

ANNUAL
MEAT 2019
CONFERENCE



March 3-5, 2019 | Hilton Anatole | Dallas, TX



FOUNDATION FOR
MEAT & POULTRY
RESEARCH & EDUCATION

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Grain Outlook

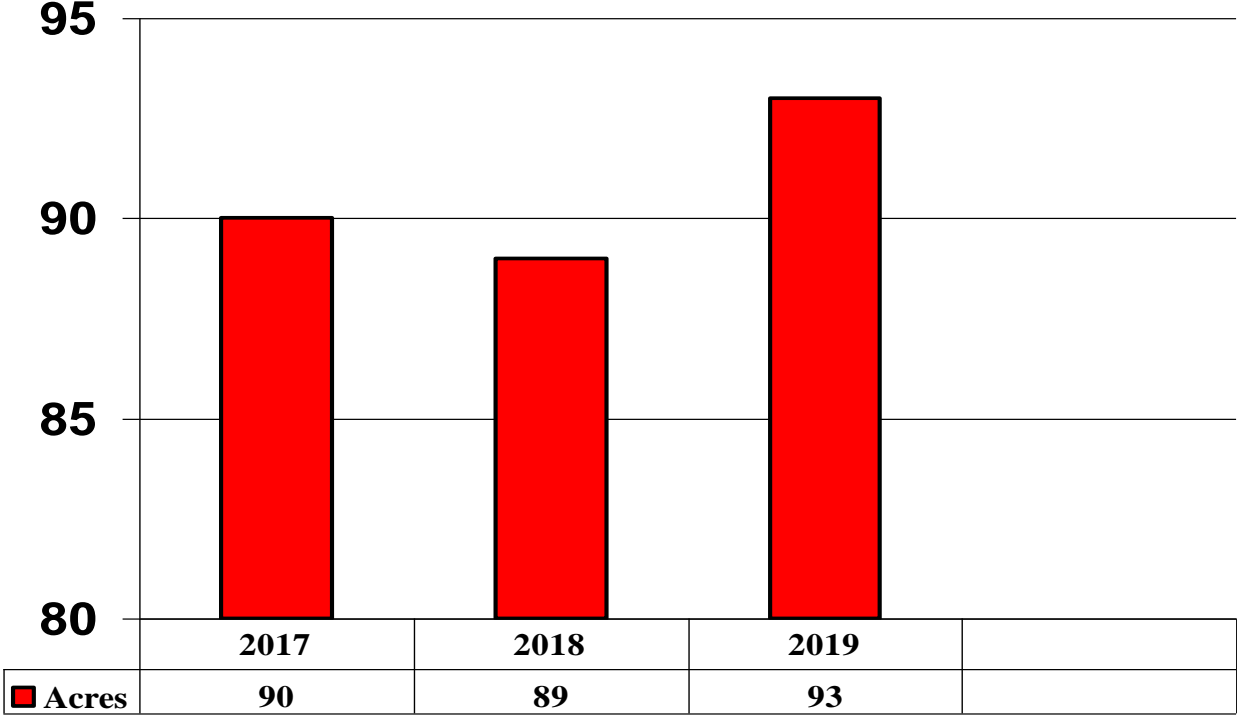
Dr. Paul Aho - Poultry Perspective

paulaho@paulaho.com
Storrs, Connecticut USA

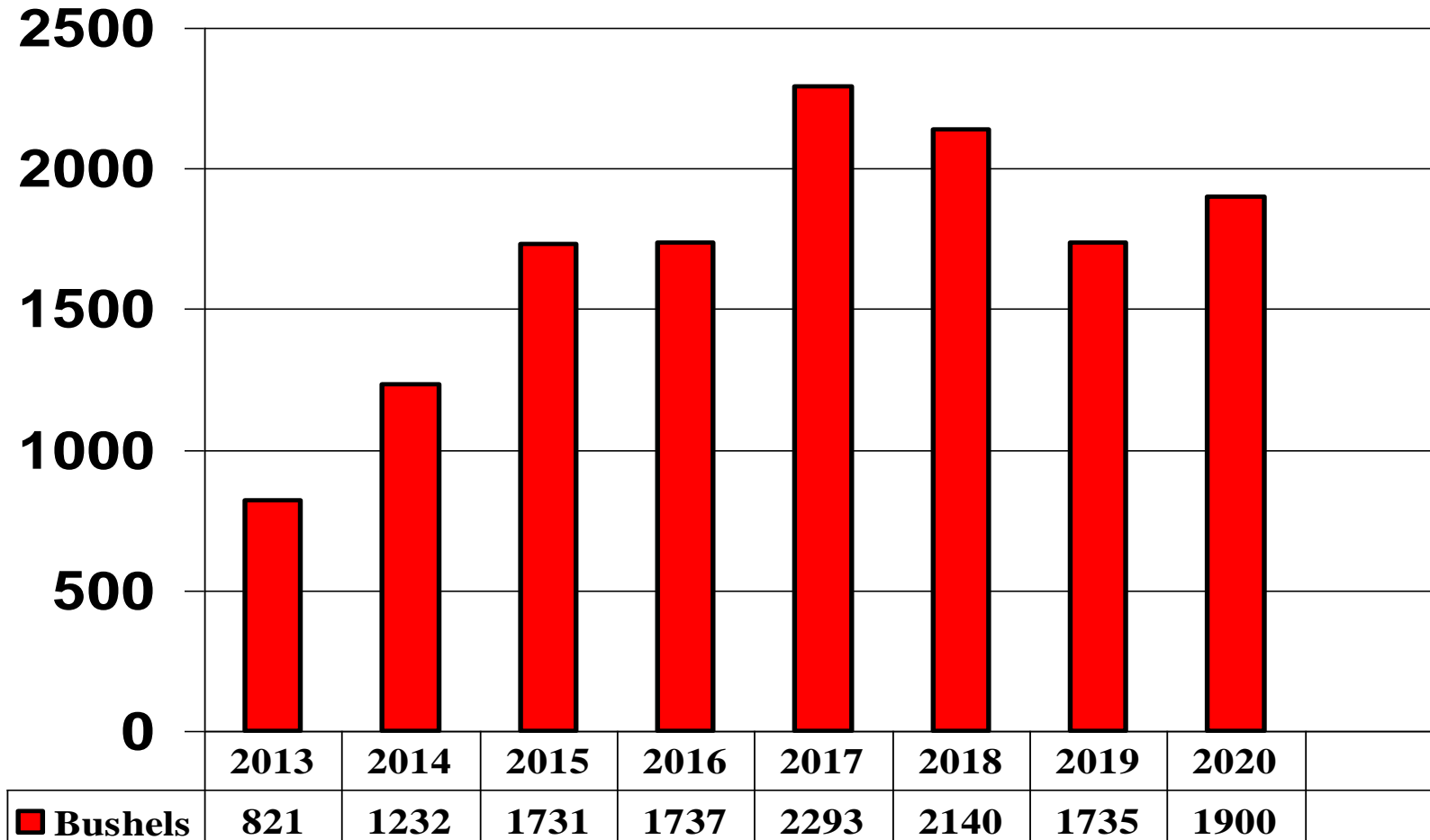


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US Corn Acres Planted - Millions



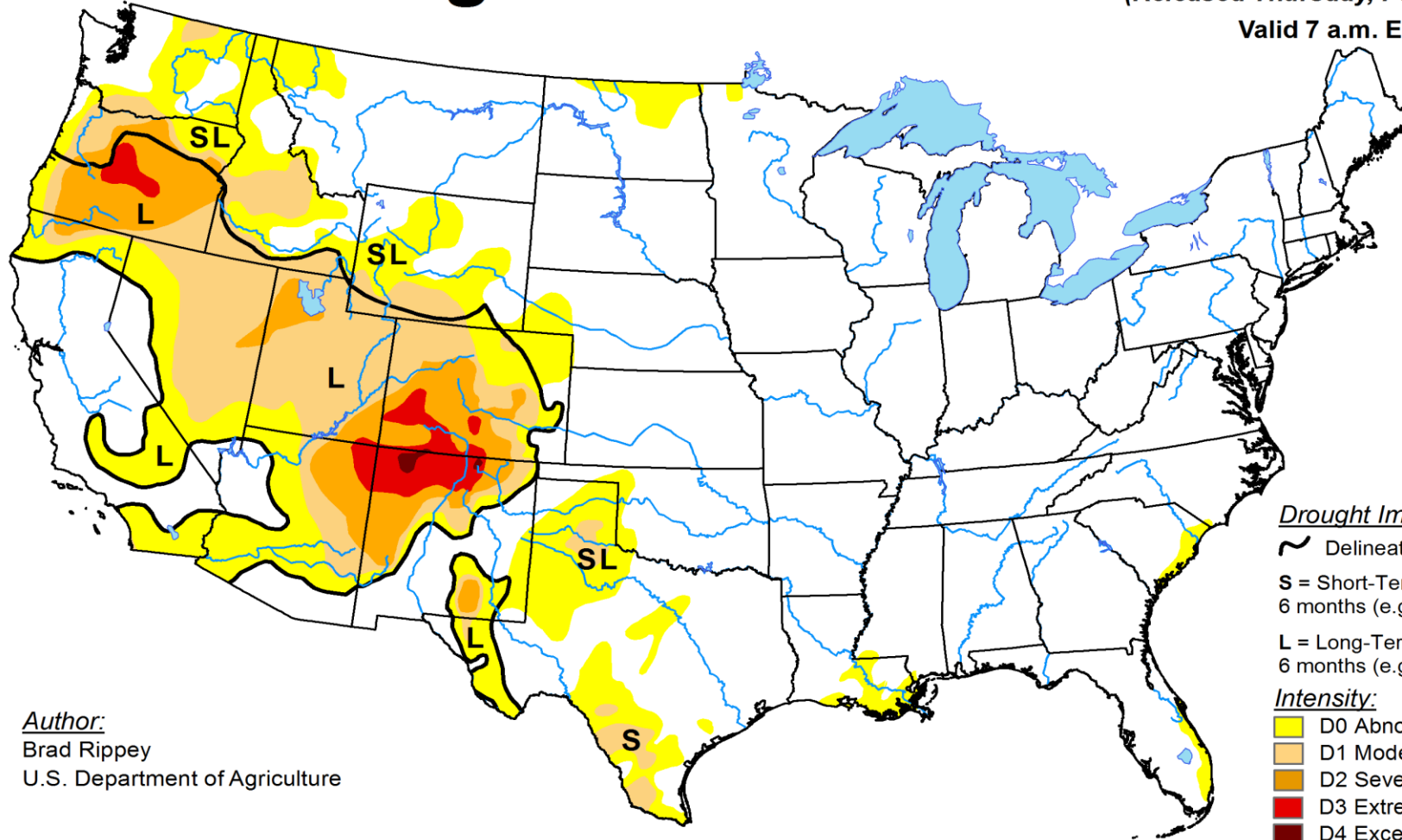
US Ending Stock of Corn Millions of Bushels



U.S. Drought Monitor

February 19, 2019
(Released Thursday, Feb. 21, 2019)

Valid 7 a.m. EST



Drought Impact Types:

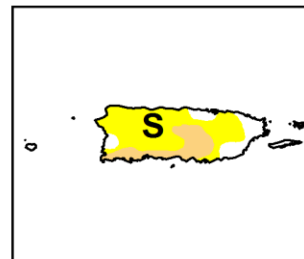
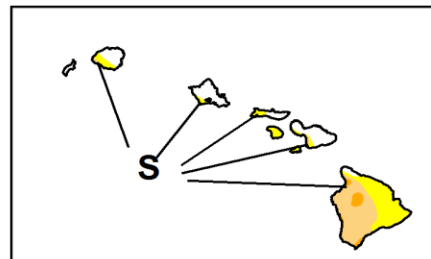
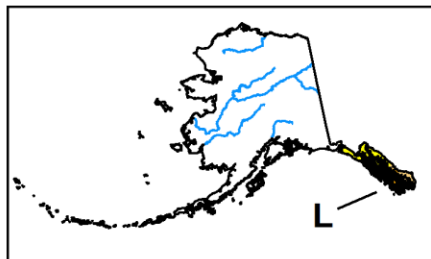
- ~ Delineates dominant impacts
- S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
- L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

Intensity:

- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

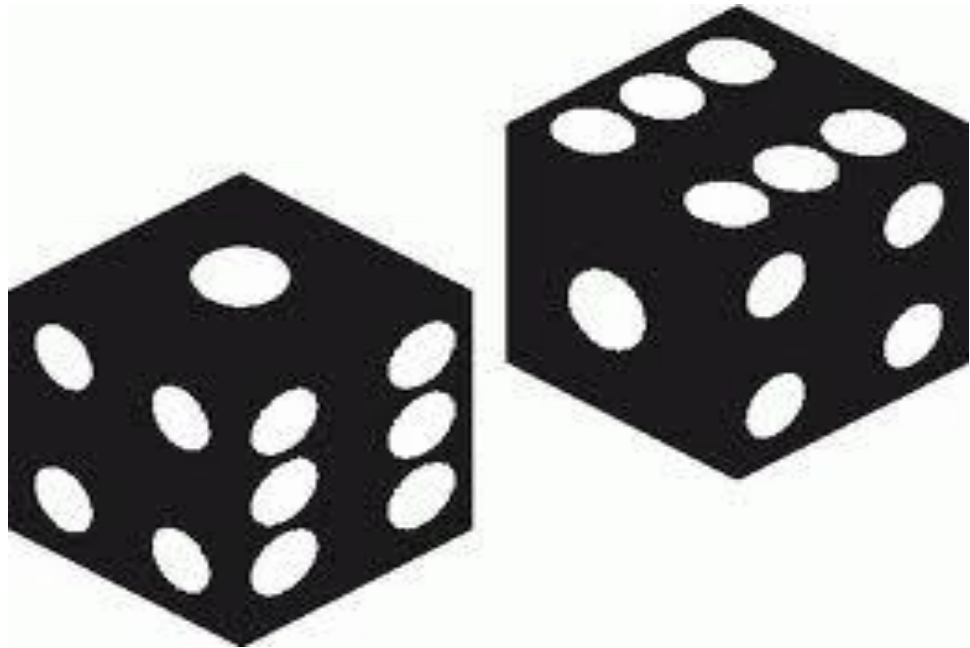
Author:
Brad Rippey
U.S. Department of Agriculture

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

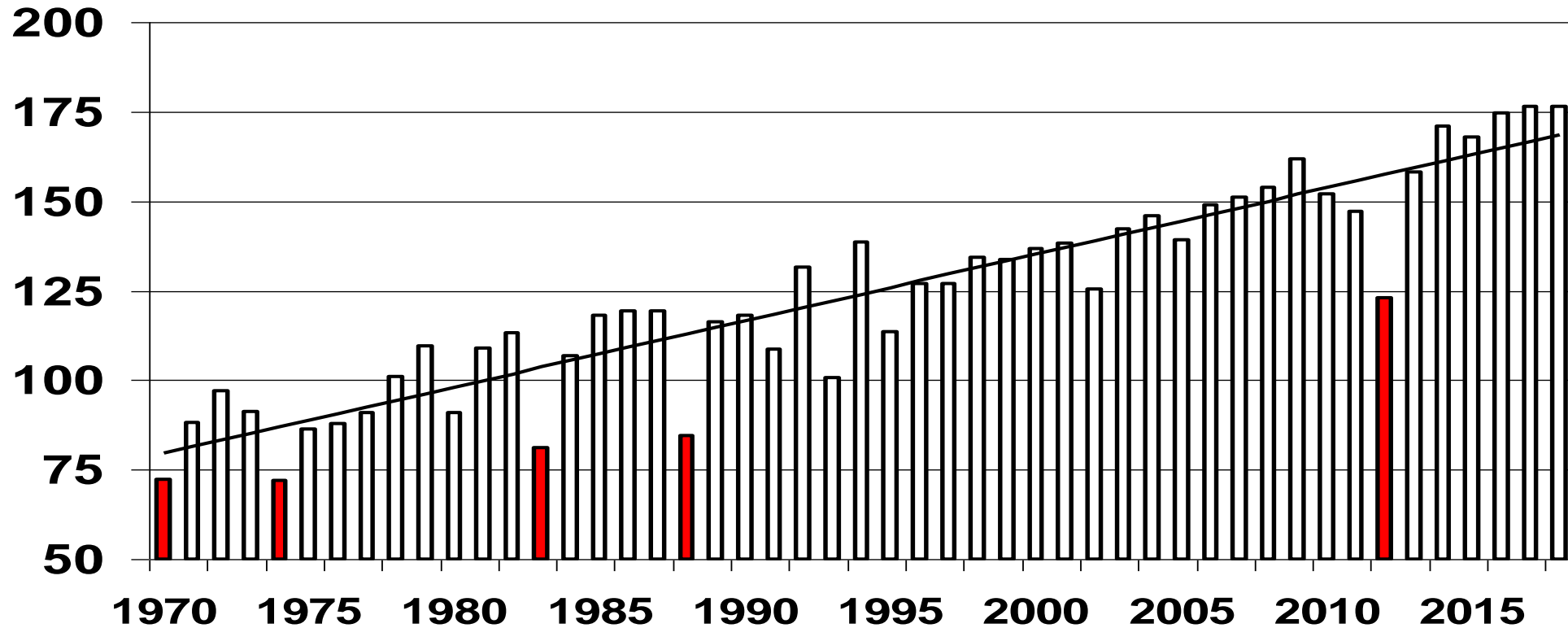


<http://droughtmonitor.unl.edu/>

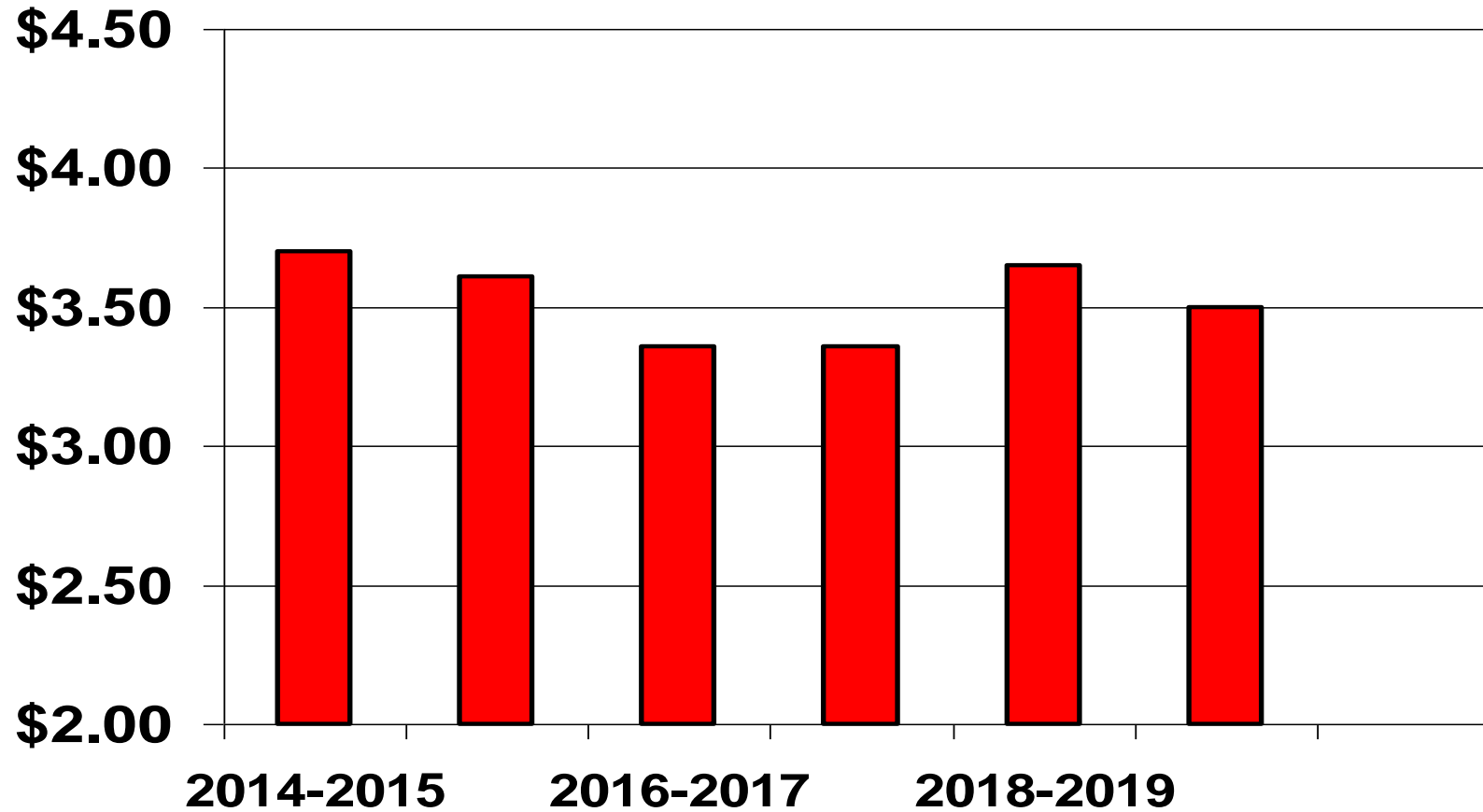
**Chance of a Drought is 17% for any Given Year
The Same as Getting a “7” with dice**



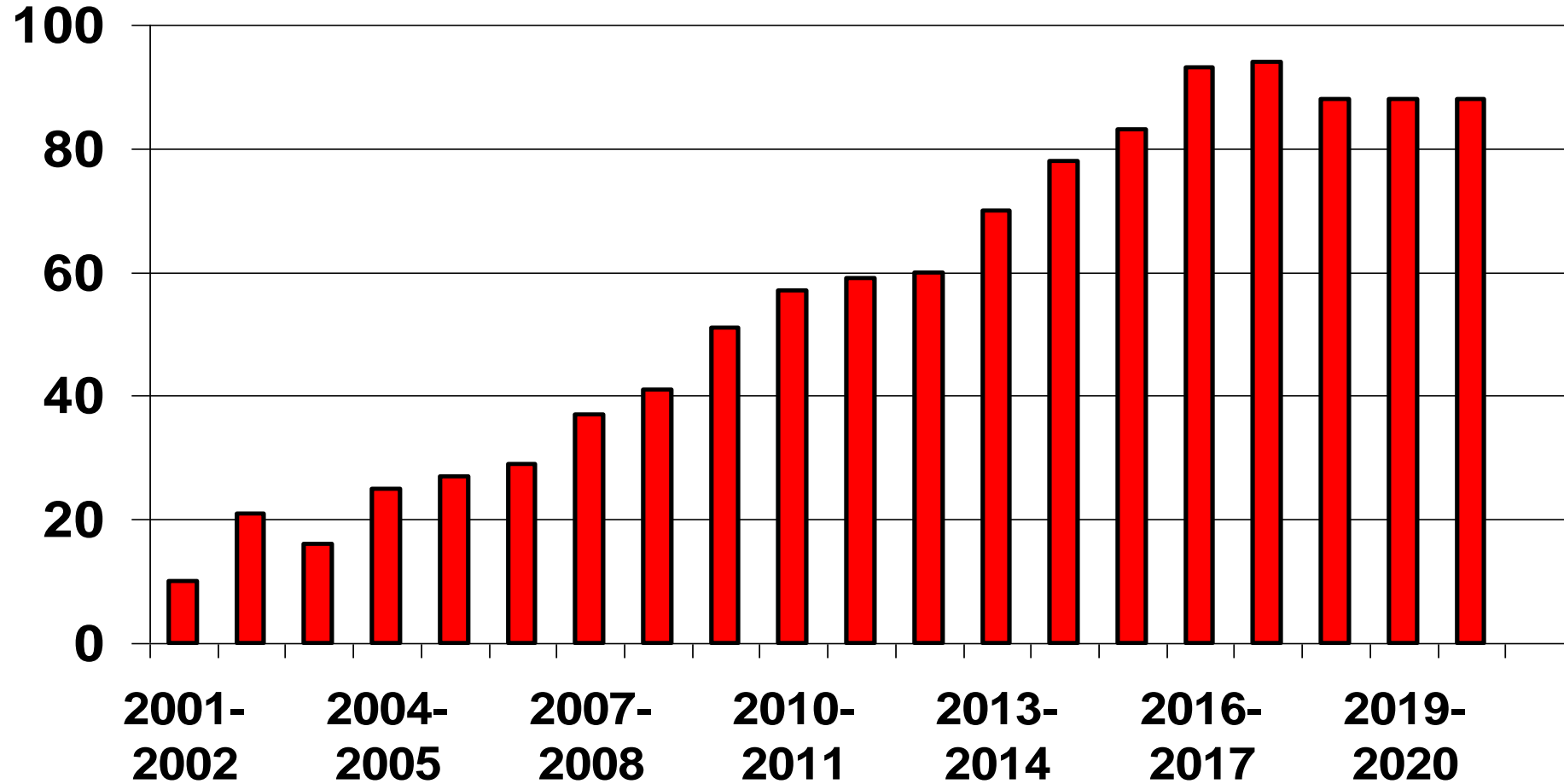
Corn Yield 1970-2018
Bushels Per Acre - US - Drought Years in Red



