# Canadian Chicken Market Review

Market Analysis for the Chicken Industry

December 2010

## Special YTD 2010 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 2010***

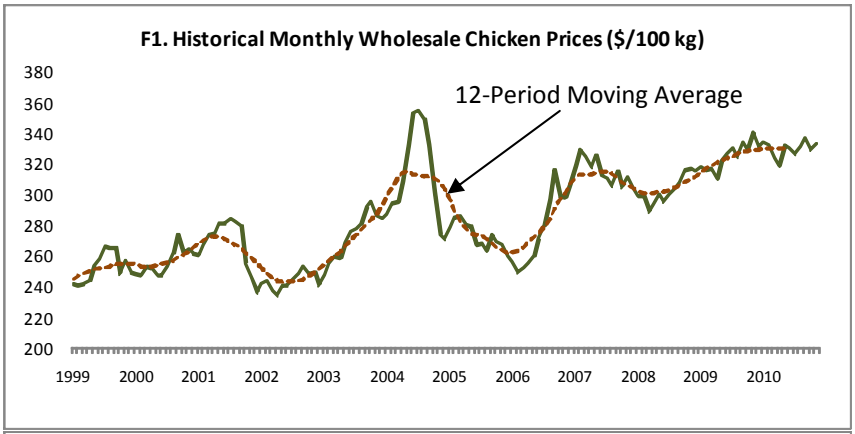
## January-November wholesale prices reached highest historical record

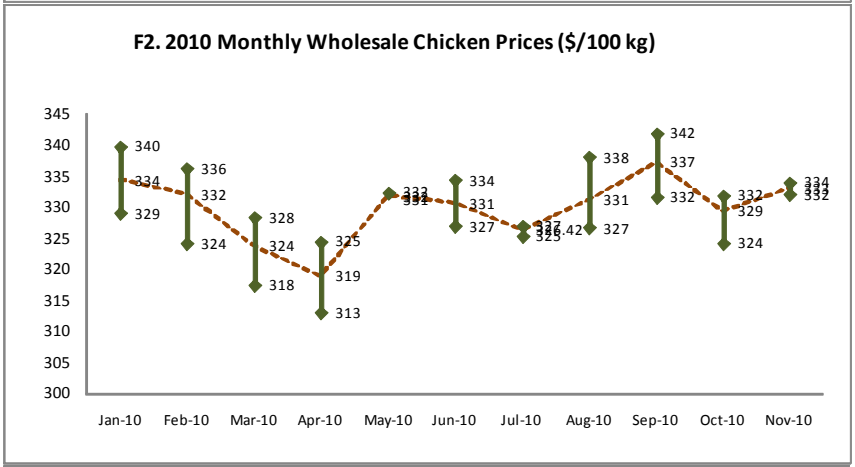
■ January-November 2010 wholesale prices[1] showed a tendency to stabilize after almost two years of increases starting in March 2008. During that time prices reached new historical maximums (F1). The highest price was observed in the September 2010 ($3.37 /kg). The lowest price, $3.19/kg, was observed in April. The composite price YTD average in 2010 was higher than YTD in 2004-2008 by 11% and higher than YTD in 2009 by 1.6% (Table 1).

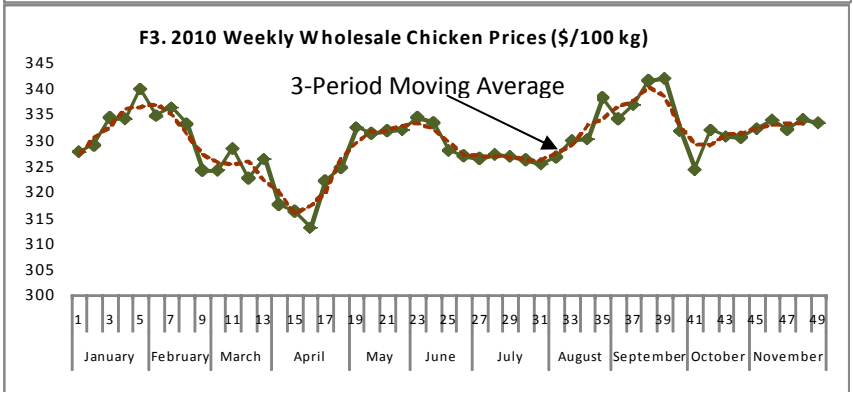
■ Price variability in the reported period increased compared with the 2009 level (F2.). The average spread between monthly high and monthly low prices in 2010 ($7.9 /100 kg) was higher compared with spread in 2009 ($6.0 /100 kg) by 30.9%. The highest spread between monthly high and monthly low prices was observed in February - about $12.1 /100 kg. The lowest price spread was observed in May - $1.1/100 kg.

