Pork Merchandiser's Profit Maximizer

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

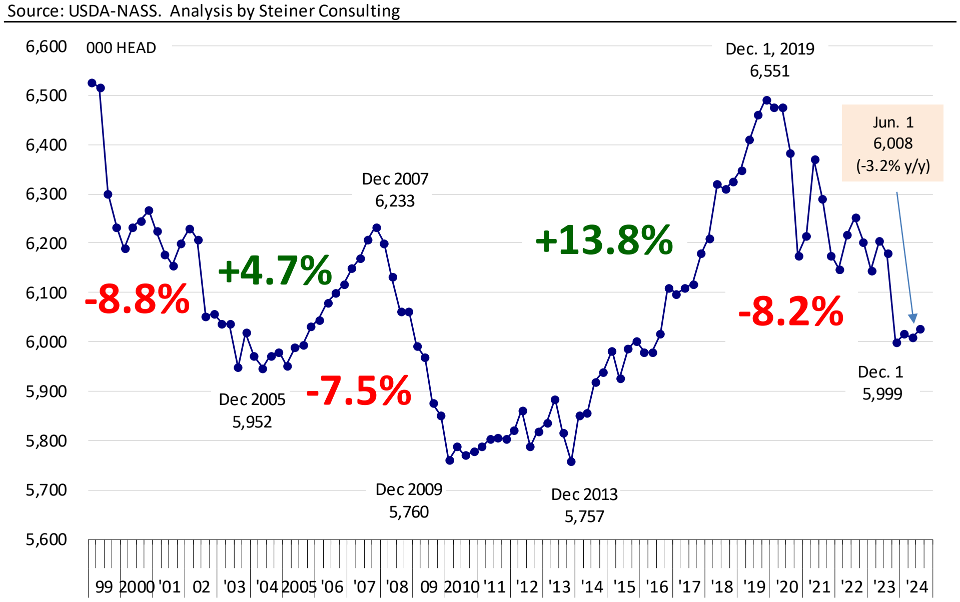
August 26, 2024

1. Will pork supply increase in 2025? Breeding herd trajectory remains key.

In its latest update USDA pegged pork production for 2025 at 28.565 billion pounds, half a billion pounds (+1.8%) higher than in 2024 and 1.2 billion pounds (+4.6%) higher than in 2023. Considering the trend for pork prices in both 2023 and 2024, the USDA supply forecasts offer pork buyers some comfort that both availability and pricing will be favorable in the coming year. We are not convinced that pork production next year will increase to the degree that USDA thinks. Indeed, we are doubtful if production will increase at all. Key in that assessment is the expected size of the breeding herd and productivity. The issue of productivity is important and demands its own discussion. But suffice to say that we do not think pigs per litter can increase at +3% rate that has been the case the last 12-18 months. Rather, **we think productivity will return to the long run trend of about 1% growth**.

Hogs Kept for Breeding. Quarterly Inventory. '000 Head

Source: USDA-NASS. Analysis by Steiner Consulting



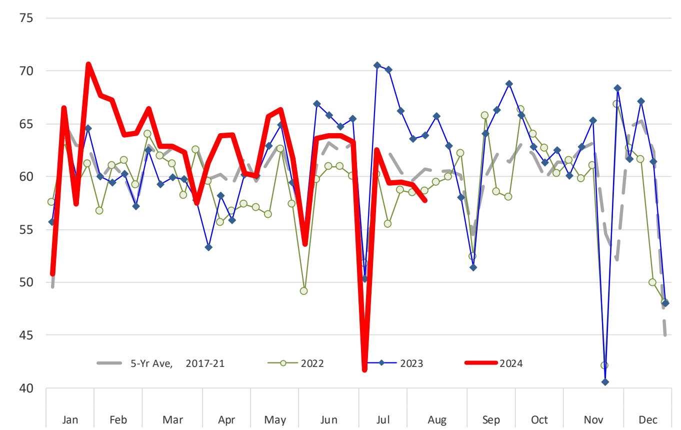
The breeding herd on June 1 was estimated at slightly above 6 million head. This is at about **the same level it was last December and 3.2% lower than in June 2023**. The smaller herd all but assures that farrowings and pig crop will be lower during the Jun-Aug quarter. But will the breeding herd be lower than a year ago in September? We think so, with our initial estimate at 6.03

million head, 2.4% lower than last year. Sow slaughter has been running lower than a year ago. Since June, weekly sow slaughter has been 8% lower than a year ago. But it's important to remember that the breeding herd is smaller than it was last year and a return to a more "normal" culling rate necessarily implies lower slaughter. This does not mean producers are looking to increase the size of the herd. The chart to the right shows both the inventory level and the ratio of weekly slaughter to the inventory at the start of each quarter. Current ratio is lower than last year but at the long run trend.

In the near term, however, pork supply is expected to remain well above year ago levels. The hogs coming to market this fall were born last spring. In its June survey, USDA noted that the Mar-May pig crop was estimated 1.8% above the previous year. So far this summer hog supply has been higher than earlier estimates so it is possible that fall production may outpace estimates as well. Additionally, the average weight of barrows and gilts is currently running as much as 2.5% above year ago levels. Starting from such a high base and the prospects of ample/less expensive feed, expectations are that weights will trend higher through the end of the year. Hog futures have rallied this week but the true test for the market will come later in the year as slaughter bumps up against capacity constraints. Bottom line: The price outlook in the near term is positive for pork buyers but, despite lower feed costs, we would be cautious about counting on significant price declines in 2025. The September breeding herd will be closely watched.

