



## COMMODITY UPDATES

Market Outlook June 2022

Data courtesy of Smithfield

- Combined pork, beef, chicken, and turkey production is projected to decline 0.6% YOY in the second half of 2021
- Retail pork and chicken prices were record high in May
- Inflationary cost pressures continue erode consumers purchasing power
- Corn prices remain extremely high currently trading near \$7.70 per bushel keeping protein production costs elevated

The USDA is currently projecting that pork production will decline 0.5% year over year during the second half of 2022. Beef and turkey production in the second half of 2022 are projected to decline 1.9% and 3% respectively. Chicken production is projected to experience a modest year over year increase of 0.3% during the second half of 2022.

➤ May retail prices for pork (+11%), beef (+10%), and chicken (+19%) all showed large increases vs 2021. Higher retail protein prices combined with other inflationary pressures are taking a toll on demand. More aggressive retail price points and feature activity in the months ahead will be needed if this trend is to be reversed. Food service demand has been resilient thus far.

➤ The May CPI increased 8.6% year over year, marking the third consecutive month it has increased more than 8% from year ago levels, and the highest level since December 1981. The combination of high inflation and a significant decline in government transfer payments from 2021 has taken a toll on consumers purchasing power. The U.S. consumes approximately 370 million gallons of gasoline per day. With the national average gas price expected to top \$5 per gallon in the coming days, a \$2 per gallon increase in retail gasoline prices from last year would cost consumers \$740 million dollars per day, forcing them to cut spending in other areas. ➤ US corn and soybean plantings are wrapping up and weather conditions in key growing areas over the next 90 days and demand will be key price drivers. Corn prices remain extremely high from a historical perspective currently trading near \$7.70 per bushel keeping protein production costs near record high levels. Very high protein production costs globally will be a stiff headwind for the protein industry in the months ahead.

### **Protein Supply:**

➤ Hog harvest levels for the 4 weeks ending June 11th averaged 2.291 million head, down 0.2% year over year. Total pork production for the same 4 weeks was up 1.2% year over year.

Hog weights are currently running roughly 1.5% above year ago levels which led to the increase in overall pork production for the 4 weeks ending 6/4. The USDA is currently projecting a 1.6% decline in pork production in 2022. Hog weights are expected to trend seasonally lower from now until August. The June Hogs & Pigs report will be released later this month and will provide updated insight on hog supplies for the remainder of 2022.

➤ Cattle slaughter levels for the 4 weeks ending June 11th averaged 649,000 head per week, up 3.1% year over year. Total beef production over the same 4 weeks was up 2.5% year over year due to slightly lighter cattle weights. The May cattle on feed report was bearish near-term with a record large cattle on feed number for May, up 2.4% year over year at 12 million head. Liquidation of the beef cow herd is ongoing due to drought and increased feed costs pressures. The USDA is currently projecting a 0.1% decline in beef production in 2022.

➤ Broiler production for the 4 weeks ending June 4th was up 5.1% year over year, primarily due to a large year over year increase the week of Memorial Day. Birds harvested were up 5.9% YOY while bird weights were down 0.8%. Broiler eggs set for the 6 weeks ending June 4th were 0.9% above year ago levels while chicks placed over the same period were up 0.8%. The USDA is currently projecting a 0.9% increase in broiler production in 2022.

➤ Turkey production for the 4 weeks ending June 4th decreased 4.9% year over year. Birds harvested decreased 3.4% year over year while bird weights were down 1.5% from last year. HPAI cases have waned recently but the turkey industry will still feel the downstream impacts in the months ahead. The USDA is currently forecasting turkey production to decline 3.8% in 2022.