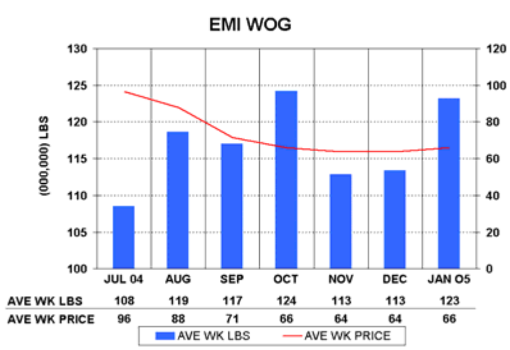
WEEK END 1/14/2005 DESCRIPTION	PRICE per 100 LB	CHANGE +/- Prior Wk	TOTAL LBS (000)	CHANGE +/- Prior Wk
WHL BIRD 3LB. +	71.50	0.25	2,389	-290
WOG 2.5-4.0 LB.	65.25	0.00	8,961	98
8 & 9 PC MR	77.75	0.50	10,088	-753
FRONT HALVES	76.00	-1.75	1,674	-35
B/S BREAST UNSZD	130.25	0.50	18,123	2,402
BREAST TRIM <=5%	103.25	0.25	1,540	135
TENDERS 1.2 OZ +	115.00	2.00	4,394	-162
WINGS	116.50	2.00	2,143	-261
FR LEG QRTS	28.25	0.25	19,292	0
FZ LEG QTRS	26.00	0.25	38,052	-6,771
THIGHS	30.25	0.75	3,682	469
B/S THIGH	89.00	3.25	2,176	-316
DRUMSTICKS	32.00	-1.75	3,404	431
MSC >15% FAT	14.00	0.00	13,938	1,837
TOTAL			129,856	-3,216



EMI INDEX NAME	DATE	INDEX VALUE	NET CHG	% CHG
Breast Meat	01/14/05	-27.73	0.87	-3.1%
Leg Meat	01/14/05	1.81	0.79	43.6%
Wing Meat	01/14/05	19.03	3.61	19.0%

Source: EMI website: www.expressmarketsinc.com

January 18, 2005 issue

Random Thoughts on the Broiler Industry

-- Mike Donohue

It's a new year, sure to be full of surprises. A year ago I wasn't predicting the run up in breast meat prices and profitability but I didn't think prices and profits would fall quite as fast either. I'm ready to go out on a limb and predict a pretty good year for 2005 due to a number of factors to be detailed later this year, that and I want to share a few things I'm grateful for as we come out of 2004.

As we close 2004 wing prices and frozen leg quarter prices are about where they were in the last days of 2003. Unsized boneless breast meat filets are off by $ .1775 per lb.

	Fresh Unsized Boneless Breast	Fresh Wing Drum & Mid-Joint	Frozen Leg Quarters
12/31/2003	$1.45	$1.21	$0.25
12/31/2004	$1.27	$1.24	$0.26

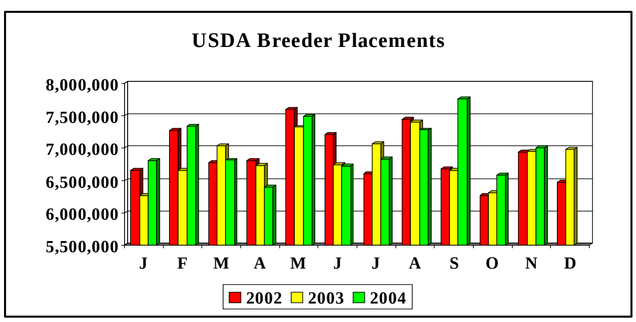
A year ago we were making under $ .05 cents per live lb. and this week we are pretty much in the same position as the drop in feed prices and increased production efficiencies offset the lower breast meat prices.

Since 1990 the average company in the broiler industry has lost $ .0057 per lb. in December. We've broken even or made a profit in only six of the last fourteen Decembers. It's usually a pretty grim month but December 2004 final reports should be positive and set the stage for better prospects at least through the third quarter of 2005.

Breeder Placements

-- Mike Donohue

The pace of recent increases in USDA reported breeder placements moderated in November at 7,008,000 day old breeder chicks placed, up 0.9% from November of 2003.

