Processed Chicken: National Mechanically Separated Chicken (Fri.)

Fri. Jan 20, 2012

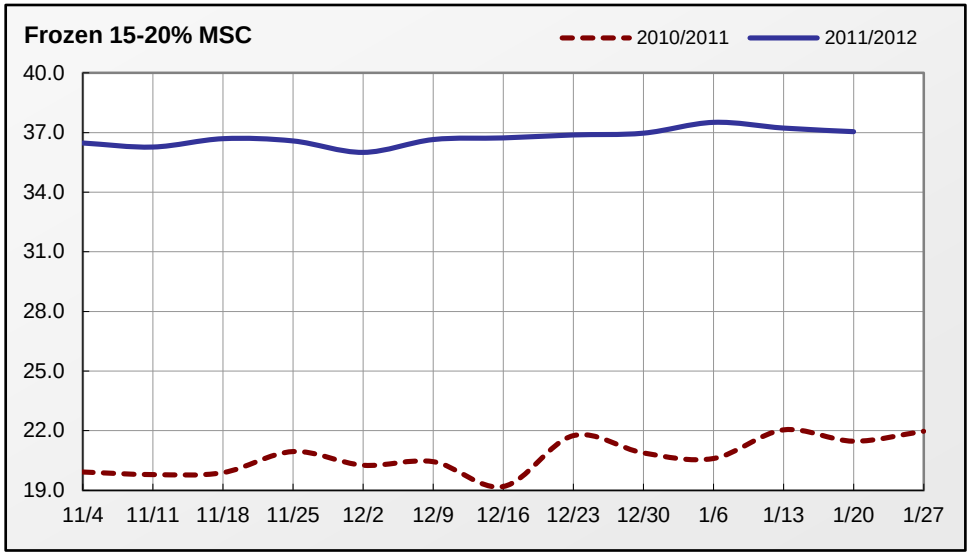
Agricultural Marketing Service
Poultry Market News & Analysis

(F.O.B. Shipper Dock or equivalent; negotiated prices in trucklot and less-than-trucklot volumes reported in thousand pound quantities, cents/pound; delivery within 2 weeks.)

MSC prices for all fat contents trended steady to weak. Supplies were moderate to instances heavy. Schedules were mostly reduced for the MLK holiday. Domestic demand was light to moderate at best. Export demand was moderate with good interest on frozen 15-20% into the Caribbean, Central America, and South America. The spot marketplace slowed up in the past week. Resistance and pushback to new higher priced finished goods at the retail level resulted in a trickledown effect creating fewer orders for finished products, larger inventories of finished goods, reduced contractual supply needs, and more spot MSC and frame availability. Mexico has also slowed in its buying of MSC. Industry will closely monitor the marketplace to see how it will react in coming weeks and respond accordingly. Market activity was moderate. Supplies of raw materials were light to moderate. Spot frame trading noted at mostly 15-16 cents FOB this week.

Weekly MSC Weighted Average Prices (cents/pound) and Volumes (1,000 pounds)

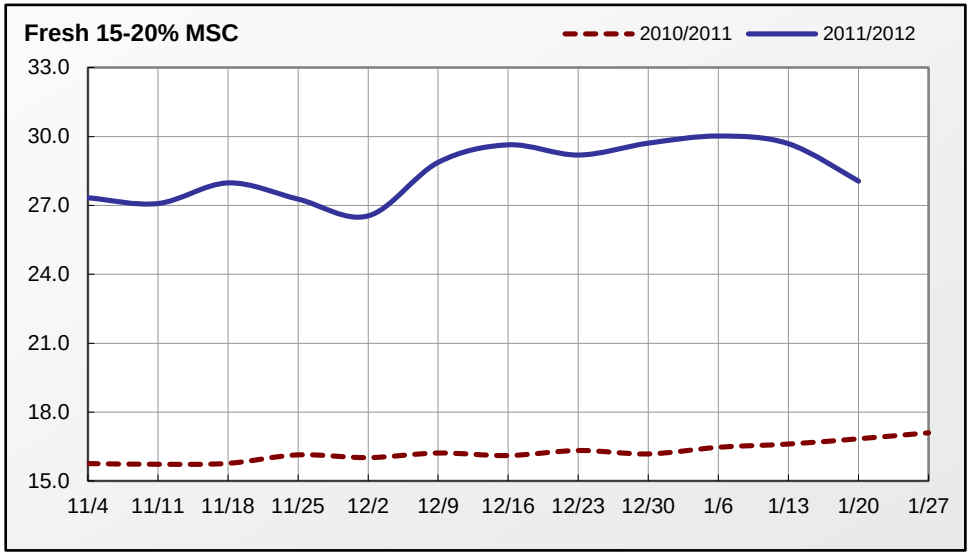
Fat Content	Frozen			Fresh		
	20-Jan-12	Last Week	Last Year	20-Jan-12	Last Week	Last Year
15% or Less						
Price Range			-	31.00 - 32.00	32.00 - 36.00	18.00-19.00
Wtd Avg Price			-	31.75	33.33	18.33
Volume Traded	-	-	-	163	245	61
Volume Exported	-	-	-	-	-	-
15-20%						
Price Range	36.00 - 38.00	34.00 - 39.00	18.00-24.00	20.00 - 35.00	23.00 - 35.00	15.00-20.50
Wtd Avg Price	37.04	37.23	21.47	28.05	29.68	16.84
Volume Traded	1,832	1,862	1,146	4,141	3,947	3,600
Volume Exported	1,792	1,622	946	367	367	204
20% or More						
Price Range	-	-	-	22.50	22.50	18.00-20.00
Wtd Avg Price			-	22.50	22.50	19.00
Volume Traded	-	-	-	82	41	163
Volume Exported	-	-	-	-	-	-



