Daily Livestock Report

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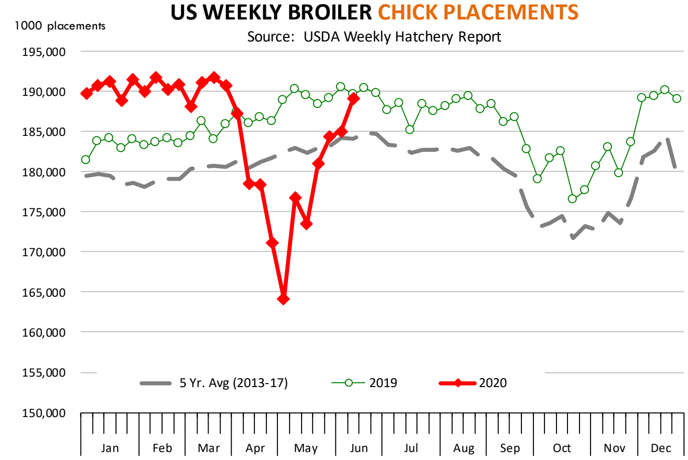
USDA revised up its estimates for poultry production in 2020 after making some very significant downward revisions in the previous two months. To recap the key numbers, **USDA now expects broiler production in 2020 to be 43.566 billion pounds, 256 million pounds or 0.6% higher than the forecast presented in May and 0.3% higher than the previous year**. To understand the impact that COVID-19 has had on broiler production expectations, in March USDA was forecasting broiler production for the year to be 2.2 billion pounds or 5.1% higher than in 2019. April, May and now June **swings in the forecast mirror the wild swings in production decisions as COVID-19 distorted demand and significantly affected slaughter plants**. The broiler hatching flock on April 1 was estimated at 61.796 million head, 3.9% higher than the previous year. And yet, the number of broiler type chicks hatched in commercial hatcheries in April declined 5.3% from the same period a year ago. Faced with the collapse of foodservice demand and spread of COVID-19 among the workforce, producers had to make some difficult decisions, largely breaking eggs and limiting the number of chicks going into grow out houses. Dairy and hog producers were faced with a similar challenge and had to make those hard decisions as well. We do not have official statistics for the month of May yet but weekly broiler chick placements in May averaged 5.4% below year ago levels as well. At the end of April and the first two weeks of May, placements were down as much as 13% from the previous year (see chart). However, as the situation in broiler slaughter plants appears to have stabilized and foodservice demand is on the upswing, **producers have once again ratcheted up the number of broiler placements**. For the week ending June 13, placements were down just 0.27% from a year ago while egg sets (that should correspond to placements three weeks forward) were up 2.43% from the same week a year ago. The ratio of placements to egg sets (with a three week lag) has also recovered, suggesting that producers are no longer breaking eggs. For the most current week, the ratio of placements to egg sets was 80.9% compared to as low as 73.6% for the week ending May 2. Producers also appear to be increasing, once again, the number of very large birds that they bring in the marketplace. The second chart to the right shows the year/year change in average weekly broiler slaughter by weight group. In May, broiler slaughter of birds weighing between 4.25 - 6.25 pounds was down an average of 2.05 million birds a week or 4% from the same period a year ago. Slaughter of birds over 7.76 pounds averaged 38.349 million head, per week, up just 979k head per week or 3% from a year ago. However, in the first two weeks of June, weekly slaughter of large birds (mostly going for processing and fast food) averaged 40,393 head per week, up 3.44 million head per week or 9% from the previous year. Jumbo broiler breast prices have started to come under significant pressure as supplies expand. Jumbo b/s breast meat prices are now back to around $1 a pound vs. $1.55 in mid-May and $1.16 a year ago. The increase in chicken production, and resulting lower prices, will add to the recovery in beef and pork output and increase competition at foodservice.

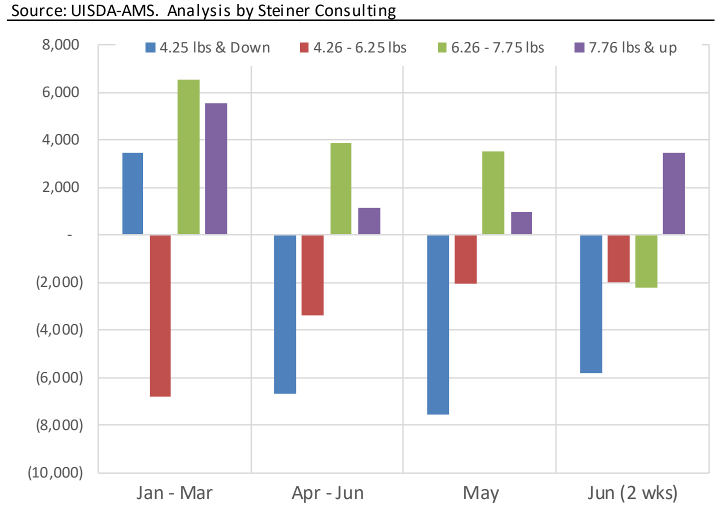
Turkey production, on the other hand, could remain constrained for much of the year. Turkey poult placements for the period Oct - Apr were down 2.2% compared to the same period a year ago but they collapsed 11.2% in May, the lowest monthly placement in at least 25 years. Uncertain foodservice deli demand has significantly impacted producer decisions in the near term. The latest USDA forecasts now peg turkey production for the year up 0.9% from a year ago, a tall order given the drop in May placements.

US WEEKLY BROILER CHICK PLACEMENTS



Y/Y Change in Weekly Broiler Slaughter by Weight Group. In '000 Head

Source: UISDA-AMS. Analysis by Steiner Consulting



Turkey Poult Placements. Monthly. '000 Head

Source: USDA-AMS. Analysis by Steiner Consulting