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Livestock, Dairy, and Poultry Outlook

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Beef Exports Decline as Dollar Strengthens and Global Economy Weakens

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release is Dec. 18, 2008

Approved by the
World Agricultural
Outlook Board

Hogs: USDA lowered its fourth-quarter estimate of commercial pork production by 80 million pounds due to lower-than-expected hog slaughter in October. Production is expected to be nearly 6.21 billion pounds, less than 1 percent above fourth quarter last year. Fourth-quarter prices for live equivalent 51-52 percent lean hogs are expected to average \$41-\$43 per cwt, or about 6 percent above last year.

Cattle: Fed cattle prices have declined by almost 9 percent since their high in August 2008, and wholesale cutout values have declined by 15 percent from their peak in July 2008. Commercial cow slaughter is increasing seasonally into the fourth quarter of 2008, and cow prices are declining. Higher interest rates and equity requirements could adversely affect wheat pasture grazing opportunities as well as demand for lighter feeder cattle, thus affecting feeder cattle prices.

Beef/Cattle Trade: FAS Export Sales Reports show declines in U.S. beef exports, likely affected by a strengthening of the dollar, declining global demand for more expensive cuts of grain-fed beef, and obstacles in financing due to tightening credit markets. Cattle imported into the United States from all sources are expected to decline 12 percent from last year to 2.2 million head. Cattle from Mexico are still well behind historical levels.

Poultry: Broiler production in fourth-quarter 2008 is forecast at 9.15 billion pounds, down 1.5 percent from the previous year. Lower meat production is expected to continue in 2009 as lower prices for most broiler products are not expected to provide any incentive for integrators to expand production. Turkey production rose 5.6 percent in third-quarter 2007 and cold storage holdings rose. Whole hen prices in the eastern market in fourth-quarter 2008 are expected to average slightly higher than the previous year.

Dairy: Milk production will advance slightly in 2009 on yields as cow numbers decline modestly. Weakening demand, especially exports, presage lower prices across the board in 2009.

Hogs

Production Estimate for Fourth-Quarter 2008 and 2009 Lowered Slightly

USDA lowered its fourth-quarter estimate of commercial pork production by 80 million pounds due to lower-than-expected hog slaughter in October. Production is expected to be nearly 6.21 billion pounds, less than 1 percent above fourth quarter last year. Fourth-quarter prices for live equivalent 51-52 percent lean hogs are expected to average \$41-\$43 per cwt, or about 6 percent above last year.

Commercial pork production in 2009 is also likely to be slightly lower than previously estimated, due to lower expected imports of live swine from Canada. USDA lowered its forecast of 2009 pork production to 23.1 million pounds—1.6 percent below 2008—on the expectation that U.S. imports of live swine from Canada next year will be almost 21 percent below live imports in 2008. Lower live swine imports next year are the likely outcome of lower Canadian hog inventories and COOL-driven decisions of some U.S. packers to source only U.S.-origin hogs.

Statistics Canada recently reported that October 1, 2008 total hog inventories were 10.9 percent lower than a year earlier, with breeding inventories off by 8.3 percent, year-over-year. Contraction of breeding numbers in Canada began in mid-2005 in response to poor producer returns, which resulted primarily from an appreciated Canadian dollar. The high-valued Canadian dollar sharply decreased the competitiveness of Canadian pork in international markets and producer returns from live swine exports to the United States. Producer intentions reported by Statistics Canada for the October-December 2008 period—8 percent below the same period a year ago—suggest that contraction of the Canadian hog inventory will continue into 2009.

While supply factors in Canada account for part of the reduction in the 2009 live swine import forecast, lower demand on the U.S. side of the border will also likely play a significant role next year in lowering live swine imports. With the implementation of the U.S. COOL law on October 1, several major U.S. packers have expressed the intention to begin sourcing only U.S.-origin hogs, starting in early 2009. Packer refusal to accept Canadian-origin swine reduces expected demand by U.S. swine finishers for Canadian-born early-weaned pigs and feeder pigs, as well as for Canadian slaughter hogs. Next year, U.S. packers and swine finishers are expected to import 7.2 million head of hogs, down from nearly 9.1 million head in 2008.

September imports of live swine totaled almost 744,000 head, 7.2 percent lower than September of last year. Third-quarter imports were slightly more than 2.2 million head, 10.7 percent lower than the same period last year.

September Exports 41 Percent Above a Year Ago; Third Quarter Exceeds Last Year by 60 Percent

U.S. pork exports in September were 340 million pounds, 41 percent above September 2007. The largest destination markets for U.S. pork products in September are listed in the table below. The top six countries together accounted for 84 percent of exports in September: Japan (32 percent), Mexico (15 percent), Canada (12 percent), Russia (12 percent), Hong Kong (12 percent), and South Korea (6 percent). China's September imports of U.S. pork products were 4 million pounds, almost 80 percent below September 2007. September export volumes suggest while that aggregate foreign demand for U.S. pork products remains robust, rates of year-over-year increases have slowed from the torrid pace of the second quarter. The absence of strong September demand from China is conspicuous, and likely reflects the conclusion of the Olympic games and some progress in bringing domestic pork prices down.

Third-quarter pork exports were more than 1.1 billion pounds, about 60 percent ahead of the same period last year. The ten largest foreign markets for U.S pork in the third quarter are listed below.

