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Mildred M. Haley, coordinator

The Stage Is Set for Smaller Cattle and Calf Inventories in 2008

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on May 29, 2007

The next newsletter
release is June 19, 2007

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Cattle/beef: Despite recent precipitation, a large increase in cattle inventories seems unlikely. Heavy cow and calf slaughter, early placement of feeder cattle in feedlots, and the potential for reduced heifer retention as a result of poor fall and winter pasture conditions—along with reduced forage stocks and ethanol-demand-driven high grain prices—are setting the stage for a slower rate of growth in cattle and calf inventories on July 1, 2007 and January 1, 2008.

Cattle/beef trade: Lower imports of Mexican cattle during the first quarter were partially offset by higher imports from Canada. Cattle imports in 2008 should be modestly lower, with herds in both countries expected to shrink. Beef imports were lower during the first quarter as domestic cow slaughter remained high. Import forecasts for the rest of 2007 were lowered because the U.S. dollar has lost value, and lower beef production from overseas suppliers, particularly Australia, is expected. Beef imports in 2008 are expected to increase because U.S. domestic cow slaughter is expected to decline. Beef exports are expected to be lower in the first half of 2007 but higher in the second half, as exports to Asian markets slowly increase. Beef exports are expected higher in 2008 as exports to Asia continue to grow.

Dairy: Higher milk and dairy product prices are in the offing for the remainder of 2007 and into 2008. Forecast higher prices could spur increased production in 2008.

Hogs/Pork: Key variables for U.S. pork production and use are expected to register relatively small changes in 2008. Increases are expected in pork production (+0.8 percent) and pork exports (+5.1 percent), while pork per capita consumption is expected to decline by 0.4 pounds. Prices for live equivalent 51-52 percent hogs next year are expected to range between \$47 and \$51 per cwt. Expectations for hog prices in 2008 are based on the strong likelihood of a stable-to-lower North American breeding inventory, whose growth will be constrained primarily by upside feed-cost risk. Small increases in hog/pork supplies next year are expected to be largely balanced by solid domestic pork demand and moderate growth in pork exports.

Poultry: Broiler production is expected to increase in 2008, after declining slightly in 2007. Even with higher broiler prices expected in 2007, increases in feed costs and growing supplies of total meat products are expected to dampen any incentive to strongly expand production. General economic indicators such as real GDP and per capita disposable income are forecast to substantially increase in 2008. Exports of broilers and turkeys are expected to be higher, and domestic per capita poultry disappearance is expected to basically unchanged from 2007.

Poultry trade: U.S. broiler and turkey exports were down in the first quarter of 2007 from a year earlier. U.S. broiler exports for the first quarter of 2007 totaled 1.275 billion pounds, down from last year by almost 5 percent. During the same 3-month period, U.S. turkey exports totaled 124 million pounds, up 4 percent from a year earlier. U.S. broiler exports in 2008 are expected to increase 3 percent, while turkey shipments are expected to increase by more than 9 percent in 2008.

The Stage Is Set for a Limited Increase in Cattle and Calf Inventories for 2008

Most calves in the United States are born in the spring and weaned in the fall. After weaning, some are put on wheat pasture or other cool-season pasture, some are placed in feedlots, and some are maintained in other ways, primarily native pasture, through the winter. Wheat pasture calves are placed on feed after the first of the year, usually February or March, and fed for about 150 days, going to slaughter at about 17 to 20 months of age. Calves placed on feed at weaning will gain well during their 210 to 240 days on feed, and are marketed at about 15 to 18 months of age. Calves on native pasture during the winter grow some frame, but don't gain a lot of weight. They will be placed on pasture at about 12 months of age, pastured for 4 to 6 months, then placed on feed. They will remain on feed for about 150 days before going to slaughter. Calves born in the fall have the same options, but are weaned during the next summer, shifting their production phases by 6 to 9 months. In 2006, this normalcy was turned on its head and, at the margins, could affect cattle and calf inventories in 2008 and 2009.

The total cattle inventory on hand January 1, 2008 is expected to be 97 million head, little changed from a year earlier because of poor grazing and forage conditions during 2006 and the winter 2006/07. During the summer, fall, and winter of 2006/07, large numbers of feeder cattle were placed in feedlots earlier than is typical because of reduced pasture and harvested forage supplies. This could result in marginal shifts in beef production and inventories. These lighter cattle were or will be fed for longer periods before slaughter. Despite this delay, they will reach typical final weights.

Had feeder cattle not been placed in feedlots prematurely because of poor pasture conditions, they would have ordinarily gone on feed sometime in 2007. Some would not have been placed on feed until sometime in 2008 after spending their first winter and the next summer on native pasture. Instead, most of these early-placed cattle will be marketed in 2007 and will not be included in the cattle-on-feed inventory for January 1, 2008, thus reducing the total inventory..

Another factor that will contribute to likely lower total cattle inventories on January 1, 2008 is the large numbers of calves sold as bob veal or other veal during the winter 2006/07 and spring 2007. These sales were made because high feed costs were perceived to outweigh their potential value as feeder cattle. Some of the calves sold were undoubtedly beef calves sold at the same time as their dams because of inadequate winter pastures and harvested forages. But the bulk of the animals sold were more likely dairy calves, because growing them into heavy vealers or stocker cattle was considered too costly.

