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Livestock, Dairy, and Poultry Outlook

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Tables will be released on August 28, 2007

The next newsletter release is September 20, 2007

Approved by the World Agricultural Outlook Board.

Beef/Cattle: NASS' *Cattle* report showed virtually all July 1, 2007 inventories down from July 1, 2006. The *Cattle* report indicates that the current cattle cycle may have either stalled or peaked. As a result, beef production could be below 26 billion pounds for 2008 and 2009, which would be slightly below 2007 production, and will depend on average dressed weights and breeding heifer retention.

Dairy: Global demand for dairy products, especially nonfat dry milk, butter, and whey, will likely keep prices high this year and next despite increased domestic production in 2008.

Lamb/Sheep: The USDA *Sheep and Goats* report released on July 20, 2007 indicated a decline in inventories. On July 1, 2007, the U.S. sheep and lamb inventory totaled 7.73 million head, down slightly from 2006, but still about 1 percent above the July 1, 2004 bottom. Slight inventory reductions were seen in all of the major categories: breeding sheep, market sheep, and replacement lambs. Heavier-than-normal liquidation continues to take place in Texas and New Mexico, the region hit by severe drought in 2006. Despite these declines, the 2007 lamb crop showed year-over-year increases.

Pork/Hogs: Third-quarter commercial pork production is expected to be almost 5.3 billion pounds, about 3.2 percent above third quarter last year. Third-quarter prices of live equivalent 51-52 percent lean hogs are forecast to range between $50 and $52 per hundredweight (cwt). Pork exports in the first half of 2007 were 4 percent lower than a year ago.

Poultry: After falling in the first and second quarters, broiler meat production is expected to increase on a year-over-year basis in the second half of 2007. Prices for broiler products are expected to moderate as production increases. Turkey meat production continues to grow, but strong domestic demand and exports have kept stocks low and prices above those of the previous year.

Crops, Hay, and Pasture Conditions

Despite recent scattered showers in many areas of the United States, dry conditions persist in the Southeast, Southwest, and parts of the Corn Belt and are spreading. Some rains fell in Mississippi and Western Alabama during mid- to late-July, 2007, providing scattered local relief, but dry conditions persist in the western parts of the Southeast. At the other extreme, flooding occurred in Central Texas. Feed-grain crop progress is well ahead of last year and/or 5-year averages with respect to benchmark growth stages, and pasture and range conditions are well ahead of last year at this time for all but the Southeast, Southwest, and Corn Belt. As a result, grain prices have moderated somewhat, with the monthly average price for No. 2 yellow corn, Central Illinois, in the $3 per bushel neighborhood for the first time since October 2006.

Current Cattle Cycle Stalls

The *Cattle* inventory report released by NASS on Friday, July 20, 2007 showed a total July 1, 2007 cattle-and-calf inventory of 104.8 million head (400,000 head below the July 1, 2006 inventory), including 33.35 million beef cows (100,000 head below 2006) and 9.15 million dairy cows (unchanged from 2006). The report indicates that cattle inventory growth has stalled, at best, or peaked, at worst, for the cattle cycle that first expanded in 2005, up from a cyclical low cattle and calf inventory of 103.6 million head on July 1, 2004 (including a low total cow inventory of 42.4 million head). The last cycle with a short expansion phase occurred during the cycle that began from a low point on January 1, 1979, peaked in 1982 after only 3 years of cattle inventory expansion, and ended at a low point in 1990 after 8 years of liquidation.

July 1, 2007 inventories of steers and bulls over 500 pounds were down from July 1, 2006, which indicates the potential for reduced beef production next year. Male calves, of which about 95 percent or more are steers, are virtually all fed for beef—most of the other 5 percent are bull calves retained for breeding.

July 1, 2007 inventories of heifers for cow replacement were down by 200,000 head from July 1, 2006 inventories. This was a net change that consisted of 300,000 head fewer beef cow replacements, a 6-percent year-over-year decline, and 100,000 head more dairy cow replacements, a 3-percent increase. However, July 1, 2007 inventories of other heifers were 200,000 head larger than in 2006, a 3 percent increase. While these other heifers are likely to be placed on feed at some point during the next year, some could be diverted to replacement status.

The *Cattle on Feed* report released on July 20 also provided information on heifers on feed on July 1. Heifers accounted for 36.6 percent of cattle on feed, up from about 34 percent on July 1, 2006 and 2005. This number is consistent with the reduced beef replacement inventory in the *Cattle* report. These numbers should provide some support for fed cattle and beef prices over the short run, despite the remaining potential for a seasonal price bottom.

Despite the positive outlook with respect to inventories, cattle feeders' costs have been high recently, in the mid- to upper $90 range, again because of summer weather/crop issues and ethanol-driven demand for corn. As a result, some cattle feeders were losing $50-$80 per head in July.

Heifer retention is one of the keys to future slaughter and beef production. As heifers are retained, they become unavailable for slaughter as fed beef. This reduces fed cattle slaughter and beef production over the succeeding couple of years. Shortened supplies of fed cattle persist until heifers enter the breeding herd and have their first calves, and until those calves grow to slaughter weight. This process is usually a period of at least 2 years. In addition, as retained heifers are withdrawn from cattle feeding and the slaughter mix, their absence results in increased average slaughter and dressed weights because steers, which put up heavier weight carcasses, make up a larger share of total slaughter.