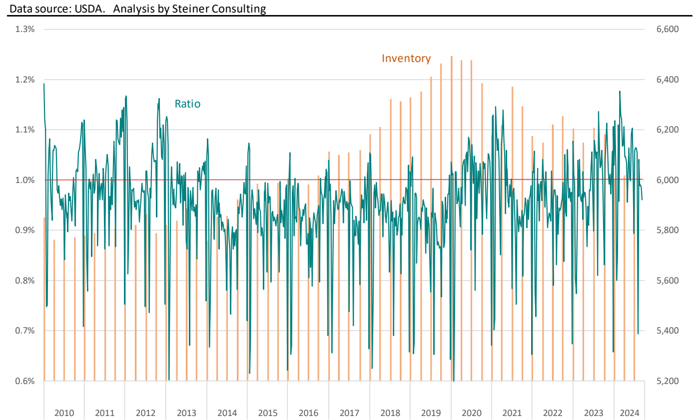
Weekly Sow Slaughter: 2019 - 2024

Data source: USDA. Analysis by Steiner Consulting



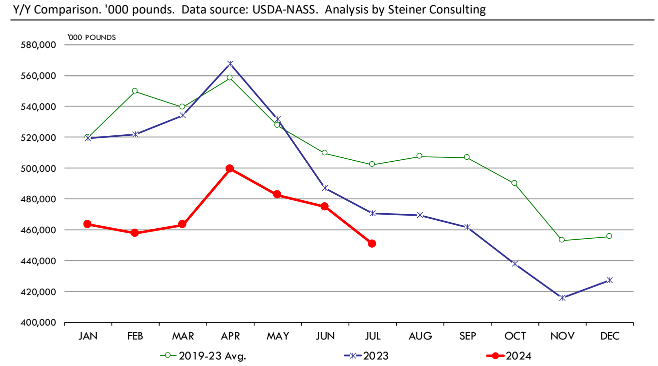
Ratio of Weekly Sow Slaughter to Breeding Herd Inventory at Start of Each Quarter

Data source: USDA. Analysis by Steiner Consulting



MONTHLY VOLUME OF TOTAL PORK IN COLD STORAGE.

Y/Y Comparison. '000 pounds. Data source: USDA-NASS. Analysis by Steiner Consulting



2. Cold storage inventory declines in July despite higher slaughter/production than a year ago.

The supply of pork accumulated in the spring was well below normal and pork supply has continued to decline through the summer months. At the end of July, total pork inventory was 450.7 million pounds, 4.3% lower than last year and 10.3% lower than the five year average. Pork inventories declined 5% in July from the previous month compared to an average drawdown of 1% in the last five years. Exports have been good but not exceptional so the high drawdown rate at a time when pork production was well above year ago levels suggest relatively strong movement through domestic channels. Belly inventory at the end of July was 42.7 million pounds, a 30% drawdown for the month. This was the biggest July drawdown since 2015 and offers hope that maybe bacon product movement has started to improve at retail and foodservice. Ham inventory seasonally increases into the fall as processors and end users accumulate product for the holidays. At the end of July the supply of hams in cold storage was 1.2% higher than last year but 8.5% lower than the five year average. July inventory build was higher than last year but in line with historical precedent.

PORK

Hog Market. For the week ending August 24 hog slaughter was 2.503 million head, up 0.5% from a year ago. In the last two weeks hog slaughter is up 1.9% vs. year ago levels.

Iowa/Minnesota, Base Negotiated Purchase for Barrows and Gilts. Lean hog carcass values at about 87.74 /cwt. on Friday were down $2.5/cwt since Wed. August 14. Prices are down about 8.7 $/cwt compared to year ago values.

Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA (page 8). Prices finished last week at $1.2604, down about 0.8 cents since the Wed. August 14 quote but up about 10 cents from year ago levels.

Bnls. Strap on Pork Loins. Prices finished the week at $1.4371 for the strap on loins, up 0.5 cents since Wed. August 14 but down 16 cents from the year ago levels. Strap off loins at $1.6588 are down one cent since Wed. August 14 and down about 7 cents compared to the year ago quote.

Boneless sirloins at $1.2942 were down about one cent from the Wed. August 14 quote but up about 8.0 cents from the year ago price.

Pork tenderloin finished last week at $1.7663, up 5 cents since the Wed. August 14 quote and up about 41.4 cents from the year ago price.

1/4 Trim Pork Butts (page 10), prices finished the week at $1.1999, up 3.3 cents since Wed. August 14. Prices are down one cent from a year ago.

Spareribs, Trimmed - LGT, Vac (page 8). Prices finished the week at $1.4252, up about 8 cents since Wed. August 14 and up about 16 cents from year ago levels.

Rib inventories on July 31 were 59.8 million pounds, down 7.9% from a year ago.

Bone-in Hams

17/20 hams (page 9) price was last quoted at $0.9929/lb. up 2 cent since Wed. August 14 and up about 11 cents from a year ago.

20/23 hams finished the week at 95.04 cents (page 130) up about 1 cent since Wed. August 14 and up about 6 cents from the year ago level.

23/27 hams finished the week at 88.41 , down about 6 cents from the Wed. August 14 quote but up about 3 cents from the year ago level.

Total ham cold storage stocks on July 31 at 139.2 million pounds were up 1.2% from year ago levels.

42 CL Pork Trim "FOB Basis". Prices finished the week at 80.36 cents, down about 22.2 cents since Wed. August 14 but up about 9 cents from the year ago price.

72 CL Pork Trim "FOB Basis". Prices finished the week at 93.47 cents, down 14.2 cents since the Wed. August 14 quote and down about 4 cents from the year ago levels.

Freezer stocks of all trimmings on July 31 were 37.2 million pounds, down 21.2% from the year ago levels.

72 CL Picnic Meat "FOB Basis". The premium of picnic meat to 72CL trim is currently at 41 cents compared to 35 cents average in the previous six months.

POULTRY

Whole Broilers

The National Whole Bird price was quoted at 130.89 on Friday, August 23, up about 14 cents from a year ago.

Broiler slaughter for the week ending August 17 was 167.50 million head, down 1.11% from a year ago. For the last two weeks broiler slaughter was down 0.3% vs. a year ago.

Breasts. Prices on boneless skinless breasts finished the week at $1.9359, up 8 cents since Wed. August 14 and up about 44 cents from year ago levels.

Leg Quarters. Last week leg quarter prices at 52.01 cents per pound prices were up about 0.49 cents vs. two weeks ago and were up 10 cents from a year ago.

Wings. Prices at $2.3183 are up about 132 cents from year ago levels.

Turkeys

The prices below reflect weekly quoted USDA prices.