As of May 2007, roughly a fourth of calves that could have eventually become fed cattle were slaughtered instead for veal. Evidence for this is the weekly cumulative calf slaughter through May 11, 27 percent above the same period in 2006, and average weights of calves slaughtered that were 9 percent below weights for the same period in 2006. Under normal conditions, most of these calves would have been included as feeder cattle or cattle on feed on January 1, 2008.

Commercial cow slaughter, 15 percent above first-quarter 2006 and 18 percent above 2005, has also been heavier than that expected under more normal pasture and forage conditions through the fall and winter. Because of the dry pasture conditions, extremely low forage stocks during the winter, and the dairy “Cooperatives Working Together” buyout program, heavy cow slaughter and reduced heifer retention could also prevent much of an increase in July 1, 2007 and January 1, 2008 cow inventories.

Any significant heifer retention will have to come mainly from the 2007 calf crop. These heifers will not be bred until 2008, will not have calves until 2009, and the calves will not be slaughtered as fed cattle until 2010. Increased heifer retention could also limit beef production in 2008 if a larger-than-normal share of heifer calves from the 2007 calf crop is retained for breeding.

Feeder cattle prices remain strong and 9 percent above April 2006 prices (April Oklahoma City feeder steers, Medium number 1, 750-800-pounds). Feeder cattle price strength is due to improved pasture prospects for 2007 resulting from significant precipitation over wide cattle-producing areas during late winter 2006/07. Price strength is also supported because feeder cattle supplies outside feedlots on April 1, at just over 22 million head, were 2 percent above April 1, 2006 supplies and virtually even with 2005 estimates. Fed cattle prices have held up very well, 20 percent above year-earlier prices (April Nebraska Direct Steers, 65-80 percent Choice), with cattle feeders potentially making profits for most of spring 2007.

April monthly average wholesale Choice beef prices were 15 percent above April 2006 prices. The weekly spread between Choice and Select cutout values is below both the value for this time last year and the 5-year average. Average April farm-to-wholesale spread in retail beef prices, at \$0.42 per pound, are 1 percent below the April 2006 spread. The average April wholesale-to-retail in retail beef prices, at \$1.77 per pound, is 2.5 percent below the April 2006 spread of \$1.81. The average monthly Choice retail beef price in March, at \$4.18, was the highest since June 2005 and was 4 percent higher than the March 2006 price. The April average monthly Choice retail beef price, at \$4.29, was also up 6.6 percent from the April 2006 average of \$4.02, and is second only to the \$4.32 record set in November 2003. These values, combined with variable slaughter rates observed recently, may be indicative of some resistance to prices at the consumer level.

Cattle Imports from Mexico Lagging but Imports from Canada Are Up; 2008 Imports Expected Lower

Cattle imports from Mexico during the first quarter totaled about 258,000 head, according to the most recent Commerce Department data, down about 30 percent from the same period in 2006. However, weekly Agricultural Marketing Service (AMS) reports show a year-to-year decline of 22 percent for imports from Mexico through the first week of May, suggesting at least some recent strength. Favorable grazing conditions in most of northern Mexico appear to have kept some cattle there longer than expected in spite of attractive feeder cattle prices in the United States. The Animal and Plant Health Inspection Service (APHIS) recently banned imports of cattle originating in the Mexican border state of Coahuila from entering the United States due to inadequacy of screening for tuberculosis in cattle there. This should have a limited impact on total imports from Mexico, as cattle from Coahuila represented less than 5 percent of all U.S. imports from Mexico.

Cattle imports from Canada during 2007, in contrast, are well ahead of the pace of a year ago. Imports during the first quarter totaled nearly 371,000 head, up 8 percent from the same period last year. Weekly AMS reports through early May show imports from Canada up over 6 percent. Imports of slaughter steers and heifers are up nearly 8 percent over last year, according to AMS, while feeder cattle imports are up by nearly 4 percent. Strong fed cattle prices in the United States appear to account for this overall pattern, with the price differential between Alberta steers and Nebraska Choice Direct steers reaching over US\$18/cwt during March. However, since that time Canadian cattle prices have rallied and the Canadian dollar has appreciated about 5 percent against the U.S. dollar, leaving Alberta steers less than \$5/cwt below Nebraska prices in the latest AMS report.

Forecast 2007 cattle imports remain unchanged from last month, at 2.2 million head. The current forecast incorporates the expectation that most of the shortfall in Mexican cattle seen so far in 2007 will be offset by higher volumes from Mexico through the rest of the year. The initial forecast of 2008 cattle imports was also released this month. Imports are expected to be down next year, to 2.1 million head, as both the Canadian and Mexican cattle herds are expected to be smaller.

Beef Import Forecasts Reduced as Domestic Cow Slaughter Remains High

Beef imports during the first quarter of 2007 totaled 770 million pounds, down nearly 9 percent from the first quarter of 2006. Domestic cow slaughter remained well above year-ago levels throughout early 2007, and domestic lean beef prices remained attractive vis-à-vis import prices through most of the period. U.S. cow slaughter has remained high to date, but pasture and forage conditions appear to be off to a good start in 2007 in most regions and should relieve the pressure to cull animals. Beef imports for the remaining three quarters of 2007 are therefore expected to be above year-earlier levels.