■ Weekly prices exhibited the decreasing volatility (percentage change to previous week). Average weekly price percentage changes were about 1.1%, 1.1%, 0.8%, and 0.8% in quarters 1, 2, 3, and 4, respectively. The average weekly price change YTD in 2010 was about 1%.

■ US wholebird price YTD in 2010




[1] CFC composite cutout value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increased by 12.2% compared with the related period of 2004-2008, and by 3.9% compared with YTD in 2009 (Table 1). The YTD 2010 US breast composite prices increased compared with YTD in 2009 by 13.1%, and increased compared with YTD in 2004-2008 by 5.9%.

■ Costs of the major feed ingredients decreased in the reported period. Feed cost YTD in 2010 decreased by 11.9%[2] compared with feed cost YTD in 2009, but increased by 14.0% compared with 2004-2008 average period.

**Table 1.**

| YTD (January-November) | 2004-2008 | 2009 | 2010 | % Change (2010/2009) |
|---|---|---|---|---|
| Market composite (Can), cents/kg | 297 | 325 | 330 | 1.6% |
| Market composite (US), US cents/lb | 92 | 100 | 103 | 3.9% |
| Feed cost (Jan-Sep), $/tonne | 273 | 354 | 312 | -11.9% |

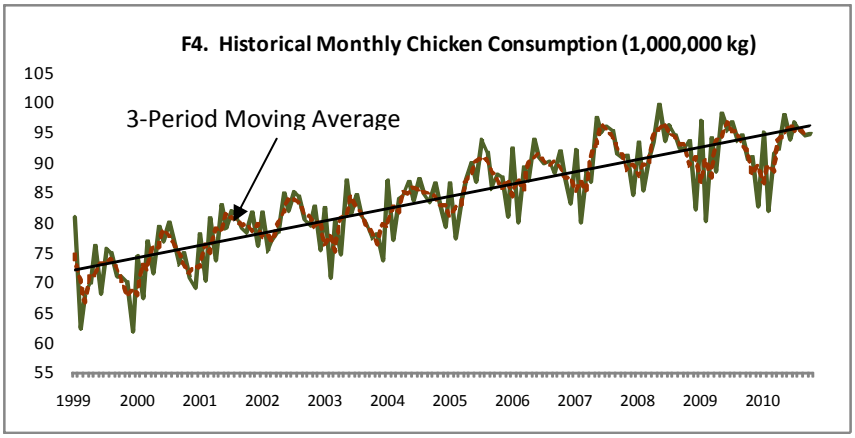
## *High retail prices were accompanied by increased chicken consumption*

■ Despite some decrease, retail prices remained on a high level in the reported period. Chicken CPI YTD decreased compared with YTD in 2009 by 0.3%, and was higher the YTD in 2004-2008 by 12.7% (Table 2). The Meat CPI YTD in 2010 decreased compared with 2009 by 0.7%, and Food CPI YTD increased approximately by 1.3%.

