

Special YTD 2009 Review Edition

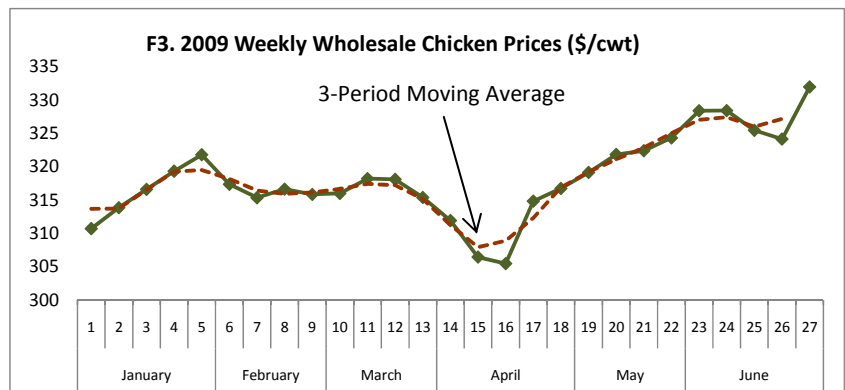
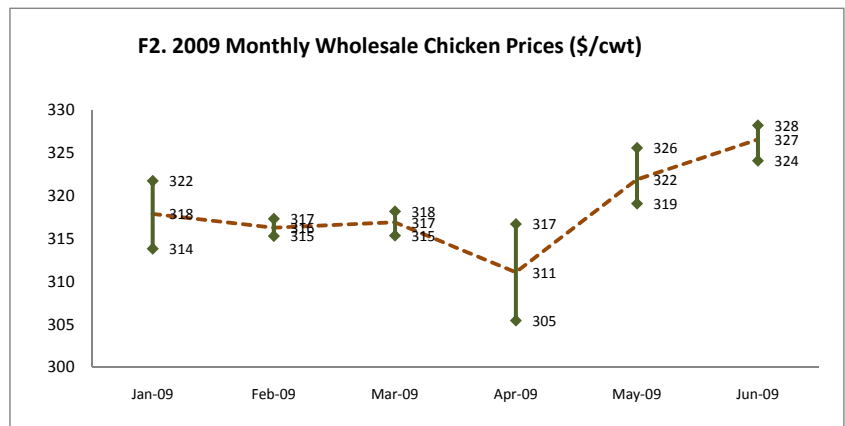
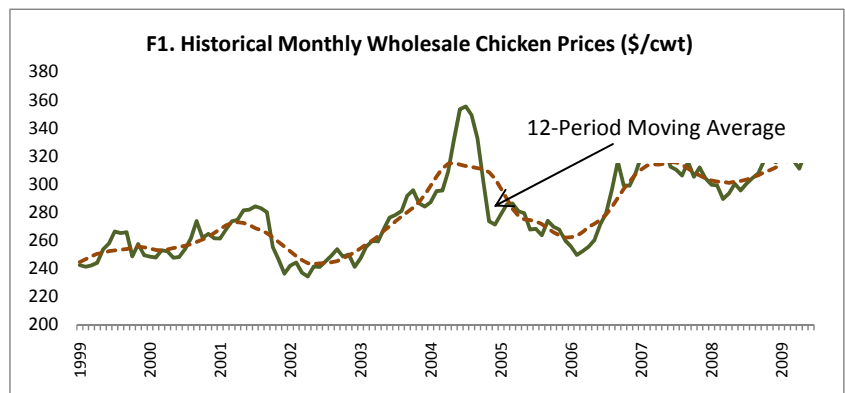
Readers please note that this edition of the Canadian Chicken Market Review will depart from the usual situation and outlook format. This edition will review the market information to date for 2009.

January-June wholesale prices continued the increasing trend

■ January-June 2009 wholesale prices¹ continued the increasing trend starting in May (F1-F3). The highest price was observed in June (\$3.28/kg). The lowest price, \$3.05/kg was observed in April. The composite price YTD average in 2009 was higher than YTD in 2003-2007 by 11.2% and higher than YTD in 2008 by 7.5% (Table 1).

■ Price variability in the reported period somewhat increased compared with the 2008 level. The average spread between monthly high and monthly low prices in 2009 (\$5.8/c/kg) was higher compared with spread in 2008 (\$5.7/c/kg) by 1%. The highest spreads between monthly high and monthly low prices were observed in April - about \$11.3/c/kg. The lowest price spread was observed in February - \$2/c/kg.

■ During the second quarter weekly prices exhibited more volatility. April-June average weekly² price percentage change was about 0.9% on an absolute value basis. Average weekly price percentage change in January-March was about 0.7%. The average weekly price change YTD in 2009 was 0.9%.