Notably, first-quarter imports from Australia were down 14 percent from the same period in 2006 and are expected to remain below typical historic levels for some time. Beef production in Australia is expected to be down over the next several quarters as the country attempts to recover from an extensive drought. The Australian industry has moved toward more short-fed production (animals on concentrated grain rations for 90-120 days) to better serve the Japanese and South Korean markets, and Australian exports to these markets have been strong so far in 2007. However, resumed competition from U.S. beef in those Asian markets could pressure Australian feeders to consider other markets in the future.

U.S. imports from Uruguay continue their recovery from the trough experienced through most of 2006. The Uruguayan industry does not expect to defend all of the gains it realized in other markets in 2006 at the expense of Brazil and Argentina, and the U.S. market is likely to absorb much of Uruguay's product displaced by other South American exporters from Russia, the EU, Chile, and elsewhere. It appears Argentine beef exports will continue to suffer as the Argentine industry struggles with domestic policies that both discourage production and limit exports.

Forecast U.S. beef imports for all of 2007 were reduced to 3.24 billion pounds, an amount still up about 5 percent from the 2006 total. The initial forecast for 2008 imports is 3.30 billion pounds, 2 percent higher than the 2007 forecast. U.S. domestic cow slaughter is expected to decline in 2008 because attractive cattle prices should encourage cow retention, weather permitting. Also, gradual movement of U.S. beef back into Asian markets should displace at least some exports from Australia and New Zealand. However, limited world supplies of lean processing beef make larger year-to-year increases appear more difficult.

Beef Exports Expected Lower in First Half of 2007 but Higher in Second Half as Asian Markets Slowly Grant Wider Access to U.S. Beef

U.S. beef exports in the first quarter of 2007 totaled 269 million pounds, up 21 percent from the same period in 2006. Exports to Mexico are not maintaining the pace set in the second half of 2006, which contributed to an annual record for U.S. exports to Mexico last year. Likewise, exports to Canada have fallen from the levels of late 2006, although they are still ahead of year-ago levels. While the U.S. dollar has been depreciating against most currencies over the past few months, the surge in U.S. cut-out beef prices during the same time period has more than offset the currency movement, leaving U.S. beef more expensive. Forecast U.S. exports are also reduced from 320 to 305 million pounds for the second quarter.

Developments in the Japanese and South Korean markets offer some prospects for higher exports in the second half of 2007. In particular, South Korea has altered its customs inspection rules to reject only those boxes of beef found to contain bone fragments, rather than rejecting the entire shipment. To date, a few U.S. beef shipments have already passed inspection and have entered the market. However, the demanding inspection process, which includes X-raying every box to check for bones, suggests slow growth, at least in the near term.

U.S. beef exporters are waiting for the World Organization for Animal Health (known by its French acronym, OIE) to classify the United States as a "controlled risk" country at its annual meeting in late May. This would mean beef produced in

the United States would be considered safe for export in OIE's view, since BSE control measures such as feed bans and removal of specified risk materials result in negligible risk to humans consuming beef produced in such countries. U.S. exporters believe such a classification lends additional weight to U.S. claims of food safety as the United States attempts to negotiate broader access to Japanese, South Korean, and other markets.

Total U.S. beef exports for 2007 are forecast at 1.28 billion pounds, virtually unchanged from last month's total, although distributed differently throughout the year. The initial beef export forecast for 2008 is 1.52 billion pounds, up almost 18 percent from the 2007 forecast. This increase should come largely through expanding U.S. exports into the major Asian markets. The 2008 forecast total is still only about 60 percent of the record level of exports recorded in 2003.

Small 2007 Expansion in Milk Production and Strong Demand Send Prices Sharply Upward

Milk production continues to increase as higher product prices counter higher feed costs. The increase is expected to be only about 1.3 percent for 2007. Cow numbers are expected to move below 2006 levels in the second quarter and are expected to end 2007 slightly below 2006 levels. Production per cow in 2007 is expected to rise 1.4 percent above 2006. As a result, milk production is projected to be 184.2 billion pounds in 2007. In 2008, cow numbers are forecast to be virtually unchanged from this year's projection. However, output per cow could accelerate slightly in 2008 to 2.0 percent above 2007. Initial forecasts for 2008 place milk production higher at 187.7 billion pounds.

Higher feed costs are being offset by much higher than expected prices for dairy products in the balance of 2007 and into 2008. The bellwether milk-feed price ratio stood at 2.38 for the first quarter of 2007, but could average above 2.5 for the year because of higher dairy product prices and an easing in alfalfa and grain prices. The projected higher milk-feed price ratio could prompt some expansion in both cow numbers and milk per cow in 2008.

Commercial disappearance of butter for January and February 2007 is up 20 percent over the same period in 2006. Commercial disappearance of all cheese is up 3.5 percent, comparing the same two periods, with most of the increase occurring in other than American cheese. While butter disappearance is unlikely to maintain the January-February pace, year-over-year disappearance is expected to increase for both butter and cheese, keeping prices in 2007 above those in 2006.

Butter prices are expected to average \$1.325 to \$1.405 per pound in 2007. Cheese prices are expected to average \$1.475 to \$1.525 per pound for the year. The slightly higher production forecast for next year could help ease prices in 2008. Initial forecasts for 2008 place the average butter price at \$1.330 to \$1.460 for the year and at \$1.435 to \$1.535 per pound for cheese.