If heifers are not retained, then the opposite situation occurs, and beef production increases for the short run. Shortrun increases in beef production can put downward pressure on prices, which, in turn, can result in additional cow slaughter and, subsequently, more beef and lower prices.

During a cyclical expansion phase in cow inventories, which usually lasts about 6 years, heifer retention for herd building results in the heifer share of total slaughter falling below about 30 percent or 31 percent; during the liquidation phase, heifer retention declines and the heifer share of total slaughter rises to above 31 percent. After about 2 years, heifers' calves begin entering the beef production chain, and beef production begins to increase. Based on these trends, the July 20 report was generally neutral in the short run and positive for prices over the next couple of years.

During several of the last few months, relatively larger numbers of heavier cattle have been placed on feed. Because they remained on pasture longer, a response to higher grain prices fueled by competing demand for corn due to increasing ethanol production, these heavier feeder cattle will generally be fed for shorter periods, consuming less feed. Stocker or backgrounding operations, in which cattle usually are raised on pasture, but occasionally on a growing ration in drylot, is an intermediate phase between calfhood and fed cattle slaughter. Length of time in a stocker program can depend on the relative prices of feed grains and pasture. Generally, higher grain prices result in calves remaining on pasture until they reach heavier weights before being placed in feedlots. Lower grain prices can result in calves moving to feedlots at lighter weights or being backgrounded in drylots where they may be fed growing rations. Of course, dry weather or drought can force producers to move cattle off pasture at lighter weights and into feedlots, as happened during the dry conditions in 1996 and in 2005/06.

After increasing somewhat in April and May 2007, calf slaughter weights have again declined recently. This is a response to the dry conditions in the Southeastern United States—as the dry conditions result in sales of cow-calf pairs, calves are separated from their dams at auctions and sold as veal calves. Selling these lightweight calves for veal lowers the average slaughter weight of all calves slaughtered. Another signal that this may be occurring is that monthly commercial calf slaughter in June 2007 was 61,000 head, 4.3 percent above 2006 slaughter.

Meanwhile, average dressed weights for other commercially slaughtered cattle have increased recently, consistent with their typical seasonal pattern in which weights increase from a low in April-May to a peak, usually in September and October. There is also a long-term trend increase of about 4 to 5 pounds per year in average dressed weights. Average dressed weights for all cattle in June 2007 were more than 14 pounds per carcass heavier than the May 2007 average, but almost 11 pounds below June 2006.

The average July 2007 monthly retail price of Choice beef was $4.14 per pound. This was 1.7 percent below the June 2007 price, but still 6.8 percent above the July 2006 average. The overall farm-to-retail price spread in July 2007 was $2.24 per pound from June 2007. The wholesale-to-retail spread narrowed by about 1 cent from June to $1.96. Packers also gave up margin as the farm-to-wholesale spread declined to 27.4 cents from 34.9 cents per pound in June. The byproduct value was about unchanged.

U.S. beef exports in June 2007 totaled 132.3 million pounds, carcass weight equivalent, up 25 percent from June 2006. Imports of beef and veal into the United States during June 2007 were up almost 3 percent from June 2006. Cattle imports into the United States in June 2007 were up 5 percent from June 2006.

Dairy

Global Demand for Dairy Products Could Keep Prices High in 2008 Despite Increased Production

Milk production for 2007 is projected at 184.3 billion pounds, unchanged from July. Growth in cow numbers is expected to continue for the remainder of 2007 and into 2008. July's *Cattle* report showed 3 percent more replacement heifers on farms. The 2007/08 season-average corn price is forecast to average $2.80 to $3.40 a bushel and the soybean meal price is forecast to average $200 to $230 a ton. Alfalfa hay prices could remain high, as alfalfa producing-regions of the country are experiencing dryness. Higher milk and product prices have overcome the higher feed prices this year. The milk-feed-price ratio will likely climb to nearly 3.5 by the end of the summer and could average about 3.0 for the year. The higher expected feed-price ratio indicates a change in the milk production outlook in the second half of 2007. Higher feed prices and lower-than-expected rBST use could keep output per cow below trend this year.

In 2008, the milk-feed price ratio should still signal expansion at over 3.0. Production is forecast to reach 188.6 billion pounds as cow numbers are expected to increase each quarter and average 9.15 million head for the year compared with 9.13 million head in 2007. The outlook for higher milk prices should encourage some additional retention.

