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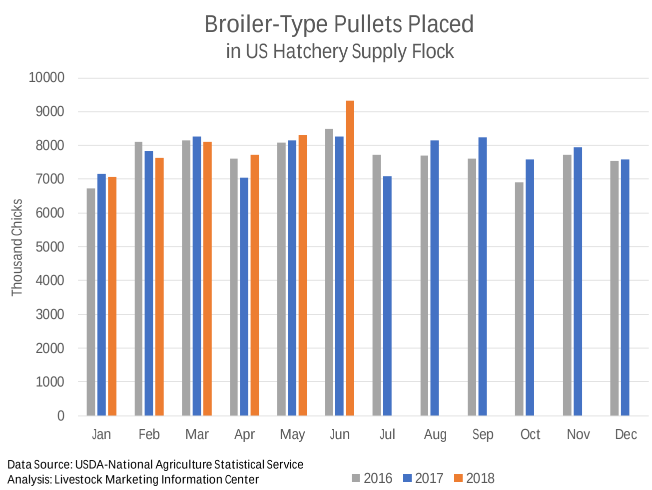
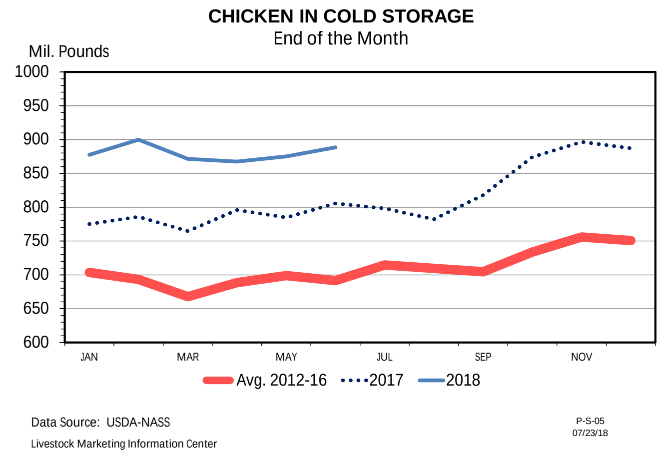
Prospects for more poultry production in 2019 are increasingly tangible. Leading the way is the potential for lower feed costs. Soybean and corn prices have tumbled in the last two months as crop development conditions are favoring the chances for a bumper harvest this fall.

Corn futures prices for December delivery, as of mid-May were $4.00 a bushel. Mid-July prices for December delivery were $3.40. Prices in mid-July of 2017 were $3.70. A similar price check in the soybean meal market puts mid-July soybean meal for December delivery at $325 per ton versus $375 in mid-May. In mid-July 2017, soybean meal values for December were $330 per ton, not that much different than now. These two ingredients account for a little more than 90% of a conventional ration for chickens and turkeys on the basis of feed volume. Adjusted for feed consumed per pounds of meat produced, feed costs have declined about 15% in two months and are down 5%-10% from a year ago. For most of the first half of the year, the poultry industry was looking at feed costs for 2019 production that would be above 2017 and 2018 levels. Not any more!

The chicken industry appears to be responding to the potential for better profitability in the coming year. Pullet placements during the first three months of the year were down from a year earlier. Feed costs were above a year earlier and wing prices (at the wholesale level) were dramatically lower than a year earlier bringing industry profitability down. Also, frozen product inventories were accumulating as the industry tried to keep product offerings in line with consumer demand. Declines in pullet placements were consistent with industry returns.





Pullet placements in April were up 9% from a year earlier, but this was more reflective of an aberration in April 2017. Pullet placements in May were up a modest 2% from a year earlier, setting the stage for the "eye-opening" jump in June placements. Placements of chicks (pullets) into the hatchery supply flock for the production of meat-type chickens during June posted a 13% increase from a year earlier. The increase in pullet placements will not begin to affect chicken meat production until the first quarter of 2019.

The decline in feed costs from May to July amounts to about 4 cents per pound in chicken production costs at the point of slaughter. Based on annual averages of wholesale chicken parts prices adjusted to a whole bird equivalent, this decade has seen a price range of about 16 cents per pound. The range for the 2015-2017 interval is only 8 cents, which gives a good frame of reference for the change in feed costs during recent months.

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PRODUCTION & PRICE SUMMARY

Week Ending 7/28/2018

Source: Various USDA Agricultural Marketing Service (Market News) reports. DATA ARE PRELIMINARY .

	Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Y/Y % Change
			28-Jul-18	21-Jul-18		29-Jul-17			
	Beef, Pork, Chicken, & Turkey	Mil Lbs., cwe	1,799	1,875	-4.1%	1,832	-1.8%	54,456	1.8%
C	FI Slaughter	Thou. Head	640	635	0.8%	627	2.1%	18,558	3.0%
A	FI Cow Slaughter **	Thou. Head	120	99	20.6%	114	5.1%	9,055	6.8%
T	Avg. Dressed Weight	Lbs.	807	807	0.0%	814	-0.9%	810	0.4%
T	Beef Production	Million Lbs.	515.8	511.3	0.9%	508.9	1.4%	15,038	3.4%
L	Live Fed Steer Price, 5-Mkt	$ per cwt	110.10	112.61	-2.2%	117.16	-6.0%		
E	Dressed Steer Price, 5-Mkt	$ per cwt	176.05	179.00	-1.6%	187.48	-6.1%		
	Oklahoma Steer (600-700 lbs)	$ per cwt	159.38	158.94	0.3%	157.78	1.0%		
&	Choice Beef Cutout	$ per cwt	204.83	204.32	0.2%	206.96	-1.0%		
	Hide/Offal	$ per cwt, live wt	9.05	9.18	-1.4%	11.51	-21.4%		
B	Rib, Primal, Choice	$ per cwt	325.20	320.15	1.6%	318.06	2.2%		
E	Round, Primal, Choice	$ per cwt	162.79	161.76	0.6%	176.34	-7.7%		
E	Chuck, Primal, Choice	$ per cwt	167.62	165.00	1.6%	167.01	0.4%		
F	Trimmings, 50%, Fresh	$ per cwt	73.28	71.10	3.1%	89.63	-18.2%		
	Trimmings, 90%, Fresh	$ per cwt	217.29	218.54	-0.6%	233.58	-7.0%		
	FI Slaughter	Thou. Head	1,987	2,382	-16.6%	2,234	-11.0%	69,180	2.5%
H	FI Sow Slaughter **	Thou. Head	58.4	43.6	34.0%	56.2	3.9%	4,561	1.9%
O	Avg. Dressed Weight	Lbs.	208.0	208.0	0.0%	207.0	0.5%	212	0.7%
G	Pork Production	Million Lbs.	412.4	495.4	-16.8%	461.3	-10.6%	14,697	3.2%
S	Iowa-S. Minn. Direct	Wtd. Avg.	65.78	71.59	-8.1%	82.62	-20.4%		
	Natl. Base Carcass Price	Wtd. Avg.	72.48	75.89	-4.5%	85.02	-14.7%		
&	Natl. Net Carcass Price	Wtd. Avg.	74.98	78.24	-4.2%	87.63	-14.4%		
	Pork Cutout	$ per cwt	77.96	82.69	-5.7%	100.78	-22.6%		
P	By-product Value	$ per cwt, live wt	3.74	3.74	0.0%	4.10	-8.8%		
O	Ham, Primal	$ per cwt	53.81	54.89	-2.0%	76.59	-29.7%		
R	Loin, Primal	$ per cwt	76.22	77.85	-2.1%	88.58	-14.0%		
K	Belly, Primal	$ per cwt	148.19	170.36	-13.0%	214.69	-31.0%		
	Trimmings, 72%, Fresh	$ per cwt	52.65	62.29	-15.5%	92.51	-43.1%		
C	Young Chicken Slaughter *	Million Head	164.4	165.6	-0.8%	164.57	-0.1%	4,637	-0.6%
H	Avg. Weight (RTC)	Lbs.	4.65	4.61	0.8%	4.59	1.3%	4.68	0.6%
I	Young Chicken Production (RTC)	Million Lbs.	764.5	764.1	0.1%	755.4	1.2%	21,710	0.1%
C	Eggs Set (US)	Million	228.6	228.3	0.1%	226.8	0.8%	18,207	2.8%
K	Chicks Placed (US)	Million Head	185.3	186.9	-0.8%	182.3	1.7%	14,708	1.8%
E	National Composite Whole Bird	Composite	104.37	111.41	-6.3%	98.24	6.2%		
N	Northeast Breast, B/S	$ per cwt	121.15	127.55	-5.0%	149.50	-19.0%		
	Northeast Leg Quarters	$ per cwt	34.24	34.13	0.3%	43.13	-20.6%		
T	Total Turkey Slaughter *	Million Head	4.33	4.21	2.9%	4.24	2.1%	118.6	-0.4%
U	Avg. Weight (RTC)	Lbs.	24.48	24.76	-1.1%	25.06	-2.3%	25.39	-0.4%
R	Turkey Production (RTC)	Million Lbs.	106.0	104.2	1.7%	106.3	-0.2%	3,011	-0.7%
K	National Hen (8-12 Lbs)	$ per cwt	78.70	78.50	0.3%	97.00	-18.9%		
G	Corn, Omaha	$ per Bushel	3.45	3.35	3.0%	3.38	2.1%		
R	Distillers Grain, Chicago	$ per Ton	147.50	150.00	-1.7%	115.00	28.3%		
A	Wheat, Kansas City (delivered)	$ per Bushel	5.88	5.85	0.4%	5.23	12.4%		
I	Soybean, Cntrl IL	$ per Bushel	8.56	8.42	1.7%	9.93	-13.7%		
N	Soybn Meal 48%, Cntrl IL	$ per Ton	342.60	339.30	1.0%	322.80	6.1%		

* Chicken & turkey slaughter & production are 1 week earlier than the date at the top of this sheet.

** Cow and sow slaughter reflect levels from two weeks ago (part of 'actual" rather than "preliminary" weekly slaughter report).

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