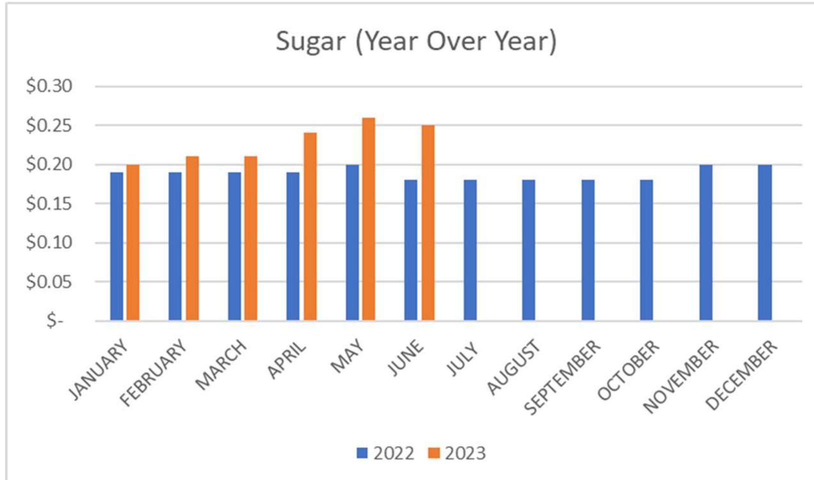
Stevens FOOD GROUP
A Supply Chain Management Company

Sugar

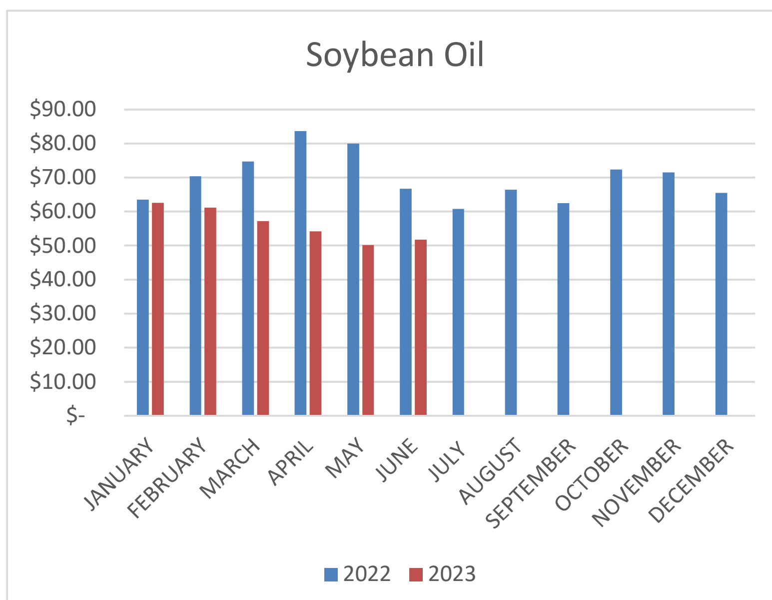
Sugar is trading slightly up at 25-cents, which (while a decrease for this week) is a 1-cent increase over May update- as well as a 4-cent increase over the 2022 average. **Current Market Drivers**:



- Spot sugar prices from beet vendors are scarce due to tight supplies, as reported by cash traders.
- Some sugar beet processors are hesitant to offer new-crop price quotes for 2023/2024, citing that current sales have already exceeded 85% of the expected production. They prefer to wait for further crop development before committing to additional sales.
- The June USDA supply/demand report indicates a significant decline in Mexican imports for the remainder of the 2022/2023 crop year.
- Spot global sugar futures continue to remain near multi-year highs.
- Sugar beet planting was slightly delayed, which heightens the importance of favorable weather conditions for successful growth.
- Despite anticipated good yields, the domestic crop for this year has already mostly been sold, leaving little margin for error. Imports will be necessary to meet the demand.
- **Currently, a substantial increase in both U.S. and Mexico sugar production would be required to lower prices significantly.**

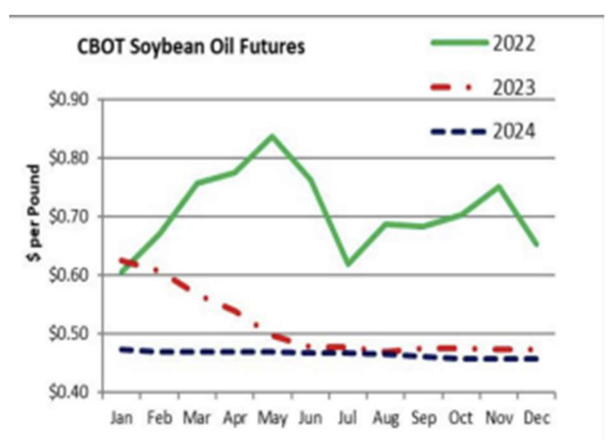
Soybean Oil

Planting progress for the 2023/24 U.S. soybean crop is ahead of schedule, with 91% planted and 74% emerged. Current crop conditions are favorable, with 61% rated as good-to-excellent. As a result, total soybean supply for 2023/24 is forecasted to increase due to higher beginning stocks. However, U.S. soybean shipments in May fell below expectations, resulting in reduced export forecasts and increased beginning stocks. Consequently, ending stocks for 2023/24 have been raised to 350 million bushels.

