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Japan's Broiler Situation

Japan's broiler market is facing increases in domestic broiler production and broiler imports. Although household consumption was up 2% for the first half of the year, domestic production was up 5% and imports rose 9% for the first six months of 2006. Japan's total broiler consumption in 2006 is projected to increase by 1% to 1.908 million MT. Imports of U.S. broiler meat (mostly bone-in leg) are projected to grow by 9% from last year to 35,000 MT, helped by solid demand for bone-in leg for domestic de-boning. Due to an overall surplus, import growth of the prepared and processed products is anticipated to slow during 2006. Ending stocks are expected to rise substantially, up by 21% to 145,000 MT.

Monthly Ending Poultry Stock Estimates, in metric tons

	2004	2005	% chg	2006	% chg
January	94,163	93,189	-1%	134,906	45%
February	88,381	90,333	2%	142,256	57%
March	92,965	90,039	-3%	140,687	56%
April	85,873	91,503	7%	147,163	61%
May	91,218	97,408	7%	157,183	61%
June	87,201	104,239	20%	162,635	56%
July	88,593	110,889	25%	0	-100%
August	88,192	118,552	34%	0	-100%
September	89,655	120,846	35%	0	-100%
October	88,353	125,384	42%	0	-100%
November	93,455	127,218	36%	0	-100%
December	87,988	120,371	37%	0	-100%

Source: ALIC

Note: Over 70% is imported poultry cuts, mostly broiler cuts.

A relatively weak Japanese poultry market is forecast in 2007. Domestic prices for boneless legs were 520 yen/kg in the second quarter of 2006 compared to 581 yen/kg in the second quarter of 2005.

Quarterly Average Wholesale Price of Broiler Cuts, yens per kg

	Q1 2005	Q2 2005	Q1 2006	Q2 2006
Domestic				
Boneless Legs		639	581	592
Imported (frozen)				
Brazilian Boneless Leg		373	401	408
U.S. Bone-in Legs		295	280	313

Earlier estimates for domestic broiler production in 2006 totaled 1.150 million MT, slightly lower than the estimate of 1.166 million MT produced in 2005. However, producers seemed to react to uncertainty over limited imports due to avian influenza and Newcastle disease and responded by increasing domestic production this year. Producers may be speculating that there will be trade disruptions due to HPAI outbreaks in other countries. The revised domestic output in 2006 is projected at 1.195 million MT, two percent higher than the previous year. Domestic broiler meat production is forecast to decline slightly in 2007, to 1.185

million metric tons.

Surplus inventories in Japan are expected to cap import growth of processed and prepared products and create increased competition between Thailand and China in the food service and ready to eat market segments. Demand for Brazilian generic broiler meat will remain weak in 2007, however U.S. exports to Japan, mostly bone-in leg, should remain constant in 2007 at about 35,000 MT annually. Brazilian generic broiler meat imports are mostly boneless leg, and projected down 5% to 335,000 MT. Thailand has new traceability and sanitary programs and procedures that could give Thailand a marketing advantage over China, which is currently Japan's top supplier of cooked products.

According to trade sources, some Brazilian boneless cuts have been making inroads into Japan through overseas brokers at substantial discounts. This contributed to increased imports from Brazil during the first half of the year. Prevailing surplus and overwhelming stocks are accumulating and Japan's imports from Brazil will likely be cut back in the second half.

Japan: Imports, Frozen Broilers in metric tons

	2005	U.S.	China	Brazil	Thailand	Total
April		2,398	147	30,250	11	32,806
May		3,457	212	29,522	2	33,193
June		3,265	88	36,120	2	39,475
Total YTD		15,532	671	179,324	26	195,553
2006						
April		2,437	63	26,737	6	29,243
May		2,745	77	36,249	1	39,072
June		3,460	52	35,184	1	38,697
Total YTD		14,500	219	197,462	11	212,192

Source: ALIC

Japan's Trade and Economic Partnership Agreements

Japan and Chile have reached an agreement in principle on major elements of an Economic Partnership Agreement (EPA). Japan's agreement with Chile will set tariff quotas for beef, pork and chicken.

Japan and Mexico have finalized an agreement that stipulates the in-quota rate of Customs-Duties applied on poultry meat during the period from the second year to the fifth year after the entry into force of the Agreement. Tariffs on chicken will be cut by 20%.

Japan has trade agreements with Singapore, Malaysia, Philippines, Thailand and Mexico. Japan recently entered into talks with the Gulf Cooperation Council (GCC), composed of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

Source: The Ministry of Foreign Affairs of Japan, news wires

INSPECTED EGG PRODUCTS-

U.S. & CANADA IMPORT/EXPORT TRADE

U.S. Exports to Canada, in Pounds (000) (Preliminary)

Week Ending September 23, 2006	Year-To-Date			
TYPE	2006	2005 1/	2006 2/	2005
Liquid	491	251	7,572	13,318
Frozen	0	17	172	59
Dried	40	0	490	489
Total	531	268	8,234	13,866

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

Week Ending September 23, 2006	Year-To-Date			
TYPE	2006	2005 1/	2006 2/	2005
Liquid	54	152	2,871	5,250
Frozen	100	3	866	562
Dried	0	0	66	371
Total	154	155	3,803	6,183

Inspected Shell Eggs

U.S Exports To Canada, In 30-Dozen Cases (Preliminary)

Week Ending September 23, 2006	Year-To-Date			
TYPE	2006	2005 1/	2006 2/	2005
Jumbo	0	0	150	146
Extra Large	2,790	3,850	67,671	172,838
Large	5,420	4,640	128,526	293,687
Medium	1,080	2,431	67,662	94,793
Ungraded	16,560	20,220	107,618	133,960
Misc	780	0	6,975	8,053
Total	26,630	31,141	378,602	703,477

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

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.