Prices for nonfat dry milk (NDM) are projected to average sharply higher in 2007 than in 2006 and higher still in 2008. While export demand for dry milk products remains strong, demand for low-fat high-protein cheeses is keeping some NDM in domestic uses. Global NDM and other dry milk product supplies will remain tight through the balance of 2007 and into 2008. NDM prices are projected to average \$1.375 to \$1.415 per pound in 2007 and are forecast to average \$1.410 to \$1.480 per pound in 2008. NDM prices are expected to begin declining in 2008, however, from highs reached in late 2007. Whey prices are expected to average 68.0 to 71.0 cents a pound in 2007 and 66.0 to 69.0 cents a pound in 2008, driven in part by expansion of new products and uses.

Forecasts, for both this year and next, are for higher milk prices across all classes. The Class IV milk price is expected to climb throughout 2007, averaging \$15.60 to \$16.20 per cwt for the year. The Class III price is projected to rise to an average \$16.05 to \$16.55 per cwt for the year. The reported all milk price is expected to be sharply higher in 2007 and will likely average \$17.05 to \$17.55 per cwt for the year. Strong milk prices will likely continue into 2008. The Class IV price is forecast to average \$15.90 to \$17.00 per cwt and the Class III prices \$15.50 to \$16.50 per cwt. The all milk price is forecast to average \$17.00 to \$18.00 per cwt for 2008.

First-Quarter Pork Production Shows Year-Over-Year Increase

First-quarter 2007 commercial pork production of almost 5.4 billion pounds amounted to a 1.1 percent increase over the same period last year. Commercial hog slaughter for the quarter of 26.7 million head exceeded the first quarter 2006 slaughter by a larger percent—1.8 percent—pointing up the reality of lower slaughter weights that result from higher costs of gain. First-quarter 2007 commercial average dressed weights averaged 202, 2 pounds lower than first-quarter 2006. Higher costs of feeding hogs to slaughter weight derive from significantly higher prices for corn and higher soybean meal. The first-quarter 2007 farm price of corn—\$3.31 per bushel—was more than 63 percent above the same period last year. The first-quarter Decatur price of 48 percent soybean meal—\$201 per ton—was more than 12 percent above first quarter 2006.

Second-Quarter Pork Production Forecast Lowered

Lower-than-expected hog slaughter in April prompted a reduction in the USDA forecast for second-quarter pork production. Second-quarter 2007 pork production is expected to be 5.125 billion pounds, more than 2 percent above the same period last year. Both live and average dressed weights will likely continue to be lower than last year.

2007 commercial pork production is expected to be 21.4 billion pounds, almost 2 percent above production last year.

Higher Hog Prices Despite Higher Pork Supplies

Prices for 51-52 percent live equivalent hogs averaged \$46.04 per cwt in the first quarter of 2007, 8 percent above the same period last year. April prices averaged \$48.43 per cwt, almost 17 percent above April 2006. Year-over-year higher hog prices, when average daily hog slaughter were also year-over-year larger, reflect aggressive packer bidding for animals. The strong wholesale pork values received by packers so far this year have enabled them to bid live hog prices higher, while maintaining generally positive margins. Higher wholesale pork values, occurring when pork supplies are year-over-year higher, are an indicator of robust total pork demand. Total pork demand includes demands from hotels, restaurants, institutions, and exporters, in addition to retail demand. First-quarter wholesale pork prices, as estimated by the USDA Pork Carcass Cutout, were \$66.56 per cwt, almost 8 percent higher than the same period last year. April's cutout was \$69.24 per cwt, more than 14 percent above April 2006. Strong pork demand this year is largely attributable to a strong U.S. economy, higher prices of substitute meats—beef and poultry, and continued strong foreign demand for U.S. pork products.

Prices for 51-52 percent live equivalent hogs for 2007 are expected to range between \$49 and \$51 per cwt.

Retail Prices Running Slightly Ahead of Last Year

First-quarter retail pork prices were \$2.81 per pound, or almost 1.4 percent higher than first-quarter 2006. Prices in April were \$2.81 per pound. The total price spread between farmgate and retail narrowed slightly in the first quarter: from \$2.02 in 2006 to \$2.00 this year. The narrowing price spread is a likely reflection of strong first-quarter hog prices. For the balance of 2007, retail pork prices are expected to average in the low \$2.80s per pound.

Growth Rates Expected To Be Positive, but Slower, For U.S. Pork in 2008

Key variables for U.S. pork production and utilization are expected to register relatively small changes in 2008. Increases are expected in pork production (0.8 percent) and pork exports (5.1 percent) while pork per capita disappearance is expected to decline by 0.4 pounds. As in 2007, values of other variables determined largely outside the U.S. pork sector—corn and soybean prices, GDP growth of the U.S. economy, and the foreign exchange value of the U.S. dollar—are particularly important in 2008 pork production and utilization forecasts.

The 2007/08 farm price of U.S. corn is expected to range between \$3.10 and \$3.70 per bushel, compared with the 2006/07 farm price forecast range of \$3.00 to \$3.20 per bushel. The 2007/08 price of 48-percent-protein soybean meal is expected to range between \$185 and \$215 per ton, compared with the 2006/07 forecast price of \$195 per ton. Price forecasts for the major components of hog feed in 2008 thus point to smaller increases in the cost of gain, compared with the significant year-over-year increases that the hog production industry recently sustained, beginning in the fall of 2006.

Commercial pork production in 2008 is expected to be 21.63 billion pounds, an increase of slightly less than 1 percent compared with 2007. The production increase next year is assumed to result from larger imports of slaughter hogs and finishing animals from Canada, continued modest increases in farrowings, small increases in litter rates, and small year-over-year increases in average dressed weights, reflecting largely stable feed costs.

