Agriculture By the Numbers

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Editor: Bryon Parman
Assistant Professor/Agricultural Finance Specialist

701-231-8248
bryon.parman@ndsu.edu

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North Dakota State University
Fargo, North Dakota

Lower Turkey Prices for Thanksgiving

Tim Petry, Extension Livestock Marketing Specialist

When the calendar turns to November, thoughts may turn to Thanksgiving family get-together planning. At the forefront is a bountiful holiday meal that may include turkey. Included are abundant amounts of a wide variety of side dishes where many ingredients originate from a very productive and diverse U.S. agriculture.

Dining room tables also may have beef, veal, lamb, pork, chicken or other poultry. A novelty Thanksgiving meat made famous by legendary sports broadcaster John Madden is turducken, which is a boned chicken inside a boned duck inside a boned turkey.

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Lower Turkey Prices for Thanksgiving

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Higher food prices have received considerable attention from the media in the last couple years. However, turkey prices have declined from last year's record highs.

The United States Department of Agriculture's Agricultural Marketing Service (AMS) reported that whole turkey prices (wholesale, whole hen, 8-16 pounds) have decreased steadily this year. The chart indicates a seasonal pattern to prices with a steady increase until October, right before the peak holiday demand. Current prices at $1.15 per pound are 65 cents per pound below last year and have moved counter-seasonally lower.

Record high prices in 2022 were the result of turkey production declining from 5.56 billion pounds in 2021 to 5.22 billion pounds in 2022, a 6.5% decline. Lower production was the result of the highly pathogenic avian influenza (HPAI) virus that lead to the culling of over 7 million turkeys.

In October, HPAI was again detected in turkey flocks in South Dakota, Utah, Iowa and Minnesota. However, the virus is not expected to be as severe this year.

USDA is predicting turkey production to increase over 6% in 2023 to 5.55 billion pounds. Turkey prices at Thanksgiving are expected to be the lowest since 2020.

Most turkey hens are sold as frozen whole birds, with many placed into cold storage throughout the year until just before Thanksgiving. Toms are mostly destined for further processing and made into many consumer products, such as breasts, legs, bacon, deli meats and ground turkey that are consumed year-round.

The latest USDA National Agricultural Statistics Service (NASS) cold storage report released Oct. 25 showed 7% more turkey in cold storage than last year.

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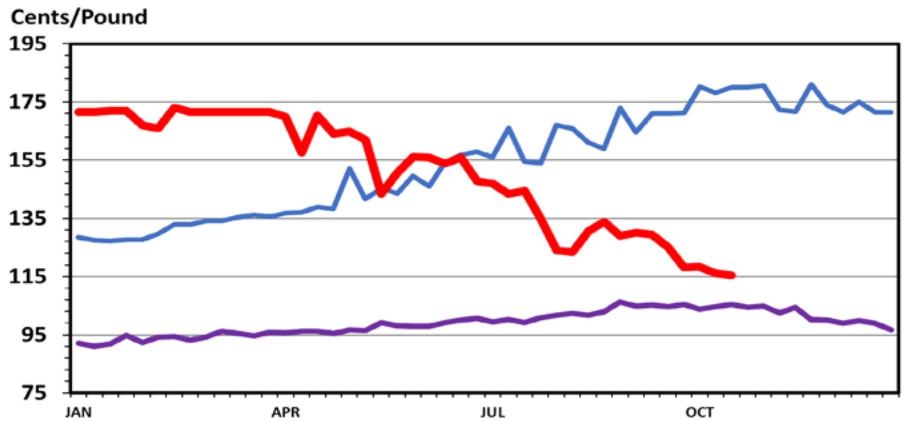
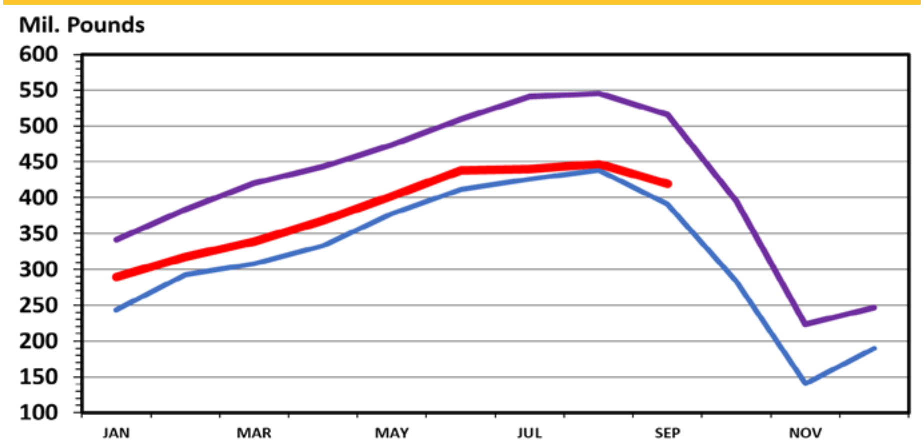
Turkey Prices — National, Whole Hen, 8-16 Pounds, Weekly



