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Mildred M. Haley, coordinator

Catfish Sales Expected To Decline in 2007

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Tables will be released on February 27, 2007

The next newsletter release is March 19, 2007

Approved by the World Agricultural Outlook Board.

Catfish: Catfish sales by growers to processors are expected to decline in 2007 for the third consecutive year, but the smaller supplies are expected to keep farm and processor prices at relatively high levels. Grower estimates of inventories in ponds at the beginning of 2007 showed declines in almost all categories despite 2 consecutive years of relatively strong prices. The lower inventories in all categories point strongly towards lower sales of foodsize fish to processors in 2007. Processed catfish sales volume fell by 5.4 percent in 2006, but it was more that offset by an 8.3-percent increase in the average price to $2.48 per pound.

Feed Grains: Coarse grain supply, use and stocks projections for 2006/07 corn, barley, and oats were largely unchanged from the *World Agricultural Supply and Demand Estimates* published last month. Consequently, the projected farm price for corn was unchanged at $3.00 to $3.40 per bushel. The soybean meal price was raised $10 on both sides to $180 to $195 per short ton. The next major mover in grain prices will likely be the March 30 Prospective Plantings report, the first real indicator of how corn acreage will respond to higher prices induced by growth in ethanol production.

Cattle/Beef: On February 2, USDA's National Agricultural Statistics Service released its January 1, 2006, estimates of cattle and calf inventories in its semiannual *Cattle* report. The report included some significant revisions of January 1, 2006, inventories, and calf crops for 2005 and 2006 were also revised downward.

Record numbers for the series beginning in 1996 of January 1 cattle on feed on 1,000-plus feedlots (*Cattle on Feed* report released on January 26, 2007), highest feeder cattle supplies outside feedlots since 2003, and heaviest second-half-year commercial cow slaughter since 2003 were all based on smaller total cow inventories and calf crops than previously thought. Higher corn prices are expected to prevail in 2007, exerting downward pressure on feeder cattle prices. Snowstorms and cold weather in the Plains continue to deplete cow-calf producers' hay stocks and hamper growth of feedlot cattle.

Beef and CattleTrade: Cattle imports totaled 2.289 million head in 2006, up 26 percent from 2005, reflecting the first full calendar year of cattle imports from Canada since 2002. Beef imports in the fourth quarter totaled 722 million pounds, down 9 percent from the same period in 2005. Total 2006 beef imports were down 14 percent from 2005, reflecting high U.S. domestic cow slaughter in response to drought conditions, shifting export patterns among major South American exporters, and displacement of Canadian beef imports by Canadian cattle imports. U.S. beef exports totaled 1.153 billion pounds in 2006, up 65 percent from 2005, driven mainly by record exports to Mexico of 668 million pounds.

Dairy: Despite slightly lower cow numbers, increased productivity is expected to boost milk production in 2007 to 184.3 billion pounds. However, buoyant demand, both foreign and domestic, will lead to sharply higher prices for milk and dairy products in 2007 compared with 2006.

Sheep/Lamb: After 2 straight years of increases, sheep inventory growth was hampered by drought conditions in the Southwestern United States, especially Texas and New Mexico, and in California. The NASS *Sheep and Goats* report shows the inventory of all sheep and lambs decreased in 2006, down 1 percent to 6.19 million head, a 45,000-head decline from a year earlier. Breeding sheep inventory decreased fractionally from a year ago from 4.64 to 4.62 million head but the smaller 2006 lamb crop is expected to result in further production declines for 2007 with production expected at 182 million pounds. As a result, slaughter lamb prices are expected to remain strong for 2007 and average around $83-$87 per hundredweight (cwt).

Hogs/Pork: USDA increased its estimate for first-quarter 2007 hog prices to $44-$46 per cwt, largely due to strong demand conditions. For the year, live equivalent prices of 51-52 percent lean hogs are expected to range between $44 and $46 per cwt.

Poultry: Broiler meat production in 2006 was 35.7 billion pounds, up only 1 percent from the previous year. The outlook for 2007 is for declines in production in the first half of the year, with growth picking up in second-half 2007 as stronger prices help to boost production. The production estimate for 2007 was reduced to 36 billion pounds from last month due to the continued lower numbers of chicks being placed and expected higher feed costs. Turkey meat production in 2007 is forecast at 5.78 billion pounds, up 1.7 percent from 2006. The increase in production follows 2 years of relatively strong prices for whole turkeys and most turkey products.

Catfish

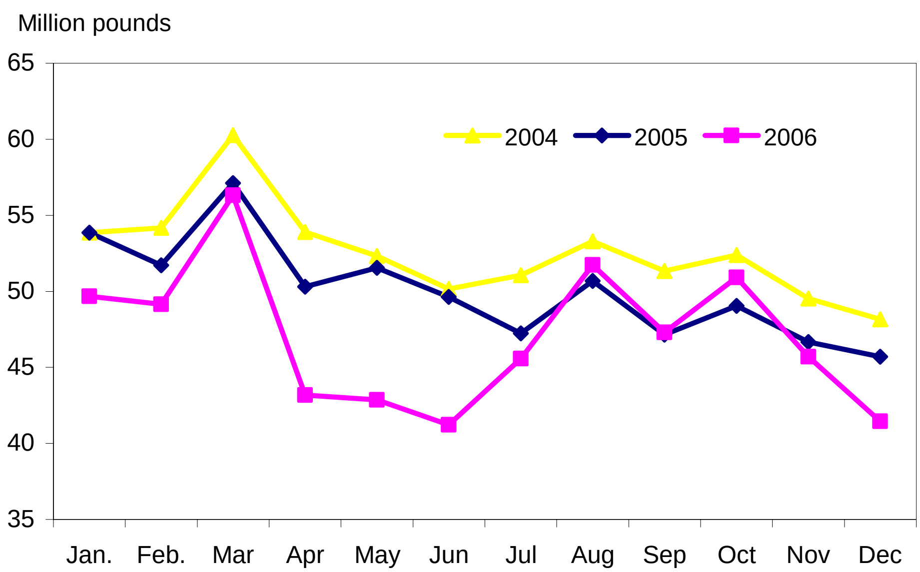
Catfish Sales Expected To Decline in 2007

Farmer sales of catfish to processors are expected to decrease slightly to between 545 and 555 million pounds in 2007. Based on grower estimates of inventories at the beginning of January 2007, grower sales are expected to be lower during the first part of 2007 compared with a year earlier. Second-half grower sales are expected to be closer to—but still below—their year earlier level. Grower prices are expected to remain strong through the year, with somewhat higher prices in the first part of 2007.

Sales by catfish growers of all products totaled $480.8 million in 2006, down slightly from the previous year. The decline was due to lower sales of broodfish and fingerlings, as total sales of foodsize fish were $452 million, a small increase from 2005. Total revenues from foodsize fish sales were up slightly in 2006. The increase was due to higher prices, as the total poundage of foodsize fish sold declined 9 percent from the previous year to 583.6 million pounds. Average farm prices for foodsize fish rose to 77 cents per pound, up 7 cents (10 percent) from 2005.

Direct sales of foodsize fish by farmers to processors are reported monthly in the *Catfish Processing* report. These sales totaled 565 million pounds in 2006, down 5.9 percent from 2005 and the third consecutive annual decline in sales. The peak in sales was in 2003, at 661 million pounds. Monthly sales volumes from catfish growers to processors were below those of 2005 throughout most of the year, but, higher farm-level prices offset the decline in sales volume. Farm-level prices for foodsize fish have risen in the last 4 years after averaging only 56.8 cents per pound in 2002. The average price in 2006 was 79.6 cents per pound, up 9.8 percent from the previous year. Monthly farm prices were strong throughout 2006, being higher than the previous year in almost every month.