U.S. pork exports to major foreign destinations: Sept. 2008, 2007 and third quarter 2007, 2008

Rank		% change		% change	
3rd qtr.		3rd qtr.	3rd qtr.	Sept.	Sept.
2008	Country	2008	2007	2008	2007
		million lbs.	million lbs.	million lbs.	million lbs.
				year over	year over
				year	year
	World	1,126	703	60	41
1	Japan	341	247	38	37
2	Mexico	177	99	80	71
3	Russia	129	52	149	98
4	Canada	113	96	17	10
5	Hong Kong	111	37	200	73
6	South Korea	62	36	71	65
7	China	29	55	-47	-80
8	Taiwan	18	5	249	190
9	Australia	18	14	26	-3
10	Philippines	16	4	294	188

Source: Economic Research Service, USDA. <http://www.ers.usda.gov/data/meattrade/>

Export Forecast for 2009 Lowered

U.S. exports of pork products in 2009 are expected to be 4.5 billion pounds, 11.2 percent below 2008, but 43.3 percent ahead of exports in 2007. Assumptions underlying lower year-over-year exports next year include a weaker global macroeconomy and a higher-valued US dollar, both of which could impact demand for U.S. pork in major foreign markets such as Japan, Mexico, Canada, and Russia. Total Chinese imports next year are expected to be weaker compared with 2008.

U.S. Pork Imports Likely Higher Next Year

U.S. pork imports in 2009 are likely to be somewhat higher than this year. The forecast is revised upwards to 850 million pounds, an increase of 2 percent over expected imports this year. The year-over-year increase is largely based on lower domestic production, lower U.S. live swine imports, and a higher exchange-rate value of the U.S. currency relative to the Canadian dollar.

September pork imports were almost 60.5 million pounds, more than 21 percent below a year ago, with Canada accounting for all but a small proportion of the decline. For the third quarter, the United States imported 191.4 million pounds of pork products, more than 20 percent lower than the same period last year. Third-quarter imports from Canada were off by 22.5 percent, and were about 8.5 percent lower from Denmark.

Retail Prices Record High in Third Quarter

For the first time, the retail price of a pound of pork exceeded \$3.00 in the third quarter. The retail pork price, at \$3.002 per pound, was largely a consequence of relatively high third-quarter hog prices, which, in turn, came about because of on-fire summer export demand for U.S. pork and lower pork production. The third-quarter farm-to-retail pork price spread this year was smaller than third quarter a year ago—\$2.017 vs. \$2.052 last year. Only the farm-to-wholesale portion of the total spread was larger this year (\$0.424) than in the third quarter last year (\$0.379), likely reflecting higher hog prices last summer. Although retail prices were higher year-over-year than third quarter last year, packers and retailers took away a smaller portion of the total farm-to-retail price spread: \$1.593 this year, compared with \$1.673 in the third quarter last year. Fourth-quarter retail pork prices are expected to drop back seasonally into the mid-\$2.90s per pound and to average in the mid-to-high \$2.90s per pound in 2009. Next year, anticipated weakness in the U.S. economy is likely to stiffen consumer resistance to higher retail pork prices.

Cow Slaughter Continues at High Rate

Establishment of wheat pasture is beginning to be hampered by lack of rain in some areas. Producers in some localized areas are expressing reluctance to turn cattle out on wheat that has temporarily stopped growing due to lack of moisture. While credit appears to be available, some rural banks are requiring extra equity for agricultural loans, and interest rates have crept upward over the last several weeks. These factors could affect wheat pasture grazing if current economic conditions persist into the fall and adversely affect the demand for lighter feeder cattle, and thus feeder cattle prices as well.

Commercial cow and bull slaughter is increasing seasonally into November 2008 and continues at a high rate, despite being an atypically large share of the U.S. cow herd. Despite uncertainty over mandatory country-of-origin labeling and appreciation of the U.S. dollar vs. the Canadian dollar, an increase in imports of Canadian cows and bulls is contributing to the seasonal increase in U.S. commercial slaughter. Cow prices have declined 20 percent from July 2008 highs. The continuing high cow slaughter will likely have implications for the January 1 estimates of cow inventories in the National Agricultural Statistics Service's *Cattle* report to be released January 30, 2009.

Calf slaughter also continues at a high rate, and calf slaughter weights remain low relative to recent years. The light slaughter weights reflect low or negative profit margins for calves, along with producers' responses to relatively high feed prices, despite recent declines in feed prices and improved feed cost prospects into 2009. For the 6-week period ending November 8, 2008, weekly data indicate declines of 13 percent in average dressed weights of calves and vealers from the same period in 2007.

Estimated feeder cattle supplies outside feedlots on October 1, 2008 were 1.5 percent above the 2007 number. However, feeder cattle supplies in 2009 are likely to be relatively low because of the small 2008 calf crop. In addition, high calf slaughter will likely reduce the availability of feeder cattle into 2009 as perhaps as many as a fourth of calves slaughtered could have become feeder cattle rather than vealers. The reduced feeder-cattle supply in 2009 and 2010 will be exacerbated by fewer imports of Canadian feeder cattle coming into the United States than were imported in 2007.

