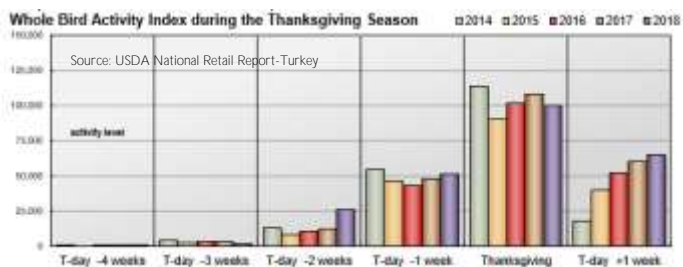


It's the holiday season for the meat markets, with turkey and ham center stage. Thanksgiving is in the rear view mirror, with the turkey industry anxious for signs that whole bird clearances were good during November. Retail feature activity for Thanksgiving turkeys, as reported in the USDA-Agriculture Marketing Service (AMS) National Retail Report-Turkey got a strong start two weeks ahead of the event at the highest levels in at least four years, but was only moderate for the week of the holiday. The big kick-off two weeks in front of Thanksgiving probably had an impact on wholesale trade flows for beef, pork and chicken in late October and early November, especially given the early timing of Thanksgiving this year.



The turkey industry has been struggling in the past two years to manage cold storage inventories. Prior to 2016, end of the year inventories were close to 200 million pounds, which allowed for pricing power for the following year as marketing programs were put in motion. Frozen inventory at the end of 2016 moved up to 279 million pounds and carryout inventories for 2017 tallied 310 million pounds. Consequently, whole bird prices at the wholesale level started out 2018 20% lower than a year earlier, the lowest since 2009. Pricing power has been hard to come by in the whole bird market throughout the year.

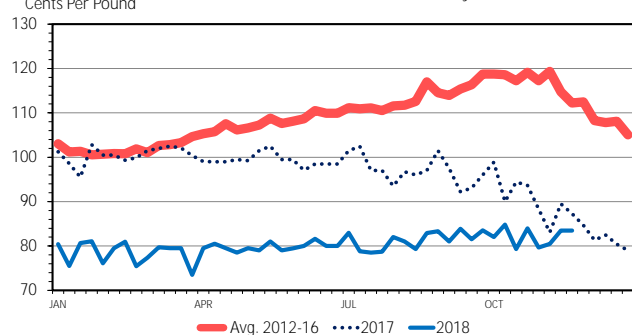
Aggressive pricing at the wholesale level would normally be assumed to perk up consumption and reduce cold storage inventories. That was the intent early in the year, but the response to that stimulus was disappointing. Turkey domestic usage during the January-March quarter fell short of a year earlier by 5%, or 60 million pounds. It might be reasonable to expect that there would be a delay between pricing stimulus and consumer response, but the dip in consumption during the first quarter extended the problem of too much product in cold storage.

Spring quarter turkey consumption provided some encouragement for the industry, posting a 2% gain from a year earlier (a 33 million pound gain). Frozen inventory fell below year earlier

levels for the first time at mid-year. Unfortunately, there was no follow through during the summer quarter, and turkey usage fell below the prior summer by 18 million pounds and additional declines in cold storage were insignificant. Underlying this situation could be a pork industry response of matching pricing on hams (wholesale prices on hams this summer down 20% from a year earlier) to the low prices on turkeys. Lean beef trimmings prices were also 5-10% lower and chicken breast meat prices were close to 25% lower. This raises the possibility that frozen turkey inventories at the end of the year will increase for the third consecutive year if turkey disappearance during the holiday quarter falls short of a year ago.

TURKEY PRICES

National, Hens, 8-16 Pounds, Weekly

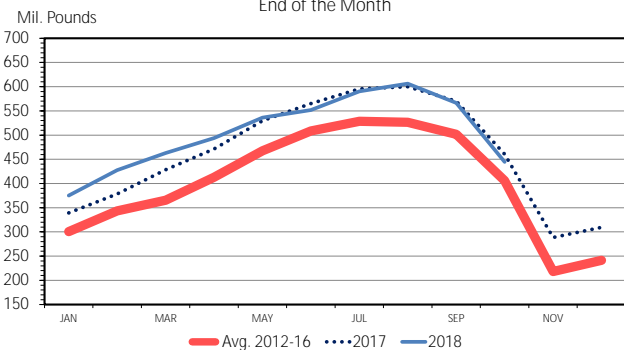


Data Source: USDA-AMS
Livestock Marketing Information Center

P-P-08
11/26/18

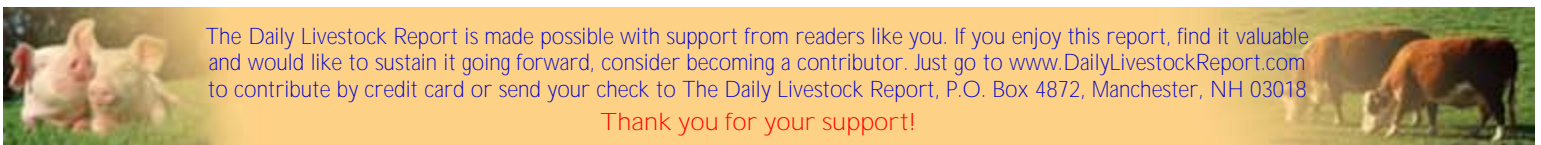
TURKEY IN COLD STORAGE

End of the Month



Data Source: USDA-NASS
Livestock Marketing Information Center

P-S-04
11/21/18



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