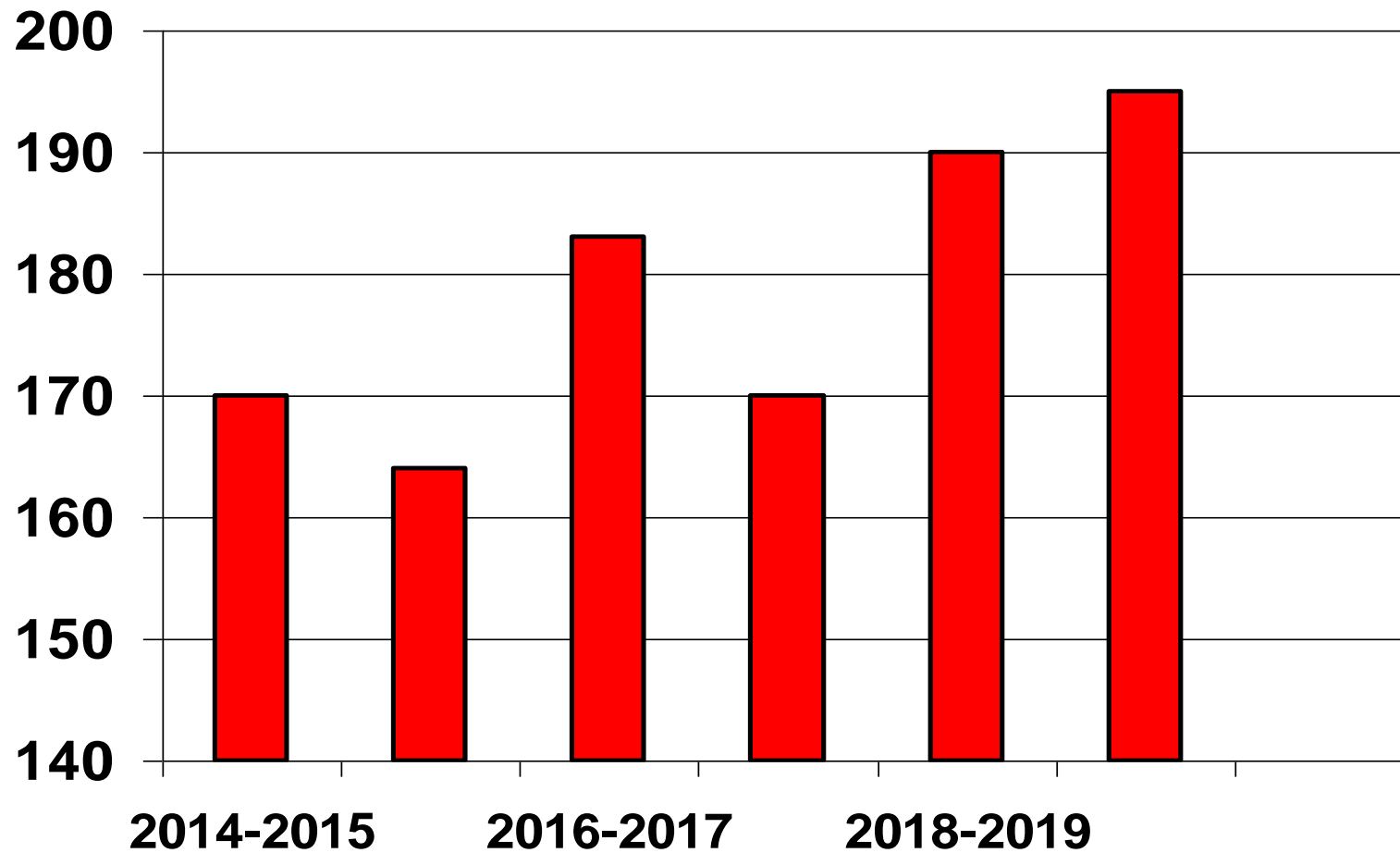
Average Farm Price of Corn \$/Bushel to 2019-2020 proj.



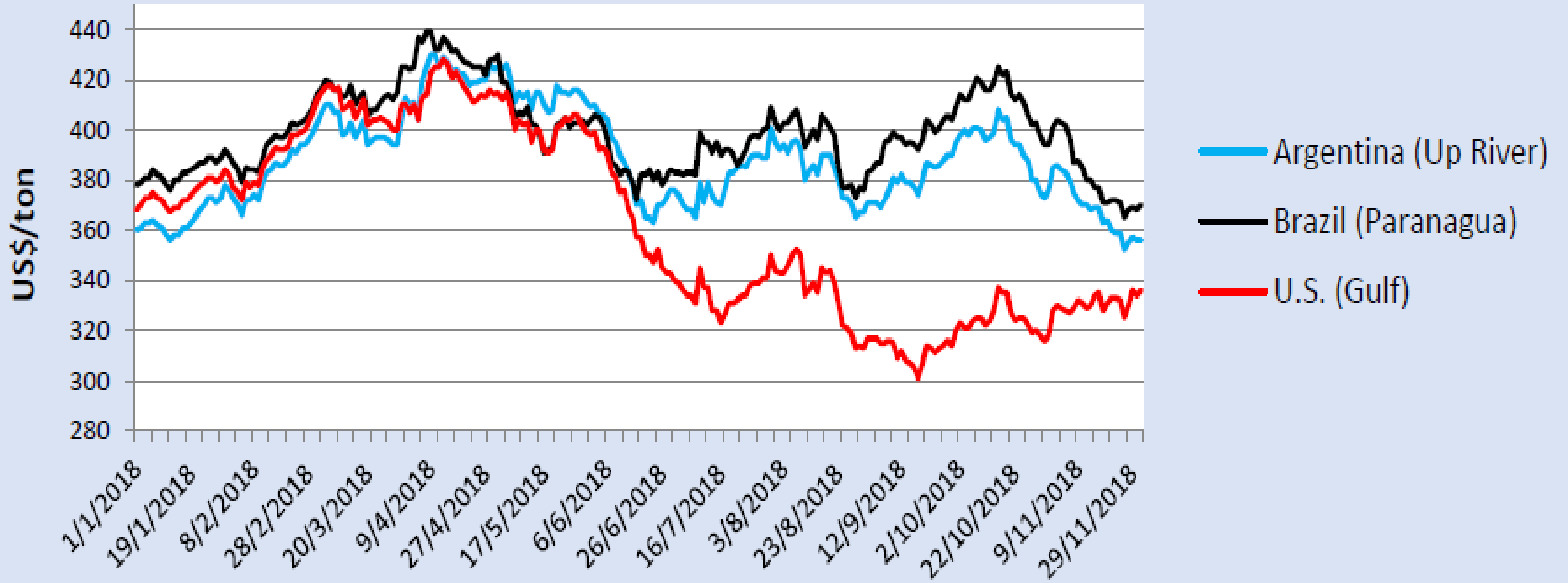
China – Soybean Imports – Millions of Metric Tons



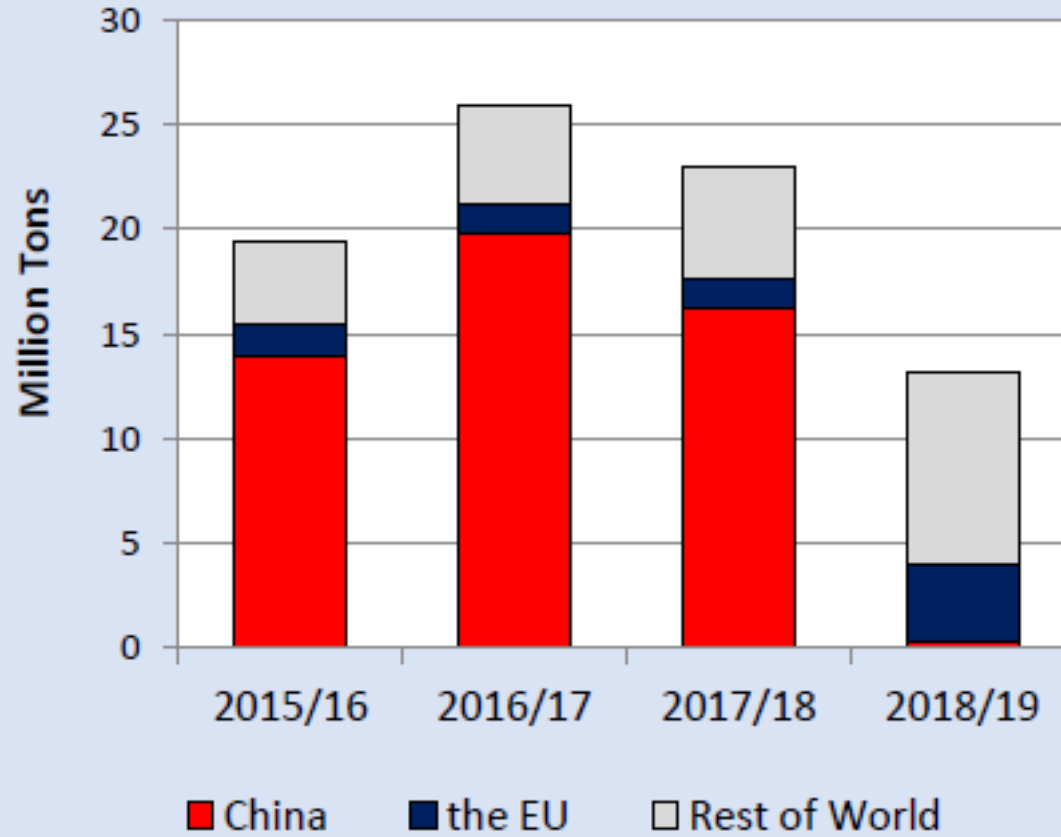
South American Soybean Production to 2019-2020 proj.



