Pork Merchandiser's **Profit Maximizer**

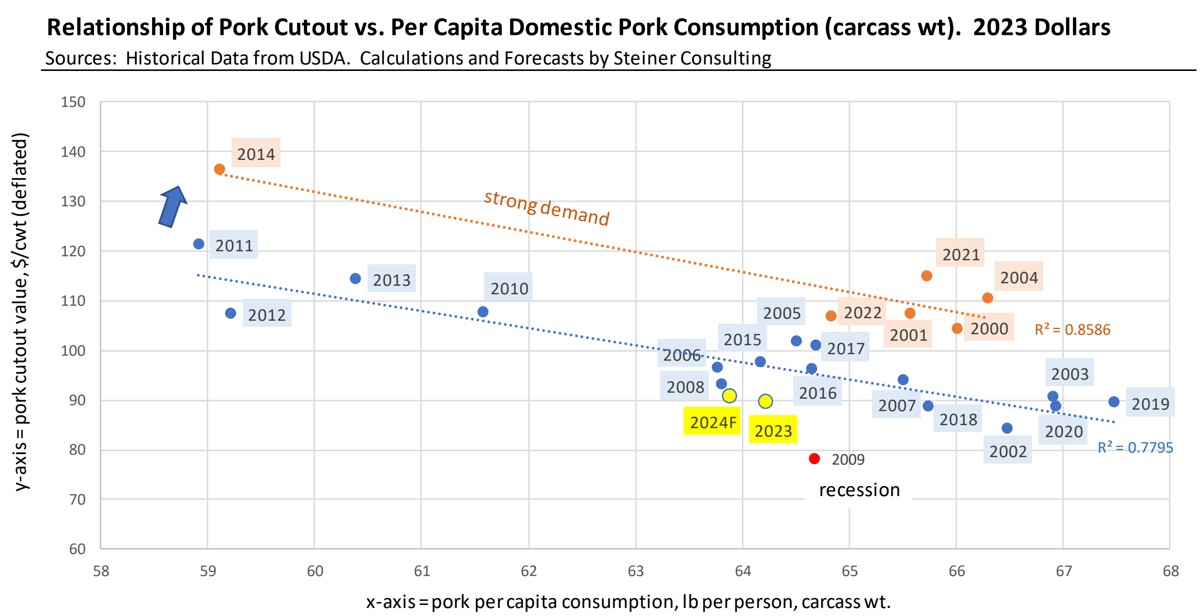
Prepared by Steiner and Company, Manchester, NH 800-526-4612.

March 11, 2024

1. Pork supply outlook for spring, summer and fall and price implications.

Lean hog futures have rallied in the last two months as product prices have performed better than most expected. But does that mean that pork demand is strong? Or **could it be that some of the demand assumptions baked into futures in late December were overly pessimistic?** We tend to favor this second explanation. Also, we do not see pork supply as particularly burdensome and expect supply to become more of an issue in the second half of the year.

Near term supply to decline: January hog slaughter was estimated at 11.317 million head, about 237k head (+2.1%) higher than the previous year. January had one extra marketing day, which helped offset the shortfall created by winter weather storms. February hog slaughter numbers

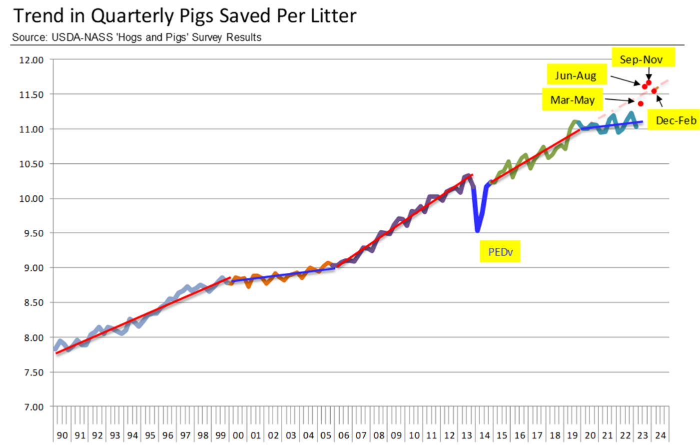


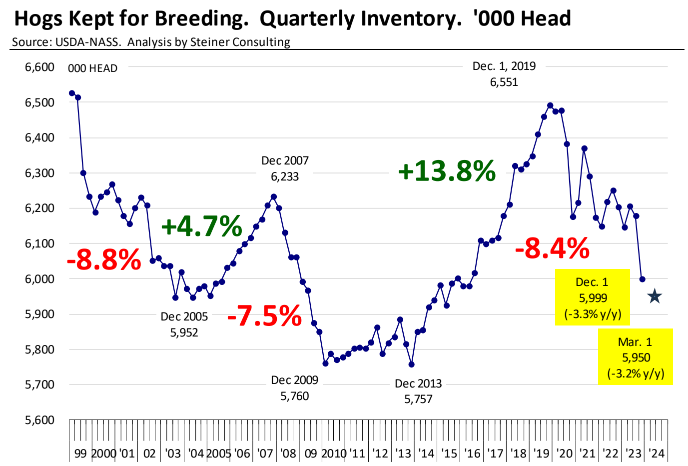
are not out yet but, based on the daily/weekly slaughter numbers reported, we expect slaughter to be up as much as 10% y/y. That's because of robust slaughter during the month and one extra day (leap year). However, March will be lower. March has two fewer marketing days that in 2023. Additionally, the early Easter (March 31) means a lower slaughter for Good Friday and then minimal slaughter in the following Saturday. Consequently, March slaughter could be down as much as 8% y/y. These are monthly comparisons but it's important to consider the swing in hog/pork supplies from winter to early spring.

