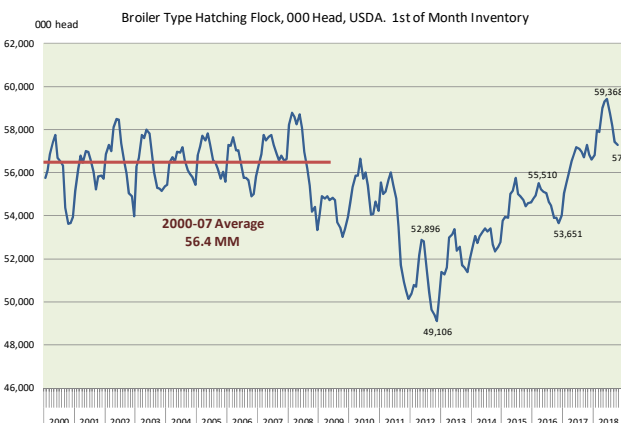
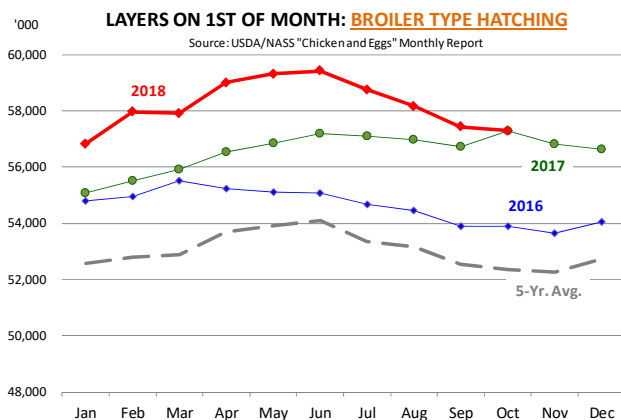


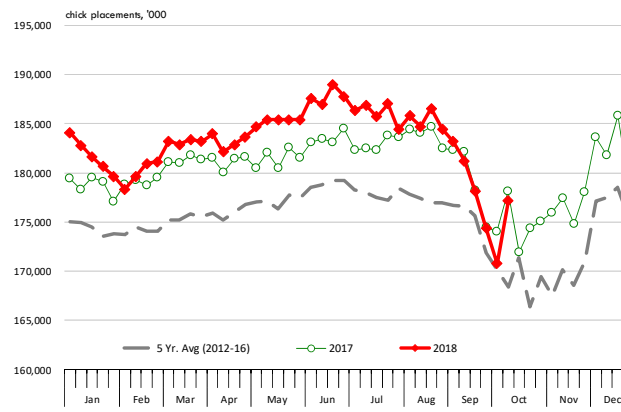
Chicken supplies in the US market remain burdensome, evidenced by large cold storage inventories and weak spot prices for a number of products.

The price of boneless skinless chicken breasts, a staple of many fast food and bar menus, was last quoted by USDA at around 90 cents but even lower prices have been reportedly paid according to other industry sources. This represents a 21% decline from the very weak prices we saw a year ago. B/S chicken breast prices are currently at the lowest point in more than two decades - and that is before we even adjust for inflation. Other chicken products are not faring well either. According to USDA, the price of chicken leg quarters is currently around 30 cents per pound, about 20% less than last year while the price of wings has been stuck at around \$1.50 per pound despite the start of the NFL season. Those wing prices are down about 25% compared to last year. The price decline does not appear to be a result of a surge in chicken production although each year we do produce a bit more than the year prior. Rather, it appears that higher supplies of pork and beef have added to the overall amount of protein available to the consumer, negatively impacting demand. After all there are only so many meals that can be consumed in a given day and more beef and pork mean a much stiffer fight, especially in foodservice. The battle for lunch tends to be a zero sum game, the individual consumer will either pick the chicken sandwich, the burger or the steak sandwich. Similarly at retail, more ground beef and pork chops make it so much more difficult to move volume.

It appears there is some movement in terms of limiting supply growth, at least in the short term. While it is not entirely unusual for producers to seasonally reduce the size of the hatching flock from summer to fall. In its latest report USDA pegged the size of the broiler type hatching flock at 57.3 million head, about unchanged compared to a year ago but down 2.1 million head or 3.3% compared to where it was on June 1. The smaller hatching flock should help limit the number of eggs producers put in incubators and chicks placed on feed. Ultimately the goal is to limit supply growth enough to help stabilize prices. Normally demand for product is softer during late fall and winter. Holiday features tend to be a drag for sales towards the end of the year and foot traffic at fast food struggles during winter months. So even as producers look to manage the supply in the short term it may take a bit longer to stabilize the market. Longer term, some of the factors that have been driving growth remain in place. Feed costs remain low, foodservice business continues to expand and there has been significant investment in new facilities that will need birds to process. The challenge for all meat producers will be in providing consumers with what they need at this point in time not what they needed 20 years ago, namely flavor. The spread of ASF in China is a major wild card going forward as it may bolster global meat protein prices and create export opportunities that may not exist today.



US WEEKLY BROILER CHICK PLACEMENT
Source: USDA Broiler Hatchery Report



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