¹ CFC composite cutout value

² Week over week basis

■ US whole bird price YTD in 2009 increased by 36.1% compared with the related period of 2003-2007 and by 6.7% compared with YTD in 2008 (Table 1). The YTD 2009 US breast composite prices decreased compared with YTD in 2008 by 2% and compare with YTD in 2003-2007 by 9%.

Table 1.

YTD (January-May)	2003-2007	2008	2009	% Change (2009/2008)
Market composite (Can), cents/kg (Jan-Jun)	286	296	318	7.5%
Market composite (US), US cents/lb	92	94	100	6.7%
Feed cost, \$/ton	256	338	348	3.0%

■ Costs of the major feed ingredients increased in the reported period. Feed cost YTD in 2009 increased by 3.0%³ compared with feed cost YTD in 2008 and by 36.1% compared with 2003-2007 average period.

Increased retail prices were accompanied by decreased chicken consumption

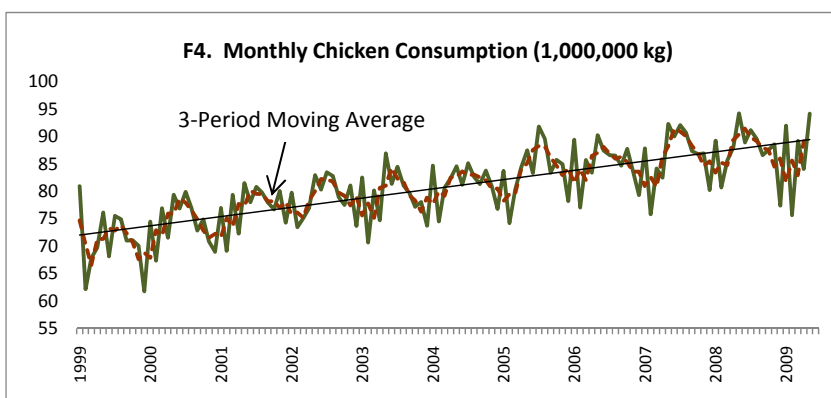
■ Like the wholesale prices, the retail prices increased in the reported period. Thus, Chicken CPI YTD increased compared with YTD in 2008 by 6.8%, or approximately 1.4% per month (Table 2). The Meat CPI YTD in 2009 increased compared with 2008 by 7.8%, and Food CPI YTD increased approximately by 7.2%.

■ Aggregate chicken consumption YTD in 2009 decreased compared with 2008 by 0.6%. Population, however, increased by 1.2%. As a result, per capita consumption YTD in 2009 was lower than in 2008 by 1.8%. In total, chicken consumption followed the historical seasonality pattern with lowest level occurring during early spring and peak occurring during summer time (F4).

■ The USDA expects some decrease in chicken consumption. Thus, according to USDA's World Ag Supply and Demand Estimates, the 2009 chicken per capita consumption (July estimate) is expected to decrease by about 3.2% compared with 2008. At the same time per capita pork consumption is expected to decrease less than 1%. Aggregate per capita red meat consumption is expected to decrease approximately by 0.3%.

Table 2.

YTD (January-May)	2003-2007	2008	2009	% Change (2009/2008)
Consumption, 1000 tons	412.2	438.0	435.1	-0.6%
Population (Q1-Q2), 1000	32,129	33,144	33,549	1.2%
Chicken CPI	113	125	134	6.8%
Meat CPI	105	107	116	7.8%
Food CPI	106	113	121	7.2%
Per capita disappearance, kg	12.8	13.2	13.0	-1.8%



³ Wallenstein Feed estimate

Canadian supply was lower on YTD basis

■ Total supply YTD in 2009 was lower compared with YTD in 2008 by 2.2% (Table 3). The decrease was mostly due to a decrease in both domestic production and stocks. Chicken production YTD in 2009 decreased by 1.9% versus YTD in 2008, and stocks YTD decreased by 4.5%.

■ It was indicated that the stocks decreased in the first half of 2009 compared with 2008 (4.5%). The stocks were significantly higher over YTD in 2003-2007 – 20.7%. Despite the radical changes, such a process is consistent with the long-run periodicity (F7.).

