

## COMMODITY UPDATES

### Market Outlook – May 2024

Data courtesy of Smithfield

#### Industry Highlights:

##### ➤ **Pork:**

o Hog harvest for the last 4 weeks has averaged 0.1% above YA levels while pork production for the same period has been down 0.2% due to lighter hog weights. YTD hog harvest has averaged 0.5% above YA levels while pork production is up 0.1%.

o The USDA's pork cutout continues to perform very well vs last year with an average April price of \$99, up 27% YoY and the 4<sup>th</sup> highest April level in the past decade with solid gains across key cuts. 2014 (PEDV), 2021 & 2022 (post COVID demand surge) were the only years the cutout has surpassed this level in April.

o Frozen pork inventories in March were 464 million lbs., down 13% YoY, primarily driven by frozen rib inventories which were down 18% YoY and the lowest for the month of March since 2009. Despite a large in-movement of frozen bellies from February to March (11 million lbs.), total frozen belly inventories were still down 2% YoY. However, frozen belly inventories were 32% above the 5-year average.

o Q1 US Pork exports were up 8% YoY on a carcass weight basis, the highest level seen since 2021, and the third highest Q1 level on record. Exports to Mexico were up 3% YoY in Q1 and accounted for 36% of total pork exports. Exports to South Korea increased 55% YoY and were record large for Q1.

##### ➤ **Beef and Poultry:**

o Cattle harvest for the last 4 weeks has averaged 1.7% below YA levels while beef production for the same period has been up 2.2% due to heavier fed cattle weights. YTD cattle harvest has averaged 4.4% below YA levels and beef production is down 2.1%.

o Cow harvest levels YTD are down 13% YoY which is believed to be a key factor in the strength in the lean beef trimmings complex. Beef 90s continue to hold a substantial premium to beef 50s, with the WTD spread around \$274/cwt (record large) between the two. The USDA is currently projecting a 1.4% decline in US beef production in 2024.

o Q1 beef exports were down 6% YoY at 535 million lbs. Beef imports in Q1 were very strong at 843 million lbs., up 24% from YA levels. The U.S. was a net importer of 308 million lbs. of beef during Q1, up 183% YoY.

o Chicken production for the last 4 weeks has averaged 0.4% above YA levels but remains down 1% YTD vs last year.

o Chicken breast meat prices continue to trend seasonally higher with boneless skinless prices currently at \$176, up 33% YoY, and tend to hit their seasonal peak in late May.

➤ **Grain:**

o The USDA currently projects that US farmers will plant 90 million acres of corn this year, down 4.6 million acres from 2023. A trendline yield of 181 bu./acre is projected which would be up 3.7 bu./acre if realized. US corn plantings are currently in full swing with an estimated 36% planted as of last week. Weather conditions in the months ahead will be a key driver of corn price direction.

o Corn futures for the remainder of 2024 are currently trading in the \$4.50-\$5.00 per bushel range.