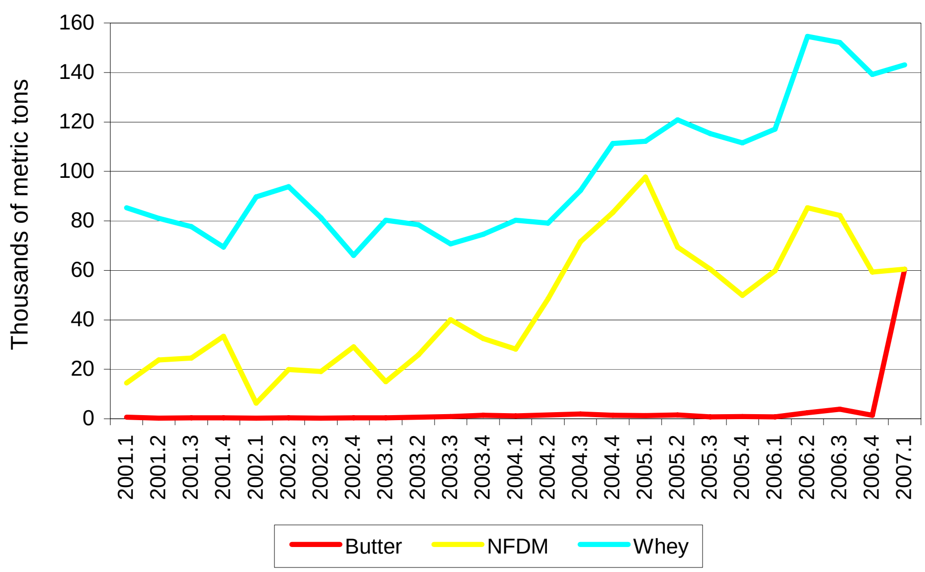
The greater availability of milk, both for the balance of 2007 and into 2008, is expected to moderate prices, but precipitous declines from 2007 price levels are unlikely next year. Robust demand, both domestically and, especially, internationally, will keep prices high. Sales of fluid milk through April have been about 2 percent above previous year's levels in Federal Market Order areas and California. This represents a change in the downward trend of recent years. Low fat and skim milk product consumption has grown faster than whole milk. Organic milk sales have climbed at double-digit rates, albeit from a small base. Higher prices at retail could limit gains for the balance of the year, making more milk available for manufacturing.

Commercial disappearance through May for butter, American style cheese, and nonfat dry milk (NDM) are ahead of 2006 totals for the same period, with butter leading the way at a nearly 9-percent year-over-year rise. Strong demand for cheese and butter will keep prices high. The average cheese price is expected to be $1.690 to $1.710 per pound this year. World supplies of butter are tight and the United States may commercially export butter this year. Butter price is expected to average $1.385 to $1.425 per pound. Next year, increased production could lower prices slightly. The cheese price is expected to average $1.565 to $1.665 per pound and butter $1.310 and $1.440 per pound.

Commercial disappearance of NDM and whey dipped below year-earlier levels earlier this spring, mainly because high domestic prices, driven by high international prices, rationed supply. However, it is global demand for NDM and other dry milk products and whey that are supporting U.S. prices and constraining disappearance. Exports of NDM and whey have soared since 2005 (see figure), and exports are expected to continue at least through 2008 as world demand continues to outstrip supply. The NDM price is expected to average $1.675 to $1.695 per pound in 2007, with only a slight drop to $1.605 to $1.675 per pound anticipated in 2008. Whey price is projected to average 65.5 to 67.5 cents per pound in 2007 and drop in 2008 to average 59.5 to 62.5 cents per pound.

Demand for products will keep milk prices high both this year and next. Class IV price is projected to average $18.30 to $18.60 per cwt in 2007 and decline slightly to $17.45 to $18.55 in 2008. Likewise, Class III price is expected to average $18.00 to $18.20 per cwt this year and soften to $16.40 to $17.40 per cwt next year. The all milk price will average $19.15 to $19.345 per cwt in 2007. A decline to between $18.25 and $19.25 is expected in 2008.

U.S. dairy exports



Source: USDA/Foreign Agricultural Service.

Lamb/Sheep

Decline in Mid-Year Sheep Inventory, but Lamb Crop Strong

The USDA *Sheep and Goats* report released on July 20, 2007 indicated a decline in inventories. On July 1, 2007, the U.S. sheep and lamb inventory totaled 7.73 million head, down slightly from 2006, but still about 1 percent above its July 1, 2004 bottom. Slight inventory reductions were seen in both the breeding and market sheep categories. Replacement lambs also declined by 5,000 head when compared with 2006. Market lamb inventory remained unchanged from last year, but market sheep inventory was down 15,000 head. Much like last year, drought conditions in some of the major sheep producing areas may be contributing to the overall decline in inventory. This may also be resulting in a higher-than-normal increase in live sheep exports. For the first 6 months of 2007, live sheep exports are up 2 percent from the same period in 2006, which was a record year for live sheep exports.

As in 2006, Region 1 (Arizona, California, Idaho, Nevada, Oregon, and Washington) and Region 2 (Texas and New Mexico) saw 2-percent and 3-percent reductions in total sheep and lamb inventory, respectively, over the same period last year. Region 3 (Colorado, Montana, South Dakota, Utah, and Wyoming) and Region 5 (States not covered in Regions 1-4), both showed 1-percent increases in inventory over the same period last year. Region 5 has consistently registered inventory increases in the past 6 years. This is because the number of small operations in this region continues to increase each year as more and more small farmers are choosing to raise sheep as an alternative enterprise. Region 4 (Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota and Oklahoma) showed no change in inventory from 2006.

Forage conditions in Texas and New Mexico deteriorated in the second half of 2006, which may have encouraged producers to reduce inventories. However, despite improved weather conditions in those States during the first-half of 2007, producers liquidated their flocks. This is reflected in the increase in live exports from these two States. Regions 3 and 5 have been more affected by this year's drought. Region 3's inventory growth is not surprising because most of the sheep are currently summer-feeding in higher elevations and under shade trees where the effects of weather would be less severe. The impact of the drought may be more apparent when these animals return to the lower ground in late September-early October. Region 5, though comprised of States experiencing drought, has consistently registered inventory increases in the past 6 years.