<u>Spring supply should be higher than in 2023...maybe</u>. In the December survey USDA put the farrowings figure for Dec-Feb down 1.8% from a year ago. However, the number of pigs saved per litter is expected to be up about 4% y/y, which should more than offset the expected reduction in farrowings. However, there are two key unknowns about this. First, the farrowing number for Dec-Feb appears a bit high relative to the breeding herd. If the ratio of farrowings to the breeding herd is similar to the year before, then farrowings would be down around 3% y/y. Second, the pigs per litter number is highly uncertain, especially during the winter months. So even as the expectation is for supply to be higher y/y during Jun-Aug (Dec-Feb pig crop), there is room there for a surprise to the downside.

<u>Fewer hogs expected in the fall</u>. Our current expectation is for the breeding herd as of March 1 to be around 5.950 million head, down about 50k head from December 1. This is due to the high rate of sow slaughter in the last three months and relatively low gilt replacement rate. If we are right, then the breeding herd decline could result in farrowings during Mar-May that are down about 3% from a year ago. Even if pigs per litter numbers are close to the trend line in the chart above, it would not be sufficient to offset the reduction in farrowings, implying a pig crop for Mar-May down 1-1.5% y/y.

<u>Putting it all together</u>. Our current forecast is for hog slaughter in 2024 to be 0.8% higher than





a year ago. But, that number is skewed a bit due to two extra slaughter days that the year before. If you adjust for that, then slaughter is slightly lower than a year ago. We also have not fully accounted for the possibility of a 1% decline in the pig crop during Mar-May. So there is more downside risk to our supply projections for 2024. On the other hand, we expect pork exports for 2024 to be up 4.7% from a year ago. This is in part due to the pace of exports/sales to this point as well as the decline in export product availability and higher prices for European pork. Given a modest increase in pork supply and higher exports, per capita availability in 2024 is currently expected to be down 0.5% y/y.

The chart on page 1 shows the wholesale demand curve for pork. Our current forecast is for the pork cutout in 2024 to be around \$97/cwt. While that is 7% higher than a year ago, that is far from suggesting a robust pork demand. If anything pork demand in 2024 remains soft from a historical perspective. It is also far weaker than it was in 2021 and 2022, when it benefited from the reopening of the economy after COVID. This all goes to show that, even as pork/hog futures have rallied since December, we are far from a bubble. Higher prices for beef and chicken will only support pork demand this spring and summer while the supply picture will start to reflect some of the production decisions (cuts) made last year.

PORK

Hog Market. For the week ending March 9 hog slaughter was 2.456 million head, down 2.1% from a year ago. In the last two weeks hog slaughter is down 0.5% vs. year ago levels.

Iowa/Minnesota, Base Negotiated Purchase for Barrows and Gilts. Lean hog carcass values at about 81.56 /cwt. on Friday were up $1.4/cwt since Wed. February 28. Prices are up about 2.2 $/cwt compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at $1.0548, down about 6.8 cents since the Wed. February 28 quote but up about 6 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at $1.4512 for the strap on loins, up 0.6 cents since Wed. February 28 but down 0 cents from the year ago levels. Strap off loins at $1.6901 are down 2.7 cents since Wed. February 28 but up about 10 cents compared to the year ago quote.

Boneless sirloins at $1.2789 were up about 3 cent from the Wed. February 28 quote and up about 11.4 cents from the year ago price.

Pork tenderloin finished last week at $1.7016, up one cents since the Wed. February 28 quote and up about 7.9 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at $1.2599, up 1.6 cents since Wed. February 28. Prices are up 2 cents from a year ago.

Spareribs, Trimmed - LGT, Vac (page 8). Prices finished the week at $1.7745, up about 15 cents since Wed. February 28 and up about 45 cents from year ago levels.

Rib inventories on January 31 were 89.2 million pounds, down 23.4% from a year ago.

Bone-in Hams

17/20 hams (page 9) price was last quoted at $0.9101/lb. up 5 cents since Wed. February 28 and up about 2 cents from a year ago.

20/23 hams finished the week at 79.56 cents (page 130) down about 7 cents since Wed. February 28 and down about 9 cents from the year ago level.

23/27 hams finished the week at 78.77 , down about 7 cents from the Wed. February 28 quote and down about 11 cents from the year ago level.

Total ham cold storage stocks on January 31 at 74.2 million pounds were up 5.5% from year ago levels.

42 CL Pork Trim "FOB Basis". Prices finished the week at 47.33 cents, up about 11.0 cents since Wed. February 28 but down about 27 cents from the year ago price.

72 CL Pork Trim "FOB Basis". Prices finished the week at 89.13 cents, up 3.3 cents since the Wed. February 28 quote but down about 9 cents from the year ago levels.

Freezer stocks of all trimmings on January 31 were 48.2 million pounds, down 9.2% from the year ago levels.

72 CL Picnic Meat "FOB Basis". The premium of picnic meat to 72CL trim is currently at 24 cents compared to 34 cents average in the previous six months.

POULTRY

Whole Broilers

The National Whole Bird price was quoted at 128.05 on Friday, March 8, down about 2 cents from a year ago.

Broiler slaughter for the week ending March 2 was 163.24 million head, down 2.48% from a year ago. For the last two weeks broiler slaughter was down 2.2% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at $1.3707, up 3 cents since Wed. February 28 and up about 1 cent from year ago levels.

Leg Quarters. Last week leg quarter prices at 45.41 cents per pound prices were down about 1.40 cents vs. two weeks ago but were up 5 cents from a year ago.

Wings. Prices at $2.1117 are up about 99 cents from year ago levels.