SOYBEAN EXPORT PRICES

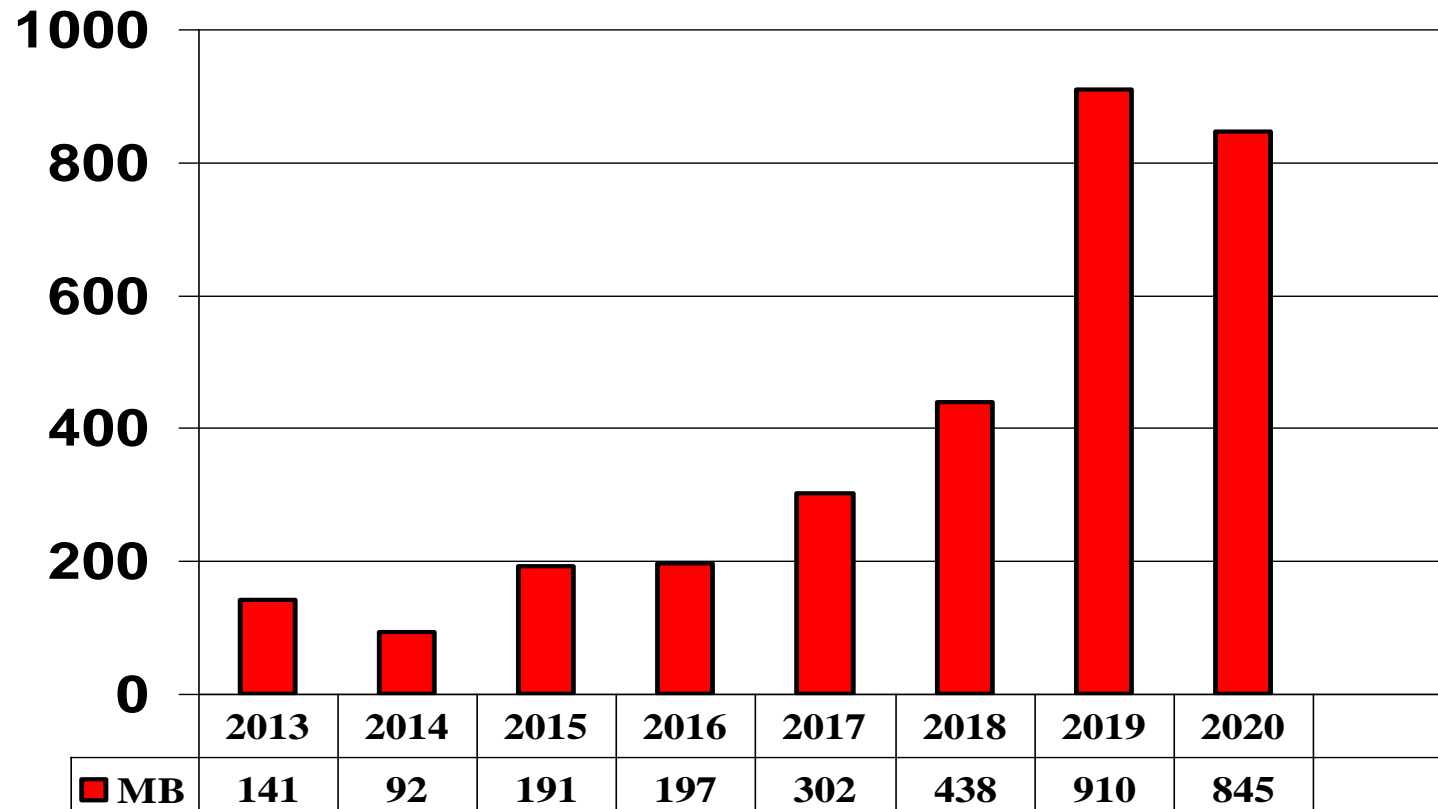


**U.S. Accumulated Soybean Exports,
As of November 29**

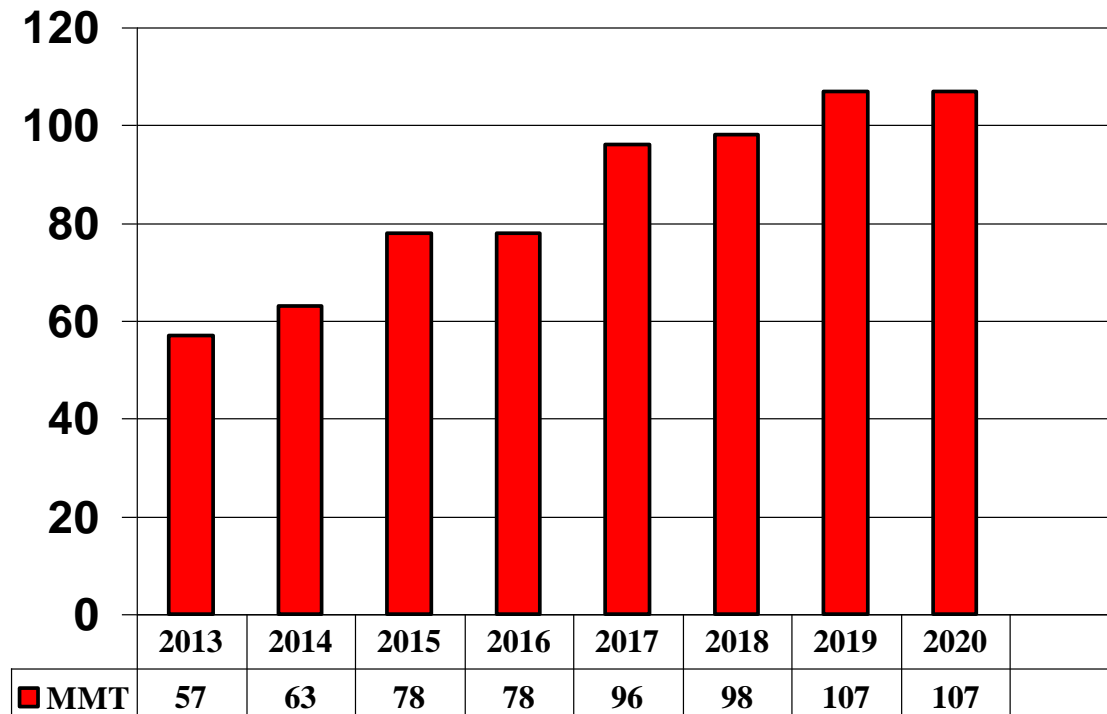


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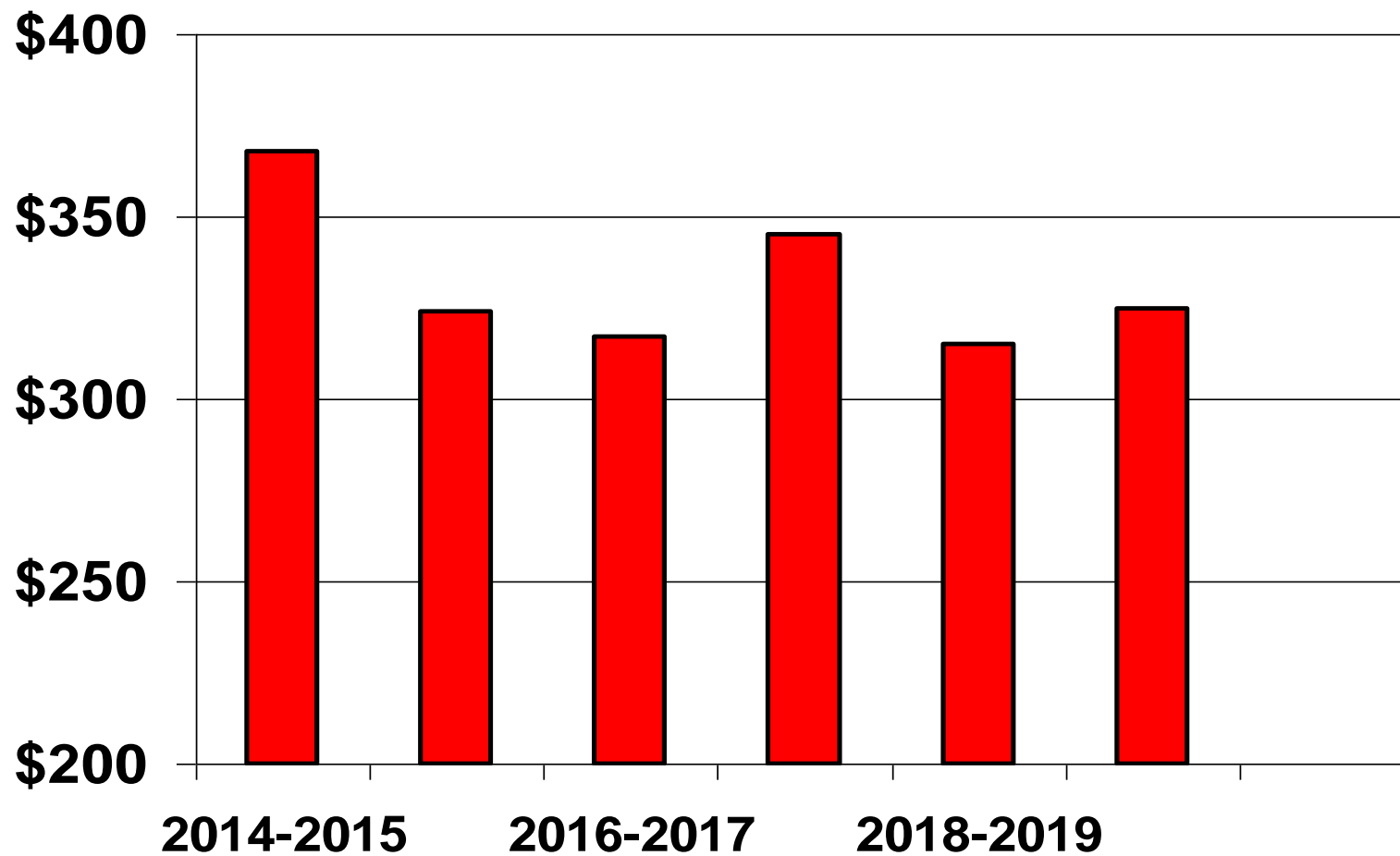
US Ending Stock of Soybeans in Millions of Bushels



World Ending Stock of Soybeans in Millions of Metric Tons



Average Crop year Price of SBM to 2019-2020 proj.



Grain Conclusion

- Corn and soybeans – headed sideways
- Trade deals could increase demand
- World Economy could lower demand
- Eventually Grain Prices will rise

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Poultry Outlook

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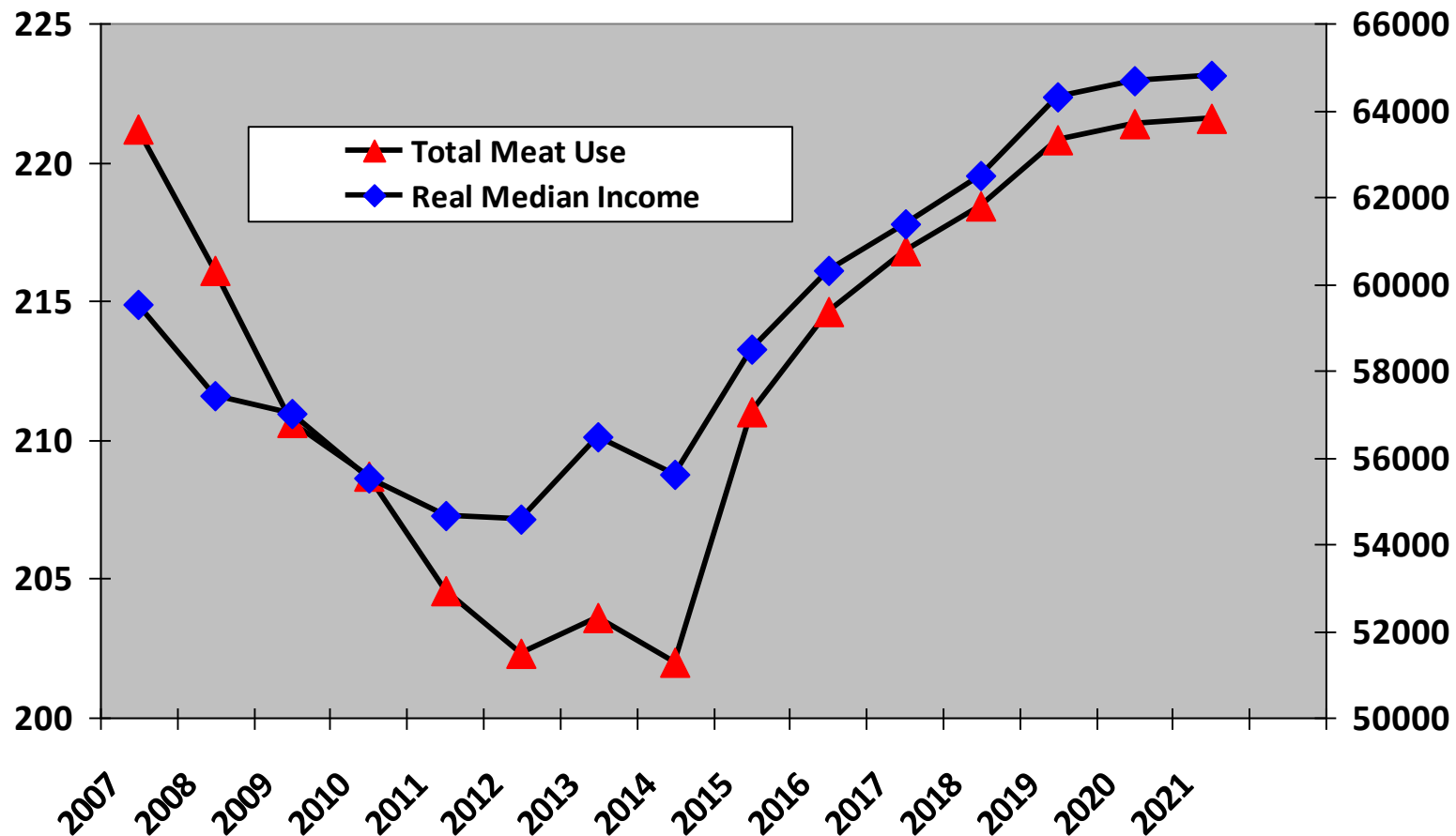


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Challenges Facing the US Chicken Industry

- Top of the Economic Cycle
- Difficult Supply / Demand Balance
- Rising Labor Costs

US Per Capita Meat Use in Pounds & Household Real Median Income



Median income US Census to 2017 -Meat Use WASDE to 2019

Large Increase in Meat Total Use 2017- 2019

- Pork 1 billion lbs. Beef 1 billion lbs.
- Poultry 1.2 billion lbs.

