



# Trilateral Poultry & Eggs Update

**February 28, 2018**

## **Recommendations**

### **Poultry:**

- Poultry producers should be looking to hedge some of their 2018 input costs with the grain markets. The grains are in the process of bottoming and may have already put in a significant low that will last 9-18 months.
- [See Trilateral's Commodity Market Technical update](#)

### **Eggs:**

- The coming Easter holiday should provide support in the next few weeks. The number of layers reported by the USDA is certainly a bearish force and “should” keep a lid on any significant rallies. However, retail price wars (the fuel of the last better-than-expected rally) are probably not going away. Buyers should look for prices to retreat to early January levels after the Easter season. That would be a prudent point to contract 50% of your needs for 2018, leaving 50% open for further declines on global supply.

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# Market Highlights



## Poultry

- Cold Storage Chicken Stocks Down 1.2% m/m; Up 13.1% y/y
- Bloomberg: Chicken Cheapest In 12 Years
- Broiler Exports Down 5%
- Cut-up Parts Mixed With Softer Tone; Should Seasonally Rise
- China Removes Duties on U.S. Chicken but Market Remains Closed to U.S. Poultry and Egg Exports

[Read detailed recap](#)



## Eggs

- Eggs Demand Should Firm With Easter Coming
- Products Markets Are Mixed And Quiet
- Egg Production Down 1% Y/Y
- The Number Layers Producing Table or Market-Type Eggs Down Slightly, But Still 320 Million, Near Record
- Exports Up 5% y/y
- USDA Raises Egg Price Forecasts For 2018 Again
- Iowa Legislators Look To Require Stores To Carry “Conventional” Eggs
- Arizona Legislators Look To Extend Legal Shelf Life of Eggs

[Read detailed recap](#)

# Market Recap

## Poultry

- In USDA's Cold Storage report, **chicken stocks** were reported at 876.5 million pounds, down 1.2% from the previous month but 13.1% over a year ago. The figure was 19% above the five-year average of 737 million pounds. **Turkey stocks** were up 20.5% from end-December and 9.9% above a year ago. The end-January figure was 373.2 million pounds, 20.8% above the five-year average of 309 million pounds. Whole turkeys in the freezer warehouses as of Jan 31 were reported at 156.4 million pounds, up from 109.6 million the previous month and 124.5 million pounds a year ago. Tom turkeys were reported at 83.3 million pounds, up from 57.4 million the previous year. Turkey breast in storage was at 85.4 million pounds, up from 73.2 million the previous month and above the 73.9 million pounds a year ago.
- (Bloomberg) America's favorite meat is the cheapest it's been in at least 12 years. In the U.S., the average retail price for chicken breast fell to \$3.073 a pound in January, the lowest since the Bureau of Labor Statistics began collecting the data in 2006. Costs have been falling since 2013 thanks to a boom in grain supplies that's made it cheaper to feed birds and helped increase production. Output of other proteins is also on the rise, and U.S. supplies of red meat and poultry are set to reach a record. The outlook for bigger beef and pork production are helping to keep those costs lower and "should keep chicken prices in check," according to a report Monday from Morgan Stanley.
- Broiler exports in December were 571 million pounds, about 5 percent lower than a year earlier. Projected exports for 2018 were raised 40 million pounds, in part because the raised production projection would result in greater supplies of dark meat that are typically exported.
- **Whole Bird and WOG markets** have stabilized and are finding some support. Whole bird markets had declined, likely influenced by weather conditions. Now markets are moving sideways and will likely find some support in the coming weeks.
- **Breast meat markets** were flat this past week but should find strength in the coming weeks. Some shifts in production could influence the spread in prices between bird sizes. Jumbo breast meat is likely to find some support in the near future with increasing seasonal movement and some reduction in availability. Medium breast meat is expected to continue to be strong with good movement.
- **Tender markets** have started to decline rather sharply. It's likely that we have seen a build for foodservice promotions which contributed to the increase in tenders over the past couple weeks. Now that the buying for that has slowed markets are beginning to decline. We believe this decline will be short lived as we expect strength across the white meat cuts to begin in the next couple weeks with strengthening summer demand.
- **Wing markets** continue to decline which is typical this time of year and should find support in the next couple weeks. Markets typically decline at this time. Wing values have improved for the buyers at this point which could trigger some additional promotional activity around wings for summer pizza chain promotions. We could also see some building of wings in inventory during the summer months which should contribute to a floor in pricing in the coming weeks.
- **Dark meat markets** were mixed to slightly higher this past week. The US dollar has been weak improving the purchasing power of other countries. Export volumes appear to be strong with values rising given the lower dollar. International demand as the global economy continues to improve is expected to provide support. Debone dark has found strength with growing domestic movement.
- China's Commerce Ministry said it has removed anti-dumping and anti-subsidy duties on U.S. white-feathered broiler chickens, ending a years-long dispute between the world's largest economies amid growing tensions over agricultural trade. The move, effective on Tuesday, comes after a World Trade Organization ruling in January that obliged Beijing to lower the tariffs unless it appealed within 20 days. The tariffs were first imposed in 2010 and were extended for a further five years in 2016. The dispute has fueled concerns that soybeans might also be caught up in the trade actions. The move on broiler chickens is largely inconsequential for the American poultry industry, since China's 2015 ban on imports of U.S. poultry, poultry products and eggs due to avian influenza remains in place.

