

## COMMODITY UPDATES

### Market Outlook – October 2023

Data courtesy of Smithfield

#### October Highlights:

##### ➤ **Pork:**

- o The September Hogs and pigs report showed that the U.S. breeding herd on September 1st declined 1.2% (73K head) year over year as negative financial results over the past year have led the industry to reduce sow numbers.
- o Improved herd health and productivity gains resulted in market hog inventories being reported up 0.4% (267K head) year over year, but still the second lowest Sept 1st market hog inventory seen in the past 5 years.
- o Hog harvest levels in the coming months are expected to average roughly 0.4% above year ago levels. However, if hog weights continue to run roughly 1% below year ago levels, implied pork production over the same period would be down a half a percent year over year.
- o A negative financial outlook for pork production for the next couple quarters could result in additional declines in the U.S. sow herd over that timeframe.
- o Export demand for U.S. pork remains solid with pork and pork variety meat exports up 11% year over year Jan-Aug.
- o The expectation of sharply lower beef production and high beef prices again in 2024 could result in more pork finding its way into menus and features as food service operators and retailers look to contain costs and offer value to the customer.
- o Potential demand impacts from Prop 12 remain a wild card and could increase pork price volatility in the months ahead.

##### ➤ **Beef & Poultry:**

- o Choice boxed beef prices remain very strong from a historical perspective trading at \$302 last week, up 22% year over year. US beef production is down 7% over the last 4 weeks and down 5% YTD in 2023 vs year ago levels. The USDA is currently projecting an additional 6.6% decline in beef production in 2024.
- o Broiler production over the last 4 weeks is running down 2% from year ago levels. Boneless skinless chicken breast last week was \$148, up 17% year over year. Although chicken breast prices may experience some seasonal weakness in Q4, expectations for lower production levels should keep prices supported well above year ago levels.
- o Bird flu was recently discovered in a commercial turkey flock in South Dakota, impacting 47,000 birds. This was the first reported case in a commercial flock since April and the industry will be keeping a close watch on any potential spread.

##### ➤ **Grain:**

- o US corn harvest is currently in full swing and was estimated to be 34% complete as of last weekend. USDA will release the October WASDE report later this week to provide updates on crop supply & demand figures. The US is currently estimated to have produced the 2nd largest corn crop on record with production seen up 1.4 billion bushels from year ago levels.
- o Despite recent declines and the expectations for a large crop, corn prices remain quite high from a historical perspective. Corn prices are currently trading near \$5 per bushel, posing a headwind for the livestock and poultry industries.