



# The U.S. Chicken Industry: Re-invented and Revitalized

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## Key Points:

- *With broiler production finally beginning to decline and prices rising, the industry appears to be poised for a turnaround and renewed profitability.*
- *After ignoring market signals to reduce the size of the flocks for most of 2011, U.S. chicken companies have finally begun to heed those signals. U.S. chicken production is now on track to fall to its lowest level in 5 years by mid-2012.*
- *Having endured severe distress and hardships in recent years, the chicken companies have realized that their standard business procedures had gone awry and that they needed to make major changes in the way that they conduct their businesses.*
- *The traditional long-term, fixed-price sales contracts that used to be a competitive advantage for the chicken industry in an era of stable costs have become a financial liability in the recent highly volatile cost environment.*
- *Recently, many chicken companies have moved to either shorter-term (3-6 months), fixed-price or longer-term, flexible price sales contracts.*
- *Chicken companies have also been relying to a greater extent on futures and options contracts to hedge their purchases of inputs – and to a lesser extent, on longer-term cash contracts.*

## “Same-Old, Same-Old” – No More

The U.S. chicken industry has gone through the proverbial wringer, but last year appears to have been the low point. In recent years, the chicken companies all lost money, some more than others. And five U.S. companies have exited the industry since 2008.

As the losses mounted, the industry realized that its standard business practices sorely needed to be reformed. The surviving chicken companies found it to be not just prudent, but absolutely essential to revise those practices. The poultry industry today operates much differently day-to-day than it did just a few years ago. Against this backdrop, the two main objectives of this report are to assess how soon the U.S. chicken industry is likely to stage a cyclical turnaround and to identify key changes in the industry's standard operating procedures.