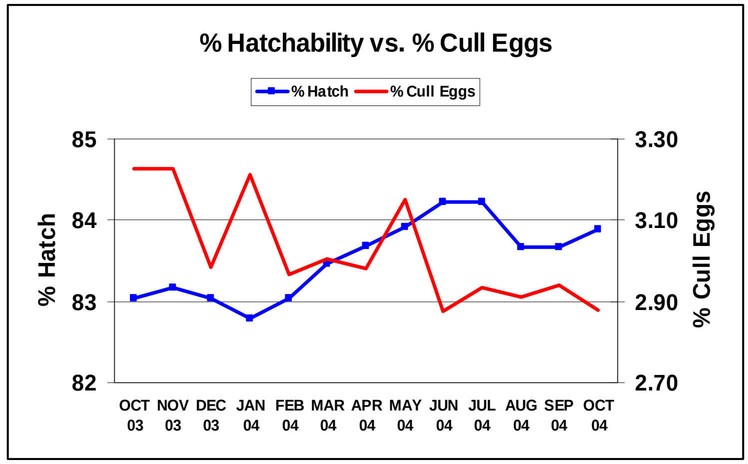


The offspring of the breeders placed in the winter of 03/04 are starting to hit the plants and should ensure adequate supply of hatching eggs and chicks by the second quarter of 2005. Current domestic and export demand for hatching eggs however is strong and helping to support industry profitability. Several new hatcheries are under construction and others are in the planning stages, partly to add capacity and partly to replace outdated equipment. Hatchery utilization remains high and cull egg percentages have dropped over the last year but hatchability has not suffered as a result of lower culling percentages (cont. on next page)

Breeder Placements Cont.

If we completely stopped culling eggs, would we see hatchability rise to 90% plus? (Just kidding).

Feed prices remain low and there has been little change in relative values in the futures contracts over the last month. If this trend holds and we get any kind of a rebound in breast meat prices coming into the spring time then profitability should rise and then hold through the summer months. Remember that the industry did not increase year on year breeder placements between February and August and this should also restrain production through the second and third quarters.



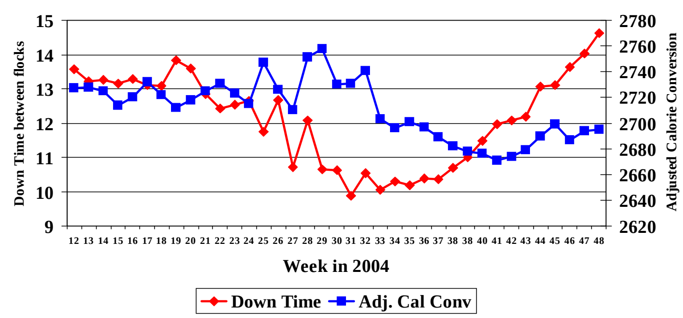
Some interesting trends

-- Mike Donohue

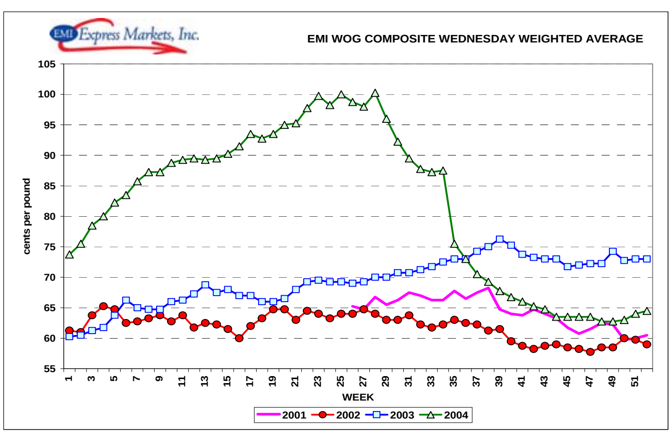
One concern over the last few months has been down time between broiler flocks. The increase in broiler production, particularly as bird weights increased during the summer led grow out managers to reduce downtime between flocks to levels usually considered detrimental to broiler performance. Reports of intermittent flock problems with higher mortality and field condemnations have been common and may be related in individual cases and complexes to the downtime issue.

When we look at the weekly data going back to March of 2004 (week 12) through the last week of November (week 48) we can see that average downtime between flocks dropped by more than three days as we went into the summer months. This appears to have had an effect on adjusted calorie conversion.

Down Time between flocks vs. Adj. Calorie Conversion



WOG Composites



Despite downward pressure in some market prices from growing supplies of large-sized broilers, a couple of market segments continue to show relatively higher values—particularly the small bird segment and retail tray pack.

First looking at the "big picture" encompassing all types and sizes of commodity product, the EMI WOG Composite in the closing months of 2004 showed a substantial decline in market value from the highs of mid-year.

