



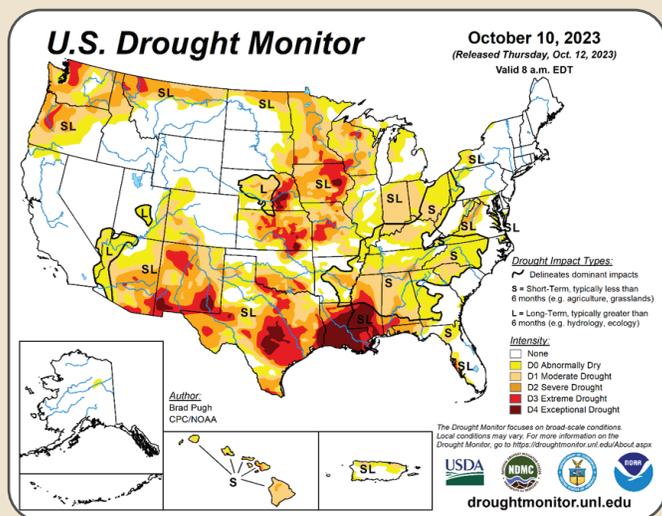
BROILER ECONOMICS

BY DR. PAUL AHO

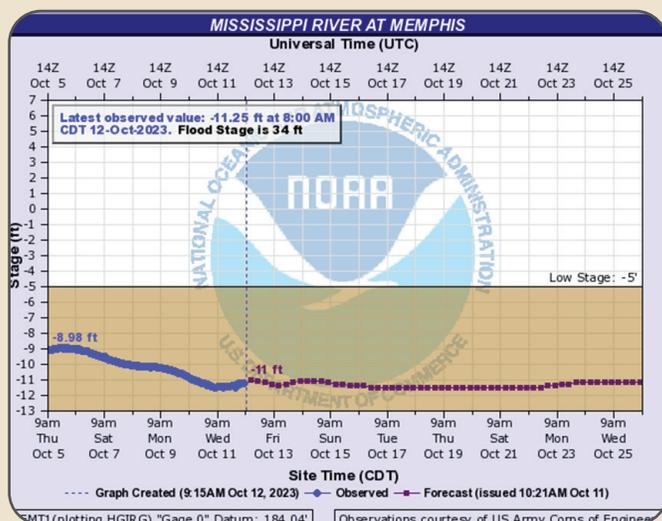
CORN BELT HARVEST UNDERWAY

A drought scare sent grain prices soaring earlier this year until just enough rain arrived to avert a disaster. Despite persistently dry conditions in the Corn Belt, a relatively good-sized crop is being harvested, a crop which will exceed that of last year.

The US Drought monitor shows the entire Corn Belt in various stages of drought from just abnormally dry to exceptional drought. It is a testament to modern agriculture that a good crop will be brought forth despite persistent drought.

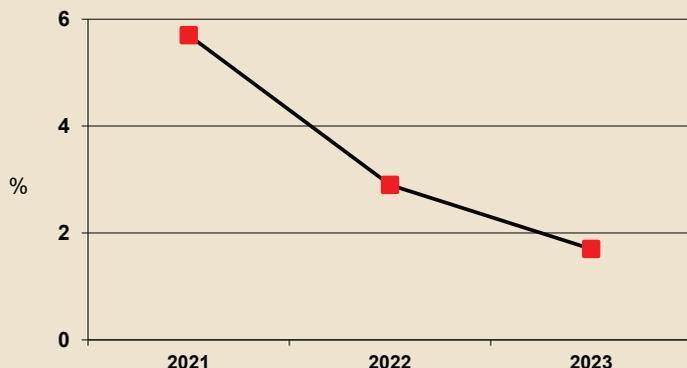


One unavoidable consequence of the lack of rain is low water on the Mississippi river. The river stage at Memphis, Tennessee is minus 11 feet, a point at which shipping is disrupted. If this year is like last year, the problem will clear up in the late fall with increased rainfall across the Mississippi watershed. Meanwhile, corn prices on the farm in the Upper Midwest will be unusually low and farmers will be reluctant to sell.



Over the next year, grain prices are likely to move sideways or down. Grain use will be tempered by a slowing world economy and grain supply will benefit from the shift from "La Niña" to El Niño in the Pacific. Grain prices could, of course, rise from some unexpected consequence of wars or a new severe drought.