2008 Hog Prices To Range Between \$47 and \$51 Per Cwt

Prices for live equivalent 51-52 percent hogs next year are expected to range between \$47 and \$51 per cwt. Expectations for hog prices in 2008 are based on the strong likelihood of a stable-to-lower North American breeding inventory, whose growth will be constrained primarily by upside feed cost risk. Small increases in hog/pork supplies next year are expected to be largely balanced by solid domestic pork demand and moderate growth in pork exports.

Retail Pork Prices Next Year About the Same as in 2007

Retail per capita pork disappearance is expected to be slightly lower next year, at 49 pounds per person. Retail pork markets are likely to equilibrate at prices in the low \$2.80s per pound, much the same as those seen so far this year. Domestic pork demand next year will be supported by moderate U.S. GDP growth, as well as by

lower per capita beef disappearance and relatively high retail beef prices, in the mid-\$3.90s per pound.

Pork Export Growth Slows in the First Quarter

U.S. exporters shipped 792 million pounds of U.S. pork in the first quarter of 2007, for an increase of 2.9 percent over the same period last year. Although first-quarter exports to Japan increased almost 19 percent, and thus appear to be continuing the recovery in year-over-year exports that began in the fourth quarter of 2006, shipments to Canada increased only about 2 percent in the first quarter, and exports to Mexico were off by more than 20 percent. Moreover, destination markets that were a source of significant growth in 2006 slowed dramatically in first-quarter 2007. Russia began 2007 with a year-over-year increase of more than 40 percent in January, but ended the first quarter 6-percent lower than the first quarter of 2006. March exports to South Korea declined 11 percent, but first quarter, taken as a whole, showed an increase of more than 9 percent compared with last year.

At present, there does not appear to be a “one-size-fits-all” explanation, applicable to Mexico, Russia, and South Korea, for the first quarter slowdown in pork exports. Each export destination appears to have its own unique set of circumstances and market fundamentals that may partially explain departures from established trends going into 2007. Mexico’s decline in demand for U.S. pork may be a consequence of higher corn prices that caused larger-than-expected domestic slaughter. Greater supplies of domestic pork may have supplanted the need for U.S. pork early in 2007. However, exports of all meats to Mexico were down significantly in the first quarter, suggesting a more general weakening of consumer demand may also be occurring.

Although Russian imports of U.S. pork were year-over-year higher in January, Russia imported year-over-year lower quantities of U.S. pork in both February and March. First-quarter exports, in total, were more than 6 percent lower compared with first-quarter 2006. Trade statistics from the World Trade Atlas indicate that Brazil’s first-quarter exports to Russia increased almost 19 percent compared with the same period last year. It is possible that Russian importers substituted Brazilian pork products in place of U.S. pork in the first quarter.

South Korea was another country in which large year-over-year exports in January compensated for slower exports from the U.S. in February, and for year-over-year lower exports in March. For the quarter, exports to South Korea were more than 9 percent above first-quarter 2006. The South Korean currency depreciated slightly against the U.S. dollar in the first quarter compared with the fourth quarter of 2006, and this could account for some reduction in import demand. It is also possible that Korean pork imports are slowing in anticipation of larger Korean beef imports in 2007.

Moderate Export Growth Expected in 2007 and 2008

U.S. pork export growth is expected to moderate for the balance of this year and through 2008. Whereas U.S. pork exports grew at double-digit rates in recent years, as foreign meat buyers responded to animal-disease-related market closures, 2007 and 2008 will likely be years of continued normalization and readjustment, as trade

gradually reestablishes the dynamics that existed before the onset of several BSE incidents in North America, foot and mouth disease outbreaks in Brazil, and Avian Influenza outbreaks in Asia. U.S. exporters are expected to ship 3.1 billion pounds of pork in 2007, an increase of almost 4 percent over last year. Next year, U.S. exports are expected to be almost 3.3 billion pounds, an increase of about 5 percent above the 2007 forecast.

U.S. pork imports were 239 million pounds in the first quarter, almost 8 percent below the same period a year ago. Imports from Denmark were more than 25 percent below first-quarter 2006, likely due to the depreciated exchange value of the U.S. dollar. While exchange rate factors likely pushed imports from Canada 5.5 percent lower than a year ago, transportation considerations, as well as strong commercial ties between North American neighbors, were probably factors that limited Canada's decline.

The United States is expected to import 929 million pounds of pork in 2007, slightly more than 6 percent below 2006. Next year's imports are forecast to be about the same as in 2007, at 930 million pounds.

Live Swine Import Expected To Climb Again in 2008

U.S. packers and finishers imported 2.3 million head of Canadian swine in the first quarter of 2007, almost 8 percent more than in the first quarter 2006. Larger imports reflect larger supplies of Canadian animals available for export, because ongoing turmoil in the Canadian processing industry continues to create incentives for Canadian producers to ship animals to the United States. In addition, strong first-quarter U.S. demand for live swine was signaled by year-over-year higher first-quarter live hog prices and favorable prices for finishing animals. Through May 11, 2007 weekly prices for early-weaned feeder pigs averaged almost 9 percent compared with the same period in 2006.

(http://www.ams.usda.gov/mnreports/NW_LS255.txt).

