

ANNUAL  
**MEAT** 2017  
CONFERENCE

FEBRUARY 19-21, 2017  
HILTON ANATOLE  
DALLAS, TEXAS



FOUNDATION FOR  
MEAT & POULTRY  
RESEARCH EDUCATION

# Grain & Poultry Outlook

Dr. Paul Aho - Poultry Perspective

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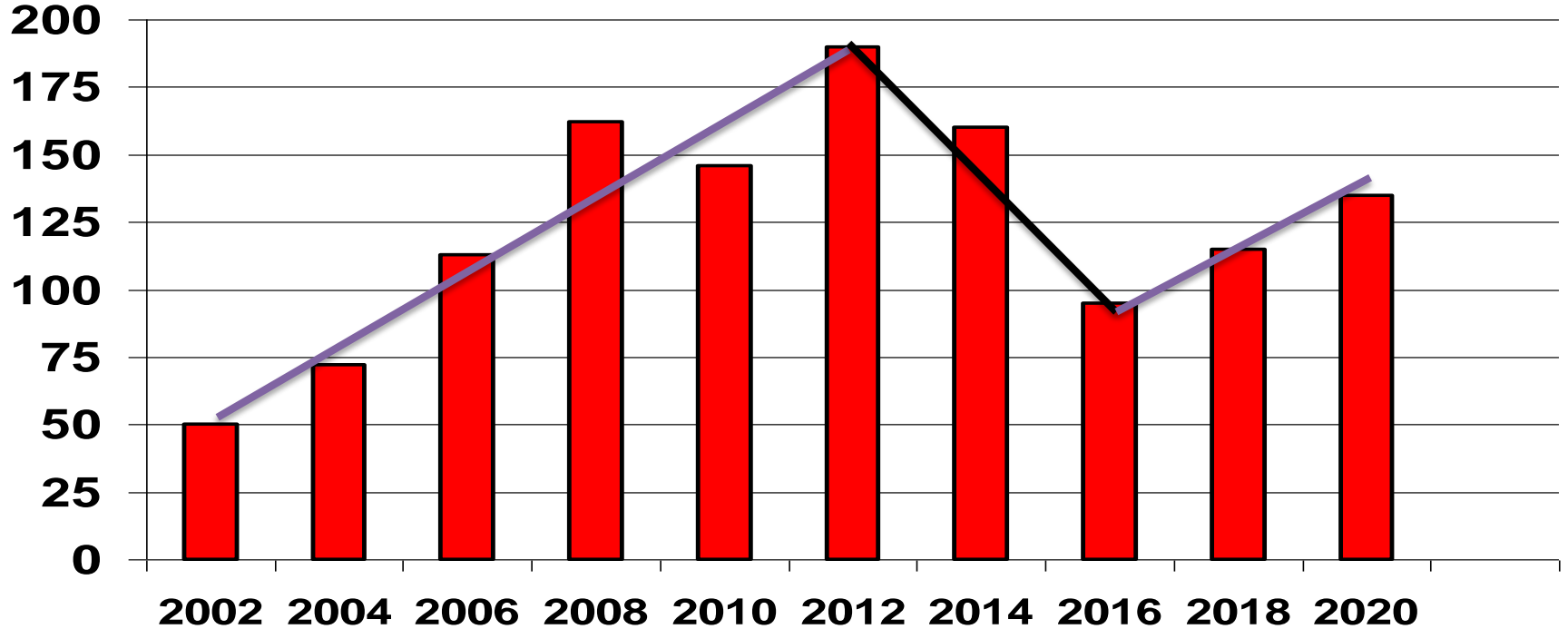