September 29, 2006

CHICKEN WITH SKIN ADDED

FAT CONTENT	--- PRICES ---		---- VOLUME ----	
	FROZEN	FRESH	TOTAL	EXPORT
15% OR LESS				
RANGE	15.50-21.00	17.00	264,400	-
WTD AVERAGE	16.58	17.00		
15-20%				
RANGE	16.25-19.50	11.00-16.00	1,398,000	771,200
WTD AVERAGE	17.69	12.68		
15-20%				
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

U.S./CANADIAN LIVE POULTRY SLAUGHTERED UNDER INSPECTION

W/E 23-Sep-06 (PRELIMINARY)

U.S. Fowl Slaughtered Domestically

	Light Hens	Heavy Hens	Total Hens
-----Thousands-----			
Head	1,054	1,384	2,438
Last Week	970	1,542	2,512
Same week yr ago	1,229	1,529	2,758
To-date/2006	41,618	56,173	97,791
To-date/2005	56,022	54,017	110,039

U.S. Fowl Slaughtered in Canada

	Light Hens	Heavy Hens	Total Hens
-----Thousands-----			
Head	94	0	94
Last Week	0	0	0
Same week yr ago	367	0	367
To-date/2006	5,955	23	5,978
To-date/2005	10,140	40	10,180

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

Total U.S. Fowl slaughtered in the U.S. and Canada

	Light Hens	Heavy Hens	Total Hens
-----Thousands-----			
Head	1,148	1,384	2,532
Last Week	970	1,542	2,512
Same week yr ago	1,596	1,529	3,125
To-date/2006	47,573	56,196	103,769
To-date/2005	66,162	54,057	120,219

Source: USDA/AMS Poultry Programs, Market News Branch

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.

September 29, 2006

CHICKEN WITH SKIN ADDED

FAT CONTENT	--- PRICES ---		---- VOLUME ----	
	FROZEN	FRESH	TOTAL	EXPORT
15% OR LESS				
RANGE	16.00	16.00-17.00	373,000	52,000
WTD AVERAGE	16.00	16.63		
15-20%				
RANGE	15.50-20.00	13.00-16.00	1,612,000	852,000
WTD AVERAGE	17.80	14.32		
20% OR MORE				
RANGE	-	14.00	80,000	-
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 INCLUDING BULK MEAT and FROZEN (UNLESS SPECIFIED), CENTS PER LB., DELIVERED FIRST RECEIVERS, PART AND FULL TRUCKLOTS AS OF 29 SEPTEMBER 2006.

The market tone was weak on fresh breast meat, barely steady on other white meat items. Trading on fresh tom breast meat and fresh destrapped tenders light and was at lower trending prices. Offerings were fully adequate. The tone on fresh and frozen thigh meat was fully steady for the limited availability. Light activity centered on fresh thigh meat at higher price levels. Plant grade nonbasted 8-10 pound bone-in breasts traded at 125 and fresh breast trim at 137. Export trading was moderate. Frozen tom necks were 39 cents, fresh tom drums 39-40, fresh mechanically separated turkey 20 and fresh thigh meat 97-98 cents.

EXPORT TRADING	PRICE	L.S.T.	WTD AVG	VOLUME	WEEKLY	WEEKLY
FRIDAY, SEPTEMBER 29, 2006	RANGE	CODE 1/	PRICE	(000)	PRICE	VOLUME
DRUMSTICKS, TOMS	41.00		41.00	52	41.00	132
WINGS FULL-CUT - TOMS						
WINGS, V-TYPE, TOM						
TAILS						
MECHANICALLY SEPARATED 2/		R	20.00	40	19.50	200
THIGH MEAT - FROZEN	100.00		100.00	40	97.39	720

EXPORT TRADING	PRICE	L.S.T.	WTD AVG	VOLUME
THURSDAY, SEPTEMBER 28, 2006	RANGE	CODE 1/	PRICE	(000)
DRUMSTICKS, TOMS	41.00		41.00	40
WINGS FULL-CUT - TOMS				
WINGS, V-TYPE, TOM				
TAILS				
MECHANICALLY SEPARATED 2/	20.00		20.00	40
THIGH MEAT - FROZEN	95.00-102.50		98.25	400

EXPORT TRADING	PRICE	L.S.T.	WTD AVG	VOLUME
WEDNESDAY, SEPTEMBER 27, 2006	RANGE	CODE 1/	PRICE	(000)
DRUMSTICKS, TOMS	41.00		41.00	40
WINGS FULL-CUT - TOMS				
WINGS, V-TYPE, TOM				
TAILS		W	32.50	80
MECHANICALLY SEPARATED 2/	20.50		20.50	40
THIGH MEAT - FROZEN	100.00		100.00	40

EXPORT TRADING	PRICE	L.S.T.	WTD AVG	VOLUME
TUESDAY, SEPTEMBER 26, 2006	RANGE	CODE 1/	PRICE	(000)
DRUMSTICKS, TOMS		W	41.50	320
WINGS FULL-CUT - TOMS				
WINGS, V-TYPE, TOM				
TAILS		W	32.50	80
MECHANICALLY SEPARATED 2/		M	19.00	120
THIGH MEAT - FROZEN	95.50		95.50	40

EXPORT TRADING	PRICE	L.S.T.	WTD AVG	VOLUME
MONDAY, SEPTEMBER 25, 2006	RANGE	CODE 1/	PRICE	(000)
DRUMSTICKS, TOMS		W	41.50	320
WINGS FULL-CUT - TOMS				
WINGS, V-TYPE, TOM				
TAILS		W	32.50	80
MECHANICALLY SEPARATED 2/	19.00		19.00	120
THIGH MEAT - FROZEN	95.00		95.00	200

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.