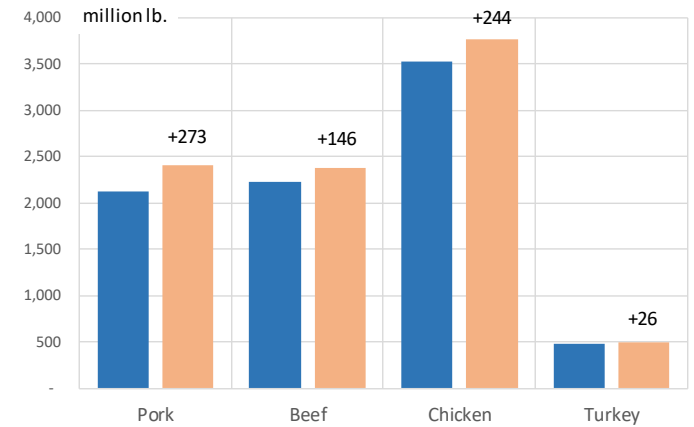


June production statistics for all the four main species were recently updated by USDA and, as the chart to the right illustrates, **meat output has fully recovered**. Production was up for all four main species and **retailers have plenty of protein available to fill the meat case**. Combined beef, pork, chicken and turkey production last month was estimated at 9.046 billion pounds (carcass wt. and ready to cook wt), **689 million pounds or 8.2% higher than the previous year**. There were two more production days than a year ago in June, which also helped bolster production. In July the number of production days will be the same, which should offer a better comparison base. Still, we expect July output to surpass last year's levels as well, with **pork once again leading the pack in terms of supply growth**. Pork wholesale values have come under some pressure recently but the decline becomes more understandable when considering that pork production last month jumped 12.8%. Even when we adjust for the additional marketing days, production was up 2.6% from a year ago.

Competition at retail is heating up and it will get ever fiercer in the fall. It is clear that **producers of the various species do not want to concede any ground to competitors**. In part this is due to the fact that with fixed investments currently in place, ample feed supplies and relatively strong balance sheets after several years of good returns, some producers are not willing to scale back. As the story of the two hikers running from the bear goes, you don't need to outrun the bear, you just need to outrun the other guy. This dynamic appears to be in play in the chicken complex. Fears of labor shortages caused producers to tap on the brakes in April and May. The size of the broiler type hatching flock on May 1 was estimated at 61.515 million head, 281,000 head or 0.5% lower than the previous month. The hatching flock then declined again during May and on June 1 it was estimated at 60.896 million head, down 619,000 head or 1% vs. the month prior. **As situation at broiler slaughter plants normalized and labor issues subsided, broiler producers have once again started to ramp up**. On July 1, the size of the broiler type hatching flock increased by 305k head or 0.5%. This is about a third of the reduction in the previous two months. **The broiler hatching flock is now 3.4% higher than the previous year**. With a flock size running well above last year's levels the expectation is that chick placements and ultimately broiler slaughter will continue to run above year ago levels as well. USDA revised up its projections for broiler production in 2020 by 1.4% in its July update. Still, USDA is forecasting broiler production in Q3 to be down 0.5% from a year ago and production in Q4 is forecast down 0.2%. Given the recovery in the hatching flock and more egg sets and chick placements, we could see further upward revisions in broiler production potential for the second half of the year. Broiler chick placements for the week ending July 18 were estimated at 189.2 million, 2.16% higher than the previous year. Broiler weights continue to run above year ago levels, further adding to the supply. In June, broiler live weights averaged 6.48 pounds, 2.5% higher than the previous year. Weekly data suggests weights have started to level off but we will have to wait for the official monthly statistics when they get released next month. One thing we are noticing is that producers appear to be responding to the slowdown in foodservice demand by bringing fewer large birds to market, with July slaughter of birds 7.76 and up down 10% from the same period a year ago.

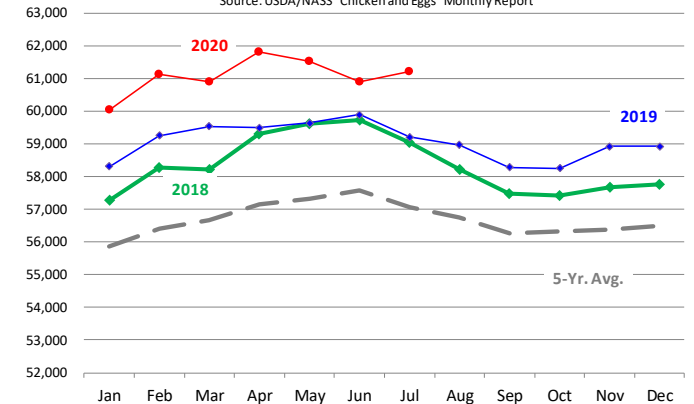
June Production for the Four Main Species. CWE and RTC Basis.

Source: USDA-NASS. Analysis by Steiner Consulting



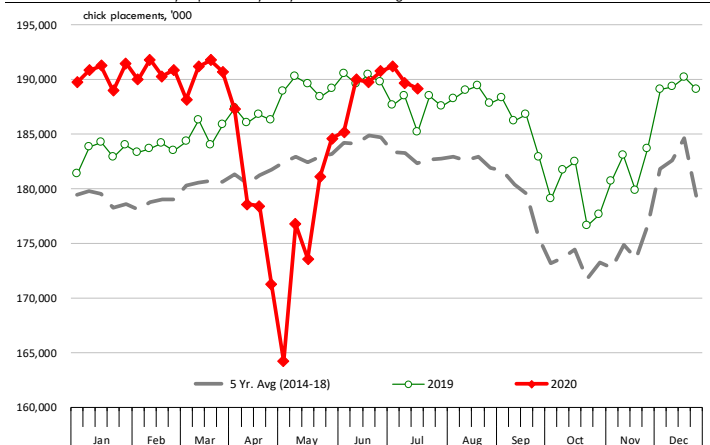
LAYERS ON 1ST OF MONTH: BROILER TYPE HATCHING

Source: USDA/NASS "Chicken and Eggs" Monthly Report



US WEEKLY BROILER CHICK PLACEMENT

Source: USDA Broiler Hatchery Report. Analysis by Steiner Consulting



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