

## GRAIN BEAR MARKET HELPS THE WORLD POULTRY INDUSTRY

Corn and soybean meal prices are currently in a ferocious bear market. Ample world supplies combined with slow growth in demand is resulting in a windfall for the poultry industry. It is certainly not good news for grain producers, but it is great news for the poultry industry.

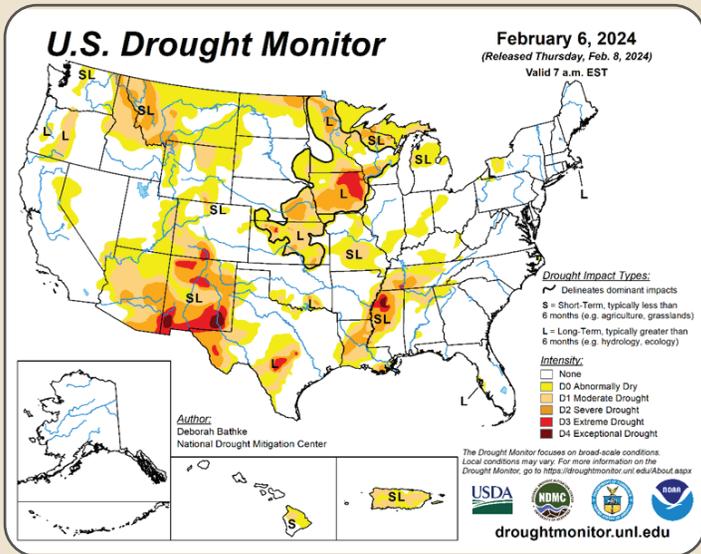
### March 2024 - Futures Corn Price in Chicago

High Price in 2023	\$6.05 bushel	\$240 / metric ton
Price Now	\$4.42 bushel	\$177 / metric ton

### March 2024 - Futures Soybean Meal Price

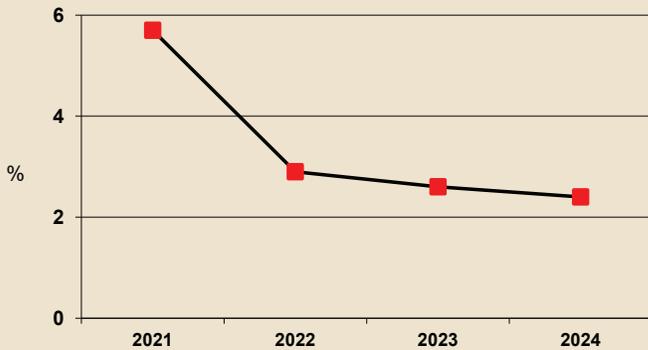
High Price in 2023	\$440 / short ton	\$484 / metric ton
Price Now	\$340 / short ton	\$374 / metric ton

Of course, the low-price party can be ruined by a drought in one or more of the important growing areas. Argentina had a severe drought last year which affected production, but Brazil made up for the shortfall. This year, Argentina had better but not perfect weather while Brazil had worse weather. The combined total production of the two countries continues to grow, up 6 MMT last crop year and up 7 MMT this crop year. The US flirted with a drought last year but managed a good harvest. It is too early to tell about this year, but the drought monitor below shows some parts of the Corn Belt in various stages of drought.



Is this the bottom of the bear market? It could be, however grain prices are tempered by a slow-growing world economy and increased grain supply. The bottom of the bear market might not come until crop year 2024-2025.