# The Commodity Bubble Burst

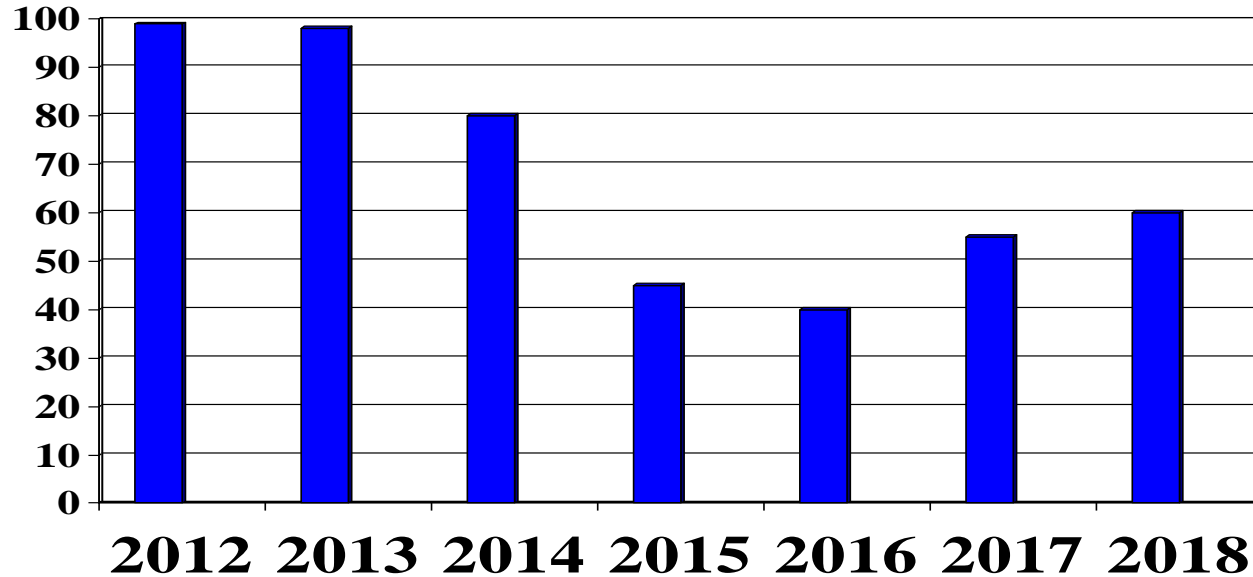
## Now it is Inflating again

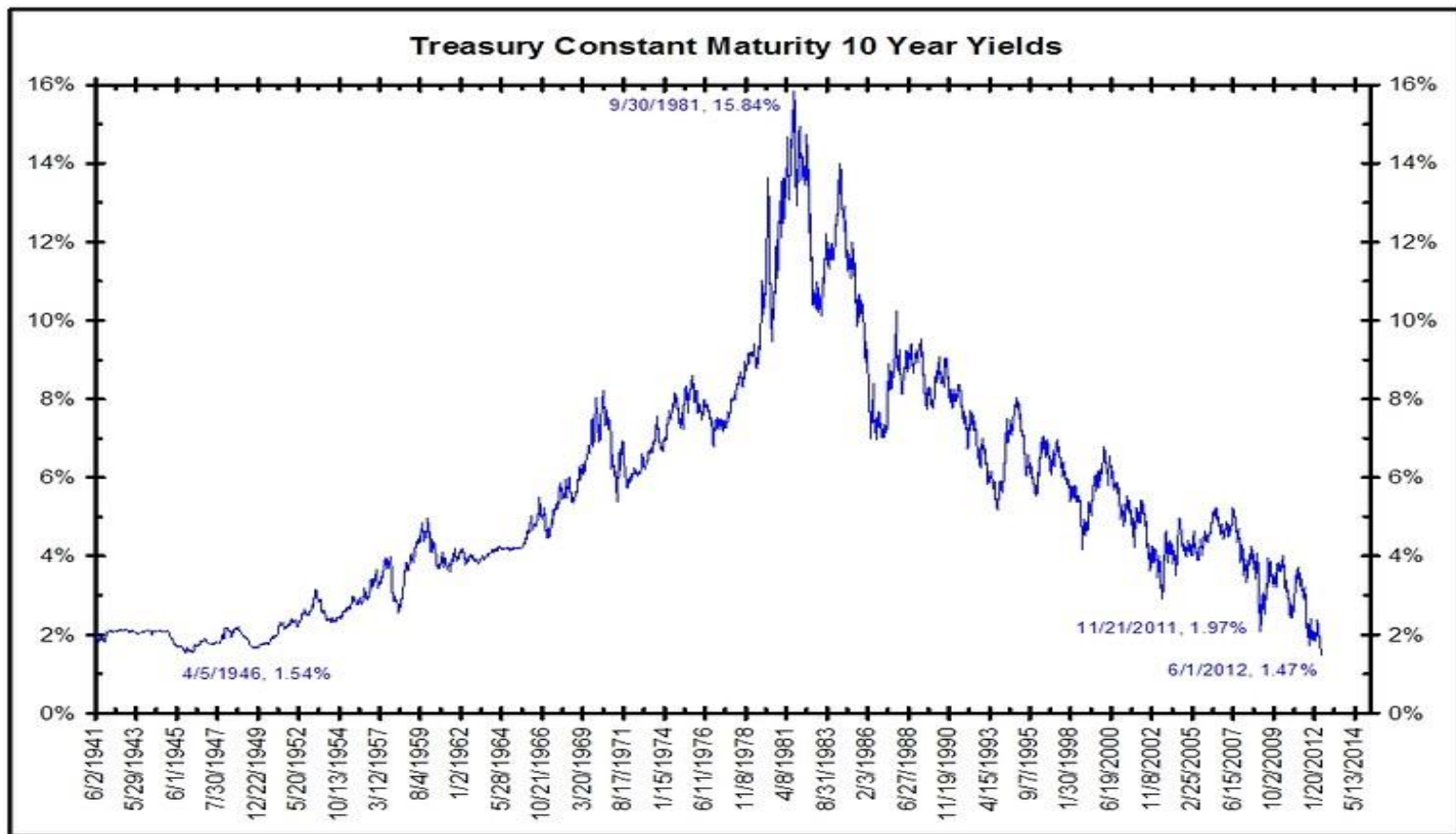


# Commodity Price Index

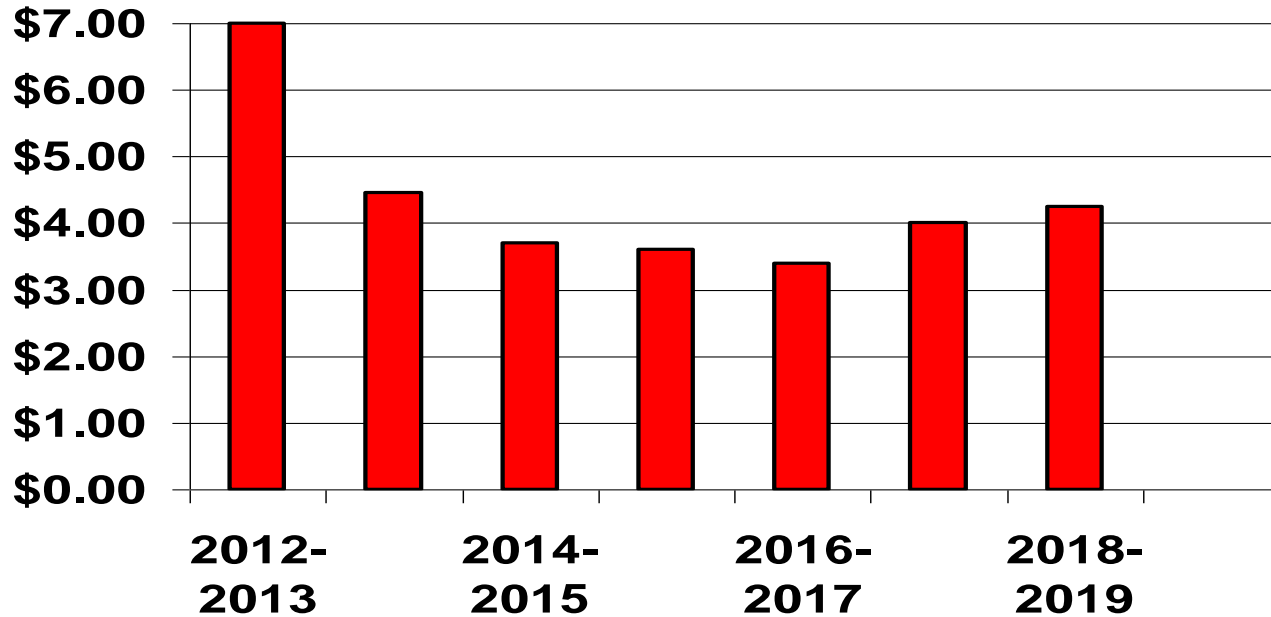


# West Texas Intermediate Oil Price – \$ per Barrel

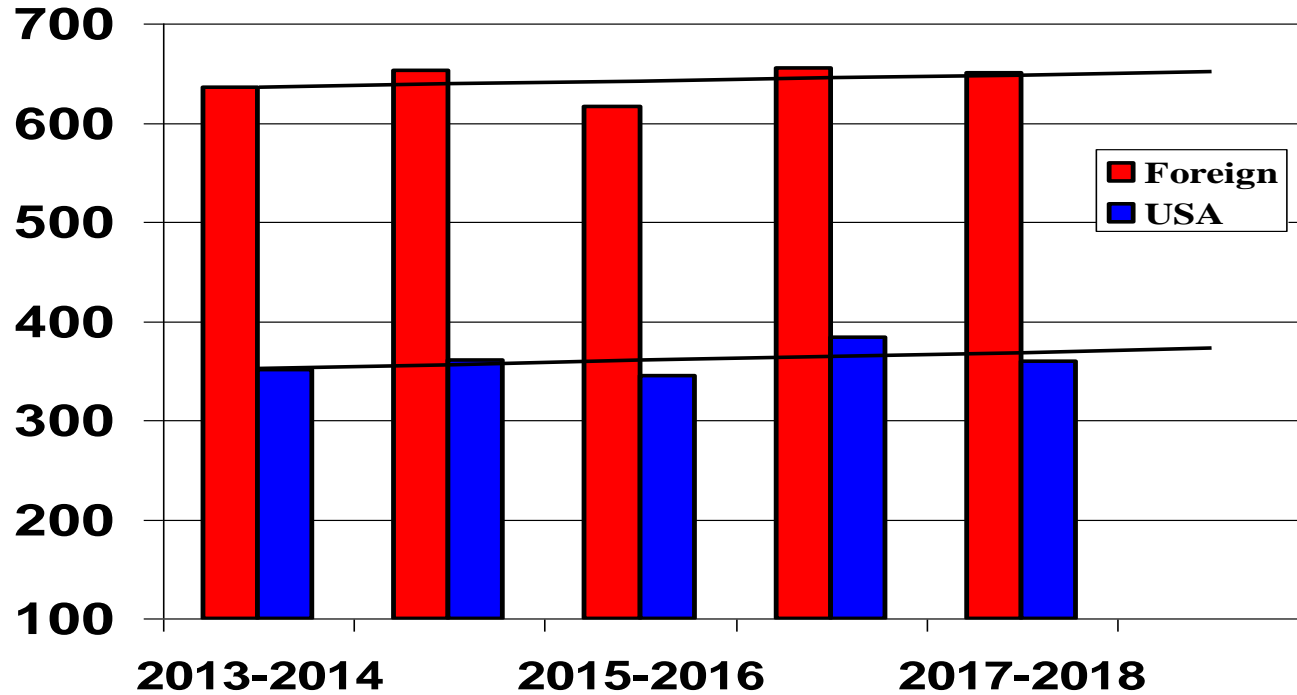




# Average Price of Corn in Chicago – \$/Bushel by Crop Year

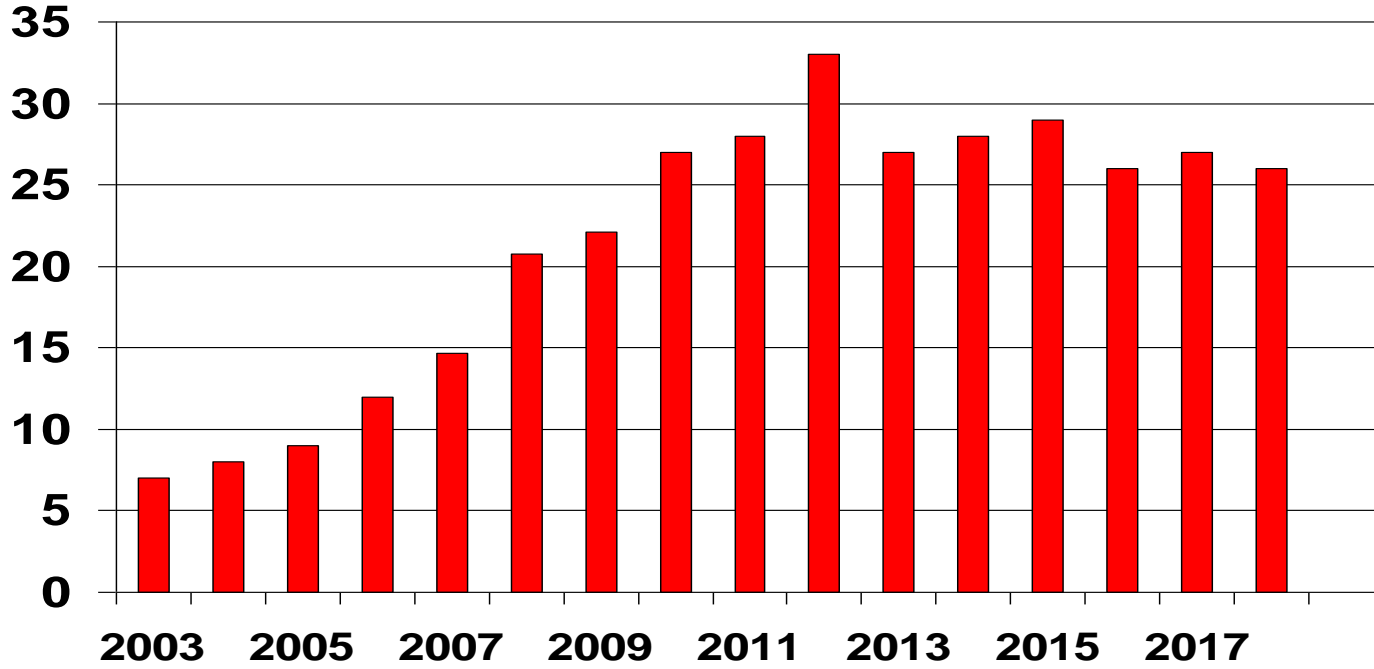


# Corn Production US / Foreign - MMT





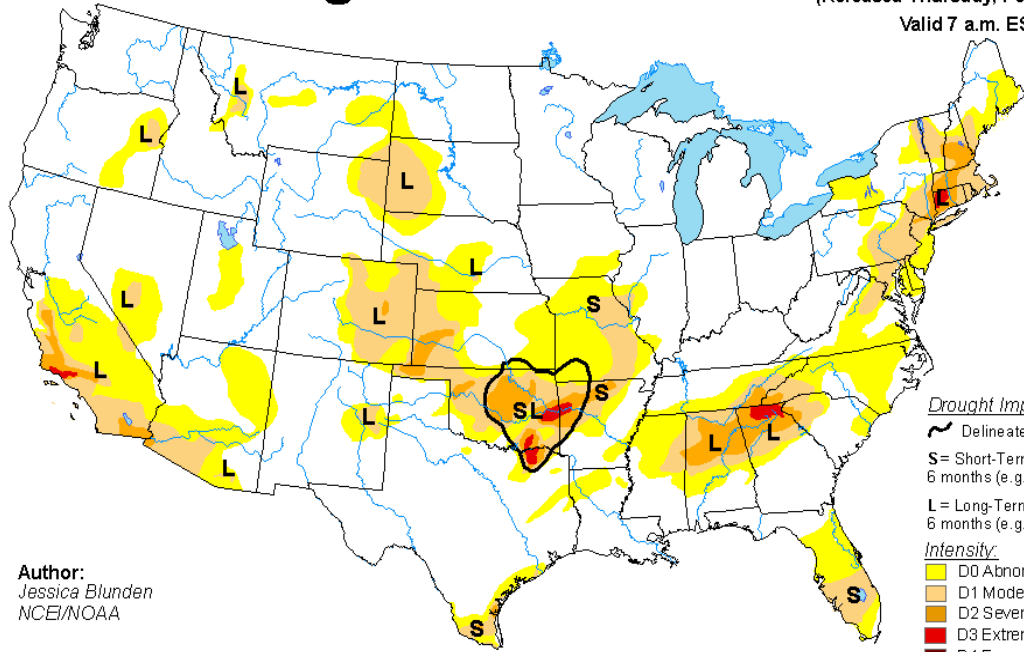
# Ethanol as a % of the US Harvest of Corn



Corn Displaced by DDG 75% Of 1/3<sup>rd</sup>

# U.S. Drought Monitor

February 14, 2017  
 (Released Thursday, Feb. 16, 2017)  
 Valid 7 a.m. EST



Author:  
 Jessica Blunden  
 NCEI/NOAA

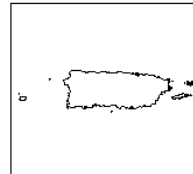
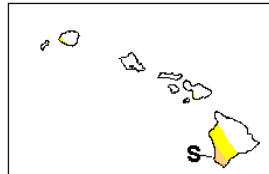
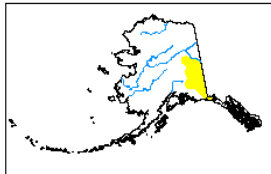
Drought Impact Types:

- ~ 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:

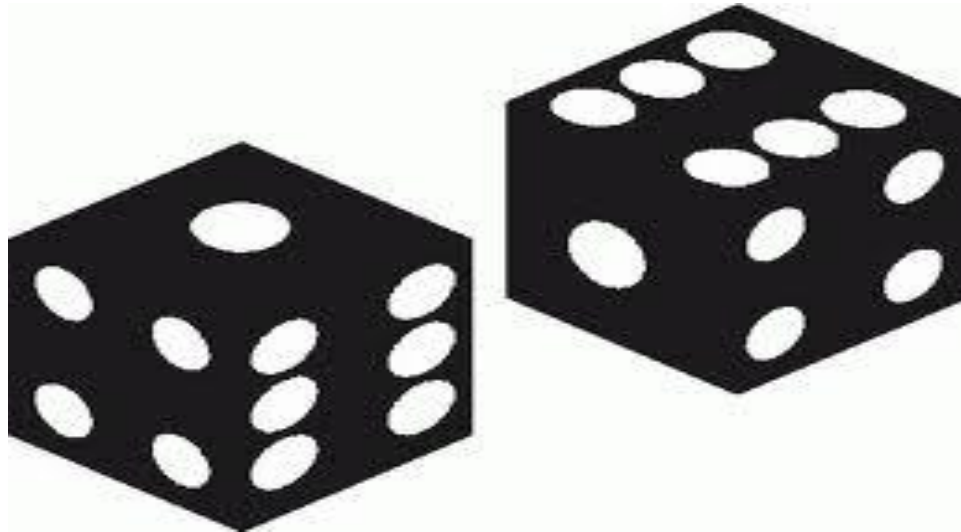
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