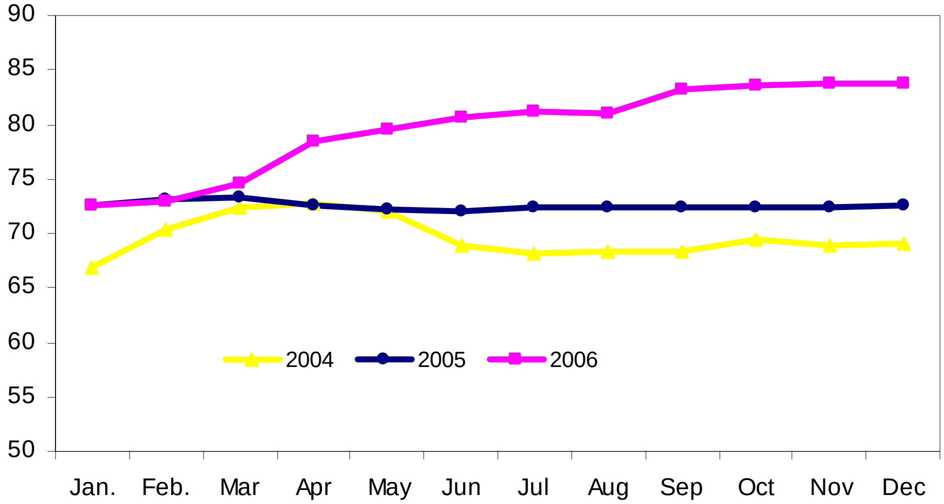
Catfish farm sales



Source: NASS, *Catfish Processing* Report.

Catfish farm prices

Cents per pound



Source: NASS, *Catfish Processing* Report.

With higher farm prices, the total gross returns to farmers from sales to processors in 2006 was $450 million, an increase of slightly over 3 percent from the previous year.

Processor sales of catfish products have followed basically the same pattern as grower sales of catfish to processors. Sales of catfish products reached a peak in 2003 of 319 million pounds and have fallen in the last 3 years. As with farm sales, while the sales volume has declined, the weighted average price of catfish products has risen. In 2006, the average price for catfish products was $2.48 per pound, 8.3 percent higher than in 2005. Gross returns to catfish processors were $704 million in 2006, up 2.5 percent from $687 million in 2005.

Grower sales of catfish over the first half of 2007 are expected to be influenced by a number of factors. First, the water acreage available for growing catfish is expected to be lower as some smaller producers leave the business. Second, grower estimates of inventory levels of all sizes of catfish (foodsize, stockers, and fingerlings) are down. Third, catfish growers, like producers of livestock and poultry, will be faced with much higher feed costs as prices for corn and soybean meal increase. Lastly, imports of frozen fillets from fish that can be substituted for catfish are likely to continue to increase.

Catfish Feed Deliveries Unchanged in 2006

There are now 3 years of monthly feed delivery data available from the *Catfish Feed Deliveries* report. In 2006, feed deliveries for foodsize fish totaled 727,000 tons, up marginally from the previous year. This is surprising considering that grower sales of foodsize fish declined by over 50 million pounds in 2006. Deliveries of feed for fingerlings and broodfish were consistently higher throughout 2006 and totaled 48,000 tons, up 29 percent from 2005. Of the four major catfish-producing States (Mississippi, Alabama, Arkansas, and Louisiana), feed deliveries in Mississippi and Arkansas showed small gains and deliveries in Alabama and Louisiana declined significantly.

Since catfish growth rates and feed requirements are closely tied to increasing water temperatures, the majority of feed use comes during June to September. Feed deliveries for foodsize fish in these months in 2006 totaled 488,000 tons (67 percent of the feed usage for the year). Monthly feed deliveries for the year ranged from 139,000 tons in August to only 5,100 tons in January. The feed usage pattern is basically the same for fingerlings and broodfish.

Catfish Inventories Down

Grower estimates of catfish inventories held in ponds at the beginning of 2007 showed declines in almost all categories, despite 2 consecutive years of relatively strong prices. The lower inventories for all sizes point strongly toward lower sales of foodsize fish to processors in 2007. With continued growth in the domestic economy expected, along with stronger prices for most poultry products, the reduced catfish production is expected to result in continued high prices at both the farm and wholesale levels.

Grower estimates of foodsize fish inventories at the beginning of 2007 were approximately 311 million fish, down 5 percent from the same period in 2006. There were major reductions in foodsize inventory holding in all the major catfish-producing States. There is a difference between the estimates of inventory holding and sales of fish to processors or other outlets, as the percentage of animals lost to disease and predation is much higher for catfish than in the other livestock industries. In this case, the grower inventory estimates at the beginning of the year were 311 million fish and stocker and fingerling estimates were an additional 1.5 billion fish, while actual sales of foodsize fish in 2006 were only 369 million. The foodsize fish inventories at the beginning of the year make up the bulk of fish sold by growers during the first 4-5 months of the year, until the peak growth period in the summer. This means that catfish farmers are expected to have a smaller number of fish available for sale during this period compared with 2006.

The January 1, 2007, inventory estimate for stockers showed an 8-percent decrease from a year earlier. Grower estimates for stocker inventories at the start of the year have varied considerably over the last several years, with the 2006 estimate being 21 percent higher than in 2005. In 2007, the bulk of the stocker inventory decline was in Alabama and Arkansas, with inventory estimates rising strongly in Mississippi. The inventory estimate for fingerlings was also down approximately 8 percent compared with the previous year. Again, most of the decline was in Alabama (down 106 million) and Arkansas (down 28 million), with inventory estimates for Mississippi rising by over 70 million fish. Fish in the stocker and fingerling classes at the beginning of 2007 are likely to provide the bulk of the fish sold to processors in the second half of the year. The decline in the number of fish in both categories indicates that farm prices are expected to remain strong throughout most of the year.

Pond Acreage Down Again

The NASS *Catfish Production* report indicated that growers would have around 160,000 acres of ponds in catfish production during the first half of 2007, down 6,700 acres from 2006 and the fifth consecutive annual decrease. Estimated pond acreage for the first half of 2007 is lower for foodsize fish and broodfish, but higher for fingerlings. Curiously, growers in Alabama stated they expected to have an additional 400 acres in fingerling ponds in the first half of 2007, but grower estimates of their fingerling inventories as of the first of the year were down by 106 million fish (64 percent). In addition, growers indicated that both the amount of rebuilt pond acreage and new construction are expected to be lower than in the previous year.

Processor Revenues Rise in 2006

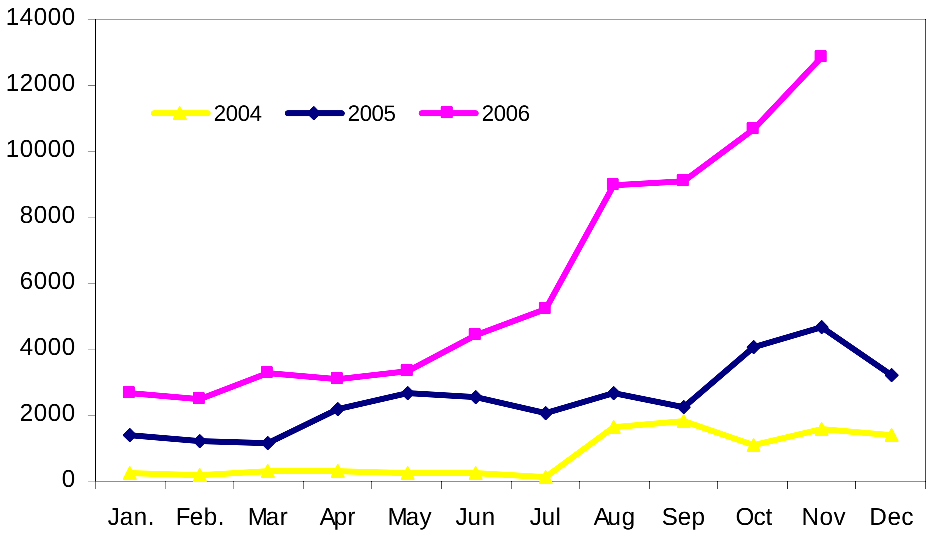
Even though processor catfish sales volume fell by 5.4 percent in 2006, an 8.3-percent increase in the average price, to $2.48 a pound, helped to offset the impact. Gross catfish processor revenues increased to over $700 million, up 2.5 percent from 2005. In 2007, sales volume is expected to decrease slightly, but prices are expected to remain strong or even increase slightly. Thus, total gross processor revenues are expected to remain close to the 2006 level.

