

# Livestock, Dairy, and Poultry Outlook

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## First-Quarter 2006 Lamb and Mutton Production Strong in Preparation for Easter and Passover, but Prices Lag

**NOTE:** Due to uncertainties as to the length of bans on trade in ruminants and ruminant products because of the discovery of BSE in the United States and Canada, forecasts for 2006 assume a continuation of policies currently in place among U.S. trading partners. The suspension of beef imports by Japan is considered to be temporary pending the resolution of importer concerns. U.S. beef exports to South Korea are not forecast pending implementation of import regulations by South Korea.

**Sheep/Lamb:** Despite increased seasonal demand late in the first quarter, slaughter lamb prices are softer than expected, probably due to over-finishing. Choice Slaughter lamb prices at San Angelo remained fairly strong throughout 2005, averaging \$97.76 per hundredweight (cwt) but declined sharply during the first quarter 2006. First-quarter Choice Slaughter lamb prices at San Angelo averaged \$77.03 per cwt. However, price strengthening from first-quarter lows is expected during the second quarter. Second-quarter Choice Slaughter lamb prices at San Angelo are forecasted in the range of \$80-82 per cwt.

**Poultry Trade:** U.S. broiler exports are expected to grow by 3 percent in 2006, to 5.3 billion pounds. First-quarter exports are expected to fall 2 percent below first-quarter 2005, largely on consumer concerns about Avian Influenza (AI). Turkey exports are expected to grow by more than 5 percent this year, with Mexico accounting for most of the increase.

### Contents

- Sheep/Lambs
- Poultry Trade
- Poultry
- Cattle/Beef
- Hogs/Pork
- Contacts and Links

### Tables at a Glance

- Red Meat and Poultry
- Economic Indicators
- Dairy

### Web Sites

- Animal Production and Marketing Issues
- Cattle
- Dairy
- Hogs
- Poultry and Eggs
- WASDE

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Tables will be released on April 25, 2006

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Approved by the World Agricultural Outlook Board.

**Poultry:** U.S. broiler production is expected to grow by more than 2 percent in 2006 to 36.2 billion pounds. Taking expected export increases into account, product available for consumption is expected to increase by almost 2 pounds, to over 87.7 pounds per capita on a retail-weight basis. After falling steeply in fourth-quarter 2005 and into first-quarter 2006, broiler prices are expected to gradually strengthen as production growth slows and stocks are gradually reduced. Turkey supplies are expected to be relatively tight in 2006, given expectations for little production growth and higher exports. However, prices for turkey parts will be pressured by lower broiler meat prices.

**Cattle/Beef:** Prices for beef and all classes of cattle, except cows, are declining in response to heavy supplies of all meats—beef, pork, and poultry—increasing grain prices, and record inventories of cattle on feed.

**Hogs/Pork:** The *Quarterly Hogs and Pigs* report issued by the U.S. Department of Agriculture (USDA) on March 31 reported March 1 hog inventories and farrowing intentions that were largely anticipated, and consistent with USDA's 2006 production forecasts. Strong exports in January and February contributed to a revised annual 2006 pork export forecast of 2.9 billion pounds, an increase of almost 9 percent over last year. The 2006 U.S. commercial pork production is expected to be about 21.3 billion pounds, 3 percent above 2005. An 11-percent increase in live swine imports will contribute to the production increase. Prices of 51-52 percent lean live equivalent hogs are expected to average between \$42 and \$44 per cwt this year.

## Sheep/Lambs

### *First-Quarter 2006 Lamb and Mutton Production Strong in Preparation for Easter and Passover, but Prices Lag*

First-quarter 2006 commercial lamb and mutton production totaled 49 million pounds, equaling the year-earlier level. Unlike last year, when the Easter and Passover holidays came in the first quarter, they fall in the second quarter this year. Lamb demand typically exhibits some seasonality and is highest during these religious holidays. Adjusting for seasonal surge, especially in the 2 weeks preceding the holidays, the first-quarter 2006 commercial production effectively increased. The boost in seasonal demand is expected to push second-quarter production to around 52 million pounds, a 13-percent increase. Much of the second quarter production increase is expected to be the result of high dressed weights. Dressed weights increased gradually to near 75 pounds during the first quarter, and are expected to remain in that range well into the second quarter, a sign of over-finishing.

Despite increased seasonal demand late in the first quarter, slaughter lamb prices are softer than expected, probably due to over-finishing. Choice Slaughter lamb prices at San Angelo remained fairly strong throughout 2005, averaging \$97.76 per cwt, but declined sharply in the first quarter 2006 and averaged \$77.03 per cwt. However, price strengthening from first-quarter low is expected during the second quarter as the Choice Slaughter lamb prices at San Angelo are forecasted in the range of \$80-\$82 per cwt.

Imports of lamb and mutton remain strong. January imports were about 14.9 million pounds, 85 percent above the same period in 2005. Imports for the first quarter are forecasted at 50 million pounds, up about 22 percent from a year earlier.