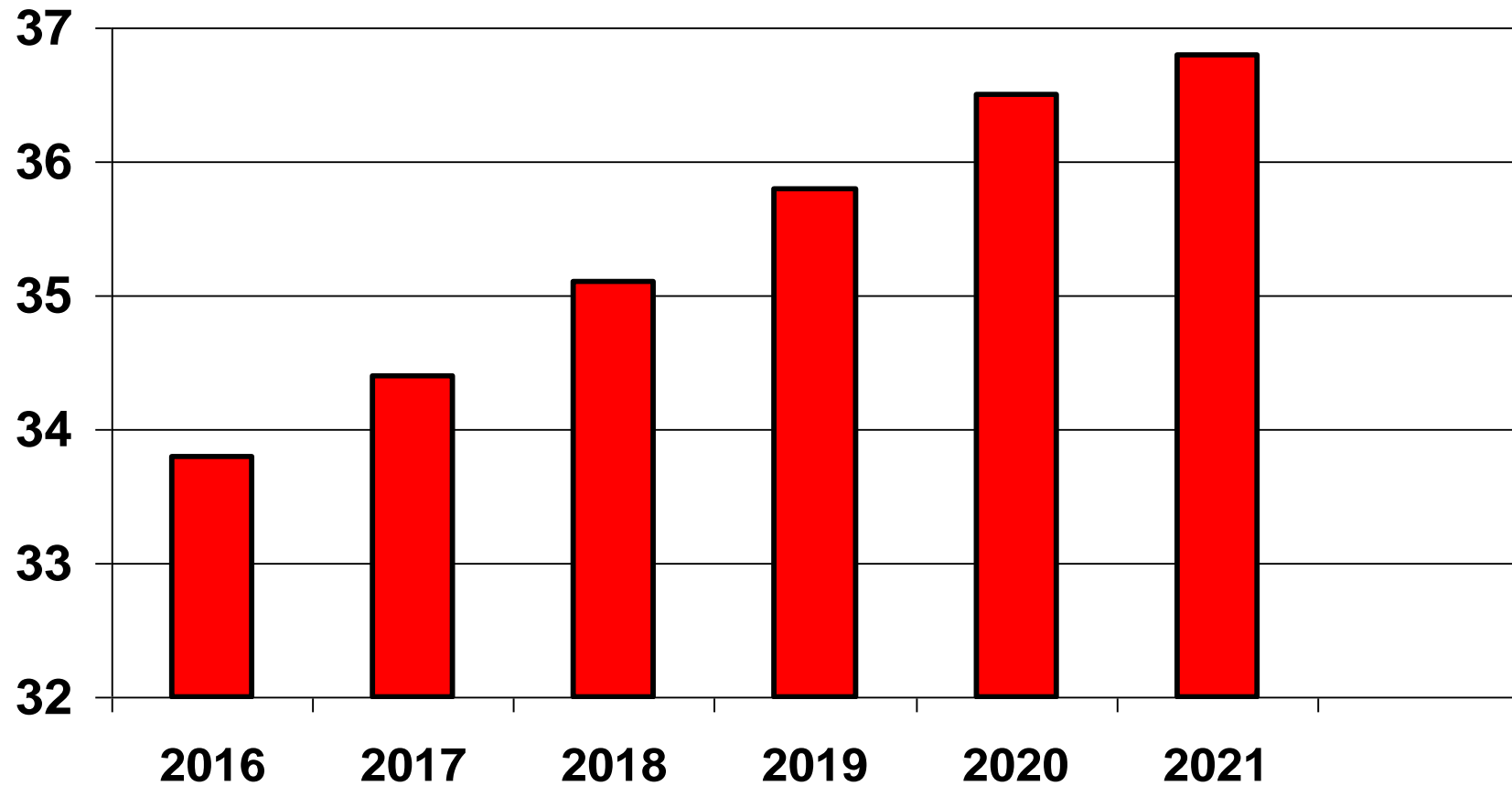


Smaller Increase in Meat Total Use 2019- 2021

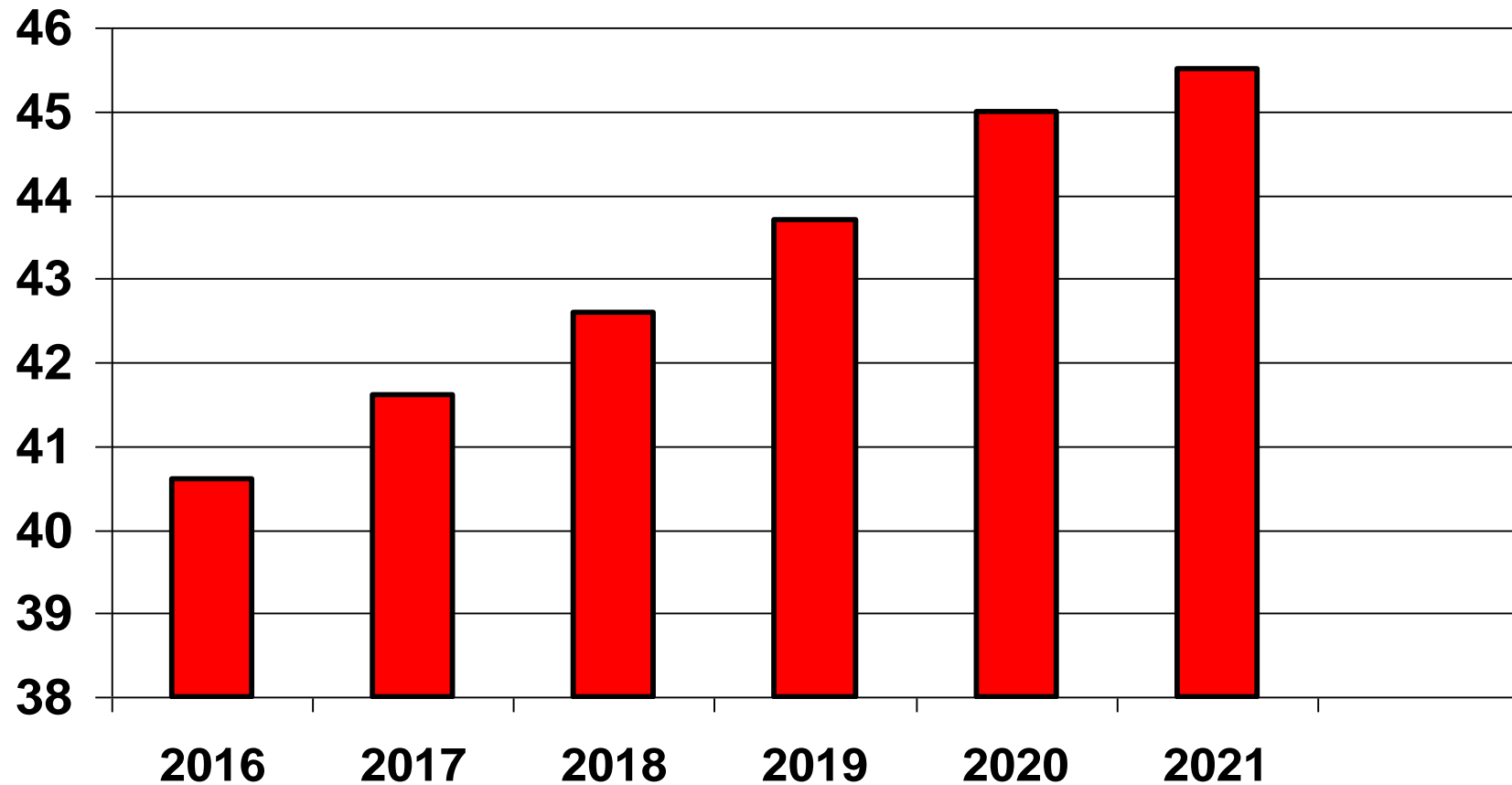
- Pork & Beef Combined - 1 billion lbs.
- Poultry 1 billion lbs.



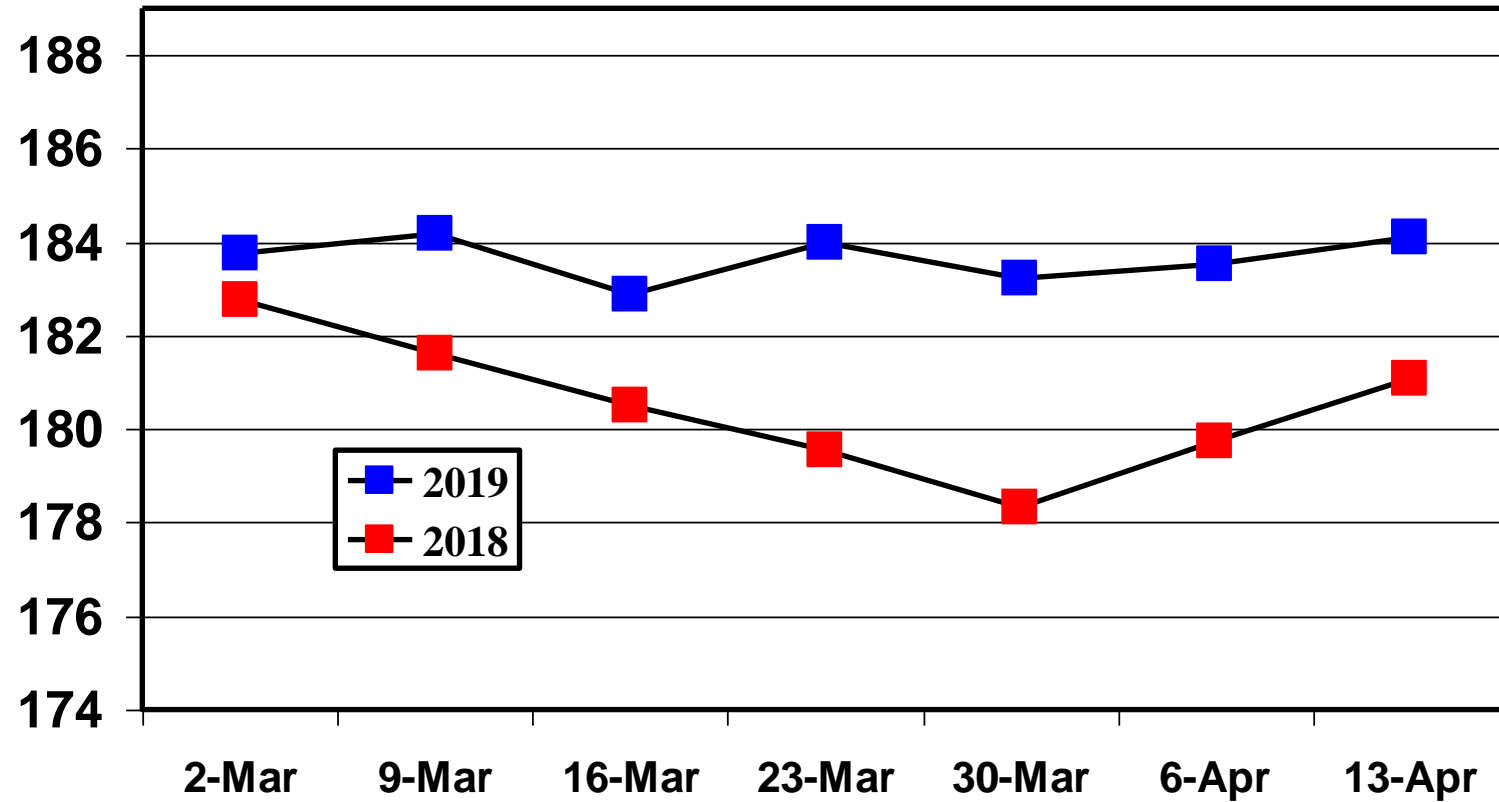
Chicken Total Use – Billions of lbs.