Hens finished last week at $0.9825, up 8.0 cents since Wed. August 14 but down about 36 cents from the year ago price.

Toms finished last week at $0.9753, up 18 cents since Wed. August 14 but down about 41 cents from the year ago price.

Total turkey supplies in the freezer on July 31 were up 4.7% from a year ago at 460.7 million pounds. Whole birds were up 4.2% from a year ago with an inventory of 246.0 million pounds.

Turkey slaughter was 3.8810 million head for the week ending August 17, down -6.14% from a year ago. For the last two weeks slaughter has been down 6.57%.

Boneless Turkey Breast Meat. Boneless skinless turkey breast meat prices finished last week at $2.2000, unchanged since Wed. August 14. Prices are down about 40 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 $9.4751 (weighted average quote) finished last week down about 13 cent since the Wed. August 14 quote and down about 190 cents vs. the year ago price.

Select 112A Heavy Lip On Rib Eyes at $8.7158 (weighted average quote) finished last week up about 18 cents since the Wed. August 14 quote and down about one cent vs. the year ago price.

Currently Choice 112A Rib Eyes are $0.7593 /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 $3.7540 for 90CL and $1.6069 for 50CL product, an 81CL meat block value is now $3.2709 and a 78CL meat block is $3.1099. Choice 114, 3 Clods are now being priced 0.60 cents over 81CL meat block grinding values of 90s and 50s. A year ago the spread was 55.19 cents and the five year average spread for is 27.22 cents over.

Choice #161 Boneless Rounds finished last week at $**3.8104**, down one cent since **Wed.** August 14 but up about 13 cents from year ago levels.

Choice regular #168 insides finished last week quoted at $3.5503 down about 14 cents since Wed.

August 14 but up about 6 cents from the year ago price.

Choice ¼ inch trimmed #168 insides finished last week quoted at $3.6435 down about 15 cents since Wed. August 14 but up about 15 cents from year ago levels.

Choice #170 Gooseneck Rounds finished last week at $3.0708 down about 46 cents since Wed. August 14 and down about 30 cents from the year ago levels.

Choice #180 (0x1) Bnls. Strip Loins finished last week quoted at $7.1640 (wt. avg.) up about 12 cents from the Wed. August 14 quote. Prices are up 24 cents from year ago levels.

Choice #184 Regular Heavy top butts finished at $4.8102 (wt. avg.) **up** about 0 cents since Wed. August 14 but **up** about **29** cents from year ago levels.

Choice #184 ¼ inch trimmed Top Butts finished at $5.0258 (wt. avg.) up about 4 cents since Wed. August 14 and up about 30 cents from the year ago levels.

Choice #185A Flap Meat prices finished Friday at $7.0922 (wt. avg.) down about 105 cents since Wed. August 14 and down about 29 cents from year ago values.

COARSE GROUND BEEF –

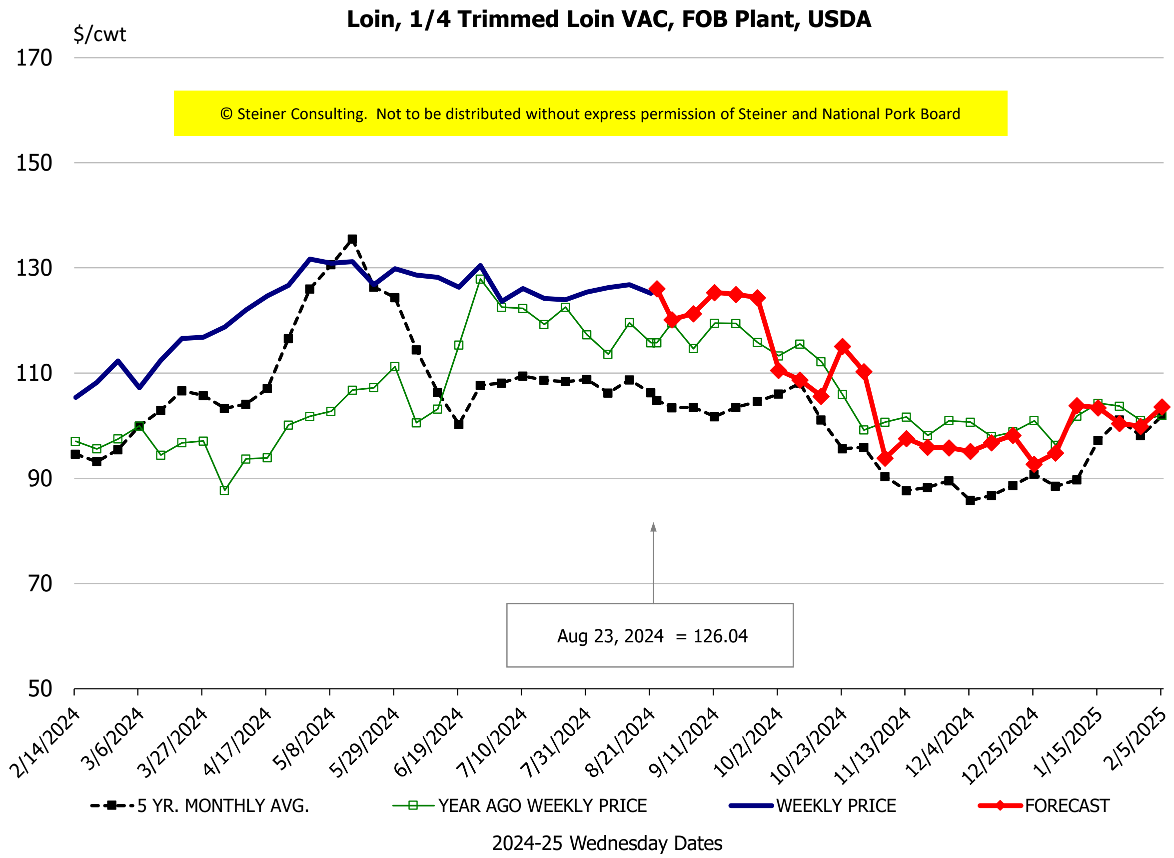
73CL Coarse Ground product finished last week at $**3.0149 down** about one cent since Wed. August 14 but up about 48 cents from year ago levels.

