



COMMODITY UPDATES

Market Outlook – September 2023

Data courtesy of Smithfield

September Highlights:

➤Pork:

- o Pork production the last 4 weeks averaged 492 million lbs, down 0.9% from the same period last year as lower hog weights offset slightly higher harvest levels. Pork production this fall is expected to continue to run near year ago levels.
- o Hog weights have bottomed seasonally and will grind higher as cooler weather sets in. Despite trending higher, hog weights are likely to lag year ago levels through the fall.
- o Sow harvest since the beginning of June has been 80,000 head above year ago levels implying contraction in the breeding herd. Sow harvest levels are expected to remain elevated for the duration of the year.
- o The September hogs and pigs report will be released on September 28th. The report will provide fresh insight on market hog supplies for Q4 and Q1 as well and an update on the breeding herd size which will have important implications for pork production levels later in 2024.
- o The combination of seasonally lower pork prices in Q4 and tighter supplies of beef and chicken could bolster demand for pork this fall.
- o Prop 12 impacts remain unclear at this time and could lead to increased pork price volatility in the coming months.

➤Beef & Poultry:

- o Cattle on feed as of August 1st were reported by the USDA at 11.030 million head, 97.7% of year ago levels. Cattle on feed will continue to run below year ago levels throughout 2024 as the industry continues to work through the herd liquidation cycle.
- o Choice boxed beef prices remain very strong from a historical perspective despite retreating from summer highs. Choice boxed beef prices last week were \$315, up 21% YOY. US beef production YTD in 2023 is down 5% year over year.
- o YTD (Jan-July) beef exports are down 1% YoY while YTD beef imports are up 2% from 2022. Beef imports from Australia & New Zealand have picked up significantly with YTD increases of 35% and 25% respectively. Beef imports are likely to remain elevated in 2024 as domestic US beef supplies will continue to decline.
- o Boneless skinless chicken breast prices continue to trend counter seasonally higher and are currently in the upper \$150s, the highest level seen this year due in part to lower broiler production. Chicken breast prices are expected to experience some weakness heading into Q4 but lower production levels should support prices well above year ago levels.

➤Grain:

- o Nearby U.S. corn futures are at the lowest levels since December 2020, trading near \$4.85 per bushel. Despite recent declines corn prices remain elevated from a historical perspective. From 2015-2020 nearby corn futures spent the majority of the time trading in the \$3.5-\$4 per bushel range. Weather this season has been variable across the corn belt but despite a few minor issues, the USDA is still forecasting the corn crop to exceed 15 billion bushels, up nearly 1.4 billion bushels from 2022. Low water levels on the Mississippi river could hinder grain export volumes if the situation doesn't improve.