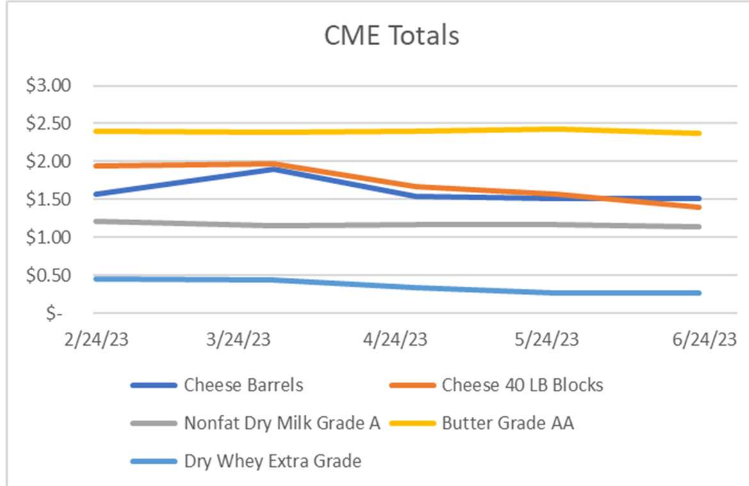


Additional Market Drivers:

- Drought in Argentina benefits the U.S. soybean meal export program, narrowing the price differential.
- Since U.S. soybean crop was planted ahead of schedule, growing season weather will now drive price direction.
- Brazil's soybean exports are huge, crowding out other suppliers. Cheaper palm oil from Asia is also putting downward pressure on prices.
- On June 21st the CME spot price for soybean oil was up 3.0 cents per lb. (5.9 percent) from the previous week to 53.7 cents per lb. Prices for vegetable oils have fluctuated over past weeks but with supplies more than demand especially for Asian crude palm oil at a 2-year low. Nevertheless, there is a growing market acceptance that total oilseed supply will eventually be limited by a sharply diminished supply of sunflower oil from Ukraine, the World's largest exporter of this commodity. Ukraine is subject to restraints on cultivation and limits on crushing and exports due to hostilities following the invasion by Russia. It is anticipated that 41 percent of U.S. soy oil was diverted from fuel to biodiesel during 2022.
- **Soybean oil prices will continue to follow petroleum diesel price trends. One wild card will be the final U.S. federal biofuel mandates this month.**



CME Butter & Cheese



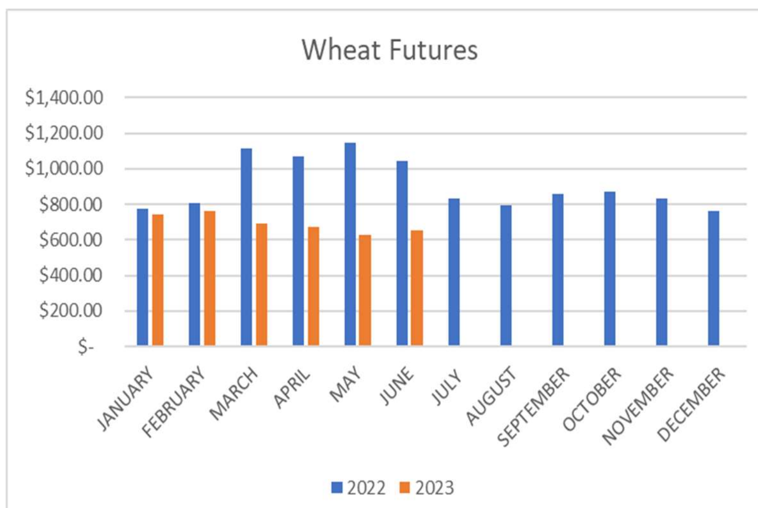
In the latest forecasts, milk production for 2023 is expected to be lower than previously estimated due to slower growth in yield per cow, while the forecast for 2024 remains unchanged. Additionally, the all-milk price forecast for both years has seen a decrease compared to the previous month's forecast. Wholesale price adjustments have been made for various dairy products, including decreases in Cheddar cheese and dry whey prices, and increases in butter and nonfat dry milk prices for 2023. The overall price trends in May reflected mixed results, with declines observed in Cheddar cheese and dry whey prices, while nonfat dry milk and butter prices experienced slight increases.