81CL Coarse Ground product finished last week at $3.4615 up about 7 cents since Wed. **August 14 and up** about **59** cents from the year ago quote.

90CL Bnls. Beef prices finished the week at $**3.7540** (wt. avg.) **down 1.41** cents since Wed. August 14 but up 70 cents compared to the year ago price quote. **50 CL Beef Trim** prices finished last week at $1.6069, down about 15 cent since Wed. August 14 and down one cent compared to year ago levels.

Protein Summary Table - WT. AVE.

	HISTORY								FORECAST						
	Feb	Mar	Apr	May	Jun	Jul	8/14/2024	8/23/2024	9/4/2024	Aug	Sep	Oct	Nov	Dec	Jan
PORK															
Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA	104.8	110.8	122.4	130.3	128.4	124.9	126.8	126.04	121	126	122	109	98	96	101
Loin, 1/8 Trimmed Loin VAC, FOB Plant, USDA	110.1	118.2	126.7	139.1	138.6	133.2	126.7	132.61	129	132	127	116	105	103	106
Loin, Bnls CC Strap-off, FOB Plant, USDA	168.9	171.1	178.6	184.5	180.9	170.1	167.2	165.88	169	166	174	172	167	165	169
Loin, Tenderloin, FOB Plant, USDA	166.7	171.9	177.7	182.2	176.5	170.2	171.4	176.63	167	174	164	154	145	146	161
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA	102.8	117.7	132.8	138.3	133.0	120.7	118.2	107.71	122	112	120	109	105	109	105
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA	157.6	189.1	189.5	183.7	170.7	143.8	134.6	142.52	143	139	142	139	141	142	161
Sparerib, St Louis Spareribs, POLY, FZN, FOB Plant, USDA	232.3	250.7	259.0	268.6	270.4	271.2	298.7	275.61	253	265	252	239	237	244	274
Sparerib, Trmd Sparerib - MED, FOB Plant, USDA	157.6	184.6	179.1	187.7	171.2	145.9	135.9	141.90	146	139	142	140	140	141	158
Loin, Backribs 2.0#/up, FOB Plant, USDA	192.7	222.3	251.2	257.0	260.3	239.9	219.4	220.14	218	224	216	205	199	196	221
Ham, 17-20# Trmd Selected Ham, FOB Plant, USDA	81.0	81.7	95.1	89.5	93.2	99.6	97.6	99.29	94	106	96	98	94	87	74
Ham, 20-23# Trmd Selected Ham, FOB Plant, USDA	80.8	79.1	87.1	85.9	88.5	106.6	94.2	95.04	94	98	94	91	94	87	73
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA	79.0	77.4	87.7	86.1	88.5	111.8	94.4	88.41	90	94	93	89	93	87	71
Belly Cutout, FOB Plant, USDA	129.0	125.7	123.9	123.7	124.4	128.7	140.1	130.29	119	136	119	117	110	102	124
Belly, Derind Belly 9-13#, FOB Plant, USDA	161.7	159.4	160.3	155.9	163.9	161.1	171.3	159.35	146	171	147	144	136	126	153
Belly, Derind Belly 13-17#, FOB Plant, USDA	155.0	150.8	144.0	150.3	148.5	156.9	165.8	157.16	143	163	146	144	135	125	152
Trim, 42% Trim Combo, FOB Plant, USDA	35.1	56.9	75.2	61.0	55.2	59.3	102.5	80.36	73	90	69	56	47	43	44
Trim, 72% Trim Combo, FOB Plant, USDA	81.8	93.5	103.0	95.8	95.3	90.3	107.7	93.47	85	103	87	78	77	77	85
Trim, Picnic Meat Combo Cushion Out, FOB Plant, USDA	92.4	103.5	113.9	119.4	119.5	120.8	123.5	120.15	107	122	110	110	102	103	95
Carcass Cutout, FOB Plant, USDA	89.1	93.1	99.1	100.3	98.9	100.0	99.3	96.93	96	99	96	92	90	87	87
HOG CARCASS															
CME 1-Day Lean Hog Index	76.3	82.7	89.6	91.5	90.8	90.0	90.2	87.74	78	91	79	74	69	67	72
BROILERS															
BROILER, NATIONAL WHOLE BIRD PRICE, USDA	128.6	129.1	131.3	131.4	131.8	132.1	130.4	130.89	127	131	128	127	127	129	132
N.E. BROILER BREAST BONELESS-SKINLESS, USDA	124.9	145.3	170.4	182.0	172.2	176.1	186.1	193.59	172	189	169	146	135	134	145
N.E. BROILER BREAST LINE RUN, USDA	102.8	105.3	105.9	106.1	106.5	105.6	108.0	107.78	104	107	104	98	95	95	99
N.E. BROILER LEG QUARTERS, USDA	45.7	47.2	49.7	50.8	52.7	52.2	51.5	52.01	50	52	49	45	45	44	44
N.E. BROILER WINGS, USDA, WT.AVG.	188.2	214.1	228.4	231.1	252.7	262.7	242.7	231.83	240	240	240	245	250	250	260
TURKEYS															
HEN TURKEYS, EAST, FROZEN 10-12LBS, USDA	100.2	94.4	97.3	102.2	99.6	93.8	90.0	98.25	105	97	105	107	109	105	103
TOM TURKEYS, EAST, FROZEN 16-22LBS, USDA	101.7	101.4	97.9	97.4	98.2	97.0	79.6	97.53	105	89	105	107	109	105	103
UB BONELESS-SKINLESS TURKEY BREAST, TOM, FRESH	260.0	260.0	260.0	228.8	220.0	220.0	220.0	220.00	224	220	225	231	240	237	237
LIVE STEERS															
FIVE AREA DIRECT AVERAGE LIVE STEER, USDA	180.6	186.4	185.2	187.0	191.2	195.2	191.4	187.65	185	190	185	185	183	183	185
BEEF															
CHOICE, 112A, 3, USDA,RIBEYE, BONELESS, HEAVY, WT.AVG.	985.5	1010.9	933.4	963.3	1064.1	953.8	960.5	947.51	1022	961	1019	1104	1185	1119	972
CHOICE, 161, 1, USDA,ROUND, BONELESS, WT. AVG.	364.1	370.5	364.7	361.8	356.9	376.1	381.8	381.04	385	380	378	378	374	359	361
CHOICE, 168, 3, TOP INSIDE ROUND, 1/4" MAX, WT. AVG., USDA	316.8	364.8	321.4	321.5	334.3	367.6	379.4	364.35	361	369	360	357	339	323	333
CHOICE, 170, 1, BOTTOM GOOSENECK ROUND, WT. AVG., USDA	300.8	299.6	289.2	293.4	300.9	314.9	353.3	307.08	332	335	333	332	307	294	312
CHOICE, 180, 3, USDA,STRIP LOIN, BONELESS, 0X1, WT. AVG.	804.5	931.9	947.3	986.9	1111.0	906.8	704.1	716.40	686	736	686	674	653	672	776
CHOICE, 184, 3, USDA,TOP BUTT, BONELESS, WT. AVG.	397.5	441.9	449.6	476.6	528.8	531.8	498.8	502.58	475	503	468	413	415	418	430
CHOICE, 185A, 4, USDA,BOTTOM SIRLOIN, FLAP, WT. AVG.	714.8	754.3	709.7	717.0	725.0	847.5	814.4	709.22	717	810	709	665	670	671	725
USDA,COARSE GROUND 73%, WT. AVG.	215.9	222.8	233.7	231.1	262.8	278.8	302.7	301.49	282	298	277	257	250	243	286
COARSE GROUND 81%, WT. AVG., USDA	267.7	276.0	281.7	294.0	315.3	329.7	339.1	346.15	323	339	312	292	291	275	329
USDA, 90% BONELESS BEEF, CENTRAL, FRESH, WT. AVG.	308.0	330.5	346.2	349.8	362.6	373.4	376.8	375.40	380	374	374	352	343	335	336
USDA, 50CL BEEF TRIM, FRESH, NATIONAL, WT. AVG.	92.9	103.9	91.2	74.9	87.4	126.9	176.1	160.69	144	166	140	120	130	112	132