Turkeys

The prices below reflect weekly quoted USDA prices.

Hens finished last week at $0.9543, down 8.0 cent since Wed. February 28 and down about 76 cents from the year ago price.

Toms finished last week at $1.0218, down 2 cents since Wed. February 28 and down about 65 cents from the year ago price.

Total turkey supplies in the freezer on January 31 were up 4.3% from a year ago at 302.144 million pounds. Whole birds were down 11.6% from a year ago with an inventory of 116.1 million pounds.

Turkey slaughter was 3.8070 million head for the week ending March 2, up 0.95% from a year ago. For the last two weeks slaughter has been up 2.70%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at $2.6000, unchanged since Wed. February 28. Prices are down about 100 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 $10.0686 (weighted average quote) finished last week up about 27 cents since the Wed. February 28 quote but down about 71 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at $9.2757 (weighted average quote) finished last week down about 3 cents since the Wed. February 28 quote but up about 49 cents vs. the year ago price.

Currently Choice 112A Rib Eyes are $0.7929 /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 $3.1736 for 90CL and $1.0085 for 50CL product, an 81CL meat block value is now $2.6865 and a 78CL meat block is $2.5241. Choice 114, 3 Clods are now being priced 53.74 cents over 81CL meat block grinding values of 90s and 50s. A year ago the spread was 41.54 cents and the five year average spread for is 41.27 cents over.

Choice #161 Boneless Rounds finished last week at $**3.5800**, **down** about 13 cents since **Wed.** February 28 but up about 28 cents from year ago levels.

Choice regular #168 insides finished last week quoted at $3.5395 up about 3 cents since Wed. February 28 and up about 87 cents from the year ago price.

<u>Choice ¼ inch trimmed #168 insides</u> finished last week quoted at $3.7071 up about 33 cents since Wed. February 28 and up about 94 cents from year ago levels.

<u>Choice #170 Gooseneck Rounds</u> finished last week at $3.0367 up about 11 cents since Wed. February 28 and up about 50 cents from the year ago levels.

<u>Choice #180 (0x1) Bnls. Strip Loins</u> finished last week quoted at $8.8835 (wt. avg.) up about 36 cents from the Wed. February 28 quote. Prices are up 16 cents from year ago levels.

<u>Choice #184 Regular Heavy top butts</u> finished at $4.1443 (wt. avg.) **up** about 12 cents since Wed. February 28 and **up** about **23** cents from year ago levels.

<u>Choice #184 ¼ inch trimmed Top Butts</u> finished at $4.2117 (wt. avg.) up about 8 cents since Wed. February 28 and up about 11 cents from the year ago levels.

<u>Choice #185A Flap Meat</u> prices finished Friday at $7.3408 (wt. avg.) down about 14 cents since Wed. February 28 but up about 9 cents from year ago values.

<u>COARSE GROUND BEEF –</u>

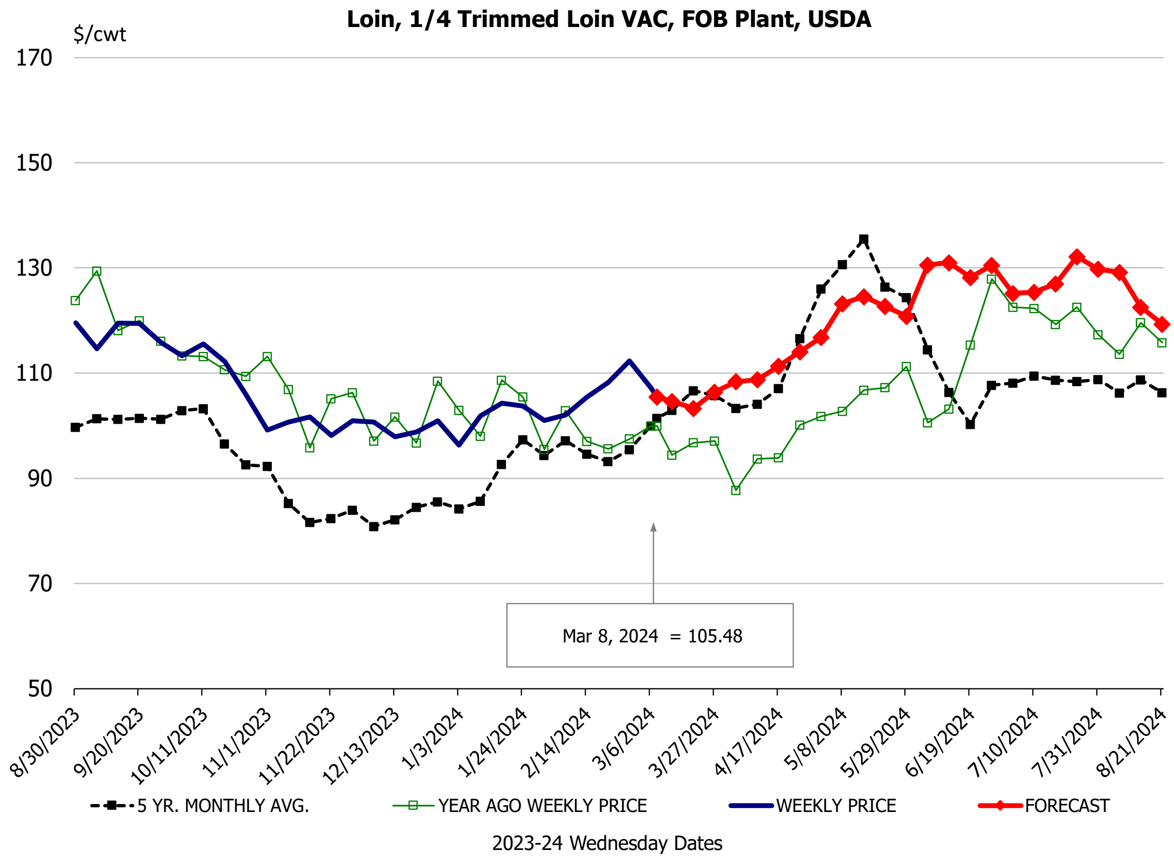
<u>73CL Coarse Ground</u> product finished last week at $**2.2098 down** about 6 cents since Wed. February 28 but up about 25 cents from year ago levels.

