2006 Poultry Industry Outlook

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Poultry Outlook Summary

- Broiler producers enjoyed an excellent profit year in 2005 and will look to expand production by 4% to 5% again in 2006. Broiler prices fell only slightly from 2004's mid 70 cents per pound level despite a solid 4% growth rate in product. Producers have a strengthened export market to thank as bans on US exports were lifted, Asian production continued to suffer from Avian Influenza outbreaks, and Russia quotas expanded. With feed cost declining in 2005 and expected to remain low through 2006, profit prospects are such that US expansion may be more likely to exceed the 2005 growth rate. Even if growth trends to 5% in 2006, it now seems likely that broiler prices will remain above the 70 cents per pound level for the third consecutive year resulting in another banner profit year for the industry. Threats to the rosy broiler producer outlook are increased export competition from Brazil, the world's largest broiler exporter since 2004 and more Influenza related market disruptions. Also, the inability of white meat prices to hold the 2004 gains in 2005 may foreshadow continued deterioration in domestic product demand in the face of growing supplies of competing meats.

- Turkey producers held production gains in check despite good profits in 2005. Turkey exports rose by almost a third over 2004 resulting in more than a half pound less turkey per person for producers to move through the domestic market. Turkey production will increase by little more than 1% in 2006 and prices will likely fall into the mid-to-upper 60 cents per pound range for a yearly average price. Even with lower 2006 turkey prices, the industry will remain profitable as feed cost decline and production gains are not of the magnitude to overwhelm domestic markets.

- Egg producers are scheduled to increase production by about 2% but egg prices may continue in the mid 60 cents per dozen range again in 2006, considerably lower than the 80 cents per dozen record of only two years prior. If realized, egg producers will record the second consecutive year of marginal profits. Lower feed cost will cushion the 2006 profit picture but may be offset by higher transportation cost. The significantly improved egg export situation of 2005 could also prove beneficial to egg prices if gains are continued into 2006.

Broiler Profit Outlook

Broiler producers enjoyed an excellent profit year in 2005. Production gains were held to about 4% and the yearly price fell only slightly from 2004's very strong 74 cents per pound. A 12% growth in broiler exports absorbed a significant portion of the 2005 broiler production increase. Due to the export market growth, the 4% growth in production resulted in only about 1.5% more domestic broiler meat per capita.

US broiler meat exports grew as Avian Influenza bans were lifted and Russian quotas were expanded. In addition the weak US dollar supported expanded exports. Surprising growth also appeared in smaller markets such as the Caribbean, Cuba, and Eastern Europe. Dark meat broiler parts continue to be the primary beneficiary of export market growth with 2005 leg quarter prices well above 2004 for most of the year. The export market growth experience in 2005 is not likely to be repeated in 2006 with exports expected to grow more moderately, perhaps 2% to 3%. Brazil replaced the US as the world's largest broiler exporter in 2004 and will remain as the chief rival in world trade in 2006. Influenza trade interruptions may present either challenges or opportunities again in 2006.

Breast meat prices were actually below year earlier levels for most of 2005, stirring concern about domestic demand. White meat demand gains in 2006 may be limited with growing competing meat supplies and competition. Improved white meat demand will be needed to continue the sting of 70 cent per pound average prices into 2006 unless export growth continues to surprise.

With the recent string of profits and lower feed cost in 2006 brought on by large grain crops, broiler producers will likely increase production again by 4% or more. While increased energy prices may offset decreased feed cost, the profit outlook will still be favorable enough to lead to production gains at least equaling 2005's increase. If exports do not surprise again in 2006, domestic per capita broiler meat supplies will likely increase by almost 2 pounds. While such an increase will challenge domestic white meat demand, a third straight year of 70 cent per pound prices seems likely with prices falling only slightly from the 2005 level. Such prices will again leave the broiler producer strongly on the profit side of the ledger.

Broiler Outlook Summary

	2003	2004	2005	2006
Broiler Production (Mil. Lbs)	32,747	34,063	35,210	36,325
12 City Price (Cents/Lb.)	62.00	74.10	72.00	71.00
Yearly Cost of Production (Cents/Lb.)	49.00	48.50	48.00	47.50

Source: USDA and The University of Georgia

Turkey Prices and Returns

After actually cutting turkey production in 2004, producers again held the line in 2005. In addition turkey meat exports were up an outstanding 31% in 2005 leading to a domestic per capita turkey supply almost a half pound less than in 2004. The results of the production constraints and export growth have been back-to-back years of producer profits.

Turkey exports will not likely repeat the growth of 2005 in 2006 and thus production gains will have to be marketed domestically. With profitability comes the urge to expand. However, if turkey producers can hold gains to 2% or less in 2006, prices may only slip into the upper 60 cents per pound range from 2005's 72 cents per pound. Such prices should still leave the industry in the black with lower feed cost offsetting higher energy related production cost. Threats to 2006 turkey profits are increasing pork supplies and unexpected interruptions in export trade.

Turkey Outlook Summary

	2003	2004	2005	2006
Turkey Production (Mil. Lbs)	5,650	5,454	5,478	5,535
3 Region Price (Cents/Lb.)	62.10	69.70	72.30	68.00
Yearly Cost of Production (Cents/Lb.)	61.00	60.00	59.50	59.00

Source: USDA and The University of Georgia

Egg Industry Outlook

After two strongly profitable years, egg producers found profits illusive in 2005. While egg production grew only modestly, prices averaged almost 18 cents per dozen less in 2005 than in 2004. As producers reduced the flock size in respond to the sharply lower prices by mid year of 2005, prices climbed back into the 70's. Egg exports were higher in 2005 with the East Asian countries replacing Mexico and Canada as the US's chief world egg buyers. Processed egg exports were also significantly higher on the strength of Asian buyers. Hatching egg exports expanded with sharply higher exports to Brazil. Egg production expansion will likely be held to 2% or less in 2006. Asian export gains will likely hold in 2006 and thus prices may strengthen some over the 2005 average. However, price gains will not be sufficient enough to push producers into a clear average profit situation in 2006.

Egg Outlook Summary

	2003	2004	2005	2006
Egg Production (Mil. Doz.)	7,273	7,443	7,497	7,635
Grade A NY Price (Cents/Doz.)	87.90	82.20	64.00	65.00
Yearly Cost of Production (Cents/Doz.)	67.50	66.50	66.00	65.00

Source: USDA and The University of Georgia