Loin, 1/4 Trimmed Loin VAC, FOB Plant, USDA
$/cwt
170
150
130
110
90
70
50
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Aug 23, 2024 = 126.04
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
9/11/2024
10/2/2024
10/23/2024
11/13/2024
12/4/2024
12/25/2024
1/15/2025
2/5/2025
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
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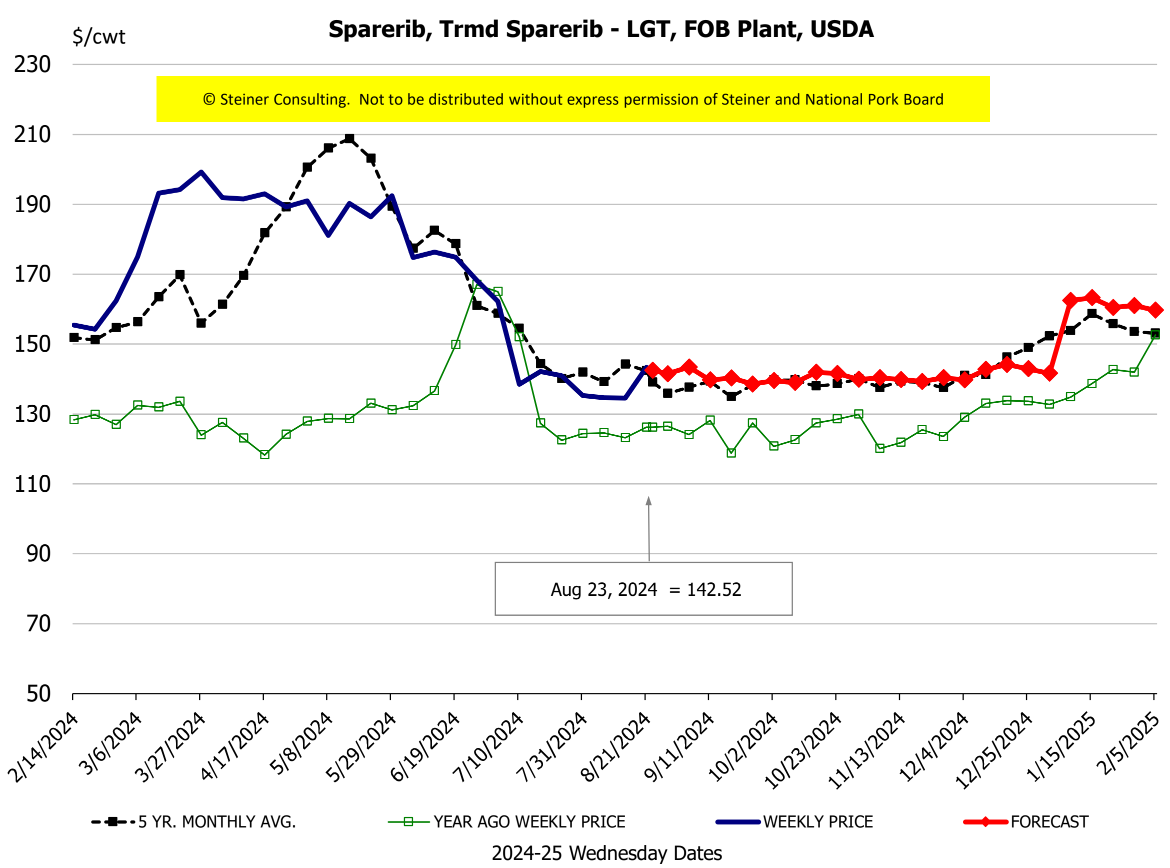
Sparerib, Trmd Sparerib - LGT, FOB Plant, USDA
$/cwt
230
210
190
170
150
130
110
90
70
50
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Aug 23, 2024 = 142.52
2/14/2024
3/6/2024
3/27/2024
4/17/2024
5/8/2024
5/29/2024
6/19/2024
7/10/2024
7/31/2024
8/21/2024
9/11/2024