<u>81CL Coarse Ground</u> product finished last week at $2.7440 up about 10 cents since Wed. **February 28 and up** about **44** cents from the year ago quote.

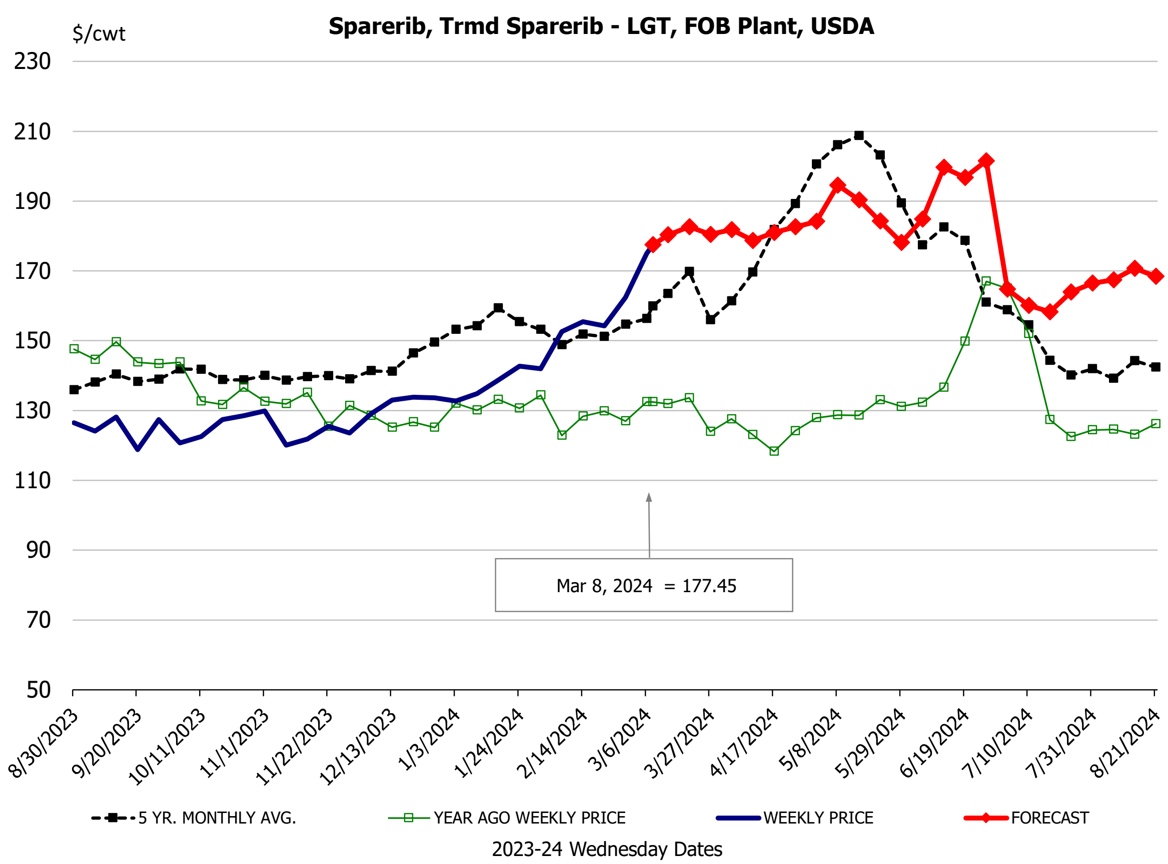
<u>90CL Bnls. Beef</u> prices finished the week at $**3.1736** (wt. avg.) **up 3.19** cents since Wed. February 28 and up 51 cents compared to the year ago price quote. **<u>50 CL Beef Trim</u>** prices finished last week at $1.0085, down about one cent since Wed. February 28 and down 29 cents compared to year ago levels.

Protein Summary Table - WT. AVE.