## Poultry Trade

### *Lower U.S. Leg-Quarter Prices Likely Fueled U.S. Broiler Exports in February*

U.S. broiler exports for February 2006 were 419 million pounds, up 15 percent from February 2005. This increase in shipments is largely due to low U.S. leg-quarter prices that resulted from high cold storage holdings and due to AI concerns. Exports are expected to recover in the second half of the year and to grow 3 percent for 2006. Most U.S. broiler meat shipments go to Russia, Mexico, Commonwealth of Independence States (CIS), China/Hong Kong, and the Caribbean. Below are year-over-year comparisons of January-February shipments to these major markets for 2005 and 2006:

	Broiler Exports Jan.-Feb. 2006 (Million pounds)	Broiler Exports Jan.-Feb. 2005 (Million pounds)	(2006\2005) percent change
Russia	283	142	99
Mexico	87	73	19
China\Hong Kong	82	55	49
CIS	66	107	-38
Caribbean	47	84	-44

Shipments to Russia, the largest importer of U.S. broiler meat, totaled 283 million pounds in January-February 2006, up 99 percent from the same period in 2005. Mexico's consumption of U.S. broiler meat has also been on the rise. So far in 2006, shipments to Mexico, the second largest U.S. market, increased from 73 million pounds in January-February 2005 to 87 million pounds, an increase of 19 percent.

In the first 2 months of 2006, one of the largest reductions in broiler meat shipments has occurred in the CIS countries. Broiler meat shipments to the CIS region dropped from 107 million pounds in January-February 2005 to 66 million pounds in the first 2 months of 2006, a 38-percent decrease. A large percent of this decline in shipments is attributed to AI concerns within the region. The combined demand of China/Hong Kong for U.S. broiler meat has strengthened over the past year. Ranking third among U.S. top broiler meat importers, shipments to China/Hong Kong totaled 82 million pounds in January-February 2006, up 49 percent from the same period last year.

The Caribbean is the fifth largest export market for U.S. broiler products. Exports to the Caribbean totaled 47 million pounds so far this year, down 44 percent from last year.

### *Turkey Exports Hold Strong*

Turkey exports in February 2006 were 38 million pounds, down 3 percent from February 2005. The decline could be due to lower broiler meat prices. The United States is expected to export 130 million pounds of turkey products in the first quarter, an increase of 3.4 percent from a year ago. Most of the increase is expected

from strong demand by Mexico. Turkey exports are expected to grow by more than 5 percent in 2006, with most of the expansion likely to occur in Mexico. In the first 2 months of 2005, shipments to Mexico accounted for 70 percent of U.S. turkey exports. So far in 2006, 67 percent of U.S. turkey exports have gone to Mexico.

### ***Broiler Production Higher and Exports Down***

Broiler production in the first quarter of 2006 is estimated at 8.9 billion pounds, up 3.6 percent from the previous year. Expected increases in both the number of birds slaughtered and the average liveweight of birds are behind the increase. Broiler meat production is expected to slow in the second and third quarters in response to the low prices seen for almost all broiler products. The number of chicks being placed for growout over the last 5 weeks (March 11 to April 8) has averaged slightly lower than the previous year. While a lower number of chicks being placed for growout will help reduce the number of birds, total broiler meat production is still expected to be higher year-over-year for the next several quarters due to increases in the average bird weight at slaughter. In 2005, the average liveweight of broilers at slaughter was almost 5.4 pounds, up 2 percent from a year earlier. This rate of gain in average liveweight is expected to continue in 2006.

A reduction in exports in fourth-quarter 2005 and first-quarter 2006, due to falling demand in foreign markets in response to Avian Influenza (AI), came just as broiler production was increasing due to earlier high prices. It was only 6 or 7 months ago that leg quarters were selling for over 45 cents-a-pound. This convergence of positive and negative factors has severely depressed prices for almost all broiler products and greatly increased cold storage holdings.

Broiler cold storage holdings at the end of March are estimated at 925 million pounds, a 38-percent increase from the end of first-quarter 2005. Much of the increase can be attributed to higher stocks of leg quarters and other dark meat products, but holdings of breast meat products were also higher.

In March, the 12-city price for whole broilers averaged 61.8 cents per pound, down 15 percent from the previous year. Over the last 6 months, the most volatile broiler product price has been prices for leg quarters. Leg quarter shipments accounted for 66 percent of all U.S. broiler exports in 2005 on a quantity basis. So their price is the most affected by declines in foreign demand. After reaching a high in the Southern market of 45.7 cents per pound in September 2005, leg quarter prices have fallen steeply over the last 6 months. In March the average price was only 13.7 cents per pound, down 54 percent from a year earlier and 70 percent lower than the high in September 2005.

With only moderate increases in production expected and growth in exports forecast for the second half of 2006, stock levels are forecast to decline and prices of broiler products are expected to gradually strengthen. Prices for whole birds averaged 62.7 cents per pound in the first quarter, down nearly 13 percent from 2005, but are expected to strengthen to 64 cents a pound by fourth-quarter 2006.

### ***Turkey Markets Tighten***

The U.S. turkey industry is in almost the opposite situation from the broiler industry. The estimate for turkey production in 2006 is about 5.6 billion pounds, only 1.3 percent higher than in 2005. Also, turkey exports are expected to increase in 2006 and beginning stocks in 2006 were much lower than the last several years.

Over the first 2 months of 2006, turkey production has totaled 862 million pounds, down slightly from the same period in 2005. During the first 2 months the number of turkeys slaughtered was down 2 percent, but this has been mostly offset by a nearly 2 percent increase in average live bird weights to almost 30 pounds per bird. Turkey production is expected to grow throughout the rest of 2006 as the number of birds going to slaughter is expected to increase based on the number of poults that growers say they are placing for growout.

Prices for whole turkeys have remained strong through first-quarter 2006 although they have declined seasonally from their fourth-quarter 2005 high. Prices for whole hens in the Eastern market averaged 67.3 cents per pound in first-quarter 2006, up 2.1 percent from the previous year. With only small increases in production forecasted and low cold storage holdings of whole birds, prices for whole turkeys are expected to average slightly higher than the previous year through the first two-quarters of 2006.