Source: USDA-AMS

Turkey in Cold Storage — End of the Month



Source: USDA-NASS

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Lower Turkey Prices for Thanksgiving

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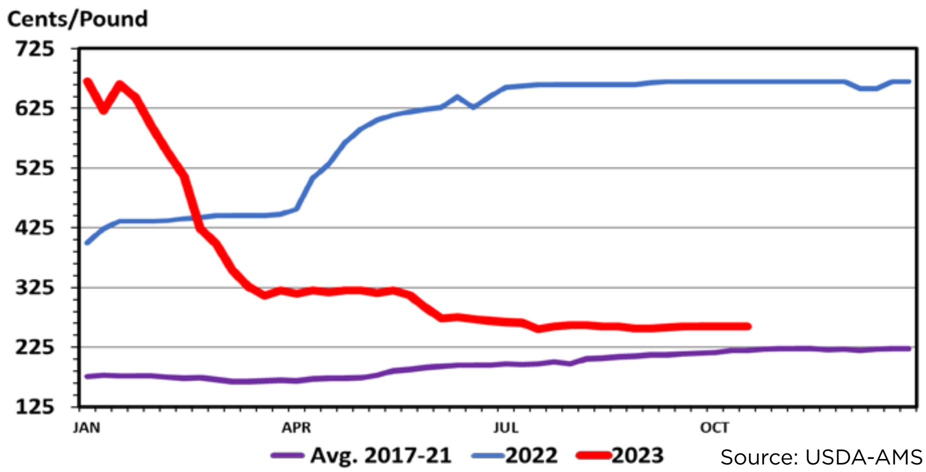
Turkey breasts in particular are more available than last year and less expensive. The NASS cold storage report showed 69% more breasts in cold storage.

Turkey breast prices decreased from $6.70 per pound last year to $2.60 per pound now, with the large increase in supply.

The U.S. is the world's leading producer of turkeys and turkey meat, and the world's leading exporter of turkey meat. Mexico is the leading importer of U.S. turkey meat followed by China, Canada, Jamaica and Dominican Republic.

The U.S. is also the leading producer of beef and chicken, and second only to China in pork production.

Wholesale Turkey Breast Prices —
National, Skinless/Boneless, Tom, Weekly



Source: USDA-AMS

Likewise, the U.S. is the leading exporter of high-quality beef and pork, and second only behind Brazil in chicken exports.

So, the U.S. meat industry is very important to the U.S. economy and livestock producers. Consumers also benefit from an ample year-round supply of a myriad of meat product choices, especially at Thanksgiving.

Minnesota is the leading turkey-producing state with 40.5 million birds expected to be produced in 2023. North Carolina ranks second with 29 million, and Arkansas is a close third with 27.5 million. South Dakota ranks 13th at 3 million. USDA does not publish North Dakota turkey production data, but according to the North Dakota Turkey Federation, about 1 million birds are produced annually on nine turkey farms in the state.

How much turkey do we gobble up at Thanksgiving? According to the National Turkey Federation, about 46 million turkeys are on Thanksgiving tables, 22 million are eaten at Christmas and 19 million are consumed at Easter. U.S. per capita consumption of turkey has averaged about 16 pounds for the last 10 years, with 14.6 pounds consumed per person in 2022. USDA is estimating per capita consumption increasing to 15.3 pounds in 2023 due to increasing production and lower prices.

Turkey prices are lower, and consumers are likely to find bargains when shopping for Thanksgiving turkeys. Retail food stores may feature turkeys as "loss leaders" at below cost to lure customers into the store to purchase higher margin items that complete the Thanksgiving meal. Sometimes even local price wars emerge.

Even though many food item prices are higher, we still have a lot to be thankful for. U.S. consumers enjoy the safest, largest quantity, lowest cost and most diverse food product line, including meat, in the world. Happy Thanksgiving to all of you.

