ANNUAL MEAT CONFERENCE 2017

FEBRUARY 19-21, 2017
HILTON ANATOLE
DALLAS, TEXAS

the BEST IN MEAT on one PLATE
Grain & Poultry Outlook

Dr. Paul Aho - Poultry Perspective

paulaho@paulaho.com
Storrs, Connecticut USA
The Commodity Bubble Burst
Now it is Inflating again
West Texas Intermediate Oil Price – $ per Barrel
Average Price of Corn in Chicago – $/Bushel by Crop Year

- 2012-2013: $7.00
- 2014-2015: $4.00
- 2016-2017: $3.00
- 2018-2019: $4.00
Corn Production US / Foreign - MMT

2013-2014 2015-2016 2017-2018

Foreign
USA
Ethanol as a % of the US Harvest of Corn

Corn Displaced by DDG 75% Of 1/3rd
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


$200 $250 $300 $350 $400 $450 $500
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

2006: 85
2008: 83
2010: 79
2012: 81
2014: 87
2016: 91
Why the Decline?

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

![Graph showing US Per Capita Consumption of Red Meat and Poultry from 2007 to 2019. The graph indicates a decrease in red meat consumption from 2007 to 2011, followed by a slight increase and then steady growth. Poultry consumption shows a steady increase from 2007 to 2019.](image-url)
Weekly Chick Placement - Millions
7 Weeks Forward – 2017 versus 2016

2017
2016

21-Jan 4-Feb 18-Feb 4-Mar 18-Mar

2017
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
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

- Emerging Economies
- World
- Advanced Economies

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

![Graph showing the price of leg quarters from January 2016 to December 2017 with data points for both 2016 and 2017. The graph indicates fluctuations in price throughout the year.]
Wing Price

• Highly inelastic price
• Prices continue high
• Foodservice demand strong
Whole Wing Prices – 2016-2017
USDA-Northeast Price- Cents/lb

Jan  140
Mar  150
May  160
Jul  170
Sept 180
Nov  190

2017
2016
Per Capita Consumption Of Eggs
Recovery in Egg Prices

New York Grade A Large Volume Buyers
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