[See Poultry Charts and Tables](#)

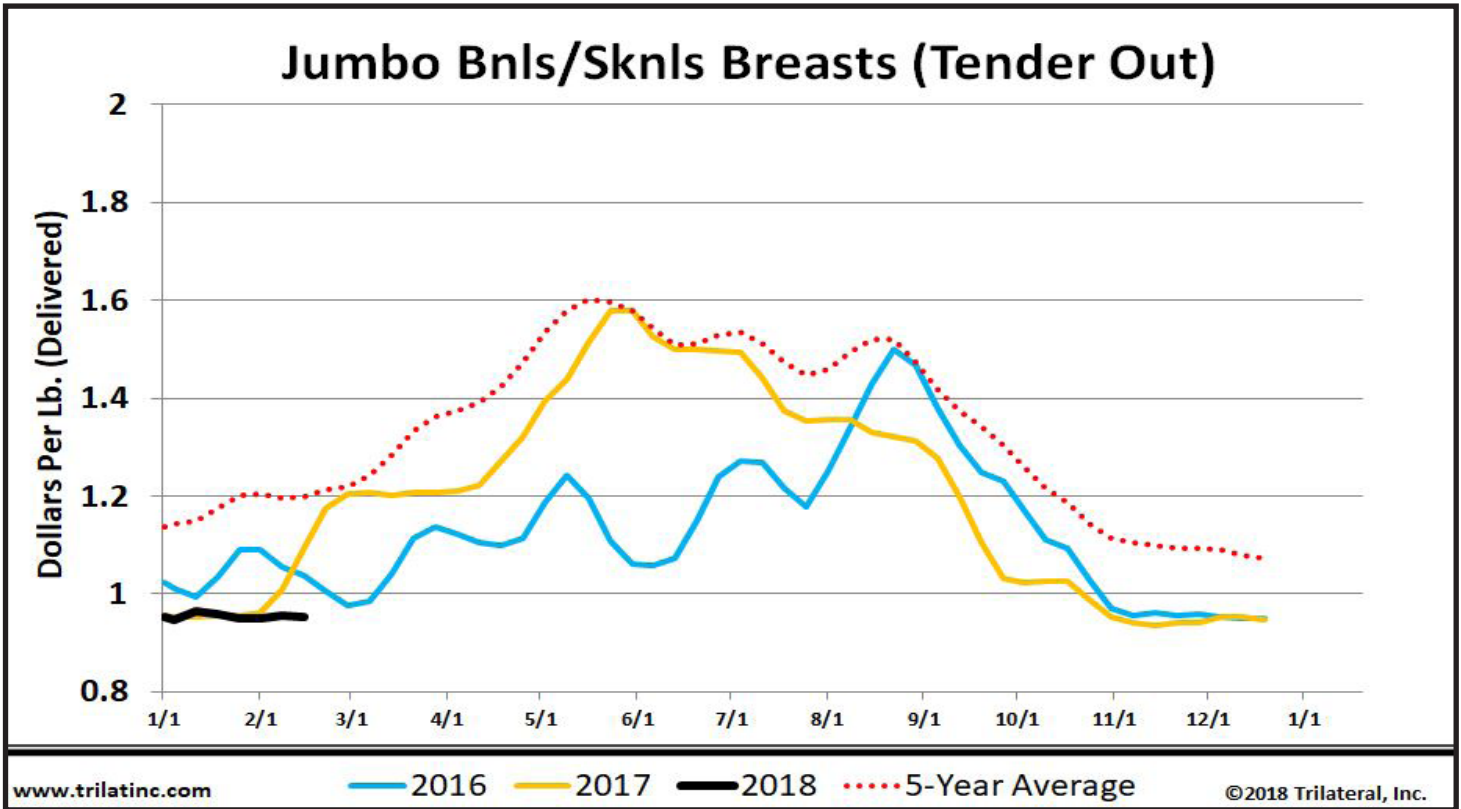
# Market Recap

## Eggs

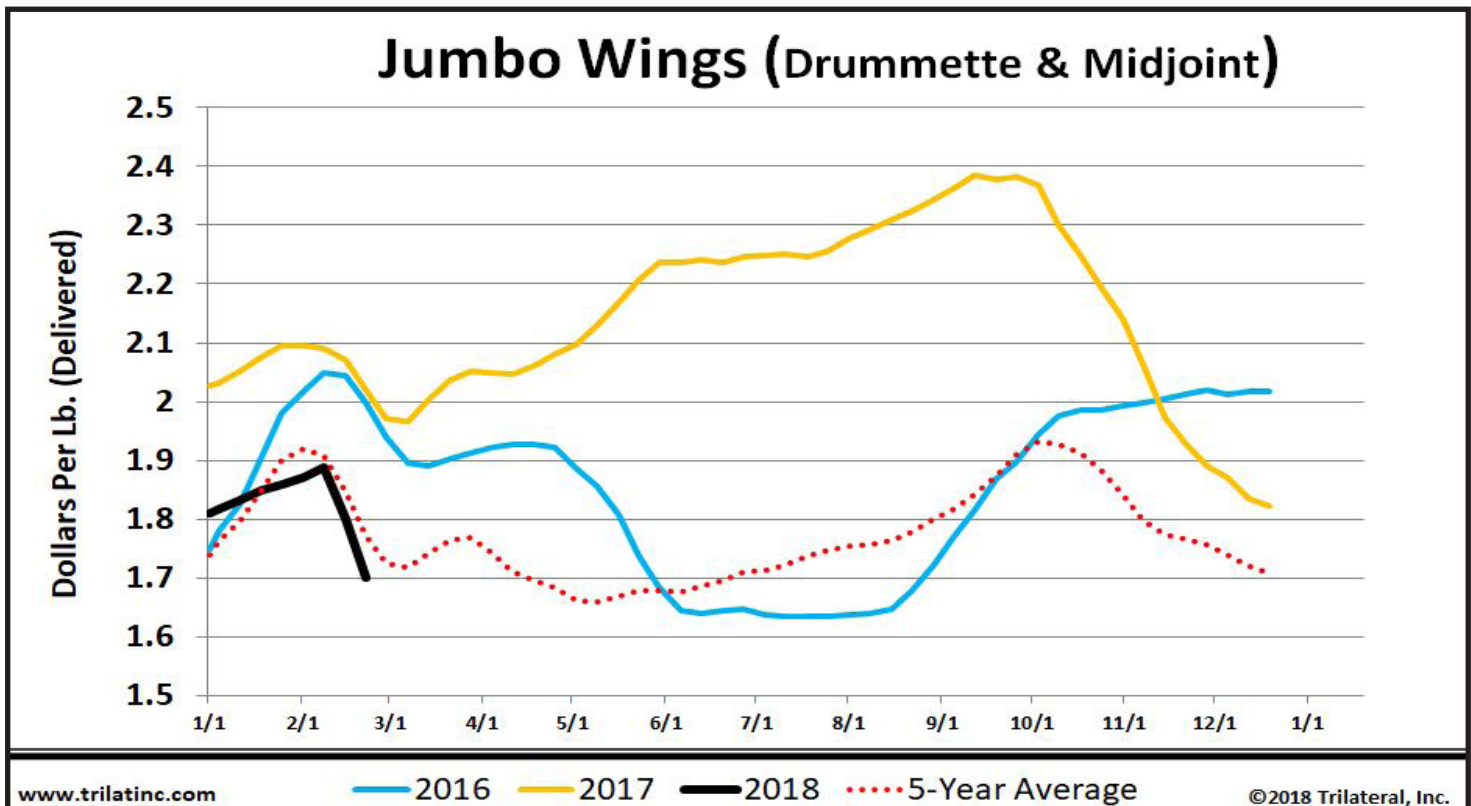
- While shell egg demand slowed for the second week in a row, the tide is likely changing with Easter on the horizon. Offerings are currently light, with supplies light to moderate in light of recent purchasing. Shell egg inventory is up 1% in the Midwest states. Undertone is higher across the board, with ads and market activity rebounding from a few weeks ago. Inventories on organic and cage free were up 7% and 3.8%, respectively.
- **Egg Products** The **breaking stock** is steady. Offerings are currently light for the most part, with breaking stock production down 3% from year ago levels and inventory down 1.5% week over week. The **liquid egg** are quiet. Market indications are higher for whole, yolks, and whites. This is the first demand uptick has been seen for yolks in quite a few weeks. Demand still best for whole and whites, with offerings the lightest for whole and whites. **Frozen egg** markets are mixed, but overall undertone steady to higher for whole and whites and lower on yolks. Demand is improved; with offerings light to moderate. Yolks continue to be in the lower market position, but have also improved in the last week. **Dried eggs** are higher on whites, steady to lower on whole and yolks. Offerings mostly light to moderate currently, with demand best for whites.
- Table Egg Production declined year over year during January to 653 million dozen eggs, a decrease of 1%. While the laying flock increased during the month, this increase was offset by a nearly 2% decline in eggs per layer per month. This decline is likely due to producers holding