### *Cattle and Beef Add to Abundant Meat Supplies*

Prices for beef and all classes of cattle, except cows, are declining in response to heavy supplies of all meats—beef, pork, and poultry—increasing grain prices, and record inventories of cattle on feed. Per capita red meat and poultry consumption this year, on a retail-weight basis, is expected to increase 3 pounds to near 224 pounds from the fairly flat level in the past 2 years. Per capita meat consumption averaged near 221 pounds in 2004 and 2005.

Fed cattle prices are well below breakeven, putting downward pressure on feeder cattle prices. Slaughter is slightly ahead of last year's levels, and dressed weights, although declining seasonally, remain well above last year's levels and the 5-year average. As a result, beef production is forecast 5 percent over year-earlier levels and above the 5-year average.

Pasture and rangelands in the Plains received some temporary drought relief from rain in late March-early April. However, it will take more moisture to get spring pastures off to a normal start as they come out of winter dormancy. Similarly this year's wheat crop needs moisture to produce a wheat crop from acreage that survived the winter. Reduced 2005/06 corn stocks resulted in modest increases in the farm price of corn, but projected prices remain below averages of the past 2 years.

### *Feeder Cattle Prices Reacting to Lower Fed Cattle Prices*

Feeder cattle prices have declined in response to the largest cattle-on-feed inventories since the new data series began in 1996, increasing grain prices, and declining fed cattle and wholesale prices. Recent rains in the Plains took some pressure off feeder cattle movement into feedlots, but, unless more precipitation follows, this movement may have only been postponed. Lighter placement weights will help spread future marketings of fed cattle and could relieve some of the downward pressure on fed cattle prices.

Cow slaughter is declining seasonally, but after moving above year-earlier levels in late winter; cow slaughter is again below year-earlier levels following recent rains in the Plains. Utility cow prices remain in the low \$50s due to cyclically tight supplies and good demand for 90-percent lean beef used to blend with trim from fed cattle to make hamburger.

Feedlots have filled considerably over the last few months as wheat pasture and other cool-season pastures deteriorated due to lack of precipitation. As a result, cattle-on-feed inventories on February 1 and March 1, 2006, were the highest since this data series began in 1996. Cattle on feed on March 1, 2006, were 8 percent above March 1, 2005, and 9 percent above March 1, 2004. The 12.023 million head on feed in lots of over 1,000-head capacity is the second highest inventory, exceeded only by the February 1, 2006 inventory (12.11 million head), and is the largest March 1 inventory. Given the large numbers of lightweight cattle placed in the last several months, April 1, 2006, on-feed inventory could also be large. The placement of lighter weight cattle and the relatively lower marketings of cattle from feedlots could contribute to large on-feed inventories for the next several months.



Fed cattle prices have declined to the low \$80s in the slack demand period prior to the spring religious holidays and very adequate supplies of beef and ample supplies of pork and poultry, all at declining prices. The beginning of the important spring BBQ season will help support beef prices even as supplies increase well above spring 2005 levels.

### ***Wholesale Prices Slip, Retail Prices Steadier***

The percentage of fed cattle grading Choice and better remains below the 5-year average. The Choice-Select price spread seasonally widens dramatically in the spring, however, this year the spread is already wide and may show a smaller increase as beef supplies rise well above first-quarter and year-earlier levels. Beef price spreads have been wide since last fall, but are expected to moderate this spring, rather than reaching the normal spring spike, as production rises through summer and cattle and boxed beef prices decline. The first quarter Choice-Select spread averaged \$5.20 per cwt last year and \$11.72 this past winter. Last spring the spread averaged \$11.80 per cwt.

Estimated cumulative cattle slaughter through the first week in April was just over 102 percent of last year's slaughter for the same period. Calf slaughter, on the other hand, was 13 percent below last year's cumulative total for the same period. Beef production was up almost 6 percent for the same period over year-earlier cumulative totals, and veal production is down 4 percent. Steer and calf slaughter weights were averaging 17 and 26 pounds above a year earlier in January-February.

Demand for processing beef remains good, but at prices below the very strong prices of 2005. Prices for 90-percent lean (cow beef) and 50-percent lean trim from fed cattle are both averaging below a year ago, but still well above 2004 averages. The 50-percent lean trim price will likely remain under pressure, as fed cattle supplies are relatively abundant. If cow slaughter continues to decline seasonally, following recent rains, prices for 90-percent lean are likely to strengthen. However a dry spring could alter this relationship by forcing more cows to slaughter.

Retail prices for all meats are declining under the pressure of increasing supplies. Beef and pork prices remain well above broiler prices, making it difficult to compete with poultry. The onset of the spring/summer grilling season generally boosts beef prices, although larger supplies and relatively lower prices for competing meats will temper any beef price increases.

### ***Trade Impacted by Trade Restrictions and Disease Elsewhere***

Beef export trade continues to increase despite the absence of Japan and Korea in the market for U.S. beef. Australia continues to fill Asian market needs as reestablishing U.S. exports into the area remains under negotiation. U.S. beef and cattle imports from Canada continue to move towards levels prior to the BSE discovery in May 2003. Canadian cow slaughter continues well above recent slaughter levels while steer and heifer slaughter declines as more are exported to the United States. The additional cow beef is being consumed in Canada as cattle or beef from cattle over 30 months of age can't be exported to the United States.

