

FarmEcon LLC

A source of information on global farming
and food systems

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Early 2019 Outlook

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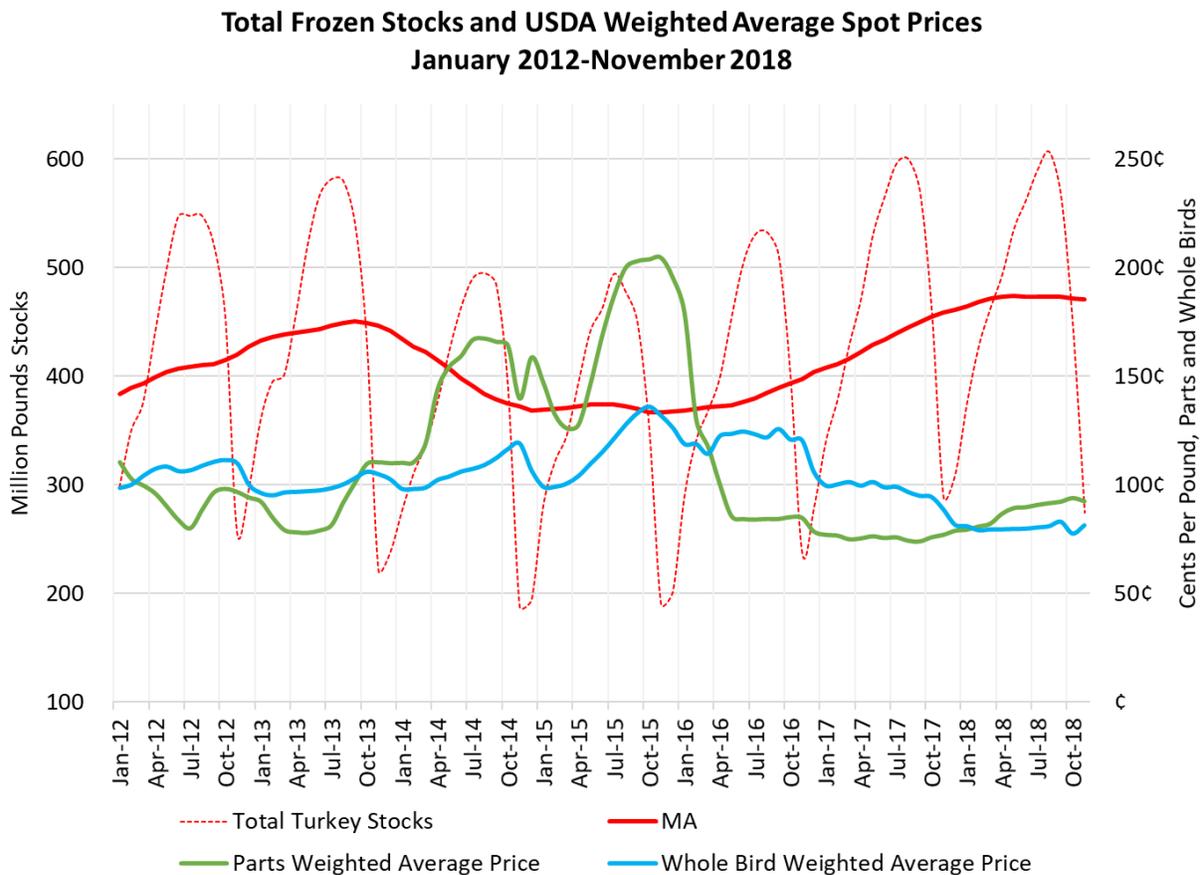
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All 2016-2018 articles in this series are now available at <https://farmecon.com/nf-newsletter-articles/>

Stocks and Pricing: Turkey parts prices have rebounded somewhat as frozen stocks are slowly starting to unwind from recent excessive levels. Whole bird prices remained flat for most of 2018.

The chart below shows monthly estimates of parts and whole bird weighted average USDA spot prices. Total frozen stocks are shown as both raw data and a 12 month moving average. The moving average removes seasonality and shows longer term trends.



There are many factors that can affect turkey pricing, but excessive stocks are generally a significant negative influence while low stocks are supportive. The chart shows how 2014-2015 pricing responded positively to declining stocks, with 2015 also heavily influenced by HPAI and resulting major production issues. Increasing stocks in 2013 and again 2016-2018 clearly depressed pricing.

Stocks change when production and sales (domestic and export) are different. Simply put, if we produce more than we sell stocks increase. That’s a normal and expected situation from January through August as whole birds are stockpiled for the holidays. The 12 month moving average removes seasonally expected stocks changes and shows the underlying movement.

With stocks starting to slowly decline we have seen limited parts price gains, particularly for breast meat. Available stocks data show a better 2018 Thanksgiving drawdown than was the case in 2017. That will help maintain or improve 2019 whole bird pricing.

Early 2019 Turkey Production Outlook: Early 2019 production is the second key input to price direction. USDA and Urner Barry poult placement data point to Q1 2019 year-over-year bird number declines of 1.2-1.5%. Continued production restraint will likely lead to continued, albeit slow, year-over-year stocks declines.

Competing Meat Production: Chicken, beef and pork production indicators all point to somewhat higher 2019 supplies. Chicken producers are currently experiencing record high stocks levels and very depressed pricing. Chicken producers are basically at the same point as turkey was in 2017 and early 2018. Their financial losses may act as a brake on expansion plans, but several new plants are scheduled to come on line in 2019.

Early 2019 Price Outlook: The modest price strength of late 2018 should continue into early 2019. While they are expected to slowly decline, stocks levels will continue to be more than ample through the first half of 2019. It appears that the worst of the prolonged over-supply period is over and the overall price trend should be slightly positive.

Notice: Key monthly turkey production, exports, imports, domestic use and stocks data and analysis are now on a dedicated page of the FarmEcon LLC website. These data are updated monthly on or about the date that monthly USDA exports and imports are released. That is generally late in the first week of the month. Data are currently up-to-date through October, 2018. November data will be added on about January 6 (if the current budget stalemate ends by January 2 and USDA employees get back to work).

This FarmEcon website feature is <http://www.farmecon.com/Pages/TurkeySupplyUseTracker.aspx>.

The site feature is being provided by FarmEcon LLC as a service to the turkey industry.