

COMMODITY UPDATES

Market Outlook November 2022

Data courtesy of Smithfield

November Highlights:

- 2023 pork & broiler production expected to edge higher while beef is forecast to decline sharply versus 2022
- Inflation is still running hot, retail pork prices reach new record
- Wholesale turkey & ham prices are trading at records for this time of year; Mexico demand remains strong despite price
- Logistical challenges loom for grain markets as the world waits for a potential record large South American crop

➤ The USDA forecasts pork production to be up nearly 1% in 2023, while broiler production is forecast to grow 2%. Ongoing liquidation across the cattle sector has posed a rather interesting challenge to production forecasts. Currently, the USDA projects 2023 beef production to decline 7.3% YOY. Tighter beef supplies could lend a hand to other protein demand as beef prices are expected to remain firm. Despite increased production in 2023, the USDA does expect pork exports to soften 2%, while broiler meat exports will increase 2%.

➤ Consumer prices were up 7.7% YOY in October, marking the 11th consecutive month above 7%, something not observed in the past 40 years. Specifically in the meat case, retail pork prices hit a new record in October at \$5.05/lb, up 5% YOY. According to the BLS, retail bacon was also record high at \$7.61/lb, up 4% YOY while chicken breast was up 30% YOY at \$4.67/lb. Beef prices consumers are paying dropped 6% from last year to \$7.42/lb. Even though the Federal Reserve continues to aggressively fight inflation, consumers have yet to feel a material difference when it comes to spending on food.

➤ With the holiday season just around the corner, retailers have been warning consumers for months about the possibility of tightening turkey supplies (and high prices) due to ongoing issues with HPAI (highly pathogenic avian influenza). As consumers face higher turkey costs, one logical option would be to switch to a ham instead. While consumers don't typically pay wholesale prices, hams too are trading at a record level \$1.04/lb for this time of year due to incredible demand from Mexico. In September, Mexico took approximately 104 million lbs of US hams or 91% of all ham exports. While these statistics have become the norm recently, prices were 66% higher in September than year ago. Ham demand in October remained robust from Mexico at nearly double the price from last year as turkey availability remains tight and ongoing disease issues in Mexican hog production keep domestic prices high.

➤ The grain & oilseed markets have faced strong headwinds in 2022 with two more known challenges approaching in the next few weeks. First, the UN brokered Black Sea grain export deal is set to expire on November 19th if either Russia or Ukraine object to its extension. Second, the railway union strike that was narrowly avoided in September is once again quickly approaching on December 4th. Both, coupled with a logistical nightmare on the Mississippi River due to low water levels, have grain markets experiencing heightened volatility. A large South American corn & soybean crop will be needed to alleviate some of the pressure protein producers are facing with current high feed costs.