Despite a smaller breeding herd than last year, the lamb crop in 2007 is expected to be 1 percent above last year. This reflects the infusion of a large number of replacement lambs in 2004 and 2005, as well as the culling of less productive ewes during the drought-induced liquidation of 2005-2006. As a result, 20,000 more lambs are expected in 2007 than in 2006.

First-half 2007 lamb and mutton production was down 3 percent from the same period last year, while the number of animals slaughtered was down by just about 2 percent from the same period.

Lighter weight animals also contributed to the lower level of production, as first-half average dressed weights for sheep and lambs were about 1 pound lighter than for the same period last year. Third-quarter production is expected to be equal to that of the same period last year, and production for the fourth quarter of 2007 is expected to be about 2 percent below that of last year.

Weaker second-half production is expected to bolster second-half prices. Lamb and mutton demand also tend to increase during the latter half of the year and should boost prices. First-half farm prices for lambs averaged $96.3 per cwt, up 5 percent from the same period last year, while first-half 2007 Choice slaughter lamb prices at San Angelo, Texas market averaged $82.41 per cwt, 15 percent above the same period a year earlier. During the first half of 2007, Choice slaughter lamb prices at San Angelo remained fairly stable. Prices are expected to increase gradually during the second half of 2007 due to tighter supplies and expected seasonal demand increases. Second-half prices at San Angelo are expected to average in the low- to mid-$80s per cwt. The increase in slaughter lamb prices have also translated to an increase in wholesale prices. Wholesale Lamb Carcass Price, Choice-Prime, East Coast, 55-65 lb has also increased steadily, from a first-quarter 2007 average of $205.09 per cwt to a second-quarter average of $220.42 per cwt. Wholesale lamb carcass prices are expected to continue to increase into the third and fourth quarters of 2007.

Third-Quarter Pork Production Forecast To Increase More Than 3 Percent

Third-quarter commercial pork production is expected to be almost 5.3 billion pounds, about 3.2 percent above third quarter last year. Third-quarter dressed weights are expected to be slightly higher than a year earlier, for the first time in 2007. The small year-over-year increase in dressed weight likely reflects lower feed costs compared with first-half 2007, when farm-level corn prices averaged more than 62 percent above the same period in 2006. Total pork production forecast for 2007—21.6 billion pounds—is more than 2.8 percent higher than production last year.

Softer Export Demand May Be Affecting Prices

Third-quarter prices for live equivalent 51-52 percent lean hogs are expected to range between $50 and $52 per cwt, about the same as the third-quarter 2006 price of $51.83 per cwt. Third-quarter forecasts for largely flat hog prices, when hog slaughter is also expected to increase in line with production expectations, point to strong packer demand for live hogs. At the same time, indications are that demand for certain pork products could be softening. July 6-August 3 weekly average wholesale pork prices—as measured by the USDA Estimated Pork Carcass Cutout—were almost 1 percent lower than the same period last year, with large declines in ham values and lesser declines in butt values.

Some of the decline in ham values may be due to softer export sales, to Mexico and Russia in particular. During June, the weekly composite primal ham value declined about 8 percent, while stocks of ham increased 53 percent. Falling wholesale ham prices and larger ham stocks occurred during a period when exports of ham and shoulder cuts (HTS lines 020312 and 220322) declined 27 percent on a product-weight basis. Exports of ham and shoulder cuts to Mexico—which accounted for 55 percent of the volume of the ham and shoulder tariff lines—were down 25 percent. Exports of ham and shoulder cuts to Russia—which accounted for 5 percent of ham and shoulder tariff line volume—were down 64 percent in June.

Retail Pork Prices Jump in Second Quarter

Second-quarter retail pork prices averaged $2.87 per pound, 3 percent above second quarter 2006. Pork price spread calculations (http://www.ers.usda.gov/Data/MeatPriceSpreads/) indicate that most of the price increase was due to a widening of the wholesale-to-retail end of the supply chain. Consumers are likely paying slightly more for pork products because of higher supply costs, and not because of lower pork supplies. Higher retail pork prices make pork less competitive with other meat proteins. Chicken in particular will likely compete strongly with pork, as broiler production accelerates in the second half of this year.

For the second month in a row, the July retail pork price set a new record high, at $2.94 per pound.

Pork Exports Lower in June, and in First Half; Imports Slightly Lower

Exporters shipped 218 million pounds of U.S. pork products to foreign markets in June, more than 8 percent less than a year ago. For the first half of 2007 total U.S. pork exports were 1.477 billion pounds, 4 percent less than the same period in 2006. Lower year-over-year exports are largely attributable to lower shipments to Mexico (-31 percent) and Russia (-21 percent). U.S. pork exports to South Korea, although about even with a year ago, are lower than expected so far in 2007. Lower Mexican demand is likely due to macroeconomic weaknesses, related to manufacturing and repatriated wages from workers in the United States. In Russia, Brazilian competition appears to be slowing demand for U.S. pork products. In South Korea, expanded beef imports through June could have been a contributing factor to lower-than-anticipated Korean demand for U.S. pork.