Broiler Production Higher in 2008

U.S. broiler meat production is expected to total 36.4 billion pounds in 2008, up 2.3 percent from the previous year after an anticipated production decline in 2007. The increases in broiler production are expected to be moderated by higher total meat supplies and increased feed costs. Broiler meat production is expected to be larger throughout the year. With the modest gains in production and expected growth in exports, domestic per capita disappearance levels, after declining by over 1 pound in 2007, are expected to increase slightly in 2008. Most of the gains in production are expected to come from a higher number of birds slaughtered. The average bird weight at slaughter is only expected to increase slightly, as higher feed costs are expected to place an increased premium on feeding efficiency. Cold storage holdings of broiler products are expected to gradually rise in 2008 after having declined markedly in the second half of 2006 and continuing lower in 2007.

The 12-city wholesale price for whole broilers is expected to average between 73 and 79 cents per pound in 2008. This is a 1-percent decrease from 2007, when prices for broiler products were high due to declines in production and low cold storage levels. Most of the decrease is expected to come from lower prices in the second half of the year as supplies of broiler products gradually expand. Production increases for beef and pork in 2008 are also expected to place some downward pressure on prices for poultry products.

Other Chicken

Other chicken meat production is expected to reach 495 million pounds in 2008, up 3 percent from 2007. Other chicken exports are projected to decrease as lower prices for broiler meat, especially in the first half of 2008, are expected to decrease the demand for exports. The estimate for 2008 per capita disappearance of other chicken meat is 1.2 pounds on a retail weight basis, up slightly from 2007.

Turkey

After growing to an anticipated 5.8 billion pounds in 2007, turkey production is expected to reach 5.9 billion pounds in 2008, up about another 1 percent. The growth is expected to come from a higher number of birds slaughtered, with very little growth in average bird weights. Even with several years of positive production growth, per capita disappearance of turkey on a retail weight basis is forecast at 16.9 pounds in 2008, down slightly from 2007 and somewhat lower than earlier in this decade. One reason for the decline in domestic per capita disappearance is the expected growth in turkey exports.

Wholesale prices for whole hen turkeys are expected to average 73 to 79 cents per pound in 2008, down somewhat from 2007. The decrease is expected to come from higher production of turkeys and broilers and increases in cold storage holdings of turkey products. Together, these factors are expected to place downward pressure on whole-bird prices.

Broiler Meat Production Falls in First-Quarter 2007

Broiler meat production in first-quarter 2007 totaled 8.57 billion pounds, down 4.1 percent from first-quarter 2006. In first-quarter 2006, broiler meat production increased by 4.1 percent over the same period in 2005. The decline in meat production was the result of a 2.6-percent decrease in the number of birds going to slaughter compared with a year earlier and a 1.5 percent decrease in the average meat yield per bird slaughtered. The average liveweight of broilers slaughtered in first-quarter 2007 was 5.46 pounds, unchanged from first-quarter 2006.

Broiler meat production for second-quarter 2007 is forecast at 8.9 billion pounds, a decrease of 2.2 percent from the previous year. However, broiler meat production is expected to show year-over-year increases in the third and fourth quarters of 2007. During April 2007, the daily broiler slaughter reported by AMS showed a 2.6 percent increase in number of birds slaughtered compared with April 2006, and there was also a small increase in average weights. However, most of the increase in birds slaughtered was due to one additional slaughter day in April 2007 compared with the previous year. Other indicators of a gradual change to growth in broiler meat production are the weekly changes in the number of chicks placed for growout. Over the last 5 weeks, (April 14 through May 12), the number of chicks placed for growout has averaged 2.2 percent higher than in the same period the previous year.

After reaching a high of 924 million pounds at the end of 2005, broiler cold storage stocks declined to 588 million pounds by the end of first-quarter 2007, down 32 percent from a year earlier. The decline in cold storage holdings is due to a combination of the declines in broiler meat production in the last half of 2006 and the first quarter of 2007 and the continued relative strength of the export market. Cold storage holdings of most broiler products were lower than at the end of first-quarter 2007. A large portion of the drop was due to a sharp decline (65 percent) in leg quarters in cold storage, as improved exports lowered stock levels.

Turkey Meat Production Up Strongly

Turkey meat production totaled 1.41 billion pounds in first-quarter 2007, up 4.1 percent from the previous year. The meat production growth came from the higher number of birds slaughtered (up 5.7 percent), as the average weight of turkeys slaughtered in first-quarter 2007 fell to 29 pounds, down 1.4 percent from first-quarter 2006. Turkey meat production in the second quarter is expected to reach 1.48 billion pounds, as the number of birds slaughtered is expected to remain above the previous year. This would be a 2.4 percent increase in meat production from the previous year.

Cold storage stocks of turkey products continues to be relatively tight, with total holdings at the end of first-quarter 2007 reported at 352 million pounds, down 6.9 percent from the same period in 2006. However the difference between cold storage holdings of whole turkeys and turkey parts is quite large. Stocks of whole turkeys were estimated at 176 million pounds, 7.5 percent higher than the previous year. Stocks of turkey parts were also estimated at 176 million pounds, but this is a 17.7-percent decrease from first-quarter 2006. The decrease in cold storage holdings of turkey parts may be the result of growing exports to markets such as China and the increasing prices of broiler products.