Average federally inspected dressed weights appear to have peaked seasonally. Heavier weights for slaughter steers and heifers have accounted for most of the increases in average dressed weights in 2008. In addition, average weekly federally inspected dressed weights for steers and heifers for the 6 weeks ending November 1, 2008 were fractionally higher than year-earlier weights for the same 6-week period. Cow weights were 1 percent under year-earlier averages for the same period. The heavy live and dressed weights of steers and heifers may be an indication of increasing weights of feeder cattle previously placed on feed. It may also be an indication that most of last fall and winter's lightweight placements have been marketed. This rationale is consistent with monthly NASS *Cattle on Feed* estimates by weight group and reflects the positive relationship between fed-cattle slaughter weights and corresponding placement weights.

Heavier average slaughter weights for fed cattle may also indicate that most of the feeder cattle placed on feed last fall and winter at atypically lighter weights, due partly to limited availability of wheat-pasture, have been marketed. If so, marketings from now into 2009 could consist of placements of cattle at heavier weights. These heavier cattle could be marketed in varying volumes, potentially creating some price volatility as marketings fluctuate between periods of high and low supplies of market-ready fed cattle. Year-over-year reductions in net placements since March 2008, except for July 2008, will reduce supplies of fed cattle for the remainder of 2008 and likely into 2009 and will likely support prices.

Prices for fed cattle and feeder cattle had weakened in recent weeks, declining as much as 7 percent for fed cattle (Nebraska) and 13 percent for feeder cattle (Oklahoma City) from their summer 2008 highs. Cattle marketed for at least the rest of 2008 will likely have been fed relatively high-priced feed, with breakeven prices for fed cattle well over \$100 per cwt. Despite recent improvement in fed-cattle prices, these costs are not likely to be covered by fed-cattle prices at levels anticipated during fourth-quarter 2008. Recent declines in feeder cattle prices reflect these negative cattle-feeding profit margins. For the moment, at least, prices for feeder cattle, feed grains, and fed cattle are consistent with one another in terms of typical cattle-feeding breakevens, primarily at the expense of the cow-calf producer.

Total commercial cattle slaughter is declining compared with recent months, primarily because steer and heifer slaughter is declining as a result of wholesale cutout values. Despite recent improvements in wholesale cutout values due to reduced slaughter, cutout values have declined from their July 2008 highs due to current economic conditions, slight appreciation in the value of the dollar, and declining margins for packers. Byproduct values that contribute to packer margins have also declined, due in part to gains in the value of the dollar against other currencies. At-home beef consumption continues to increase, especially of the less expensive cuts and ground meat products, at the expense of higher-valued cuts and away-from-home consumption.

Beef/Cattle Trade

Beef Exports Decline as Dollar Strengthens and Global Economy Weakens

Weekly FAS Export Sales Reports show declines in U.S. beef exports, likely affected by a strengthening of the dollar, declining global demand for more expensive cuts of grain-fed beef, and obstacles in financing due to tightening credit markets. The reports have shown generally lower weekly export figures for the month of October, particularly to Mexico, Japan, and South Korea. The decline in outstanding sales to Mexico, the largest importer of U.S. beef, accelerated in September and continued through October, signifying that orders are slowing.

Shipments of U.S. beef began reentering South Korea in mid-July and grew quickly to make South Korea the third largest export market for U.S. beef in the 3rd quarter, behind Mexico and Canada. However, most major Korean retail stores are not yet selling U.S. beef, limiting retail sales. With Korean cold storage facilities filled to near capacity, future exports of U.S. beef will hinge upon higher volumes of retail sales and how quickly U.S. beef can regain market share. This could be difficult in the face of a downturn in the Korean economy due to the worldwide deterioration in credit conditions.

Beef exports in the third quarter were 609 million pounds, which was 43 percent higher year-over-year. However, the outlook for the 4th quarter does not support growth continuing at such a high rate. Exports for 2008 are expected to be 1.841 billion pounds, a 28-percent increase from last year. Next year, exports are expected to increase only 4 percent, to 1.92 billion pounds, as demand for Mexico and other smaller and emerging markets is expected to decline.

U.S. imports of beef in the third quarter fell 24 percent year-over-year, totaling 584 million pounds. U.S. Imports of beef from Australia, which have generally been the largest supply of foreign beef to U.S. markets, have fallen 32 percent through the third quarter. Drought-induced herd liquidation over the past few years has subsided as Australian ranchers attempt to rebuild their herds. The Australian winter saw ample precipitation in the northeastern areas, while the southeastern region was a bit dryer. The beginning of the Australian spring season has been much dryer. If fragile pastures do not receive adequate rain, attempts to expand herds will be much more difficult. If the herd rebuilding efforts take hold in Australia, Australian exports to the United States could continue their short-term decline. Conversely, if producers were forced to liquidate, the increased slaughter could result in a short-term increase in beef exports to the United States.

In 2008, imports are expected to decrease 20 percent to 2.443 billion pounds. Next year, 2.595 billion pounds of beef are expected to be imported into the United States. This would be first time since 2004 that imports have increased.

Cattle Imports Expected To Decline in 2008 and 2009

Cattle imports into the United States from all sources are expected to decline 12 percent from last year to 2.2 million head. Cattle from Mexico are still well behind historical levels. Weekly AMS reports show imports from Mexico are 43 percent below 2007 levels through November 1, year-to-date. Mexico received ample rainfall through September, leaving pasture conditions very good, even with less rainfall in October.

