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AI Market Ramifications

At the onset of avian influenza (AI) outbreaks in 2004 consumption lagged in Asia and the loss of export markets for regional supplies led to an 8% decline in international trade. Over 2 years, as non-disease affected countries moved to fill in the in available supplies, poultry prices were driven up in international markets by over 30%. The overall price impact on poultry prices were additionally aggravated by shortages of other meats in international markets, particularly beef from North America due to BSE.

In November, 2005 forecasts were being made the world broiler industry in 2006 would mark the first year in which broiler exports were expected to increase 7% resulting in broilers surpassing beef exports. Poultry's share of global meat trade has risen from 22% in 1990 to 40% by 2005. In 2006, the U.S. broiler exports were initially expected to increase 2% to just over 2.5 million tons.

Analysts were also anticipating in 2006 a continuation of the previous trends in which poultry prices would continue to climb, global meat consumption would decline and trading patterns would shift to fill in any gaps. In addition, spill over effects would be noticed in the feed industry as lower meat production due to avian influenza, BSE and various other diseases pushes down grain consumption. Europe's \$42 billion dollar feed sector was citing demand losses up to 40% in some countries in response to their crisis.

As 2006 began to progress it has started to indicate a very different market environment. Unlike in 2004 and 2005 when the AI consumption impact was largely restricted to the Asian region, new AI detections in February, 2006 have risen to more than 20 nations in Africa, the Near East and Europe have resulted in immediate and pronounced consumption declines in importing countries in Europe, the Middle East and Central Asia. India just recently announced the detection of its first case of HN51 forcing it to cull 200,000 chickens.

Declining international and domestic prices are expected to restrict both production growth and import demand. An erosion of previously expected gains in per capita poultry consumption will likely push down global poultry consumption in 2006. Current estimates by FAO are nearly 3 million tons lower than the previous 2006 estimate of 84.6 million tons. Global trade prospects are anticipated to erode from the gains witnessed in 2005. Sharp poultry price declines are leading to lower chicken placements in many affected countries, pushing FAO's production projection down 8.2 million tons, only marginally higher than 2005. However, history seems to reveal that changing consumption and trade patterns related to zoonotic animal diseases tend to recover within 2 years.

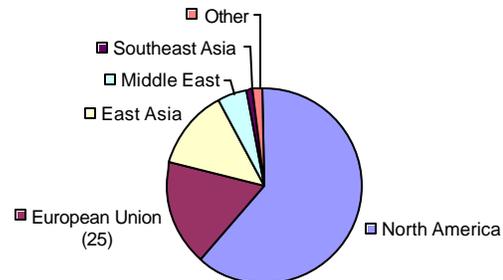
Sources: USDA/FAS, UN/FAO and various news sources

Revised 2006 FAO Poultry Consumption Outlook (Thousand Metric Tons)

	2003	2004	2005	2006p	2006r	% Change
World	76,734	78,643	82,024	84,632	81,819	-3%
Africa	3,939	4,034	4,147	4,269	4,067	-5%
North America	15,960	16,563	17,034	17,447	17,291	-1%
Central America/ Caribbean	3,998	4,101	4,342	4,458	4,458	0%
South America	9,576	10,084	10,837	11,507	11,227	-2%
Asia	27,904	27,909	28,953	29,513	28,896	-2%
Europe	11,292	11,629	11,851	12,067	10,727	-11%
Oceania	895	911	950	991	991	0
CIS	3,166	3,410	3,906	4,291	4,068	-5%

Source: UN/FAO

US Egg Product Export Break Out for 2005 in Volume



Source: USDA/FAS

US WORLD EGG PRODUCTS EXPORTS BY REGION (Thousand Metric Tons)

Country	2001	2002	2003	2004	2005
North America	1,671.1	2,521.8	7,409.9	5,193.6	3,560.8
European Union (25)	2,473.6	1,818.2	166.7	501.5	990.9
East Asia	960.1	318.0	172.5	154.9	810.8
Middle East	122.5	39.0	179.0	133.2	269.0
Southeast Asia	56.3	20.7	34.5	9.9	64.2
Other	719.0	332.8	256.2	143.8	94.1
World Total	6,602.7	5,050.6	8,218.9	6,136.9	5,789.8

Source: USDA/FAS

Inspected Egg Products-U.S. & Canada Export/Import Trade**U.S. Exports to Canada, in Pounds (000) (Preliminary)**

