

FarmEcon LLC

A source of information on global farming
and food systems

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Turkey Production and Prices Trending to “Normal”



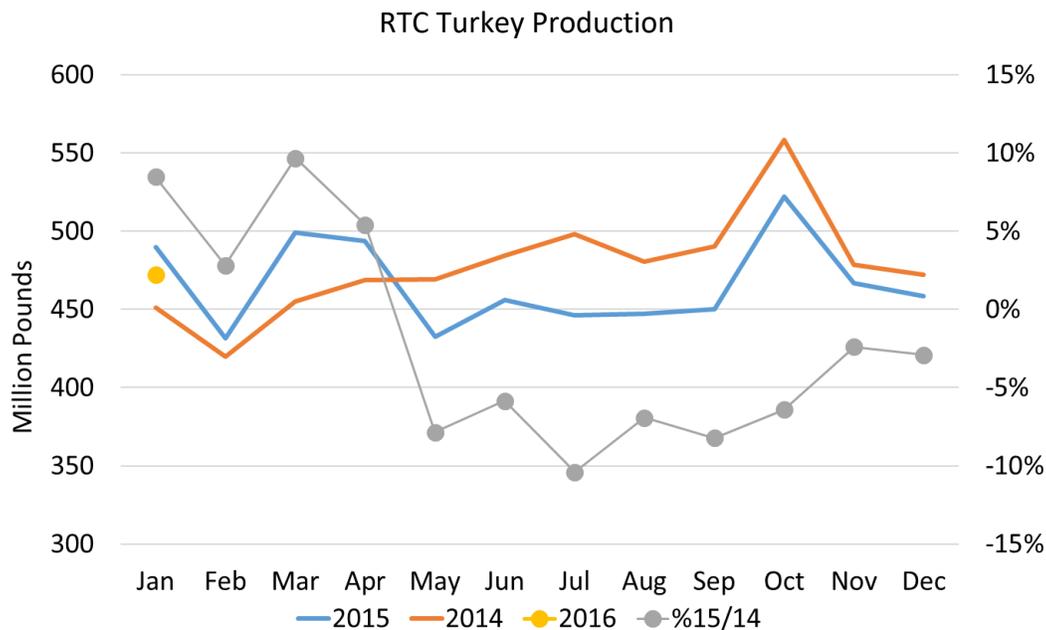
February 26, 2016

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“Normal” in this context is trend production growth and prices that generate profitability, but not abnormally high or low profits. Of course, the 2015 HPAI outbreak depressed production and sent spot breast meat and whole bird prices to record levels. With HPAI effects fading, we are getting back to “normal.”

Turkey Production: Production was sharply depressed below potential, and actual 2014, from May through December of 2015. We went from a 10% year-on-year increase last March to a 10% decline in July, a 20 percentage point swing in just 3 months (graph below). January 2016 production was only 4% below January 2015, and that was on one less slaughter day in 2016. On an equal slaughter day basis January production was actually up about 1% from 2015.



One interesting fact in the chart above is that the first three months of 2015 show that we already have the capacity to produce significantly more turkey than we did in 2014. Current production is still being held back by the delayed effects of breeding flock losses. Once that bottleneck is fully resolved the normal tendency to increase production will re-emerge. Absent another production issue, 2017 production could hit 6,165 million RTC pounds, up 7.1% from 2014 and 10.2% from 2015.

Weekly hen destruction data is increasing, quickly getting back to 2015 levels. This is good evidence that the tom supply is growing, displacing hens that were placed for meat production when the tom supply was still short of producer demand.

Spot Turkey Prices: The recent drop in spot fresh tom breast meat prices from about \$5.50 in January to about \$3.40 now also marks another return to “normal.” Despite that drop, we are still at a record-high breast meat price for late February, but only by \$0.40 per pound.

Whole bird pricing is remaining strong. Diversion of hens from whole bird to meat production has likely played a role. However, with production returning to normal, seasonal strength in whole bird prices is likely to historically weak.

Unfortunately, exports are still constrained. The result is that spot dark meat prices remain very depressed. At \$1.05 per pound, boneless/skinless thigh meat is at a 5-year low for this time of year. Dark meat will remain under pressure as long as we have not have regained full pre-HPAI export market access.

Cold Storage: With production getting back on track, stocks are showing some effects. February 1 turkey stocks were up slightly from year-earlier, and essentially equal to the 5-year average. Whole birds and breasts accounted for all of the year-over-year increase. Whole bird stocks would be expected to grow. The somewhat unusual breast stocks increase is likely due to purchasers holding back in reaction to rapidly declining prices.

Summary: The industry is quickly getting back to “business as usual” after the 2015 disruptions. Absent further production issues, possibly except for export restrictions, all 2015 HPAI effects will be over by this summer.