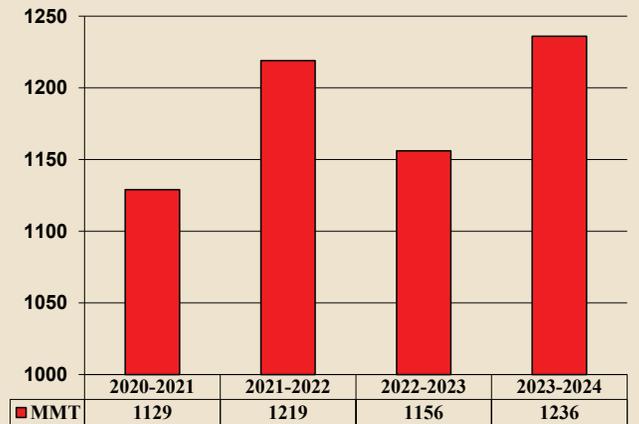
### World Economic Growth - World Bank



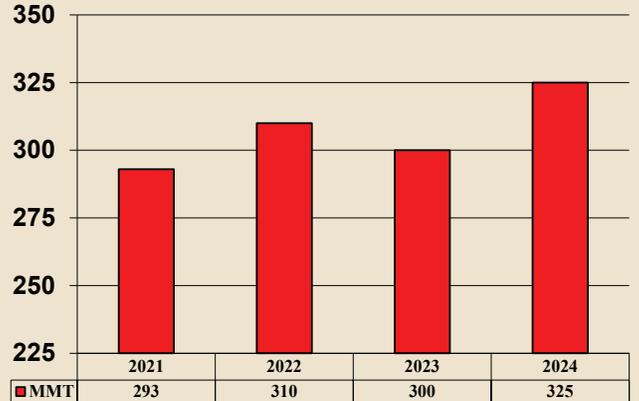
### Corn

World corn production is expected to rise this crop year (2023-2024) due to increases in the US, China, and Argentina. With higher production, and higher ending inventory, prices can be expected to average less than last crop year. The average price for last crop year was \$6.54 per bushel (\$262 per metric ton). The average is likely to be less than \$5.00 (\$200 per metric ton) this crop year and could be even lower next crop year if the bear market continues.

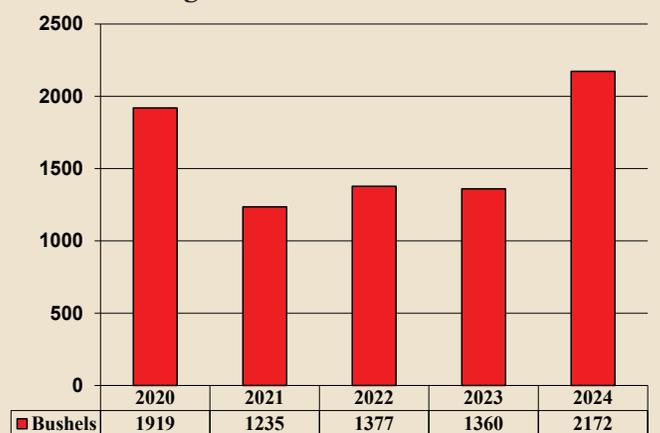
### World Production of Corn - Million Metric Tons



### World Ending Stock of Corn - Metric Tons



### US Ending Stock of Corn - Millions of Bushels



### Argentina Corn Supply and Demand - WASDE February - Million Metric Tons

	2021-2022	2022-2023	2023-2024
Harvest	50	35	55
Imports	0	0	0
Exports	36	24	41
Ending Inventory	1	1	1

Note: Production in Argentina was lower last crop year due to drought.

### Brazil Corn Supply and Demand - WASDE February - Million Metric Tons

	2021-2022	2022-2023	2023-2024
Harvest	116	137	124
Imports	2	1	1
Exports	47	56	52
Ending Inventory	4	10	6

**Ukraine Corn Supply and Demand  
WASDE February - Million Metric Tons**

	2021-2022	2022-2023	2023-2024
Harvest	42	27	30
Imports	0	0	0
Exports	27	27	23
Ending Inventory	5	2	5

**China Corn Supply and Demand  
WASDE February - Million Metric Tons**

	2021-2022	2022-2023	2023-2024
Harvest	273	277	288
Imports	22	19	23
Exports	0	0	0
Ending Inventory	209	206	212

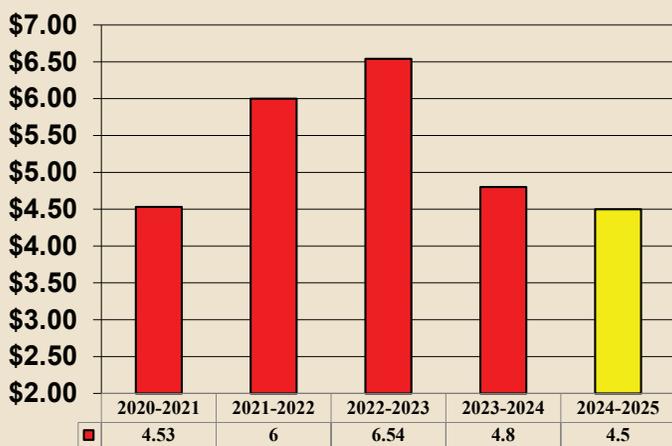
**US Corn Supply and Demand  
WASDE February - Million Metric Tons**