How Interest Rates Can Increase Without the Federal Reserve Raising Rates

Bryon Parman, Extension Ag Finance Specialist

Since 2022, the U.S. Federal Reserve has aggressively raised its target funds rate to combat the rise in inflation the U.S. has been experiencing over the last two years. This policy has in large part led to the increase in consumer as well as commercial interest rates from near historically low rates to the highest rates in over 20 years. In fact, the last time the 30-year mortgage rate was persistently as high as it is now was 2000. However, there are many factors that influence consumer and commercial lending rates.

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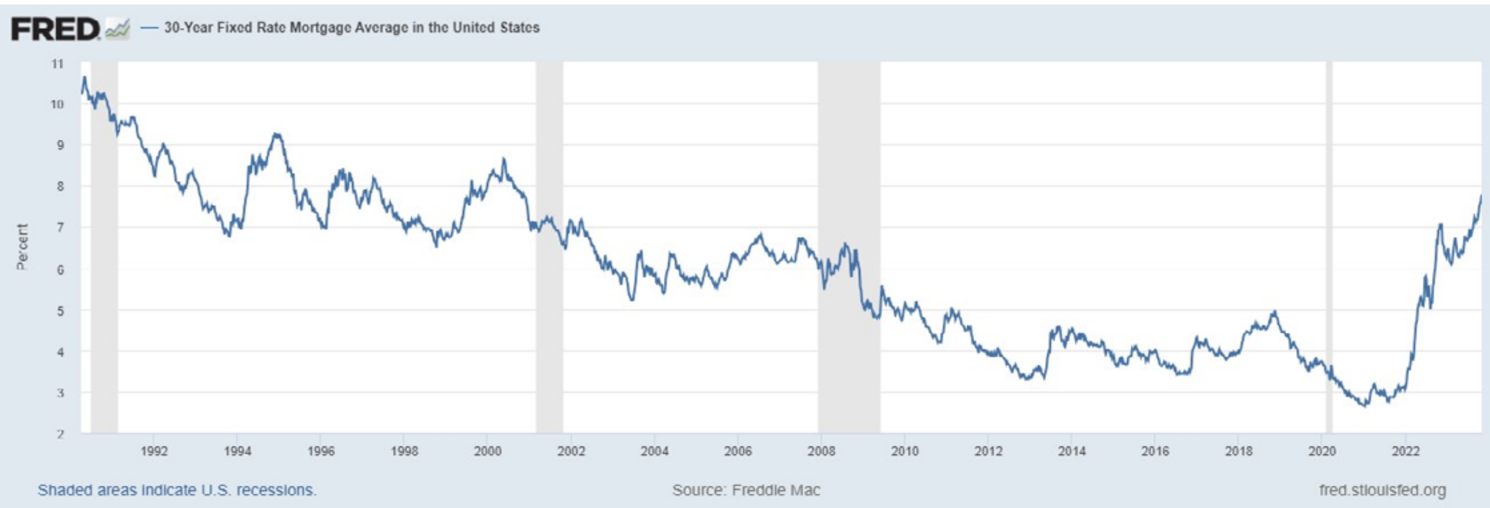
The 30-Year Fixed Rate Mortgage Average in the U.S.



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How Interest Rates Can Increase Without the Federal Reserve Raising Rates — continued from page 4

A key determinant on interest rates is the yield on the 10-year U.S. treasury bond. When the 10-year yield increases, it forces interest rates on mortgages and other loans to consumers or businesses to rise, allowing them to remain competitive with investors. Since the Federal Reserve began raising rates in March 2022, the 10-year Treasury yield has increased from below 2% to nearly 5% in October 2023. However, 10-year Treasury yields are heavily influenced by their own supply and demand with bond yields moving inverse to price. Essentially, if the price paid for the bond increases, the yield actually decreases since the yearly interest (coupon rate) payout and the bonds face value (par value) both stay the same until maturity. Therefore, if 10-year Treasuries are in high demand, which can send the market price higher, yields on those bonds fall, which has happened recently.

The higher demand for 10-year Treasuries, which has, in turn, decreased yields, has helped keep consumer and commercial interest rates lower since the yield on 10-year bonds is a very key benchmark . However, bond yields may jump higher in the fourth quarter of 2023 and first quarter of 2024 due to coming U.S. Treasury announcements and auctions needing to finance an estimated $776 billion and $816 billion of debt respectively (Reuters). This situation illustrates the concept of the U.S. debt crowding-out effect where increasing levels of government debt can lead to reduced access to credit and higher rates for private borrowers. If the market price of the newly issued bonds has to be lowered to sell so much government debt so quickly and/or the price of the newly issued bonds has to be lowered because investors are concerned about the risks associated with the constantly growing debt situation, then the yields on those bonds can increase. Additionally, trillions of dollars going toward buying government debt means there are less loanable funds available for consumer or commercial loans, which can, to some extent, also drive interest rates higher.

