

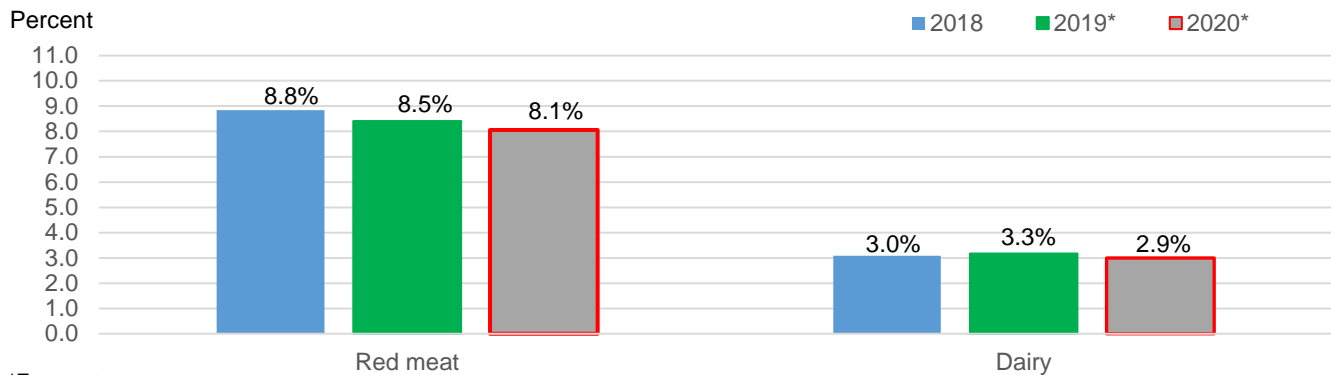


# Livestock, Dairy, and Poultry Outlook

## Import Shares of Domestic Use Are Forecast To Decline for Red Meats and Dairy in 2020

The figure below shows import shares of domestic disappearance for red meats and dairy for 2018 and forecasts for 2019 and 2020. For both red meats and dairy, these shares are calculated by dividing annual imports by annual domestic disappearance. For red meats, domestic disappearance represents the quantity of red meat that is used in U.S. markets. For dairy, disappearance represents domestic commercial use on a milk-fat milk-equivalent basis. For red meats and dairy, the bars in the figure represent the percentage of annual domestic usage that is imported. For red meats, the import shares of domestic use in 2019 and 2020 are declining relative to 2018 because imports of beef, lamb, and pork are forecast to decrease in each year. Beef and lamb imports will likely fall in 2019 and 2020 due to drought in Oceania, the primary source of most U.S. imports. U.S. pork imports are forecast to decline for the balance of 2019 and in 2020 due to a combination of record U.S. production and strong global pork import demand from China and other African Swine Fever-stricken Asian countries whose pork production is likely to continue to be reduced by the disease. For dairy, the share of imports is expected to decline in 2019 and 2020 as well, as additional tariffs on goods imported from the European Union (effective as of October 18, 2019) are expected to impact imports.

Import share of disappearance: Red meats and dairy, 2018-2020



\*Forecast.

Dairy percentages on a milk-fat milk equivalent basis.

Source: USDA, Economic Research Service, with USDA, World Agricultural Outlook Board data.

**Beef/Cattle:** A faster pace of cattle slaughter boosts beef production in fourth-quarter 2019. However, 2020 production was reduced on a slightly slower pace of fed and non-fed cattle slaughter in first-half 2020. Fed cattle prices were raised for fourth-quarter 2019 on recent price data and price strength carried into 2020. Beef imports for 2019 and 2020 were raised from last month on reported trade data and expectations that processing grade beef will remain strong. Fourth-quarter beef exports for 2019 were lowered to reflect weaker demand; 2020 exports were unchanged.

**Dairy:** Annual milk production forecasts for 2019 and 2020 are unchanged from last month's forecasts. For 2019, the Class III price forecast has been lowered due to a weaker cheese price, but the Class IV price is unchanged as a lower butter price is offset by a higher nonfat dry milk (NDM) price. For 2020, Class III and IV price forecasts are raised as all major dairy product price forecasts have been raised except for butter. The all-milk price forecast for 2019 is unchanged at \$18.60 per hundredweight (cwt), but the all-milk price forecast for 2020 has been raised to \$19.40 per cwt, \$0.55 higher than last month's forecast.

**Pork/Hogs:** Seasonally heavy supplies of slaughter hogs and strong pork demand combined in November to produce the widest pork processing spreads of the year. Spreads will likely remain above those of a year ago as hog supplies through December weigh on hog prices, while pork demand—both domestic and foreign—supports pork prices. Fourth-quarter pork exports are expected to be 1.8 billion pounds, about 17 percent above the same period a year ago.

**Poultry/Eggs:** In November, China lifted its ban on U.S. poultry meat, which was the basis for increasing the 2020 broiler export forecast. Based on production indicators and expected support from increased exports, the 2020 broiler production forecast was revised up. This increase in production is expected to increase broiler cold storage inventories; ending stocks forecasts for 2020 were increased. The 2020 price forecast was revised down based on the expectation that increased supply would put pressure on prices. The table and hatching egg production forecasts were increased on production indicators and expectation for increased broiler production, respectively. The 2020 ending stocks forecast was raised on the expectation that dried stock inventories will continue to accumulate. The 2020 egg price forecast was raised on the expectation of continued firmness in demand in the face of increased production, while the 2019 egg export forecast was increased on October export data. The Turkey production forecast was unchanged, while the turkey ending stocks forecast was decreased on faster-than-expected draw-down of cold storage inventories. The fourth-quarter turkey price forecast was increased slightly on recent price movements. The 2020 turkey export forecast was increased on the expectation of greater demand from China.

# Beef/Cattle

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Russell Knight and Christopher Davis

## Packers Push Slaughter Levels Higher in Fourth Quarter

The 2019 fourth-quarter beef production forecast was raised by 100 million pounds from last month to nearly 7.0 billion pounds. This raised the forecast for annual production to 27.1 billion pounds. The increase was based on a faster-than-expected pace of fed and non-fed cattle slaughter in November and early December. The increase in cattle slaughter more than offset a marginal decrease in expected fourth-quarter dressed weights. Greater fed cattle slaughter may in part reflect the packers' inclination to capture stronger than typical margins as wholesale boxed beef prices averaged well above 2018 during November and into early December. Feedlots also have a higher proportion of cattle on feed over 150 days, and the narrowing of the Choice-Select spread may also be providing incentives to bring additional cattle to market. Based on the NASS *Livestock Slaughter* report for October, the pace of cow slaughter, particularly beef cows, was well above year-earlier levels. The price for live cutter cows<sup>1</sup> for the week ending December 6 was \$53.76 per hundredweight, more than 16 percent above year-earlier levels. This, coupled with tight forage supplies for some producers, is likely encouraging a higher culling rate.