	HISTORY								FORECAST						
	Sep	Oct	Nov	Dec	Jan	Feb	2/28/2024	3/8/2024	3/20/2024	Mar	Apr	May	Jun	Jul	Aug
PORK															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	117.2	110.3	101.2	100.8	101.0	104.8	112.3	105.48	103	105	110	119	130	126	127
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	120.9	117.5	109.1	107.0	109.7	110.1	109.2	115.04	114	117	118	127	136	132	133
Loin, Bnls CC Strap-off, FOB Plant, USDA	180.2	176.8	162.0	164.1	167.2	168.9	171.7	169.01	172	172	174	177	180	174	185
Loin, Tenderloin, FOB Plant, USDA	146.3	137.7	124.4	141.8	157.3	166.7	168.7	170.16	169	170	172	175	178	172	176
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	129.9	115.7	107.1	107.2	101.5	102.8	105.0	113.06	119	115	126	140	144	139	134
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	126.9	125.0	125.9	131.3	138.4	157.6	162.4	177.45	183	179	181	188	188	165	169
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	252.3	257.8	242.3	243.9	243.6	232.3	241.9	248.05	278	280	289	306	306	283	287
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	121.5	119.2	118.7	125.6	135.0	157.6	170.9	181.41	184	181	181	187	187	164	168
Loin, Backribs 2.0#/up, FOB Plant, USDA	192.7	191.5	185.2	183.9	184.0	192.7	199.8	211.80	220	218	231	226	225	203	201
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	92.9	85.7	86.6	84.0	80.4	79.8	86.4	91.01	87	91	86	94	99	103	102
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	88.9	83.1	84.9	84.1	76.8	80.0	86.1	79.56	82	84	84	89	99	100	101
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	89.6	82.8	84.0	80.3	74.1	77.1	85.7	78.77	81	83	85	91	97	100	98
Belly Cutout, FOB Plant, USDA	131.5	113.5	102.2	87.6	124.5	129.0	119.9	125.64	140	140	138	133	151	180	169
Belly, Derind Belly 9-13#, FOB Plant, USDA	154.3	140.6	128.4	109.8	148.4	161.7	151.2	159.30	171	167	169	163	185	221	207
Belly, Derind Belly 13-17#, FOB Plant, USDA	158.4	136.8	118.9	104.6	140.8	155.0	147.5	150.74	158	160	162	156	178	214	200
Trim, 42% Trim Combo, FOB Plant, USDA	69.0	55.5	47.7	43.8	45.2	35.1	36.3	47.33	47	47	59	66	80	94	87
Trim, 72% Trim Combo, FOB Plant, USDA	98.1	76.7	74.6	72.1	83.6	81.8	85.8	89.13	89	90	101	110	115	120	103
Trim, Picnic Meat Combo Cushion Out, FOB Plant, USDA	111.7	95.3	87.3	91.1	97.8	92.4	94.8	97.47	100	98	110	116	125	128	116
Carcass Cutout, FOB Plant, USDA	98.3	90.4	86.7	83.6	87.0	89.1	90.3	91.80	94	93	94	97	105	107	106
HOG CARCASS															
CME 1-Day Lean Hog Index	86.4	80.7	74.7	67.3	68.1	76.3	80.2	81.56	83	83	87	91	101	103	101
BROILERS															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	119.5	119.6	121.7	127.9	129.9	128.6	127.4	128.05	130	130	133	139	137	127	122
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	165.3	145.3	109.2	98.8	116.3	124.9	130.2	137.07	152	145	161	170	164	157	154
N.E. BROILER BREAST LINE RUN, USDA	116.6	105.2	101.0	101.6	102.4	102.8	104.7	104.81	109	106	118	125	130	131	131
N.E. BROILER LEG QUARTERS, USDA	41.3	41.1	41.1	41.4	42.6	45.7	46.8	45.41	48	47	48	50	51	50	50
N.E. BROILER WINGS, USDA, WT.AVG.	153.9	168.2	160.7	158.9	169.7	188.2	205.6	211.17	210	211	207	197	180	172	179
TURKEYS															
HEN TURKEYS, EAST, FROZEN 10-12LBS, USDA	125.7	115.4	98.4	87.5	90.5	100.2	103.0	95.43	106	101	104	108	113	118	118
TOM TURKEYS, EAST, FROZEN 16-22LBS, USDA	126.0	114.7	97.0	87.8	93.0	101.7	104.0	102.18	106	105	105	108	113	118	118
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	260.0	260.0	260.0	260.0	260.0	260.0	260.0	260.00	265	260	265	265	270	275	275
LIVE STEERS															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	183.9	184.0	180.5	170.6	173.9	180.6	183.0	184.80	187	186	190	188	187	185	185
BEEF															
CHOICE, 112A, 3, USDA,RIBEYE, BONELESS, HEAVY, WT.AVG.	1150.3	1087.4	1197.5	1300.3	999.8	985.5	979.7	1006.86	1067	1065	1096	1110	1179	1052	1136
CHOICE, 161, 1, USDA,ROUND, BONELESS, WT. AVG.	370.2	381.1	378.1	333.5	336.9	364.1	371.0	358.00	345	358	356	356	364	362	367
CHOICE, 168, 3, TOP INSIDE ROUND, 1/4" MAX, WT. AVG., USDA	358.3	351.7	303.9	249.4	285.6	316.8	337.5	370.71	359	369	345	345	339	343	343
CHOICE, 170, 1, BOTTOM GOOSENECK ROUND, WT. AVG., USDA	340.9	338.7	276.3	251.7	299.6	300.8	292.5	303.67	303	304	300	302	310	315	325
CHOICE, 180, 3, USDA,STRIP LOIN, BONELESS, 0X1, WT. AVG.	634.4	649.0	730.8	753.5	756.7	804.5	852.2	888.35	928	901	915	986	1025	897	826
CHOICE, 184, 3, USDA,TOP BUTT, BONELESS, WT. AVG.	421.7	390.6	385.7	390.3	396.3	397.5	413.0	421.17	447	445	494	503	498	491	474
CHOICE, 185A, 4, USDA,BOTTOM SIRLOIN, FLAP, WT. AVG.	644.2	623.0	625.6	607.8	705.6	714.8	748.4	734.08	792	775	865	871	894	873	872
USDA,COARSE GROUND 73%, WT. AVG.	251.4	226.6	201.1	173.5	190.5	215.9	227.3	220.98	218	222	233	245	245	237	251
COARSE GROUND 81%, WT. AVG., USDA	274.1	258.5	247.4	209.5	263.7	267.7	264.0	274.40	260	274	278	296	296	283	294
USDA, 90% BONELESS BEEF, CENTRAL, FRESH, WT. AVG.	306.3	289.2	276.8	248.4	273.3	308.0	314.2	317.36	315	317	319	322	332	338	340
USDA, 50CL BEEF TRIM, FRESH, NATIONAL, WT. AVG.	126.9	87.3	64.6	54.2	76.9	92.9	102.0	100.85	118	120	158	179	174	162	145