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



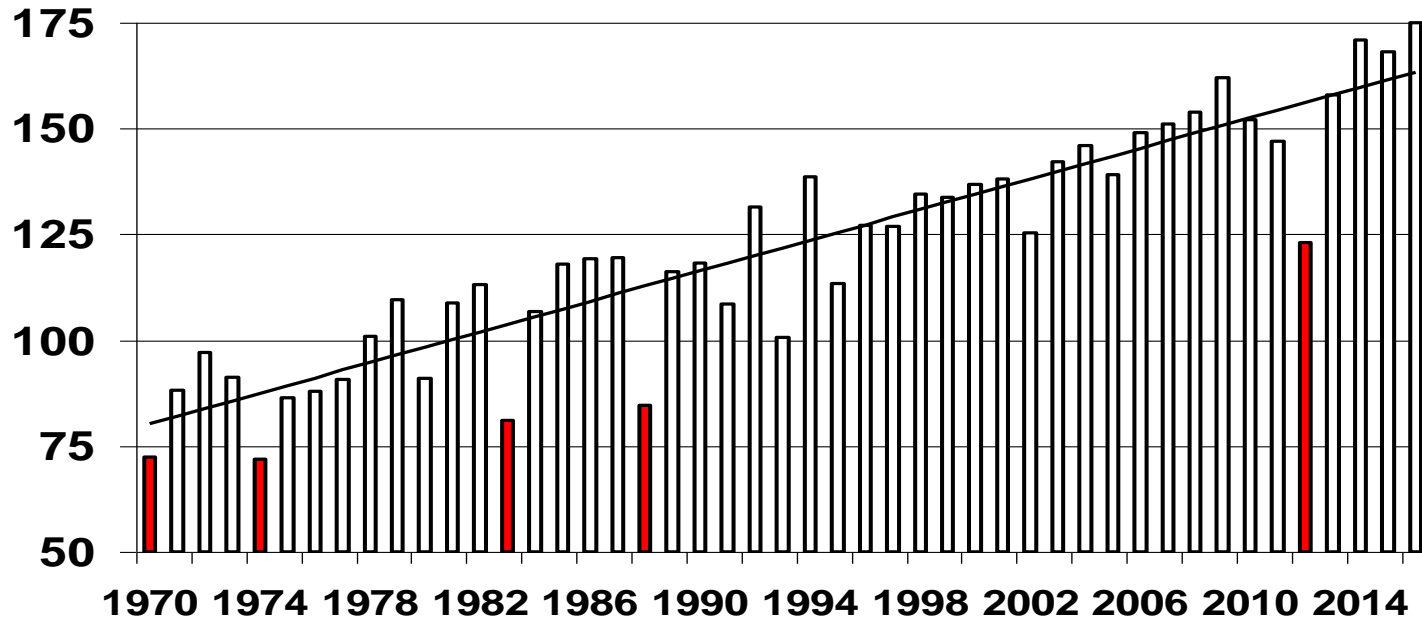
<http://droughtmonitor.unl.edu/>

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

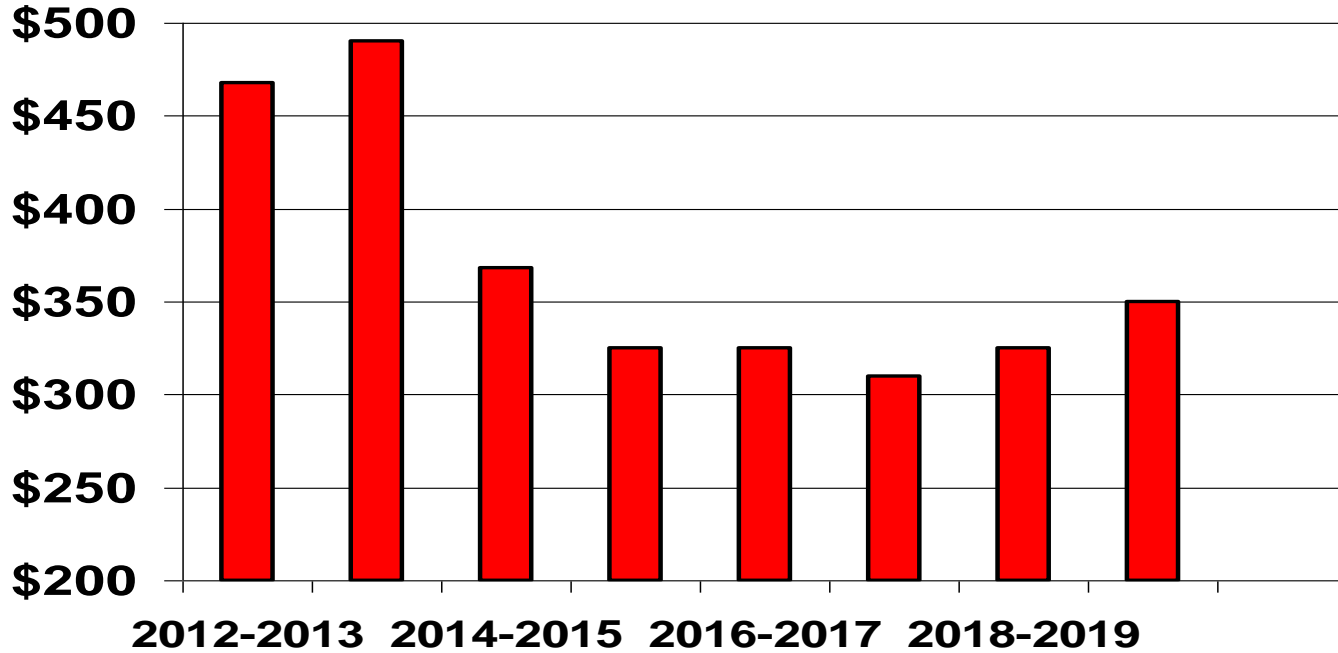


# Corn Yield 1970-2016

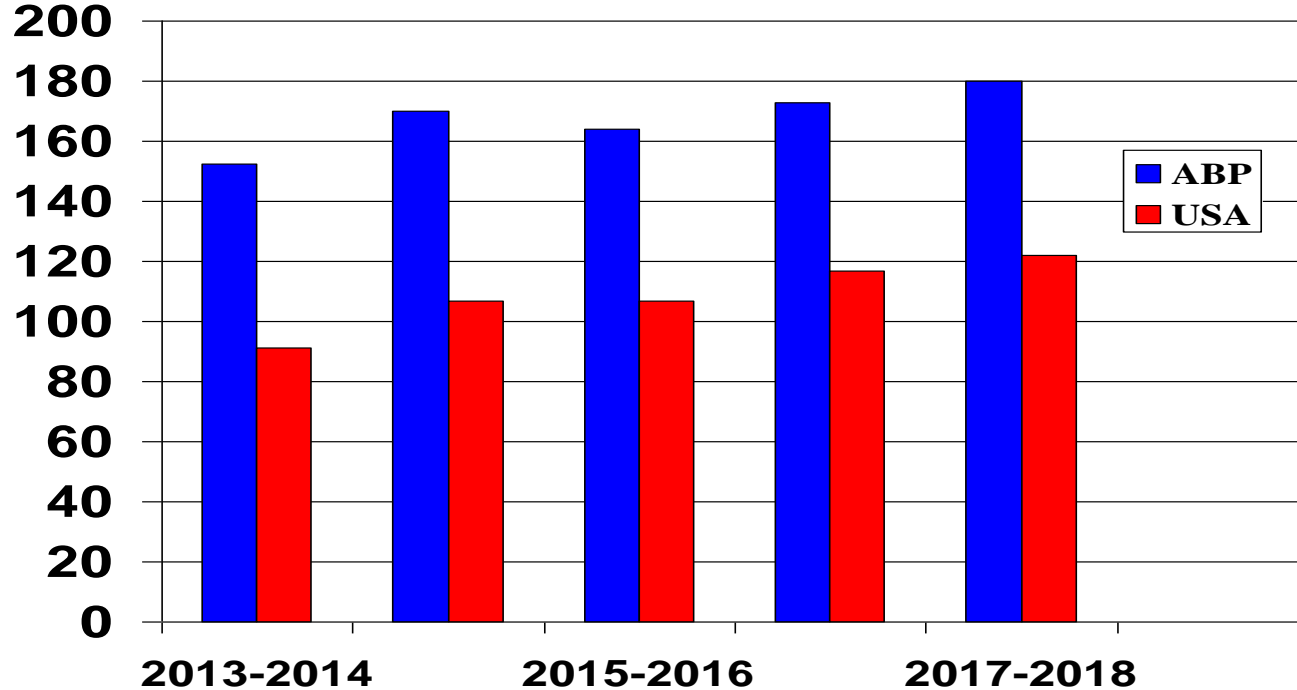
## Bushels Per Acre – US – Drought Years in Red