Imports of Canadian cattle have not been as high as they were in the fall of 2007 according to AMS reports. One of the major factors in last year's influx of imports was the strong Canadian dollar, which discouraged exports of Canadian beef. With a stronger U.S. dollar, Canadian beef exporters reap higher profits. U.S. imports of Canadian steers and heifers for immediate slaughter have not increased seasonally as much as usual over the past few weeks, according to AMS reports. Imports of Canadian feeder cattle have also been below 2007 levels over the past weeks. Canadian cows sent for immediate slaughter have begun to increase as they begin to be culled from herds as winter begins. Cattle older than 30 months were not able to be imported into the United States from Canada until November of last year. Since then, Canadian cows and bulls have contributed to the increase in U.S. cow and bull slaughter this year.

In 2009, 2.1 million head of cattle are expected to be imported into the United States. Exchange rates and relative profit margins of U.S. and Canadian cattle feeders and packers will affect demand for live animals.

Broiler Section

Broiler Meat Production Forecast To Fall in Fourth Quarter

Fourth-quarter 2008 broiler meat production is forecast at 9.15 billion pounds, 1.5 percent lower than a year earlier and a reduction of 50 million pounds from the previous forecast. This follows strong increases in production during the first three quarters of 2008. The lower production in fourth-quarter 2008 and into 2009 is expected to be driven by a smaller number of birds slaughtered, as average live weights are expected to be slightly higher. Production in third-quarter 2008 was 9.45 billion pounds, 3.5 percent above the same period in 2007. This increase was chiefly the result of heavier live weights (up 2.1 percent), as the number of birds slaughtered was up less than 1 percent from the previous year.

Earlier in 2008, facing higher costs brought on by increases in feed and energy costs, broiler integrators responded by cutting back production. The results of those decisions began to appear in lower year-over-year bird slaughter numbers beginning in September. Although the number of birds slaughtered in September was up 6.3 percent from the previous year, September 2008 had two more slaughter days than September 2007, which in most cases would have resulted in a slaughter increase of over 10 percent. Lower meat production is expected to continue into 2009, as lower prices for most broiler products are not expected to provide incentives for integrators to expand production.

The most recent weekly hatchery report showed that over the last 5 weeks (Oct. 11 through Nov. 8), the number of chicks placed for growout averaged 7.6 percent lower than in the same period in 2007. This 5-week moving average has fallen considerably over the last 2 months, moving from slightly higher than the previous year to down sharply. In addition, large declines in the number of eggs placed in incubators over the last several weeks indicates continuing lower chick placements and smaller weekly slaughter rates through the end of 2008.

Third-Quarter Ending Stocks Higher

With the strong broiler meat production in third-quarter 2008, ending cold storage holdings of broiler products totaled 729 million pounds, up 16 percent from the previous year, but down over 10 million pounds from the previous quarter. This is also 16 million pounds lower than the earlier estimate. Most of the increase in cold storage holdings over the previous year is the result of larger stocks of leg meat products. At the end of the third quarter, leg quarter holdings totaled 111 million pounds, up about 85 percent from the previous year. Stocks were also higher for most other leg meat products. One product with lower end-of-quarter stocks was wings. At 37.1 million pounds, these holdings were 15 percent lower than the previous year. With lower production forecast for 2009, overall stocks of broiler products are expected to be smaller in 2009.

Cold storage holdings of whole broilers at the end of third-quarter 2008 were 25.3 million pounds, up 26 percent from the previous year. This increase has not led to lower prices, as whole-bird prices in third-quarter 2008 were about 81 cents per pound, up slightly from the same period in 2007.

Prices for most poultry products have been under pressure over the last several months, and with the rising uncertainty in the economic outlook and export markets, these prices have fallen even farther. Boneless/skinless breast meat prices in the Northeast market fell to \$1.09 per pound in October, down more than 41 cents per pound from this year's peak in May. This is similar to the decline seen in boneless/skinless breast meat prices in 2007. Last year boneless/skinless breast meat prices also peaked in May, and by October they had fallen by 39 cents. October 2008 leg-quarter prices averaged 51.6 cents per pound, but have dropped off sharply in the last several weeks, with prices in early November falling to around 30 cents per pound. The worldwide economic decline, increase in the value of the U.S. dollar against a number of currencies, and uncertainty about the future size of various exports markets have combined to place downward pressure on leg-quarter prices, our major export product. The lowering of leg-quarter prices has depressed the prices of other leg-meat products.

Third Quarter Broiler Exports at Record Level

Broiler meat exports in third-quarter 2008 totaled 1.91 billion pounds, up 25 percent from the same period in 2007 and a record for a single quarter. Over the first 9 months of 2008, total broiler meat exports have been 5.2 billion pounds, up 22 percent from the previous year. The growth in exports has come from higher shipments to a wide range of countries, mainly from larger exports to four major markets: Russia, the combined China/Hong Kong market, Mexico, and the Ukraine. Together, exports to these markets over the first 9 months of 2008 have totaled 2.8 billion pounds, or 54 percent of total shipments. This is 17 percent higher than the amount shipped to these markets in the first 9 months of 2007.

This strong growth in export shipments is not expected to continue into the fourth quarter or into 2009. The downturn in the world economy is expected to heavily impact broiler exports. The estimate for fourth-quarter 2008 broiler exports was lowered by 55 million pounds to 1.58 billion pounds, down 275 million from the previous quarter and 3 percent lower than the previous year. The export estimate for 2009 is 6.28 billion pounds, down over 444 million pounds from 2008, or 6.5 percent.