The forecast for 2020 beef production was lowered by 35 million pounds from last month to 27.5 billion pounds based on the expectation of slightly lower fed cattle and cow slaughter in early 2020. Lower expected placements in late 2019 will likely result in slightly fewer cattle marketings during the first half of 2020. Increased slaughter of cows in late 2019 will likely tighten the supplies of cows for culling in first-half 2020.

## Strong Packer Margins Likely Boosting Cattle Prices

On December 2 at the Oklahoma City National stockyards, sales of feeder steers weighing 750 to 800 pounds were reported at \$146.48 per cwt. Based on recent price data, the fourth-quarter 2019 feeder steer price was raised by \$3 to \$147 per cwt. The 2020 annual price forecast for feeder steers was raised by \$2 to \$144 per cwt.

Despite wholesale prices declining from abnormally high levels in mid-November, packers continue to pay higher prices to bid cattle out of the feedlots. The price forecast for fourth-quarter 2019 was raised by \$2 to \$114 per cwt. That price strength was carried into 2020. The 2020 annual price forecast for fed steers was raised by \$1 at \$117 per cwt, with prices in the first two quarters raised to \$122 per cwt and \$118 per cwt, respectively.

## Beef Imports Up In October

October beef imports were 241 million pounds, more than 6 million pounds, or 2.7 percent, higher than the previous year. The year-over-year increase in U.S. beef imports is largely attributable to expanded

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<sup>1</sup> Live prices are converted from prices for cutter cow carcasses that are expected to yield 90 percent lean meat and weigh 500 pounds and more. The carcass prices are converted to live weight using a conversion factor of 0.495.

imports from two of the U.S. major suppliers, Canada and Mexico, whose shipments were up 6 and 8.4 million pounds, respectively, along with increased shipments from Nicaragua (+4.5 million pounds) and Brazil (+2.6 million pounds). Beef shipments from Australia and New Zealand were down 4.5 and 7.7 million pounds in October from a year earlier. The decline in U.S. imports from Oceania reflects, in part, increased competition with Asia for animal protein.

The 2019 fourth-quarter forecast for imported beef was raised by 25 million pounds to 700 million pounds, while first-quarter 2020 was also increased by 10 million pounds to total 700 million pounds. The increase in beef imports during fourth-quarter 2019 and first-quarter 2020 reflects continued strength in demand for lean beef used in processing.

## Beef Exports Down on Lower Shipments to Major Destinations

U.S. beef exports fell in October to 249 million pounds, a decline of almost 25 million pounds from the previous October. This reduction occurred among all major U.S. beef export destinations, including Japan (-16.9 million pounds), Mexico (-4.5 million pounds), South Korea (-0.7 million pounds), Canada (-1.1 million pounds), Hong Kong (-3.4 million pounds), and Taiwan (-1.5 million pounds). Conversely, U.S. beef exports were up year over year for select smaller Asian markets such as Indonesia (+30 percent), China (+56 percent), Singapore (+140 percent), and the Philippines (+9 percent). U.S. wholesale beef prices increased sharply in October, which may have reduced the demand for U.S. beef in a number of markets. U.S. beef exports have not been less than 250 million pounds since the beginning of the second quarter.

Despite lower beef exports year over year in October, exports in the remaining 2 months of the year are expected to average above 2018. Nonetheless, the beef export forecast for fourth-quarter 2019 was lowered to 800 million pounds. The 2020 beef export forecast remains unchanged.

# Dairy

Jerry Cessna

## Recent Developments in Dairy Markets

Price directions, as reported in the USDA *National Dairy Product Sales Report* (NDPSR), were mixed from the week ending November 2 to the week ending December 7. Prices for nonfat dry milk (NDM) and dry whey increased to \$1.2062 (+7.3 cents) and \$0.3199 (+1.0 cents) per pound, respectively, while the price for butter fell to \$2.0109 (-10.0 cents). While the price for 40-pound blocks of Cheddar cheese fell 14.0 cents to \$1.9384 per pound, the price of 500-pound barrels increased 16.4 cents to \$2.2434 per pound.

### **Dairy wholesale product prices (dollars per pound)**

	For the week ending		Change
	Nov. 2	Dec. 7	
Butter	2.1110	2.0109	-0.1001
Cheddar cheese			
40-pound blocks	2.0785	1.9384	-0.1401
500-pound barrels <sup>1</sup>	2.0791	2.2434	0.1643
Nonfat dry milk	1.1332	1.2062	0.0730
Dry whey	0.3097	0.3199	0.0102

<sup>1</sup> Adjusted to 38-percent moisture.

Source: USDA, Agricultural Marketing Service, *National Dairy Products Sales Report*.

On the Chicago Mercantile Exchange (CME), average prices for Cheddar cheese 40-pound blocks and 500-pound barrels were \$1.9595 and \$2.2485 per pound, respectively, for the trading week ending December 6. The average CME butter price for the same week was \$1.9355 per pound. This was the first week that the average CME average price for butter was below \$2.00 per pound since the trading week ending November 11, 2016.

## Chicago Mercantile Exchange Spot Price for Butter

Dollars per pound



Source: Chicago Mercantile Exchange prices as reported by USDA, Agricultural Marketing Service.

Most international export prices for major dairy commodities increased from October to November. Skim milk powder (SMP) export prices for Oceania and Europe, as reported by USDA Agricultural Marketing Service, rose to \$1.37 and \$1.26 per pound, respectively, at the midpoints of the ranges. The Oceania export price for Cheddar cheese rose to \$1.71, and the European price for dry whey rose to \$0.40 per pound. Butter prices for Oceania and Europe remained about the same in November as they were in October, at \$1.87 and \$1.82 per pound, respectively.