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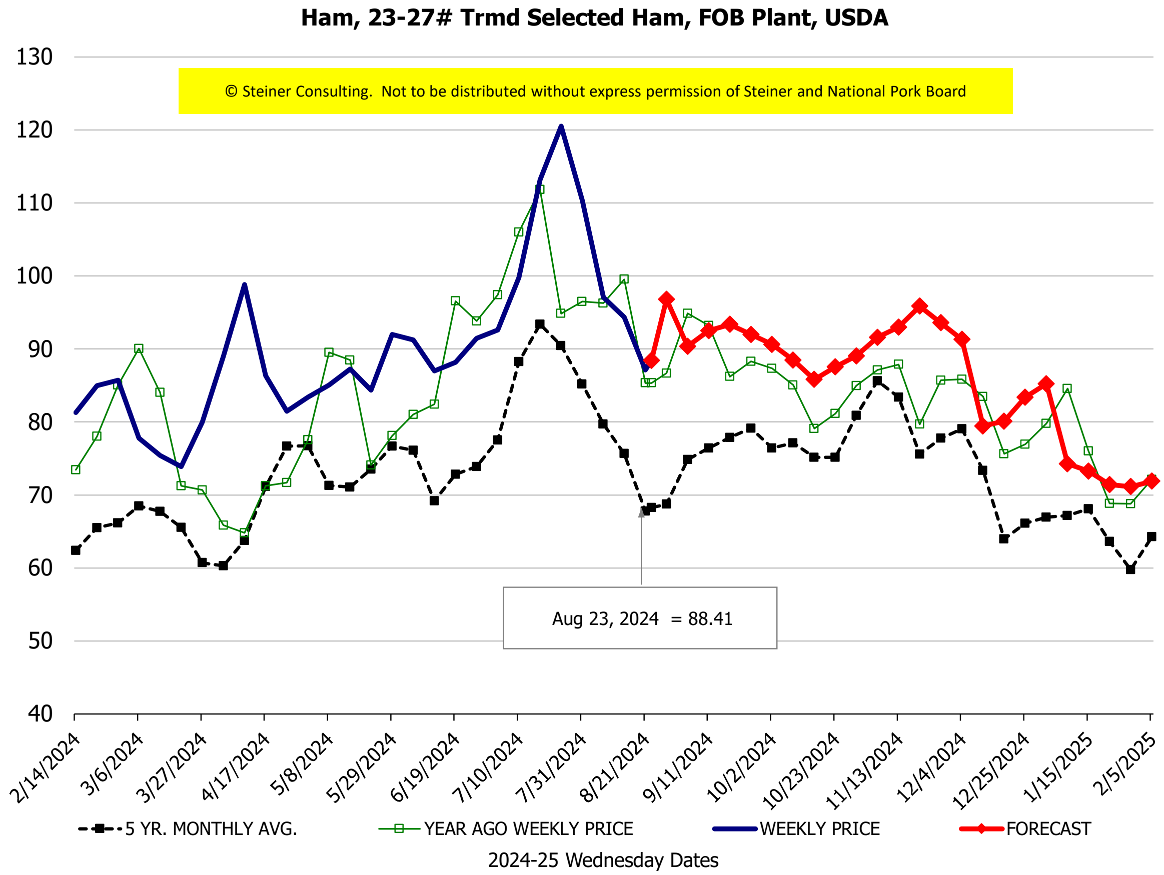
Ham, 23-27# Trmd Selected Ham, FOB Plant, USDA
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Aug 23, 2024 = 88.41
130
120
110
100
90
80
70
60
50
40
2/14/2024
3/6/2024
3/27/2024
4/17/2024
5/8/2024
5/29/2024
6/19/2024
7/10/2024
7/31/2024
8/21/2024
9/11/2024
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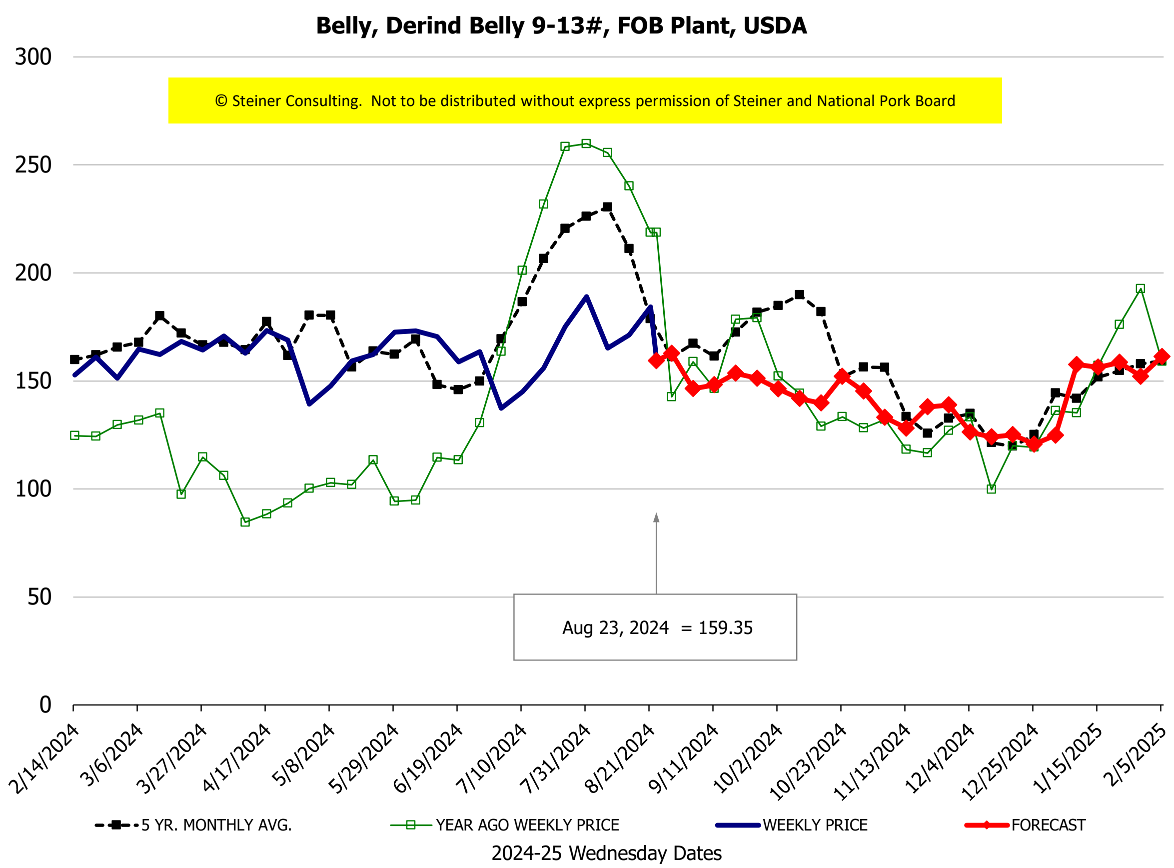
Belly, Derind Belly 9-13#, FOB Plant, USDA
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Aug 23, 2024 = 159.35
300
250
200
150
100
50
0
2/14/2024
3/6/2024
3/27/2024
4/17/2024
5/8/2024
5/29/2024
6/19/2024
7/10/2024
7/31/2024
8/21/2024
9/11/2024
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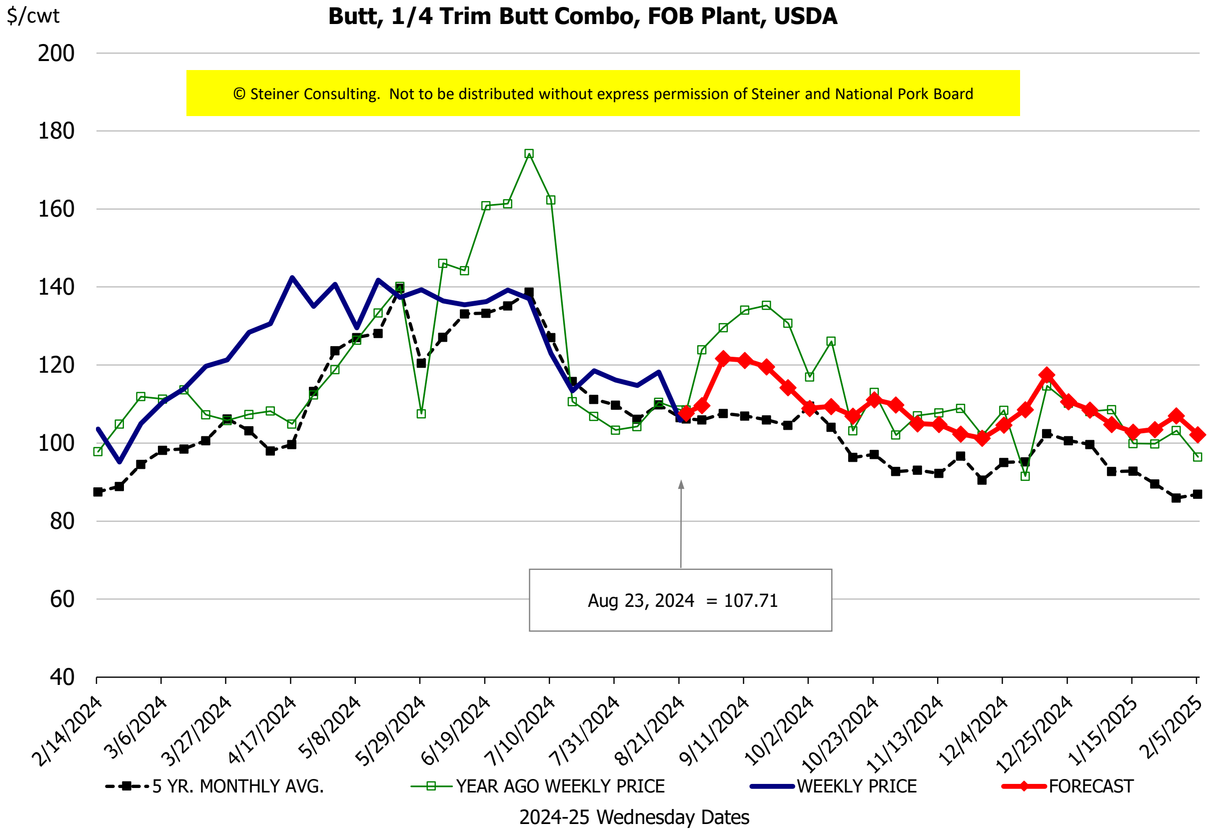