Graph above reflects the EMI WOG composite value since June of 2001.

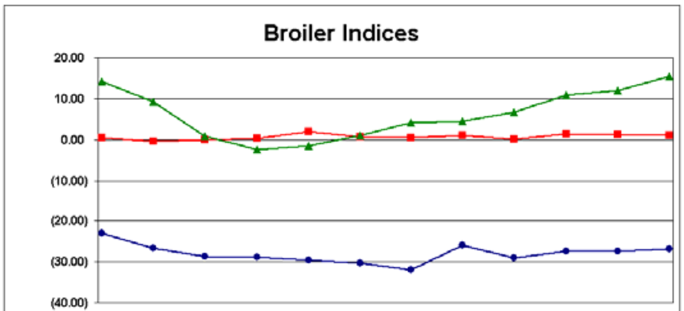
The EMI WOG Composite value includes the weighted average of six separate WOG formulations. Each WOG is formulated utilizing the EMI weekly fresh prices (Thursday through Wednesday) and the national yields/cut outs. The final composite is a weighted average, by the component pounds, of the six individual WOGS. The six WOGS used in the formulation is as follows:

- All whole birds, regardless of size, adjusted by the EMI value for giblets
- All WOGs, regardless of size
- All 8 & 9 pc, regardless of size
- Front halves and leg quarters
- All split & whole breast, wings, whole legs & backs
- B/S breast, tenders, party wings, B/S thighs, drumsticks, trim, bone and skin

Marinated and value-added product is excluded. The product forms included in the calculations are ice pack, Co2 and CVP. Grades included are Plant Grade, Line Run and USDA Grade A. Packing styles included are bulk, combo bins, and inner packed unprinted bags. Printed bags are considered retail product and are not included in the composite. All prices are invoiced values, regardless of the disposition of freight. All daily averages are weighted by volume.

WOG Composites cont.

In conjunction with the EMI WOG Composite, indices for breast cuts, wings, and leg cuts are also available on the EMI web site, and help illustrate what is driving the marketplace. The breast index is comprised of the front halves, breast whole & split, B/S breast (sized and unsized), and tenders (sized and unsized). The wing index is comprised of whole wings (regular and jumbo), plus wing drumettes and midjoints. The leg index is comprised of leg quarters, whole legs, thighs, drumsticks, and B/S thigh. Each index is a weighted average of the component parts. The base line for the index is a rolling two year annual average. Graph below shows the current index chart, pulled directly from the EMI web site.

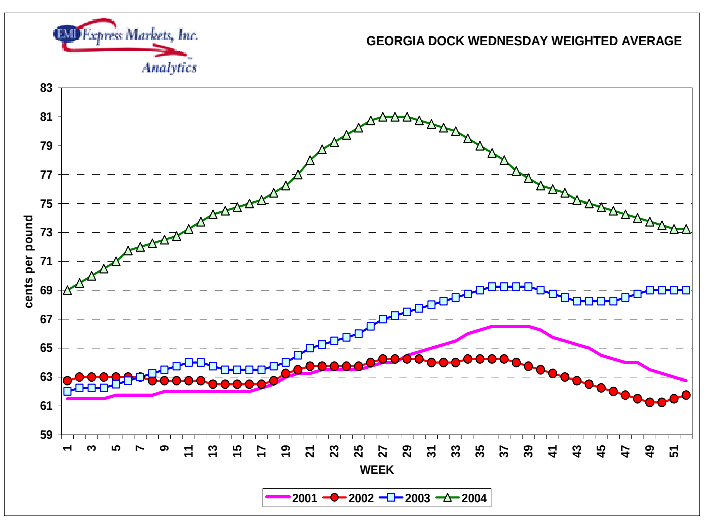


	10/22/04	10/29/04	11/5/04	11/12/04	11/19/04	11/26/04	12/3/04	12/10/04	12/17/04	12/24/04	12/31/04	1/7/05
Breast Meat Index	(23.13)	(26.61)	(28.62)	(28.83)	(29.62)	(30.35)	(32.03)	(25.95)	(29.09)	(27.30)	(27.47)	(26.06)
Leg Meat Index	0.47	(0.39)	(0.12)	0.29	1.93	0.74	0.47	0.97	0.05	1.35	1.30	1.02
Wing Index	14.18	9.33	0.79	(2.38)	(1.51)	1.11	4.07	4.50	6.63	10.80	12.05	15.42

The above graph indicates that for the week ending 1-7-05, breast meat averaged about 26 cents per pound below its average value over the last two years. Leg meat averaged about 1 cent more than its two-year average, and wings are averaging about 15.5 cents higher than the two-year average.

