

COMMODITY UPDATES

Market Outlook – November 2023

Data courtesy of Smithfield

November Highlights:

➤ **Pork:**

o Hog harvest the last 4 weeks has averaged 2% above year ago levels, outpacing the latest Hogs & Pigs report expectations due to good performance and herd health. Hog weights are working seasonally higher but remain down approximately 1% vs year ago over the last 4 weeks. Pork production over the past 4 weeks has been up 1% year over year. Hog harvest levels and pork production levels will peak seasonally in the coming weeks before beginning to decline in January.

o High retail bacon prices have resulted in lower bacon sales which has kept the belly complex under pressure. Retail bacon prices are beginning to trend lower which should benefit retail movement in the months ahead which should in turn be supportive of belly prices.

o Ham prices remain strong in the mid \$80s due to a combination of seasonal processing demand and strong export demand from Mexico. Ham prices may erode in the coming weeks as processing demand for the holidays begins to wane. However, HPAI remains a wildcard for ham prices in the months ahead. It bears watching as during the big outbreak in 2022 it bolstered demand for hams.

o Butts and loins have performed extremely well this fall. These cuts appear to be benefiting from high beef prices as consumers look for value substitutions in the retail case as well as strong export demand.

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, averaging \$305 last week, up 16% from the same period last year. US beef production is down 6% over the last 4 weeks and down 5% YTD in 2023 vs year ago levels. The USDA is currently projecting an additional 4% decline in beef production in 2024.

o Retail beef prices continue to hover near record highs and have been above \$8 per pound for 5 consecutive months. High beef prices have put pork in a great position as a value proposition for retailers, food service operators, and customers alike.

o Beef 50s have seen a significant pullback in recent weeks, down over \$50/cwt since the end of September as higher retail price points for beef items and seasonal demand shifts have outweighed lower beef production levels. Beef trimmings are expected to remain volatile heading into the spring as the market continues to adjust to lower beef supplies and higher prices.

o Broiler production over the last 4 weeks is running down 3% YoY. Egg sets and chicks placed imply a similar trend in production for the next couple months. Boneless chicken breast last week was \$131, up 34% year over year. Chicken breast prices may experience modest seasonal weakness in the coming weeks, but lower production levels should keep prices supported well above year ago levels.

o HPAI cases continue to increase with 1.2 million turkeys and 940k layers impacted since the beginning of October. While it has not created a major poultry supply issue yet, HPAI remains a major concern for both poultry producers and consumers.

➤ **Grain:** o USDA released the November WASDE this week and is estimating US corn production this year will be the largest on record at 15.234 billion bushels, up 1.5 billion bushels YoY. With grain harvest largely wrapping up across the US, the industry will be keeping a close eye on South American weather as corn and soybeans are currently being planted in the region. Corn prices continue to chop around near \$5 a bushel while soybean meal has recently experienced a blistering rally to around \$450 per ton which will keep production costs elevated in the poultry and livestock sectors.