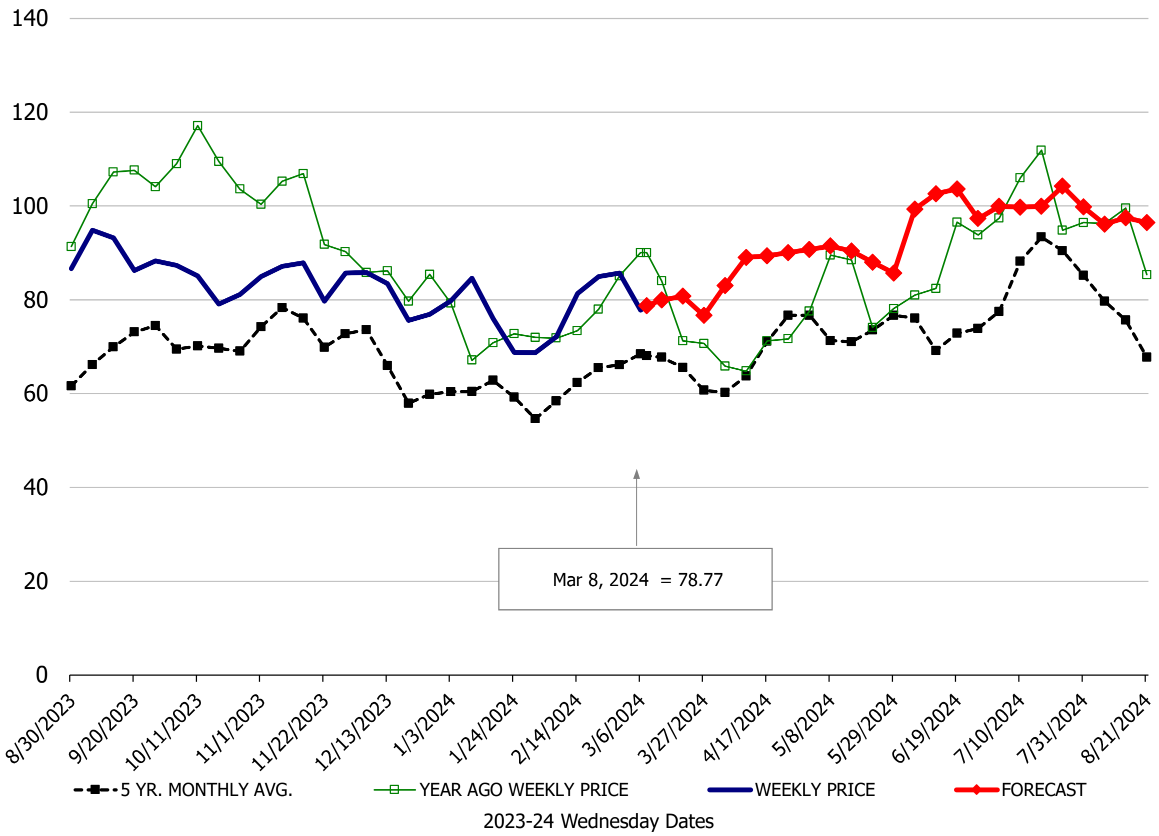


Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA
$/cwt
Mar 8, 2024 = 105.48
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2023-24 Wednesday Dates

