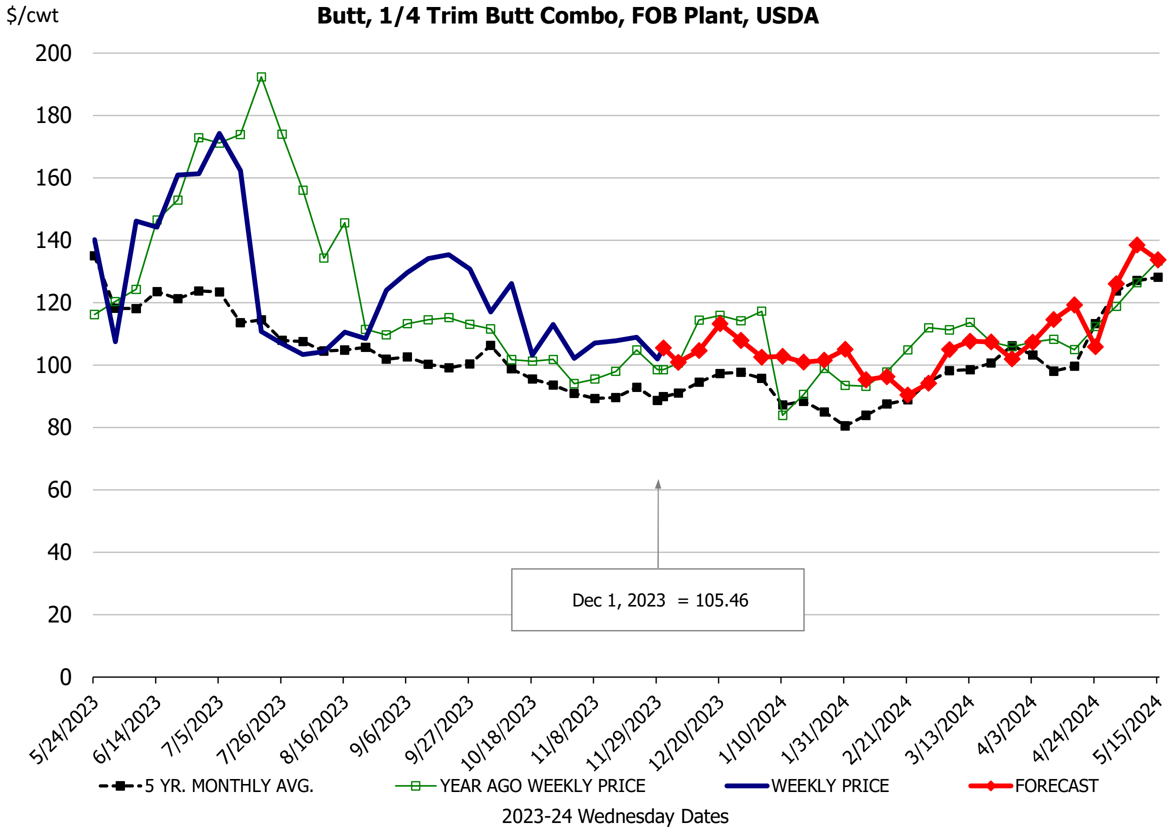

Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA
$/cwt
250
230
210
190
170
150
130
110
90
70
50
Dec 1, 2023 = 125.20
5/24/2023
6/14/2023
7/5/2023
7/26/2023
8/16/2023
9/6/2023
9/27/2023
10/18/2023
11/8/2023
11/29/2023
12/20/2023
1/10/2024
1/31/2024
2/21/2024
3/13/2024
4/3/2024
4/24/2024
5/15/2024
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2023-24 Wednesday Dates