	2021-2022	2022-2023	2023-2024
Harvest	381	346	390
Imports	1	1	1
Exports	62	42	53
Ending Inventory	35	34	55

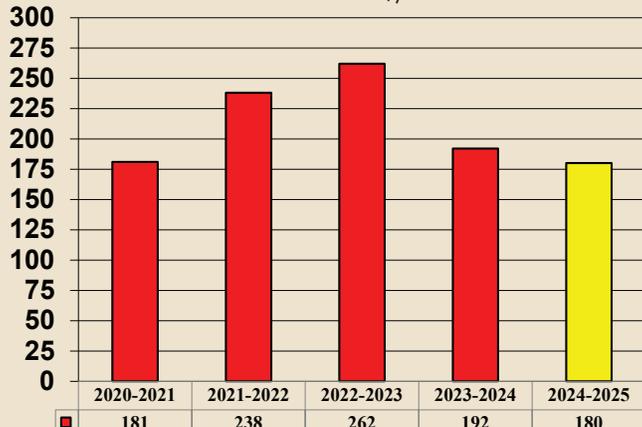
**US Corn Supply and Demand –  
WASDE February Millions of Bushels**

	2021-2022	2022-2023	2023-2024
Harvest	15,074	13,651	15,342
Supply Total	16,333	15,066	16,727
Ethanol	5,328	5,176	5,375
Exports	2,471	1,661	2,100
Feed	5,717	5,487	5,675
Total Use	14,956	13,706	14,555
Ending Inventory	1,377	1,360	2,172
Farm Price	\$6.00	\$6.54	\$4.80

**Average US Farm Price of Corn  
USDA to 2023-2024 - \$/Bushel**



**Average US Farm Price of Corn  
USDA to 2023-2024 - \$/Metric Ton**



**Soybeans**

Production in South America increased 10 MMT last crop year despite a severe drought in Argentina. The enormous capacity of Brazil to increase soybean production negated the effect of the drought in Argentina. This crop year will see an even larger increase in South America with much higher production in Argentina and slightly lower production in Brazil.

Production of soybeans in South America (Argentina, Brazil and Paraguay) is now twice as high as production in the US (221 MMT versus 113 MMT). More importantly, exports of beans and meal combined are 2.5 times as high as exports from the US. As a result, the most important clues as to what will happen to the future supply of soybeans and SBM now come from South America, not the US. Rising production in South America suggests that soybean meal will average no more than \$380 in this current crop year (\$418 per metric ton) as the USDA suggests and may drop further next crop year.

**Argentina Soybean Supply and Demand  
WASDE February - Million Metric Tons**

	2021-2022	2022-2023	2023-2024
Harvest	44	25	50
Imports	3	9	6
Exports Beans + Meal	31	25	29
Ending Inventory	24	18	26

*Note: Production in Argentina was lower last crop year due to drought.*

**Brazil Soybean Supply and Demand  
WASDE February - Million Metric Tons**

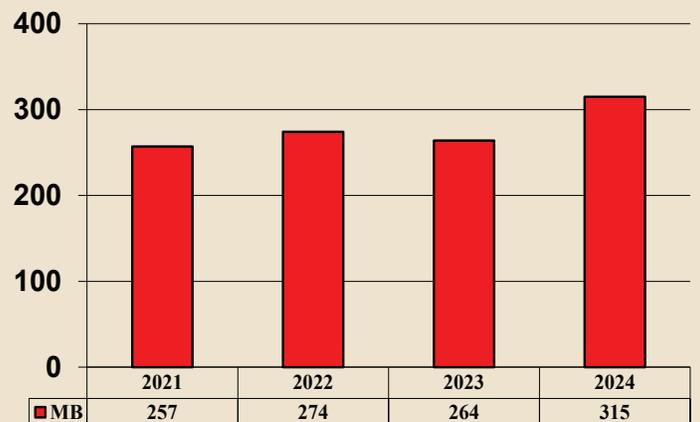
	2021-2022	2022-2023	2023-2024
Harvest	125	162	156
Imports	1	1	1
Exports Beans + Meal	100	116	121
Ending Inventory	21	37	36