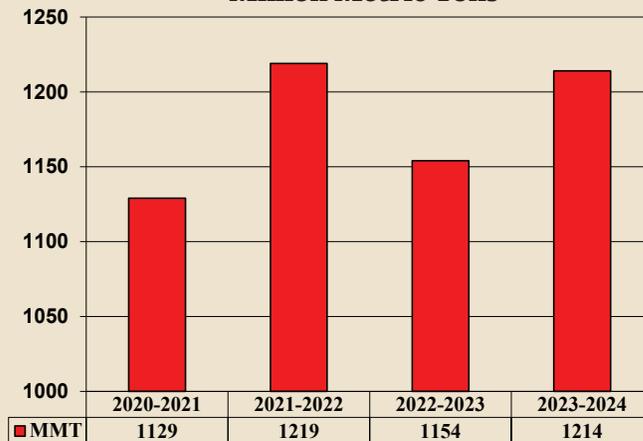
World Economic Growth World Bank



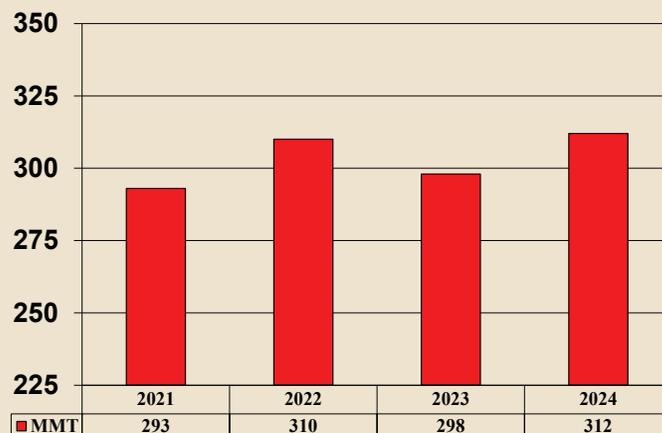
Corn

World corn production is expected to rise this crop year due to increases in the US, Brazil, and Argentina. With higher production, and higher ending inventory, prices can be expected to average less than in crop year 2022-2023. The current price of \$5 per bushel (\$200 per metric ton) may well turn out to be the average price for crop year 2023-2024. The average price for last crop year was higher; \$6.50 per bushel (\$262 per metric ton).

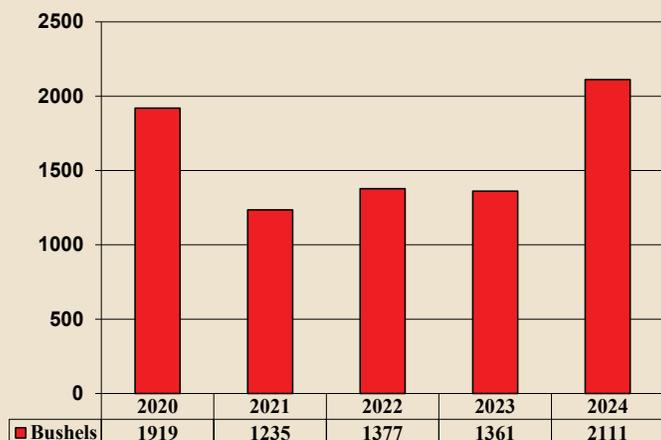
World Ending Production of Corn Million Metric Tons



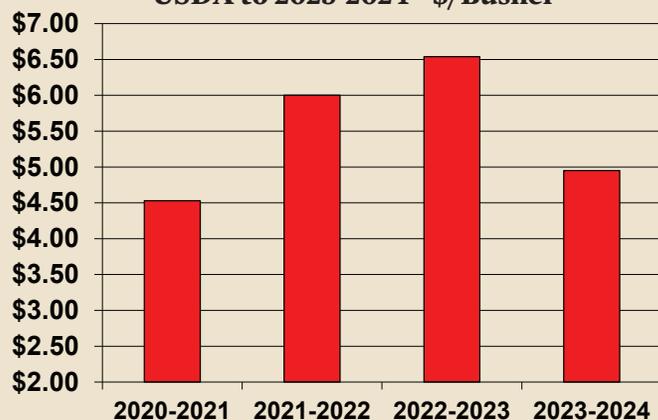
World Ending Stock of Corn USDA - Metric Tons



