

COMMODITY UPDATES

Meat Market Minute – February 2023

Data courtesy of Smithfield

- The European Union is the second largest pork producer in the world behind China. Much like the US producer, the EU has also faced high input costs and disease challenges leading to a decline in production in 2022. Unlike the US, EU pork production is expected to decline again in 2023 according to the USDA. EuroStat recently gave further insight into the EU situation indicating the top hog producing countries showed declining breeding numbers in 2022. With EU hog prices at multi-year highs, this could lend support to increased export demand from the US.
- At the end of January, pork in cold storage totaled 518 million lbs, up 19% YoY, but still 17% below pre-Covid levels. Frozen belly stocks were 70 million lbs, up 7 million lbs from December, while Hams in cold storage totaled 78 million lbs, 25 million lbs higher than December. Beef inventories were up 1% YoY at 533 million lbs while frozen chicken totaled 866 million lbs, up 12% YoY.
- A strong winter storm disrupted hog harvest this week with the unofficial slaughter estimated at 2.375 million head, down 4.7% YoY. Though the industry is expected to harvest 75,000 head less than initial early week estimates, YTD harvest levels are still up roughly 1.3%. This contradicts the USDA December Hogs & Pigs Report which implied harvest levels to be approximately 2% less than year ago. After declining most of January, hog weights have steadied out and are expected to chop sideways into April.
- Broiler production was up 1% YoY in the 4 weeks ending 2/18/23. Chick placements indicate production will remain firm into the spring. Turkey production was down 1% YoY over the same period. Turkey breast prices are well off the recent record highs, trading at \$4.24/lb for WE 2/24/23. The HPAI outbreak has slowed recently with only 2 commercial broiler cases reported in February.
- Cattle on Feed as of February 1st were reported at 11.7 million head, down 4.1% from last February. Cattle placed into feedlots in January totaled 1.9 million head, down 3.6%, but within the range of pre-report estimates. The USDA currently forecasts beef production to be down 6.3% in 2023. Cattle slaughter in the 4 weeks ending 2/25/23 is estimated to be down 4.5% YoY.
- The USDA hosted the annual Outlook Forum this week which pegged this year's corn crop to be one of the largest on record. Corn planted acreage is expected to increase by 2.4 million acres to 91.0 million acres in 2023. With a record yield of 181.5 bushels per acre, production is expected to be 15.085 billion bushels, 2nd largest on record and 1.355 billion bu larger than 2022. If realized, prices should work lower by Q4 2023 aiding protein producers that have faced historically high prices for consecutive years.