on to flocks longer than they otherwise would. Average laying flock for 2018 is expected to increase 2.6% to average 323.0 million hens per month overall, while eggs per layer is expected to see a slight decline of 0.5% for the year. All layers in the United States on February 1, 2018 totaled 382 million, up 1 percent from last year. The 382 million layers consisted of **320 million layers producing table or market type eggs**, 57.8 million layers producing broiler-type hatching eggs, and 3.42 million layers producing egg-type hatching eggs. Rate of lay per day on February 1, 2018, averaged 75.5 eggs per 100 layers, down 2 percent from February 1, 2017.
- According to the USDA's annual Chicken and Eggs report, United States Average Number of Layers Up 3 Percent: Layer numbers during 2017 averaged 376 million, up 3 percent from the year earlier. The annual average production per layer on hand in 2017 was 281 eggs, up 1 percent from 2016. United States Egg Production up 4 percent: Egg production during the year ending November 30, 2017 totaled 106 billion eggs, up 4 percent from 2016. Table egg production, at 92.1 billion eggs, was up 4 percent from the previous year. Hatching egg production, at 13.6 billion eggs, was down 1 percent from 2016.
- December exports of eggs and egg products were 28 million dozen (shell-egg equivalent), up 5 percent from last year. Shipments to Canada were over 3 million dozen higher than a year earlier. Japan, Hong Kong, and South Korean purchases continued to show strong growth. A few European countries, including Germany and Britain, also received more shipments. Mexico and Jamaica continued to show declines in export growth, down 1.6 and 1.4 million dozen, respectively.