2007, 2006 U.S. export volumes and shares to major foreign markets

	U.S. pork exports			Share of U.S. exports	
Country	2007 (Million lbs.)	2006 (Million lbs.)	Year-over-year change (Percent)	2007 (Percent)	2006 (Percent)
Japan	554	507	9	38	33
Mexico	220	320	-31	15	21
Canada	159	156	2	11	10
Russia	94	119	-21	6	8
S.Korea	146	146	0	10	10
Total U.S. exports	1,477	1,530	-4		

For the year, U.S. exports are expected to be almost 3 billion pounds, almost 3 percent below 2006. In 2008, plentiful U.S. pork supplies and a low-valued currency are expected to push exports to almost 3.1 billion pounds.

U.S. buyers imported 496 million pounds of pork products in the first half 2007, slightly less than the 497 million pounds imported in the same period last year. About 80 percent of U.S. imports came from Canada, and about 11 percent from Denmark.

Closing of Slaughter Plants in Canada Brings More Swine to the United States

Live swine imports for the first 6 months of 2007 totaled 4.7 million head, an increase of almost 11 percent over the same period last year. Finishing animals comprised 69 percent of imports, versus 71 percent last year, while 30 percent of live swine imports were slaughter hogs, compared with 28 percent last year. The increase in the numbers and share of slaughter hogs is due to a recent closure of a slaughter plant in Saskatchewan, and the anticipated closure of another plant in Manitoba. For the year, almost 9.4 million head of swine are expected to come over the border, an increase of almost 8 percent over last year.

Poultry

Broiler Production Falls by 1.3 Percent

With broiler meat production down 4.2 percent in June, the total for the second quarter of 2007 was 9.0 billion pounds, down 1.3 percent from the same period in 2006. This is the fourth consecutive quarter of year-over-year declines in broiler meat production. In the first half of 2007, broiler meat production was 17.6 billion pounds, down 2.7 percent from the same period in 2006.

Over the first half of 2007, the number of broilers slaughtered was 4.4 billion, down 1.4 percent from a year earlier. The average broiler liveweight at slaughter during the first 6 months of 2007 was 5.48 pounds, up 0.3 percent from the first half of 2006. The relatively small decline in birds slaughtered and the increase in the average liveweight normally would have been expected to produce a larger amount of meat. However, over the first 6 months of 2007, the amount of meat produced per bird has consistently been lower than in the previous year.

Broiler meat production is expected to total 18.1 billion pounds during the second half of 2007, up 2.3 percent from the same period in 2006. The growth in production is expected to come from the combination of a larger number of birds being placed for growout and slightly higher average liveweights at slaughter. The incentive for increasing broiler production has come from the much higher prices that processors have received over the last 6 months. However, this increase in prices has been somewhat offset by higher feed and energy costs. If feed prices only increase moderately in the coming months, processors will have some incentive to continue the expansion in production that is expected in the second half of 2007.

The number of chicks being placed weekly for growout has averaged approximately 178 million over the last 5 weeks (July 14 to August 11). This is up 2.2 percent from the same weekly period in 2006. Weekly chick placements have been above the previous year for approximately the last 4 months, and now the higher placement rate is expected to push up production in the third quarter.

Broiler Exports Surge in June to 548 Million Pounds

After being below the previous year in March, April, and May broiler exports surged in June to 548 million pounds, a 32-percent increase from June 2006 and one of the highest monthly totals ever. In addition, the broiler export data for 2006 has been revised, with the total for 2006 being lowered to 5.205 billion pounds, down 68 million pounds from the previous estimate. Most of this revision was due to a lowering of exports in the first quarter of 2006 to 1.27 billion pounds.

With large shipments in June 2007 and the revisions to 2006 exports, the total pattern of exports has changed. With these changes, broiler exports in the first quarter of 2007 were up slightly (0.4 percent) and exports in the second quarter were 7.4 percent higher at 1.39 billion pounds.

The increase in broiler exports in June 2007 was mostly the result of larger shipments to Russia, China, and Angola. Exports to Russia totaled 209 million pounds (up 89 percent), and shipments to Lithuania also were up strongly to 53 million pounds.

Exports to Hong Kong/China were 69 million pounds, compared with only 39 million pounds in June 2006. Shipments to Angola totaled 24 million pounds, 286 percent higher than in the previous year. One area where broiler exports have fallen sharply is to Romania. Broiler exports to Romania have fallen due to its accession to the EU. As part of the EU, Romania now can not import U.S. broiler products. It had imported over 100 million pounds in the first half of 2006.

With a higher volume of exports and higher prices for broiler products in the first half of 2007, especially leg quarters, the value of broiler exports was much higher than the previous year. In the first half of 2007, the value of broiler exports rose to $1.18 billion, which is $360 million higher than in the first half of 2006 (up 44 percent).

Broiler exports in the second half of 2007 are estimated at 2.7 billion pounds, up 2.3 percent from the same period in 2006. The expected increase is due in large part to the expectation that broiler prices in the second half of 2007 will decline somewhat from the high levels seen in the first half of the year.

Turkey Production Increases in First-Half 2007

Turkey production during the first 6 months of 2007 was 2.88 billion pounds, a 3.2-percent increase compared with a year earlier. The increase in turkey meat production is due to a 3.6-percent increase in the number of birds being slaughtered, as the average liveweight of birds at slaughter in the first 6 months of 2007 was down slightly (0.3 percent) from the first 6 months of 2006. The forecast for turkey meat production in the second half of 2007 is for a 1.7-percent increase compared with the previous year to 2.94 billion pounds. The growth in production is again expected to come from a larger number of birds slaughtered, as the number of turkey poults placed for growout during the first 6 months of 2007 totaled 156 million, up 5 percent from a year earlier. Even with higher turkey meat production expected in the second half of 2007, turkey stocks are expected to remain lower than the previous year.