### *Quarterly Hogs and Pigs Reports Small Increases*

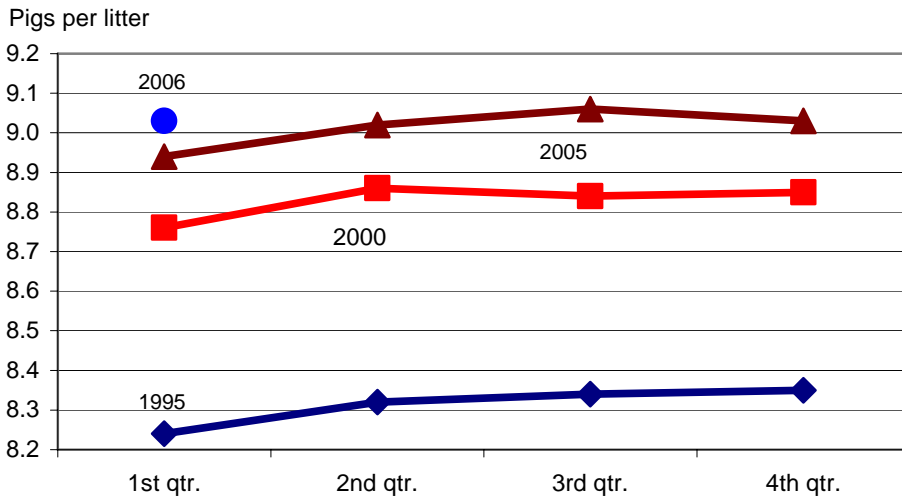
The USDA *Quarterly Hogs and Pigs* report issued on March 31 (<http://usda.mannlib.cornell.edu/reports/nassr/livestock/php-bb/>) reported March 1 hog inventories and farrowing intentions that were largely anticipated and consistent with USDA's 2006 production forecasts. March 1 inventories of all hogs and pigs, as well as animals kept for breeding increased by 1 percent over March 1, 2005 levels. Roughly the same number of sows farrowed in December-February as in the first quarters of 2005 and 2004. The pig crop that resulted in Dec.-Feb. 2006, however, yielded the largest ever litter rate for the quarter--9.03 pigs per litter. U.S. commercial pork production this year is expected to be about 21.3 billion pounds, 3 percent above 2005.

### *Pork Production Increases on Stable Breeding Herds?*

The combination of a largely static breeding herd, increasing litter rates, and higher pork production together reflect the evolved U.S. pork industry structure that is able to increase production by means other than expanding breeding herd numbers. Since 2003 the U.S. breeding herd has averaged about 6 million head. But over the last 3 years in particular, the industry has managed to make average additions of more than 450 million pounds per year to U.S. commercial pork production. Production increases are coming primarily from three sources: animal production efficiencies reflected in higher litter rates, increasing specialization of U.S. swine production to the finishing phase, that corresponds with larger U.S. imports of Canadian feeder animals, and thirdly, from increases in slaughter weights that follow from relatively low prices of corn and soybeans.

Quarterly U.S. litter rates are graphed in the figure below, at 5-year intervals, beginning in 1995. The figure also shows the first quarter 2006 litter rate reported in the March *Quarterly Hogs and Pigs* report. The 9.03 pigs per litter rate suggests a continuation of the dramatic series of efficiency improvements registered by the U.S. pork industry. Efficiency gains, such as higher pigs per litter, enable the industry to increase pork production even when breeding herd numbers change very little. Litter rate increases are one outcome of the structural changes in the U.S. pork industry that have taken place over the past 15 to 20 years. For more information on these changes, see "Economic and Structural Relationships in U.S. Hog Production" (<http://www.ers.usda.gov/Publications/aer818/>).

### Quarterly U.S. litter rates



Source: USDA, National Agricultural Statistics Service.

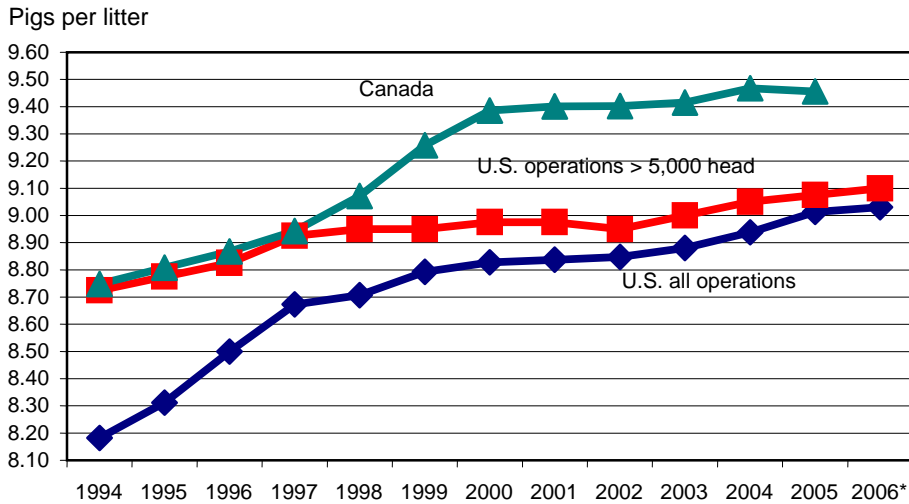
### *U.S. Live Swine Imports Likely To Increase Further in 2006*

Imports of live swine--feeder pigs and slaughter hogs--are another important source of U.S. pork production increases. Since 1995, swine imports have more than quadrupled, from less than 2 million, to more than 8 million head last year. More than 99 percent of all U.S. swine imports come from Canada. Since 1999, more than half of Canadian swine imports have been feeder pigs--animals weighing less than 50 pounds. In 2005 feeder pigs made up 66 percent of U.S. swine imports. Most feeder pigs are imported by U.S. finishers in the Iowa-Southern Minnesota area, where access to feed supplies and packer\processors are both cost optimal.