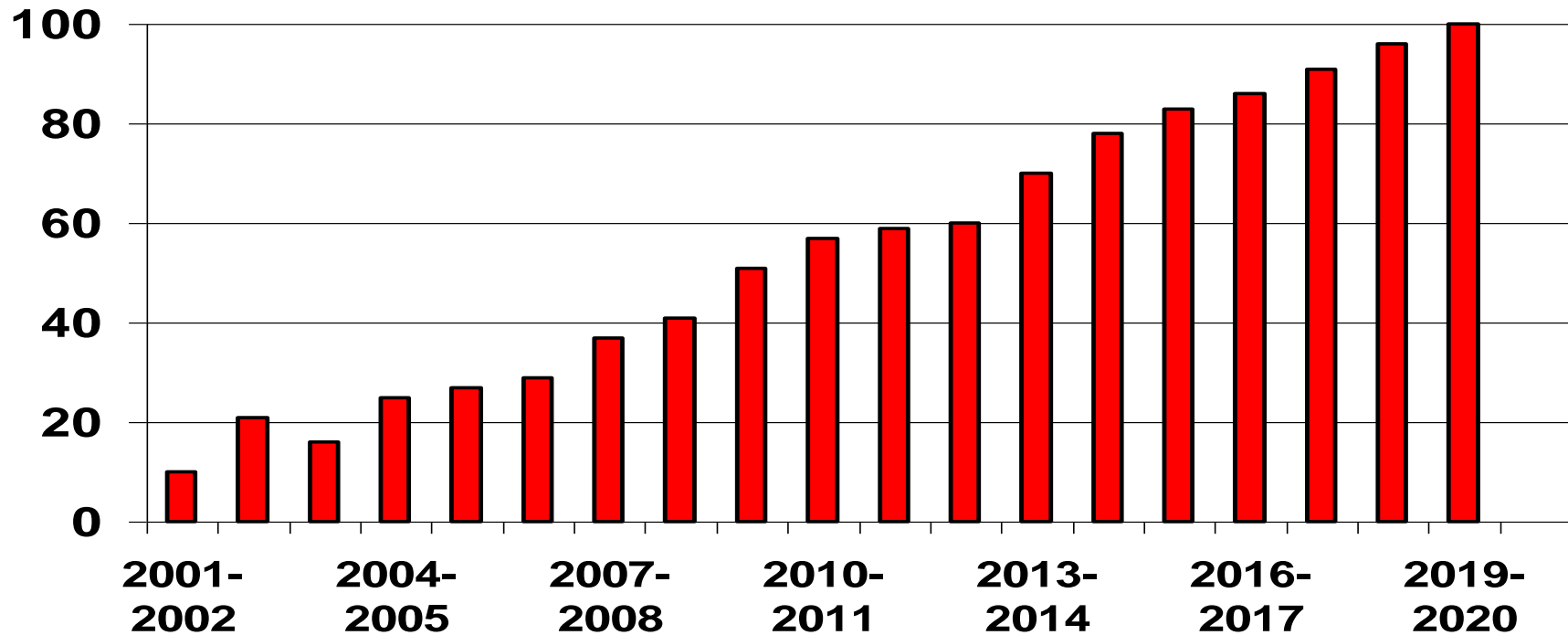
# Price of SBM – Short Ton



# Soybean Production US / Argentina, Brazil, Paraguay - MMT



# China – Soybean Imports – Millions of Metric Tons

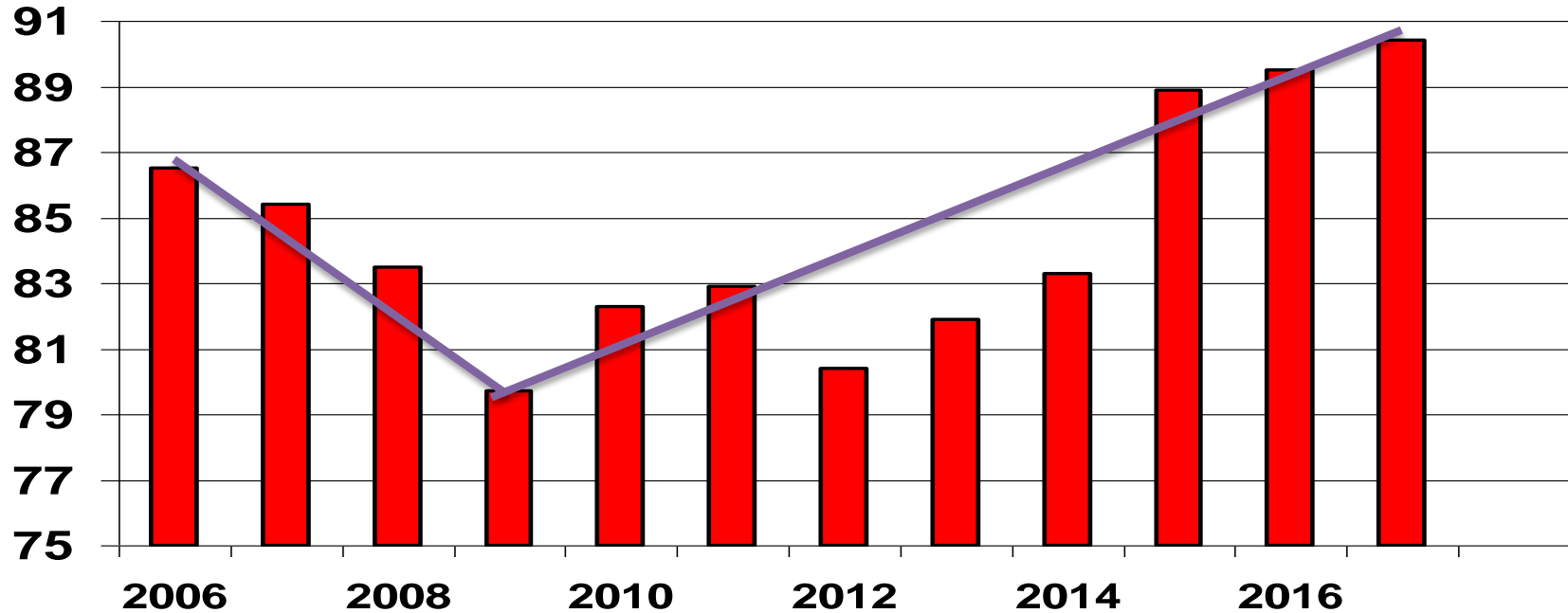


# Grain Price Conclusion

- Corn has already bottomed out
- Soybeans may have a way to go
- Prices rising for both by 2018-2019



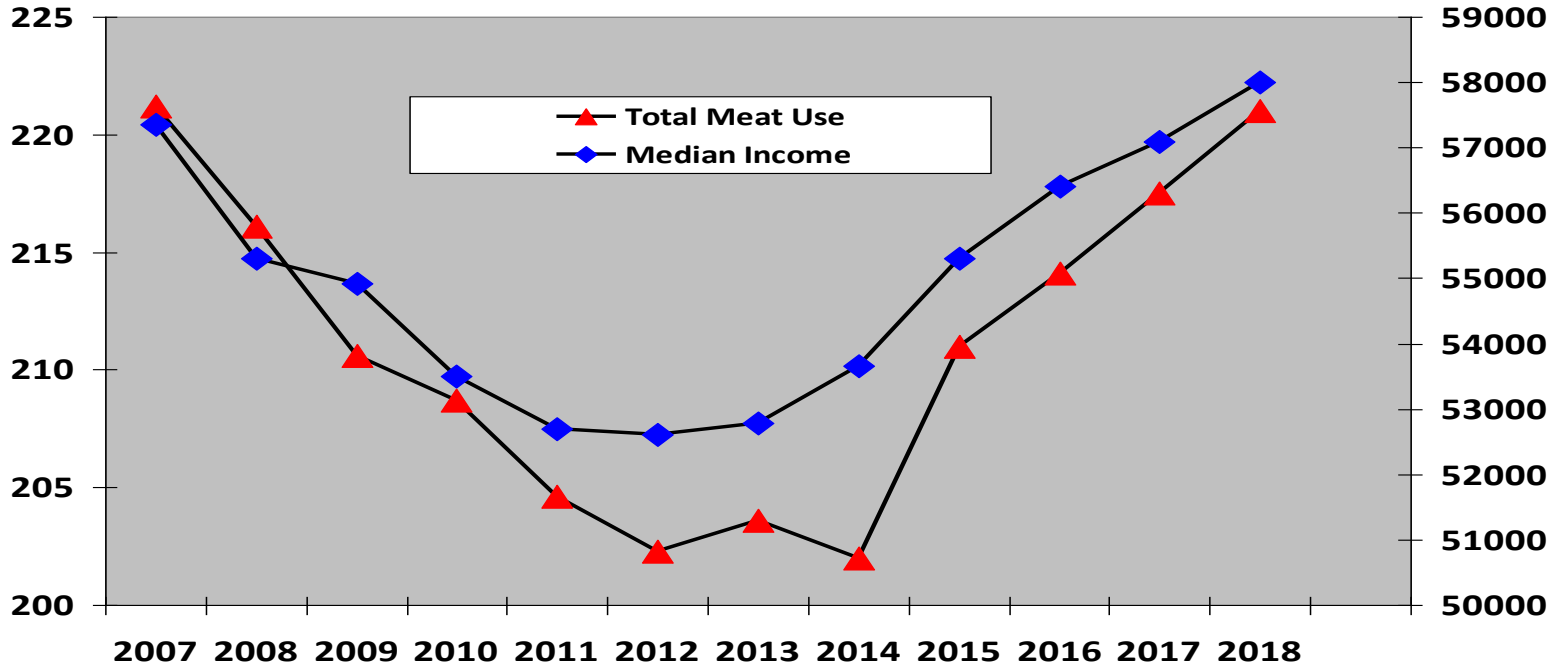
# US Per Capita Consumption of Young Chicken in Pounds



# Why the Decline ?

- Recession played an important role
- Lower median income
- Higher input costs – Grain +200%
- Decline in Foodservice