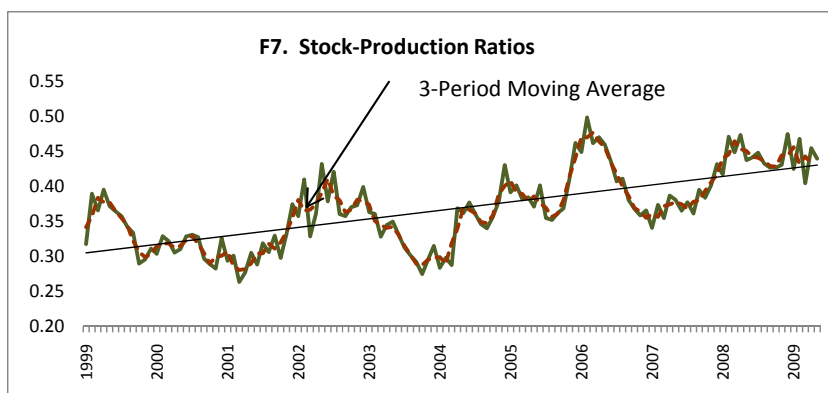
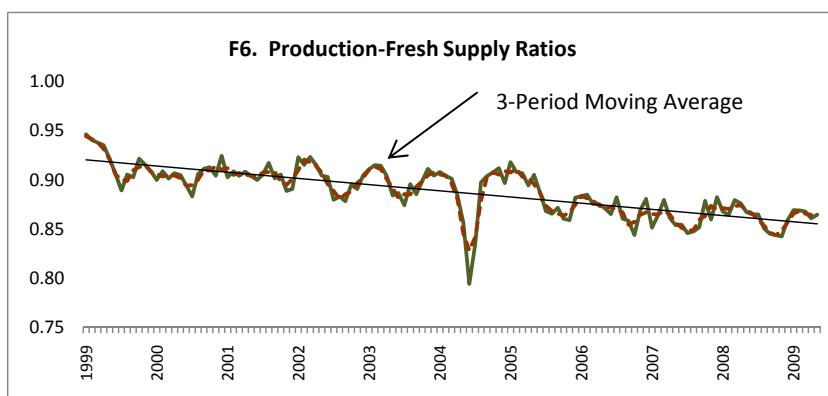
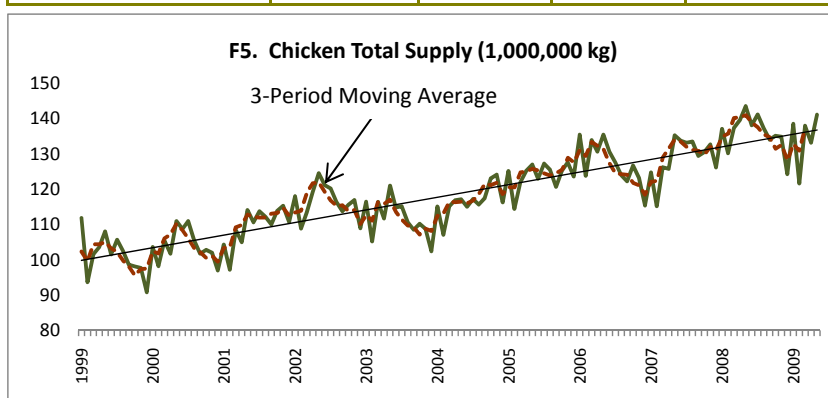
■ Imports increased from 63.8 thousand tones in 2008 to 65.3 in 2009 or about 2.3%. Exports decreased from 55 thousand tons in 2008 to 54.1 in 2009 (1.7%). US broiler exports increased on YTD basis – about 5% compared with YTD in 2008. The exports increased to Mexico, China, Iraq, Angola – by 37%, 5%, 730%, and 520%, respectively. US decreased broiler exports to Canada by 3%.

■ Although total Canadian imports increased on YTD basis, imports of live chickens, whole carcass, and bone in legs, boneless parts decreased by 41%, 26%, 31%, and 50%, respectively. Imports of bone in breasts, bone in parts, boneless breasts increased compared with YTD in 2008 by 4%, 19%, and 23%, respectively.

■ The share of domestic production in fresh supply has been fluctuating around a decreasing trend (F6), indicating that the domestic production has a tendency to occupy a smaller share of Canadian chicken market. Production-Fresh Supply Ratio⁴ YTD in 2009 was about 0.5% lower over 2008 and about 2.5% lower over YTD in 2003-2007.

Table 3.