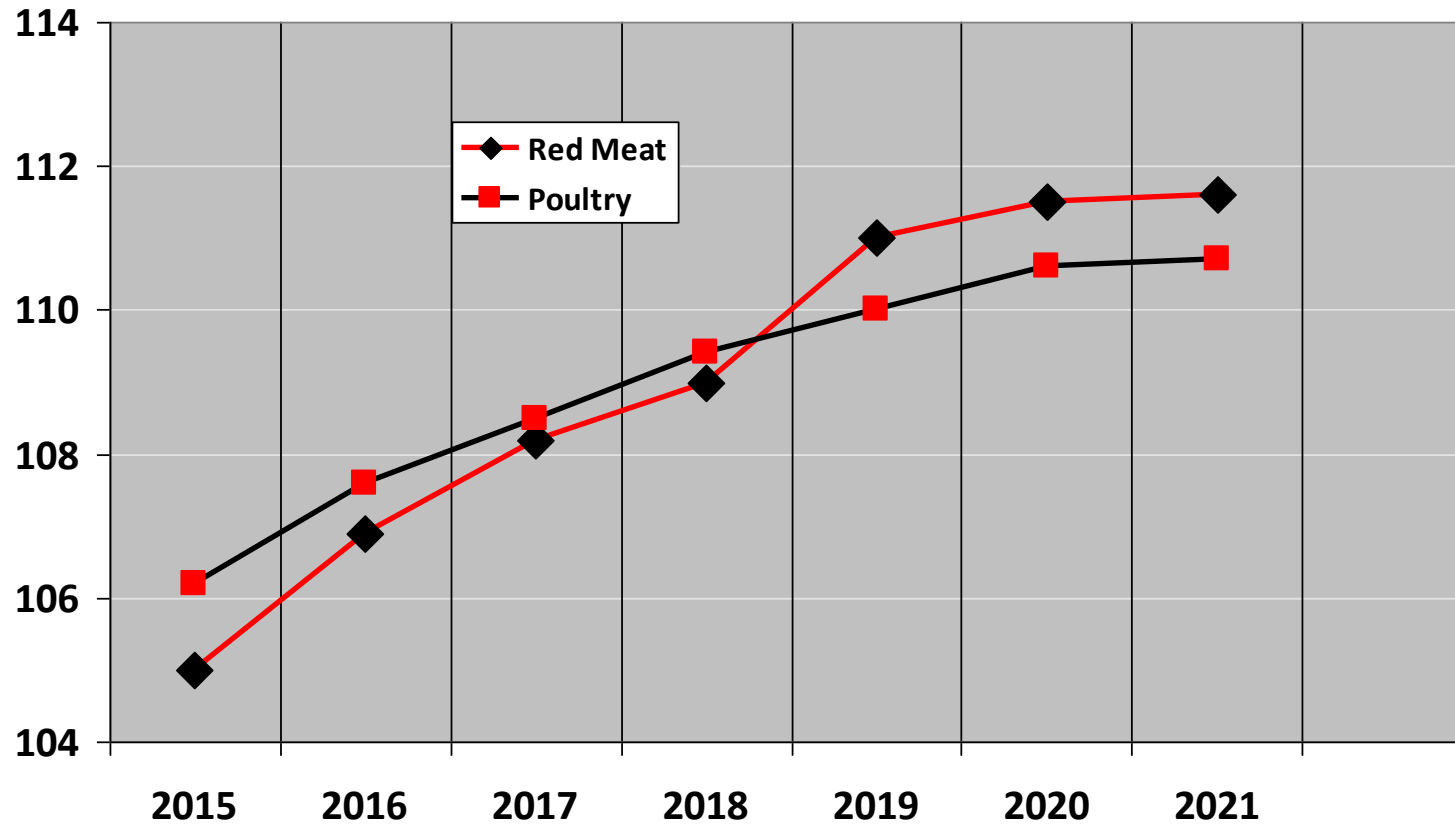
US Chicken Production Billions of lbs. 2% Increase per Year



Weekly Chick Placement - Millions 7 Weeks Forward – 2019 versus 2018



US Per Capita Consumption of Red Meat and Poultry lbs.



USDA to 2018

Labor Cost

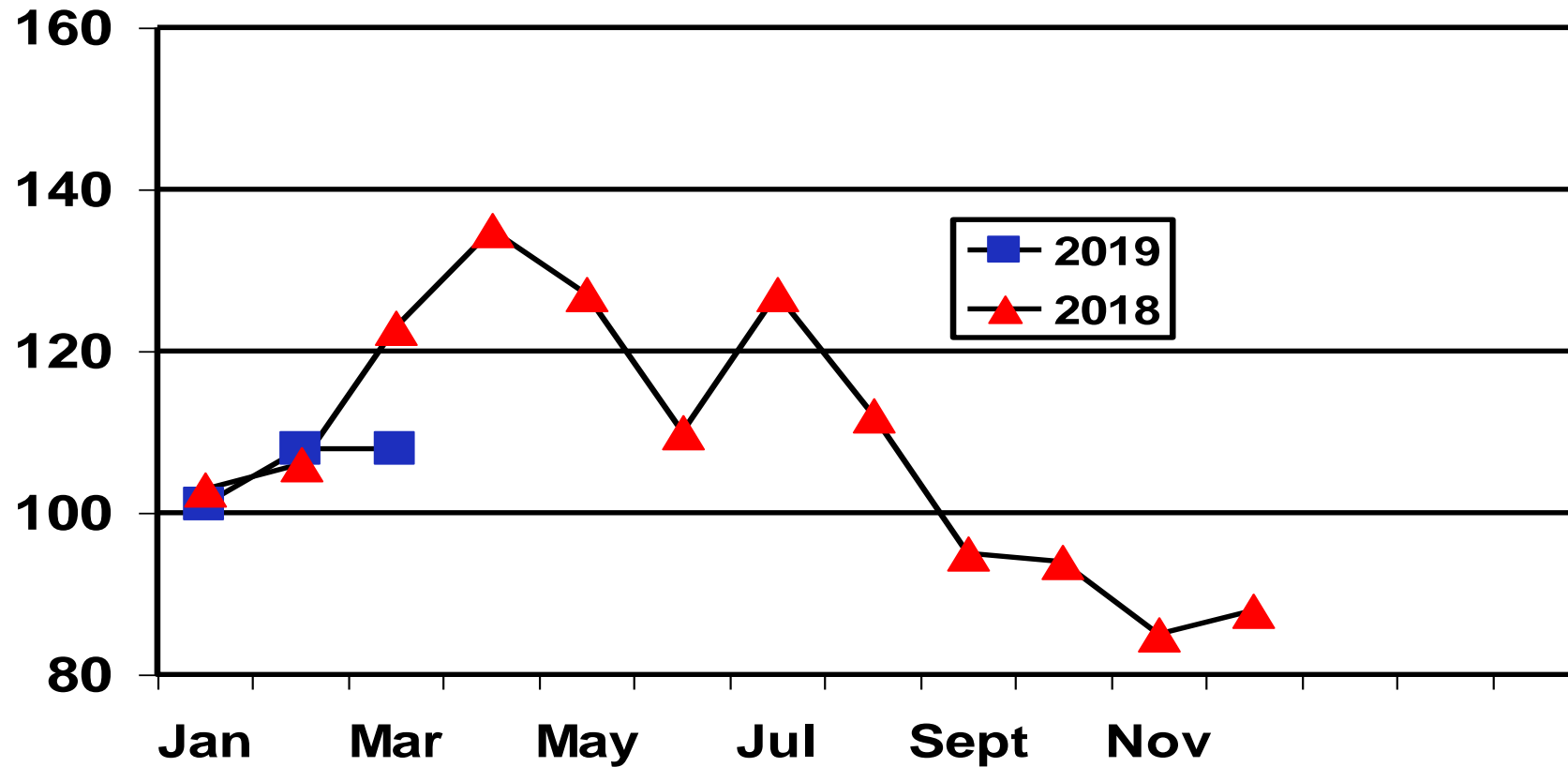
- 20 Years Ago - \$7.50 per hour
- Now \$15 per hour
- Soon could be \$20 per hour
- Accelerating automation

Deboned Breast Price

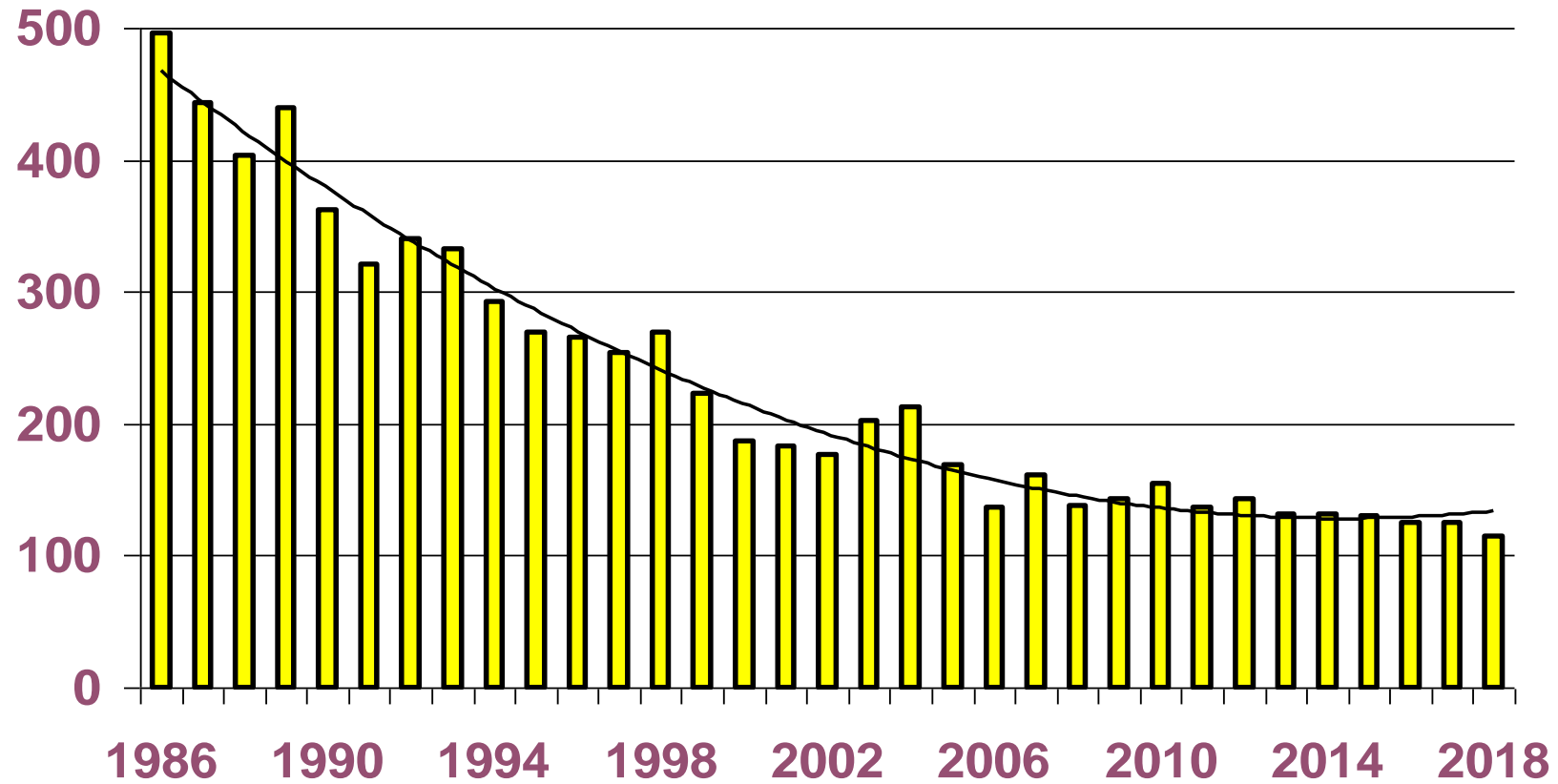
- Peak price lower than last year
- Higher than the end of last year
- Break even is low with low grain prices
- Barely profitable year at best

Deboned Breast - 2018-2019

USDA - Northeast Price - Cents/lb



Deboned Breast - Cents/lb ***Inflation Adjusted – USDA Northeast***



33% of Large Chicken Leg Quarters Consumed in the US

The Rest is up to the
Export Market



How Important is Mexico?