Imports of frozen catfish or fish that can be substituted for domestic catfish rose strongly again in 2006. The import estimates reported by NASS in the *Catfish Processing* report, totaling 66 million pounds over the first 11 months of 2006, were up 146 percent from the same period in 2005. Imports include freshwater imports of *Ictalurus spp*., *Pangasius spp*., and catfish of the order *Siluriformes*. This compares with 118 million pounds of frozen catfish fillets sold by domestic processors. In 2006, sales of frozen catfish fillets by domestic processors were down by almost 5 percent, but the fish were sold at prices almost 10 percent higher than in 2005, $2.93 per pound. Over the previous decade, frozen fillets had been the largest source of expanding sales for domestic catfish processors.

The overall outlook for catfish producers and processors in 2007 is mixed. With lower grower inventories at the start of the year, farm supplies of catfish are expected to remain tight, supporting relatively high farm prices. On the processing side, catfish sales will benefit from an expected slowdown in growth in poultry production. Also, the forecast is for continued growth in the domestic economy which is expected to boost restaurant sales and purchases of food away-from-home. On the negative side, margins for catfish growers and processors will be pressured by much higher feed costs in 2007 and continued competition from imported catfish substitutes.

Catfish imports

Thousand pounds



Source: NASS, *Catfish Processing* Report.

Feed Grains

U.S. Supply, Use, and Stocks Projections for 2006/07 Coarse Grains Unchanged in February

Coarse grain supply, use and stocks projections for 2006/07 corn, barley, and oats were largely unchanged from the *World Agricultural Supply and Demand Estimates* published last month. Consequently, the projected farm price for corn was unchanged at $3.00 to $3.40 per bushel. The soybean meal price was raised $10 on both sides to $180 to $195 per short ton. The next major mover in grain prices will likely be the March 30 *Prospective Plantings* report, the first real indicator of how corn acreage will respond to higher prices induced by the growth of ethanol production.

Cattle/Beef

Weather and Forage Supplies Will Impact Cattle Movements

Despite the improving soil moisture prospects, a positive aspect of recent snowstorms, cow-calf producers still face 2 months of declining hay stocks and rising hay prices before pastures begin to grow for the 2007 grazing season. If grazing conditions improve, the ongoing decline in the number of beef cow operations is likely to slow. The number of operations was down by 1 percent from 2005 (*Farms, Land in Farms, and Livestock Operations: 2006 Summary*). The number of larger operations increased, while smaller operation numbers continued to decline.

Feedlot demand for lighter weight feeder cattle is also declining because of rising corn price prospects for 2007, largely due to demand for corn for ethanol production. As a result, feeder cattle prices are under pressure, with the lighter 600-650-pound feeder calf prices (Oklahoma City January average) declining by 15 percent since December versus a 12-percent decline for heavier 750-800-pound feeder steers. January average prices for both groups were down 7 percent from January 2006 prices.

Beef Production Base Declines

Percentage changes in cattle inventory numbers from revised January 1, 2006, inventories were modest, with the largest changes being in milk cow replacement heifers expected to calve (down 2 percent), bulls 500 pounds and over (down 2 percent), and steers 500 pounds and over (up 2 percent). In 2007, calves, other heifers, and steers on small-grain pasture were up by 24 percent over January 1, 2006, inventories. The relatively poor winter wheat grazing conditions suggest that many of these cattle are being supplemented and maintained on the small-grain pasture until conditions improve. The inventory on small-grain pasture is still 16 percent below the 3.1-million-head inventory of January 1, 2005.

However, these modest changes mask the fact that several of the 2006 inventory numbers were significantly revised, giving a different base from which to view all that happened in the cattle/beef industries in 2006. Generally, the 2006 dairy sector inventories were increased modestly, mature beef sector inventories were reduced, and stocker/feeder/fed sector inventories were increased. Total cattle and calf inventories for 2006 were reduced by 99,000 head. Noteworthy changes included total cows reduced by 288,000 head (beef cows were reduced by 359,000 head, while dairy cows increased by 71,000 head), and inventories of heifers 500 pounds and over were increased by 108,000 head (decreases for beef replacement heifers, increases for dairy replacements, and an increase in other heifers over 500 pounds of 104,000 head).

Feeder Cattle Supplies Rise

Feeder cattle supplies outside feedlots and available to go on feed or into spring/summer grazing programs were up 1 percent from a year ago. Other heifers 500 pounds and over are generally destined for feedlots sometime during 2007. Steers 500 pounds and over, also destined for feeding mostly in 2007, were up by 299,000 head, and cattle already on feed were adjusted upward by 137,000 head.

These adjustments in feeder/fed cattle inventories suggest an adjustment in potential fed cattle marketings for 2007 on the order of a half-million head more than previously anticipated.

Higher prices for corn and other grains due to ethanol production will increase incentives to keep calves on pasture until they reach heavier weights. This will spread out placements into feedlots compared with placements last year, when drought forced more calves into feedlots. Feeding losses on cattle marketed in January 2007 were among the largest since May 2006. However, the downward revisions in the 2006 calf crop and downward adjustment in total cow inventories could be signaling a significant decline in cattle feeding in 2008, and—because of the 2-year period between breeding replacement heifers and harvesting beef—it will be 2009 or later before any beef is harvested from replacement heifers retained from this year's calf crop. Beef production in 2008 will depend on grazing conditions and the number of heifers retained for breeding. In addition, higher feed prices will impact placement weights and dressed slaughter weights. All of these adjustments will exert downward pressure on feeder cattle prices, suggesting that more cattle could be fed in 2007.

An interesting question for the future that arises with the recently proposed increases in goals for ethanol production relates to pasture and cropland acreage dynamics: As switchgrass or other grass/forage-based ethanol production technologies increase, will competition increase, not only for grain for livestock feeding, but also for the pasture/forage base to maintain the ruminant livestock herd?

Commercial cow slaughter for 2006 was 12.9 percent of the revised January 1, 2006, total cow inventory. While 2006 commercial cow slaughter was the largest in the last 3 years, both commercial cow slaughter and slaughter percentage of January 1 cow inventories were higher in 2003 and before, except for 2000. Calf slaughter is a third higher than for this time last year. This, combined with cow slaughter ahead of last year, suggests that cow-calf pairs are being sold and separated and further evidence of the tight pasture and forage conditions.

December 2006 retail Choice beef prices averaged $3.92 a pound down by 1 percent from November, 2006 and by 4 percent from December 2005. While declining slightly from November 2006, December 2006 wholesale-to-retail spreads widened over December 2005 spreads. Farm-to-wholesale spreads widened by 4 percent over November 2006 spreads and by 12 percent over year-earlier spreads. Recent declines in boxed beef prices will make beef a more attractive feature item.

Beef Trade

U.S. Cattle Imports Up in 2006, Small Decline Expected in 2007

U.S. cattle imports totaled 2,289,000 head in 2006, based on December trade data recently released by the U.S. Commerce Department. Mexico remained the largest source of imported cattle to the United States, sending 1,257,000 head last year, virtually even with its 2005 total. The United States imports almost entirely lightweight stocker-feeder calves from Mexico, but the decline in calf prices in late 2006 in response to rising corn prices did not significantly dampen imports of Mexican calves. In the short run, their supply appears to be quite inelastic, as the U.S. market remains the best outlet for those animals already on hand. Weekly reports from the Agricultural Marketing Service (AMS), USDA, indicate imports from Mexico so far in 2007 are down significantly, but this appears to be related to poor weather and related conditions in the United States, and the cattle are expected to come north when conditions improve.

U.S. cattle imports from Canada totaled 1,032,000 head in 2006, marking the first full calendar year of imports from Canada since 2002. Imports were suspended in May 2003 following the discovery of the first Canadian BSE (bovine spongiform encephalopathy) case, and imports of Canadian feeder cattle and slaughter steers and heifers resumed in July 2005. The July-December total for 2006 was 504,000 head, down about 10 percent from the same period in 2005.

