

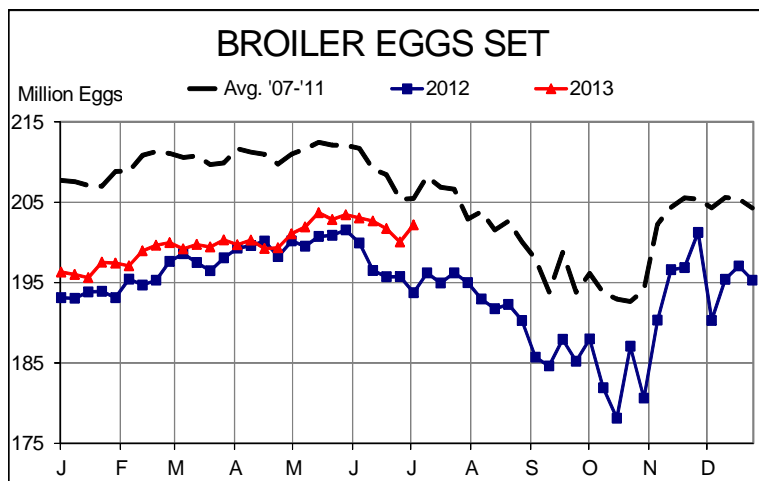
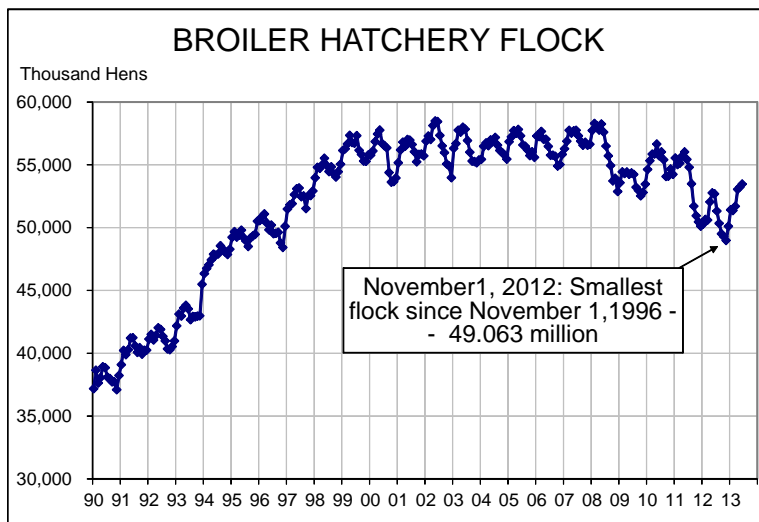
It appears that the broiler industry has now clearly made the shift from “potential” expansion to actual output growth. We have discussed the potential for sharply higher chicken production in these pages on several occasions. It became apparent, we think, last fall when the broiler breeder flock began growing in December — about a month earlier than has been the normal pattern over the past few years. That growth accelerated in January and led us to speculate that the industry was positioning itself to set (ie. place in incubators) significantly more eggs as soon as managers were confident that feed prices would not continue at the drought-driven high levels of 2012 and 2013. The hatchery flock has continued to grow and reached 53.46 million birds as of June 1. That is nearly 800,000 (1.5%) more than last year and is the largest flock since August 2011. The broiler breeder flock has been over 1% larger than one year ago in every month this year except May when it was only 0.9% larger than in ‘12.

But a larger breeder flock translates into more chicken products only after fertile eggs are produced, set and hatched and chicks are placed into grower facilities and, finally, harvested. As can be seen in the chart at right, egg sets have ran higher than one year earlier in all but one week so far in 2013. But the increases were never what we would call large until June. The largest year-on-year increases were 2.2% in two separate weeks back in February. Through the end of May, year-to-date egg sets were up only 1.1%. One reason for the lack of growth was shipments of fertilized eggs to Mexico to backfill the losses suffered there as a number of flocks were destroyed to control avian influenza.

But things have changed since then! For the five weeks ended July 6, U.S. broiler companies have placed 1.01 billion eggs, 2.9% more than one year ago. The first of those chicks have already hatched (the incubation period for a chicken is 21 days) and have been in grower facilities about two weeks. The first of those birds will reach market weight in another four weeks so higher chicken production is on the way.