Week Ending Feb. 25, 2006	Year-To-Date			
Type	2006	2005 /1	2006 /2	2005
Liquid	315	159	1,776	1,925
Frozen	0	0	40	0
Dried	40	0	120	61
Total	355	159	1,936	1,986

U.S. Imports From Canada, in Pounds (000) (Preliminary)

Week Ending Feb. 25, 2006	Year-To-Date			
Type	2006	2005 /1	2006 /2	2005
Liquid	27	119	411	1,782
Frozen	10	45	173	203
Dried	0	140	0	300
Total	37	304	584	2,285

Inspected Shell Eggs**U.S Exports To Canada, In 30-Dozen Cases (Preliminary)**

Week Ending Feb. 25, 2006	Year-To-Date			
Type	2006	2005 /1	2006 /2	2005
Jumbo	0	0	0	0
Extra Large	1,170	5,140	5,580	43,670
Large	2,070	9,920	8,520	91,224
Medium	1,620	1,500	7,878	7,815
Ungraded	750	0	3,950	1,472
Misc	0	733	0	2,233
Total	5,610	17,293	25,928	146,414

/1 Comparable Week, to-date figures may not total due to rounding.

/2 Includes revisions to previous week(s).

Data Source: Agriculture and Agri-Food Canada, AISD, AID, Poultry Section

LIVE POULTRY SLTRD UNDER INSPECTION W/E 25-FEB-06**U.S. FOWL SLAUGHTERED DOMESTICALLY**

	LIGHT HENS	HEAVY HENS	TOTAL HENS
	THOUSANDS		
Head	1,054	1,516	2,570
Last Week	1,029	1,294	2,323
Same week yr ago	1,511	1,477	2,988
To-date/2006	10,442	11,109	21,551
To-date/2005	11,268	10,151	21,419

U.S. FOWL SLAUGHTERED IN CANADA

	LIGHT HENS	HEAVY HENS	TOTAL HENS
	THOUSANDS		
Head	228	0	228
Last Week	361	0	361
Same week yr ago	315	0	315
To-date/2006	2,137	7	2,144
To-date/2005	2,547	4	2,551

TOTAL U.S. FOWL SLAUGHTERED IN THE U.S. AND CANADA

	LIGHT HENS	HEAVY HENS	TOTAL HENS
	THOUSANDS		
Head	1,282	1,516	2,798
Last Week	1,390	1,294	2,684
Same week yr ago	1,826	1,477	3,303
To-date/2006	12,579	11,116	23,695
To-date/2005	13,815	10,155	23,970

Source: USDA/AMS Poultry Programs, Market News Branch

CENTRAL REGION MECHANICALLY SEPARATED CHICKEN

F.O.B. SHIPPER DOCK OR EQUIVALENT, PRICES NEGOTIATED FOR MECHANICALLY SEPARATED CHICKEN IN THE CENTRAL REGION IN TRUCKLOT AND LESS THAN TRUCKLOT VOLUMES, CENTS PER POUND, DELIVERY WITHIN TWO WEEKS.

CHICKEN WITH SKIN ADDED	MARCH 03, 2006			
	PRICES		VOLUME	
	(Cents per Pound)			
FAT CONTENT	FROZEN	FRESH	TOTAL	EXPORT
15% OR LESS RANGE		18.00	40,800	-
WTD AVERAGE		18.00		
15-20% RANGE	20.00	12.00-17.00	1,202,000	408,000
WTD AVERAGE	20.00	13.79		
20% OR MORE RANGE	-	-	-	-
WTD AVERAGE				

* INCLUDES THE STATES of AL, AR, IA, IL, IN, KS, KY, LA, MI, MN, MO, MS, ND, NE, OK, OH, SD, TN, TX, WI

EASTERN REGION MECHANICALLY SEPARATED CHICKEN

F.O.B. SHIPPER DOCK OR EQUIVALENT, PRICES NEGOTIATED FOR MECHANICALLY SEPARATED CHICKEN IN THE EASTERN REGION IN TRUCKLOT AND LESS THAN TRUCKLOT VOLUMES, CENTS PER POUND, DELIVERY WITHIN TWO WEEKS.