In early January 2007, USDA's Animal and Plant Health Inspection Service (APHIS) announced a proposal to expand the list of allowable imports from countries presenting a minimal risk of introducing BSE into the United States. Canada is currently the only minimal-risk country designated by the United States. Among the products allowed under this rule are live cattle for any use born after March 1, 1999. More details are available from APHIS at http://www.aphis.usda.gov/newsroom/hot_issues/bse/index.shtml. Comments on this proposed rule will be accepted through March 12, 2007. A period of review will follow the comment period, and imports will not resume until the final rule is published and implemented.

Cull cows for slaughter were a significant category of imports from Canada prior to May 2003, representing about 30 percent of all Canadian cattle destined for immediate slaughter in the United States. The Canadian cow inventory grew significantly in the months immediately following the border closure, and this backlog continues to be worked down. On January 1, 2007, producers in Canada were holding 633,000 cull cows, down from 690,000 head on July 1, 2006, and 704,000 head on January 1, 2006. Canadian non-fed slaughter in federally inspected plants (mostly cull cows) in 2000-04 averaged 450,000 head per year but reached 592,000 head in 2005 and 721,000 head in 2006, according to Canadian Government statistics. Canadian packers do not have to bid against their American counterparts for cull animals, and the margins on slaughtering these animals remain attractive. Benchmark cow prices in Ontario averaged in the low US$30s in early February, well below the utility cow price in Sioux Falls of $52. Non-fed slaughter in Canada has remained high in early 2007.

U.S. cattle imports for 2007 are forecast at 2,200,000. This total is down 4 percent from 2006, reflecting weaker U.S. feeder cattle prices and a slightly smaller

Canadian herd. The 2007 forecast total does not include prospective imports of Canadian cattle over 30 months of age; these animals will be included only when the proposed rule is actually implemented.

Total U.S. cattle exports were 49,000 head in 2006. Canada was the destination of the vast majority–about 37,000 head–of these animals. The 2007 export forecast is 60,000 head.

High U.S. Cow Slaughter and Shifting Trade Patterns Send Beef Imports Lower in 2006

U.S. beef imports in the fourth quarter of 2006 totaled 722 million pounds, down 9 percent from the same period in 2005. U.S. beef imports for all of 2006 were 3.085 billion pounds, down 14 percent from the 2005 total. The biggest event influencing U.S. beef imports in 2006 was the hot, dry weather across several regions of the United States which produced poor grazing conditions and lowered hay production, resulting in significant cow culling. Domestic lean beef production was consequently higher and lean beef prices were relatively lower, starting in the early summer and continuing through nearly the rest of the year. Commercial cow slaughter for 2006 was estimated at 5.427 million head, up almost 12 percent from 2005. The recent *Cattle* report indicated the U.S. beef cow herd numbered slightly less on January 1, 2007, than it did a year earlier, contrary to the expansionary phase of the cattle cycle that might have been expected.

Another factor reducing U.S. beef imports in 2006 was the decline in shipments from Uruguay starting last spring. Uruguay began exporting to markets previously serviced by Brazil and Argentina, including Russia, Chile, the E.U., and numerous smaller markets, when Brazil was hampered by an outbreak of foot-and-mouth disease (FMD) and exports from Argentina were limited by Argentine government policy aiming to keep domestic beef prices low. U.S. imports of Uruguayan beef fell to 305 million pounds in 2006, down 46 percent from 2005. However, Brazil and Argentina are expanding once more into their previous markets, and U.S. beef imports from Uruguay rebounded from a low of 45 million pounds in the third quarter to 64 million pounds in the fourth quarter of 2006.

U.S. beef imports from Canada also declined noticeably from 2005 to 2006, reflecting the fact that 2006 reflected a complete year in which cattle could also be imported from Canada. These cattle imports displaced some of the beef imports seen prior to the resumption of cattle imports in July 2005. Total beef imports from Canada were 844 million pounds in 2006, down 23 percent from 2005. Also, imports from Australia and New Zealand fell, as those countries continue to concentrate on Asian markets where the United States and Canada were formerly major suppliers.

Forecasted beef imports for 2007, totaling 3.28 billion pounds, were left unchanged this month. This 6 percent increase over 2006 reflects an assumption of returning to more normal weather conditions and relatively lower U.S. cow slaughter. Imports from Uruguay are also expected to bounce back somewhat from their level seen in 2006.

Shipments to Mexico Drive U.S. Beef Exports in 2006

U.S. beef exports in the fourth quarter totaled 308 million pounds, bringing the 2006 export total to 1.153 billion pounds. This marks a 65-percent increase over 2005, although it is only 46 percent of the record set in 2003.

One highlight for exports in 2006 was the record level going to Mexico. Exports to Mexico reached 668 million pounds, easily surpassing the 2002 record of 629 million pounds. A strong Mexican economy, buoyed by high prices for oil exports, appeared to support this buying. Exports to Canada also bounced back, reaching 238 million pounds, more than doubling the 2005 export level. A weak U.S. dollar vis-à-vis the Canadian dollar was an important factor over the last three quarters of 2006.

U.S. exports to Japan were interrupted in January 2006 with the discovery of prohibited material (a vertebral column in a veal rack), and exports did not resume in earnest until August. Total exports to Japan reached only 52 million pounds in 2006 (the United States had frequently exported over 900 million pounds to Japan prior to 2004). Japanese consumer acceptance of U.S. beef seems to be rebounding, and high domestic beef prices there make imports attractive. However, Australia and New Zealand continue to be strong competitors there, and the relatively limited number of age-verified cattle in the United States appears to be a constraint here (Japan will currently only accept beef from animals 20 months of age or younger).

Significant U.S. exports to South Korea have yet to resume after three initial shipments in late 2006 were rejected by Korean inspectors for containing small bone fragments. South Korea agreed to accept boneless beef from animals under 30 months of age, but significant exports will not resume while the “zero tolerance” interpretation for bone fragments remains in place. South Korea and Mexico were basically even as the second- and third-largest markets for U.S. beef prior to 2004.

Taiwan was the third-largest market for U.S. beef in 2006, receiving 67 million pounds of U.S. product. Taiwan, the Caribbean region, and all other countries accounted for 192 million pounds of U.S. exports in 2006, about 17 of the U.S. total. Vietnam, Germany, and Hong Kong are among the most important countries in the “other” category.

The forecast for U.S. beef exports for 2007 is unchanged from last month, at 1.440 billion pounds. This represents a 25-percent increase over 2006, reflecting mainly growth in exports to Japan and slow growth in exports to South Korea. New developments with these countries have the largest potential impact on U.S. beef export levels over the months ahead. U.S. beef prices in 2007 are expected to remain near levels seen in 2006, and U.S. beef production is expected to increase this year, so beef should remain attractive to all customers from that standpoint.

Dairy

Higher Dairy Prices Are Expected in 2007 Despite Increased Production

Forecast milk production for 2007 is 184.3 billion pounds, up 1.4 percent from the 181.8-billion pound total estimated for 2006. Cow numbers are expected to decline slightly in 2007, averaging 9,085 thousand head for the year. The decline is tempered from earlier expectations. Production per cow continues to rise and will likely reach 20,280 pounds in 2007. Higher corn and alfalfa prices have depressed the milk-to-feed price ratio despite the considerably higher milk prices expected in 2007. According to January's *Livestock Slaughter* report, dairy cattle slaughter for the January to December 2006 period was 4 percent above that of 2005. In contrast, the January *Cattle* report indicated dairy farmers had 4.31 million replacement heifers on hand on January 1, slightly more than 1 percent above 2006. Replacement heifers per 100 cows are about the same as last year, and the January dairy cow price reported in *Agricultural Prices* is well below 2006, implying that heifers are more available. The increase in replacement heifers, coupled with higher cow slaughter, may suggest that producers are responding to lower milk-to-feed price ratios by replacing less productive cows. Such a response would help lower feed costs per unit of milk. The best capitalized producers would be in a position to adopt this strategy. The herd retirement announced by Cooperatives Working Together in early February should contribute to the process of removing lower productivity cows from the national dairy herd. The effect of the buyout should be most evident in the second quarter.