These indices not only give you a handle on the cut out values of WOG's, but also indicate what group of items are having the most influence on the WOG value. It is obvious that breast meat is having a strong negative impact to selling price, while wing cuts are contributing a positive impact. Leg meat has little impact at the moment, showing a modest increase of 1 cent a pound.

Other market reports, such as the Georgia Dock price, have been showing a downward trending pattern similar to the EMI WOG Composite, but nowhere near as strong. Georgia Dock reports the f.o.b. dock value on broilers and fryers, for full truckload lots of ice pack USDA grade "A" sized 2½ to 3 pound birds. The difference between Georgia Dock and the EMI WOG Composite is that Georgia Dock is defined as a small bird market quote, while EMI data incorporates the entire industry mix of large and small birds. Graph 3 illustrates the movement of the Wednesday Georgia Dock.



So how can the Georgia Dock not reflect the same declines seen in the market as a whole? Based on data from Agri Stats, over the last four years the industry has shifted about 8% of its production out of small birds and has primarily moved it into big bird deboned. RTC production grew by 51 millions pounds per week from 2001 to 2004, however small bird (3.6-4.4 live weight) RTC declined 27 million pounds per week in the same period.

Small bird demand has been steady; however, just by population growth alone you need a 1% increase in supply each year to balance demand. Population growth from 2001 to 2004 was about 4%, while the supply of small birds has declined 8%. Basic economics tells you that an increase in demand coupled with decreasing supply will likely lead to higher prices.

In fact, based on the EMI data for the last six months of 2004, products from small birds have sold at a premium to other sizes.

Of the data that EMI collected for the last 6 months of 2004, small birds fronts represented 79% of the 40.5 millions pounds collected, small bird B/S breast 7% of the 408.5 millions pounds collected, and split & whole breast averaged 11% of the 62.4 millions pounds collected.

The EMI data confirms a higher premium for small bird size.

Premium for Small Bird vs Big Bird Cuts
cents/lb, July-Dec 2004

B/S Breast	**13.5**
Fronts	**6.5**
Split & Whole Breast	**7.0**
Wings	**2.3**
Legs	**12.0**

These premiums have primarily affected two business segments--small bird and tray pack. Small bird is obvious while tray pack may not be. However, many tray pack programs are priced in relation to the Georgia Dock. As discussed earlier, the Georgia Dock quote is based on a 2.5 to 3 lb finished whole bird weight, and that translates to a small bird, 3.6 to 4.4 pounds live weight.

Therefore, tray pack prices have followed the small bird trend line, which is heading slowly lower but not showing sharp declines. One exception to that would be retail feature items. Often, features discounts are negotiated with a specific advertised price in mind, such as a retailer targeting a $1.99 B/S breast feature. Retail features are also negotiated utilizing the commodity markets. The averages for all features, non-features, regular, family and jumbo tray pack prices have reflected the strength in the small bird markets. Wholesale tray pack prices, for the last 6 month of 2004, averaged 7.4 cents per pound above 2003 for whole and cut up birds, B/S breast averaged 7.9 cents a pound higher, wings averaged 16.5 cents lb higher, split breast averaged 6.2 cents per lb higher, and drumsticks averaged 3.4 cents per lb higher.

Despite the trend for somewhat higher market prices for small birds and their product, higher production costs for small birds versus bigger birds still make big deboning birds appealing to producers. Production of small sized birds is likely to continue to get smaller throughout 2005.

— JDG

Chicken Prices Could See Added Strength From ...Beef?

It looks like the chicken industry could have the opportunity for better-than-usual winter price increases in January and February, thanks in part to the beef industry.

Several major beef packers have announced temporary cutbacks in cattle kills due to poor margins. Beef industry analysts say the packing industry has lost $300 million in the last six months, the worst losses for the sector in over 30 years. The losses are partially due to tight fed cattle supplies in the US, which have required packers to pay $85 to $90 per cwt for live cattle, and partly due to imports of Canadian boxed beef at lower prices than in the US. Consumer demand has been too soft to sustain prices for US choice boxed beef much above the $140 per cwt mark, when $150 would be closer to covering costs during much of 2004. The inability to export high-value cuts of beef to Japan and other foreign markets adds to packer losses, as does the inability to bring in cheaper live cattle from Canada as a tool to drive down live cattle costs.