### International export prices for dairy products (dollars per pound)

	October	November	Change
Oceania			
Skim milk powder	1.26	1.37	0.11
Butter	1.87	1.87	0.00
Cheddar cheese	1.69	1.71	0.02
Europe			
Skim milk powder	1.19	1.26	0.07
Butter	1.82	1.82	0.00
Dry whey	0.38	0.40	0.02

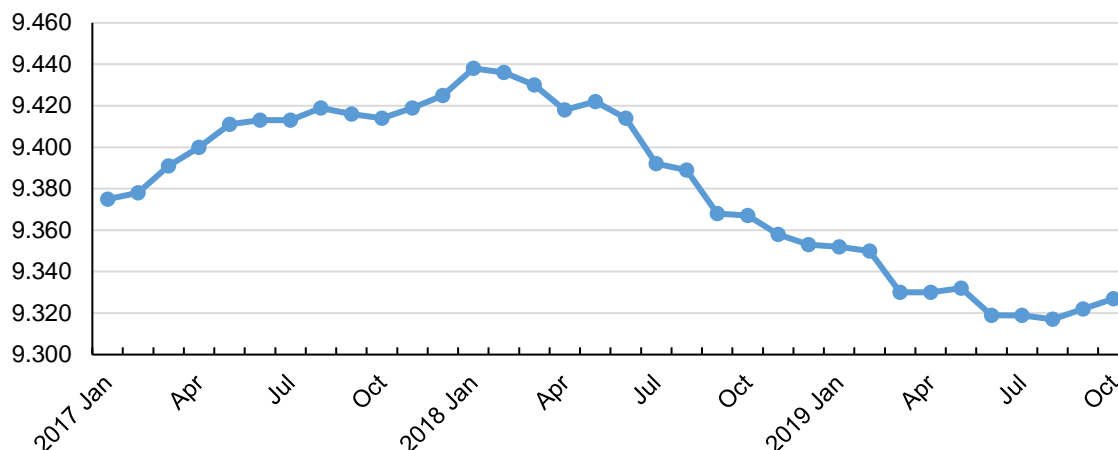
Monthly averages are based on weekly prices and are time weighted according to the number of workdays in the month, with Saturdays and Sundays excluded.

Source: USDA, Agricultural Marketing Service.

USDA National Agricultural Statistics Service (NASS) estimated October U.S. milk production at 18.105 billion pounds, 1.3 percent higher than October 2018. The estimate for the average size of the milking herd for October is 9.327 million head, 5,000 higher than September. The September estimate was revised 7,000 higher than reported the previous month. With the revised estimate for September and the recent estimate for October, NASS cow numbers are estimated to have increased since August, contrasting with the downward trend since the beginning of 2018. Milk per cow averaged 1,941 pounds in October, 1.7 percent above October 2018.

## Milk cow numbers

Million head

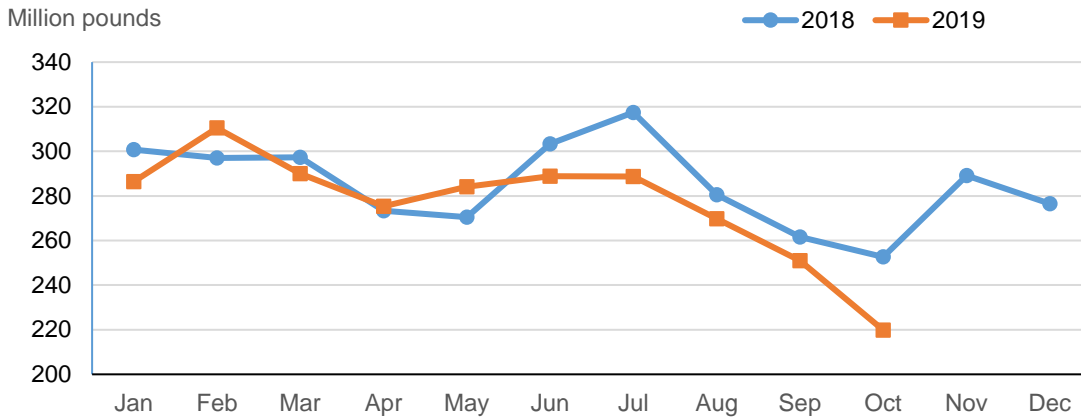


Source: USDA, National Agricultural Statistics Service.

In October, dairy exports on a milk-fat milk-equivalent basis totaled 700 million pounds, 42 million lower than September and 211 million lower than October 2018. October exports on a skim-solids milk-equivalent basis were 3.642 billion pounds, 87 million higher than September and 126 million higher than October 2018. Exports of NDM/SMP continued to rise, totaling 156 million pounds in October, 12 million higher than September and 22 million higher than October 2018. Exports of whey products (dry whey, whey protein concentrate, and modified whey), fell to 66 million pounds, 6 million less than September and 17 million less than October 2018. Retaliatory tariffs by China and lower feed use in China due to African Swine Fever have likely contributed to the decline in whey product exports. Imports of dairy products on a milk-fat basis were 674 million pounds in October, 24 million less than September but 59 million higher than October 2018. On a skim-solids basis, October imports were 485 million pounds, 62 million higher than September and 57 million higher than October 2018.

On a milk-fat basis, October ending stocks were 15.050 billion pounds, 271 million pounds lower than October 2018. On a skim-solids basis, October ending stocks were 10.061 billion pounds, 197 million lower than October 2018. Notably, manufacturers' stocks of NDM totaled 220 million pounds for the end of October, 33 million less than October 2018. For the 3 months from August through October 2019, domestic use on a milk-fat basis was 1.9 percent higher than the same 3 months of 2018. On a skim-solids basis, domestic use for the 3 months from August through October 2019 was 1.5 percent higher than the same 3 months of 2018.

## Nonfat dry milk manufacturers' stocks



Source: USDA, National Agricultural Statistics Service.

## Dean Foods Files for Chapter 11 Bankruptcy Protection

On November 12, 2019, Dean Foods filed for Chapter 11 bankruptcy protection. Dean Foods is the largest processor of packaged fluid milk in the United States, with net sales totaling about \$7.8 billion in 2018. The bankruptcy case is being heard in the US Bankruptcy Court for the Southern District of Texas. USDA has been monitoring the proceedings.

## Outlook for Feed Prices

The 2019/20 corn price forecast is unchanged from last month at \$3.85 per bushel. The soybean meal forecast for 2019/20 is \$310 per short ton, \$15 lower than last month's forecast. The October alfalfa hay price was \$179 per short ton, \$2 lower than September but \$3 higher than October 2018. The 5-State weighted-average price for premium alfalfa hay in October was \$205 per short ton, \$1 higher than the September price. For more information, see *Feed Outlook*, published by USDA, Economic Research Service.

## Dairy Forecasts for the Remainder of 2019

Based on recent data for milk cow numbers, the 2019 fourth-quarter forecast for milk cows is 9.325 million head, 10,000 higher than last month's forecast. The fourth-quarter forecast for yield per cow is unchanged at 5,805 pounds. The annual forecast for average size of the milking herd is 9.330 million head, 5,000 higher than last month's forecast. The 2019 forecast for yield per cow is 23,435 pounds. The annual milk production forecast for 2019 rounds to 218.6 billion pounds, unchanged from last month's forecast.