US Ending Stock of Corn Millions of Bushels



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



Argentina Corn Supply and Demand WASDE October 2023 - Million Metric Tons

	2021-22	2022-23	2023-24
Harvest	50	37	55
Imports	0	0	0
Exports	36	25	41
Ending Inventory	1	1	1

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

Brazil Corn Supply and Demand WASDE October 2023 - Million Metric Tons

	2021-22	2022-23	2023-24
Harvest	116	125	129
Imports	2	1	1
Exports	47	50	55
Ending Inventory	4	7	8

Ukraine Corn Supply and Demand WASDE October 2023 - Million Metric Tons

	2021-22	2022-23	2023-24
Harvest	42	27	28
Imports	0	0	0
Exports	27	27	19
Ending Inventory	5	2	5

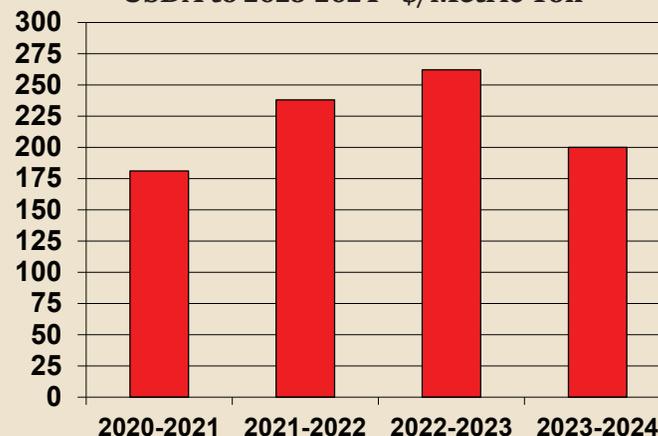
China Corn Supply and Demand WASDE October 2023 - Million Metric Tons

	2021-22	2022-23	2023-24
Harvest	273	277	277
Imports	22	18	23
Exports	0	0	0
Ending Inventory	209	207	201

US Corn Supply and Demand WASDE October 2023 - Millions of Bushels

	2021-22	2022-23	2023-24
Harvest	15,074	13,730	15,064
Supply Total	16,333	15,132	16,451
Ethanol	5,328	5,250	5,300
Exports	2,471	1,725	2,025
Feed	5,717	5,275	5,600
Total Use	14,956	13,680	14,340
Ending Inventory	1,377	1,452	2,111
Farm Price	\$6.00	\$6.54	\$4.95

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 could see much higher production increases in South America, perhaps as much as 32 MMT (23 in Argentina and 9 in Brazil).

Production of soybeans in South America (Argentina, Brazil and Paraguay) is now twice as high as production in the US (223 MMT versus 111 MMT). Therefore, the important clues about what will happen to the future price of soybeans and SBM now come from South America not the US.

Argentina Soybean Supply and Demand WASDE October 2023 - Million Metric Tons

	2021-22	2022-23	2023-24
Harvest	44	25	48
Imports	3	9	6
Exports Beans + Meal	31	25	30
Ending Inventory	24	18	24

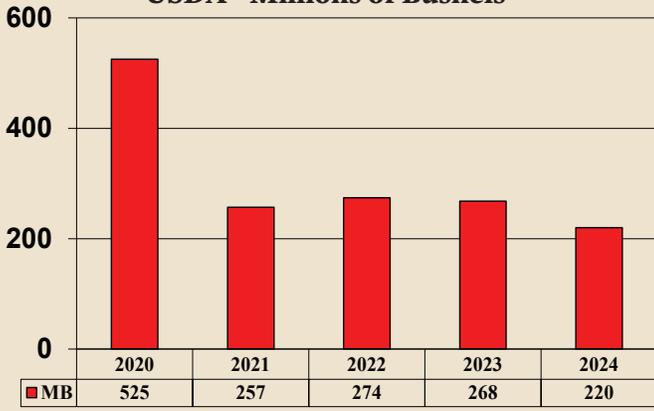
Note: Production in Argentina last crop year was lower due to drought.