Turkey Section

Turkey Production Rises

U.S. turkey production in third-quarter 2008 was 1.57 billion pounds, up 5.6 percent from a year earlier. The production increase was the result of a higher number of birds slaughtered (up 3.2 percent) and an increase in the average liveweight at slaughter to 28.4 pounds. Turkey meat production in fourth-quarter 2008 is forecast at 1.59 billion pounds, again higher than during the same period in 2007, and an increase of 15 million pounds over the previous forecast. Turkey production in 2009 is forecast at 6.1 billion pounds, a decline of about 160 million pounds or 2.6 percent from 2008.

With higher third-quarter turkey production, ending stocks for the third quarter rose to 614 million pounds, up 22 percent from third-quarter 2007. Cold storage holdings of whole turkeys at the end of September were reported at 328 million pounds, up 20 percent from a year earlier. Cold storage holdings of turkey parts at 286 million pounds were also considerably higher than the previous year (by 23 percent).

Even with a strong increase in third-quarter production and higher stocks, prices for whole turkeys averaged higher in the third quarter compared with last year and are expected to average slightly higher in the fourth quarter. Prices for whole hens in the Eastern market averaged 96.5 cents per pound in the third quarter, up over 6 cents per pound from a year earlier. The fourth-quarter 2008 price is expected to average between 92 and 94 cents per pound, up slightly from the previous year, although prices are expected to decline seasonally after the Thanksgiving holiday.

Turkey Exports Up 23 Percent

During the first 9 months of 2008, turkey exports have totaled 494 million pounds, up 23 percent from the previous year. The growth in exports has come chiefly from the three largest markets, which combined have accounted for 73 percent of total shipments. Exports to Mexico were up 12 percent to 259 million pounds, shipments to the combined China/Hong Kong market totaled 80 million pounds, 82 percent higher than in the same period in 2007, and exports to Russia totaled 22 million pounds, up 10 percent from last year. Exports are expected to show a steep decline in 2009 due to the combination of a weak global economy, the stronger value of the U.S. dollar, and a smaller amount of money remitted to Mexico from the United States. Turkey meat exports are expected to total 605 million pounds in 2009, down 30 million pounds from earlier estimates and almost 6 percent lower than in 2008.

Egg Section

Egg Production Continues Lower

Table egg production in third-quarter 2008 was 1.6 billion dozen, fractionally lower than a year earlier. On a year-over-year basis, table egg production has fallen in each of the last seven quarters. Table egg production is forecast to again be slightly lower than the previous year in fourth-quarter 2008, but the production forecast for 2009 is slightly higher than in 2008. Hatching egg production in third-quarter 2007 was 273 million-dozen, down about 8 million-dozen from third-quarter 2007. Hatching egg production is expected to be lower in the fourth quarter compared with a year earlier, chiefly due to a smaller production of broiler chicks, and production is expected to continue lower than the previous year through the first half of 2009.

Wholesale egg prices in the New York market averaged \$1.14 per dozen in the third quarter, down about 5 cents from the previous year. In October, wholesale egg prices strengthened somewhat, with prices in the New York market averaging around \$1.20 per dozen. Nationally, retail prices in the third quarter were up considerably from the previous year, averaging \$1.95 per dozen in third-quarter 2008, an increase of 30 cents per dozen from a year earlier.

Wholesale egg prices in fourth-quarter 2008 are forecast to average between \$1.18 and \$1.22 per dozen, up slightly from the third quarter, but about 20 cents per dozen lower than the previous year. Prices in 2009 are forecast to be down slightly from 2008, with most of the decline due to lower prices in first-quarter 2009.

Egg Exports Continue Lower

Third-quarter 2008 egg exports totaled 53 million dozen, down 9 percent from third-quarter 2007. Much of the decrease in exports in the third quarter was due to smaller shipments to Japan, Hong Kong, and Mexico. Over the first 9 months of 2008, total egg exports have been 158 million-dozen, with a value of \$221 million. This is a decrease of 17 percent in quantity, but due to higher prices the value is about even with the previous year. One market that has run counter to the generally lower export picture has been Canada. Over the first 9 months of 2008, shipments to Canada have been the equivalent of 34 million-dozen eggs, up 19 percent from the same period in 2007.

Lower Demand, Both Foreign and Domestic, Combine with Slightly Higher Production To Pressure Prices in 2009

Milk production is expected to inch ahead through the fall quarter as both cow numbers and yield are slightly higher on a year-over-year basis. Cow numbers are expected to retreat through the balance of 2008 and into 2009. However, feed costs have plummeted and alfalfa prices have fallen, but proportionally less than either corn or soybean meal. Lower feed costs will likely help boost feeding rates hence yields. Milk production will likely increase about 1 percent next year, reaching 191.5 billion pounds in 2009. The projected rate of growth is well below rates of increase in recent years. Slightly higher production will encounter weaker demand, both foreign and domestic, pressuring prices.

While August exports showed a rebound from July, the most recent export data, September, show a month-over-month decline, with butter declining sharply. Cumulative exports of cheese, butter and nonfat dry milk (NDM) are ahead of year earlier levels except for whey exports, which are well behind last year. Export demand is expected to weaken through the fall quarter and into 2009. New Zealand and Australian milk production is expected to climb above year earlier levels in 2009. Increased supply from major competitors and a weakening global economy will curb exports next year. Both foreign and domestic demand is adversely affected by the onset of economic slowdown.