The 2019 annual forecast for exports on a milk-fat basis is unchanged from last month at 9.0 billion pounds. On a skim-solids basis, the annual forecast has been raised by 0.4 billion pounds to 40.8 billion pounds as higher NDM/SMP exports are expected to more than offset lower whey product exports for the fourth quarter. The 2019 annual import forecast on a milk-fat basis has been lowered slightly to 7.1 billion pounds, and the skim-solids basis annual forecast is unchanged at 10.7 billion pounds. With lower domestic use expected in the fourth quarter than last month's forecast, the 2019 forecast has been lowered to 215.5 billion pounds on a milk-fat basis (-0.1 billion) and 182.4 billion pounds on a skim-solids basis (-0.4 billion). Ending stocks for 2019 have been raised to 13.8 billion



pounds on a milk-fat basis (+0.1 billion) but are unchanged at 10.6 billion pounds on a skim-solids basis.

Based on recent data, forecasts for the cheese and butter prices for the fourth quarter of 2019 have been lowered to \$2.070 per pound (-1.0 cent) and \$2.070 per pound (-3.5 cents), respectively. The dry whey price forecast for the fourth quarter of 2019 has been raised to 0.320 per pound (+0.5 cents). Based on relatively high prices of NDM in recent weeks, higher expected exports of NDM/SMP, and a relatively low ending-stock level for NDM in October, the fourth-quarter NDM price forecast has been raised to \$1.150 per pound (+1.5 cents).

With the lower cheese price forecast more than offsetting the higher whey price forecast, the fourth-quarter Class III milk price forecast has been lowered to \$19.55 per hundredweight (cwt). With the higher NDM price forecast offsetting the lower butter price forecast, the fourth-quarter Class IV milk price forecast is unchanged at \$16.50 per cwt. The all-milk price forecast for the fourth quarter has been lowered to \$20.45 per cwt, \$0.05 lower than last month's forecast. For the year, the Class III price forecast has been lowered to \$16.95 per cwt, and the Class IV price forecast is unchanged at \$16.30 per cwt. The all-milk price forecast for 2019 is \$18.60 per cwt, unchanged from last month's forecast.

## Dairy Forecasts for 2020

The 2020 annual forecast for milk production is unchanged from last month at 222.4 billion pounds. Milk cows are forecast to average 9.335 million head, and milk per cow is forecast at 23,830 pounds.

On a milk-fat basis, the 2020 export forecast has been raised 0.1 billion pounds to 9.3 billion as lower expected U.S. prices for butter and milkfat are expected to be more competitive in global markets for butterfat products. The export forecast on a skim-solids basis has been raised 0.1 billion pounds to 43.1 billion due to higher expected NDM/SMP exports. The 2020 forecast for imports on a milk-fat basis has been lowered 0.1 billion pounds to 6.4 billion, and the forecast for imports on a skim-solids basis is unchanged at 5.5 billion pounds.

Ending stocks for 2020 on a milk-fat basis are projected at 13.3 billion pounds for the year, 0.1 billion pounds higher than last month's forecast. On a skim-solids basis, ending stocks are projected at 10.8 billion pounds, unchanged from the last forecast. The domestic use forecasts for 2020 have been lowered to 218.7 billion pounds on a milk-fat basis (-0.3 billion) and to 183.5 billion pounds on a skim-solids basis (-0.1 billion).

The NDM price forecast for 2020 has been raised substantially to \$1.230 per pound (+13.5 cents) based on recent price increases, relatively low stock levels, and higher expected exports. Since whey products are sometimes used as a substitutes for NDM/SMP, domestic demand for whey products may increase with the higher expected NDM price. Accordingly, the dry whey price forecast has been raised to \$0.345 per pound (+2.5 cents). With higher expected demand for cheese, the 2020 cheese price forecast has been raised to \$1.865 per pound (+0.5 cents). With recent weakness in butter prices expected to extend into next year, the butter price forecast for 2020 has been lowered to \$2.020 per pound (-4.0 cents).

With the higher expected prices for all major dairy product prices except for butter, the Class III price has been raised to \$17.65 per cwt (+\$0.15) and the Class IV price has been raised to \$16.95 per cwt (+\$1.00). The all-milk forecast for 2020 has been raised to \$19.40 per cwt, \$0.55 higher than last month's forecast.

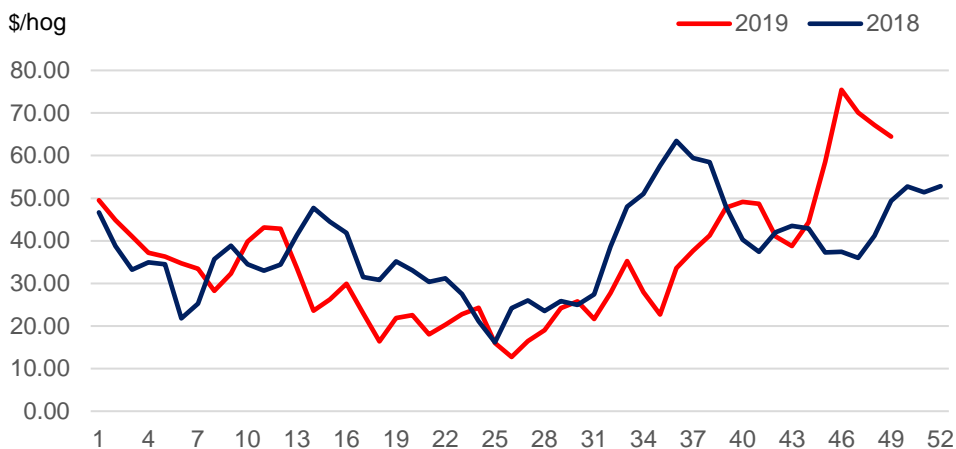
# Pork/Hogs

Mildred Haley

## Weakening Hog Prices and Strong Pork Demand Open Up Pork Processing Spreads in November

Seasonally large supplies of slaughter hogs weighing on hog prices, along with robust pork demand pushing up product prices, combined to yield the widest processor spreads of the year in November. The figure below shows the 2019 weekly gross pork processor spread.<sup>2</sup> In November—weeks 45-48—the gross processor spread averaged about \$68 per hog, almost 79 percent greater than the \$38 per hog spread of November 2018. While processors paid slightly higher prices, on average, for hogs in November of this year—the live equivalent price of 51-52 percent hogs averaged \$42.33 per cwt, 0.33 percent higher than last year—hog prices trended lower through November.