Even with the increase in production, the increase in turkey exports has helped keep turkey stocks at relatively low levels, which has in turn meant that turkey prices have continued to be well above their year-earlier levels. In July, the price of 8-16 pound whole hens in the Eastern market was 87 cents a pound, up 16 percent from a year earlier and 20 percent higher than the July 2005 price. Wholesale prices for whole turkeys are expected to remain higher than their year-earlier levels through the remainder of the year.

Turkey Exports Rise by 6 Percent

Over the first 6 months of 2007, U.S. turkey exports totaled 260 million pounds, up 6 percent compared with the previous year. Exports were higher to many markets, primarily China, Russia, Canada, and Mexico.

In addition to the higher volume of exports, the average unit price of turkey exports was higher in first-half 2007. The total value of turkey exports in the first half of 2007 was $185 million, a 15-percent increase from the same period in 2006. Turkey exports over the first half of 2007 were influenced by the high prices for most broiler products. With a gradual leveling off or lowering of broiler prices expected in second-half 2007, turkey exports are expected to have greater competition. The forecast for the second half of 2007 is for exports to total 295 million pounds, down somewhat from the same period in 2006.

Egg Production Falls in First-Half 2007

After rising on a year-over-year basis in all four quarters of 2006, total egg production has fallen in the first two quarters of 2007. Production of table eggs for consumption was 3.18 billion dozen in the first half of 2007, down 1.4 percent from first-half 2006. The decline in table eggs was partially offset by a small increase (1.6 percent) in the production of hatching eggs to 548 million dozen. The increase in the production of hatching eggs occurred mostly in the second quarter as broiler producers began to expand production to allow for higher meat production in the second half of 2007.

The smaller production of table eggs, along with a strong export market, has resulted in higher prices for eggs for most of the first half of 2007 and is continuing into the third quarter. Wholesale prices in the New York market averaged $1.15 per dozen in July, and weekly prices had gone as high as $1.19 per dozen in the beginning of August. Wholesale egg prices in the New York market are expected to average approximately $1.08 to $1.12 per dozen in the third quarter, but to decline slightly in the fourth quarter, as traditional high demand is offset by higher production.

Egg exports in the first half of 2007 totaled 102 million dozen (these are shell eggs and egg products). In the traditional large markets, higher exports to Mexico and Hong Kong were offset by smaller shipments to Canada and Japan. The overall total has been boosted by much higher shipments to China and the EU. Exports to China in the first half of 2007 totaled 3.0 million dozen, up 217 percent from the same period in 2006. Shipments to the EU have been concentrated in the United Kingdom, the Netherlands, Germany, and Denmark. Together, shipments to these countries totaled 18 million dozen in the first 6 months of 2007, 190 percent higher than the previous year.

Contacts and Links

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Data Products

Meat Price Spreads, http://www.ers.usda.gov/Data/MeatPriceSpreads/, provides monthly average price values, and the differences among those values, at the farm, wholesale, and retail stages of the production and marketing chain for selected cuts of beef, pork, and broilers. In addition, retail prices are provided for beef and pork cuts, turkey, whole chickens, eggs, and dairy products.

Livestock and Meat Trade Data, http://www.ers.usda.gov/Data/MeatTrade/, contains monthly and annual data for the past 1-2 years for imports and exports of live cattle and hogs, beef and veal, lamb and mutton, pork, broiler meat, turkey meat, and shell eggs. The tables report physical quantities, not dollar values or unit prices. Breakdowns by major trading countries are included.

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/
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Poultry and Eggs, http://www.ers.usda.gov/briefing/poultry/
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http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1194

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U.S. red meat and poultry forecasts