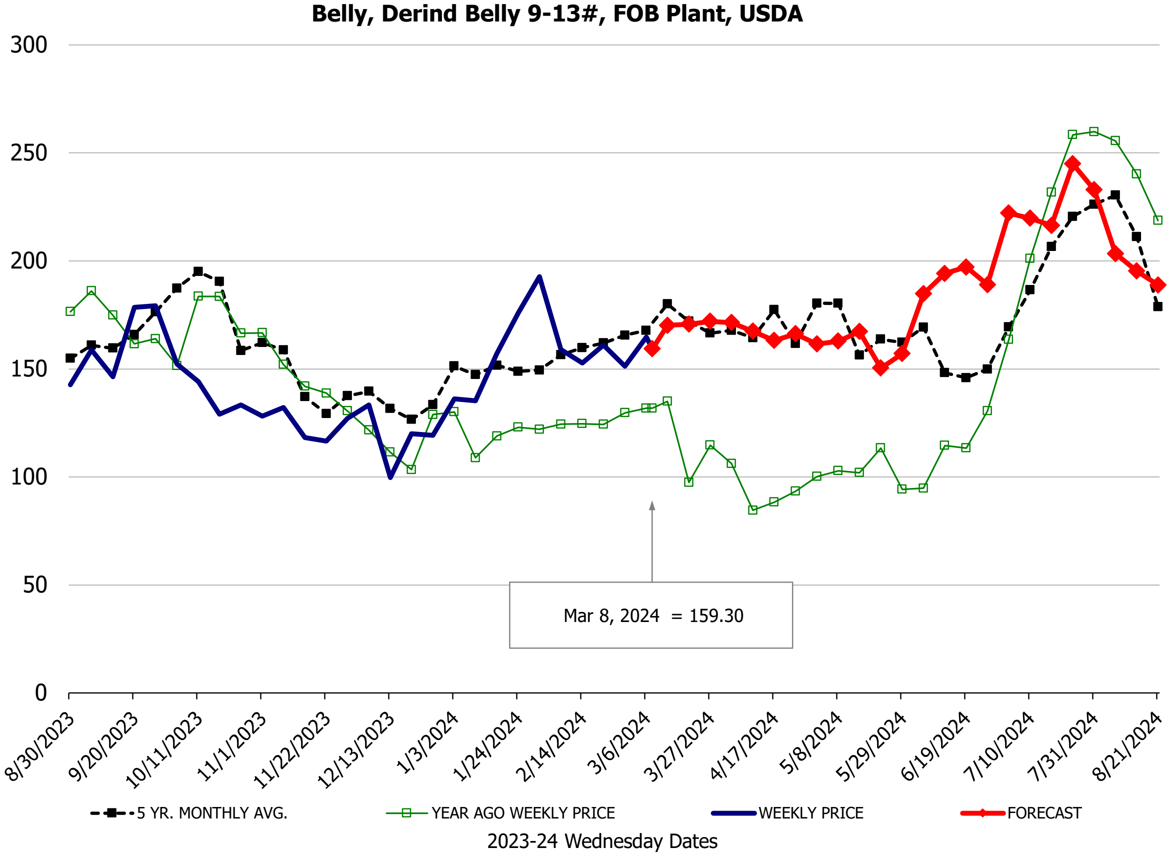


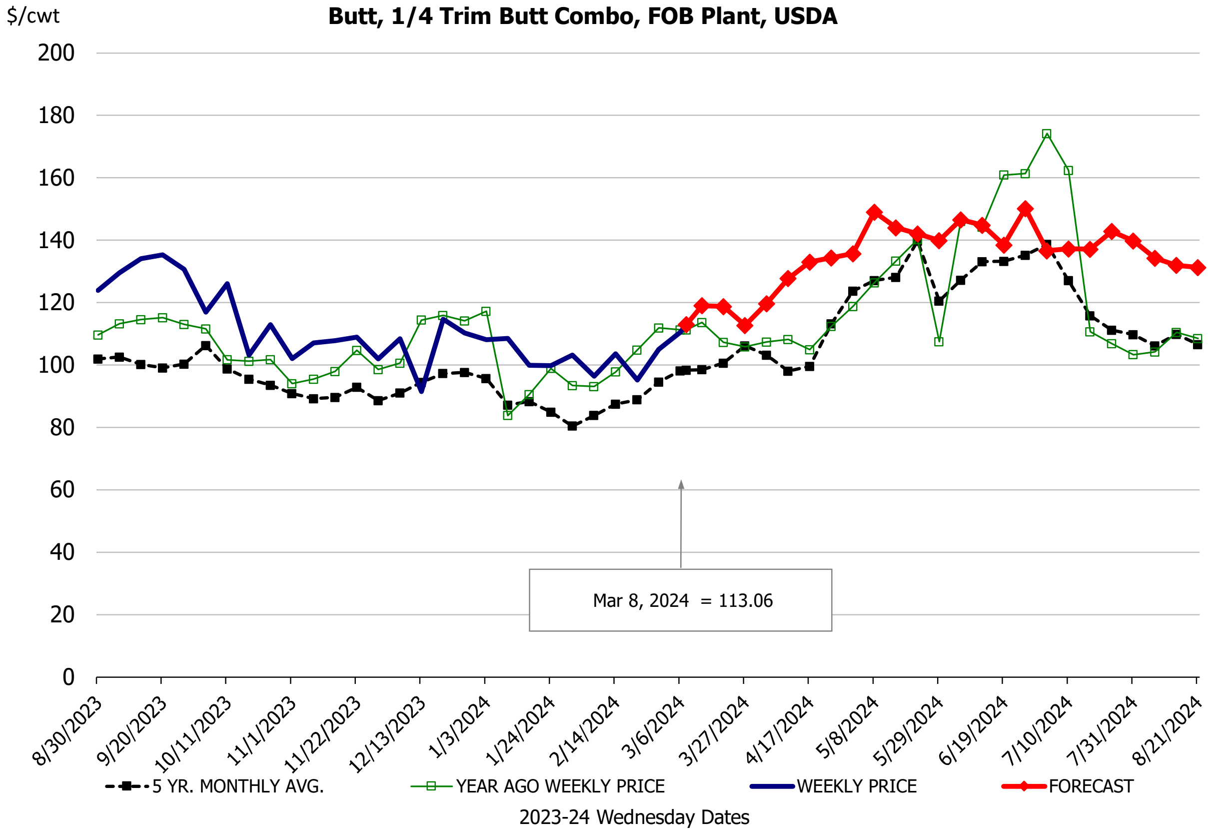
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA
$/cwt
Mar 8, 2024 = 177.45
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2023-24 Wednesday Dates