YTD (January-May)	2003-2007	2008	2009	% Change (2009/2008)
Total Supply, 1000 tons	608.6	687.9	672.6	-2.2%
Stocks, 1000 tons	30.6	38.7	36.9	-4.5%
Production, 1000 tons	404.6	430.8	422.7	-1.9%
Import, 1000 tons	51.1	63.8	65.3	2.3%
Export, 1000 tons	43.4	55.0	54.1	-1.7%
Import-Export Ratio	1.20	1.17	1.21	3.7%
Production-Fresh Supply Ratio	0.89	0.87	0.87	-0.5%
Stock-Production Ratio	0.38	0.45	0.44	-2.5%



⁴ Calculated as a ratio of monthly production to monthly fresh supply

Margins increased on YTD basis

■ Producer, processor, and retailer margin indexes increased on YTD basis. The processor margin indexes YTD in 2009 increased compared with YTD in 2008 by 6.7%; producer margin indexes increased by 14.1% ; the retailer margin indexes⁵ YTD in 2009 increased by 3.6%. The producer margin index was significantly outperforming of those of processor and retailer. The spread between the processor and the retailer margin indexes did not change much compared with the first half of 2008 and accounts approximately 0.96. However, the spread was still significantly higher compared with YTD in 2003-2007 (0.75) – about 28%, indicating that difference between retailer and processor margin index growth rates has increased compared with average 2003-2207.

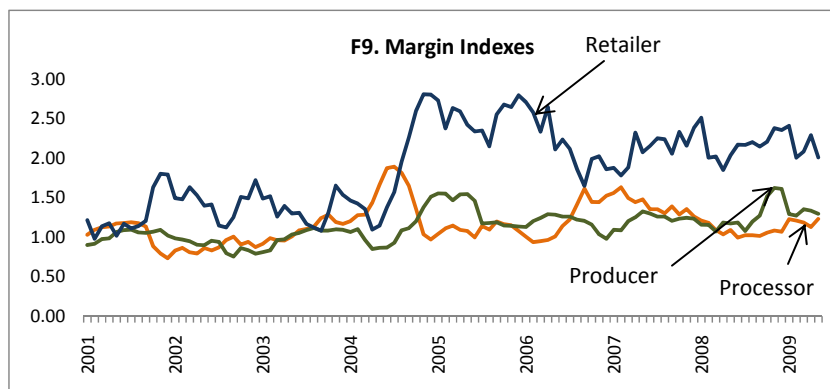
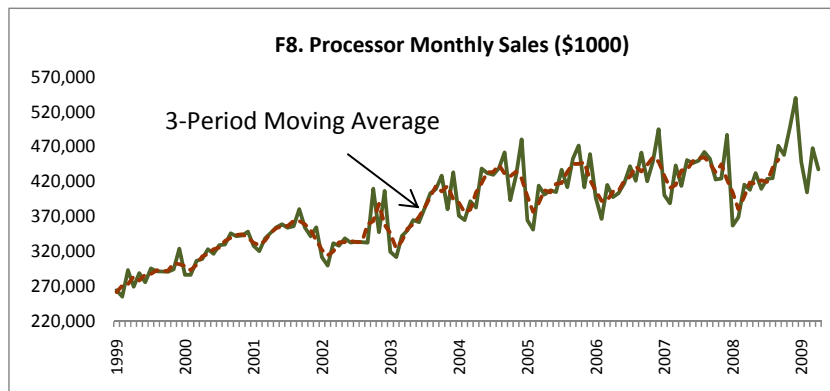
■ Processor sales increased significantly in 2009. Compare to YTD in 2008 the increase is about 13.5%. Such an increase may be attributed to higher 2009 wholesale price level (given declining production).

■ Although the processor sales significantly increased in the reported period, it is still consistent with long-term seasonal pattern with higher sales in summer months and lower sales during spring and fall (F8).

■ Based on the 19 states data, US chick placement was significantly lower compared with YTD in 2008. Eastern US broiler margins were positive for most part of January-June 2009 in contrast with negative margin YTD in 2008.

Table 4.

YTD (January-May)	2003-2007	2008	2009	% Change (2009/2008)
Processor Sales (Jan-Apr), \$1,000,000	1,519	1,551	1,759	13.5%
Processor Margin Index	1.17	1.15	1.31	14.1%
Processor Margin Index	1.18	1.12	1.19	6.7%
Retailer Margin Index	1.94	2.08	2.16	3.6%



Wholesale market responded to decreased supply in domestic and US markets

In the first half 2009 the wholesale chicken market was driven mostly by decreases in both domestic and US supplies. As a result, the January-June 2009 domestic wholesale composite price was shifted up by 7.5% compared to 2008. US wholesale market composite showed similar tendencies. Decreasing the chicken domestic disappearance in January-May 2009 indicates that increased retail prices affected the chicken consumption on both aggregate and per capita basis. The spread among the retailer and the processor margins remained mostly stable. Whether the prices continue to increase further or stay at the current plateau depends on many factors – especially on the domestic consumer behaviour and stability of North American grain and feed markets. The later showed the increase in costs of the major chicken feed components for the most part of January-May 2009.

⁵ Calculated as a ratio of corresponding monthly gross margin to 2000 (base) annual average level.