Demand for dairy products remains robust, especially for dry products. Cheese prices are forecast to climb in 2007 to $1.320 to $1.390 per pound. The underpinnings for cheese demand are increased employment growth and rising wages. The increases are in those sectors with a high propensity to consume. The National Restaurant Association is forecasting 5-percent growth in sales for 2007. Sales increases are expected in all sectors of the restaurant industry.

Butter production in 2006 was the highest since 1962. Increased milk production should keep butter production up in 2007. Butter prices should be slightly higher in 2007. However, price increases for this product are unlikely to be as strong as for other products since supplies are ample. Butter price is expected to average $1.235 to $1.335 per pound in 2007.

There is exceptional demand for nonfat dry milk (NDM), skim and whole milk powders (SMP/WMP), and whey. Export demand is strong because many major markets, such as Mexico and Algeria, maintain feeding programs for their populations and are cash rich from petroleum sales. Domestic dry product demand remains strong on the same fundamentals that are supporting cheese demand since dry products are also used in food manufacturing. Demand also remains strong in Asia because of economic growth. Meanwhile, weather-reduced production from Australia and the elimination of restitutions on SMP/WMP in the European Union has limited global supplies. Availabilities of dry products could increase in the second half of 2007 if production in Oceania returns to more nearly normal levels. NDM prices are forecast $1.050 to $1.110 per pound in 2007. Whey prices are forecast to climb to 45.5 to 48.5 cents per pound in 2007.

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U.S. exports to Japan were interrupted in January 2006 with the discovery of prohibited material (a vertebral column in a veal rack), and exports did not resume in earnest until August. Total exports to Japan reached only 52 million pounds in 2006 (the United States had frequently exported over 900 million pounds to Japan prior to 2004). Japanese consumer acceptance of U.S. beef seems to be rebounding, and high domestic beef prices there make imports attractive. However, Australia and New Zealand continue to be strong competitors there, and the relatively limited number of age-verified cattle in the United States appears to be a constraint here (Japan will currently only accept beef from animals 20 months of age or younger).

Significant U.S. exports to South Korea have yet to resume after three initial shipments in late 2006 were rejected by Korean inspectors for containing small bone fragments. South Korea agreed to accept boneless beef from animals under 30 months of age, but significant exports will not resume while the “zero tolerance” interpretation for bone fragments remains in place. South Korea and Mexico were basically even as the second- and third-largest markets for U.S. beef prior to 2004.

Taiwan was the third-largest market for U.S. beef in 2006, receiving 67 million pounds of U.S. product. Taiwan, the Caribbean region, and all other countries accounted for 192 million pounds of U.S. exports in 2006, about 17 of the U.S. total. Vietnam, Germany, and Hong Kong are among the most important countries in the “other” category.

The forecast for U.S. beef exports for 2007 is unchanged from last month, at 1.440 billion pounds. This represents a 25-percent increase over 2006, reflecting mainly growth in exports to Japan and slow growth in exports to South Korea. New developments with these countries have the largest potential impact on U.S. beef export levels over the months ahead. U.S. beef prices in 2007 are expected to remain near levels seen in 2006, and U.S. beef production is expected to increase this year, so beef should remain attractive to all customers from that standpoint.

Sheep/Lamb

Sheep and Lamb Inventory Increases Suffer a Setback

The NASS *Sheep and Goats* report shows that the inventory of all sheep and lambs decreased in 2006. On January 1, 2007, the inventory totaled 6.19 million head, down 1 percent (a 45,000-head decline) from a year earlier, but still 1 percent above January 1, 2005. After 2 straight years of increase, inventory growth was hampered by drought conditions in the Southwestern United States, especially Texas and New Mexico, and in California. Among the top declining States were California (45,000 head), New Mexico (25,000 head), Texas (20,000 head), Nebraska (11,000 head) and Minnesota, Montana, Oregon, and South Dakota (all registering 5,000-head declines). On a positive note, inventory increases were fairly well distributed, with more than half of the States registering increases. Utah, with a second straight year of a 15,000-head increase, and Colorado and Wyoming (both with 10,000-head increases) were the States with the largest increases.

The breeding sheep inventory decreased fractionally from a year ago, from 4.64 to 4.62 million head. Texas and New Mexico, two of the larger sheep-producing States and the States hardest hit by drought conditions accounted for a significant portion of the declines. More than two-thirds of the States, including 9 of the 10 largest producing States registered stable or increasing growth in breeding herd inventory. This suggests the potential for a reversal of this year's breeding inventory decline.

The stability in the breeding sheep inventory is probably due to retention and replacement of lambs that resulted from the Ewe Lamb Retention Program of the last 3 years. The replacement-lamb inventory increase ended with the ewe retention program, and in January 2007, it declined 8 percent from the previous year. Again, most of the decline in replacement-lamb inventory could be attributed to drought conditions in the Southwestern United States, because Texas and New Mexico, where herd liquidations were the greatest, registered more than half of the replacement-lamb decline.

Prices To Stabilize in 2007

In 2006, slaughter lamb prices underwent some very large swings. The Choice slaughter lamb prices at San Angelo averaged $77.03 per cwt during first-quarter 2006; by the second quarter they dropped to $66.56 per cwt, their lowest levels since the second quarter of 2002, but rebounded to $84.53 per cwt in the fourth quarter. A buildup of over-finished animals on the market contributed to the precipitous drop in prices during the first half of the year, but prices recovered due to tight supplies and clearance of the over -finished animals from the market.

Prices are expected to remain strong for 2007 and average around $83-$87 per cwt. Two factors will likely contribute to the strong prices. The first is the reduced availability of market sheep and lambs. The NASS *Sheep and Goats* report shows the market sheep and lamb inventory is down 2 percent from January 2006, implying that the lamb meat supply will be down in 2007. The potential for increasing the meat supply by increasing weights is very small because lamb weights are already near their upper limit. Second, the mutton supply is also expected to be down in 2007 because the Ewe Lamb Replacement Program of the past 3 years has contributed to a much younger breeding stock. As a result, the ewe culling percentage for replacement of old breeding stock is expected to be lower.

Commercial lamb and mutton production totaled 185 million pounds in 2006, down 1 percent from 2005 and much less than the 4-percent decline between 2004 and 2005. The reduction in replacement lambs is largely attributable to the slowing in production decline. First-quarter 2007 lamb and mutton production is expected to be 48 million pounds, down 2 percent from the same period in 2006. The smaller 2006 lamb crop is expected to result in further declines for 2007, with production expected at 182 million pounds.

Imports in December came in at around 19 million pounds, resulting in lamb and mutton imports for 2006 of 191 million pounds, up 6 percent over that of 2005. The 2006 imports eclipsed commercial production for the first time. First-quarter 2007 imports are expected to be around 55 million pounds, 4 percent above the same period in 2006, as strong imports are expected to offset the upcoming seasonal demand. Because of the fairly stable domestic demand, and the drop in the 2006 lamb crop, imports in 2007 are expected to increase by about 1 percent to around 194 million pounds.

Pork Demand Jumps in January

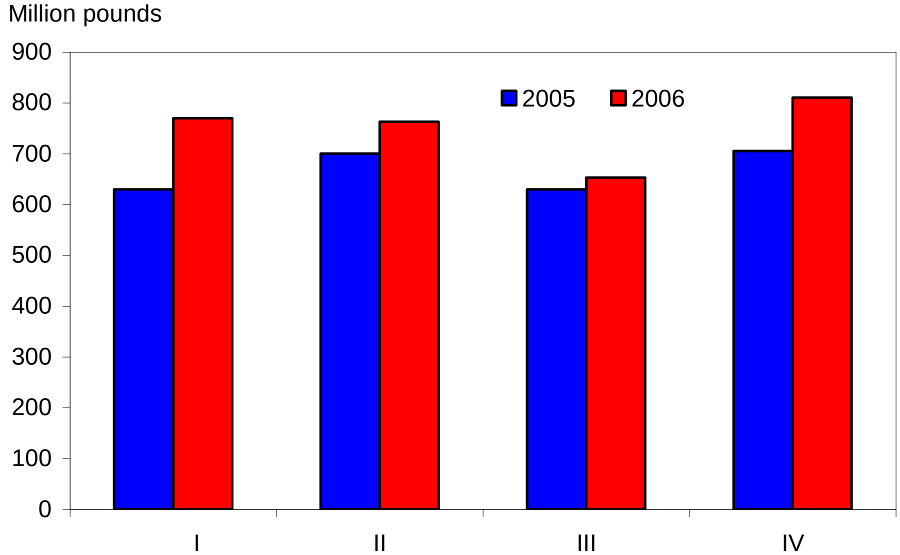
USDA increased its estimate for first-quarter 2007 hog prices to $44-$46 per cwt, largely due to strong demand conditions. The live equivalent price of 51-52 percent lean hogs averaged $44.04 in January, 6.5 percent higher than the same period last year.