An initial reaction to the higher year-on-year numbers of the past few weeks might be “Well of course, the corn crop was already deteriorating last year and companies were cutting back!” But a quick study of the chart says last year’s reductions were quite normal as broiler egg sets normally decline pretty sharply in June. This year’s steady weekly sets since mid-May actually show a counterseasonal increase in sets that should ultimately result in a counterseasonal increase in chicken output come late July and August.

This isn’t rocket science. A quick perusal of the Production and Price Summary table on page 2 shows that last week’s national composite broiler price \$101.63/cwt. was 22% higher than one year ago. The Georgia dock price of \$105.99/cwt. was almost 13% higher. Both, of course, have been strongly supported by a huge increase in boneless, skinless breast prices. Last week’s \$182.61/cwt. is roughly \$20 below the May peak but is still nearly \$45/cwt. or 32% higher than one year ago.



While the revenue side has been great, we think the biggest “late-breaking” development that has pushed egg sets higher is the fact that this crop still looks good. Broiler companies were positioned to grow as soon as they were confident that feed prices would be below the record levels of the past crop year. This year’s delayed plantings likely pushed such decisions further into the summer than would have been preferred but continued strong crop condition ratings have apparently outweighed most concerns about crop development and weather risk. Companies had the chance to lock in new crop corn on the Board in the low \$5.00 area and could have priced soybean meal on the Board in the mid-\$300s during May. Both would represent substantial cost reductions relative to last year and, when combined with current revenues, be quite conducive to expansion.



The Daily Livestock Report is made possible with support from readers like you. If you enjoy this report, find it valuable and would like to sustain it going forward, consider becoming a contributor. Just go to [www.DailyLivestockReport.com](http://www.DailyLivestockReport.com) to contribute by credit card or send your check to The Daily Livestock Report, P.O. Box 2, Adel, IA 50003.

The Daily Livestock Report is published by Steve Meyer & Len Steiner, Inc., Adel, IA and Merrimack, NH. To subscribe, support or unsubscribe visit [www.dailylivestockreport.com](http://www.dailylivestockreport.com). Copyright © 2013 Steve Meyer and Len Steiner, Inc. All rights reserved.

The Daily Livestock Report is not owned, controlled, endorsed or sold by CME Group Inc. or its affiliates and CME Group Inc. and its affiliates disclaim any and all responsibility for the information contained herein. CME Group®, CME® and the Globe logo are trademarks of Chicago Mercantile Exchange, Inc.

Disclaimer: The *Daily Livestock Report* is intended solely for information purposes and is not to be construed, under any circumstances, by implication or otherwise, as an offer to sell or a solicitation to buy or trade any commodities or securities whatsoever. Information is obtained from sources believed to be reliable, but is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted. Futures trading is not suitable for all investors, and involves the risk of loss. Past results are no indication of future performance. Futures are a leveraged investment, and because only a percentage of a contract’s value is required to trade, it is possible to lose more than the amount of money initially deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyle. And only a portion of those funds should be devoted to any one trade because a trader cannot expect to profit on every trade.