	2004	2005	2006					2007 1/					2008		
	Annual	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	Annual
Production, million lb															
Beef	24,548	24,683	6,082	6,724	6,834	6,513	26,153	6,235	6,649	**6,835**	**6,330**	**26,049**	**6,200**	**6,700**	**26,100**
Pork	20,509	20,685	5,335	5,008	5,087	5,625	21,055	5,396	5,128	**5,250**	**5,875**	**21,649**	**5,450**	**5,300**	**21,975**
Lamb and mutton	195	187	49	47	42	47	185	49	44	**42**	**46**	**181**	**48**	**44**	**179**
Broilers	34,063	35,365	8,938	9,130	8,884	8,801	35,752	8,574	9,011	**9,050**	**9,050**	**35,685**	**8,850**	**9,250**	**36,525**
Turkeys	5,454	5,504	1,355	1,440	1,419	1,473	5,686	1,410	1,473	**1,450**	**1,490**	**5,823**	**1,425**	**1,490**	**5,875**
Total red meat & poultry	85,441	87,097	21,920	22,516	22,428	22,619	89,483	21,819	22,468	**22,784**	**22,944**	**90,015**	**22,132**	**22,951**	**91,299**
Table eggs, mil. doz.	6,365	6,411	1,611	1,610	1,624	1,649	6,494	1,592	1,586	**1,625**	**1,660**	**6,463**	**1,610**	**1,610**	**6,575**
Per capita disappearance, retail lb 2/															
Beef	66.0	65.4	15.8	16.8	16.8	16.2	65.7	15.9	16.7	**16.9**	**15.6**	**65.1**	**15.5**	**16.4**	**63.7**
Pork	51.3	49.9	12.3	11.9	11.9	13.1	49.3	12.3	12.0	**12.5**	**13.5**	**50.4**	**12.5**	**12.4**	**50.7**
Lamb and mutton	1.1	1.1	0.3	0.3	0.2	0.3	1.1	0.3	0.3	**0.2**	**0.3**	**1.1**	**0.3**	**0.3**	**1.1**
Broilers	84.2	85.6	21.8	22.5	21.9	20.7	86.9	21.0	21.6	**21.8**	**21.3**	**85.7**	**20.7**	**21.9**	**85.9**
Turkeys	17.0	16.7	3.5	3.9	4.3	5.2	16.9	3.8	4.1	**4.3**	**5.0**	**17.2**	**3.6**	**4.0**	**16.9**
Total red meat & poultry	221.4	220.5	54.1	55.8	55.6	55.9	221.4	53.6	55.0	**56.2**	**56.1**	**220.9**	**55.4**	**55.5**	**219.8**
Eggs, number	256.9	255.3	63.9	63.5	63.8	64.5	255.7	61.7	61.3	**63.0**	**63.9**	**250.0**	**62.2**	**61.9**	**252.9**
Market prices															
Choice steers, Neb., $/cwt	84.75	87.28	89.24	80.39	85.40	86.61	85.41	90.61	96.45	**88-90**	**87-93**	**90-92**	**86-94**	**89-97**	**86-93**
Feeder steers, Ok City, $/cwt	104.76	110.94	106.23	104.08	115.17	103.22	107.18	99.32	108.87	**112-114**	**110-116**	**108-110**	**107-115**	**109-117**	**102-109**
Boning utility cows, S. Falls, $/cwt	52.35	54.36	48.89	47.79	49.28	44.29	47.56	51.04	53.96	**50-52**	**49-51**	**51-52**	**47-51**	**48-52**	**47-51**
Choice slaughter lambs, San Angelo, $/cwt	96.69	97.76	77.03	66.56	81.10	84.53	77.31	82.59	82.23	**80-82**	**81-87**	**81-83**	**82-90**	**81-89**	**82-89**
Barrows & gilts, N. base, l.e. $/cwt	52.51	50.05	42.63	48.45	51.83	46.13	47.26	46.04	52.55	**50-52**	**45-47**	**48-49**	**45-49**	**47-51**	**46-50**
Broilers, 12 City, cents/lb	74.10	70.80	62.7	61.0	67.8	65.9	64.4	75.0	80.3	**79-81**	**74-78**	**77-79**	**73-79**	**74-80**	**73-79**
Turkeys, Eastern, cents/lb	69.70	73.40	67.3	71.3	79.4	89.8	77.0	69.7	77.9	**87-88**	**89-95**	**81-83**	**71-77**	**73-79**	**75-81**
Eggs, New York, cents/doz.	82.20	65.50	71.4	62.7	64.0	89.0	71.8	105.3	92.0	**108-112**	**102-108**	**102-104**	**95-103**	**83-89**	**89-97**
U.S. trade, million lb															
Beef & veal exports	460	698	223	315	307	308	1,153	269	363	**360**	**390**	**1,382**	**370**	**410**	**1,695**
Beef & veal imports	3,679	3,599	843	789	731	722	3,085	770	884	**820**	**785**	**3,259**	**810**	**860**	**3,320**
Lamb and mutton imports	180	180	53	44	41	52	190	56	43	**42**	**50**	**191**	**57**	**51**	**198**
Pork exports	2,181	2,665	770	763	653	811	2,997	792	685	**640**	**800**	**2,917**	**765**	**770**	**3,055**
Pork imports	1,099	1,024	259	237	239	254	989	239	256	**245**	**265**	**1,005**	**245**	**250**	**1,015**
Broiler exports	4,784	5,203	1,338	1,298	1,224	1,412	5,272	1,275	1,393	**1,300**	**1,400**	**5,368**	**1,350**	**1,355**	**5,515**
Turkey exports	442	570	119	125	152	149	546	124	136	**140**	**155**	**555**	**135**	**150**	**605**
Live swine imports (thousand head)	8,506	8,192	2,133	2,087	2,205	2,338	8,763	2,302	2,370	**2,350**	**2,400**	**9,422**	**2,350**	**2,350**	**9,550**

1/ Forecasts are in **bold**.

2/ Per capita meat and egg disappearance data are calculated using the Resident Population Plus Armed Forces Overseas series from the Census Bureau of the Department of Commerce.