Record Monthly MSC Weighted Average Prices

(cents/pound)

Fat Content	Frozen		Fresh	
	Low Price	High Price	Low Price	High Price
15% or Less				
Wtd Avg Price	10.45	33.00	11.50	32.06
Year Recorded	**1998**	**2009**	**2002**	**2011**
15-20%				
Wtd Avg Price	10.04	36.64	9.93	30.69
Year Recorded	**1998**	**2011**	**1999**	**2011**
20% or More				
Wtd Avg Price	11.75	23.00	9.00	26.69
Year Recorded	**1985**	**1997**	**2002**	**1991**



Source: USDA AMS Poultry Market News & Analysis (www.ams.usda.gov/pymarketnews.htm)

Atlanta, GA (404) 562-5850 - PYMNATL@ams.usda.gov / Des Moines, IA (515) 284-4471 - PYMNDSM@ams.usda.gov

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Mechanically Separated Chicken (MSC) Making History in 2011

A tremendous amount of fluctuation has taken place in the MSC marketplace in recent times, due to increased influence from a multitude of factors. The dynamic shifts in marketing increased marketplace challenges, created non-traditional trends, and resulted in record high pricing levels in 2011. In the 30 years since the inception of the report, MSC set new record highs in 2011 with Fresh 15% or Less reaching 32.06 FOB and Fresh 15-20% reaching 30.69 FOB cents per pound, both occuring in September 2011; and Frozen 15-20% reaching 36.64 FOB cents per pound in December 2011. Prior to 2011, the previous pricing high recorded for Fresh 15% or Less was 31.75 FOB cents per pound in September 1983, for Fresh 15-20% was 29.42 FOB cents per pound in August 2005, and for Frozen 15-20% was 30.61 FOB cents per pound in April 2009. In addition, the Fall of 2011 saw one of the most difficult contract seasons, resulting in significantly higher levels than in years past, quite possibly the highest in history, as well as the development of newer pricing strategies.

Since the economic downturn in 2008, the MSC marketplace has experienced a variety of pricing, supply, and demand shifts, as well as increased influence from new and existing sources. Influencing factors include record high grain costs, reduced MSC supplies in recent years (industry cutbacks, operation closings), reduced raw material availability, increased and expanded buyer competition, and the cost advantage of MSC in comparison to higher priced competing proteins. Other factors involve the increased use of MSC by other sectors (biodiesel, animal fat, pet food), the current global economic recession, the recent shift in consumer purchases to more economical protein sources, and the growing demand for MSC into export channels, among others. All of these contributing elements helped to create non-traditional trends and higher pricing for both spot and contractual trading.

History of MSC Reporting by USDA

USDA AMS Poultry Market News and Analysis (PMNA) began reporting mechanically separated chicken (MSC) in 1981 at the request of industry. Initially, spot MSC trading was reported only for the Atlantic States Coastal Region. All trading was reported as both FOB and delivered cents per pound. Prices were reported in a range with a weighted average price to show where the majority of trading had occurred. In addition, the total volume of spot trading was reported with the total export volume also being identified. In 1991, the reporting region on the report was expanded and changed from the Atlantic States Coastal Region to Central and Eastern Regions. USDA began reporting both fresh and frozen 15% or Less (Meat) MSC in 1995 and continued to do so until its discontinuation in 2004. In 2002, pricing revisions were made to both the Central and Eastern Regions eliminating any delivered trading making all reported trading FOB cents per pound. In 2008, PMNA once again expanded and revised the MSC report making it a national report. The new National MSC Report combined trading from both the Central and Eastern Regions and incorporated it with any trading picked up in the Western Region, which had not previously been reported. Other additional changes made in 2008 to this report included the addition of monthly and annual pricing averages and volumes, commentary, and graphs.