Prices across the board are showing weakness, especially for whey and NDM. NDM prices have declined through October according to NASS and averaged 91 cents a pound by the end of October. By early November, the Commodity Credit Corporation (CCC) had agreed to purchase of 48 million pounds of NDM at the 80 cent per pound support price.

Butter prices have fared best during October and have increased by over 2 cents per pound since early October. As butter exports are expected to weaken in the coming months, butter prices should fall. Prices for cheese declined about 5 cents per pound in October and will likely decline gradually into next year. Prices for all milk powders and whey are expected to decline in 2009. Forecast milk equivalent stocks have been adjusted downward on a skims basis as lower prices should boost domestic use.

Prices are forecast lower next year for all major dairy products. Cheese prices are expected to average \$1.880 to \$1.890 per pound this year and \$1.675 to \$1.765 per pound in 2009. Butter prices should average \$1.455 to \$1.485 per pound in 2008 dropping slightly to average \$1.390 to \$1.510 next year. NDM prices are expected to average between \$1.225 to 1.245 per pound and drop to 90.0 to 97.0 cents per pound in 2009. Whey prices, which declined sharply in 2008, are expected to average 24.5 to 25.5 cents per pound this year and 19.0 to 22.0 cents next year. Falling product prices will have their expected impact on milk prices. Class III milk, which is expected to average \$17.30 to \$17.40 per cwt in 2008, is forecast to decline to \$14.75 to \$15.65 per cwt in 2009. Class IV milk prices are forecast to decline from an average \$14.75 to \$14.95 per cwt in 2008 to \$11.50 to \$12.50 per cwt in 2009. The all milk price, which is expected to average \$18.30 to 18.40 per cwt in 2008, is forecast to slide to \$15.30 to 16.20 per cwt in 2009.

