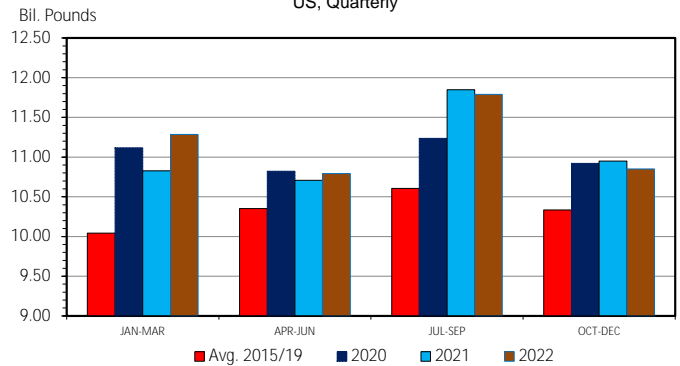


The chicken industry just finished off its eighth consecutive year of production gains that started in 2013. In most of those years, increases ranged between 1-3%. Last year production was up 1.5% which compares to the biggest annual gain of 3.8% in 2015, a response to collapsing feed costs of the prior 3-4 years and record high wholesale beef prices in 2014 and 2015. The beef price issue was primarily for lean beef trimmings, the primary component for hamburgers.

As 2021 gets underway, neither low feed costs or expensive hamburger raw materials are present as positive supportive economic influences for chicken production trends. Given the modest increase in chicken production last year, it is noteworthy that chicken production in the last three quarters of 2020 was down from the same quarters in 2019. The declines in production were consistent with rough measures of industry profitability that were falling short of year earlier values in the first quarter of 2020, even before the onset of the coronavirus pandemic. These diminishing profitability trends remained intact through the first few weeks of 2021. Hatchery activity through mid-February was down 1-2% from a year ago. Data for the latest reported week from USDA-National Agricultural Statistical Service (NASS) showed chick placements from hatcheries down 4% from a year earlier as severe winter storm conditions caused havoc in chicken production regions of the country. These declines in hatchery output should translate into similar declines in chicken production in late March and April.

Chicken production this quarter is projected to be down 2-3% by the Livestock Marketing Information Center (LMIC). Chicken production in January was down 9% from a year earlier, according to USDA-NASS. At the same time that chicken production is trending lower, announcements by fast food chains of new chicken sandwich offerings on their menus is spiking better demand for breast meat. Breast meat

RTC BROILER PRODUCTION US, Quarterly



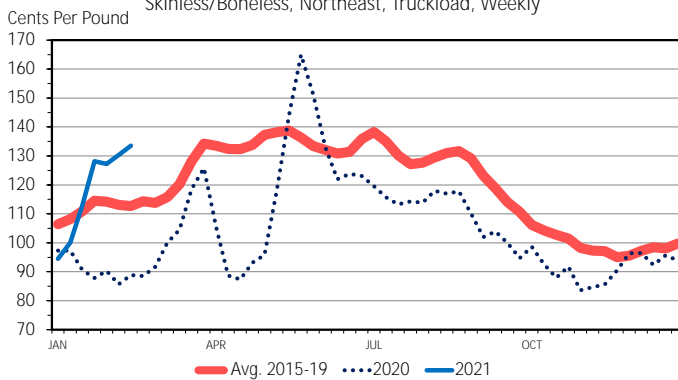
Data Source: USDA-NASS, Forecasts by LMIC
Livestock Marketing Information Center

02/19/21

prices have moved up 40% since the start of the year. Consumer demand for wings has continued to be robust, sustaining a trend that was instrumental to industry profitability during the last 6 months of 2020.

The timing of the price increases for chicken products will more than offset the surge in feed costs that began in the last half of 2020. This should lead to a profit recovery for the industry. Chicken production during the second quarter of the year should still come in short of a year ago given current hatchery output, but the profit recovery that is currently underway should lead to more hatchery output in the next month or two that will drive a respectable increase in chicken production by mid-year.

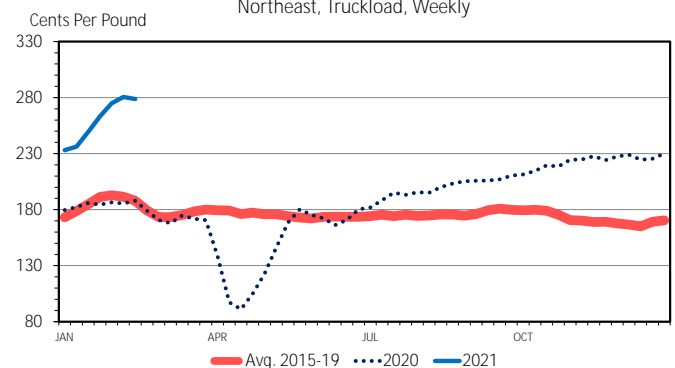
WHOLESALE CHICKEN BREAST PRICES Skinless/Boneless, Northeast, Truckload, Weekly



Data Source: USDA-AMS
Livestock Marketing Information Center

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WHOLESALE CHICKEN WING PRICES Northeast, Truckload, Weekly



Data Source: USDA-AMS
Livestock Marketing Information Center

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