Brazil Soybean Supply and Demand WASDE October 2023 - Million Metric Tons

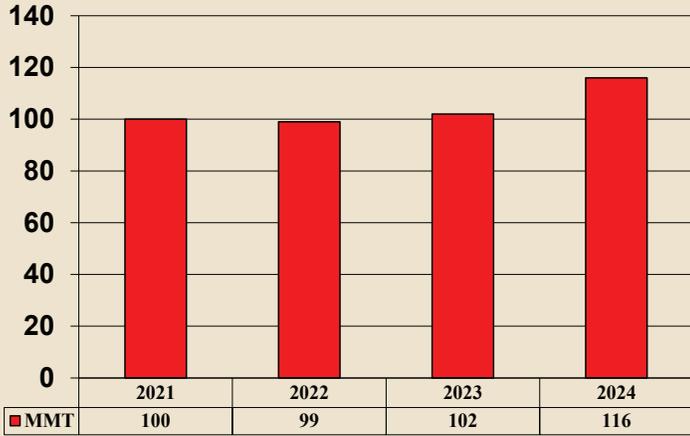
	2021-22	2022-23	2023-24
Harvest	125	154	163
Imports	1	1	1
Exports Beans + Meal	100	114	118
Ending Inventory	21	33	40

US ending stock fell somewhat this crop year while world ending stocks were remarkably stable in the light of the severe drought in Argentina. Lower prices next crop year 2023-2024 is a reasonable expectation given the likelihood of increased production in the Brazil and Argentina and the resulting higher world inventory.

US Ending Stock of Soybeans USDA - Millions of Bushels



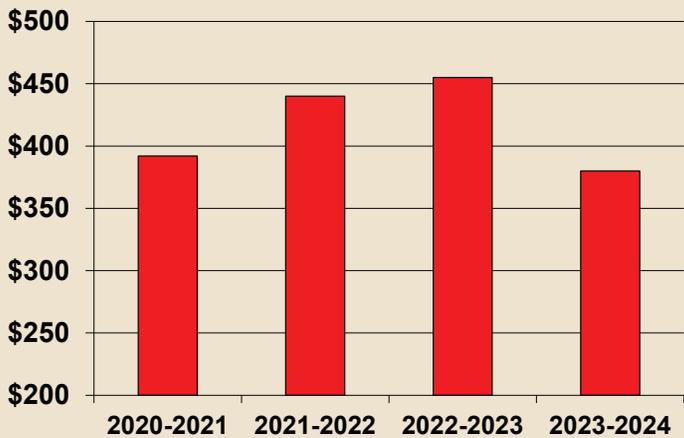
World Ending Stock of Soybeans USDA - Million Metric Tons



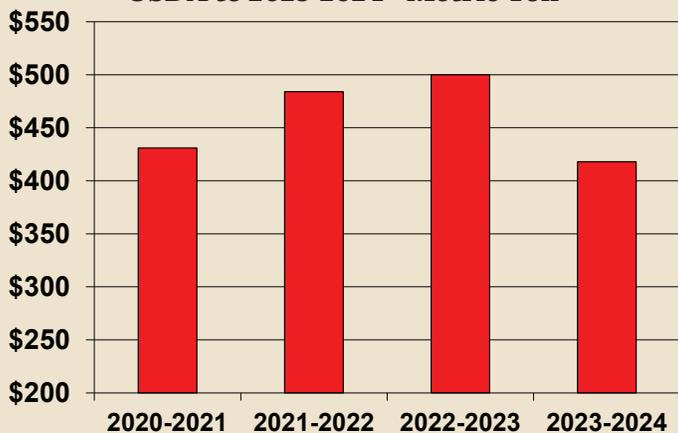
US Soybeans - USDA WASDE October 2023 - Millions of Bushels

	2021-22	2022-23	2023-24
Harvest	4,465	4,276	4,104
Total Supply	4,738	4,571	4,403
Export	2,158	2,000	1,755
Total Use	4,465	4,340	4,183
Ending Stock Inventory	274	260	220
Meal Price short ton	\$440	\$455	\$380

