Poultry Prices Take Off as Macroeconomic Conditions Improve

Rabobank

NEW YORK (PRNewswire) — Global poultry prices are taking off in Q2, according to Rabobank's Poultry Quarterly Q2: Prices Taking Off report. This bullishness is driven by relative price support from high beef and pork prices alongside demand recovery, and a more balanced supply and demand situation in most regions of the world. This is expected to lead to an improvement in profitability for the global poultry industry.

"Under improved global market conditions, led by the North American region, a slight increase in global chicken prices is expected," commented Rabobank Analyst Nan-Dirk Mulder. "We see an increasingly balanced market, where supply discipline is more the order of the day and improving margins will be the likely result. However, markets remain volatile and any change in fundamentals, especially from the supply and feed side, will impact global prices. Suppliers should look to keep production growth disciplined."

Global feed prices are expected to decline in Q3 and Q4 based on current fundamentals and a good crop outlook for wheat and soybeans. Despite this positive outlook, the possible return of volatility in feed prices remains a threat to the poultry industries in all regions as stock levels remain low. Global grains and oilseeds prices have recently increased and old crop grain markets are currently tighter than expected. In addition, ongoing concerns about the situation in Ukraine and the potential threat of an El Nino event are creating some market volatility. Animal disease outbreaks also remain a concern.

Regional Updates

- United States: 2014 is on pace to be even better than 2013 – one of the most profitable years in the last decade. The industry is primed to benefit from lower beef and pork production, a limited breeder flock, increasing exports due to the risk of another avian influenza (AI) outbreak in Mexico, and favourable feed costs.
- European Union: Margins in the EU poultry industry are currently quite strong. Markets are reasonably well balanced, with a reduction in production in Q1 compared to the same period in 2014 and relatively strong demand.
- China: AI outbreaks decreased, coinciding with warmer weather in Q2 2014. The negative impact on consumption is fading and the market is now showing signs of recovery, with increasing poultry prices in both retail and live bird prices.
- Brazil: Poultry meat prices are expected to hold firm in Q2 as a consequence of the high prices of competing proteins as well as the increase in both

domestic and international demand.

- Other EMEA: The Russian poultry industry is still suffering from oversupply in the domestic market. Market conditions in the South African poultry industry have normalised after a long period of oversupply with rising imports.
- Other South America: Production in Mexico has been unable to recover from its 2013 contraction and could experience further setbacks as a result of the return of AI. Domestic issues saw production in Argentina fall 4% YOY in Q1 2014.
- Other Asia: The Japanese and Thai poultry industries remains bullish although the gradual restart of a major Thai broiler producer might impact future outlook. In contrast, India's poultry industry experienced one of the worst first quarters in the last five years.

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