Stronger pork demand than a year ago is suggested by the USDA Estimated Pork Carcass Cutout for January, which at $63.67 per cwt was more than 4 percent above last January. The Estimated Pork Carcass Cutout is an estimate of the value of the hog carcass based on current prices being paid for pork cuts, by wholesalers representing their foreign and domestic (i.e. hotel, restaurant, and institution (HRI), and retail) customers.

Stronger year-over-year pork demand in January likely had both foreign and domestic components. While export demand was almost certainly an important contributor to higher pork prices, given the very strong performance of U.S. pork on international markets in 2006, domestic consumption typically accounts for about 85 percent of U.S. pork production. It is likely that higher prices for pork in January are a result of increased domestic demand for pork products, brought about by a generally strong U.S. economic picture—strong GDP growth, relatively low unemployment rates, somewhat lower gasoline prices—and also, to some degree, to higher prices of substitute goods, in this case, popular broiler cuts.

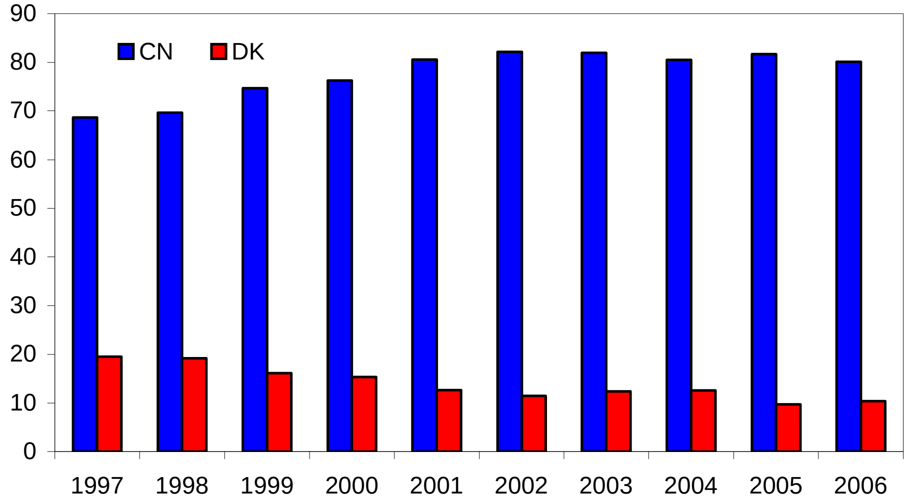
For the first quarter of 2007, pork production is expected to be nearly 5.4 billion pounds, or 1 percent above first quarter last year. For 2007, 3 percent more production is expected—21.65 billion pounds—with hog prices likely to range between $44 and $46 per cwt. Prices averaged $47.26 per cwt last year.

U.S. pork exports, quarterly, 2005, 2006



U.S. pork imports: Shares of Canada and Denmark, 1997- 2006

Percent of U.S. imports



U.S Exports End 2006 on a High Note

U.S. pork exporters capped off an exceptional year by shipping 279 million pounds in December, more than 15 percent above December 2005. For the calendar year, U.S. pork exports were just shy of 3 billion pounds—2.997 billion pounds—more than 12 percent higher than in 2005.

The dynamics of U.S pork exports were different in 2006 than in previous years. Before 2006, the "kick" behind foreign demand for U.S. pork came primarily from the combination of Japan, Mexico, and Canada. While these three countries remain crucial to the well-being of the U.S. pork sector, the real story in 2006 was the huge increase in demand from Russia and South Korea. Exports to Russia increased 123 percent in 2006; shipments to South Korea were 54 percent larger in 2006 than in 2005.

Figures in the table below show how market shares shifted last year to reflect large shipments to Russia and South Korea. Russia's share of U.S. exports doubled, from almost 4 percent in 2005 to 7 percent last year. South Korea's share increased from about 7 percent to 10 percent. Japan's share of U.S. exports, on the other hand, dropped from 39 percent to 34 percent. Export shares of Canada and Mexico last year, stayed about the same as in 2005.

In 2007, U.S. exporters are expected to ship almost 3.2 billion pounds of pork to foreign destinations. Exports to Russia and South Korea are expected to be very important again in 2007. The dramatic increases in Russian and South Korean demand for U.S. pork resulted from disease incidents: Foot and mouth disease in Brazil caused Russia to ban pork from affected Brazilian states, and South Korea banned U.S. beef imports after BSE incidents occurred in the United States. As

U.S. pork exports and export shares to major destination markets, 2006 and 2005

Country	Exports			Export trade shares	
	2006	2005	(2006/2005)	2006	2005
	(million lbs.)	(million lbs.)	Percent change	Percent of U.S. exports	Percent of U.S. exports
Japan	1,015	1,046	-3	34	39
Mexico	609	538	13	20	20
Canada	325	302	7	11	11
Russia	210	94	123	7	4
South Korea	293	190	54	10	7
Hong Kong	50	23	113	2	1
Taiwan	59	63	-5	2	2
China	114	123	-8	4	5
Australia	67	60	12	2	2
Central and South America	69	47	46	2	2
Caribbean	62	40	54	2	2
Europe-25	33	20	62	1	1
Romania	39	74	-47	1	3

these disease issues are resolved and trade re-established, it is likely that, at least to some degree, U.S. pork will be affected.

U.S. Pork Imports Lower in 2006

U.S. pork imports were 990 million pounds in 2006, more than 3 percent lower than in 2005. The low exchange value of the U.S. dollar last year was likely the major reason for lower U.S. imports. Of the two largest suppliers of pork to the United States--Canada and Denmark—Canada shipped about 5 percent less pork to the United States last year, while Denmark's imports increased by more than 3 percent compared with 2005.

Imports from Denmark showed a year-over-year increase, likely, in part, because U.S. pork imports have become specialized to particular cuts, and U.S. demand for each cut responds differently to price changes. An important component of U.S. imports from Denmark is back ribs, available from Danish hogs that tend to be smaller than U.S. hogs. The specialized nature of the back ribs limits the possibility of substitution when prices increase.

Canada's share of U.S. pork imports has increased over the past 10 years, while Denmark's share has declined. In 1997, Canada accounted for about 70 percent of U.S. imports, while last year 80 percent of U.S. imports came from Canada. Denmark's share declined from 20 percent in 1997 to 10 percent last year. Canada dominates U.S. import markets due largely to proximity: transport costs are obviously lower compared with products from Denmark. Further, various trade agreements, as well as technical and management innovations have played significant roles in lowering the costs of transactions between "neighbors."

Imports of Canadian Swine Increase in 2006, and Likely in 2007

U.S. hog finishers and processors imported 8.763 million head of swine last year, an increase of almost 7 percent over imports in 2005. All U.S imports of live swine last year were of Canadian origin. U.S. swine imports in 2006 were comprised mainly of animals for finishing (69 percent) and slaughter hogs (30 percent). The larger numbers in 2006 were a consequence of strong demand in the United States and soft packer demand in Canada, rather than production increases in Canada. In fact, Federal slaughter last year was 2.4 percent lower than in 2005. Further, through December Canadian breeding herd numbers were 1 percent lower than a year earlier, and the pig crop was more than 1 percent lower than in the same period of 2005.