- According to the USDA, wholesale egg prices (large grade A eggs, New York) in January were significantly higher than expected, reaching 186 cents per dozen by early February. The first-quarter projection was increased to 133-137 cents per dozen, and each subsequent quarter was increased a lesser amount as production growth should replenish the marketing channels. For 2018, **price projections were increased to 114-121 cents per dozen**.
- Legislators in Iowa are considering a bill that would require grocery stores that sell eggs and participate in federal food assistance programs to always maintain an inventory of "conventional" eggs for sale—meaning eggs laid by hens living in cages and typically produced by larger-scale operations. Senate Bill 2242, which was introduced by the Senate Agriculture Committee on February 12, has received initial subcommittee approval and will require full committee approval in order to move to the Legislature for a vote.
- In Arizona, That expiration date on the side of the dozen eggs you buy at the supermarket could soon have a bit less meaning. More than three decades after requiring that eggs be sold within 24 days after being laid, state lawmakers are moving to loosen those restrictions — to a full six weeks. Legislation offered by Rep. Jill Norgaard, R-Phoenix, would amend existing law to say the "sell by" date could be 45 days after an egg is "candled" and still be called AA eggs, the highest standard. That's actually longer than the U.S. Department of Agriculture permits for eggs with the agency's label. But eggs sold without that USDA blessing are governed by the laws of the state. And that's what Norgaard wants to change.
- [See Eggs Charts and Tables](#)