$/cwt
Butt, 1/4 Trim Butt Combo, FOB Plant, USDA
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200
180
160
140
120
100
80
60
40
Aug 23, 2024 = 107.71
2/14/2024
3/6/2024
3/27/2024
4/17/2024
5/8/2024
5/29/2024
6/19/2024
7/10/2024
7/31/2024
8/21/2024
9/11/2024
10/2/2024
10/23/2024
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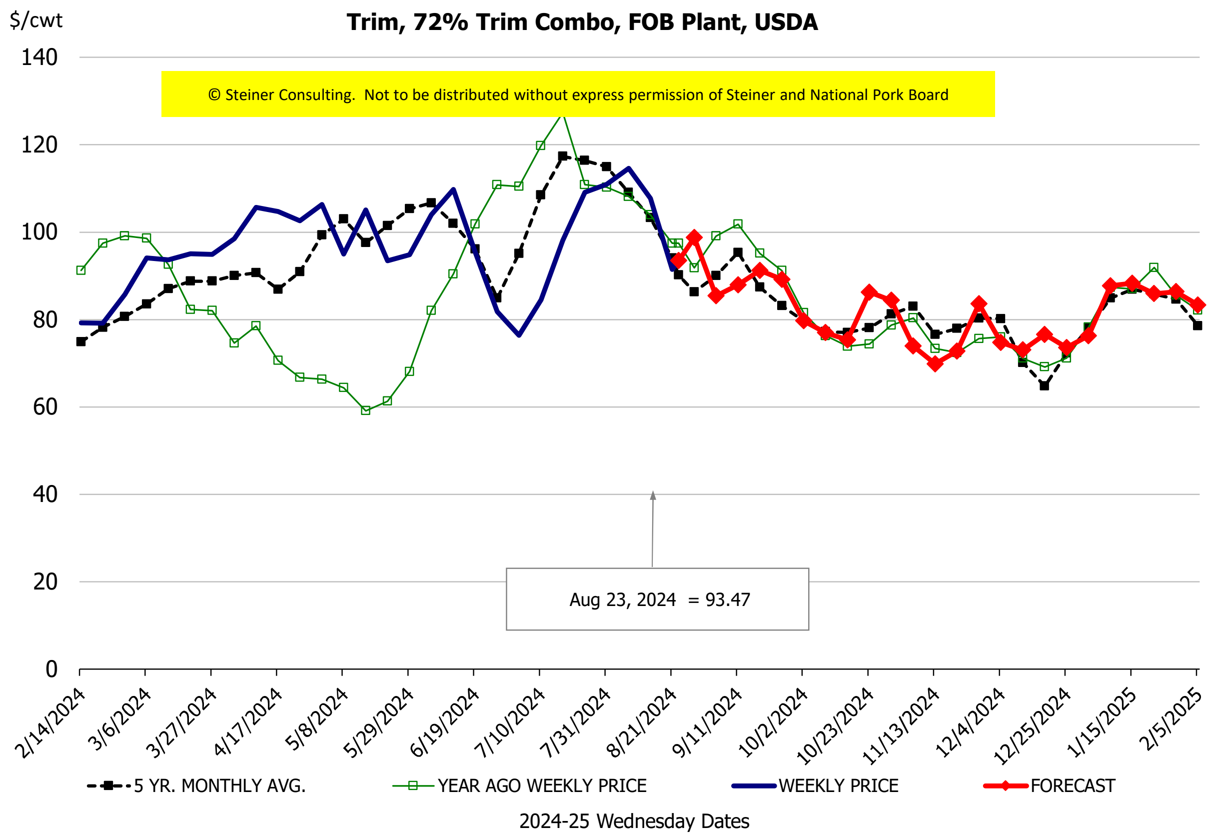
12/4/2024
12/25/2024
1/15/2025
2/5/2025
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2024-25 Wednesday Dates