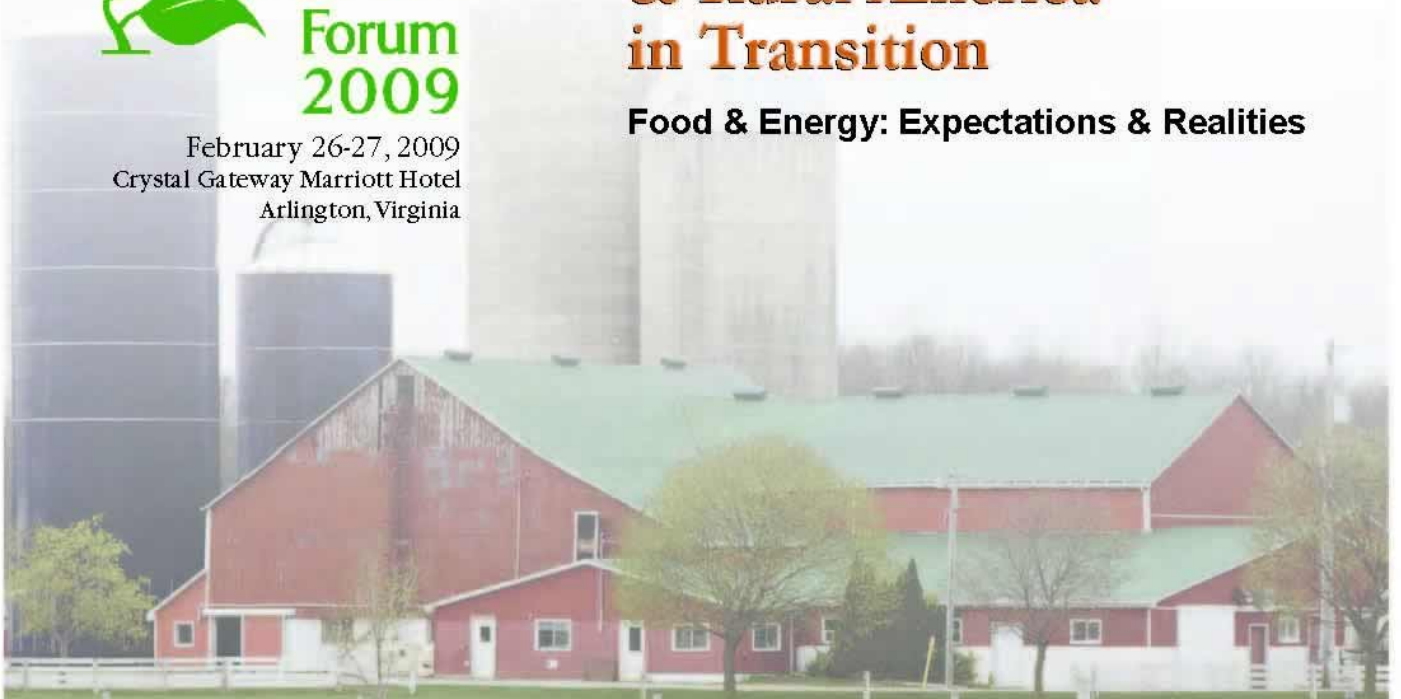


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Data Products

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				2009						
	Annual	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	Annual	
Production, million lb																						
Beef	24,548	24,683	6,082	6,724	6,834	6,513	26,153	6,237	6,649	6,802	6,733	26,421	6,371	6,897	6,911	6,520	26,699	6,305	6,835	6,970	26,650	
Pork	20,511	20,685	5,335	5,008	5,087	5,625	21,055	5,396	5,128	5,256	6,163	21,943	6,023	5,593	5,631	6,205	23,452	5,910	5,470	5,540	23,075	
Lamb and mutton	195	187	49	47	42	47	185	49	44	42	48	183	46	43	41	43	173	44	45	41	172	
Broilers	34,063	35,365	8,814	8,980	8,870	8,835	35,500	8,625	9,085	9,131	9,285	36,126	9,108	9,432	9,452	9,150	37,142	8,945	9,345	9,250	36,740	
Turkeys	5,454	5,504	1,351	1,435	1,419	1,476	5,682	1,413	1,482	1,488	1,575	5,958	1,541	1,565	1,571	1,590	6,267	1,505	1,530	1,515	6,105	
Total red meat & poultry	85,442	87,097	21,792	22,362	22,413	22,656	89,224	21,874	22,552	22,876	23,962	91,264	23,258	23,712	23,791	23,689	94,450	22,879	23,390	23,487	93,414	
Table eggs, mil. doz.	6,365	6,413	1,617	1,617	1,632	1,656	6,522	1,598	1,593	1,602	1,642	6,435	1,590	1,581	1,601	1,640	6,412	1,590	1,585	1,610	6,435	
Per capita disappearance, retail lb 2/																						
Beef	66.1	65.6	15.8	16.9	16.9	16.3	65.8	15.9	16.6	16.4	16.2	65.2	15.6	16.3	15.8	15.3	63.0	15.1	16.0	16.1	62.4	
Pork	51.4	50.0	12.4	11.9	11.9	13.1	49.4	12.3	12.2	12.3	14.0	50.8	12.6	11.7	11.8	12.7	48.7	12.7	12.1	11.8	49.0	
Lamb and mutton	1.1	1.1	0.3	0.3	0.2	0.3	1.1	0.3	0.3	0.3	0.3	1.1	0.3	0.3	0.2	0.3	1.0	0.3	0.3	2.0	1.0	
Broilers	84.4	85.8	21.7	22.1	21.9	20.9	86.5	21.2	21.6	21.4	21.2	85.4	21.2	21.4	21.2	21.1	84.8	20.6	21.4	21.3	84.2	
Turkeys	17.1	16.7	3.5	3.9	4.3	5.2	16.9	3.8	4.1	4.2	5.5	17.5	4.0	4.1	4.3	5.6	18.0	4.0	4.3	4.2	17.8	
Total red meat & poultry	221.6	221.0	54.1	55.5	55.6	56.1	221.3	53.9	55.1	54.9	57.6	221.6	54.0	54.2	53.8	55.4	217.4	53.1	54.5	54.0	216.0	
Eggs, number	257.3	255.8	64.1	63.7	63.9	64.7	257.8	62.2	61.7	62.4	63.8	250.1	61.8	61.3	62.0	63.6	248.7	61.3	60.5	61.7	246.4	
Market prices																						
Choice steers, Neb., \$/cwt	84.75	87.28	89.24	80.39	85.40	86.61	85.41	90.61	93.45	91.36	91.85	91.82	89.59	92.82	98.45	91-93	93.22	91-97	93-101	94-102	93-100	
Feeder steers, Ok City, \$/cwt	104.76	110.94	106.23	104.08	115.17	103.22	107.18	99.53	108.87	115.64	108.88	108.23	99.88	106.60	110.81	101-103	104.82	103-109	106-114	106-114	106-104	
Boning utility cows, S. Falls, \$/cwt	52.35	54.36	48.89	47.79	49.28	44.29	47.56	51.04	53.96	54.07	49.40	52.12	53.88	57.30	61.78	52-56	56.75	53-57	54-58	53-57	53-57	
Choice slaughter lambs, San Angelo, \$/cwt	96.69	97.76	77.03	66.56	81.10	84.53	77.31	82.59	82.23	87.33	87.55	84.93	86.23	79.62	88.83	86-91	85.92	84-92	86-94	84-92	85-93	
Barrows & gilts, N. base, i.e. \$/cwt	52.51	50.05	42.63	48.45	51.83	46.13	47.26	46.04	52.55	50.33	39.43	47.09	39.64	52.51	57.27	41-43	47.86	46-48	49-53	51-55	48-52	
Broilers, 12 City, cents/lb	74.10	70.80	62.7	61.0	67.8	65.9	64.4	75.00	80.30	79.20	71.10	76.40	78.10	80.60	80.60	79-81	79.80	80-84	81-87	82-88	81-88	
Turkeys, Eastern, cents/lb	69.70	73.40	67.3	71.3	79.4	89.8	77.0	69.70	77.90	89.90	90.80	82.10	77.4	88.90	96.50	92-94	89.70	80-84	87-95	93-101	88-95	
Eggs, New York, cents/doz.	82.20	65.50	71.4	62.7	64.0	89.0	71.8	105.3	92.0	119.1	141.0	114.4	158.8	117.30	114.50	118-122	127.70	121-129	116-126	113-123	118-128	
U.S. trade, million lb																						
Beef & veal exports	460	697	215	315	307	308	1,145	269	363	424	375	1,431	360	471	590	420	1,841	425	505	500	1,920	
Beef & veal imports	3,679	3,599	843	790	730	722	3,085	770	884	774	624	3,052	637	661	575	570	2,443	605	685	670	2,595	
Lamb and mutton imports	181	180	53	44	41	52	190	56	44	44	59	202	52	48	43	50	193	51	44	43	188	
Pork exports	2,181	2,666	767	763	654	811	2,995	792	685	703	959	3,138	1,106	1,387	1,225	1,350	5,068	1,000	1,050	1,100	4,500	
Pork imports	1,099	1,024	259	237	239	254	989	239	256	240	232	968	217	205	200	210	832	220	210	205	850	
Broiler exports	4,783	5,203	1,270	1,297	1,234	1,404	5,205	1,275	1,393	1,493	1,610	5,771	1,507	1,787	1,850	1,575	6,719	1,525	1,575	1,550	6,275	
Turkey exports	442	570	119	125	152	150	547	124	135	148	146	553	148	160	175	160	643	135	145	160	605	
Live swine imports (thousand head)	8,506	8,191	2,133	2,088	2,204	2,338	8,763	2,302	2,370	2,464	2,869	10,005	2,915	2,149	2,050	1,950	9,064	1,850	1,850	1,750	7,200	