### Weekly gross pork processor spread

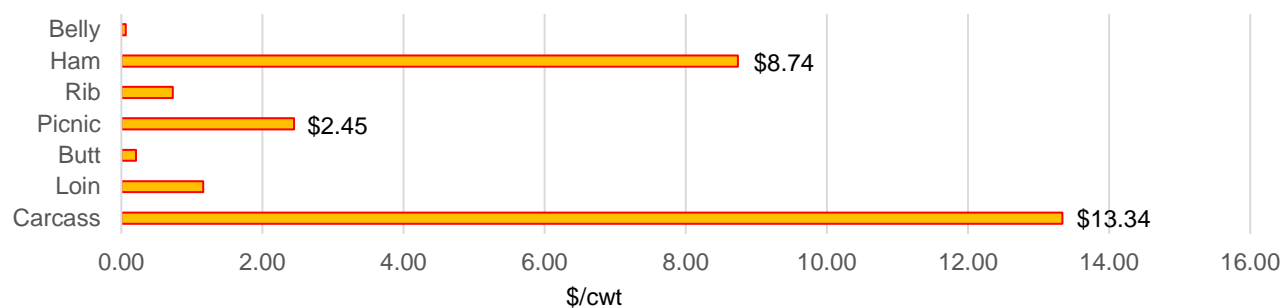


Source: USDA, Economic Research Service, with USDA, Agricultural Marketing Service data.

As the figure below suggests, the circumstance that caused the spread to open up in November was strong pork demand—demand for hams in particular, for export and for domestic holiday tables, plus not-insignificant demand—likely for export—for picnics. These two cuts together contributed more than \$11 of the \$13 difference between the value of the wholesale carcass last month and November 2018.

<sup>2</sup> Weekly gross pork processor spread = estimated pork carcass cutout-(51-52% lean hogs)+(Byproduct drop value).

## Disaggregated difference, by primals, in the carcass cutout values of November 2019 and November 2018



Source: USDA, Economic Research Service, with USDA, Agricultural Marketing Service data.

Gross pork processor spreads headed lower after week 46 but are likely to remain above a year ago for the balance of the year. The National Base Lean hog price for the first week in December averaged about 5 percent above 2018, while the wholesale pork cutout value in the first week of December averaged 14 percent above 2018. Large supplies of increasingly competitive pork are expected to draw export interest from Asia, which in turn should support the pork price component of processor spreads.

USDA will publish the *Quarterly Hogs and Pigs* report on December 23, which will provide an indication of producer farrowing plans for first-half 2020.

## China Exports Stand Out In November

U.S. pork exports in November were 521 million pounds, almost 4 percent higher than November of last year. In the summary table below, shipments to China/Hong Kong—at 101 million pounds, more than triple those of a year earlier—stand out because while second in October volume to Mexico at 119 million pounds, shipments to Mexico were off by almost 22 percent.

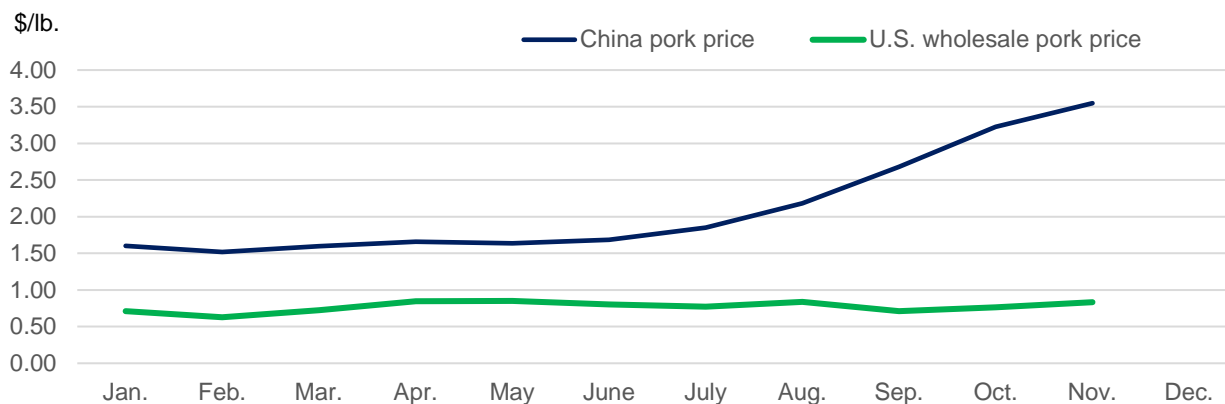
**U.S. pork exports: Volumes and export shares of the 10 largest foreign destinations, October 2018 and 2019**

	Country	Exports Oct. 2018 (mil. lbs)	Exports Oct. 2019 (mil. lbs)	Percent change (2019/2018)	Export share Oct. 2018 %	Export share Oct. 2019 %
	World	503	521	3.6		
1	Mexico	152	119	-21.5	30.2	22.9
2	China/Hong Kong	24	101	320.3	4.8	19.4
3	Japan	110	93	-15.7	21.9	17.8
4	South Korea	59	47	-19.9	11.7	9.1
5	Canada	43	46	6.6	8.6	8.8
6	Australia	15	26	71.7	3.1	5.1
7	Colombia	29	26	-10.7	5.8	5.0
8	Philippines	12	10	-19.9	2.5	1.9
9	Honduras	8	8	5.0	1.6	1.6
10	Chile	11	7	-35.4	2.1	1.3

Source: USDA, Economic Research Service.

U.S. pork exports forecasts for the fourth quarter of 2019 and for 2020 are premised on the assumption that pork supplies in Asian countries whose herds are afflicted by the African Swine Fever—particularly China—will continue to face significant domestic pork supply deficits, and the imperative to import pork. The figure below, showing comparisons of Chinese pork prices in 2019 with those in the United States, illustrates the competitiveness of U.S. pork products this year with those in China. Currently, a competitive edge remains for U.S. pork even after accounting for Chinese retaliatory tariffs and transportation costs.

**2019 Monthly China and U.S. pork prices**



Source: China Ministry of Agriculture, USDA, Agricultural Marketing Service.

U.S. exports in the fourth quarter of 2019 are expected to be 1.800 billion pounds, somewhat lower than November's forecast but about 17 percent above the same period of a year ago. The export forecast was trimmed back due to lower than expected shipments to Mexico and to several Asian countries in October. The 2020 export forecast was lowered to 7.1 billion pounds on a slower rate of increase of shipments to Asia, and a continued slower-than-expected recovery of shipments to Mexico. However, the recently approved trade agreement with Japan is expected to mitigate the slower expected growth in total exports.