**US Soybean Supply and Demand  
WASDE February - Million Metric Tons**

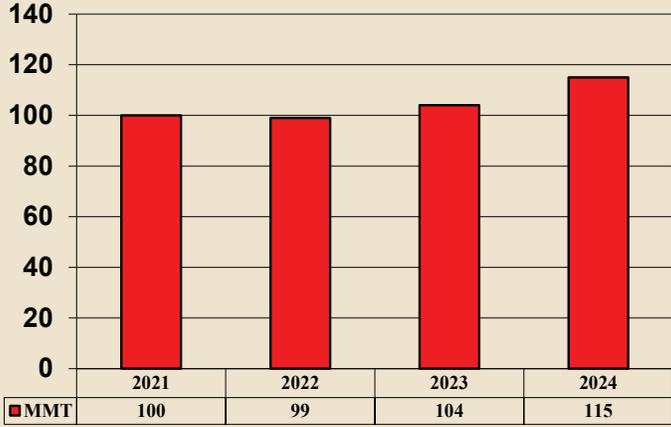
	2021-2022	2022-2023	2023-2024
Harvest	122	116	113
Imports	1	1	1
Exports Beans + Meal	70	67	61
Ending Inventory	7	7	8

As a result of much higher production in Argentina, world ending stocks are expected to be higher this crop year. Therefore, the current lower prices for soybeans and soybean meal can be expected to persist.

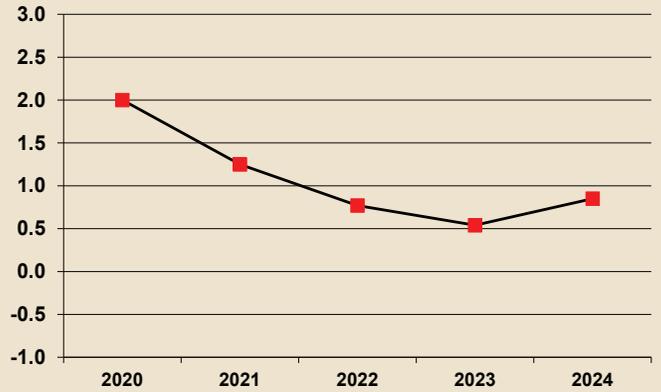
**US Ending Stock of Soybeans  
USDA - Millions of Bushels**



**World Ending Stock of Soybeans  
USDA - Million Metric Tons**



**Increase in World Broiler Chicken Production  
USDA - %**

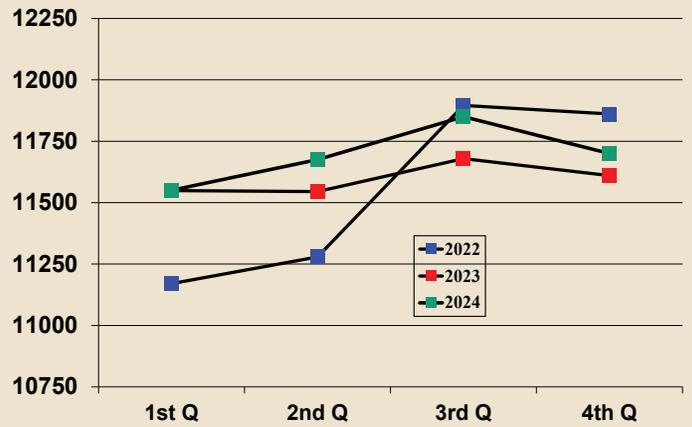


**US Soybeans - USDA  
WASDE February - Millions of Bushels**

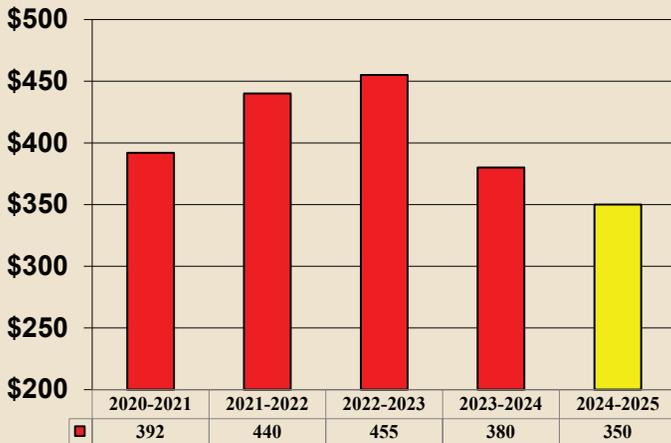
	2021-2022	2022-2023	2023-2024
Harvest	4,465	4,270	4,165
Total Supply	4,738	4,569	4,459
Export	2,158	1,992	1,720
Total Use	4,465	4,305	4,144
Ending Stock Inventory	274	264	315
Meal Price short ton	\$440	\$455	\$380

US production accelerated in 2022 leading to a sharp decline in wholesale prices. Low prices led to a decrease in year-to-year production in 2023. For all of 2023, percentage growth was only 0.4%. For 2024, the USDA predicts that growth will accelerate to nearly one percent.

