Briefs

Livestock, Dairy, & Poultry

Favorable Market for Poultry to Encourage Year 2000 Expansions

Poultry producers are having a relatively good year in 1999. Turkey producers are enjoying the most profitable year since 1986. Combined with feed costs nearly 20 percent below a year ago, higher prices in 1999 have resulted in attractive profits and encouraged turkey producers to expand production in second-half 1999 and in 2000. Retail turkey prices are just slightly higher than last year. While broiler and egg production will not be quite as profitable as in 1998, producers are still in a favorable position to continue expansion in 2000. Broiler and egg production is expected to increase more slowly in 2000 than in 1999.

The attractive profits enjoyed by the ***turkey*** industry are the result of feed costs nearly 20 percent below a year ago and higher 1999 turkey prices. Production declines in 1998 following losses the previous 2 years prompted drawdowns of turkey meat stocks, leading to higher prices in 1999. Production in 1999 is expected to be about unchanged from a year ago as increased production in the second half of the year offsets lower production in the first half. The increased profits of 1999 are expected to encourage turkey producers to expand meat production in 2000 by about 2 percent. The number of birds raised should be about the same as in 1999, with heavier weights accounting for the increase.

Turkey supplies for the fall holidays should be about the same as last year, with about 6 pounds per capita expected to be consumed in the fourth quarter. In 1999, production is forecast to be the same as last year. Consumption increasing with population will more than offset a decline in exports, leaving ending stocks lower. Prices for turkeys at retail are expected to be about 2 cents per pound higher than a year ago. Retailers will absorb much of the increase in wholesale prices for turkeys, which are about 7 cents per pound above a year ago for Eastern Region Hens.

Broiler domestic disappearance this year is expected up about 5 pounds per person from 1998 (retail-weight basis). This would be the largest annual increase since consumption increased by more than 5 pounds between 1943 and 1944, when most other meats were being rationed and diverted for military use. Since 1993, much of the broiler production increase had been absorbed by the export market, but in 1999 and 2000 the domestic broiler market will likely compensate for limited export expectations brought about by economic weakness in Russia and many parts of Asia.

Record profitability in the broiler industry during 1998 encouraged stronger-than-usual production increases in 1999. Both broiler and egg production are expected to increase more slowly in 2000 due to weaker broiler and egg prices in second-half 1999 and slightly higher feed costs compared with year-earlier periods.

Whole-bird prices are expected to average about 58 cents per pound in 1999, about 5 cents below a year ago. Whole-bird prices for 2000 are expected to decrease an additional 2 cents to 56 cents per pound. Whole broiler prices have shown less weakness than parts prices this year as larger supplies of both whole chicken and parts are being sold on the domestic market. Parts prices have declined by about 10 percentage points more than whole-bird-prices, from a year ago, due to increasing segmentation of the chicken market.

Since 1993, market segmentation has been important for chicken parts markets as much of the dark meat has been exported, while nearly all of the white meat has been marketed domestically. The increasing popularity of deboned breast meat in the domestic market led companies to further segment the market through bird weights to limit labor costs per pound of product on their processing lines. Companies started growing heavier birds for deboning, since the amount of labor to process a small breast is nearly the same as for a large breast. Lighter weight birds make up the whole-bird quote, while primarily heavier weight birds are cut up for the wholesale parts market. Changing supplies of these classes of birds have affected the price movements.

USDA's Agricultural Marketing Service began publishing shares of broiler slaughter by three weight categories in 1997. The lightest weight category is targeted to be cut up and used in fast-food restaurants as bone-in parts or to be sold whole for rotisserie preparation. The middle category refers to birds targeted for the retail market, and the heaviest birds are used for deboning. During 1999, the share of birds in the heaviest weight category has been about 5 percentage points larger than in 1998. With the share of birds for the two lighter categories about 5 percentage points less than last year, the relatively tighter market for light birds and the relatively larger supply of heavy birds have accounted for the smaller price declines for whole birds versus parts on the wholesale market.

Total ***egg*** consumption per person reached 254 eggs in 1999, continuing the increase from about 236 in 1995. While consumption of eggs in processed form has been increasing since 1981, shell-egg consumption decreased from 1979 to 1995. From 1995 to 1997, declines in shell-egg consumption were small enough that increases in processed egg consumption brought an increase in total egg consumption. In 1998, there was an actual increase in shell-egg consumption, and another increase is expected for 1999. Lower egg prices are probably a major factor in increased usage. Changes in consumer attitudes toward the effects of cholesterol in eggs and increased promotional activities are also being credited with turning around the consumption decline. AO

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