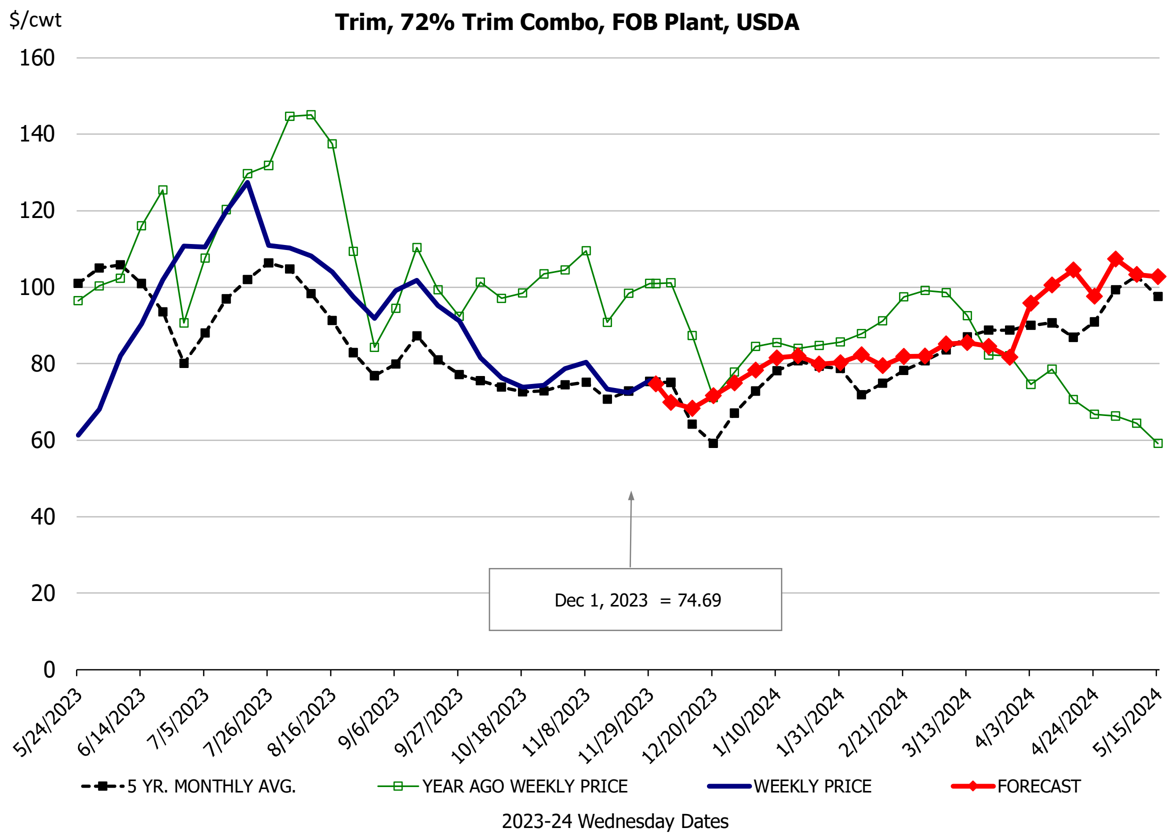
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA
140
120
100
80
60
40
20
0
Dec 1, 2023 = 83.98
5/24/2023
6/14/2023
7/5/2023
7/26/2023
8/16/2023
9/6/2023
9/27/2023
10/18/2023
11/8/2023
11/29/2023
12/20/2023
1/10/2024
1/31/2024
2/21/2024
3/13/2024
4/3/2024
4/24/2024
5/15/2024
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2023-24 Wednesday Dates



Belly, Derind Belly 9-13#, FOB Plant, USDA
300
250
200
150
100
50
0
Dec 1, 2023 = 127.12
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
1/31/2024
2/21/2024
3/13/2024
4/3/2024
4/24/2024
5/15/2024
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2023-24 Wednesday Dates



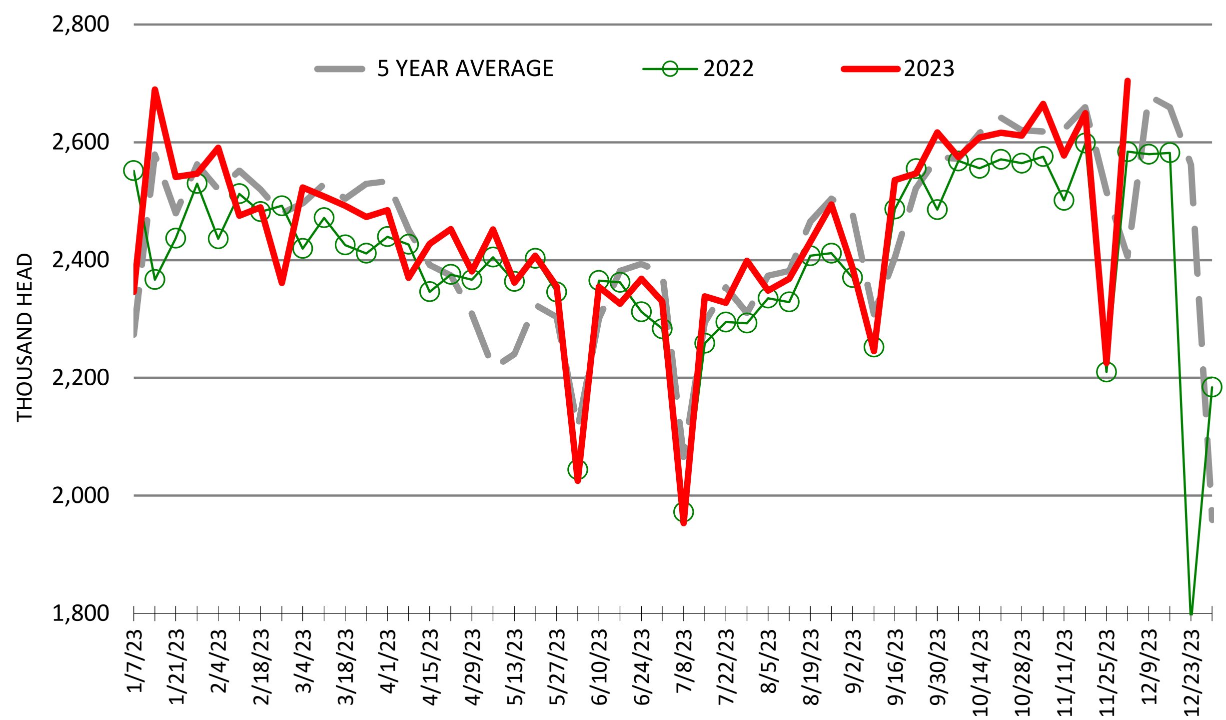
$/cwt
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA
Dec 1, 2023 = 105.46
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2023-24 Wednesday Dates



$/cwt
Trim, 72% Trim Combo, FOB Plant, USDA
Dec 1, 2023 = 74.69
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