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

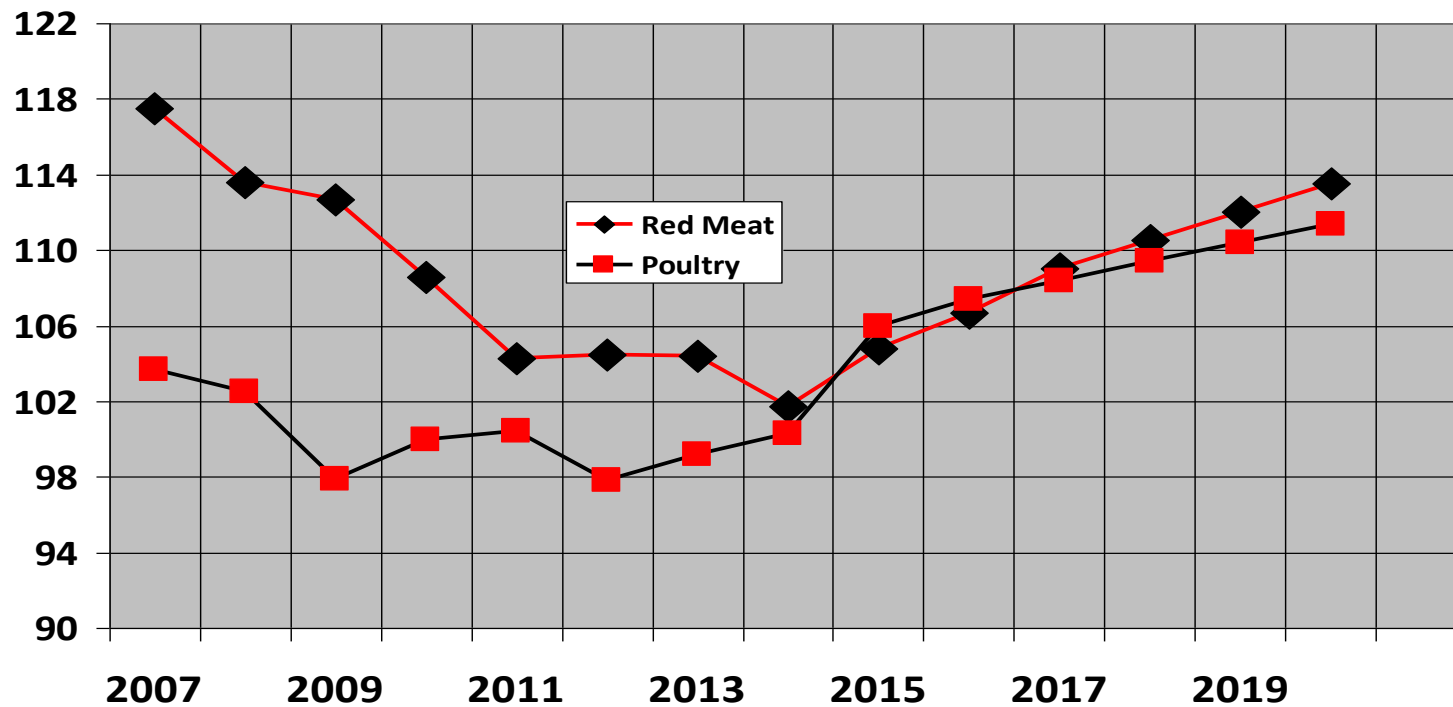


Median income US Census to 2014 -Meat Use WASDE to 2016

# Current Situation in the US

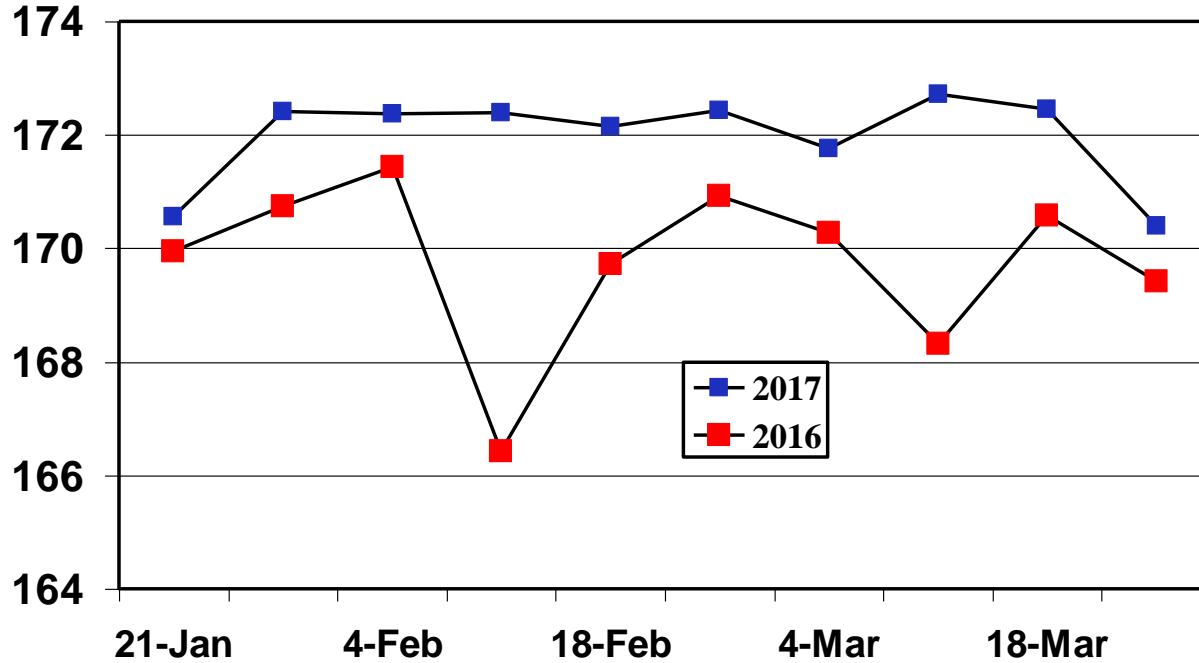
- Economic Growth could well accelerate
- Low grain prices for the moment
- Rise in Total Meat production consistent with economic growth

# US Per Capita Consumption of Red Meat and Poultry – lbs.

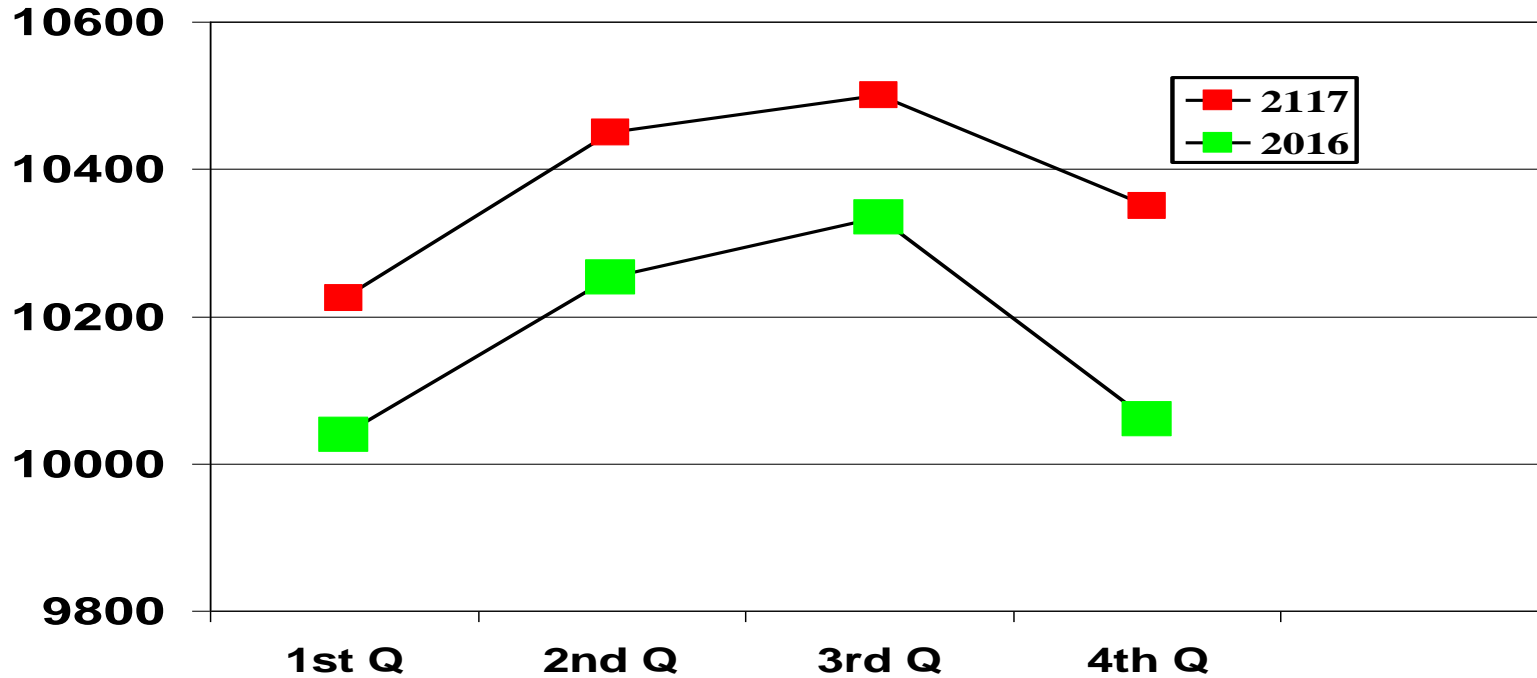


# Weekly Chick Placement - Millions

## 7 Weeks Forward – 2017 versus 2016



# US Quarterly Broiler Production – Million Pounds – USDA – 2% Increase



# Meat Consumption Increases

- Pork 3.5% Increase Beef 2.5% Increase
- A lot of increased meat on the market –  
2 Billion pounds, Red Meat and Poultry
- No problem if Economic Growth continues

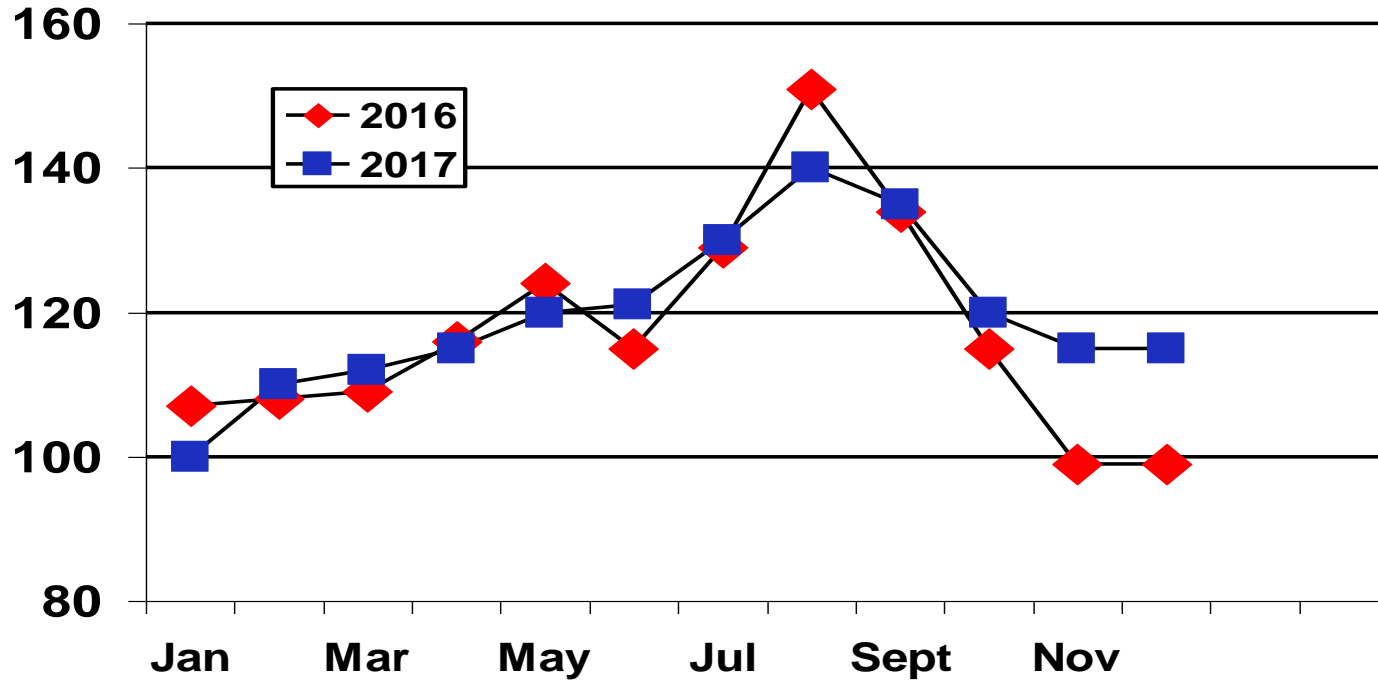


# Deboned Breast Price

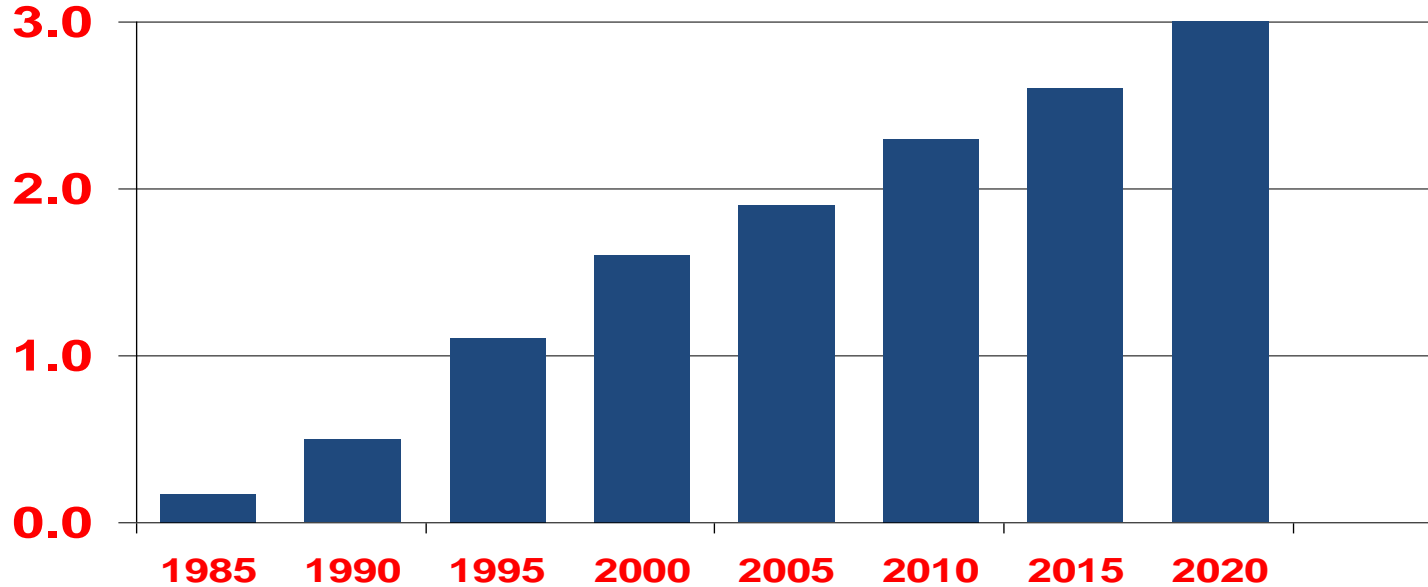
- Peak price similar to last year
- Break even is lower this year