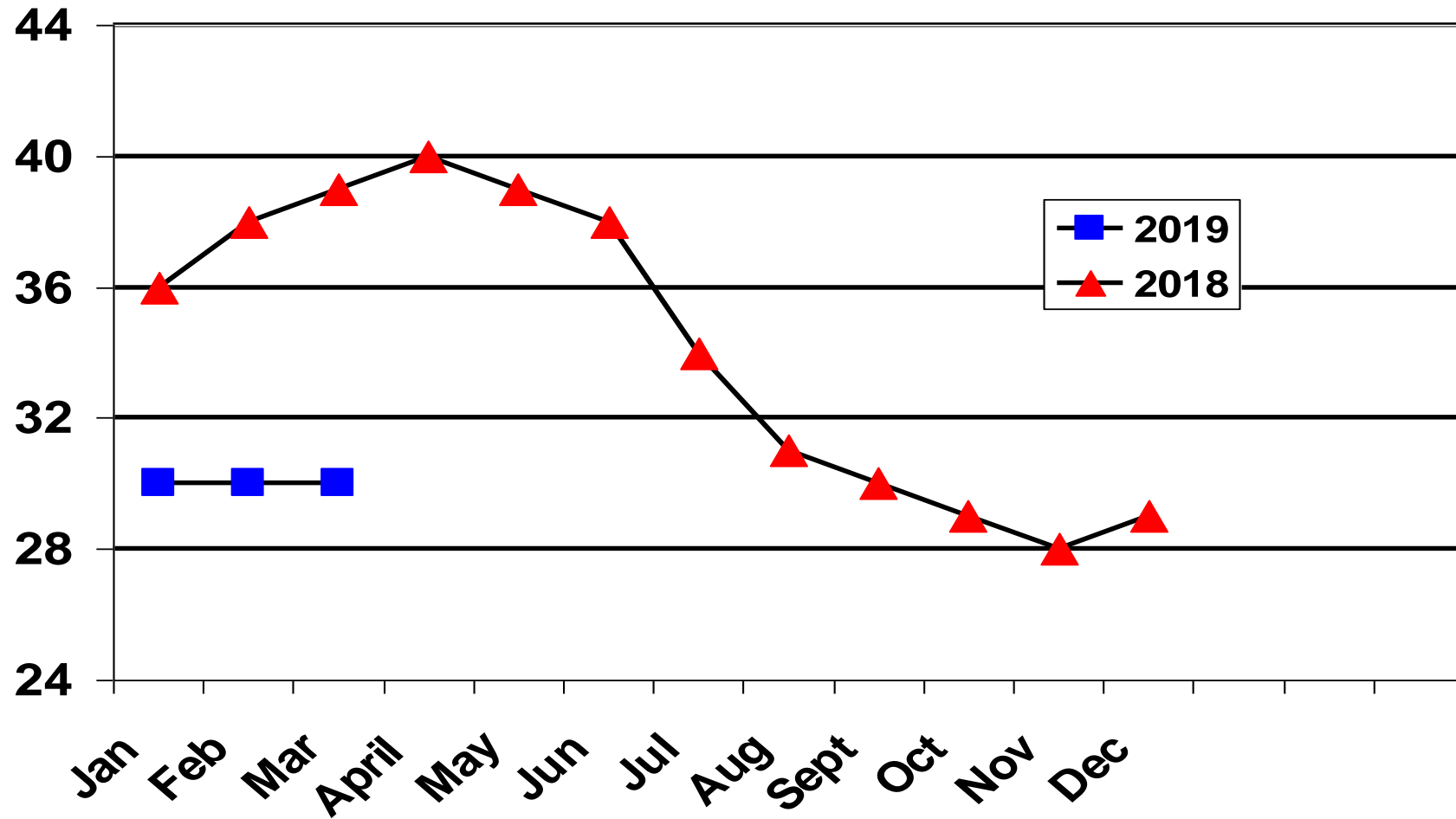
- Mexico is the #1 Buyer of US CLQ
1,300,000,000 Pounds / year
- 23% of all CLQ exports
- Next largest CLQ buyer – Cuba- 430,000,000 lbs.
- 61% of all Turkey exports

Trade Issues in 2019

- Mexico – No firm deal yet only a preliminary agreement
- Japan – US lost advantage to Europe
- China – A miracle if that market opens

Leg Quarter Price – 2018-2019

Cents per Pound – USDA Northeast Price



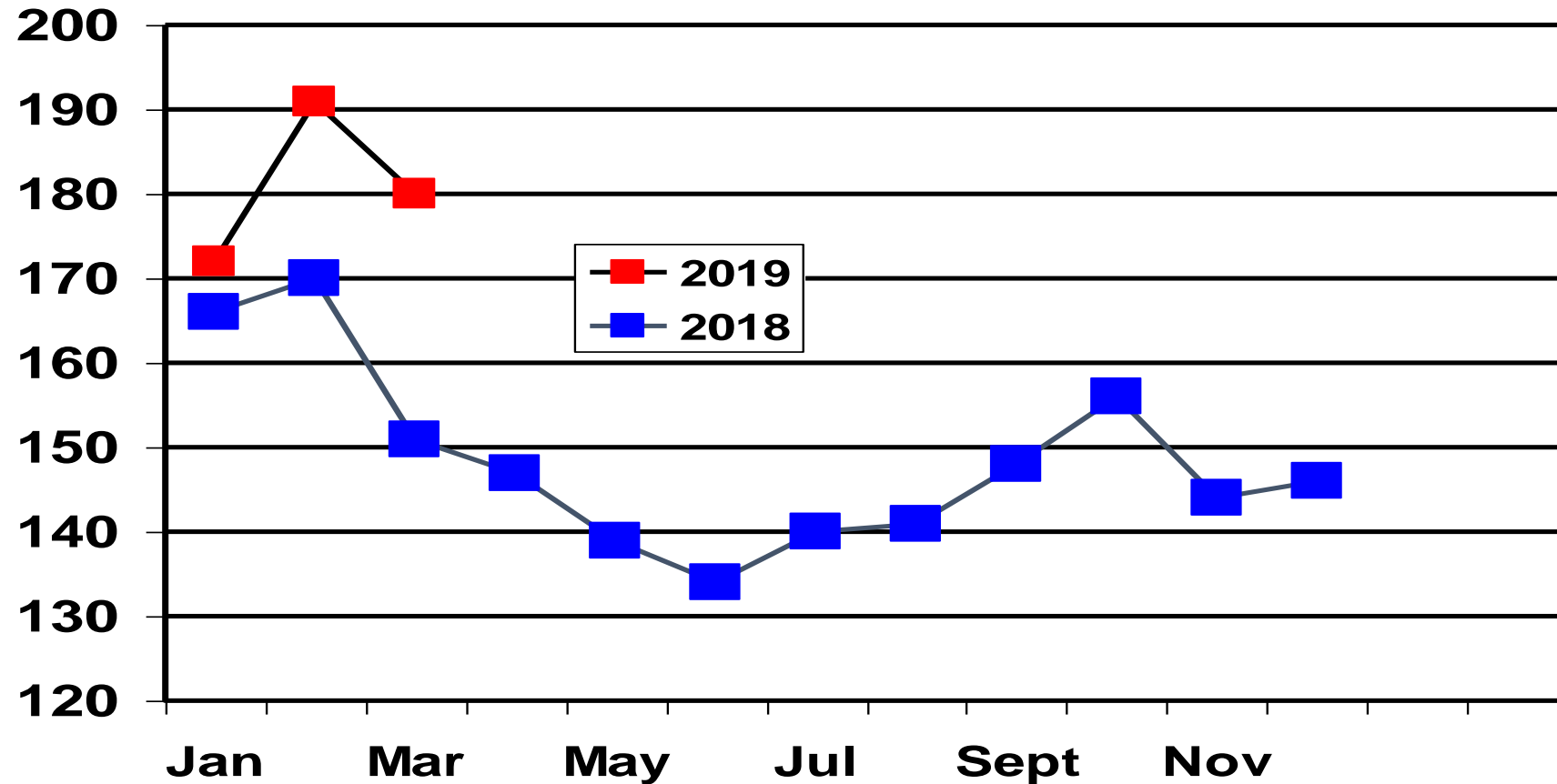
Wing Price

- Robust Demand
- Low unemployment higher wages
- Prices higher than 2018



Whole Wing Prices - 2018-2019

USDA-Northeast Price- Cents/lb



Paws

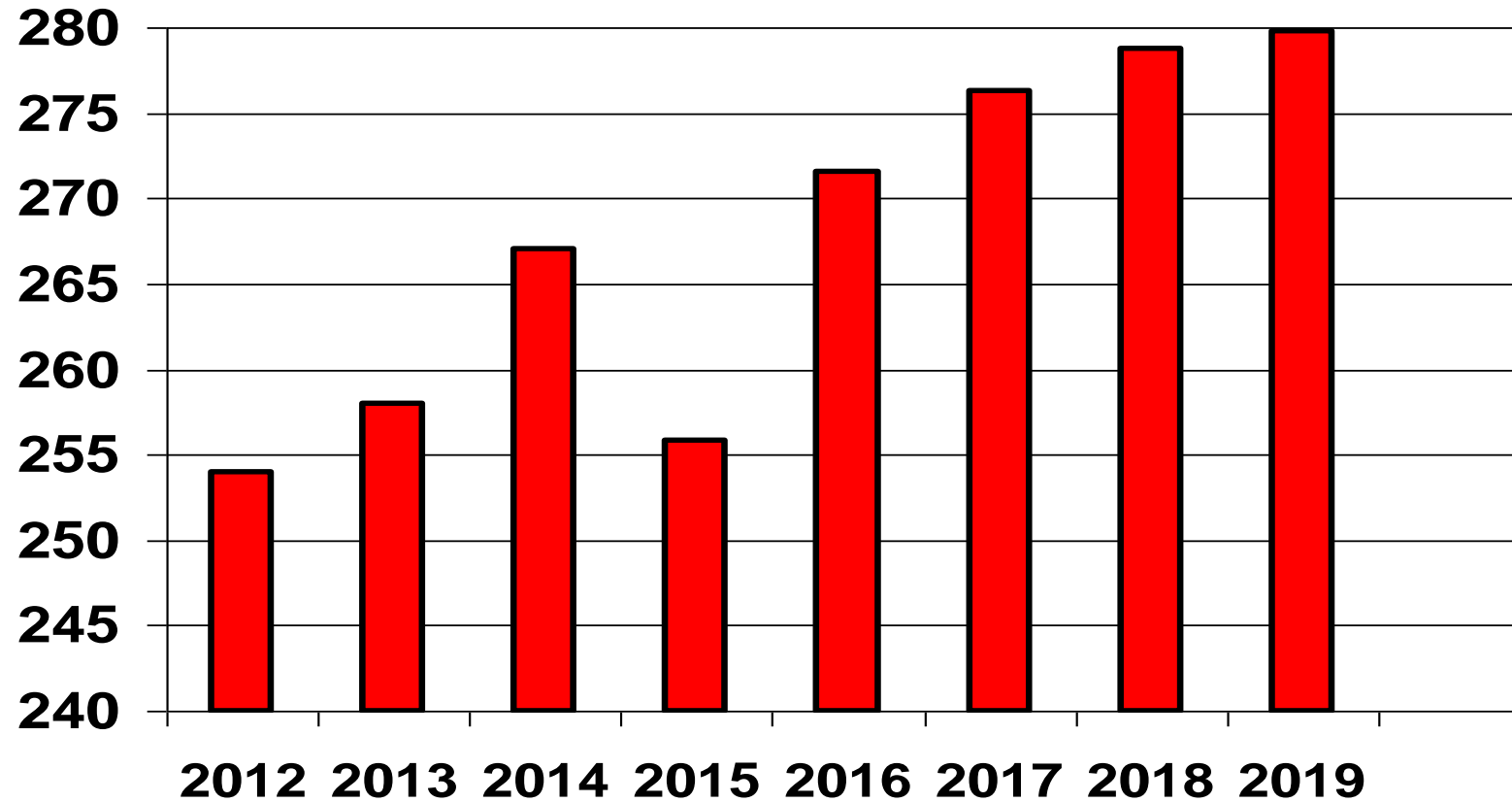
- Worth Hundreds of Millions of dollars if the China market opens
- Practically worthless without China



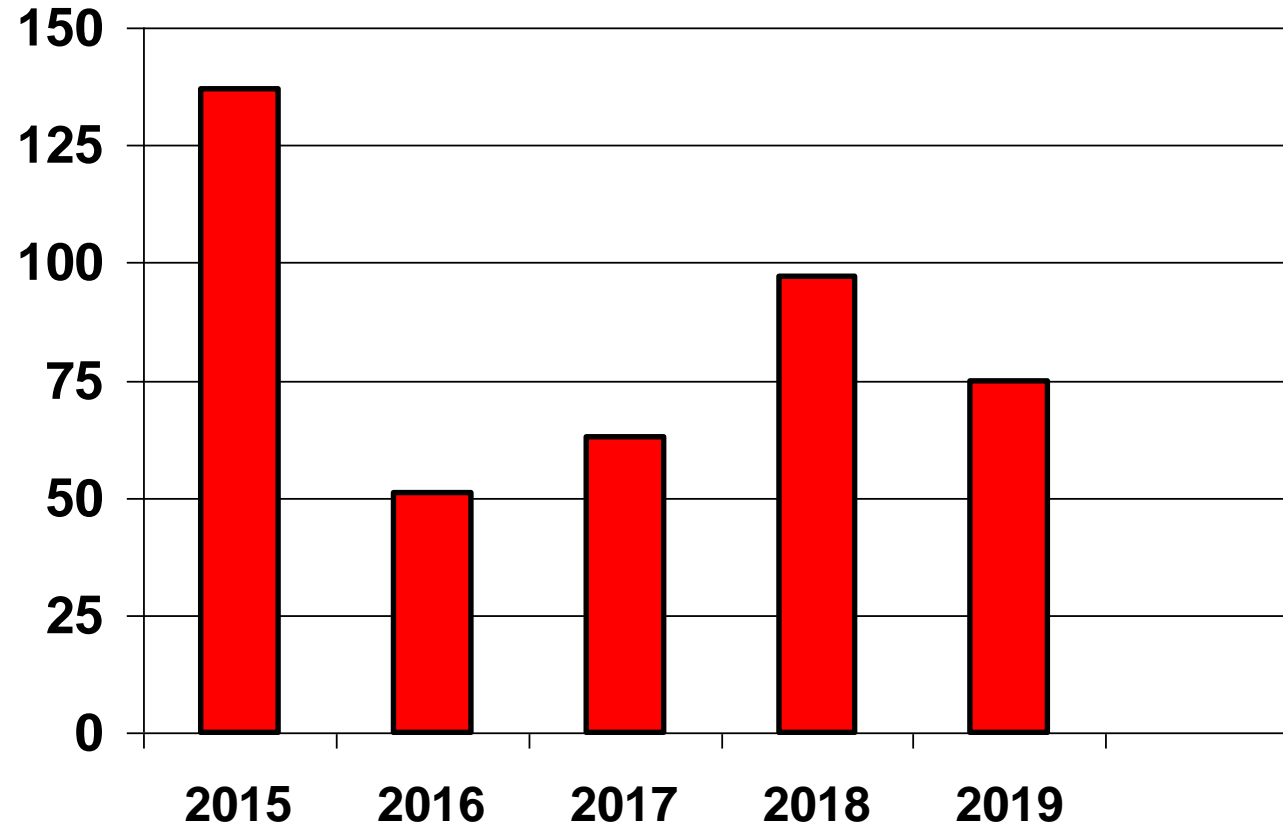
Tray Pack

- An important part of the product mix
- Currently more profitable than big bird deboning