Regarding butter, the price of butter has shown a slight increase according to the latest data. This is in line with the overall upward trend in retail prices and sales of dairy products in the United States from January to May 2023. Consumers have displayed strong demand for dairy products, including butter, which has contributed to the growth in sales values for both grocery stores and food service establishments. The increase in butter prices, along with the rising costs associated with dairy product production, indicates the evolving dynamics within the dairy industry.

In terms of consumer trends, retail prices and sales of dairy products in the United States have shown an upward trend from January to May 2023. This growth can be attributed to strong domestic demand for dairy products, including cheese, butter, yogurt, sour cream, and ice cream. Dairy product promotions at grocery stores have also increased during this period compared to the same timeframe in 2022. The rise in dairy prices and sales can be influenced by robust demand, as well as rising costs associated with dairy product production. The sales values for both grocery stores and food service establishments have shown growth in the first four months of 2023 compared to the corresponding period in 2022, possibly driven by increased demand for both at-home and away-from-home consumption of food.

With freezer inventories near the upper end of historical ranges, there is more of a supply buffer this summer. This could translate into a sideways price tren. While cheese prices are expected to recover as hot summer weather slows milk and cheese output.

Wheat

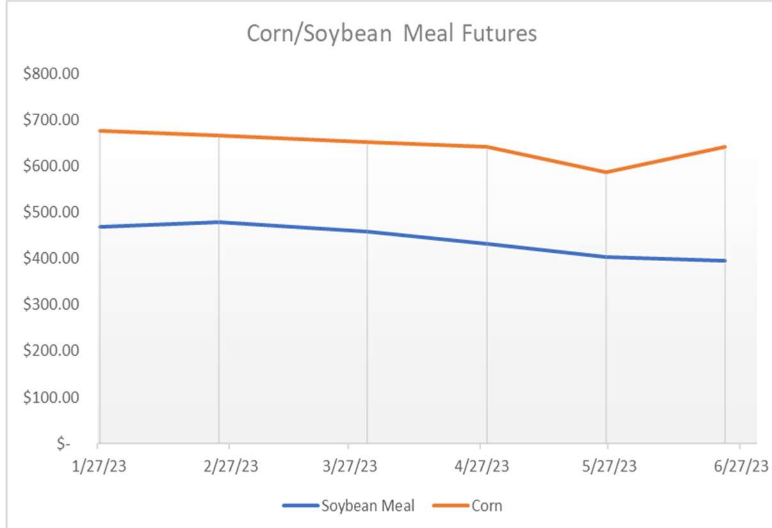


- Wheat markets saw an increase this week compared to the previous week, supported by higher corn prices due to dry weather conditions.
- Winter wheat basis levels declined in the 12.8 to 14% protein range over the past two weeks, with the winter wheat harvest now 15% complete.
- The weekly USDA crop conditions report shows that 38% of the winter wheat crop is in good to excellent condition, while 51% of the spring wheat crop is in the same category.
- Geopolitical tensions affecting exports from Ukraine continue, with the extension of the Black Sea Grain Initiative (BSGI) causing market fluctuations.
- Sluggish U.S. export demand and rising supplies from the ongoing winter wheat harvest have put pressure on wheat futures, while dry Midwest weather and declining crop conditions have impacted corn and soybean markets.
- **Overall, the wheat markets have experienced an upward movement, influenced by factors such as dry weather conditions, geopolitical tensions, and crop conditions.**

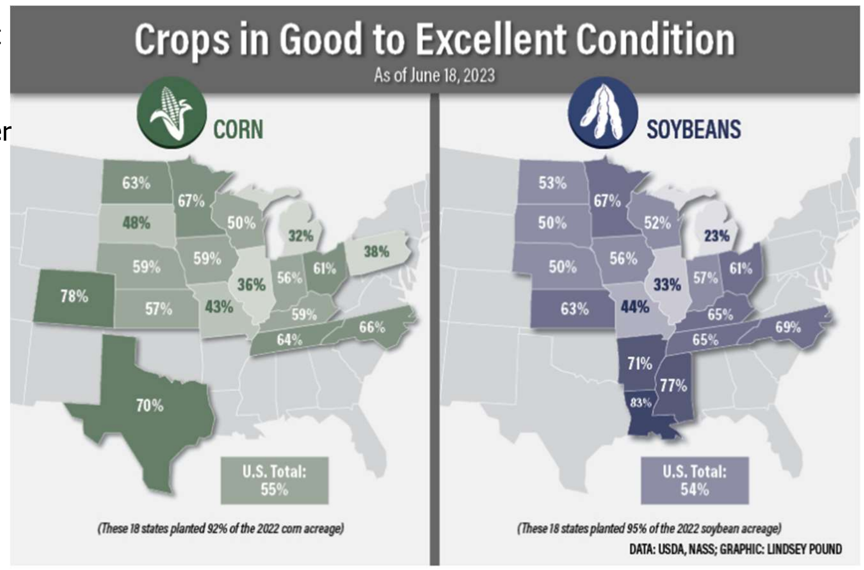
Corn & Soybean Meal:

CORN DRY WEATHER UPDATE:

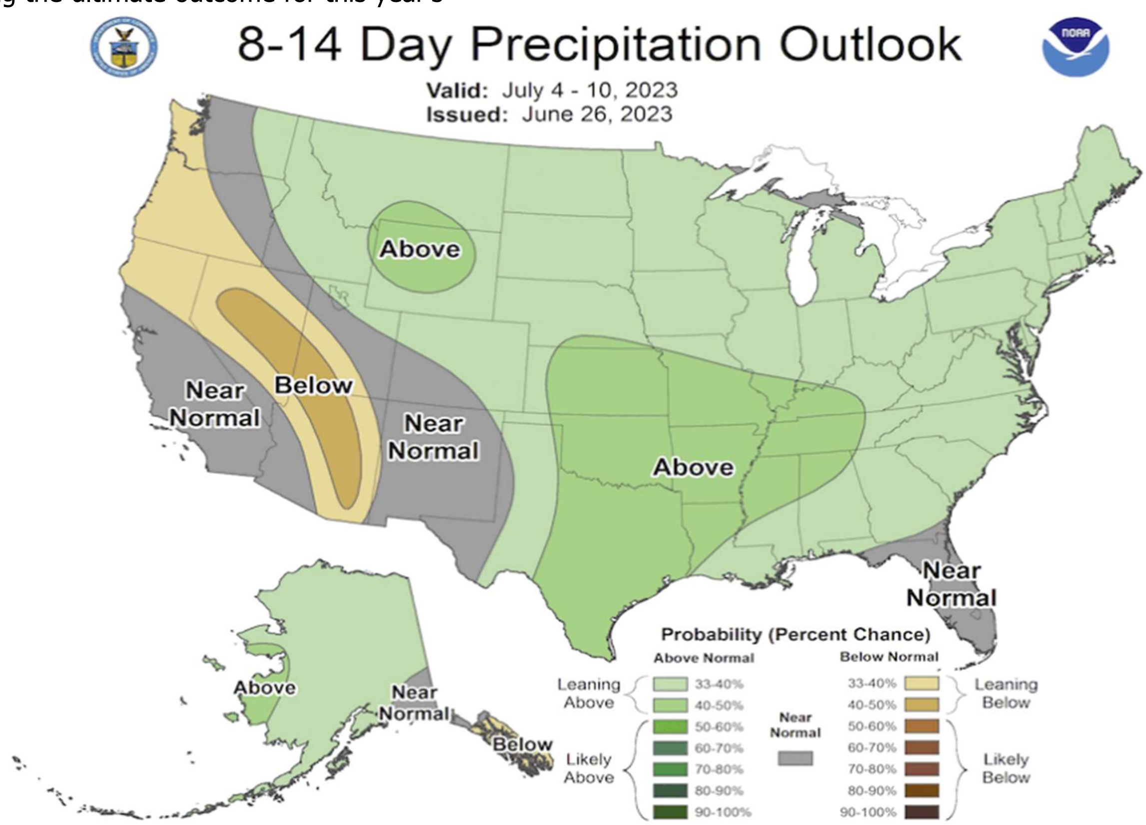
Corn was up 5.6 percent compared to the previous week to 658 cents per bushel for July delivery. The increase was marked by large inter-day fluctuation influenced by the wheat market, short covering and concern over predictions of hot and dry weather in the corn belt.



Persistent drought conditions continue to impact corn and soybean crops in the United States, despite some recent weekend rains in the northern Corn Belt. The weekly corn condition ratings have dropped to the second-lowest level in history, with only 50% of the crop rated as good to excellent. Similarly, soybean crop ratings are the second-worst on record, with a three-point decline in just a week. States such as Illinois, Indiana, Iowa, and Missouri have experienced notable declines in crop ratings, indicating the severity of the drought's impact. USDA meteorologist Brad Rippey highlights that several areas across the Midwest are on track for the driest June ever, emphasizing the persistently dry conditions even after the weekend rainfall.



While the recent rains brought some relief, the situation remains critical. There is hope for potential recovery, as NOAA's updated outlook shows improved chances for rain in the coming weeks across the areas that missed moisture during the weekend. However, the success and resilience of this year's corn and soybean crops heavily rely on timely and sufficient rainfall to mitigate the adverse effects of the ongoing drought. The agricultural community will closely monitor weather patterns and precipitation levels as they play a vital role in determining the ultimate outcome for this year's harvest.