**US Quarterly Broiler Production  
USDA - Million Pounds**

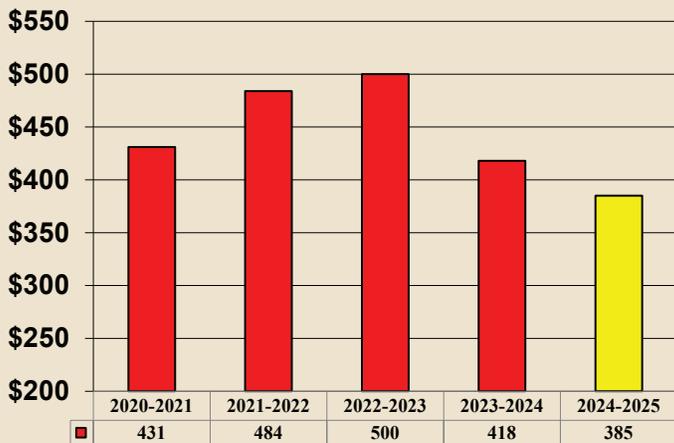


**Average US Crop Year Price of Soybean Meal  
USDA to 2023-2024 - Short Ton**



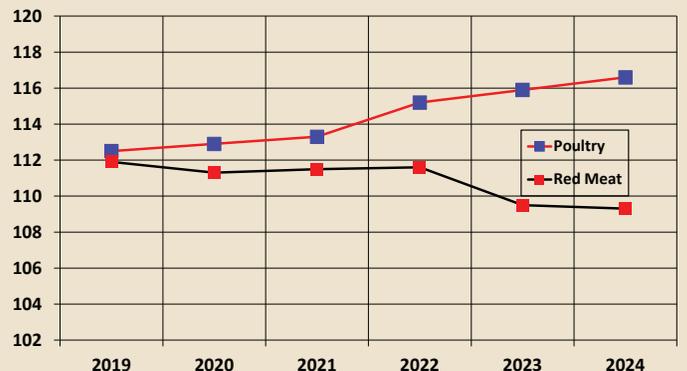
Poultry per capita consumption in the US has been rising recently while red meat per capita declined. Between 2022 and 2024, red meat per capita consumption fell by two pounds (1 kilo) while poultry consumption rose by one pound (1/2 kilo). In 2024 the beef industry is likely to reach the bottom of the beef cycle and production could increase in 2025 and beyond. It is interesting to note that total meat consumption increased only 1.5 pounds (0.7 kilo) from 2019 to 2024.

**Average US Crop Year Price of Soybean Meal  
USDA to 2023-2024 - Metric Ton**



The future may be a zero-sum game where total red meat and poultry consumption is relatively stable. In a zero-sum game, the increase in consumption of one meat would be matched by a decline in another meat. If that is true, it is likely that total red meat consumption per capita will continue to decline slowly while total poultry consumption per capita increases slowly.

**US Per Capita Consumption of Red Meat and Poultry  
USDA to 2024 - Pounds**



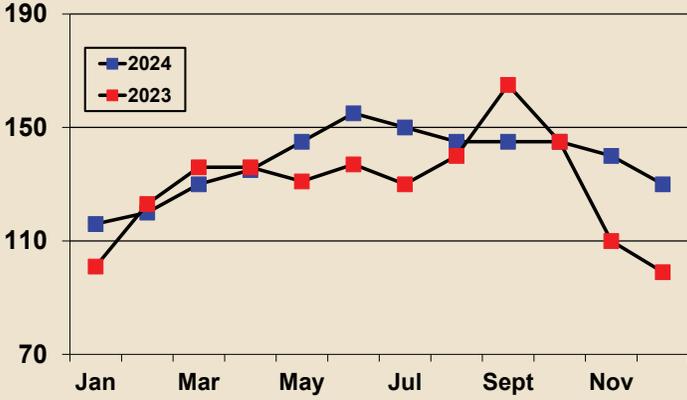
**Chicken Industry**

The world chicken industry expanded just 0.5% last year. Slow growth was due to a slowing world economy and relatively high grain prices in addition to some losses due to avian influenza. Despite lower grain prices, world production growth this year is again expected to be low; only 0.85%. With relatively few chickens and depressed grain prices, 2024 should be an excellent year for the world poultry industry.