$/cwt
Trim, 72% Trim Combo, FOB Plant, USDA
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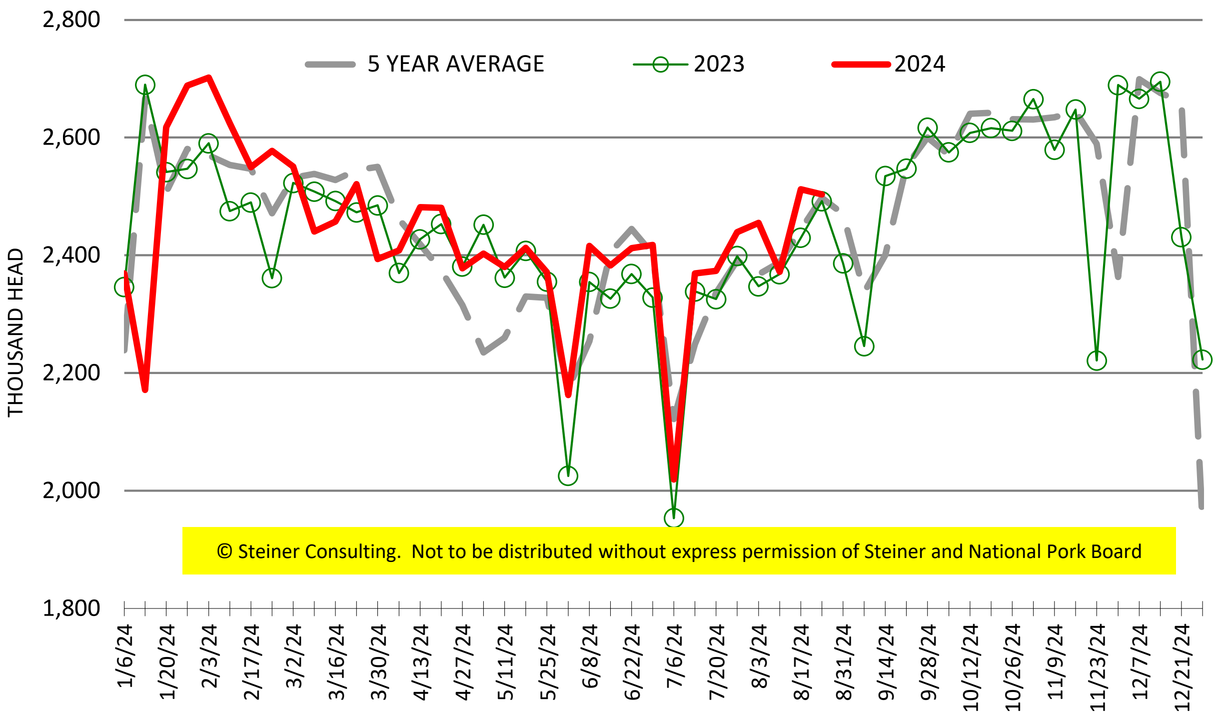
140
120
100
80
60
40
20
0
Aug 23, 2024 = 93.47
2/14/2024
3/6/2024
3/27/2024
4/17/2024
5/8/2024
5/29/2024
6/19/2024
7/10/2024
7/31/2024
8/21/2024
9/11/2024
10/2/2024
10/23/2024
11/13/2024
12/4/2024
12/25/2024
1/15/2025
2/5/2025
5 YR. MONTHLY AVG.
YEAR AGO WEEKLY PRICE
WEEKLY PRICE
FORECAST
2024-25 Wednesday Dates

ESTIMATED WEEKLY FI HOG SLAUGHTER

Source: USDA, '000 head



ESTIMATED WEEKLY FI PORK PRODUCTION

Source: USDA, Mil. Pounds