### *Canada Specializing in Farrowing, the United States in Finishing*

The Canadian breeding herd is highly productive; in fact the figure below shows that Canadian litter rates continue to exceed U.S. rates by a significant margin. Many factors contribute to Canadian productivity, but favorable climatic conditions and relatively thin population densities are among the most important. The climate in Canada--particularly in Manitoba where a large part of the feeder pig industry is located-- tends to be cooler and drier than in the United States. Such climatic conditions help to reduce disease problems. Also, population densities tend to be much lower in Canada--and dramatically so in the Prairie Provinces--which allow farrowing operations to be situated huge distances from other operations. The relative isolation of hog operations also works against the establishment and spread of disease. Fewer disease problems that the favorable climate and low population density help to bring about, result in superior litter rates that can translate into lower average production costs for Canadian feeder pig operations. The potential for lower costs and enhanced animal health create incentives for U.S. finishers to import Canadian feeder pigs.

## Litter Rates: A U.S. - Canada Comparison, 1994-2006



### ***2006 Swine Imports Are Expected To Increase More Than 11 Percent Over Last Year***

U.S. hog finishers and packers\processors are expected to import 9.1 million head of swine from Canada in 2006, an increase of more than 11 percent over last year. The increase is attributable to several factors, but among the most important is the assumption of continued imposition of dumping penalties\countervailing duties on imported U.S. corn made permanent by the Government of Canada (GOC). Temporary penalties\duties of \$1.65 per bushel on imported U.S. corn were imposed by the GOC in December. The Canadian International Trade Tribunal is expected to make its final ruling on the penalties\duties on April 18, 2006. Making the duties permanent would create significant disincentives to finish and slaughter livestock in Canada, because feed costs would increase to reflect the penalties\duties. Canadian producers would likely respond to higher feed costs by increasing the number of feeder pigs shipped to the United States.

The USDA forecast for 2006 live swine assumes that the GOC-imposed penalties\duties on imported U.S. corn remain in place for 2006. But even in the absence of the penalties\duties, there are some outstanding questions regarding incentives for producing finished hogs in Canada, especially in Ontario, the United States' second largest source of imported feeder pigs. Recent net returns calculated by the Ontario Ministry of Agriculture, Food, and Rural Affairs (<http://www.omafra.gov.on.ca/english/livestock/swine/finmark.html>), and summarized in the table below, are mixed at best for Ontario operations other than farrow-to-wean operations. Canadian farrow-to-wean operations are typically export-oriented operations specialized in production of pigs weaned at a very early age-- less than 3 weeks, and weighting about 10 pounds. Most of these pigs are exported to the United States for finishing.

## Net returns from budgets for swine enterprises in Ontario, Canada

	Farrow to wean CN\$/sow	Farrow to feeder pig CN\$/sow	Farrow to finish CN\$/sow	Finish CN\$/pig
2005	2.59	-0.15	12.77	3.99
2004	2.85	0.12	18.16	10.83
2003	0.09	-13.19	-14.23	-20.23
2002	1.49	-10.18	-10.18	-17.17

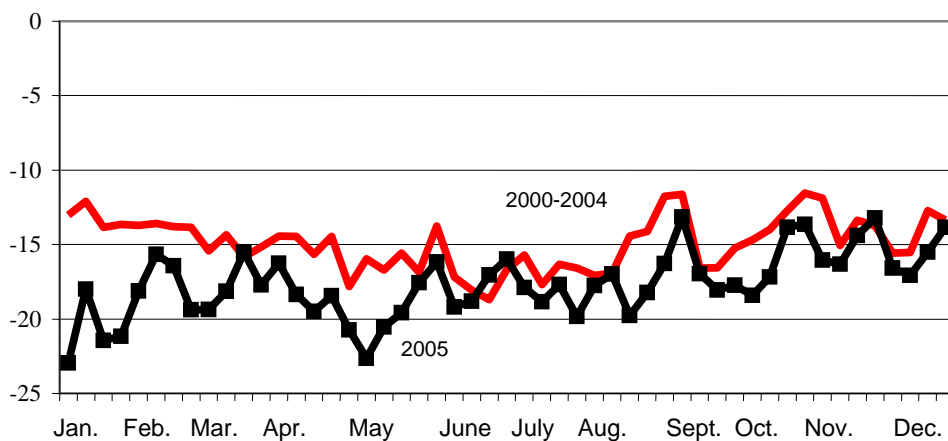
Sources: John Bancroft, Ontario Ministry of Agriculture, Food, and Rural Affairs.

Moreover, the spread between U.S. and Ontario hog prices has been declining in recent years, meaning that Canadian packers are paying less and less for hogs, compared with what U.S. hog producers receive from U.S. packer\processors. The spread between Ontario and U.S. hog prices could be narrowing for a number of reasons. Clearly the appreciating value of the Canadian dollar is making Canadian pork products more expensive--and thus less competitive--on world markets. When Canadian products don't achieve full "asking price" on world markets, either fewer Canadian products are sold, and/or, the asking price of Canadian pork must be lowered. Either way, Canadian packer\processors reduce offer prices for hogs.