**Deboned Breast**

Deboned breast meat prices fell in the last few months of last year but recuperated in the first two months of this year. Overall, prices this year are likely to be slightly higher than last year. Reduced supplies of red meat this year and a relatively robust US economy should help support the price of deboned breast.

**Breast - 2023-2024 USDA - National Price Cents/Pound - Future Months Estimated**



Due to the firm demand for chicken and low price of grain, chicken production in the US is currently profitable and is likely to continue to be profitable throughout the year.

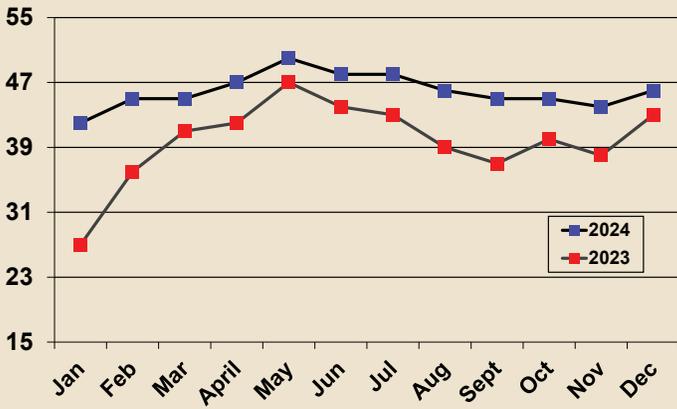
**US Broiler Chicken Industry Profitability February US Measure**

Frozen Leg Quarters	\$0.45 / pound
Deboned Breast	\$1.20 / pound
Wings	\$1.85 / pound
Chicago Corn	\$4.30 / bushel
Soybean Meal	\$347 / Short Ton
Total Wholesale Cost per pound	\$0.96
Revenue per pound	\$1.04
Gain (Loss) per pound	<b>\$0.08</b>

**Frozen Leg Quarters for Export**

Strong international demand for frozen leg quarters sent prices higher last year. Prices can be expected to continue to increase in 2024 to a high of approximately 50 cents per pound (\$1.10 per kilo) barring trade issues that restrict commerce.

**Leg Quarter Price - 2023-2024 USDA Frozen Bulk Export Cents/Pound - Future Months Estimated**



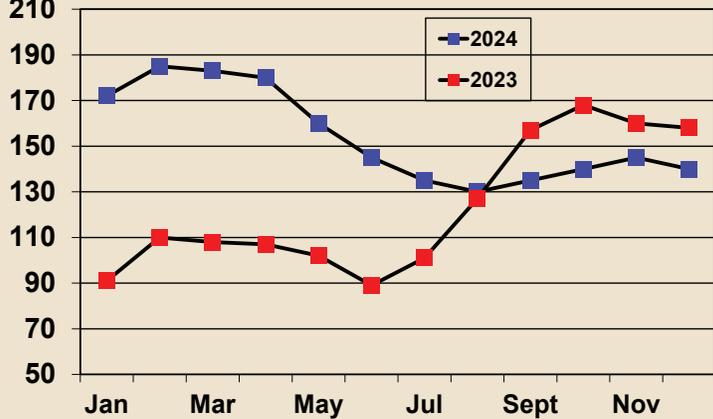
**US Broiler Chicken Industry Profitability February Metric Measure**

Frozen Leg Quarters	\$0.99 / kilo
Deboned Breast	\$2.64 / kilo
Wings	\$4.07 / kilo
Chicago Corn	\$169 / ton
Soybean Meal	\$382 / ton
Total Wholesale Cost per kilo	\$2.10
Revenue per kilo	\$2.29
Gain (Loss) per kilo	<b>\$0.19</b>

**Wings**

Wing prices are off to a remarkable start this year. The price is 75 cents per pound (\$1.65 per kilo) higher than last year at this time. Wings have soared high above that of deboned breast, not a sustainable situation. Wings can be expected to fall if deboned breast prices remain lower than wings.

**Whole Wing Prices - 2023-2024 USDA National Price Cents/Pound - Future Months Estimated**



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Dr. Paul Aho is an international agribusiness economist specializing in projects related to the poultry industry and has been a prolific writer in trade journals in both the United States and in Latin America. Dr. Aho now operates his own consulting company called "Poultry Perspective". In this role, he works around the world with poultry managers and government policy makers.

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