**Table 2.**

| YTD (January-October) | 2004-2008 | 2009 | 2010 | % Change (2010/2009) |
|---|---|---|---|---|
| Consumption, 1000 tonnes | 890.4 | 928.3 | 933.1 | 0.5% |
| Population, 1000 | 32,495 | 33,597 | 33,989 | 1.2% |
| Chicken CPI | 119 | 134 | 134 | -0.3% |
| Meat CPI | 107 | 116 | 115 | -0.7% |
| Food CPI | 109 | 121 | 123 | 1.3% |
| Per capita disappearance, kg | 27.4 | 27.6 | 27.5 | -0.6% |

■ Aggregate chicken consumption YTD in 2010 increased compared with 2009 by 0.5%. Population, however, increased by 1.2%. As a result, per capita consumption YTD in 2010 was lower than in 2009 by 0.6%. In general, 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 increase in chicken consumption. According to USDA's World Ag Supply and Demand Estimates, the 2010 chicken per capita consumption (December estimate) is expected to increase by about 3.9% compared with 2009. At the same time per capita consumption of beef, pork, and red meat is expected to decrease by 2.8%, 5.2%, and 3.8%, respectively.

[2] Wallenstein Feed estimate

## Canadian aggregate supply was lower on YTD basis compared with 2009

■ The total supply YTD in 2010 was lower compared with YTD in 2009 by 1.1% (Table 3). The decrease was mostly due to a decrease in stock inventories. Chicken production YTD in 2010 increased by 0.9% versus YTD in 2009, and stocks YTD decreased by 2.9%.

■ Imports decreased from 141.2 thousand tonnes in 2009 to 128.6 in 2010, or about 8.9%. Exports decreased from 107.1 thousand tonnes in 2009 to 98.6 in 2010 (7.9%). US broiler exports decreased on YTD basis – about 4.6% compared with 2009, largely due to massive losses to Russia and China. At that, the exports increased to Lithuania and Angola – by 22.3% and 90.9%, respectively. US broiler export to Canada increased by 7.9%.

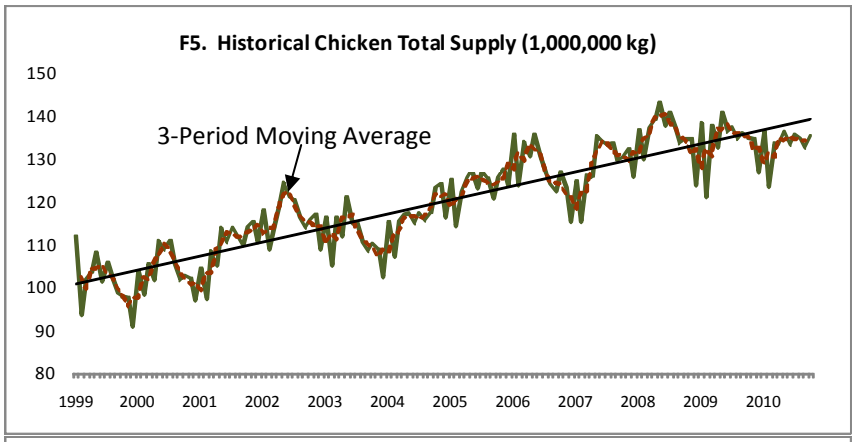
■ Although the total imports decreased on YTD basis, imports of bone in breasts, bone in legs, bone in parts, and boneless parts increased by 18%, 55%, 14%, and 24%, respectively. Imports of bone in wings and boneless breasts decreased compared with YTD in 2009 by 12.0% and 15%, respectively.