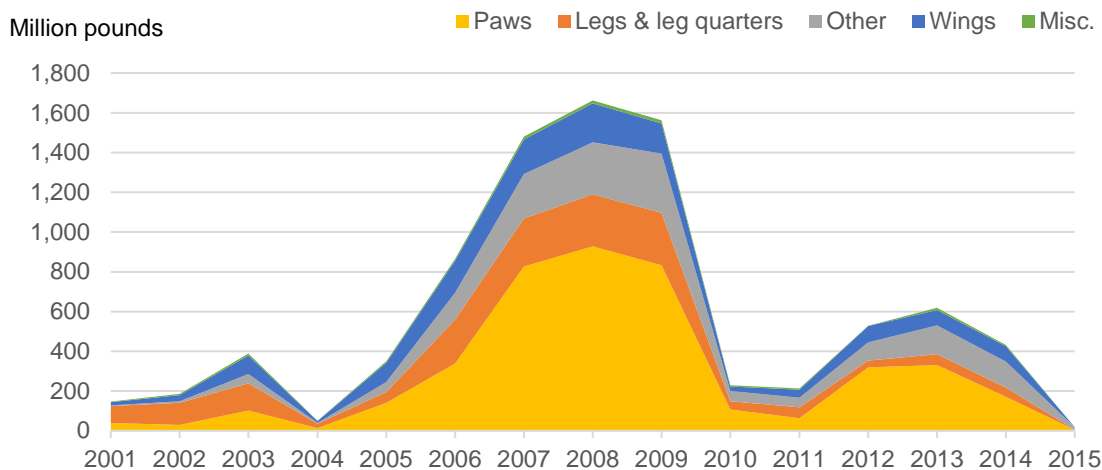
# Poultry

Kim Ha

## China Opens Market to U.S. Poultry Meat; Broiler Production, Export, and Stocks Forecasts Revised Up

On November 14, 2019, Chinese officials issued an announcement lifting the ban on the importation of U.S. poultry meat, which had been in effect since December 2014 due to the U.S. outbreak of Highly Pathogenic Avian Influenza (HPAI).<sup>3</sup> Although the United States has been free of HPAI since 2017, China's ban remained in place until recently. Prior to the ban, China had been a major buyer of U.S. chicken paws<sup>4</sup> and wing tips<sup>5</sup>—which are generally not consumed domestically in the United States—as well as legs and leg quarters<sup>6</sup> and broiler meat categorized as “other”<sup>7</sup> (see chart). Since the ban, the U.S. industry has been rendering the chicken paws for pet food and fertilizer at a significant discount compared to exporting the product whole.<sup>8</sup>

### Annual U.S. broiler exports to China by product category (2001-2015)



Source: Compiled by USDA, Economic Research using data from U.S. Department of Commerce, Bureau of the Census.

The opening of Chinese markets to U.S. poultry meat is a significant positive signal for the U.S. broiler industry. This development should be helpful to U.S. producers who have been ramping up production, despite relatively weak prices and challenges in key export markets. October broiler production totaled 4.096 billion pounds, a year-over-year increase of 4.8 percent—comprised of a 3.5-percent increase in slaughter and a 1.3-percent increase in average bird weights. Preliminary weekly slaughter data as well as eggs set and chick placement data suggest higher slaughter volumes and more birds available for

<sup>3</sup> For more information on HPAI, please refer to [“Impacts of the 2014-2015 Highly Pathogenic Avian Influenza Outbreak on the U.S. Poultry Sector.”](#)

<sup>4</sup> HSCODE: 0207.14.0045

<sup>5</sup> HSCODE: 0207.14.0030

<sup>6</sup> HSCODE: 0207.14.0010, 0207.14.0025

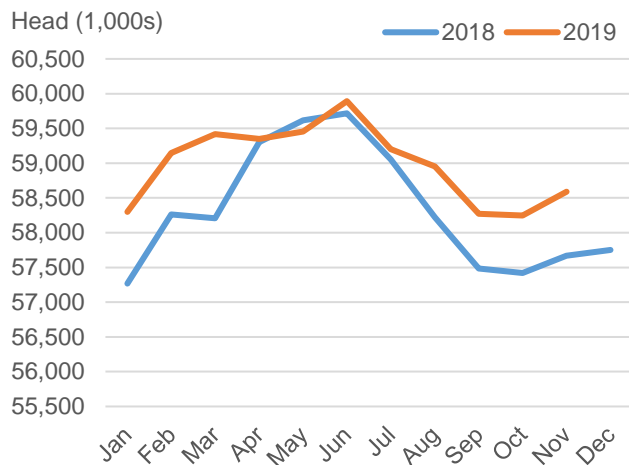
<sup>7</sup> HSCODE: 0207.14.0090

<sup>8</sup> USDA broiler export forecasts do not include paws.

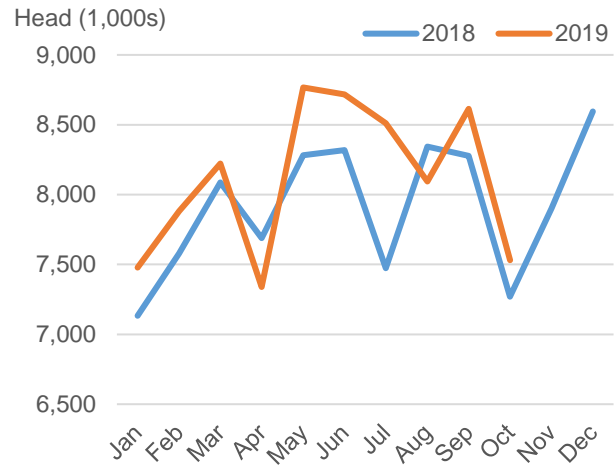
slaughter in November and December, respectively. As a result, the fourth-quarter broiler production forecast was increased to 11.125 billion pounds.

Looking to 2020, various indicators suggest plans for expanded production. The broiler-breeder-layer flock averaged 58.4 million in October, a 1.5-percent increase year over year, and is on track to exceed year-earlier inventories in the beginning of 2020. Furthermore, U.S. pullet placements point to producer intentions to continue expanding the layer flock at least into the second quarter. Increased exports resulting from the opening of China’s market will likely help support producer margins, providing further incentives to expand production. Based on expectations for a larger broiler-breeder-layer flock, the 2020 broiler production forecast was increased to 45.250 billion pounds, an increase of 3.2 percent year over year.

**Broiler layer flock (first of month)**



**Broiler U.S. pullet placements**

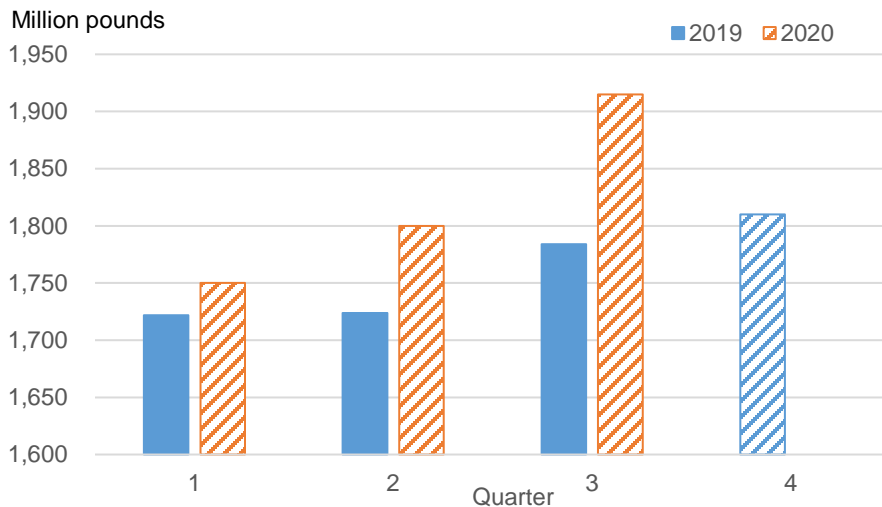


Source: USDA, National Agricultural Statistical Service.