A declining spread between Ontario and U.S. hog prices also raises questions about the competitiveness of the Canadian slaughter industry. It is very likely that slaughter costs are higher in Canada than in the United States. The sources of possible U.S. packer\processor competitiveness are readily identifiable. U.S. slaughter plants tend to be much larger than Canadian plants. Larger plants can often achieve significant scale economies which can contribute to lowering slaughter costs. U.S. plants also drive costs lower by double-shifting plants. Only one slaughter plant in Canada runs a double shift with any regularity. Lower U.S. slaughter costs often allow packer\processors to pay higher prices for hogs than higher cost competitors. The competitiveness of the U.S. slaughter industry, together with the appreciating Canadian dollar will likely continue to drive the Ontario-U.S. price spread lower, thus creating additional incentives to export swine to the United States.

## Price spread: Ontario price-U.S. national base cost (51-52 percent lean)

C\$/100 kilograms



Sources: Ontario Pork Board and USDA.

### *Hog Prices, Wholesale Pork Prices Lower in March, First Quarter*

Prices for 51-52 percent lean hogs (live equivalent) averaged to \$43.34 in March and \$42.63 for the first quarter. Although first-quarter hog prices were almost 18 percent below a year ago, USDA calculations show break-even prices currently in the mid-to-high \$30 per cwt range. Most U.S. producers are likely continuing to achieve positive returns.

([http://www.ers.usda.gov/publications/ldp/xlstables/productionind\\_estreturns.xls](http://www.ers.usda.gov/publications/ldp/xlstables/productionind_estreturns.xls)). Hog prices for 2006 are expected to average between \$42 and \$44 per cwt. Recent increases in corn prices are not currently expected to significantly increase hog producers' costs of production in 2006.

### *Wholesale and Retail Prices Also Lower*

The USDA Estimated Pork Carcass cutout--an indicator of wholesale pork values--in the first quarter averaged \$61.76 per cwt, almost 16 percent lower than first-quarter 2005. Lower carcass cutout values are partially attributable to large first-quarter commercial hog slaughters and hefty dressed weights, which are expected to average 203 pounds, averaged almost 2 pounds heavier than a year ago. While very strong foreign demand for U.S. pork products undoubtedly supported the first quarter cutout, it also seems likely that retail poultry prices are cutting into domestic pork demand, and pressuring wholesale pork values. First-quarter retail pork prices are expected to average in the high \$2.70s, or about 2 percent lower than a year ago.

### *Exports Continue To Bolster U.S. Pork Demand*

U.S. exporters shipped 254 million pounds of pork to foreign markets in February, an increase of more than 23 percent over February 2005. For the first 2 months of 2006, U.S. export data indicate that U.S. exporters have shipped almost 22 percent more pork to foreign markets. On the basis of very strong January and February exports, USDA increased its 2006 pork export forecast to 2.9 billion pounds, almost

9 percent larger than exports in 2005. Very strong exports are likely being driven by favorable exchange rates, and by the fact that U.S. pork is one of the remaining animal proteins not touched by disease related issues, as with beef and BSE (i.e., outbreaks in North America), and, poultry and AI (i.e., outbreaks in Asia, Africa, and Europe). As a consequence, demand for U.S. pork products is sizzling in almost all markets. Export data available for January and February 2006 indicate the following year-over-year changes:

The small reduction in exports to Japan is not unexpected, as data indicate that pork stocks in Japan remain relatively high. (<http://www.ams.usda.gov/lsmnpujapan.htm>) Japan remains, by far, the largest destination for exported U.S. pork. So far this year, Japan accounts for 31 percent of U.S. exports. Over the same time last year, almost 41 percent of U.S. exports were shipped to Japan.

	Percent change Jan.-Feb. 2006\Jan.-Feb. 2005
Japan	-7.12
Canada	+6.89
Mexico	+36.87
Russia	+172.20
S. Korea	+64.12
Hong Kong	+246.16
Taiwán	+80.32
Caribbean	+26.63
Central\S. America	+57.51
EU-25	+43.40
China	+25.00
Australia	+18.77
Romania	+61.44

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### Recent Report

*Did the Mandatory Requirement Aid the Market? Impact of the Livestock Mandatory Reporting Act*, <http://www.ers.usda.gov/Publications/LDP/Sep05/ldpm13501/> compares the mandatory price reporting system developed by USDA's Agricultural Marketing Service in 2001 with the previous voluntary reporting system. The trend toward formula purchases has slowed since mandatory price reporting was implemented, and market forces have likely contributed to an increase in the volume of cattle moving under negotiated purchases.

*Market Integration of the North American Animal Products Complex*, <http://www.ers.usda.gov/Publications/ldp/may05/ldpm13101/> The beef, pork, and poultry industries of Mexico, Canada, and the United States have tended to become more economically integrated over the past two decades. Sanitary barriers, which are designed to protect people and animals from diseases, are some of the most significant barriers to fuller integration of meat and animal markets.