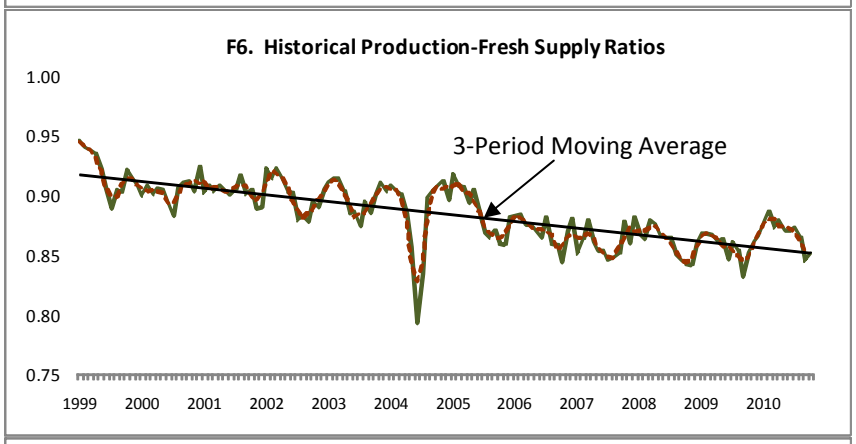
■ In general, the share of domestic production in fresh supply has been fluctuating around a decreasing trend (F6), indicating that the domestic production has a tendency to occupy a smaller share of Canadian chicken market. Production-Fresh Supply Ratio[3] YTD in 2010 was about 1.4% higher over 2009, and about 0.2 lower to YTD in 2004-2008.

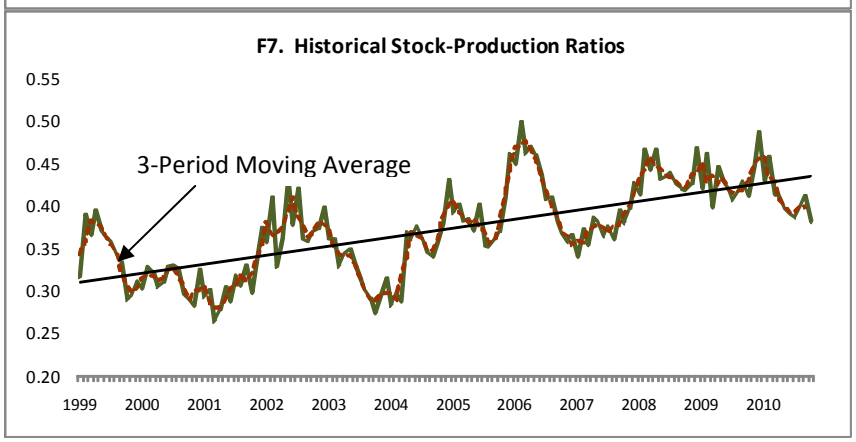
■ Stock-Production Ratio[4] YTD in 2010 was about 3.8% lower YTD in 2009 and 4.3% higher compared with YTD in 2004-2008. In general, the index was consistent with the observed historical cyclical pattern (F7.)

**Table 3.**

| YTD (January-October) | 2004-2008 | 2009 | 2010 | % Change (2010/2009) |
|---|---|---|---|---|
| Total Supply, 1000 tonnes | 1,269 | 1,350 | 1,334 | -1.1% |
| Stocks, 1000 tonnes | 32.3 | 35.9 | 34.9 | -2.9% |
| Production, 1000 tonnes | 824.2 | 849.0 | 856.6 | 0.9% |
| Import, 1000 tonnes | 121.8 | 141.2 | 128.6 | -8.9% |
| Export, 1000 tonnes | 89.7 | 107.1 | 98.6 | -7.9% |
| Import-Export Ratio | 1.42 | 1.33 | 1.32 | -0.6% |
| Production-Fresh Supply Ratio | 0.87 | 0.86 | 0.87 | 1.4% |
| Stock-Production Ratio | 0.39 | 0.42 | 0.41 | -3.8% |




[3] Calculated as a ratio of monthly production to monthly fresh supply
[4] Calculated as a ratio of monthly stocks to monthly production

## Producer, processor, and retailer margins increased on YTD basis

■ Producer, processor, and retailer margin indexes increased on YTD basis (Table 4). The processor sales and the margin exceeded the YTD of the previous year by 6.3%, and 11.7%, respectively. Producer margins increased by 2.7% and the retailer margin indexes[5] YTD in 2010 increased by 9.0% compared with YTD in 2009. The retailer margin index was still outperforming of those of producers and processors.