# Deboned Breast – 2016-2017

## USDA – Northeast Price – Cents/lb



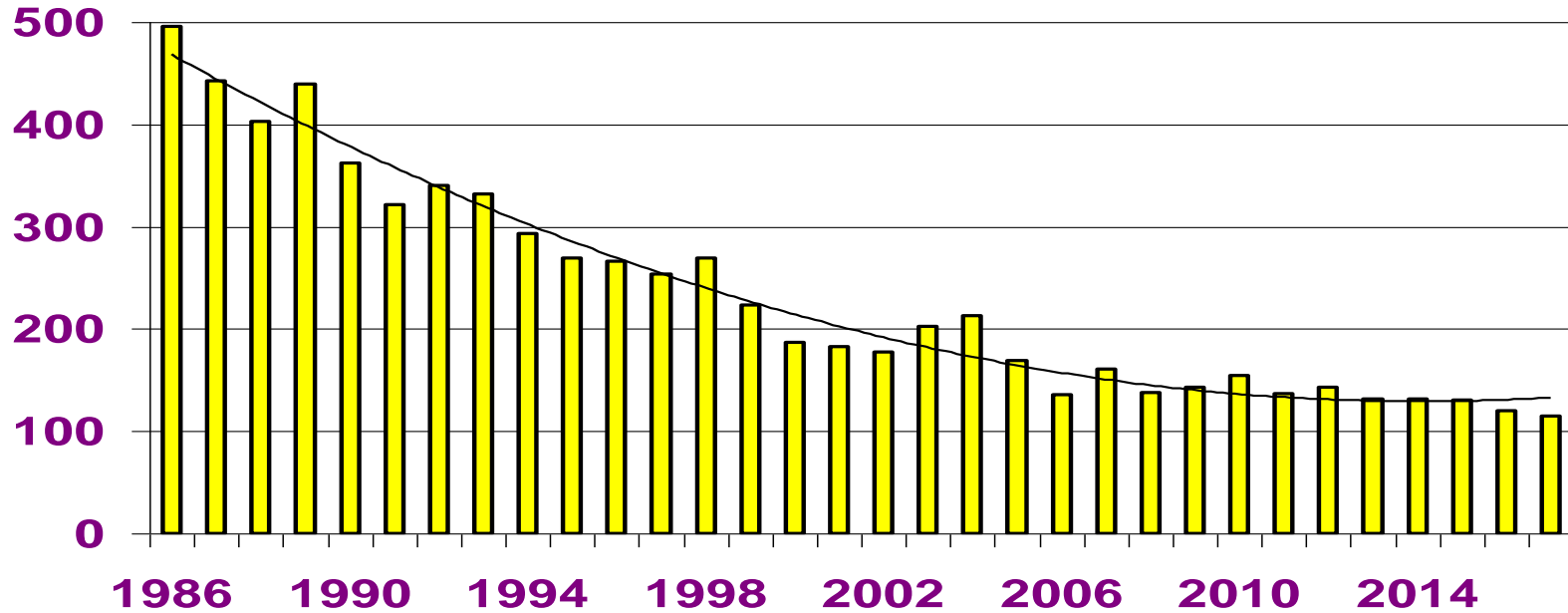
# Production of B/S Breast Millions of Metric Tons



Author Estimate

# Deboned Breast - Cents/lb

## 2016 Dollars – USDA Northeast



# **33% of Large Chicken Leg Quarters Consumed in the US**

The Rest is up to the  
Export Market

# Perfect Storm 2015

- Rising US Supply of CLQ
- Trade Restrictions
- Rising Value of the Dollar
- Weak World Economy
- Oil Exporters = Chicken importers

# 2016 Was Much Better

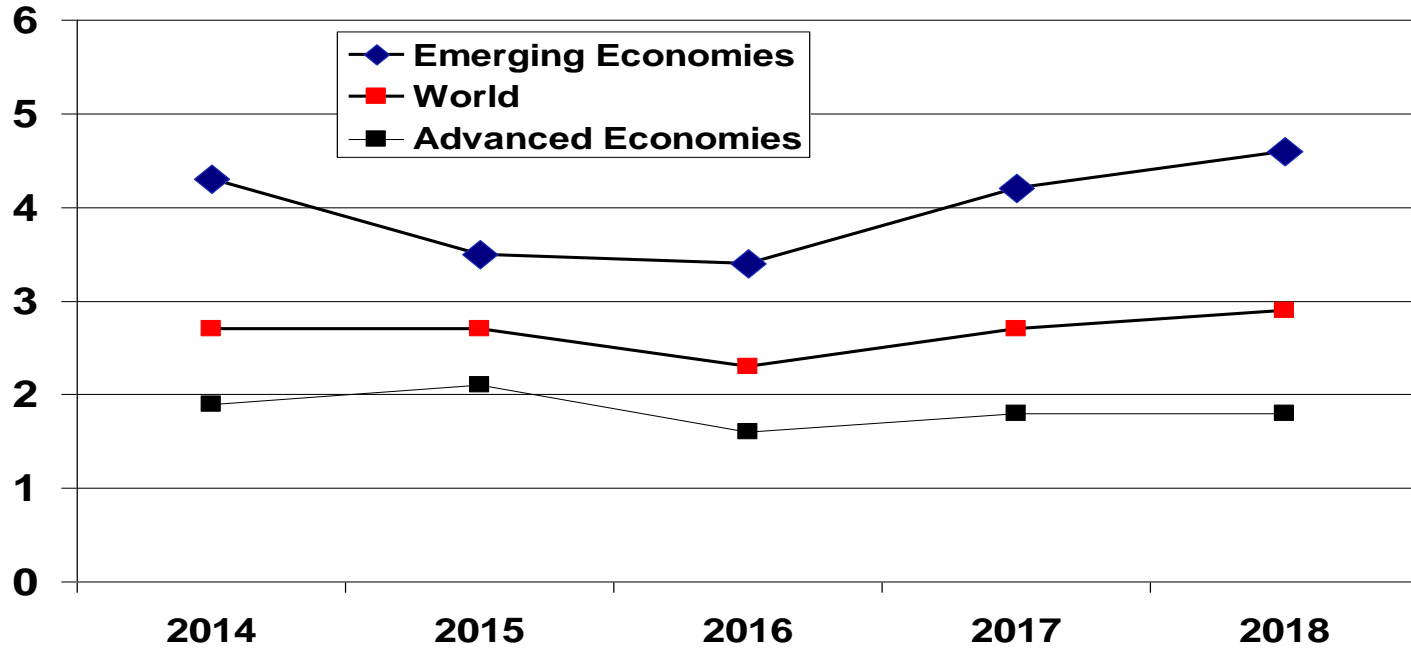
- Slowly rising US Supply of CLQ
- Trade Restrictions lifted for the most part
- Rising Oil price helped oil exporters

# What Happens this Year?

- World Economy Improves
- Oil Price higher than last year
- Trade Relations with Mexico?
- Dollar Rising particularly against the Mexican peso



# Economic Growth Rate

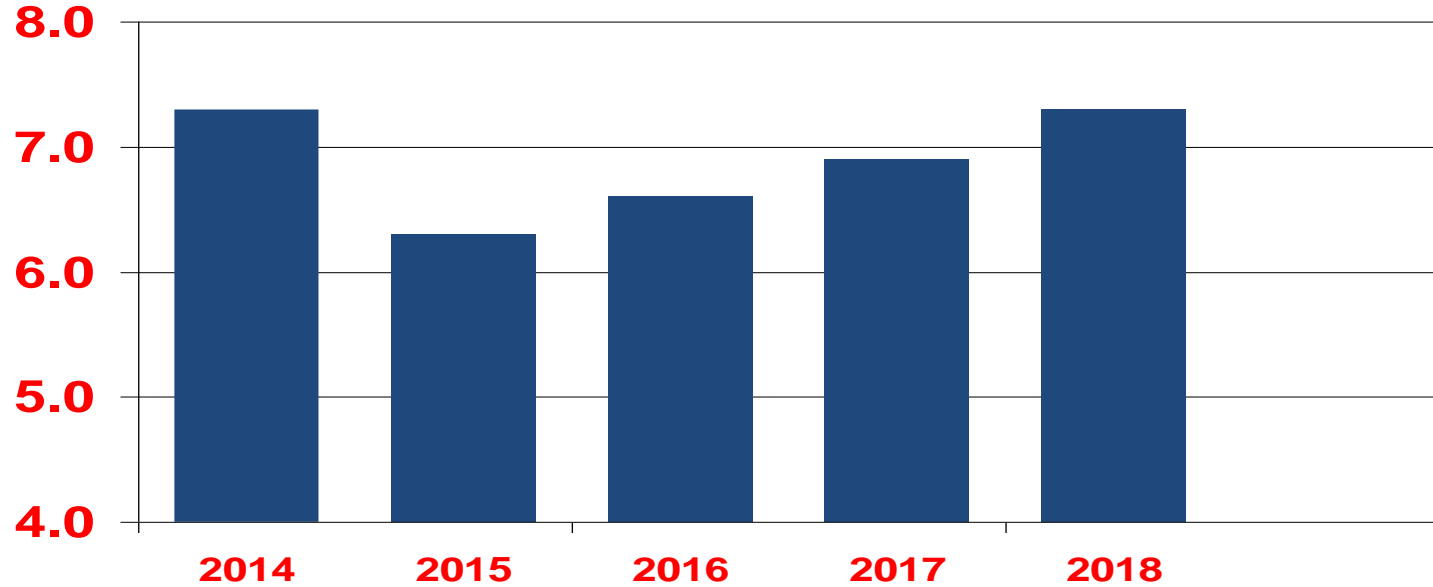


World Bank Real GDP

# How Important is Mexico?

- Mexico is the #1 Buyer of US CLQ  
1,400,000,000 pounds last year
- 25% of all CLQ exports
- Next largest CLQ buyer - Cuba –  
350,000,000 lbs.
- Smooth diplomatic relations with Mexico and Cuba this year?