### Related Websites

Animal Production and Marketing Issues, <http://www.ers.usda.gov/briefing/AnimalProducts/>  
Cattle, <http://www.ers.usda.gov/briefing/cattle/>  
Dairy, <http://www.ers.usda.gov/briefing/dairy/>  
Hogs, <http://www.ers.usda.gov/briefing/hogs/>  
Poultry and Eggs, <http://www.ers.usda.gov/briefing/poultry/>  
WASDE, <http://usda.mannlib.cornell.edu/reports/waobr/wasde-bb/>

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**Red meat and poultry forecasts**

	2003		2004			2005					2006					
	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
<b>Production, million lb</b>																
Beef	26,238	5,838	6,253	6,360	6,097	24,548	5,725	6,189	6,560	6,209	24,683	6,075	6,775	6,825	6,350	26,025
Pork	19,945	5,130	4,897	5,047	5,435	20,509	5,138	5,021	5,000	5,525	20,684	5,325	5,125	5,200	5,675	21,325
Lamb and mutton	199	53	46	46	50	195	49	46	44	48	187	49	52	49	52	202
Broilers	32,749	8,195	8,492	8,839	8,537	34,063	8,588	8,934	8,939	8,904	35,365	8,900	9,125	9,100	9,050	36,175
Turkeys	5,650	1,309	1,366	1,390	1,389	5,454	1,328	1,397	1,375	1,405	5,505	1,335	1,405	1,410	1,425	5,575
Total red meat & poultry	85,476	20,687	21,220	21,858	21,676	85,441	20,991	21,764	22,088	22,253	87,096	21,847	22,650	22,757	22,728	89,982
Table eggs, mil. doz.	6,225	1,556	1,574	1,598	1,637	6,365	1,588	1,583	1,596	1,644	6,411	1,605	1,625	1,640	1,675	6,545
<b>Per capita consumption, retail lb 1/</b>																
Beef	64.9	16.0	16.9	16.9	16.3	66.1	15.6	16.8	17.0	16.0	65.5	15.7	17.5	17.5	16	66.7
Pork	51.8	13.0	12.2	12.7	13.4	51.3	12.3	12.1	12.3	13.3	50.0	12.4	12.1	12.5	13.4	50.4
Lamb and mutton	1.2	0.3	0.3	0.2	0.3	1.1	0.3	0.3	0.2	0.3	1.1	0.3	0.3	0.2	0.3	1.1
Broilers	81.6	20.8	21.2	21.9	20.4	84.3	21.3	21.7	21.6	21.2	85.8	22	22.2	22	21.5	87.7
Turkeys	17.4	3.6	4.0	4.5	5.0	17.1	3.6	3.9	4.2	5.1	16.7	3.4	3.7	3.9	5.2	16.2
Total red meat & poultry	218.9	54.1	54.8	56.6	55.9	221.4	53.6	55.2	55.7	56.1	220.8	54.2	56.2	56.6	56.8	223.9
Eggs, number	254.7	63.7	63.9	64.1	65.5	257.2	63.5	63.0	63.5	65.0	255.0	63.6	64.3	64.7	65.8	258.4
<b>Market prices</b>																
Choice steers, Neb., \$/cwt	84.69	82.16	88.15	83.58	85.09	84.75	89.09	87.96	81.79	90.27	87.28	89.24	81-85	78-84	80-86	82-86
Feeder steers, Ok City, \$/cwt	89.85	87.98	104.58	116.27	110.19	104.76	104.05	113.36	111.50	114.84	110.94	106.80	100-104	95-101	95-101	99-103
Boning utility cows, S. Falls, \$/cwt	46.62	47.50	54.86	56.25	50.78	52.35	54.18	59.17	55.34	49.75	54.36	48.89	54-56	52-56	51-55	51-54
Choice slaughter lambs, San Angelo, \$/cwt	91.98	100.62	97.06	93.62	95.44	96.69	106.10	98.60	92.90	94.44	97.76	77.00	78-82	79-85	88-94	81-85
Barrows & gilts, N. base, i.e. \$/cwt	39.45	44.18	54.91	56.58	54.35	52.51	51.92	52.09	50.51	45.67	50.05	42.63	45-47	43-47	38-42	42-44
Broilers, 12 City, cents/lb	62.00	73.20	79.30	75.70	68.30	74.10	71.90	72.60	72.10	66.70	70.80	62.70	62-64	63-67	61-67	62-65
Turkeys, Eastern, cents/lb	62.10	62.10	66.60	73.10	77.10	69.70	65.90	67.70	76.50	83.60	73.40	67.30	69-71	72-78	75-81	71-74
Eggs, New York, cents/doz.	87.90	114.90	79.70	66.20	68.00	82.20	64.50	55.90	66.60	75.00	65.50	71.4	66-68	69-73	73-79	70-73
<b>U.S. trade, million lb</b>																
Beef & veal exports	2,518	36	120	138	167	461	130	189	150	220	689	220	265	275	290	1,050
Beef & veal imports	3,006	873	929	940	937	3,679	831	1,065	906	797	3,599	820	950	900	820	3,490
Lamb and mutton imports	168	62	47	34	38	181	41	52	39	48	180	50	50	40	44	184
Pork exports	1,717	523	546	486	624	2,179	630	699	629	702	2,660	725	750	665	750	2,890
Pork imports	1,185	275	265	291	268	1,099	245	245	257	277	1,024	245	240	260	270	1,015
Live swine imports	7,438	2,210	2,024	2,196	2,075	8,505	1,894	1,951	2,157	2,189	8,191	2,200	2,300	2,300	2,300	9,100
Broiler exports	4,920	1,024	1,008	1,250	1,486	4,768	1,199	1,347	1,315	1,286	5,147	1,175	1,300	1,375	1,450	5,300
Turkey exports	484	83	93	134	133	443	126	147	147	149	569	130	150	155	165	600

1/ Per capita meat and egg consumption data are revised, incorporating a new population series from the Commerce Department's Bureau of Economic Analysis based on the 2000 Census.

Source: World Agricultural Supply and Demand Estimates and Supporting Materials.