CHICKEN WITH SKIN ADDED	MARCH 03, 2006			
	PRICES		VOLUME	
	(Cents per Pound)			
FAT CONTENT	FROZEN	FRESH	TOTAL	EXPORT
15% OR LESS RANGE	17.50	16.00-17.00	562,000	-
WTD AVERAGE	17.50	16.50		
15-20% RANGE	14.75-21.00	14.00-15.00	1,868,000	1,092,000
WTD AVERAGE	17.97	14.56		
20% OR MORE RANGE	-	14.00	120,000	-
WTD AVERAGE		14.00		

* INCLUDES THE STATES of CT, DE, FL, GA, MA, MD, ME, NC, NH, NJ, NY, PA, RI, SC, VA, VT, WV

NATIONAL YOUNG TURKEY PARTS AND BULK MEAT, FROZEN (UNLESS SPECIFIED), CENTS PER LB., DELIVERED FIRST RECEIVERS, PART AND FULL TRUCKLOTS AS OF 03 MARCH, 2006.

The market tone on breast trim was steady to barely steady, balance of white meat steady to fully steady. Demand light on breast trim, moderate to good on the balance. Offerings of breast trim adequate to fully adequate, balance of white meat light to adequate. The market tone on hen bulk parts was mixed with strength noted on product from lighter sized hens and spot weakness noted on product from heavier sized hens. The market tone on mechanically separated turkey was steady to fully steady. Demand and offerings light to moderate. Trading was active on fresh tom breast meat, balance slow. For domestic: livers 19 pet foods, fresh tom wings 25, hearts, 25, tails 34, fresh wing meat with skin 75, fresh scapula 113, fresh breast trim 120, plant grade basted 20-24 lb. breasts 170 cents delivered. For export: tom defatted gizzards 53 shipping point, frozen thigh meat 103 (Russia)cents delivered.

FRIDAY, MARCH 03, 2006**EXPORT TRADING**

	PRICE RANGE	L.S.T. CODE 1/	WTD AVG PRICE	VOLUME (000)	WEEKLY WTD AVG PRICE	WEEKLY VOLUME (000)
DRUMSTICKS, TOMS	46.00		46.00	80	45.00	380
WINGS FULL-CUT - TOMS	25.00		25.00	52	25.00	72
WINGS, V-TYPE, TOM		M	32.00	108	32.00	108
TAILS		W	38.50	120	38.50	120
MECHANICALLY SEPARATED 4/ THIGH MEAT - FROZEN	83.00		83.00	52	83.86	444

THURSDAY, MARCH 02, 2006**EXPORT TRADING**

	PRICE RANGE	L.S.T. CODE 1/	WTD AVG PRICE	VOLUME (000)
DRUMSTICKS, TOMS	45.00		45.00	20
WINGS FULL-CUT - TOMS	25.00		25.00	20
WINGS, V-TYPE, TOM		M	32.00	108
TAILS		W	38.50	120
MECHANICALLY SEPARATED 2/ THIGH MEAT - FROZEN	80.00	R	21.00	40
			80.00	80

WEDNESDAY, MARCH 01, 2006**EXPORT TRADING**

	PRICE RANGE	L.S.T. CODE 1/	WTD AVG PRICE	VOLUME (000)
DRUMSTICKS, TOMS		T	46.00	40
WINGS FULL-CUT - TOMS				
WINGS, V-TYPE, TOM		M	32.00	108
TAILS	38.50		38.50	120
MECHANICALLY SEPARATED 2/ THIGH MEAT - FROZEN		R	21.00	40
		T	85.00	312

TUESDAY, FEBRUARY 28, 2006**EXPORT TRADING**

	PRICE RANGE	L.S.T. CODE 1/	WTD AVG PRICE	VOLUME (000)
DRUMSTICKS, TOMS	46.00		46.00	40
WINGS FULL-CUT - TOMS				
WINGS, V-TYPE, TOM		M	32.00	108
TAILS		T	37.00	40
MECHANICALLY SEPARATED 2/ THIGH MEAT - FROZEN	84.00-86.00	R	21.00	40
			85.00	312

MONDAY, FEBRUARY 27, 2006**EXPORT TRADING**

	PRICE RANGE	L.S.T. CODE 1/	WTD AVG PRICE	VOLUME (000)
DRUMSTICKS, TOMS		F	45.00	40
WINGS FULL-CUT - TOMS				
WINGS, V-TYPE, TOM	32.00		32.00	108
TAILS		T	37.00	40
MECHANICALLY SEPARATED 2/ THIGH MEAT - FROZEN	44.00-45.00	R	21.00	40
			44.50	240

1/ CODES FOR LAST SIGNIFICANT TRADE (L.S.T.): M=MONDAY T=TUESDAY W=WEDNESDAY R=THURSDAY F=FRIDAY

2/ Product contains 15-20% fat with skin added.