

COMMODITY UPDATES

Market Outlook – May 2023

Data courtesy of Smithfield

➤ **Pork: Exports remain strong through March while producer margins are bleak. Inflation continues to slow.**

o Pork exports are off to a strong start in 2023 with Q1 pork & pork variety meat exports up 13% YTD. This is the 3rd strongest export program on record, while variety meat exports are record large through Q1. Currently the USDA forecasts US pork exports to be up 0.7% YoY in 2023, though a revision higher is expected in upcoming WASDE reports. Weekly data for April suggest continued interest in US pork from abroad.

o Ham exports to Mexico in March were record large at 135 million lbs, up 14% YoY. Some of the recent strength in the ham market can be attributed to strong Mexican demand as bone in ham prices are up near \$0.15/lb over the past 2 weeks.

o Brazilian pork export data for April noted a strong uptick in volumes to Mexico. At 4 million lbs, Mexico appears to be diversifying suppliers in an effort to combat food inflation according to a statement from a director at the National Health, Safety and Food Quality Service.

o The compressed margins experienced in the hog industry recently have serious implications going forward. Three North American hog slaughter plants have either closed or will close this year as a result of a tough margin environment. The pain, however, does not end at the packer level. Hog producers have also experienced the agony because of high input costs and relatively soft hog prices. Large financial losses could lead the industry to contract.

o The April Consumer Price Index (CPI) rose 4.9% YoY, down from 5.0% in March. Breaking down where consumers spend money on food, at home CPI was up 7.1% YoY while away from home food prices were up 8.6% YoY. Retail pork prices in April were down 3% YoY, the lowest value since September 2021.

➤ **Other Protein: Tight cattle supplies underpin a strong beef market. Chicken breast prices remain flat while egg prices cracked.**

o 5-area cash cattle prices remain strong, finishing the WE 5/7/23 at \$174/cwt. The April Cattle on Feed report showed U.S. cattle on feed were down 4.4% YoY, totaling 11.61 million head in April, the lowest level for the month since 2020. Total YTD U.S. beef production is down -5% YoY. Decreased levels of total cattle harvest (-3% YoY) coupled with lighter cattle weights (-2% YoY) imply this trend will continue & keep beef prices supported.

o Chicken breast prices remain stagnant at \$1.32/lb, down 62% YoY. Integrator margins are under pressure from high feed costs and meat prices that are well below the records set last year. Early production indicators—eggs set and hatchability—imply production will soon approach levels seen last summer after being up 3% YoY for the four WE 4/29/23.

o Turkey production was up 7% year over year in the four weeks ending 4/29/23, reflecting the devastating impact of the HPAI outbreak on the turkey complex last year. The current HPAI outbreak has slowed this spring, with only 2 commercial turkey cases reported in April. The turn in the HPAI outbreak helped crack egg prices back to levels last seen in 2021; Urner Barry Midwest large white eggs averaged \$0.94/dozen in the WE 5/1/2023.

➤ **Grain: Crop planting pace off to a fast start, summer weather will be critical if domestic ending stocks are expected to increase.**

o Spring crop plantings in the US are off to a strong start this year due to ideal weather across most of the key growing regions. As of Sunday, corn is 49% planted vs 22% last year and the 5-year avg of 40% for this week of the year. Weather will be extremely important from here through the summer as a good crop is needed to ease price pressures end users have been facing over the last few years due to tight domestic balance sheets.