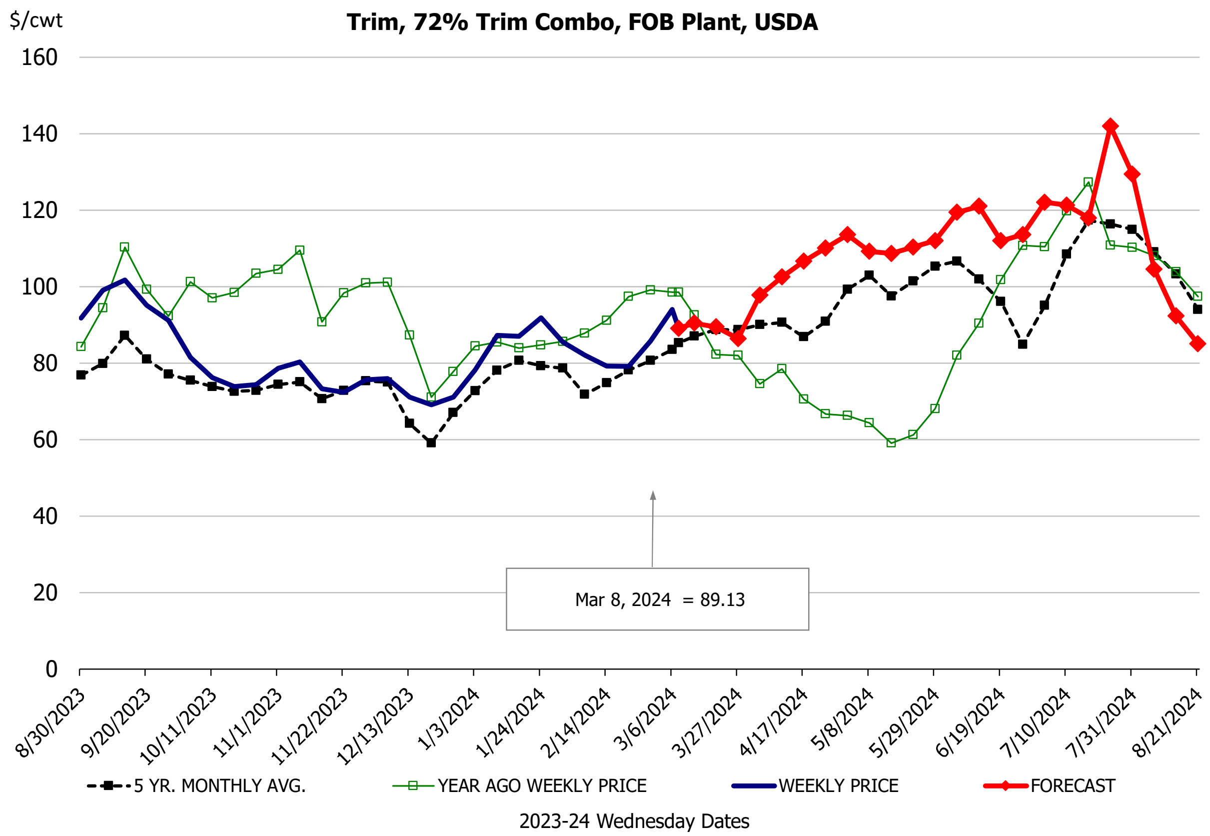
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA



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

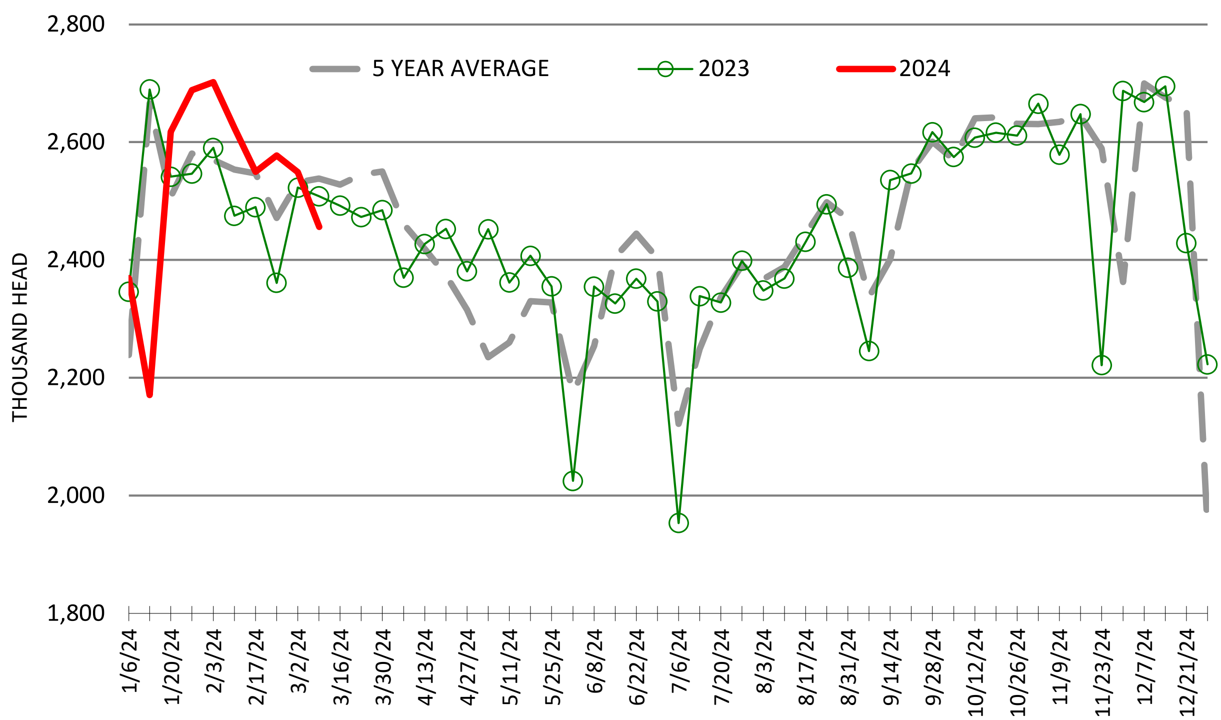



$/cwt
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA
200
180
160
140
120
100
80
60
40
20
0
Mar 8, 2024 = 113.06
8/30/2023
9/20/2023
10/11/2023
11/1/2023
11/22/2023
12/13/2023
1/3/2024
1/24/2024
2/14/2024
3/6/2024
3/27/2024
4/17/2024
5/8/2024
5/29/2024
6/19/2024
7/10/2024
7/31/2024
8/21/2024
5 YR. MONTHLY 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
Mar 8, 2024 = 89.13
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
6/19/2024
7/10/2024
7/31/2024
8/21/2024
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