The Jones Report - Poultry Farming in Q4

Market update for poultry farms – Q4

Market Position Entering Q4 2026

The U.S. poultry market entered the fourth quarter of 2026 with production still expanding, but with less pricing momentum than was evident during the stronger post-pandemic period. USDA ERS reported that July 2026 broiler production totaled 4.354 billion pounds, up 4.6 percent from July 2025, and projected total 2026 broiler production at 49.620 billion pounds, up 3.4 percent from 2025. USDA's 2027 projection of 50.000 billion pounds implies continued growth, but at a slower 0.8 percent rate. The current market is therefore not weak from a production standpoint, but the rate of expansion is more measured. ERS summarized the near-term outlook by noting that broiler production growth is expected to slow as exports decrease.

That distinction matters in poultry farm valuation. Operating farms with current integrator approval, compliant houses, adequate utilities, and a demonstrated income stream remain marketable. However, the current environment does not support assuming broad, automatic appreciation in poultry farm values. Buyers are underwriting actual contract income, required updates, flock performance, utility burden, and debt service coverage more closely than they did when financing costs were lower and production margins were easier to underwrite.

Demand, Production, and Pricing

Broiler demand remains supported by chicken's role as a relatively low-cost protein, but price data were not uniformly strong as of September 2026. ERS reported that the national composite wholesale whole broiler price averaged 116.98 cents per pound in August, which was the lowest monthly average reported so far in 2026. ERS projected the composite whole-broiler price at 116 cents per pound for the third quarter and 117 cents per pound for the fourth quarter of 2026, with a 2027 annual average of 121.5 cents per pound.

Exports are an additional constraint. ERS reported July 2026 broiler exports of 554.6 million pounds, down 0.8 percent from the prior year, and projected total 2026 broiler exports of 6.593 billion pounds, or 13.3 percent of projected production. For 2027, ERS projected exports at 6.500 billion pounds, citing increased competition from Brazil and increased domestic consumption. For appraisal purposes, this supports a balanced view: domestic poultry demand remains meaningful, but export softness can affect processor economics and, indirectly, the pace of integrator expansion or willingness to approve additional grower capacity.

At the consumer level, USDA's Food Price Outlook showed poultry prices were 0.5 percent lower in July 2026 than in July 2025, and forecast only a 0.5 percent increase for poultry prices in 2026. That is a very different signal from the egg market, where prices were still reacting to HPAI-related flock disruption and subsequent rebuilding. In broiler farm analysis, the relevant point is not that poultry demand has disappeared; rather, price movement entering Q4 was modest and did not justify aggressive valuation assumptions without property-specific income support.

Feed, Operating Costs, and Margins

Contract broiler growers are not directly exposed to feed price changes in the same way an independent livestock operator would be, because the integrator normally supplies birds and feed. Tyson's public description of its contract model states that it supplies the birds, feed, and technical expertise, while the grower provides labor, housing, and utilities. That structure helps insulate the grower from market prices for chicken and feed ingredients, but it does not eliminate operating risk. Grower income still depends on contract terms, flock performance, house condition, utility efficiency, labor, maintenance, litter management, and compliance with integrator specifications.

Feed costs still matter because they affect the integrator's economics and the broader production environment. USDA's September 2026 Feed Outlook raised the 2026/27 U.S. corn season-average farm price to $4.80 per bushel and reported a projected stocks-to-use ratio of 9.7 percent, the tightest since 2020/21. USDA's September 2026 Oil Crops Outlook also raised the 2026/27 soybean meal price forecast to $340 per short ton. Corn and soybean meal are core feed inputs, and even where growers do not purchase them directly, they influence processor margins and the economic setting in which poultry contracts and expansion decisions are made.

At the broader farm-sector level, USDA ERS forecast 2026 net farm income at $158.4 billion, down 2.6 percent from 2025 in nominal dollars, while total production expenses were forecast to increase 4.5 percent to $492.8 billion. ERS also projected broiler receipts to fall $1.3 billion, or 2.8 percent, in 2026. These data support a more selective valuation environment, particularly for older poultry farms, farms with high utility expense, or operations facing near-term capital requirements.

Integrator Contracts and Capital Requirements

The contract relationship remains the central economic feature of most commercial broiler farms. USDA AMS cited NASS Census of Agriculture data indicating that 96.2 percent of broilers were raised and delivered under production contracts between live poultry dealers and independent farmers or broiler growers. Under that arrangement, the integrator owns the birds and supplies key production inputs, while the grower supplies the real estate, poultry housing, labor, utilities, and day-to-day operation.