2007 Broiler Exports Are Down in First Quarter from Last Year

First-quarter U.S. broiler exports were 1.275 billion pounds, down about 5 percent from first quarter in 2006. The decline in U.S. broiler exports is largely attributable to high leg-quarter prices and a seasonal reduction in shipments to Russia. Although first-quarter broiler shipments declined year-over-year, they were the third-largest first-quarter exports on record. Major first-quarter importers of U.S. broiler meat included Russia, Hong Kong/China, the Baltic countries, the Caribbean countries, and Mexico.

Turkey Exports Finish the First-Quarter Strong

Turkey exports totaled 124 million pounds for the first quarter of 2007, up 4 percent compared with first-quarter 2006. Higher first-quarter exports are attributable to strong demand for turkey meat in countries such as China and Ukraine. Year-over-year first-quarter exports to China increased by more than 204 percent, while exports to Ukraine rose by over 829 percent. Mexico is the leading export market for U.S. turkey meat, followed by China and Russia. However, first-quarter exports to Mexico were off by 6 percent, year-over-year. Lower first-quarter exports to Mexico were partially offset by higher shipments to Russia (up 10 percent) and to Canada (up 14 percent) compared with first-quarter 2006.

Broiler Exports Expected To Exceed 5.5 Billion Pounds in 2008

U.S. broiler exports are forecast to exceed 5.52 billion pounds in 2008. Growth in broiler shipments is expected to be 3 percent. Reasons for expected growth in broiler exports next year are linked to a favorable U.S. currency exchange rate and growing incomes in importing countries.

Growth in Turkey Exports Expected To Continue Through 2008

Exports of U.S. turkey meat are expected to reach 605 million pounds in 2008, an increase of more than 9 percent. Factors likely to drive increases of 2008 turkey exports include a favorable U.S. currency exchange rate, coupled with income increases in importing countries.

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
Ken Mathews (cattle)	(202) 694-5183	kmathews@ers.usda.gov
Monte Vandever (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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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/>
Hogs, <http://www.ers.usda.gov/briefing/hogs/>
Poultry and Eggs, <http://www.ers.usda.gov/briefing/poultry/>
WASDE, <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	Annual
Production, million lb														
Beef	24,548	24,683	6,082	6,724	6,834	6,513	26,153	6,235	6,750	6,825	6,330	26,140	6,200	26,315
Pork	20,509	20,685	5,335	5,008	5,087	5,625	21,055	5,396	5,125	5,200	5,725	21,446	5,350	21,625
Lamb and mutton	195	187	49	47	42	47	185	49	45	42	46	182	48	179
Broilers	34,063	35,365	8,938	9,130	8,884	8,801	35,752	8,574	8,925	9,050	9,050	35,599	8,850	36,425
Turkeys	5,454	5,504	1,355	1,440	1,419	1,473	5,686	1,410	1,475	1,450	1,490	5,825	1,425	5,875
Total red meat & poultry	85,441	87,097	21,920	22,516	22,428	22,619	89,483	21,819	22,483	22,725	22,795	89,822	22,032	91,064
Table eggs, mil. doz.	6,365	6,411	1,611	1,610	1,624	1,649	6,494	1,592	1,605	1,650	1,675	6,522	1,620	6,575
Per capita disappearance, retail lb 2/														
Beef	66.0	65.4	15.8	16.8	16.8	16.2	65.7	15.8	17.2	16.7	15.6	65.4	15.6	64.5
Pork	51.3	49.9	12.3	11.9	11.9	13.1	49.3	12.3	11.9	12.2	13.0	49.4	12.0	49.0
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	1.1
Broilers	84.2	85.6	21.8	22.5	21.9	20.7	86.9	21.0	21.2	21.6	21.3	85.0	20.9	85.7
Turkeys	17.0	16.7	3.5	3.9	4.3	5.2	16.9	3.8	3.9	4.4	5.0	17.1	3.6	16.9
Total red meat & poultry	221.4	220.5	54.1	55.8	55.6	55.9	221.4	53.5	54.9	55.5	55.6	219.5	52.8	218.9
Eggs, number	256.9	255.3	63.9	63.5	63.8	64.5	255.7	61.7	62.2	64.1	64.7	252.8	62.7	252.6
Market prices														
Choice steers, Neb., \$/cwt	84.75	87.28	89.24	80.39	85.40	86.61	85.41	90.61	92-94	83-89	84-90	87-91	84-92	84-90
Feeder steers, Ok City, \$/cwt	104.76	110.94	106.23	104.08	115.17	103.22	107.18	99.32	104-106	95-101	97-103	99-103	94-102	95-101
Boning utility cows, S. Falls, \$/cwt	52.35	54.36	48.89	47.79	49.28	44.29	47.56	47.60	49-51	47-51	46-50	48-50	45-49	46-50
Choice slaughter lambs, San Angelo, \$/cwt	96.69	97.76	77.03	66.56	81.10	84.53	77.31	83.92	82-84	81-87	82-88	82-86	83-91	84-90
Barrows & gilts, N. base, i.e. \$/cwt	52.51	50.05	42.63	48.45	51.83	46.13	47.26	46.04	52-54	51-55	46-50	49-51	46-50	47-51
Broilers, 12 City, cents/lb	74.10	70.80	62.7	61.0	67.8	65.9	64.4	75.0	77-79	76-78	72-78	75-78	73-79	73-79
Turkeys, Eastern, cents/lb	69.70	73.40	67.3	71.3	79.4	89.8	77.0	69.7	75-77	78-82	82-88	76-79	69-75	73-79
Eggs, New York, cents/doz.	82.20	65.50	71.4	62.7	64.0	89.0	71.8	105.3	91-93	87-93	93-101	94-98	97-105	91-99
U.S. trade, million lb														
Beef & veal exports	460	698	223	315	307	308	1,153	269	305	350	360	1,284	340	1,520
Beef & veal imports	3,679	3,599	843	789	731	722	3,085	770	885	800	780	3,235	805	3,300
Lamb and mutton imports	180	180	53	44	41	52	190	56	50	42	47	195	57	198
Pork exports	2,181	2,665	770	763	653	811	2,997	792	790	685	845	3,112	820	3,270
Pork imports	1,099	1,024	259	237	239	254	989	239	220	220	250	929	240	930
Live swine imports	8,506	8,192	2,133	2,087	2,205	2,338	8,763	2,302	2,300	2,350	2,400	9,352	2,350	9,550
Broiler exports	4,784	5,203	1,338	1,298	1,224	1,412	5,272	1,275	1,330	1,350	1,400	5,355	1,350	5,515
Turkey exports	442	570	119	125	152	149	546	124	135	140	155	554	135	605