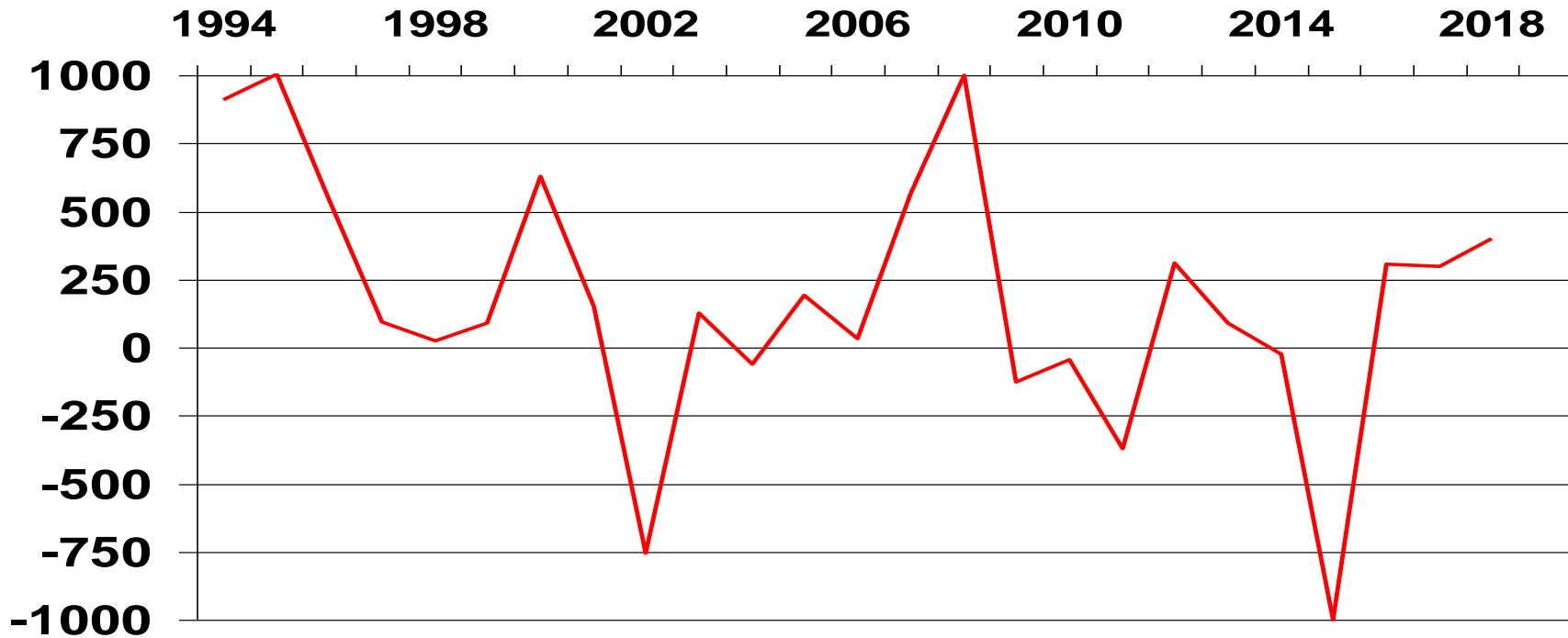
# US Chicken Exports – Millions of Pounds



USDA to 2017

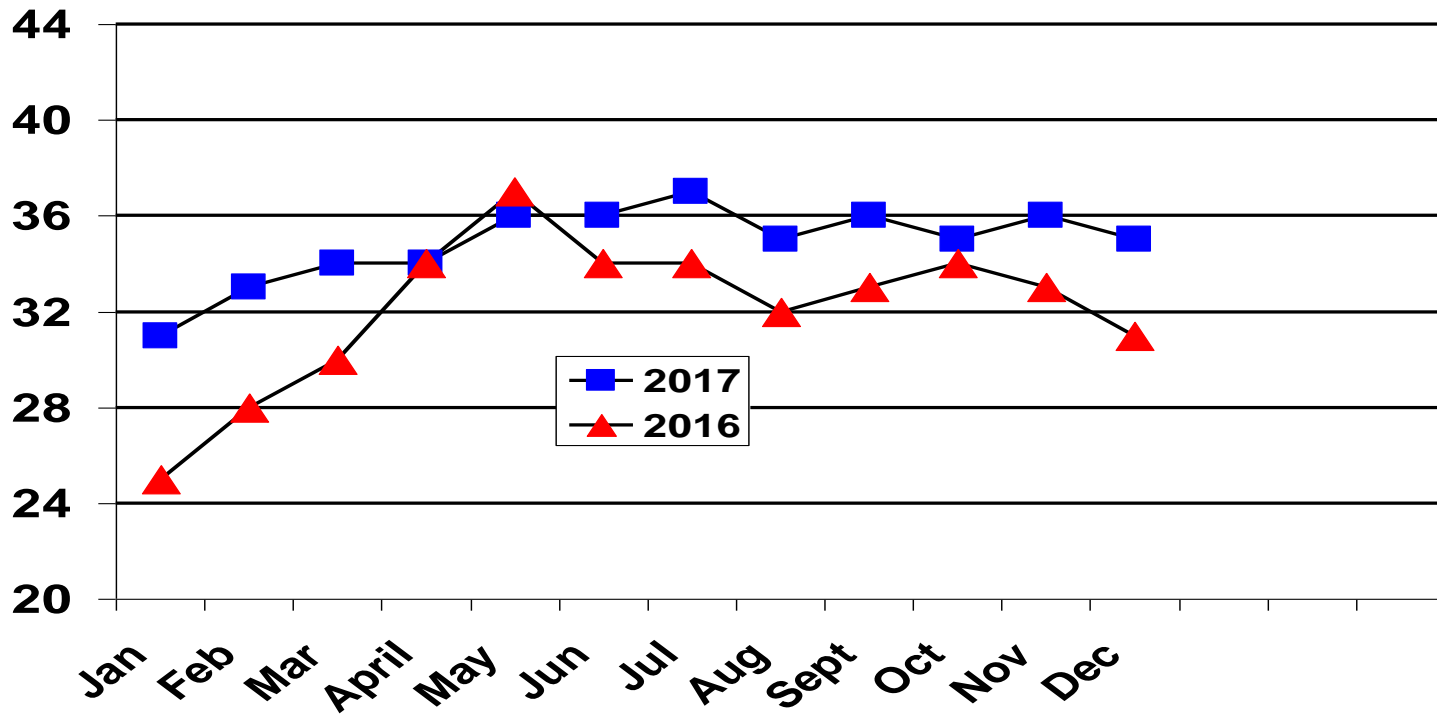
# Roller Coaster Exports

## 1994-2018 Millions of Pounds



# Leg Quarter Price – 2016-2017

## Cents per Pound – USDA Northeast Price

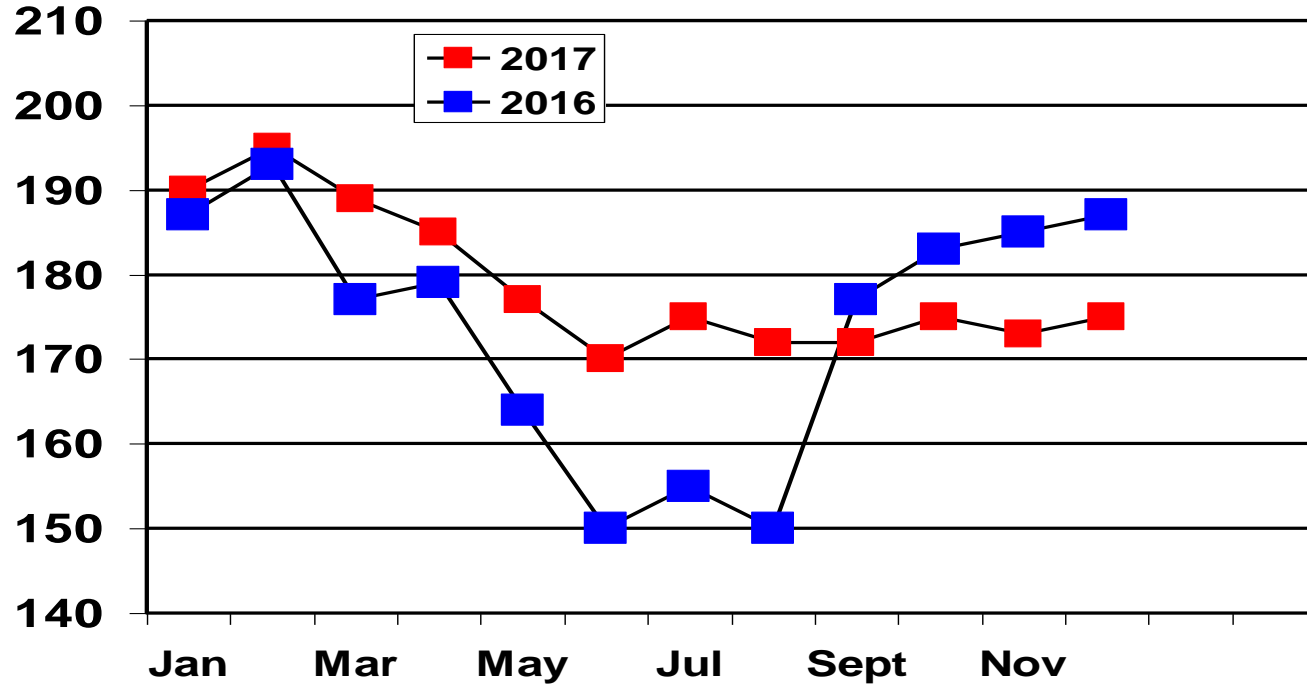


# Wing Price

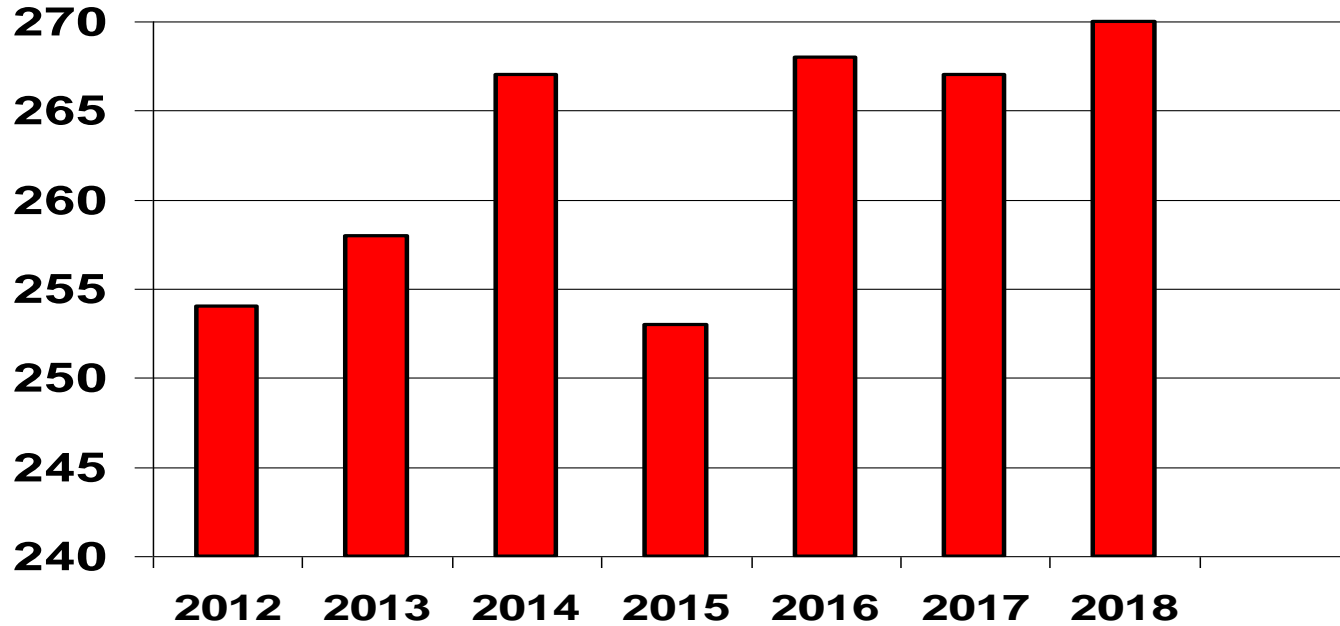
- Highly inelastic price
- Prices continue high
- Foodservice demand strong

