

COMMODITY UPDATES

Market Outlook – January 2024

Data courtesy of Smithfield

January Highlights:

□ **Pork:**

- o USDA's December Hogs & Pigs report confirmed that some liquidation of the US sow herd has occurred, but thus far record productivity levels have offset the impact on market hog inventories. The December 1st US breeding herd was reported 3% below year-ago levels and below 6 million head for the first time since June of 2016. Market hog inventories were reported flat YoY at 69 million head. It is possible that additional liquidation of the breeding herd could be seen in the coming months due to ongoing losses in the industry.
- o Hog harvest the last 4 weeks has averaged 3.3% above year-ago levels while pork production for the same period has been up 2.5% YoY due to lighter hog weights. Hog harvest levels will remain high for the next couple weeks (barring additional weather disruptions) but are expected to trend seasonally lower from February through Q2.
- o The USDA's pork cutout continues to perform well given the pork production levels seen, currently trading at \$85, up 7% YoY largely due to strength in the belly and ham primals.
- o Pork cut exports continue to provide a positive impact to the pork market with November pork cut exports up 7% YoY. Mexico remains a strong buyer with November pork cut exports to Mexico up 12% YoY and the 2nd largest on record. Ham exports to Mexico in November were 140 million lbs., the 2nd largest monthly total on record.

□ **Beef & Poultry:**

- o USDA is estimating beef production in 2024 to be down 3% YoY in 2024 after being down nearly 5% from 2022 to 2023. The January cattle inventory report will be released on the 31st and provide updated insight into US cattle numbers.
- o Beef exports in November were 167 million lbs., down 17% from year-ago levels while beef imports were up 18% YoY. The US was a net importer of 62 million lbs. of beef in November. This trend is likely to continue in 2024.
- o Broiler production over the last 4 weeks is running down 3% YoY. Boneless skinless chicken breast last week was \$107, up 9% YoY. Retail chicken breast prices are down 8% from last year's elevated levels which combined with high retail beef prices may bolster breast meat demand as it is a lower cost alternative.
- o HPAI cases continue to be reported with 3.2 million turkeys, 15.5 million layers, and 2.9 million broilers being impacted since the beginning of October and remains something to monitor.

□ **Grain:**

- o The USDA released the January WASDE today, providing "final" numbers for the 2023/24 crop. US corn production this year will be the largest on record at 15.3 billion bushels, up 1.7 billion bushels YoY. Brazil is in the middle of the soybean growing season and weather is being watched closely to determine crop size in South America. Corn futures continue to chop lower, now trading around the \$4.40-\$4.70/bu. level, as ample supplies and lackluster demand weigh on the market. Despite ongoing declines, both corn and soybean meal prices remain elevated from a historical perspective and continue to pose a headwind to the livestock and poultry sectors.