Disease problems and the strong Canadian currency plagued the Canadian pork industry last year. The strong Canadian dollar continues to impose a serious drag on Canadian pork products in international markets, particularly those in which Canada competes directly with U.S. pork products. The competitiveness problems created by the strong Canadian dollar have weakened the processing industry in Canada; Canada's largest packers are contracting planned and existing slaughter capacity.

USDA's expectations of more than 3 percent larger swine imports from Canada in 2007 are based on continuing of exchange rate trends and turbulence in the Canadian processing industry, rather than on production increases. Among the key swine import determinants in 2007 will be the pace and disposition slaughter capacity of Canada's two largest pork processors, Maple Leaf Foods, and Olymel.

Poultry

Broiler Production in 2007 To Increase Slightly

Broiler production in 2007 is expected to show no growth in the first half of the year, but growth is expected to pick up in the second half as a result of stronger prices. The quarterly production estimates for 2007 from last month were all reduced in light of the continued lower number of eggs being placed in incubators and the lower numbers of chicks placed for growout. The revised estimate for broiler meat production in 2007 is 36 billion pounds, up only 0.8 percent from the previous year. In 2007, the broiler industry will be pressured by higher feed costs.

Broiler meat production in fourth-quarter 2006 totaled 8.78 billion pounds, down 1.4 percent from the same quarter in 2005. The decrease was the result of a lower number of broilers being slaughtered (down 0.8 percent) and a lower meat yield per bird. The average liveweight per bird in the fourth quarter was 5.53 pounds, up slightly (0.7 percent) from the previous year. Broiler meat production for all of 2006 was 35.7 billion pounds, up only 1 percent from the previous year.

U.S. broiler meat production in December 2006 was estimated at 2.7 billion pounds, down 7.3 percent from the previous year. The large decline in December is primarily the result of one less slaughter day than in 2005. However, the decline in meat production was larger than expected (5.9 percent) given the size of the decline in the total liveweight of broilers slaughtered. In December, the number of broilers slaughtered was 677 million, down 5.7 percent from to a year earlier. Along with the decrease in the number of birds slaughtered, the average weight per bird fell to 5.47 pounds, 0.2 percent lighter than in December 2005. These changes resulted in a total broiler liveweight at slaughter of 3.7 billion pounds, 5.9 percent lower than the previous year. Normally, changes in broiler meat production closely parallel the changes in the total liveweight of birds at slaughter, with the ready-to-cook (RTC) meat yield per pound of liveweight being relatively stable. December was the second consecutive month in a row where the average yield of meat per pound of liveweight was down significantly (0.9 percent in November and 1.6 percent in December).

Cold storage holdings of broiler meat products at the end of December 2006 totaled 756 million pounds. This is 18 percent lower than at the end of 2005 when cold storage holding were exceptionally high, but still considerably higher than anticipated given declines in broiler meat production in November and December and generally higher prices for most broiler products. Much of the increase in cold storage holdings from November to December was the result of increased stocks of breast meat and leg quarters. With lower growth in broiler meat production forecast for first-half 2007, cold storage holdings are projected to remain below their year-earlier levels through the first and second quarters of 2007.

As broiler meat production has slowed, prices for almost all broiler products have continued to move higher. In January, boneless/skinless breast meat averaged $1.27 per pound in the Northeast market, up 30 percent from the previous year and 12 cents per pound higher than the December average. Leg quarter prices also rose, going from 31.6 cents per pound in December to 34.1 cents per pound in January. The January 2007 price is a 42-percent increase over a year earlier. With lower production expected, prices for most broiler products are expected to move higher through the first half of 2007.

Turkey Meat Production Up in 2007

Turkey meat production in 2007 is forecast to total 5.78 billion pounds, up 1.7 percent from 2006. The increase in production follows 2 years of relatively strong prices for whole turkeys and most turkey products. Turkey producers, like other livestock producers, will face significant increases in feed costs in 2007, which will narrow margins even if prices for whole birds and products remain strong.

The number of turkeys slaughtered in 2006 was 255 million birds, up 2.9 percent from the previous year, and meat production rose by 3.3 percent to 5.69 billion pounds. The reason that turkey meat production was not higher was that average turkey liveweights were up only 0.5 percent to 28.14 pounds. Average weights had been higher in first-half 2006, but fell as the Thanksgiving period approached.

Turkey meat production in fourth-quarter 2006 was 1.47 billion pounds, 4.8 percent higher than the previous year and very close to earlier forecasts. The total number of birds slaughtered was 68 million, up 4.8 percent from the previous year, and the average weight of turkeys in fourth-quarter 2006 was 27.5 pounds, 0.5 percent higher than in fourth-quarter 2005.

Cold storage holdings for whole turkeys and turkey parts were 221 million pounds at the end of December, up 7.3 percent from the same time in 2005. Stocks of whole birds totaled 64.9 million pounds, up strongly from the previous year (by 23 percent). Stocks of whole birds have been higher in November and December 2006 than a year earlier, reversing the trend of the first 10 months of 2006, when whole bird stocks were down at least 10 percent from the previous year. With broiler and turkey production not expected to increase much in 2007 and the turkey export market expected to remain strong, turkey cold storage holdings are forecast to be about the same as in 2006.

Prices for whole hens in the Eastern market fell to 67.6 cents per pound in January 2007, only 1 percent lower than in January 2006, but a large drop from the almost $1 dollar per pound for whole hens in November 2006. However, weekly prices indicate that whole-bird prices are beginning to move higher, and hen prices for first-quarter 2007 are forecast at 70 to 72 cents per pound, up a few cents from the average in first-quarter 2006.

Contacts and Links

Contact Information

Mildred M. Haley (coordinator)	(202) 694-5176	mhaley@ers.usda.gov
David J. Harvey (poultry)	(202) 694-5177	djharvey@ers.usda.gov
Ron Gustafson (cattle)	(202) 694-5174	ronaldg@ers.usda.gov
Monte Vandeveer (beef trade)	(202) 694-5158	montev@ers.usda.gov
Keithly Jones (sheep and goats)	(202) 694-5172	kjones@ers.usda.gov
Mildred M. Haley (hogs/pork)	(202) 694-5176	mhaley@ers.usda.gov
Roger Hoskin (dairy)	(202) 694-5148	rhoskin@ers.usda.gov
David Johnson (web publishing)	(202) 694-5222	davidj@ers.usda.gov
Christopher Davis (poultry trade)	(202) 694-5167	chrisdavis@ers.usda.gov
Fawzi Taha (eggs)	(202) 694-5178	ftaha@ers.usda.gov

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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/
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U.S. red meat and poultry forecasts