# Whole Wing Prices – 2016-2017

## USDA-Northeast Price- Cents/lb

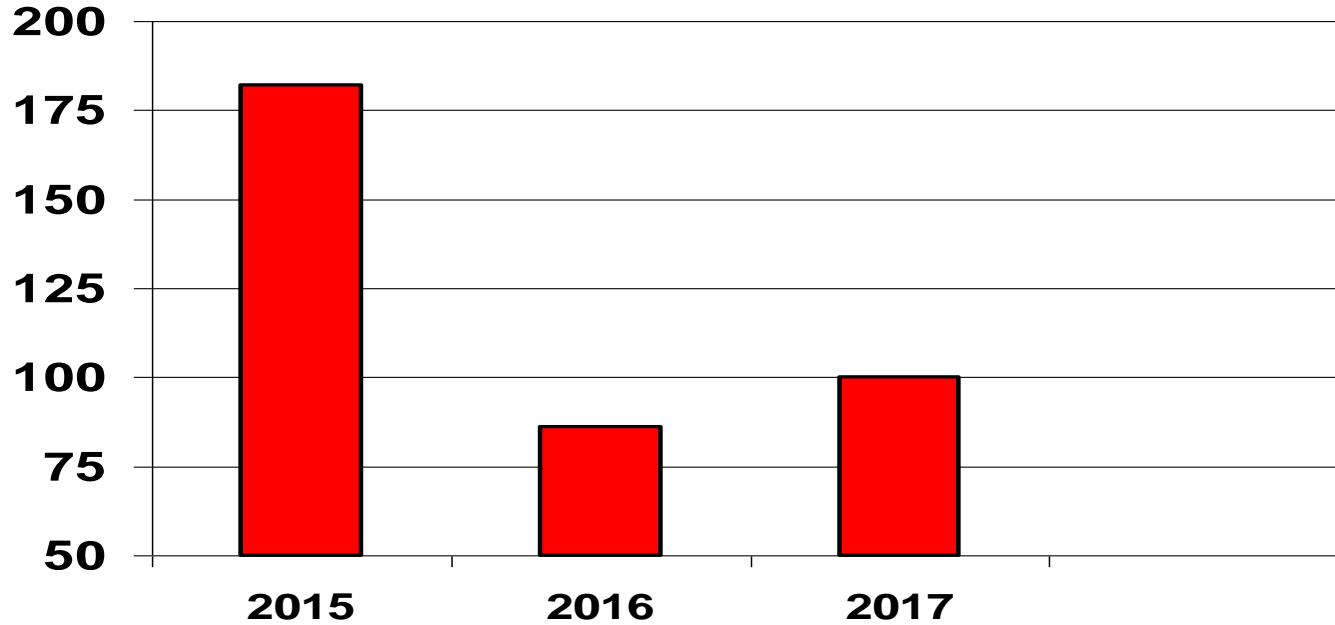


# Per Capita Consumption Of Eggs



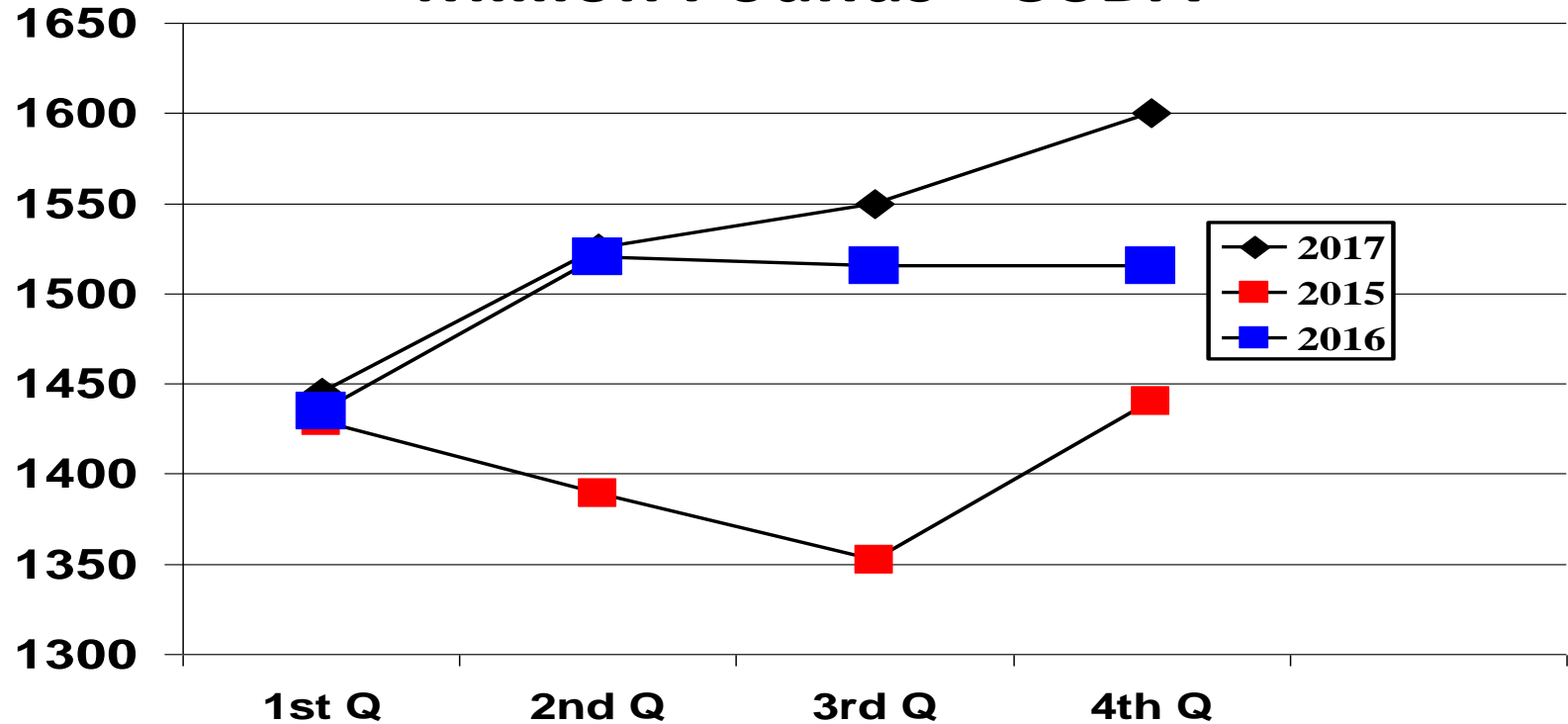


# Recovery in Egg Prices

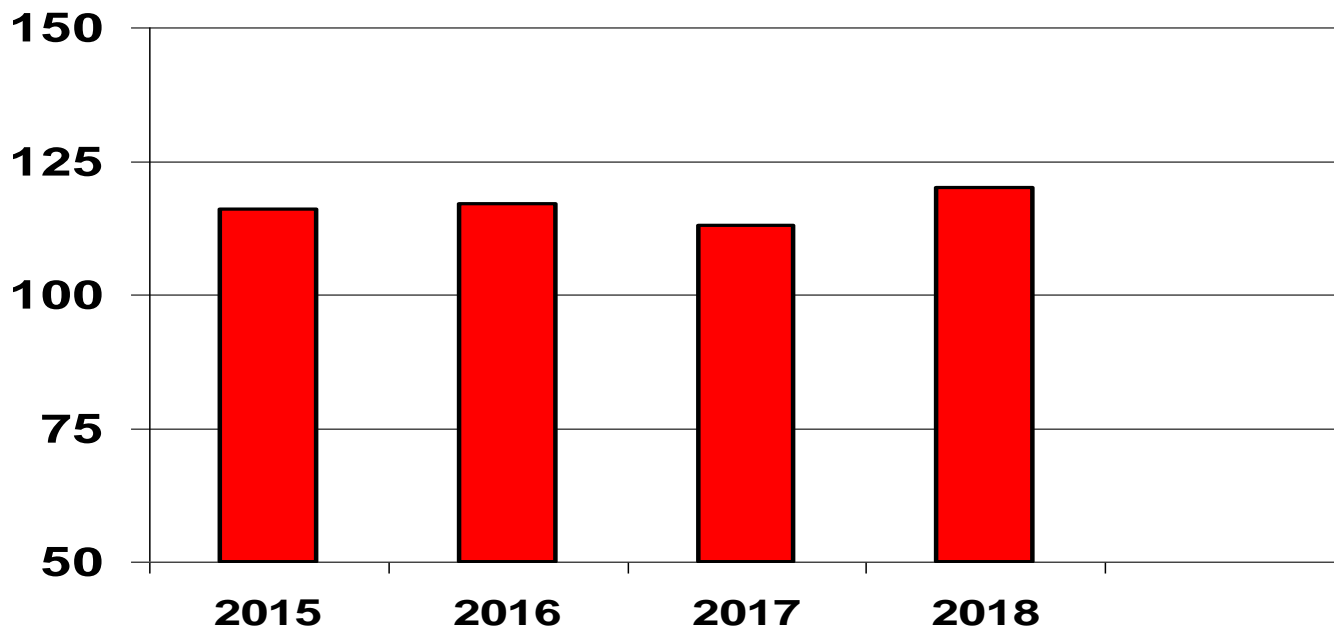


New York Grade A Large Volume Buyers

# US Quarterly Turkey Production – Million Pounds - USDA



# Turkey Prices



8-16 lbs. Hens National

# Conclusion

- **Economic growth supports chicken, egg and turkey expansion**
- **Commodity Cycle has bottomed**
- **But Feed Prices are lagging behind**
- **Great conditions for Poultry**