For further information, contact: Mildred Haley, (202) 694-5176, mhaley@ers.usda.gov

## Economic Indicator Forecasts

	2004		2005					2006				
	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
<b>GDP, chain wtd (bil. 2000 dol.)</b>	10,897	10,756	10,999	11,092	11,193	11,234	11,131	11,355	11,449	11,534	11,626	11,487
<b>CPI-U, annual rate (pct.)</b>	3.4	3.4	2.4	4.2	5.1	3.2	3.7	2.0	2.5	2.5	2.4	2.4
<b>Unemployment (pct.)</b>	5.4	5.5	5.3	5.1	5.0	4.9	5.1	4.8	4.8	4.8	4.8	4.8
<b>Interest (pct.)</b>												
3-month Treasury bill	2.0	1.4	2.5	2.9	3.4	3.8	3.2	4.4	4.6	4.7	4.7	4.5
10-year Treasury bond yield	4.2	4.3	4.3	4.2	4.2	4.5	4.3	4.6	4.8	4.9	4.9	4.8

Source: Survey of Professional Forecasters, Philadelphia Federal Reserve Bank, February 2006.  
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## Dairy Forecasts

	2004		2005					2006				
	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Milk cows (thous.)	9,019	9,012	9,002	9,041	9,060	9,060	9,041	9,090	9,110	9,125	9,135	9,115
Milk per cow (pounds)	4,661	18,967	4,816	5,069	4,871	4,821	19,576	5,020	5,150	4,915	4,905	19,990
<b>Milk production (bil. pounds)</b>	42.0	170.9	43.4	45.8	44.1	43.7	177.0	45.6	46.9	44.8	44.8	182.2
Farm use	0.3	1.1	0.3	0.3	0.3	0.3	1.1	0.3	0.3	0.3	0.3	1.1
Milk marketings	41.8	169.8	43.1	45.6	43.9	43.4	175.9	45.4	46.6	44.6	44.5	181.1
<b>Milkfat (bil. pounds milk equiv.)</b>												
Milk marketings	41.8	169.8	43.1	45.6	43.9	43.4	175.9	45.4	46.6	44.6	44.5	181.1
Beginning commercial stocks	9.9	8.3	7.2	9.4	11.2	9.6	7.2	8.0	10.4	11.8	9.9	8.0
Imports	1.3	5.3	1.3	1.1	1.1	1.2	4.6	1.3	1.1	1.1	1.2	4.6
Total supply	53.0	183.4	51.6	56.1	56.1	54.1	187.7	54.6	58.1	57.4	55.6	193.7
Ending commercial stocks	7.2	7.2	9.4	11.2	9.6	8.0	8.0	10.4	11.8	9.9	8.2	8.2
Net removals	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	45.8	176.3	42.2	44.9	46.6	46.4	180.0	44.2	46.3	47.5	47.4	185.5
<b>Skim solids (bil. pounds milk equiv.)</b>												
Milk marketings	41.8	169.8	43.1	45.6	43.9	43.4	175.9	45.4	46.6	44.6	44.5	181.1
Beginning commercial stocks	9.5	8.5	8.2	8.4	9.6	8.9	8.2	8.9	9.5	10.1	9.0	8.9
Imports	1.3	4.8	1.2	1.0	1.2	1.2	4.5	1.2	1.2	1.1	1.3	4.8
Total supply	52.5	183.1	52.4	55.0	54.6	53.4	188.6	55.5	57.3	55.8	54.8	194.9
Ending commercial stocks	8.2	8.2	8.4	9.6	8.9	8.9	8.9	9.5	10.1	9.0	9.0	9.0
Net removals	0.0	1.3	-0.4	-0.3	-0.2	0.0	-1.0	0.0	0.7	0.1	0.3	1.2
Commercial use	44.4	173.7	44.4	45.8	46.0	44.8	180.9	46.0	46.5	46.7	45.5	184.7
<b>Milk prices (dol./cwt) 1/</b>												
All milk	16.07	16.05	15.67	14.83	14.97	15.13	15.15	13.60	11.75	12.20	12.60	12.55
									-12.15	-12.90	-13.60	-13.05
Class III	15.06	15.39	14.31	14.10	14.08	13.69	14.05	12.23	10.80	11.45	11.20	11.45
									-11.20	-12.15	-12.20	-11.95
Class IV	13.19	13.20	12.64	12.38	13.45	13.03	12.87	11.33	10.30	10.50	10.40	10.65
									-10.80	-11.30	-11.50	-11.25
<b>Product prices (dol./pound) 2/</b>												
Cheddar cheese	1.610	1.643	1.531	1.507	1.481	1.481	1.430	1.272	1.150	1.240	1.225	1.225
									-1.190	-1.310	-1.325	1.275
Dry whey	0.235	0.232	0.248	0.263	0.287	0.314	0.278	0.345	0.300	0.250	0.240	0.280
									-0.320	-0.280	-0.270	-0.310
Butter	1.778	1.824	1.570	1.459	1.646	1.487	1.540	1.247	1.140	1.205	1.200	1.195
									-1.210	-1.305	-1.330	-1.275
Nonfat dry milk	0.862	0.841	0.899	0.923	0.957	0.984	0.941	0.905	0.830	0.820	0.815	0.845
									-0.870	-0.880	-0.855	-0.885

National Agricultural Statistics Service. Details may be found at [http://www.ams.usda.gov/dyfmos/mib/fedordprc\\_dscrp.htm](http://www.ams.usda.gov/dyfmos/mib/fedordprc_dscrp.htm)

Source: World Agricultural Supply and Demand Estimates and supporting materials.  
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