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



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

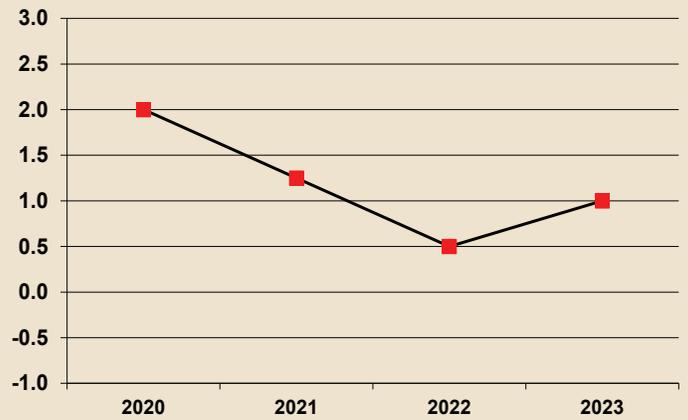


Chicken Industry

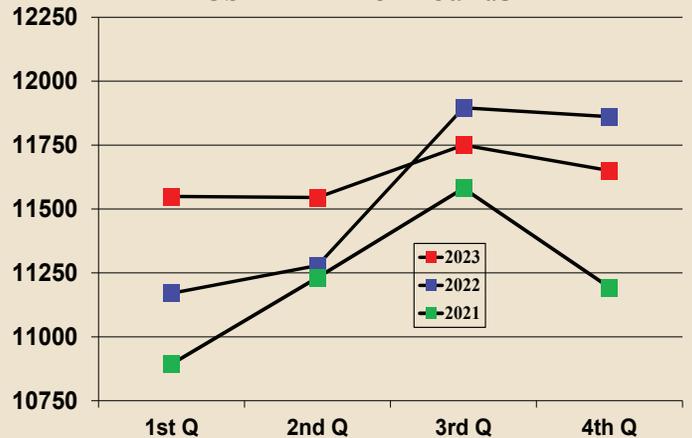
The world chicken industry expanded just 0.5% this year. Slow growth was due to a slowing world economy and recent relatively high grain prices in addition to some losses due to avian influenza. Production next year is expected to grow 1%. Normal growth in the world chicken industry is about 2% per year.

US production accelerated in the last half of 2022 leading to a sharp decline in wholesale prices. The increase year over year between August and November of 2022 reached 5.8%, an unusually high number. Low prices led to several plant closings this year and a decrease in year-to-year production for the 3rd and 4th quarters. For all of 2023 the USDA pegs production growth at 0.6% increasing to 1.3% in 2024, still a relatively low number.

Increase in World Broiler Chicken Production in % - USDA

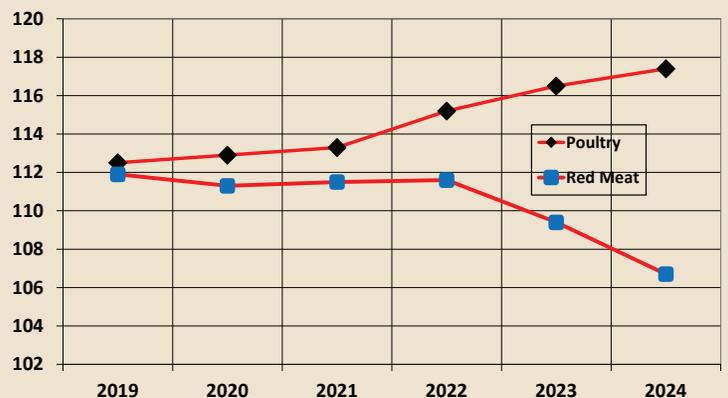


US Quarterly Broiler Production USDA - Million Pounds



Poultry per capita consumption in the US has been increasing recently while red meat per capita declined. This year, red meat per capita consumption is expected to fall by two pounds (1 kilo) while poultry consumption rises by two pounds (one kilo). Next year, poultry consumption is expected to continue increasing while red meat continues to fall. In 2024 the beef industry is likely to reach the bottom of the beef cycle. It is interesting to note that total meat consumption did not increase at all from 2019 to 2024.

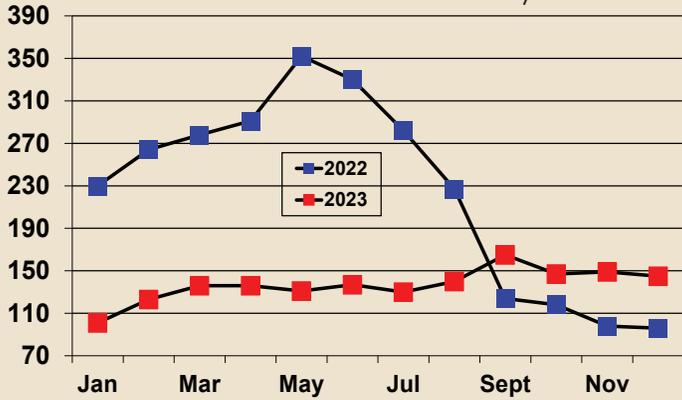
US Per Capita Consumption of Red Meat and Poultry USDA to 2024 - lbs



Deboned Breast

Deboned breast meat prices fell sharply in the last half of last year along with suddenly increased supply. This year, prices recovered from \$1.00 per pound at the beginning of the year to \$1.50. Overall, 2023 prices will average significantly less than in 2022. For 2024, prices can be expected to average higher than 2023.