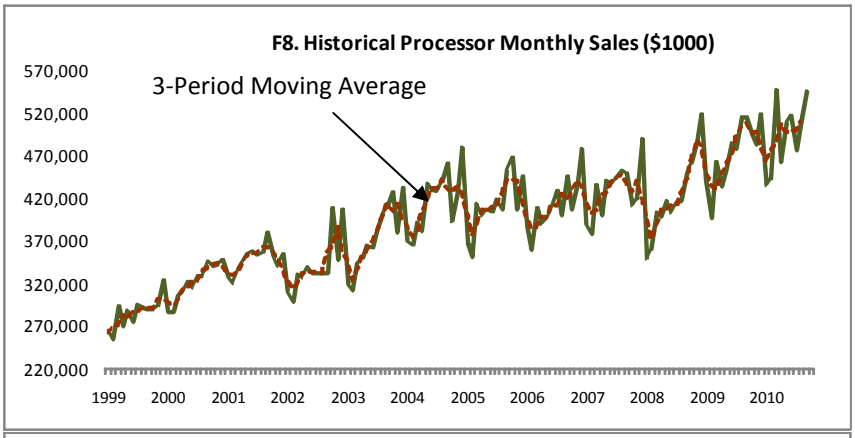
**Table 4.**

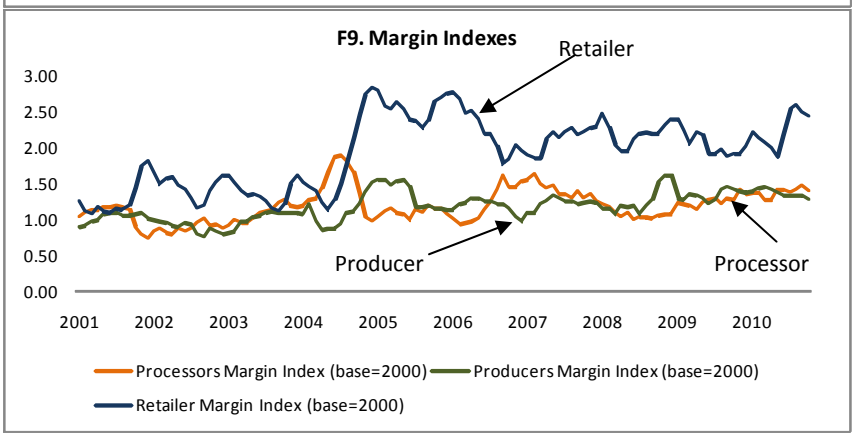
| YTD (January-October) | 2004-2008 | 2009 | 2010 | % Change (2010/2009) |
|---|---|---|---|---|
| Processor Sales (Jan-Sep), $1,000,000 | 3,686 | 4,187 | 4,452 | 6.3% |
| Producer Margin Index | 1.21 | 1.33 | 1.37 | 2.7% |
| Processor Margin Index | 1.26 | 1.23 | 1.38 | 11.7% |
| Retailer Margin Index | 2.12 | 2.06 | 2.25 | 9.0% |

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

■ The spread between the retailer and the processor margin indexes YTD in 2010 increased compared with YTD 2009 – about 5% and accounts 0.87[6]. The spread was also higher compared with YTD in 2004-2008 (0.86) – about 1%, indicating that the difference between retailer and processor margin indexes is higher now than it was in the indicated past.

■ Both US broiler eggs set and chick placement in November 2010 were higher approximately by 1% compared to the same period of previous year.




## Wholesale market responded to decreased total supply

In January-November 2010 the wholesale chicken market was driven mostly by decreases in domestic supplies: average YTD domestic wholesale composite price was shifted up by about 1.6% compared to the 2009 price level. It was observed also that increased wholesale and, as a consequence, high retail prices negatively affected the chicken consumption on per capita basis. The retail margin index also increased – about 9% compared with YTD in 2009. Whether the prices continue to increase, stay at the current plateau, or change 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 starting from May 2010.

[5] Calculated as a ratio of corresponding monthly gross margin to 2000 (base) annual average level.
[6] Calculated as a difference between retail and processor margin indexes