With regard to exports, broiler export volumes for October are estimated at nearly 651 million pounds, a year-over-year decrease of 2.6 percent. U.S. exports to Cuba decreased significantly in October by more than 17.5 million pounds relative to last year. This decrease likely reflects the impacts of Cuban foreign exchange shortages; to the extent that these continue, U.S. broiler exports to Cuba will remain relatively low. However, this decline was offset in part by increased shipments to several other markets, including Vietnam (+13.9 million pounds), Taiwan (+7.7 million pounds), and Mexico (+7.4 million pounds), among others.

Although China has formally announced that it has lifted its ban on U.S. poultry meat, only a limited amount of product has begun moving to China. China has listed over 170 U.S. plants approved for export to China and is in the process of approving cold storage facilities. The 2019 fourth-quarter export forecast remains unchanged. In 2020, it is expected that broiler sales to China will gradually ramp up as the United States and China finalize details, with a large share of growth occurring in the second half (see chart). The 2020 export forecast was increased to 7.425 billion pounds, a year-over-year increase of more than 5 percent if realized. The import forecast remains unchanged.

## U.S. broiler export volumes (quarterly)



Note: Striped columns indicate forecast value.

Source: USDA, World Agricultural Supply and Demand Estimates and U.S. Department of Commerce, Bureau of the Census.

The increase in production is expected to result in higher cold storage inventories in the near- and mid-term. October cold storage ending stocks were estimated at 918 million pounds, 4.8 percent higher compared to the previous month and 1.1 percent higher year over year. With the exception of drumsticks and wings, stocks increased across all product categories relative to September. Given the expectation for increases in production in the fourth quarter, it is unlikely that inventories will liquidate by the end of the year. As a result, the 2019 ending stocks forecast was revised up to 910 million pounds. Similarly, the expected increase in 2020 broiler production is the basis for increasing the 2020 ending stocks forecast to 910 million pounds.

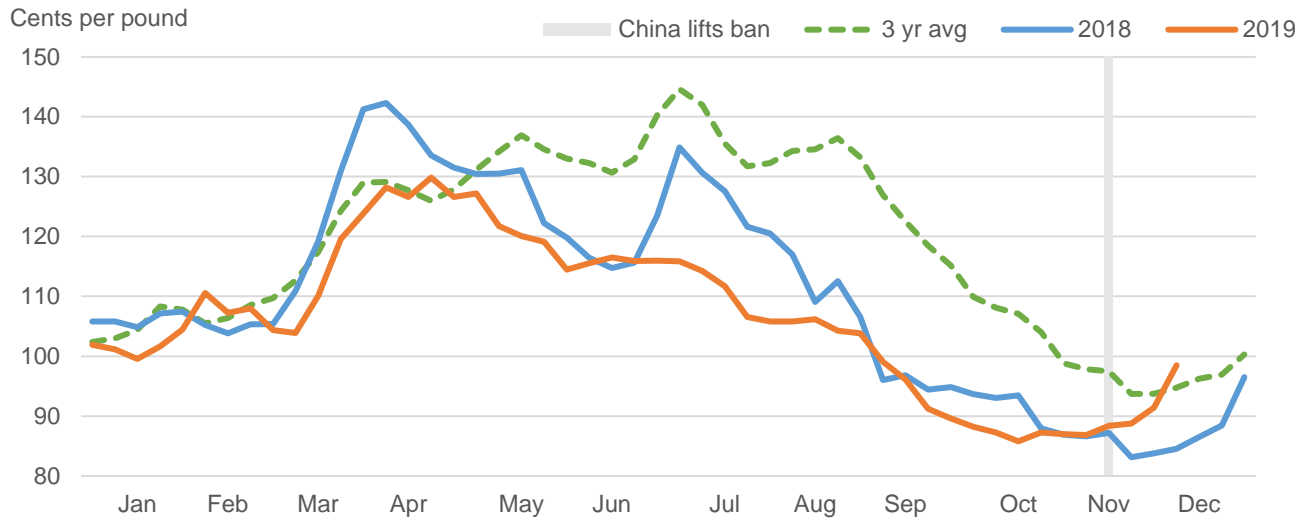
## 2020 Price Forecast Revised Down on Expectation of Increased Supplies

Whole bird (National Composite) wholesale prices averaged 78.30 cents per pound in November, about 10 percent lower year over year. Nonetheless, prices began trending up a few weeks earlier than seasonally expected and at a faster rate, suggesting stronger-than-expected December prices may offset November prices. The fourth-quarter price forecast remains unchanged. In 2020, it is expected that increased supply will pressure prices, which was the basis for lowering the 2020 price forecast to 89 cents per pound, fractionally above 2019.

Regarding the parts segment, there has been a notable upward trend in weekly wholesale parts prices in recent weeks. The increase in prices coincided with the announcement of China opening its markets to U.S. poultry meat and may be a reflection of expectations for increased exports. Unsurprisingly, wholesale prices for whole legs and leg quarters—which for most of 2019 have been boosted by the increase in global demand for protein—were among these items. However, wholesale boneless skinless (b/s) breast prices were also up—by 4.2 percent year-over-year—for first time since February 2019, averaging 88.86 cents per pound in November. From May 2018 to October 2019, b/s breast prices have been consistently below year-earlier prices (with the exception of February 2019), averaging a year-over-year decrease of 12 percent. Boneless/skinless breast prices continued to trend up in the beginning of December (see chart).