**Breast National Price
USDA to 2022-2023 - Cents/lb**

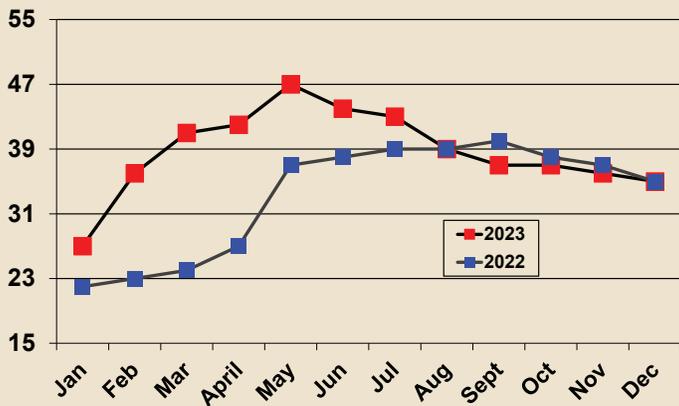


Price series started by USDA in October 2022

Frozen Leg Quarters for Export

Leg quarter prices also rose this year from 23 cents (51 cents per kilo) at the beginning of the year to 37 cents now (81 cents per kilo). Good international demand for frozen leg quarters sent prices higher. The average price in 2024 can be expected to be similar to the average price in 2023.

**Leg Quarter Price Frozen Bulk Export
USDA to 2022-2023 - Cents/lb**

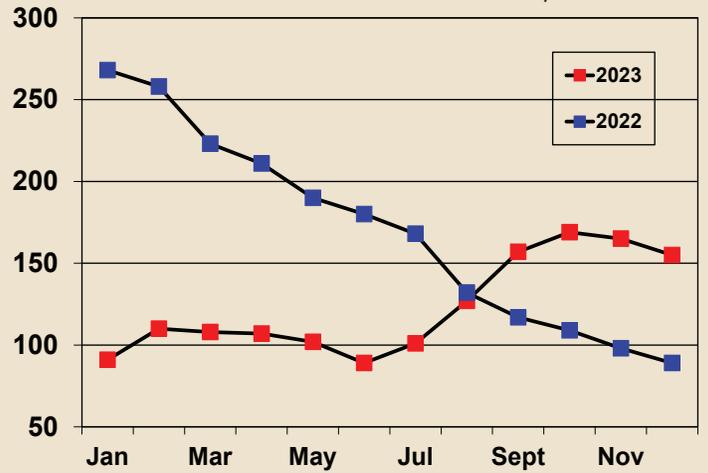


Price series started by USDA in October 2022

Wings

Wing prices also rose this year. From a price of just \$1 per pound (\$2.20 per kilo) at the beginning of the year, whole wings climbed to \$1.69 per pound (\$3.72 per kilo) now. Wings can be expected to continue to keep pace with deboned breast.

**Whole Wing Prices - 2022-2023
USDA National Price - Cents/lb**



Thanks to falling grain prices and rising chicken prices, production in the US is profitable. Barring any grain price surprise, the industry should remain profitable right through the normal winter seasonal downturn in prices.

October 2023 US Measure

Frozen Leg Quarters	\$0.37/lb
Deboned Breast	\$1.47/lb
Wings	\$1.69/lb
Chicago Corn	\$4.91/bushel
Soybean Meal	\$389/Short Ton
Total Wholesale Cost per pound	\$0.99
Revenue per pound	\$1.08
Gain (Loss) per pound	\$0.09

October 2023 Metric Measure

Frozen Leg Quarters	\$0.81/kilo
Deboned Breast	\$3.23/kilo
Wings	\$3.72/kilo
Chicago Corn	\$193/ton
Soybean Meal	\$428/ton
Total Wholesale Cost per kilo	\$2.18
Revenue per kilo	\$2.39
Gain (Loss) per kilo	\$0.20

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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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