Chicken

Analysts have observed a decline in the markets for breast meat and tenders, indicating softened demand. Supply pressure continues to affect small bone-in and boneless products as some processors have increased bird size. Price decreases are expected for all jumbo boneless breast meat in the near term, while placements have slightly decreased.

Regarding specific chicken parts, demand for small and larger whole birds has slightly decreased, leading to a decline in pricing. The markets for boneless, skinless breasts and chicken tenderloins have also experienced a decline, particularly in the jumbo segment. Labor shortages, increasing feed costs, high fuel prices, and transportation issues are challenging most processors in the industry. For wings, pricing remained unchanged, but spot loads of fresh wings were challenging to find. Analysts predict ongoing pressure on the availability of fresh medium wings due to medium bird processors increasing bird weights. The boneless, skinless thigh meat market remained stable, with spot load offerings and balanced boneless leg meat.

Broiler production has been adjusted down in the second quarter but up in the third quarter, with an overall decrease compared to the previous month. Wholesale prices for various chicken parts have continued to ease, including whole cut wings, which reached the lowest average price since 2011. Bone-in dark meat parts, such as legs and thighs, have shown less variation in price, while boneless/skinless thighs closely align with boneless/skinless breasts in terms of pricing.

These developments indicate a complex landscape for the broiler industry, with challenges in demand, supply, and pricing across various chicken parts.

NOTE: Lowered production wheat from Ukraine will indirectly increase the price of grains and oilseeds on world markets and inflate the cost of production of poultry and livestock in the U.S.

Eggs

The average wholesale egg price forecast for 2023 has been decreased to reflect current prices and available egg inventories. However, egg imports and exports for 2023 have been revised upward, indicating potential changes in the international egg market.

In the Midwest region, the average wholesale unit revenue values for Extra-large and Large egg sizes remained unchanged over the past week, but they were lower compared to the seasonal late spring value. The market experienced a pause after six weeks of significant decline, suggesting a balance between supply and demand.

Whole/Cut-up

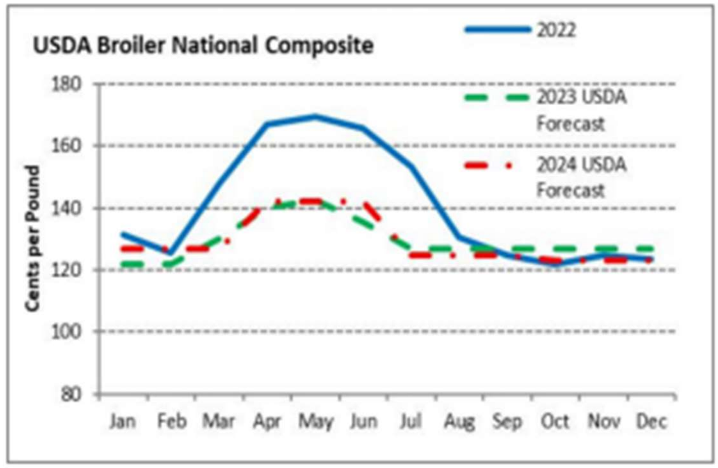
-The chicken industry efforts to expand production continue to be thwarted by subpar hatchery performance. The number of broiler-type layers hit the highest level since 2008, but production remains unchanged.

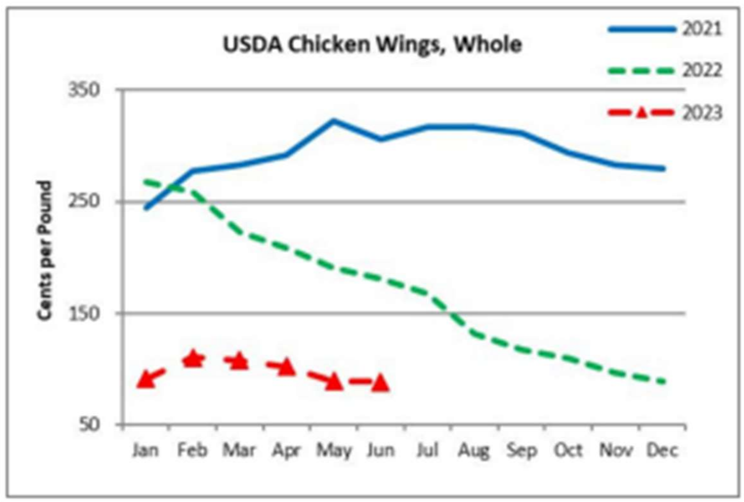
- Demand and supply have been balanced at mostly steady prices.