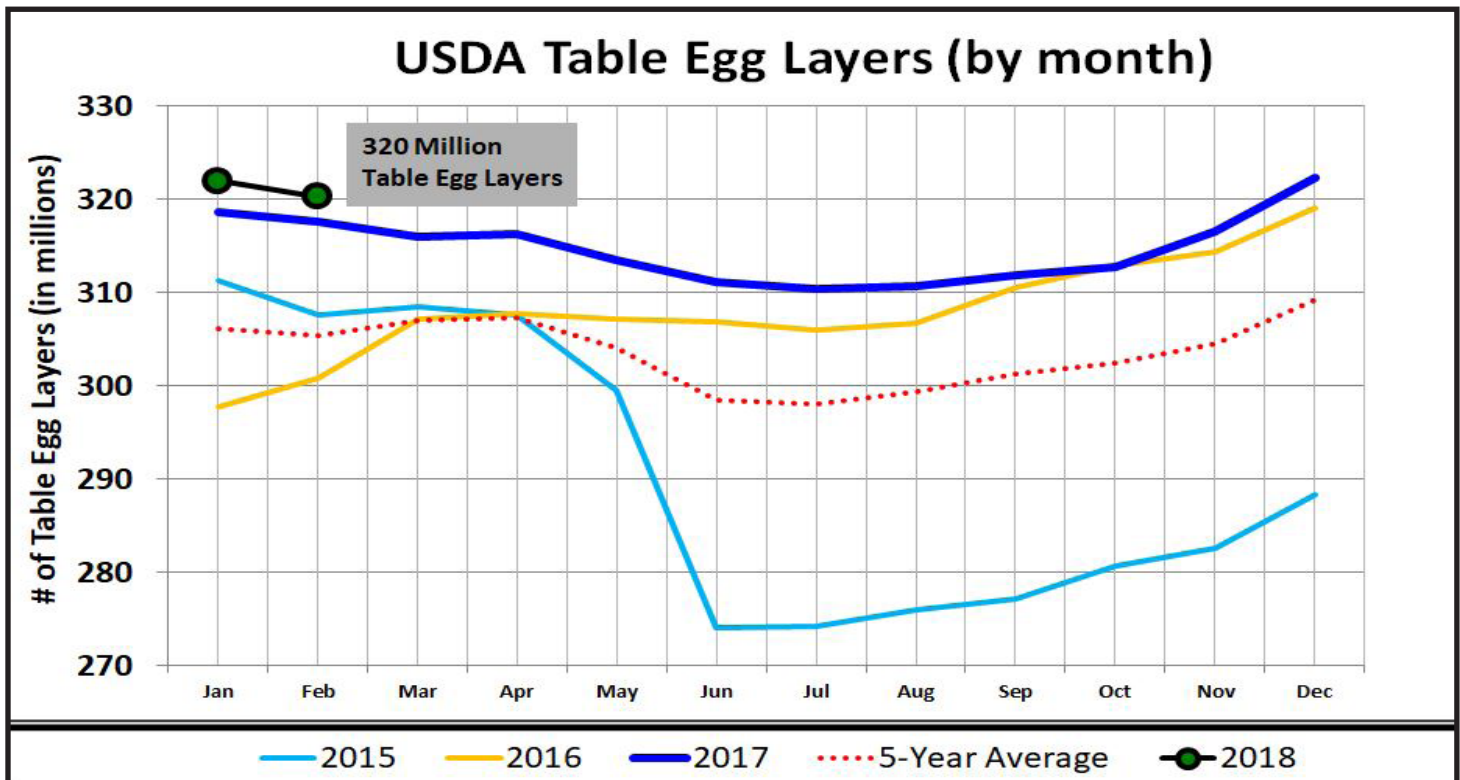
## Boneless/Skinless Breasts (Tender Out)



## Midwest Jumbo Wings



# USDA Table Egg Layers



# Midwest Table Eggs