Per Capita Consumption Of Eggs

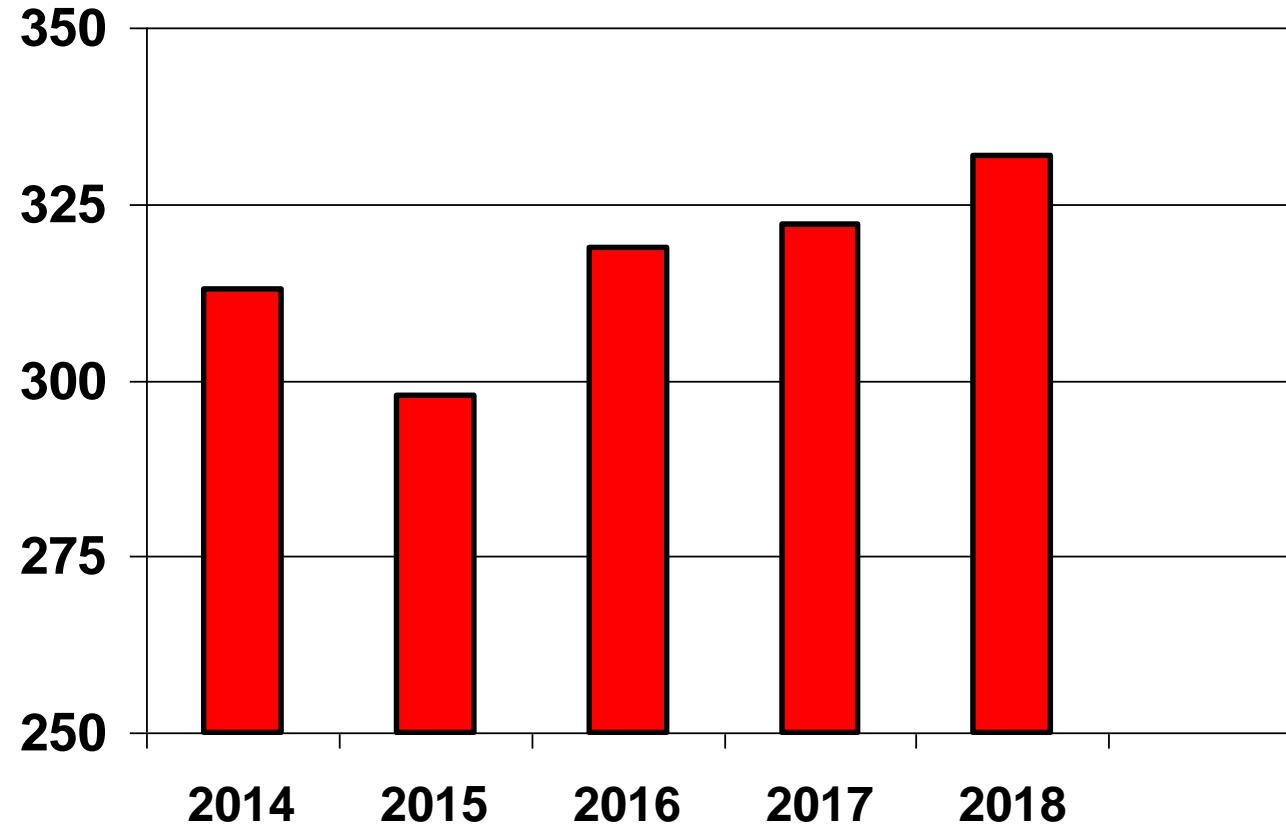


Recovery in Egg Prices



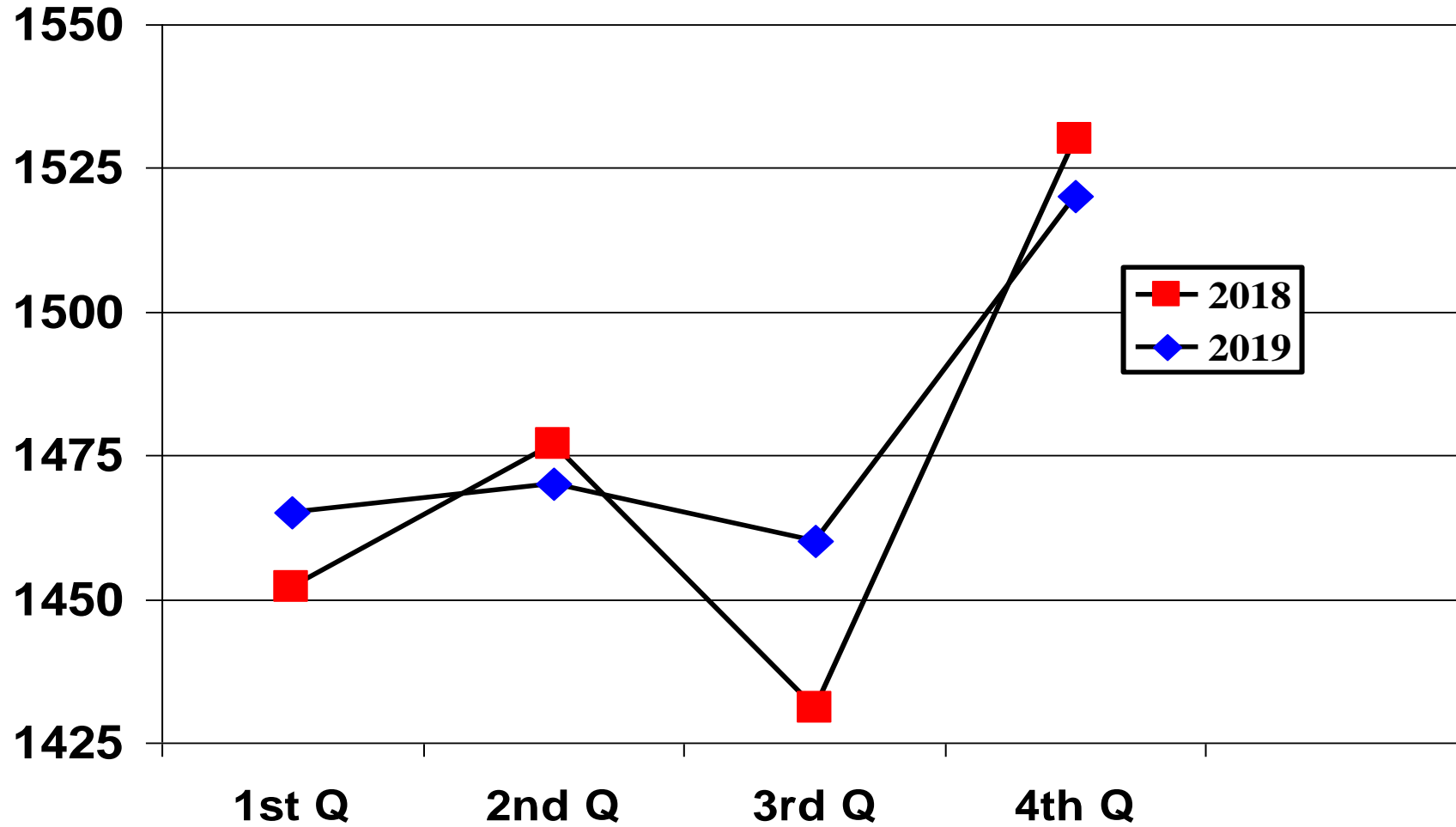
Farm Price Estimate Egg Industry Center

Year End Flock - Millions

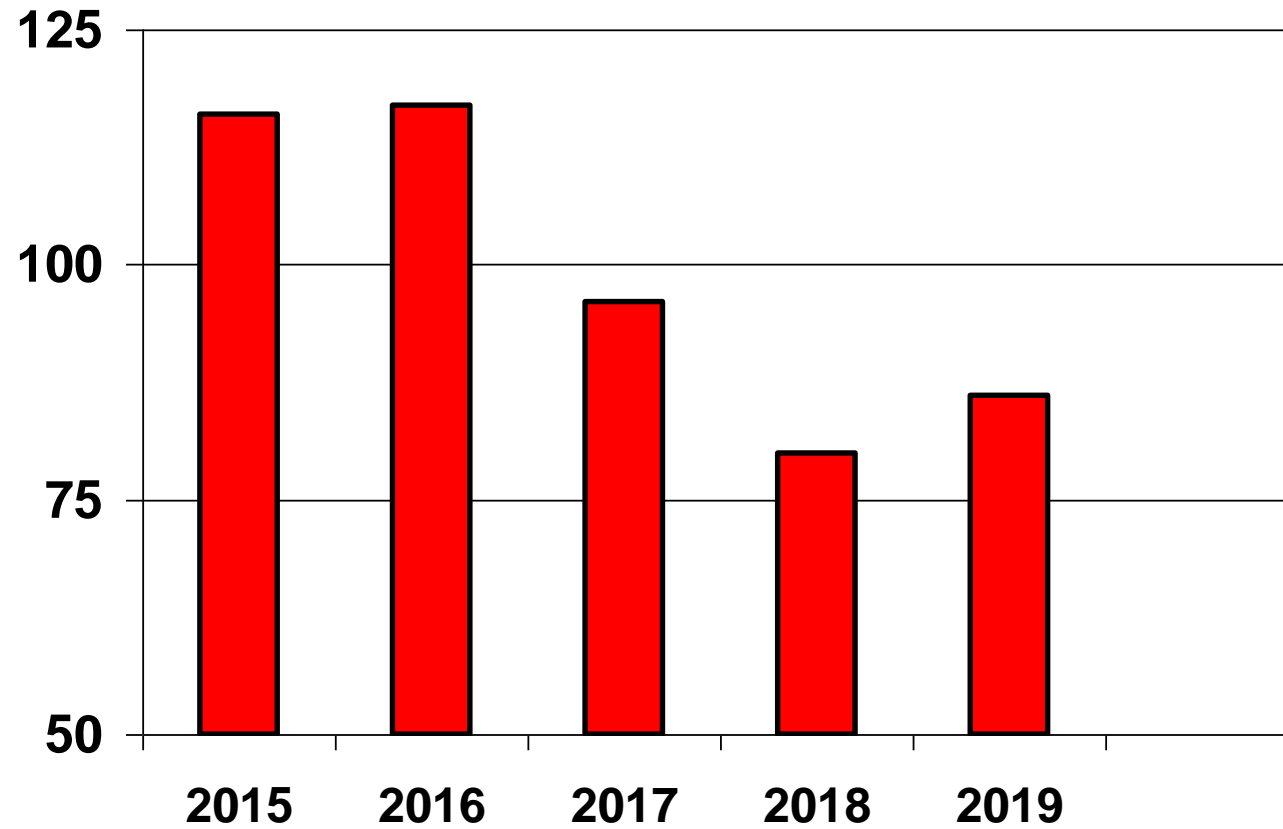


Farm Price Estimate Egg Industry Center

US Quarterly Turkey Production – Million Pounds - USDA



Turkey Prices



8-16 lbs. Hens National USDA



Conclusion

- Not the best of years for the poultry industry
- Chickens barely profitable
- Turkey profitability slowly improving
- Egg Industry profits recovering