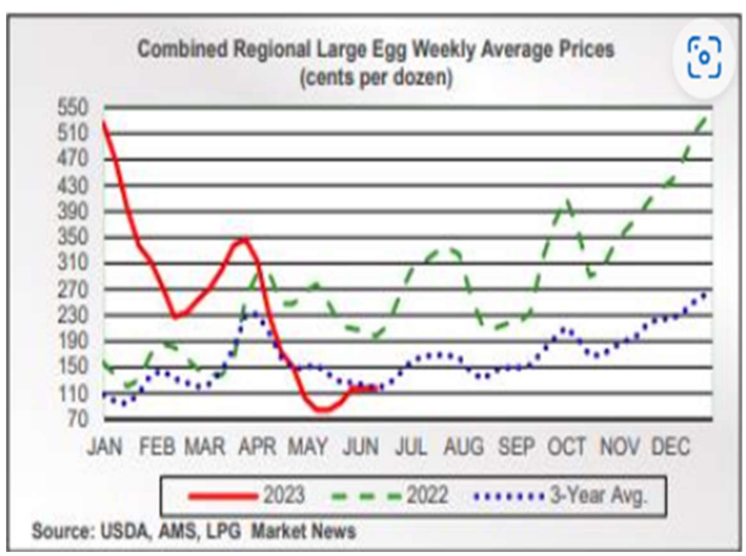
- **First of month retail promotions shifted away from pork to chicken. We should see prices firm as retail volumes pick up.**

Supply ↔

Price ↔







Medium-sized eggs saw a 1.0 percent increase in price, but it still fell below the breakeven point with a price differential from Large eggs. The decrease in shell egg inventory by 5.9 percent indicates higher demand, potentially driven by falling shelf prices for generic eggs. Retail purchases leading up to the July 4th holiday are expected to be influenced by seasonal demand, with higher demand anticipated as chains adjust their margins based on wholesale prices. Despite some chains imposing unrealistic retail margins, eggs are competitively priced compared to other protein foods.

The total industry inventory decreased by 4.3 percent, resulting in 1.69 million cases, while breaking stock increased by 4.5 percent. This shift can be attributed to diversion to the shell market and increased demand from food service, manufacturers, and exports during the early summer period. Lower prices for egg products stimulated volume in the market. Wholesale shell egg prices are lower compared to 2020 and 2021, which were also characterized by low unit revenue. Benchmark prices were $0.85 per dozen lower than the corresponding week in 2022, which was affected by flock depletions following HPAI (Highly Pathogenic Avian Influenza).

Overall, it is expected that egg prices will stabilize closer to long-term historic norms as supply and demand reach a balance in the market.

Beef

Last week, the beef markets experienced a decline, signaling that they may have reached their peak. Analysts anticipate that beef prices will remain steady to downward through mid-August. Live cattle prices ranged between $1.86 and $1.87 per pound last week, and they are expected to maintain a steady pricing trend this week. Slaughter numbers, which reached approximately 634,000 head last week, are expected to remain stable in the future.

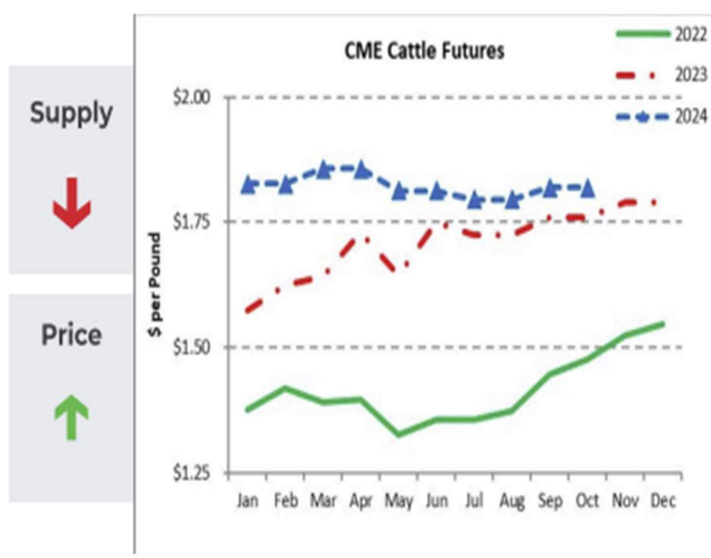
In terms of grading, 81.1% of cattle were classified as Choice or higher, 15.7% as Select, and the remaining 3.2% as Ungraded during the week ending June 10. While drought conditions are gradually improving in the cattle belt, they have resulted in a smaller overall cattle herd in North America.

High cattle prices have had a positive impact on dairy cull cow values, leading to multi-year highs. Cash-strapped dairy producers have taken notice and sent more dairy cows for slaughter compared to the same period last year. Per capita beef availability is projected to decline until 2024, reaching the lowest level since records began in 1970. Consequently, cost-conscious consumers may reduce their consumption of expensive beef.

Ground beef has seen a surge in retail features, driving prices higher. However, as ground beef availability decreases, lower-priced alternatives such as chicken and pork become more appealing to consumers. This may impact the beef market as consumers seek more affordable options.