	2004	2005	2006					2007 1/				
	Annual	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Production, million lb												
Beef	24,548	24,683	6,078	6,699	6,808	6,485	26,070	**6,375**	**6,815**	**7,000**	**6,450**	**26,640**
Pork	20,509	20,684	5,321	4,998	5,071	5,607	20,997	**5,375**	**5,200**	**5,325**	**5,750**	**21,650**
Lamb and mutton	195	187	49	48	42	46	185	**48**	**45**	**43**	**46**	**182**
Broilers	34,063	35,365	8,937	9,129	8,883	8,780	35,729	**8,825**	**9,100**	**9,100**	**9,000**	**36,025**
Turkeys	5,454	5,504	1,354	1,440	1,419	1,473	5,686	**1,410**	**1,460**	**1,440**	**1,470**	**5,780**
Total red meat & poultry	85,441	87,097	21,902	22,483	22,387	22,555	89,327	**22,199**	**22,788**	**23,071**	**22,875**	**90,933**
Table eggs, mil. doz.	6,365	6,411	1,612	1,611	1,624	1,648	6,495	**1,600**	**1,615**	**1,650**	**1,675**	**6,540**
Per capita consumption, retail lb 2/												
Beef	66.1	65.5	15.8	16.8	16.8	16.2	65.6	**16.0**	**17.1**	**17.3**	**15.8**	**66.3**
Pork	51.3	50.0	12.3	11.9	11.9	13.1	49.3	**12.3**	**12.1**	**12.5**	**13.2**	**50.2**
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**
Broilers	84.3	85.8	21.8	22.5	21.9	20.7	86.9	**21.3**	**21.8**	**21.8**	**21.2**	**86.1**
Turkeys	17.1	16.7	3.5	3.9	4.3	5.2	16.9	**3.6**	**3.9**	**4.3**	**5.0**	**16.8**
Total red meat & poultry	221.4	220.9	54.2	55.8	55.5	55.9	221.3	**54.0**	**55.6**	**56.6**	**55.9**	**222.1**
Eggs, number	257.2	255.1	63.9	63.5	63.8	64.3	255.6	**62.5**	**62.8**	**64.2**	**64.9**	**254.4**
Market prices												
Choice steers, Neb., $/cwt	84.75	87.28	89.24	80.39	85.40	86.61	85.41	**85-87**	**83-89**	**81-87**	**82-88**	**83-88**
Feeder steers, Ok City, $/cwt	104.76	110.94	106.80	104.08	115.17	103.22	107.32	**98-100**	**97-103**	**96-102**	**96-102**	**97-102**
Boning utility cows, S. Falls, $/cwt	52.35	54.36	48.89	47.79	49.28	44.29	47.56	**44-46**	**49-51**	**48-52**	**48-52**	**48-50**
Choice slaughter lambs, San Angelo, $/cwt	96.69	97.76	77.03	66.56	81.10	84.53	77.31	**85-87**	**82-88**	**81-87**	**83-89**	**83-88**
Barrows & gilts, N. base, l.e. $/cwt	52.51	50.05	42.63	48.45	51.83	46.13	47.26	**44-46**	**44-46**	**44-48**	**42-46**	**44-46**
Broilers, 12 City, cents/lb	74.10	70.80	62.7	61.0	67.8	65.9	64.4	**71-73**	**69-73**	**68-74**	**67-73**	**69-73**
Turkeys, Eastern, cents/lb	69.70	73.40	67.3	71.3	79.4	89.8	77.0	**70-72**	**71-75**	**73-79**	**77-83**	**73-77**
Eggs, New York, cents/doz.	82.20	65.50	71.4	62.7	64.0	89.0	71.8	**94-96**	**80-84**	**79-85**	**85-93**	**84-90**
U.S. trade, million lb												
Beef & veal exports	461	689	223	315	307	308	1,153	**325**	**350**	**380**	**385**	**1,440**
Beef & veal imports	3,679	3,599	843	789	731	722	3,085	**760**	**880**	**830**	**810**	**3,280**
Lamb and mutton imports	181	180	53	44	41	52	190	**55**	**50**	**42**	**47**	**194**
Pork exports	2,179	2,660	770	763	653	811	2,997	**815**	**805**	**690**	**840**	**3,150**
Pork imports	1,099	1,024	259	237	239	254	989	**260**	**240**	**240**	**270**	**1,010**
Live swine imports	8,505	8,191	2,133	2,087	2,205	2,338	8,763	**2,200**	**2,200**	**2,300**	**2,300**	**9,000**
Broiler exports	4,768	5,147	1,338	1,298	1,224	1,412	5,272	**1,325**	**1,330**	**1,350**	**1,400**	**5,405**
Turkey exports	443	569	119	125	152	149	545	**130**	**145**	**155**	**155**	**585**

1/ Forecasts are in **bold**.

2/ 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

	2005		2006					2007				
	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
GDP, chain wtd (bil. 2000 dol.)	11,234	11,049	11,381	11,385	11,433	11,542	11,422	11,615	11,694	11,780	11,873	11,741
CPI-U, annual rate (pct.)	3.2	3.7	2.0	3.4	2.9	-2.2	2.0	2.4	2.6	2.5	2.4	2.5
Unemployment (pct.)	4.9	5.1	4.8	4.7	4.7	4.5	4.6	4.6	4.7	4.7	4.8	4.7
Interest (pct.)												
3-month Treasury bill	3.8	3.2	4.4	4.8	4.9	4.9	4.7	5.0	5.0	5.0	4.9	5.0
10-year Treasury bond yield	4.5	4.3	4.6	5.1	4.9	4.6	4.8	4.8	4.8	5.0	5.0	4.9

Source: Survey of Professional Forecasters, Philadelphia Federal Reserve Bank, February 2007.
For further information, contact: Roger Hoskin 202 694 5148, rhoskin@ers.usda.gov
Published in Livestock, Dairy, and Poultry Outlook, http://www.ers.usda.gov/publications/ldp

Dairy Forecasts

	2006					2007				
	I	II	III	IV	Annual	I	II	III	IV	Annual
Milk cows (thous.)	9,094	9,133	9,117	9,116	9,115	9,125	9,100	9,070	9,050	9,085
Milk per cow (pounds)	5,009	5,136	4,907	4,897	19,949	5,080	5,225	4,995	4,980	20,280
Milk production (bil. pounds)	45.6	46.9	44.7	44.6	181.8	46.4	47.5	45.3	45.1	184.3
Farm use	0.3	0.3	0.3	0.3	1.1	0.3	0.3	0.3	0.3	1.0
Milk marketings	45.3	46.6	44.5	44.4	180.8	46.1	47.3	45.0	44.8	183.3
Milkfat (bil. pounds milk equiv.)										
Milk marketings	45.3	46.6	44.5	44.4	180.8	46.1	47.3	45.0	44.8	183.3
Beginning commercial stocks	8.0	10.9	12.7	11.7	8.0	9.4	12.0	13.1	11.2	9.4
Imports	1.1	1.2	1.1	1.4	4.8	1.2	1.3	1.2	1.3	5.0
Total supply	54.4	58.7	58.3	57.4	193.6	56.7	60.6	59.3	57.3	197.7
Ending commercial stocks	10.9	12.7	11.7	9.4	9.4	12.0	13.1	11.2	8.6	8.6
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	43.6	46.0	46.6	48.0	184.2	44.7	47.5	48.1	48.7	189.1
Skim solids (bil. pounds milk equiv.)										
Milk marketings	45.3	46.6	44.5	44.4	180.8	46.1	47.3	45.0	44.8	183.3
Beginning commercial stocks	9.0	9.6	10.0	9.1	9.0	9.1	9.3	10.2	9.1	9.1
Imports	1.1	1.1	1.1	1.3	4.6	1.2	1.3	1.3	1.5	5.2
Total supply	55.3	57.3	55.6	54.8	194.4	56.4	57.9	56.5	55.3	197.5
Ending commercial stocks	9.6	10.0	9.1	9.1	9.1	9.3	10.2	9.1	8.8	8.8
Net removals	0.0	0.7	0.0	0.0	0.7	0.0	0.0	0.0	0.0	0.0
Commercial use	45.7	46.6	46.5	45.7	184.6	47.1	47.7	47.5	46.5	188.7
Milk prices (dol./cwt) 1/										
All milk	13.53	12.00	12.23	13.83	12.90	14.45	13.95	14.20	14.70	14.35
						-14.75	-14.55	-15.10	-15.70	-15.05
Class III	12.23	11.02	11.42	12.88	11.89	13.25	12.90	13.34	13.40	13.20
						-13.55	-13.50	-14.24	-14.40	-13.90
Class IV	11.33	10.30	10.65	11.97	11.06	12.34	12.57	12.56	12.34	12.45
						-12.74	-13.27	13.56	13.44	-13.25
Product prices (dol./pound) 2/										
Cheddar cheese	1.272	1.184	1.217	1.316	1.247	1.319	1.297	1.328	1.340	1.320
						-1.348	-1.357	-1.418	-1.440	-1.390
Dry whey	0.345	0.289	0.289	0.381	0.329	0.463	0.445	0.465	0.455	0.455
						-0.483	-0.475	-0.495	-0.485	-0.485
Butter	1.247	1.153	1.210	1.267	1.219	1.181	1.222	1.267	1.275	1.235
						-1.241	-1.312	-1.387	-1.405	-1.335
Nonfat dry milk	0.905	0.831	0.844	0.970	0.887	1.061	1.075	1.052	1.025	1.050
						-1.091	-1.125	-1.122	-1.095	-1.110

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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