1/ Forecasts are in **bold**.

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

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

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Dairy Forecasts

	2007			2008					2009			
	III	IV	Annual	I	II	III	IV	Annual	I	II	III	Annual
Milk cows (thous.)	9,159	9,198	9,158	9,249	9,274	9,277	9,265	9,266	9,260	9,250	9,240	9,246
Milk per cow (pounds)	5,034	5,003	20,267	5,140	5,249	5,049	5,040	20,479	5,165	5,325	5,110	20,710
Milk production (bil. pounds)	46.1	46.0	185.6	47.5	48.7	46.8	46.7	189.8	47.8	49.3	47.2	191.5
Farm use	0.3	0.3	1.2	0.3	0.3	0.3	0.3	1.2	0.3	0.3	0.3	1.2
Milk marketings	45.8	45.7	184.4	47.3	48.4	46.5	46.4	188.5	47.5	49.0	46.9	190.3
Milkfat (bil. pounds milk equiv.)												
Milk marketings	45.8	45.7	184.4	47.3	48.4	46.5	46.4	188.5	47.5	49.0	46.9	190.3
Beginning commercial stocks	13.8	12.5	9.5	10.4	12.1	13.6	11.6	10.4	9.5	11.0	12.8	9.5
Imports	1.0	1.3	4.6	1.0	0.7	0.7	1.0	3.4	0.9	0.8	0.8	3.6
Total supply	60.6	59.5	198.6	58.6	61.3	60.8	59.0	202.3	57.9	60.7	60.5	203.4
Commercial exports	1.6	2.0	5.7	2.2	2.5	2.0	1.6	8.4	1.8	1.7	1.6	6.7
Ending commercial stocks	12.5	10.4	10.4	12.1	13.6	11.6	9.5	9.5	11.0	12.8	11.1	8.9
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	46.5	47.1	182.5	44.2	45.1	47.2	47.9	184.4	45.2	46.2	47.7	187.7
Skim solids (bil. pounds milk equiv.)												
Milk marketings	45.8	45.7	184.4	47.3	48.4	46.5	46.4	188.5	47.5	49.0	46.9	190.3
Beginning commercial stocks	10.2	9.7	9.1	9.9	10.1	10.6	10.2	9.9	10.2	10.0	10.7	10.2
Imports	1.1	1.2	4.4	1.0	0.8	0.7	0.8	3.3	0.8	0.8	0.9	3.4
Total supply	57.1	56.7	198.0	58.1	59.3	57.9	57.5	201.8	58.5	59.7	58.5	203.9
Commercial exports	6.1	6.5	24.5	6.7	7.6	6.8	5.3	26.3	6.0	5.9	5.8	23.5
Ending commercial stocks	9.7	9.9	9.9	10.1	10.6	10.2	10.2	10.2	10.0	10.7	10.2	10.0
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.9	0.9	0.0	0.6	0.0	0.6
Commercial use	41.3	40.2	163.6	41.4	41.1	40.9	41.1	164.5	42.6	42.5	42.5	169.9
Milk prices (dol./cwt) 1/												
All milk	21.67	21.60	19.13	19.23	18.57	18.67	16.80	18.30	15.45	14.95	15.05	15.30
							-17.10	-18.40	-16.05	-15.85	-16.05	-16.20
Class III	20.43	19.51	18.04	18.12	18.40	17.28	15.53	17.30	14.65	14.64	14.93	14.75
							-15.83	-17.40	-15.25	-15.54	-15.93	-15.65
Class IV	21.71	20.29	18.36	15.04	15.25	16.23	12.74	14.75	11.70	11.22	11.47	11.50
							-13.14	-14.95	-12.40	-12.22	-12.57	-12.50
Product prices (dol./pound) 2/												
Cheddar cheese	1.978	1.995	1.738	1.933	1.977	1.869	1.754	1.880	1.670	1.665	1.683	1.675
							-1.784	-1.890	-1.730	-1.755	-1.783	-1.765
Dry whey	0.610	0.435	0.600	0.305	0.267	0.243	0.178	0.245	0.172	0.185	0.205	0.190
							-0.198	-0.255	-0.202	-0.215	-0.235	-0.220
Butter	1.428	1.301	1.344	1.230	1.411	1.575	1.630	1.455	1.485	1.370	1.355	1.390
							-1.690	-1.485	-1.575	-1.490	-1.485	1.510
Nonfat dry milk	2.043	1.940	1.708	1.364	1.300	1.334	0.925	1.225	0.875	0.875	0.915	0.900
							-0.955	-1.245	-0.925	-0.945	-0.985	-0.970

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.

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