In press releases, the combined cutbacks total roughly 45,000 head weekly, potentially adding a 6% to 8% drop in cattle kills to declines already in place from 2004. Beef plants generally have been running at 75% capacity in recent months, versus a norm of 80%-85%, and overall cattle slaughter in 2004 ran about 8% below 2003.

Whether the additional opportunities for chicken continue beyond early March will depend on several factors. One of the key elements is the supply of cattle at slaughter weight. At this point, there is a shortage of cattle at market-ready weights in the US, particularly in the North, and it may be some weeks before enough cattle are fattened to create a backlog. So in the short run, feedlots may be able to hold prices for fed cattle in the low $90's cwt area, implying a $145 or higher boxed beef price, which keeps wholesale level prices high enough to be supportive to other proteins.

Another key factor will be when live cattle trade resumes from Canada. Despite the announcement January 11 that a third Canadian bovine tested positive for BSE, government officials on both sides of the border say they are committed to resuming live cattle trade in early March. However, the opinions of US ranchers, packers, industry groups, and other interested parties vary widely, with packers who need more fed cattle at one end wanting the border reopened, and some ranchers' groups at the other extreme and attempting to keep the border closed.

As long as the number of available market-ready cattle in the US is on the tight side, packers will probably keep the kills light to limit beef supplies and prop up prices. And higher beef prices will keep retail and foodservice buyers focused on alternate meats.

Whenever Canadian cattle do arrive to add to the US supplies, a significant uptick in beef production could cause a drop in beef prices. And if foodservice and retail buyers have been forced out of beef for some weeks, they can be expected to react to lower prices by booking substantial featuring. Given the potential timing, Memorial Day would be the likely target for a major retail focus on beef, which could undermine support for chicken at that time.

Another issue to watch is when (if!) Japan opens their border to US beef, which was shut out a year ago after BSE was found in the US. Japan is a valuable market for high-value beef, and renewed sales to Japan could improve packer margins enough to encourage increased production and lower beef prices for US consumers—potentially detrimental to chicken demand. Japan and the US have agreed—in principal—to renewal of trade. But the Japanese remain extremely concerned about safety and the ability to trace and monitor beef production, and are not in much of a hurry to work out the details. At this point it looks like early summer before potential opening of this market. — SBT

Finally.... By Mike Donohue

Finally, forgive me if I want to write a few words in gratitude as we head into 2005.

I'm grateful:

... that the Red Sox are the World Champions but I don't want to wait another 86 years for the next one.

... that the U.S. broiler industry had perhaps the best year in our history the same year the Red Sox won the World Series, but I don't want to wait 86 years for a repeat of this either.

... to all of my colleagues and the people I work with in the industry for their assistance, kindness and hospitality as I crossed the continent doing Agri Stats reviews and meeting with hard working and interesting and gracious people.

... to my colleague Anthony Barton for all of his patience and knowledge in responding to questions and providing intelligent answers to Agri Stats employees and customers. Anthony is changing positions within the Agri Stats family as he becomes President of our new software joint venture Agri Soft Solutions. He's a gem and will do a great job in his new position. Happy New Year to all!

EMI Express Markets, Inc. Analytics™

6510 Mutual Drive
Fort Wayne, IN 46825
Phone: 260-407-2728
Fax: 260-407-2734
E-mail: EMI_INFO@expressmarketsinc.com

We're on the Web!
www.expressmarketsinc.com

EMI VitalSigns

the Pulse of the Poultry Industry

EMI VITAL SIGNS WILL BE PUBLISHED AS A MONTHLY PUBLICATION.

SUBSCRIPTION TYPE	BILLING TERMS	ANNUAL COST	QUANTITY	*TOTAL*
Company/Individual	Single/Multiple Distribution within One Company/Entity	$699.00		
Subtotal			Subtotal	
Indiana Sales TAX			7% TAX	
TOTAL DUE			TOTAL	

METHOD OF PAYMENT:

CREDIT CARD______ CHECK ______ INVOICE ______ PURCHASE ORDER ______________________

CREDIT CARD NO. ____ EXP DATE: _______________

NAME ON CREDIT CARD: ____

SIGNATURE : ____

COMPANY NAME

CONTACT NAME

STREET ADDRESS

CITY, STATE ZIP

EMAIL ADDRESS

OFFICE PHONE NUMBER

FAX PHONE NUMBER

6510 MUTUAL DRIVE, SUITE 300 ♦ FORT WAYNE, IN 46825

P - 260-407-2728 ♦ F - 260-407-2734

WWW.EXPRESSMARKETSINC.COM

EMI_INFO@EXPRESSMARKETSINC.COM