The below graph outlines the price changes year over year:

	2022	2023	
Item Description	24-Jun	23-Jun	Change
112-A Angus/Choice Light Ribeye	$ 8.89	$ 11.33	28%
112-A Choice Heavy Ribeye	$ 8.84	$ 11.11	26%
114-A Chuck Shoulder Clod Trimmed	$ 2.70	$ 3.16	17%
115-D (Pectoral Meat)	$ 3.33	$ 3.99	20%
120 Brisket, Deckle-Off Boneless	$ 3.34	$ 3.82	14%
184-3 Angus/Choice XT Heavy Top Butt	$ 3.65	$ 5.37	47%
185-B Choice Heavy Ball-Tips	$ 3.59	$ 4.20	17%
112-A Select Light Ribeye	$ 6.48	$ 8.70	34%
112-A Select Heavy Ribeye	$ 6.63	$ 9.13	38%
114 Select Beef Clods	$ 2.52	$ 3.09	22%
184-1 Select Commodity Heavy Top Butt	$ 3.27	$ 3.94	20%
184-3 Select XT Heavy Top Butt	$ 3.33	$ 4.13	24%
73% Ground Beef	$ 1.88	$ 2.49	32%
81% Ground Beef	$ 2.89	$ 2.77	-4%
80% Ground Chuck	$ 3.08	$ 3.08	0%



Pork

Second-quarter pork production is expected to slightly decline, with estimated average dressed weights continuing to decrease. Prices for live equivalent 51-52 percent lean hogs are forecasted to average $57 per cwt, nearly 25 percent lower than prices a year ago. Commercial pork production for 2023 is projected to be about 27.376 billion pounds, a 1.4 percent increase from 2022, while production in 2024 is expected to be slightly lower.

The upcoming USDA Quarterly Hogs and Pigs report, to be published on June 29, will provide important inventory numbers and production details. This includes June 1 inventory figures for market hogs and breeding animals, as well as production information for the March-May quarter, such as the number of sows that farrowed, pig crop, and litter rate. Additionally, the report will include producers' farrowing intentions for the June-August and September-November quarters.

In the pork market, the loin complex has seen an increase in prices, particularly for boneless loins, as supply gradually decreases and demand remains firm during the grilling season. Pork tenderloin prices have slightly improved, although overall trading has been lackluster due to sufficient supply and inconsistent demand. Bone-in pork butt prices have sharply risen, as they typically experience an upward trend during warmer months. Ribs, except St. Louis-style spareribs, have also seen price increases due to strong demand, while bellies/bacon prices have shown strength as demand rises and surplus inventories provide good value, a trend commonly observed during warm-weather months.
While wholesale pork prices are trending higher, consumer demand has been stymied by stubbornly high retail prices.

Shrimp

Domestic Browns, Whites: Urner Barry reports stable pricing for next week. According to vendors, domestic shrimp fishing remains weak, due to lower prices. PUDs: Urner Barry reports stable pricing for next week.

Snow Crab

Alaskan: Currently, there are no offers. The Alaska Fisheries Team has announced there will not be a quota for the 2022/2023 season. Canadian: Urner Barry is reporting stable pricing for next week. Processors report that fishing has started in the Gulf of St. Lawrence, and they expect fishing to begin in Newfoundland on May 29.