Other factors that impact interest rates in the U.S. include global economic conditions, competition among lenders and regulatory changes, to name just a few. Therefore, while the federal funds rate is very important in determining interest rates in the U.S., it is not the only factor. This means that the Federal Reserve may choose in the coming months to keep the federalfFunds rate where it is or perhaps even slightly reduce the federal funds rate, and the consumer interest rate could continue to climb higher.

Market Yield on U.S. 10-Year Treasury Securities

Israeli – Hamas War Creates Uncertainty for Global Wheat Markets

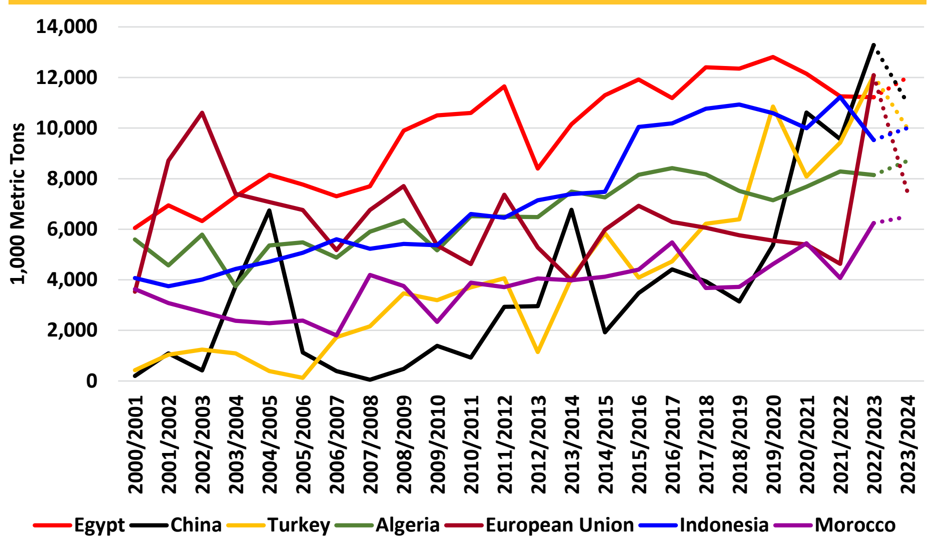
Frayne Olson, Extension Crops Economist/Marketing Specialist

To date, the war between Israel and Hamas has been contained to the Gaza region. Expectations are that this conflict will continue for an extended time. One of the concerns is that political tensions in the Middle East will expand, increasing military engagements and impacting the flow of food and grains into the region.

So far, the U.S. crop futures markets have not responded significantly to the conflict. However, this may change if the war spreads and other nations in the region begin military actions.

Several countries in the Middle East are large wheat importers. Figure 1 shows historical wheat imports by country since the 2000-01 marketing year. Egypt is typically the largest global wheat importer. Turkey, Algeria and Morocco are included in the top seven largest world wheat importers. Based on 2022-23 marketing year estimates, Saudi Arabia ranks 11th, Iran is 16th, Yemen is 19th, Afghanistan is 20th and Iraq is 21st.

Figure 1 – Historical Marketing Year Wheat Imports by Country



Typically, the U.S. exports very small quantities of wheat into the Middle Eastern countries. Export sales are usually hard red winter or hard red spring wheat. Over the past several years, Russia and Ukraine have been the primary wheat suppliers into North Africa and the Middle East.

However, because of the large volumes of wheat imported by these countries, there can be indirect impacts to U.S. wheat markets. If military actions expand, ocean shipping in the region can be disrupted and new economic sanctions or trade restrictions could be imposed that alter wheat movements.

When uncertainty increases, commodity prices tend to rise. Buyers become nervous about trade disruptions, and they begin building local inventories as a hedge against interruptions in grain flows. It is unclear whether the U.S. will be the source for any inventory buildup. The answer depends on the countries and companies that are shifting their inventory management strategies. Farm managers should be tracking political and military developments in the region, but adjustments to marketing plans may not be necessary unless the conflict expands substantially.