

The poultry component of U.S. meat supplies has been rather uneventful so far this year. At the mid-point of 2018, broiler production is on track to be up 2% from 2017's. Turkey production during the first half of this year should be close to unchanged from last year and could range from up 1% to down 1% by the end of the year. Broiler production accounts for about 85% of all poultry production. Profitability will be an essential factor driving production levels, with grain prices and feed costs in the forefront.

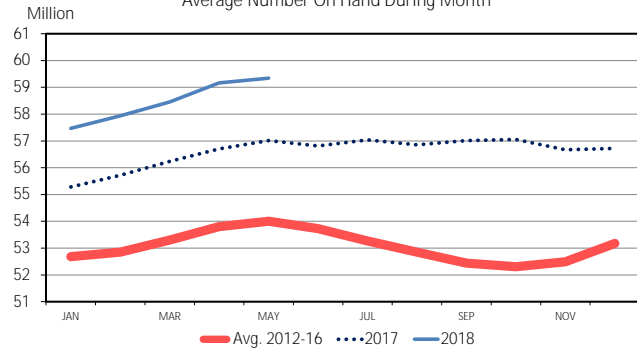
The broiler-type hatching layer flock started out the year 4% larger than a year earlier, providing the primary guide for chicken production prospects. At that time, expectations were for a 3% increase in chicken production for the year. Layer flock productivity has been stable at levels well below a year ago, except for March, which has tempered production prospects.

Poultry feed costs ended 2017 about the same as a year earlier. Cost comparisons for the first quarter of 2018 were 6% above 2017's and second quarter feed costs were on a path to be up close to 20%. Feedstuff costs have been lifted by disappointing crops in Argentina, the possibility of reduced plantings in the Corn Belt, along with wheat prices that were jumping due to drought conditions in the Southern Plains and Russia. Higher feed costs are matched up against wholesale chicken breast meat prices this spring that are more than 10% lower than a year ago and wing prices which are down 25%.

Profit margins on commodity-type broiler product were down slightly from a year earlier during the first quarter, but preliminary calculations put spring quarter margins 20% below the prior years. Whereas last year, hatchery hen productivity spiked in the summer quarter, the profit situation of the last couple months may pre-empt expansionary production efforts. That would leave slaughter levels by the end of the summer little changed from a year ago. July and August broiler slaughter will be driven by hatchery output in May and June, which is known and has been running about 2% above the same months in 2017.

The U.S. turkey industry has been restraining production to work off burdensome cold storage inventories that have depressed prices for the last year or two. Frozen turkey inventories at the start of the year were 31 million pounds above a year earlier. At the end of the first quarter, they were still up by 34 million pounds. During the last two months, however, the year-over-year increase has been whittled down to 5 million pounds, with inventories of parts and meat (mostly breast meat) below a

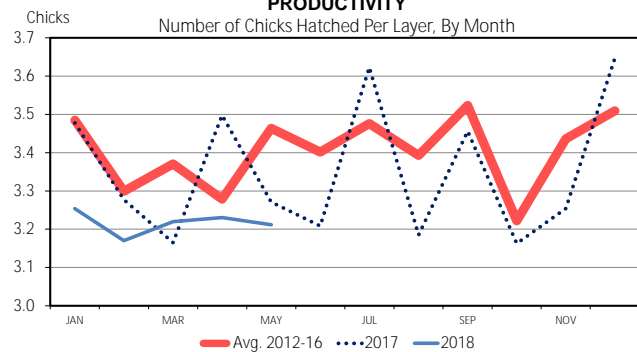
**BROILER-TYPE HATCHING LAYERS**  
Average Number On Hand During Month



Data Source: USDA-NASS  
Livestock Marketing Information Center

06/25/18

**WEEKLY AVERAGE BROILER-TYPE LAYER PRODUCTIVITY**  
Number of Chicks Hatched Per Layer, By Month

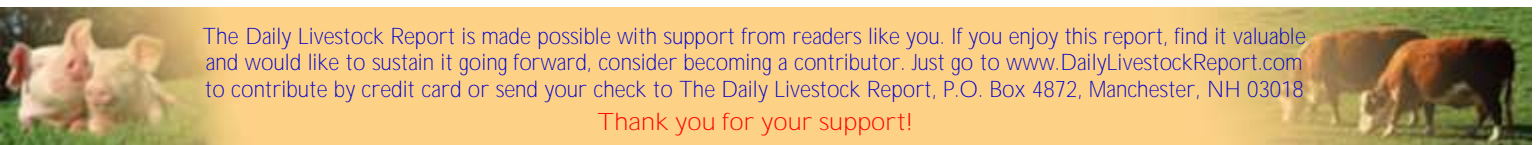


Data Source: USDA-NASS  
Livestock Marketing Information Center

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year ago levels. Consequently, turkey breast meat prices have rebounded to the highest values since late 2016.

Turkey production during the first quarter was below a year earlier but second quarter production has a chance of being up slightly, even though hatchery output in prior months was down. Mortality rates through grow-out this spring have been much less than a year ago. Similar trends could mark summer quarter turkey production. Whole bird demand for the holidays always dominated the last quarter of the year, and with frozen whole bird inventories still bigger year-over-year, production restraint may resurface as this year closes.



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