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

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Economic Indicator Forecasts

	2006					2007					2008	
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	Annual
GDP, chain wtd (bil. 2000 dol.)	11,381	11,385	11,433	11,542	11,422	11,549	11,618	11,693	11,775	11,658	11,860	11,992
CPI-U, annual rate (pct.)	2.0	3.4	2.9	-2.2	2.0	3.8	4.2	2.5	2.3	3.2	2.4	2.4
Unemployment (pct.)	4.8	4.7	4.7	4.5	4.6	4.5	4.6	4.6	4.7	4.6	4.8	4.8
Interest (pct.)												
3-month Treasury bill	4.4	4.8	4.9	4.9	4.7	5.0	5.0	5.0	4.9	5.0	4.9	4.9
10-year Treasury bond yield	4.6	5.1	4.9	4.6	4.8	4.7	4.7	4.8	4.8	4.8	4.9	4.9

Source: Survey of Professional Forecasters, Philadelphia Federal Reserve Bank, May 2007.
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Published in Livestock, Dairy, and Poultry Outlook, http://www.ers.usda.gov/publications/ldp

Dairy Forecasts

	2006					2007					2008		
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	Annual
Milk cows (thous.)	9,092	9,128	9,113	9,115	9,112	9,130	9,126	9,130	9,135	9,130	9,140	9,145	9,150
Milk per cow (pounds)	5,010	5,141	4,906	4,894	19,951	5,039	5,198	4,980	4,970	20,187	5,180	5,290	20,610
Milk production (bil. pounds)	45.5	46.9	44.7	44.6	181.8	46.0	47.4	45.5	45.4	184.3	47.3	48.4	188.6
Farm use	0.3	0.3	0.3	0.3	1.1	0.3	0.3	0.3	0.3	1.1	0.3	0.3	1.1
Milk marketings	45.3	46.6	44.4	44.3	180.7	45.7	47.2	45.2	45.1	183.2	47.1	48.1	187.4
Milkfat (bil. pounds milk equiv.)													
Milk marketings	45.3	46.6	44.4	44.3	180.7	45.7	47.2	45.2	45.1	183.2	47.1	48.1	187.4
Beginning commercial stocks	8.0	11.5	13.5	11.6	8.0	9.5	11.9	13.7	11.7	9.5	9.3	11.7	9.3
Imports	1.1	1.2	1.1	1.5	5.0	1.1	1.2	1.1	1.5	4.8	1.1	1.2	4.8
Total supply	54.4	59.3	59.1	57.5	193.6	56.3	60.2	60.0	58.3	197.5	57.4	60.9	201.6
Ending commercial stocks	11.5	13.5	11.6	9.5	9.5	11.9	13.7	11.7	9.3	9.3	11.7	13.5	8.5
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	42.9	45.8	47.4	48.0	184.1	44.4	46.5	48.3	49.0	188.2	45.7	47.4	193.1
Skim solids (bil. pounds milk equiv.)													
Milk marketings	45.3	46.6	44.4	44.3	180.7	45.7	47.2	45.2	45.1	183.2	47.1	48.1	187.4
Beginning commercial stocks	9.0	9.7	10.2	9.1	9.0	9.1	9.7	10.1	9.1	9.1	8.8	9.2	8.8
Imports	1.1	1.1	1.1	1.4	4.8	1.0	1.1	1.1	1.4	4.6	1.0	1.1	4.7
Total supply	55.3	57.5	55.7	54.8	194.4	55.8	58.0	56.4	55.6	196.9	56.9	58.4	200.9
Ending commercial stocks	9.7	10.2	9.1	9.1	9.1	9.7	10.1	9.1	8.8	8.8	9.2	10.0	8.6
Net removals	0.0	0.7	0.0	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	45.6	46.6	46.7	45.7	184.5	46.1	47.8	47.4	46.8	188.1	47.7	48.4	192.3
Milk prices (dol./cwt) 1/													
All milk	13.50	11.97	12.23	13.90	12.90	15.00	18.27	21.95-22.25	21.30-21.90	19.15-19.35	19.75-20.65	18.15-19.15	18.25-19.25
Class III	12.23	11.02	11.42	12.88	11.89	14.28	17.95	20.57-20.87	19.05-19.65	18.00-18.20	17.49-18.39	16.37-17.37	16.40-17.40
Class IV	11.33	10.30	10.65	11.97	11.06	12.98	18.45	21.31-21.71	20.43-21.13	18.30-18.60	18.85-19.85	17.37-18.47	17.45-18.55
Product prices (dol./pound) 2/													
Cheddar cheese	1.272	1.184	1.217	1.316	1.247	1.352	1.627	1.943-1.973	1.837-1.897	1.690-1.710	1.675-1.765	1.563-1.663	1.565-1.665
Dry whey	0.345	0.289	0.289	0.381	0.329	0.592	0.766	0.678-0.698	0.592-0.622	0.655-0.675	0.598-0.628	0.595-0.625	0.595-0.625
Butter	1.247	1.153	1.210	1.267	1.219	1.227	1.421	1.461-1.521	1.435-1.525	1.385-1.425	1.330-1.450	1.265-1.395	1.310-1.440
Nonfat dry milk	0.905	0.829	0.852	0.986	0.893	1.182	1.668	1.974-2.004	1.885-1.935	1.675-1.695	1.752-1.822	1.615-1.685	1.605-1.675

1/ Simple averages of monthly prices. May not match reported annual averages.
2/ Simple averages of monthly prices calculated by the Agricultural Marketing Service for use in class price formulas. 'Based on weekly "Dairy Product Prices", National Agricultural Statistics Service. Details may be found at http://www.ams.usda.gov/dyfmos/mib/fedordprc_dscrp.htm

Source: World Agricultural Supply and Demand Estimates and supporting materials.
For further information, contact: Roger Hoskin 202 694 5148, rhoskin@ers.usda.gov
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