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.

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

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.
 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					2008	
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	Annual
Milk cows (thous.)	9,092	9,128	9,113	9,115	9,112	9,128	9,100	9,100	9,100	9,105	9,105	9,100
Milk per cow (pounds)	5,010	5,141	4,906	4,894	19,951	5,039	5,215	4,990	4,980	20,225	5,185	20,625
Milk production (bil. pounds)	45.5	46.9	44.7	44.6	181.8	46.0	47.5	45.4	45.3	184.2	47.2	187.7
Farm use	0.3	0.3	0.3	0.3	1.1	0.3	0.3	0.3	0.3	1.1	0.3	1.1
Milk marketings	45.3	46.6	44.4	44.3	180.7	45.7	47.2	45.1	45.0	183.0	46.9	186.6
Milkfat (bil. pounds milk equiv.)												
Milk marketings	45.3	46.6	44.4	44.3	180.7	45.7	47.2	45.1	45.0	183.0	46.9	186.6
Beginning commercial stocks	8.0	11.5	13.5	11.6	8.0	9.5	11.9	13.5	11.3	9.5	8.6	8.6
Imports	1.1	1.2	1.1	1.5	5.0	1.1	1.3	1.2	1.5	5.1	1.2	5.3
Total supply	54.4	59.3	59.1	57.5	193.6	56.3	60.3	59.8	57.8	197.6	56.7	200.4
Ending commercial stocks	11.5	13.5	11.6	9.5	9.5	11.9	13.5	11.3	8.6	8.6	11.4	7.8
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
Commercial use	42.9	45.8	47.4	48.0	184.1	44.4	46.8	48.5	49.2	189.0	45.4	192.6
Skim solids (bil. pounds milk equiv.)												
Milk marketings	45.3	46.6	44.4	44.3	180.7	45.7	47.2	45.1	45.0	183.0	46.9	186.6
Beginning commercial stocks	9.0	9.7	10.2	9.1	9.0	9.1	9.7	10.2	9.1	9.1	8.8	8.8
Imports	1.1	1.1	1.1	1.4	4.8	1.0	1.2	1.2	1.4	4.8	1.2	5.1
Total supply	55.3	57.5	55.7	54.8	194.4	55.8	58.0	56.5	55.5	197.0	56.9	200.4
Ending commercial stocks	9.7	10.2	9.1	9.1	9.1	9.7	10.2	9.1	8.8	8.8	9.0	8.7
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
Commercial use	45.6	46.6	46.7	45.7	184.5	46.1	47.8	47.5	46.7	188.2	47.9	191.7
Milk prices (dol./cwt) 1/												
All milk	13.50	11.97	12.23	13.90	12.90	15.00	17.45	17.85	17.90	17.05	17.40	17.00
							-17.75	-18.45	-18.80	-17.55	-18.40	-18.00
Class III	12.23	11.02	11.42	12.88	11.89	14.28	16.86	16.80	16.41	16.05	15.97	15.50
							-17.16	-17.40	-17.31	-16.55	-16.97	-16.50
Class IV	11.33	10.30	10.65	11.97	11.06	12.98	16.44	16.54	16.55	15.60	16.06	15.90
							-16.84	-17.24	-17.55	-16.20	-17.16	-17.00
Product prices (dol./pound) 2/												
Cheddar cheese	1.272	1.184	1.217	1.316	1.247	1.352	1.512	1.537	1.508	1.475	1.470	1.435
							-1.542	-1.597	-1.598	-1.525	-1.570	-1.525
Dry whey	0.345	0.289	0.289	0.381	0.329	0.592	0.763	0.705	0.685	0.680	0.675	0.660
							-0.783	-0.735	-0.715	-0.710	-0.705	-0.690
Butter	1.247	1.153	1.210	1.267	1.219	1.227	1.354	1.368	1.370	1.325	1.348	1.330
							-1.414	-1.458	-1.490	-1.405	-1.478	-1.460
Nonfat dry milk	0.905	0.831	0.844	0.970	0.887	1.120	1.460	1.465	1.465	1.375	1.422	1.410
							-1.490	-1.515	-1.535	-1.415	-1.492	-1.480

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/dyfmoms/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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