This structure has direct appraisal implications. The real estate is highly specialized, and the income stream depends on continued contract approval and the suitability of the houses for current production requirements. A farm with current integrator approval, adequate house dimensions, modern ventilation and controls, reliable water and backup systems, and no known upgrade

requirement generally carries less income risk than a farm with older or noncompliant houses. Conversely, the need for upgrades can affect both marketability and contributory value, even if the houses remain physically usable.

Regulatory attention to poultry grower payments and capital improvements also remained relevant in 2026. USDA AMS finalized rules addressing grower payment systems and capital improvement disclosures, but USDA announced in May 2026 that the effective date was delayed from July 1, 2026 to December 31, 2027. The underlying issue remains important in valuation because grower-paid capital improvements can materially affect debt capacity, remaining economic life, and buyer risk.

Disease Risk and Biosecurity

Highly Pathogenic Avian Influenza remains a market and operating risk, even though its effects differ by poultry segment and region. USDA APHIS confirmed HPAI in a U.S. commercial flock in February 2022 and continues to report detections and monitor commercial, backyard, and wild-bird activity. APHIS notes that detections are higher in the fall and spring due to wild bird migration, and continues to emphasize strong biosecurity practices.

For broiler farm appraisal, HPAI is not usually valued as a direct adjustment unless the subject or a comparable sale is specifically affected. It does, however, reinforce the importance of biosecurity, farm layout, access control, distance between operations, downtime procedures, and compliance with integrator protocols. These factors affect operating risk and can influence how buyers view farms with older layouts, inadequate ingress/egress, or limited capacity to implement required biosecurity measures.

Capital Markets and Buyer Demand

Financing conditions remain a practical constraint for poultry farm transfers. U.S. Treasury data for September 17, 2026 showed the 10-year Treasury rate at 4.94 percent and the 30-year rate at 5.29 percent. These rates do not equal agricultural mortgage rates, but they provide useful context for the broader cost of long-term capital. Higher borrowing costs reduce leverage capacity, increase required equity, and make buyers more sensitive to actual cash flow, house condition, and required capital expenditures.

This financing backdrop is particularly relevant because poultry farms are not general-purpose agricultural properties. The buyer pool is narrower than for ordinary rural acreage, and lenders typically focus on contract status, historical income, equipment condition, remaining useful life, and the likelihood of continuing integrator approval. As a result, farms that are current, clean, and compliant may still attract demand, while farms with deferred maintenance, uncertain contract transferability, or large upgrade requirements can experience longer marketing periods and sharper price negotiation.

Appraisal Implications

The current market supports a measured reconciliation of value indications. The income approach should generally receive primary emphasis where reliable poultry income data are available, because buyers of operating farms place substantial weight on contract income, operating expenses, flock performance, and income durability. A gross income multiplier can be useful market support, but it does not directly capture expense load, management requirements, equipment condition, future upgrades, or utility burden. Direct capitalization provides a more analytical measure when income and expenses can be reasonably normalized.

The sales comparison approach remains important, but the supply of truly comparable poultry farm sales is limited. Meaningful comparison requires attention to integrator, poultry type, house count, poultry-house square footage, age, condition, living quarters, land-to-building ratio, support buildings, equipment included, contract transfer risk, and location within a viable poultry production area. Breeder, pullet, layer, and broiler operations should not be treated as interchangeable unless the differences are clearly identified and addressed.

The cost approach is useful as a reasonableness check because poultry houses are specialized improvements with substantial replacement cost. Its reliability is limited by the difficulty of estimating depreciation, functional utility, and external obsolescence in a market where buyers usually price the operating income stream rather than replacement cost alone. Where the cost approach materially exceeds market-supported income and sales indications, the difference often reflects specialized-use risk, limited buyer depth, and the economic penalty associated with older or integrator-dependent improvements.

Overall, as of late Q3, U.S. poultry farms remain specialized income-producing agricultural properties. Well-located, compliant broiler farms with current contracts and supportable income remain marketable. At the same time, modest broiler price movement, export constraints, higher capital costs, biosecurity risk, and a more selective financing environment support careful underwriting rather than aggressive extrapolation from gross production or replacement cost alone.

Questions?

Give me a call,

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Sources

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