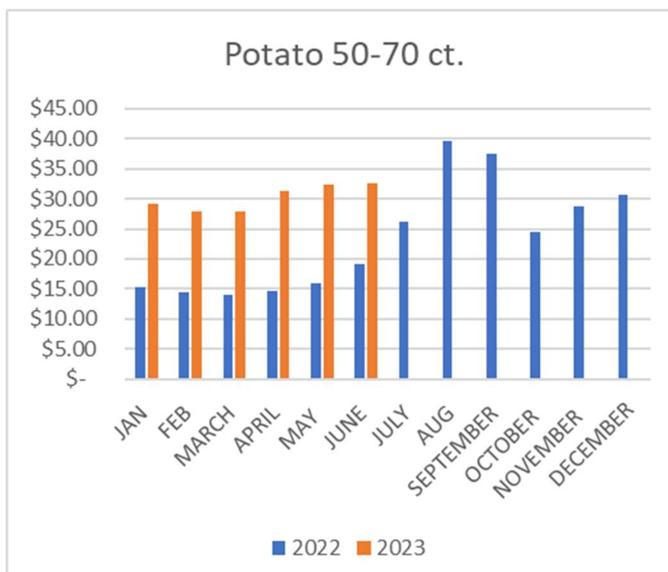
Pangasius

Urner Barry reports stable pricing for next week

Potatoes

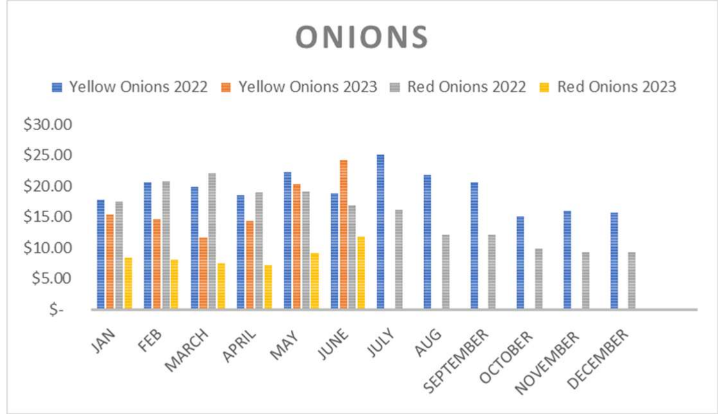
No Change

Potato demand on cartons has returned to normal levels during Q1. While we have not seen carton pricing take any sharp increase, we are seeing product significantly tighten up. We are beginning to approach the point where growers start to wind down on their Norkotah supplies. Once we get to the middle/end of May, we should see growers shipping Burbanks just about exclusively. Growers continue to receive record offers from processors (even higher than last season), and reports of further record breaking offers for the Spring continue to roll in. Because of this, the fresh market has a 'safety net' of where pricing will likely not fall beneath. We anticipate we will continue to see this trend as a means to get growers to release product on the fresh side as we head into the Spring/Summer. Other growing regions are echoing the same sentiments as well.



We have already seen Nebraska finish up, and we are seeing much less supply out of Colorado and Wisconsin as well. Both regions will finish up over Q2, and it could potentially mean a volatile Summer ahead. National supply reports are showing that there are approximately 3% less potato stocks on hand than there were during this time last year. Depending on how product stores, as well as what happens with demand, will really determine where the market will climb to.

Onions



No Change:
Onion demand continues to remain flat. The market does not appear to be moving anywhere fast any time soon now. Washing/Oregon supplies are now depleted (with concludes the market reporting). We are beginning to see Colossal and Super Colossal onions get very tight. This is pretty typical for this time of year as the longer term storage varieties generally do not size as big as the earlier varieties. The Northwest continues to battle internal onion quality, which is not abnormal for this type of year. We are seeing the occasional rotted brown ring, and some random translucent scales.
Mexican onions continue to cross as they are into the bulk of their product. Texas product will begin to ramp up in the coming weeks to finish off the month of May. June will be a mixed bag of remaining supplies in the Northwest, coupled with both Mexican grown onions and Texas onions shipping out of McAllen, and then finally California toward the end of the month. The biggest headwind expected for Q2 is how the cool temps and rain will affect the California and New Mexico onions. There is expected to be some size challenges, and potentially some gaps in supply in July/August as the later fields were delayed in planting due to fields being too wet. New Mexico does appear to be in better shape from this regard.

Market Alert

- Avocados – **EXTREME**
- Asparagus – **ESCALATED**
- Bok Choy – **ESCALATED**
- Brussels Sprouts **– ESCALATED**
- Carrots **– ESCALATED**
- Celery **– ESCALATED**
- Corn- **EXTREME**
- Garlic – **ESCALATED**
- Ginger **– EXTREME**
- Green Beans **- ESCALATED**
- Hot Pepper – **ESCALATED**
- Melons **- ESCALATED**
- Napa **– ESCALATED**
- Onions **– ESCALATED**
- Parsley (Curley & Italian) - **ESCALATED**
- Potatoes – **ESCALATED**
- Snow & Sugar Snap Peas – **ESCALATED**
- Tomatoes (East Coast) - **ESCALATED**

Watch List

- Blackberries
- Lettuce – Iceberg
- Lemons
- Limes
- French Beans

Transportation

Although diesel rates are near record highs, truckload rates continue to decline as consumer spending on durable goods declines, reducing demand in the truckload market.

AVOCADOS – EXTREME
The reduction of Mexican orchards with available volumes for harvesting has been reduced significantly, and we are now waiting for the Loca crop to begin harvest. The fruit continues trickling in from Mexico (with no stoppage), but it's not enough for the current demand. Last week's projections called for 37 million pounds, but only 30 million pounds were imported to the U.S. This current week (week 25) is where we're going to see the biggest variance from Mexico as growers are reporting volumes will likely be below 20 million pounds imported to the U.S. The delay of Peru imports only added to the issue as YTD volumes are about half of projections. There's plenty of volume available in Peru, but with the 3-4 weeks needed for ocean transit, the Mexico market will correct itself before the volume wave hits US borders. Supplies are expected to remain tight for the next 2-4 weeks.

7101 Creedmoor Rd.,
Suite 123
Raleigh, NC 27613
Tel. (919)-322-5470
support@stevensfoodgroup.com
www.stevensfoodgroup.com