

COMMODITY UPDATES

Week of July 27, 2022

Data courtesy of Smithfield

- Hog harvest levels are expected to be just shy of 2.3 million head this week and near the same level next week. Harvest levels for the remainder of the year should run roughly 1% below year ago levels on average as the June Hogs & Pigs report would imply. Hog weights continue to drop in the heat of the summer across key producing regions. Cash hog prices would reflect that current hog supplies seem to be tight with the National cash price averaging near \$128 on Wednesday(!).
- The USDA pork cutout has strengthened over the past couple of weeks printing at \$124 on Wednesday, up 3% from last year and \$6 above last Wednesday. Bellies, hams, and retail cuts apart from ribs have all strengthened over the past couple of weeks. The combination of reduced harvest levels, lower hog weights, and relatively strong post 4th of July demand have all lead to a stronger cutout.
- Bone-in butts have been extremely firm post-Holiday, printing at \$190 on Wednesday, up 57% from last year and \$6 above last Wednesday. Butts could start to crack in the weeks ahead as pipelines fill and demand cools.
- Mexico bone-in ham demand remains strong as supplies have tightened due to a combination of increased boning, holiday ham demand needs, and reduced hog harvest. Heavy hams printed at \$114 on Wednesday, up 19% from last year. Heavy hams could sustain levels above \$100 near term as industry availability is limited this time of year.
- Belly prices remain unsurprisingly volatile with wild daily swings depending on the volume printed. The belly primal printed at \$195 on Wednesday, down 10% from elevated levels last year but up \$24 from last week. Retail bacon demand seems to have picked up in recent weeks with increased promotional activity while foodservice demand remains firm. Increased bacon features at retail will be needed to sustain current demand levels with everyday prices still nearing record high levels.
- Boxed beef prices have sustained historically high levels printing near the \$260-\$270 range for several weeks now. Beef export demand is record large year-to-date (Jan-May) driven primarily by China (+43% Y/Y). Domestic demand seems to be holding firm despite the inflationary environment. The July Cattle on Feed report and the semi-annual Cattle Inventory report will be released this Friday and will provide insight on cattle supplies. Drought challenges combined with increased feed costs has resulted in liquidation over the past several months. Reduced cattle supplies as a result of increased culling should be noticed in Q4. The USDA is projecting a 7% decline in beef production in 2023 which should be supportive of boxed beef and other competing proteins.