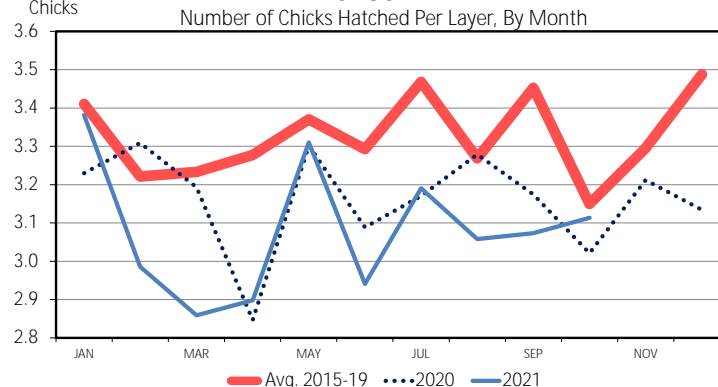


The broiler industry is gearing up to explode production in the first quarter of 2022. The latest Chicken and Eggs report by USDA NASS released on November 22, 2021 indicated that broiler hatchery units are rapidly expanding their hatchery supply flocks—a precursor to expanding broiler supplies.

In October, broiler-type chicks intended for hatcher supply flocks jumped 6% over a year ago. This is on the heels of four of the last five months posting year over year gains. Cumulative placements in U.S. based facilities are up 3 million birds compared to a year ago. U.S. facilities are not the only ones increasing breeding flocks, total placements—those intended to be placed in hatchery supply flocks world wide was also up 4%. Growing the hatchery supply flock is a calculated move, even though the level of broiler type chicks hatched has not increased substantially in recent months. October broiler-type chicks hatched was up 1% over last year. That’s at least in part because the average number of layers during the month only increased 1.7% or about 1.4 million birds in October. The average number of layers for broiler-type chicks will be worth watching to see how many of those intended for hatchery supply flocks are given the job of producing broiler chicks. Broiler-type layer productivity is also still below the five year average implying the broiler industry is still working through its fertility struggles.

WEEKLY AVERAGE BROILER-TYPE LAYER PRODUCTIVITY

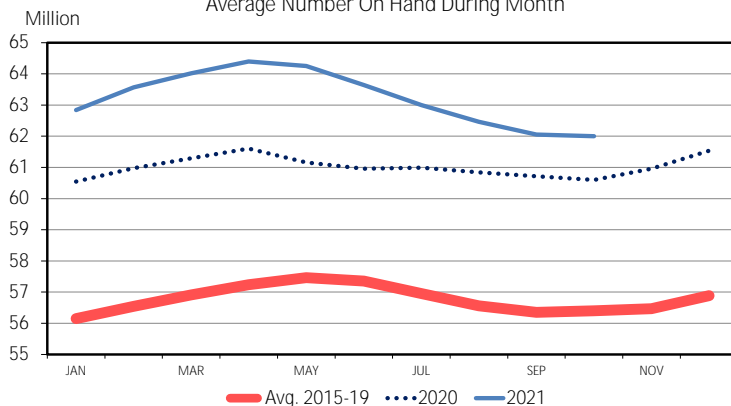


Data Source: USDA-NASS
Livestock Marketing Information Center

11/23/21

BROILER-TYPE HATCHING LAYERS

Average Number On Hand During Month



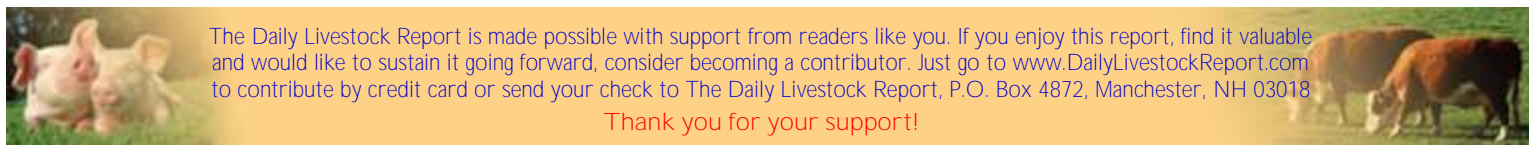
Data Source: USDA-NASS
Livestock Marketing Information Center

11/23/21

Livestock Marketing Information Center (LMIC) estimates 2022 broiler production numbers increasing 3% over 2021 numbers, which could be a conservative estimate if the breeding supply flock holds a 6% expansion figure by the end of the year and continues to see improvements in laying abilities.

This increase in chicken will come at a time when both beef and pork production are set to produce smaller numbers. LMIC is expecting annual beef production to fade 2% from 2021, while pork will be very similar to a year ago. Changes in pork and beef supplies are expected to add to live animal prices in the next year, which is likely to impact prices at the retail level. Retail prices of pork and beef are expected to increase not only from smaller supplies but also from inflationary pressure.

Chicken remains well positioned as an animal protein to capitalize from the price strength of competing meats as well as expanded broiler production. The short production cycle of broilers will also provide an added ability to change course should the system need to slowdown or speed up. Based on the current hatchery supply numbers, it appears the broiler sector will have the ability to produce more than 3% more chicken if is profitable in 2022. However, much of that profitability will depend on feed costs moving forward.



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