



COMMODITY UPDATES

WEEK OF FEBRUARY 25, 2022

Data courtesy of Smithfield

Hog harvest levels are expected to be near 2.51 million head this week, 5% below last year and around 2.45 million head next week with a lighter Saturday planned. Hog harvest levels have been running roughly 8% below year ago levels year-to-date due to a combination of labor challenges, weather issues, and other mechanical problems. It seems like labor situation has improved slightly over the past couple of weeks as covid cases continue to decline. Despite harvest levels trailing well below year ago levels, current hog supplies appear to be tighter than expectations. Hog disease that is typical for this time of year seems to be intensified and impacting finishers and market hogs when historically the largest impact was in nursery and sow barns. The national cash hog price reflects the current situation chopping around \$90 over the past couple weeks and the Iowa/Minnesota cash hog price quickly approaching \$100.

The USDA cutout continues to be extremely high and volatile printing at \$109 on Wednesday, up \$3 from last Wednesday and 18% above year ago. As labor improves, the spread between bone-in and boneless/further processed items should narrow. The wide spread between commodity items and further processed items takes part of the responsibility of the wild swings in the day to day cutout print. Pork demand will be a crucial factor as we move closer to spring and summer with an anticipated reduction of pork production.

The January USDA Cold Storage report released this week was neutral as there were no major surprises. Inventories for all four major proteins (pork, beef, chicken, & turkey) increased in January. However, total frozen protein stocks remain low relative to the 15'-19' year average. Frozen pork stocks at the end of January were 428 million pounds, down 6% from last year and the lowest January level since 1997. High prices, labor challenges, and strong fresh demand continues to limit movement of pork into the freezers.

Bellies are bacon new highs for February trading at \$214 on Wednesday, up \$4 from last week and 36% above year ago levels. Belly slice demand remains strong despite price increases. Frozen belly stocks increased 7 million pounds (~175 loads) in January to 45 million pounds, in-line with the 15'-19' average.

Heavy hams climb higher printing at \$61 on Wednesday, up \$6 from last week but still 20% below year ago. This is the first time since mid-November that 23/27 hams have printed above \$60 as ham conversion improves across the industry reducing bone-in availability.

Grain and oilseed prices remain very high and volatile as the demand outlook remains strong and concerns of global supplies explode as Russia invades Ukraine. Timely moisture is in the forecast for Argentina and Brazil that could help the success of that crop. However, trade will be extremely sensitive to the global political situation.