# Daily Livestock Report

Sponsored by  **CME Group**

Vol. 11, No. 132 / July 15, 2013

## PRODUCTION AND PRICE SUMMARY

Week Ending **7/13/2013**

	Item	Units	Current Week	Last Week	Pct. Change	Last Year	Pct. Change	YTD	Pct. Change
	<b>Total Meat &amp; Poultry Prod.</b>	Million lbs.	<b>1601.8</b>	<b>1620.0</b>	<b>-1.12%</b>	<b>1598.4</b>	<b>0.21%</b>	<b>46,464</b>	<b>0.72%</b>
C	FI Slaughter	Thou. Head	640	559	14.49%	645	-0.76%	17,047	-1.45%
A	FI Cow Slaughter	Thou. Head	114.9	119.0	-3.51%	116.0	-0.99%	3,187	3.25%
T	Avg. Live Weight	Lbs.	1305	1309	-0.31%	1294	0.85%	1,310	1.11%
T	Avg. Dressed Weight	Lbs.	794	792	0.25%	790	0.51%	792	0.84%
L	Beef Production	Million Lbs.	506.9	441.7	14.76%	508.2	-0.26%	13,430	-0.91%
E	Live Fed Steer	\$/cwt live wt.	121.24	120.10	0.90%	114.65	5.75%		
	Dressed Steer	\$/cwt carcass	191.73	193.56	-0.95%	181.92	5.39%		
&	OKC Feeder Steer	700-800 Lbs.	143.95	144.87	-0.64%	143.07	0.62%		
	Beef Cutout	600-750 Choice	193.30	196.95	-1.85%	187.33	3.19%		
B	Hide/Offal	\$/cwt live wt.	14.62	14.56	0.41%	13.17	11.01%		
E	Rib	Choice	304.64	315.85	-3.55%	278.67	9.32%		
E	Round	Choice	158.44	159.48	-0.65%	156.80	1.05%		
F	Chuck	Choice	157.63	158.91	-0.81%	141.93	11.06%		
	Trimblings, 50%	Fresh	103.90	97.93	6.10%	49.19	111.22%		
	Trimblings, 90%	Fresh	200.05	198.75	0.65%	219.00	-8.65%		
H	FI Slaughter	Thou. Head	2038	1790	13.85%	1961	3.95%	58,056	0.01%
O	FI Sow Slaughter	Thou. Head	55.2	56.3	-1.97%	56.5	-2.38%	1,464	0.93%
G	Avg. Dressed Weight	Lbs.	205	205	0.00%	202	1.49%	207	-0.41%
S	Pork Production	Million Lbs.	416.8	366.8	13.63%	396	5.25%	12,002	-0.39%
	Iowa-S. Minn. Direct	Avg.	99.56	100.35	-0.79%	96.09	3.61%		
&	Natl. Base Carcass Price	Weighted Avg.	99.51	99.75	-0.24%	95.52	4.18%		
	Natl. Net Carcass Price	Weighted Avg.	102.11	102.30	-0.19%	98.11	4.08%		
P	Pork Cutout	200 Lbs	103.16	106.85	-3.45%	NA	#VALUE!		
O	Hams	Primal Cutout	85.40	86.03	-0.73%	NA	#VALUE!		
R	Loins	Primal Cutout	108.16	113.19	-4.44%	NA	#VALUE!		
K	Trimblings, 72% Lean	Fresh	88.98	95.76	-7.08%	78.25	13.71%		
	Bellies	Primal Cutout	162.86	166.04	-1.92%	NA	#VALUE!		
C	Young Chicken Slaughter*	Million Head	138.27	161.50	-14.38%	142.70	-3.11%	4,119	278.25%
H	Avg. Weight	Lbs., RTC	4.26	4.32	-1.38%	4.21	1.24%	4.3	1.36%
I	Broiler Production	Million Lbs., RTC	589.2	697.8	-15.57%	600.7	-1.91%	18,179	3.10%
C	Eggs Set	Million	202.2	200.0	1.07%	193.7	4.36%	5,398	1.42%
K	Chicks Placed	Million Head	167.9	168.4	-0.28%	164.2	2.28%	4,451	0.28%
E	National Composite Broiler	Composite	101.63	103.68	-2.00%	83.07	22.30%		
N	Georgia Dock Broiler	2.5-3 Lbs.	105.99	105.55	0.40%	93.92	12.90%		
	Northeast Breast	Skinlss/Bonelss	182.61	180.75	1.00%	137.92	32.40%		
	Northeast Leg Quarters		51.63	50.73	-0.80%	49.38	13.30%		
T	Young Turkey Slaughter*	Million Head	3.62	4.70	-23.05%	3.92	-7.66%	115.0	-2.22%
U	Avg. Weight	Lbs.	24.57	24.16	1.69%	23.87	2.91%	24.8	0.70%
R	Turkey Production	Million Lbs.	88.9	113.6	-21.75%	93.6	-4.96%	2,852	-1.53%
K	Eastern Region Hen	8-16 Lbs.	98.51	99.86	-1.40%	106.1	-7.20%		
F	Corn, Omaha	\$ per Bushel	7.14	6.74	6.01%	7.44	-3.97%		
E	DDGS, Minnesota	\$ per ton	220.00	222.50	-1.12%	230.00	-4.35%		
E	Wheat, Kansas City	\$ per Bushel	7.10	6.87	3.35%	8.23	-13.73%		
D	Soybeans, S. Iowa	\$ per Bushel	16.20	16.11	0.56%	16.19	0.00%		
	SB Meal, 48% Central Illinois	\$ per Ton	572.00	532.10	7.50%	473.70	20.80%		

\* Chicken & turkey slaughter, production and prices are 1 week earlier than the date at the top of this table. Cow & sow slaughter are for 2 weeks earlier