### Northeast wholesale boneless skinless breast prices (weekly)

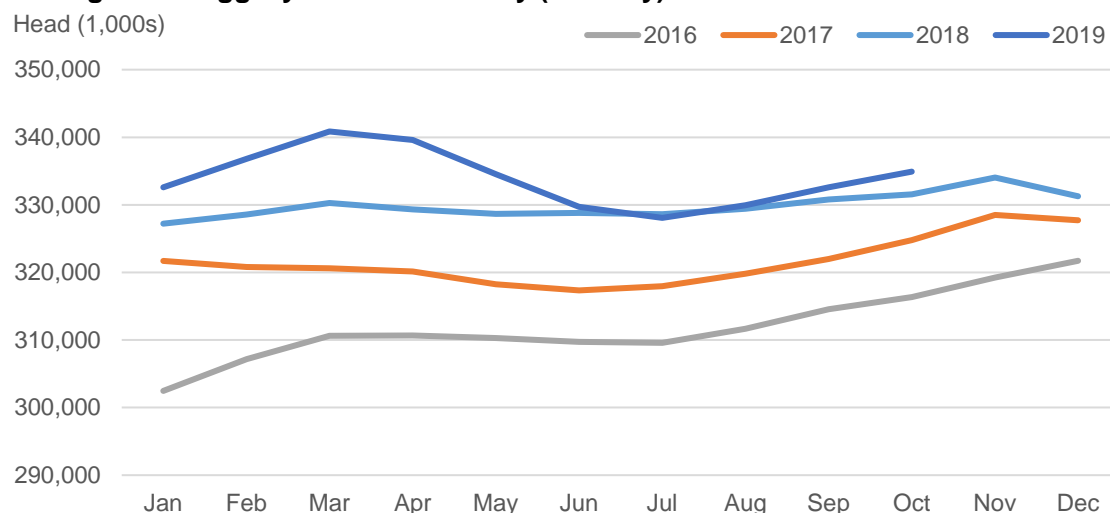


Source: USDA, Economic Research Service calculations using data from USDA, Agricultural Marketing Service.

## Table and Hatching Egg Production Expectations Revised Up; Egg Stocks Increased

October table egg production was estimated at 701 million dozen, 2.8 percent higher year over year. This increase was comprised of a 1-percent increase in the average layer flock and a 1.7-percent increase in the average lay rate. The November 1 table egg layer inventory and eggs per layer suggest that the layer flock will continue to grow larger and more productive in November and likely December, which is the basis for increasing the fourth-quarter production forecast to 2,085 million dozen. While it is seasonally typical for the industry to increase the layer flock in the second half of the year (see chart), this growth raises questions about what is in store for the first half of 2020, particularly given volatile egg prices in recent years. In the first half of 2018, high demand outpaced moderate supply, sending wholesale egg prices sharply higher. In the first half of 2019, supply was met with historically low prices. Recent data on eggs in incubators and chicks hatched do not indicate any intentions to rapidly expand the table egg layer flock in the first half of 2020, suggesting that an oversupply situation is unlikely—at least not to the scale seen in 2019. Nonetheless, table egg production is expected to have moderate growth in 2020, based on expectations for a moderately larger and likely more productive layer flock. The 2020 table egg production forecast was increased to 8,285 million dozen, about 1 percent higher than the 2019 forecast.

### Average table egg layer flock inventory (monthly)



Source: USDA, National Agricultural Statistical Service.

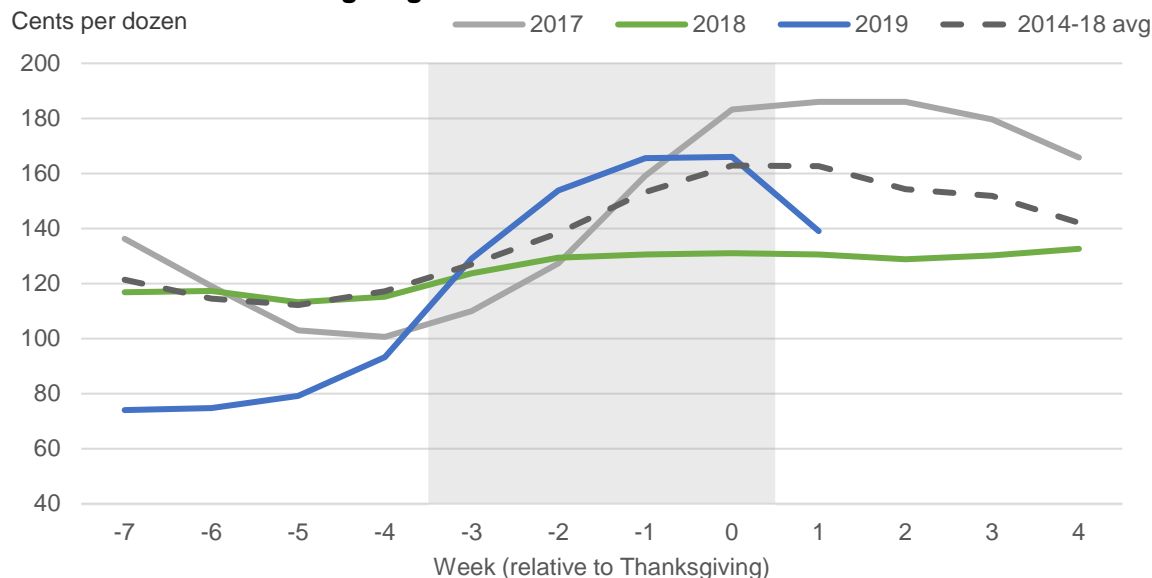
Hatching egg production totaled 100 million dozen in October, 1.4 percent higher year over year, and is expected to increase in the remainder of 2019 and throughout 2020, in line with expectations of expanded broiler production and a larger table egg layer flock. The fourth-quarter hatching egg forecast was increased to 297 million dozen and the 2020 forecast to 1.215 billion dozen. This reflects year-over-year growth of 3 percent.

Egg ending stocks reached 102.4 million dozen (shell egg equivalent) at the end of October, a slight increase (0.2 percent) relative to September. Eggs in cold storage decreased by 7.3 percent month over month, while dried stocks increased by 3 percent. Dried egg stocks have steadily accumulated throughout much of 2019 and are expected to continue accruing in 2020, which is the basis for increasing the 2020 ending stocks forecast to 115 million dozen.

## Price Forecast Increased on Recent Price Movements and Expectations for Improved 2020 Supply and Demand Situation

Wholesale egg prices (New York, Grade A Large) climbed 55 cents during November from 111 cents per dozen to 166 cents per dozen to average 151 cents per dozen for the month, an increase of 16 percent year over year. While weekly prices climbed at a faster rate than historically typical, they appear to be breaking at a faster rate as well (see chart). Price movements are largely influenced by retail activity and shell egg inventories. Based on November price movements, the fourth-quarter price forecast was increased to 118 cents per dozen. Based on expectations for a continued firm demand despite higher forecast production, the 2020 egg price forecast was increased to 104 cents per dozen.

## Weekly midpoint prices for New York eggs (wholesale, large grade A) in the weeks relative to Thanksgiving



Source: USDA, Economic Research Service calculations using data from USDA, Agricultural Marketing Service and Livestock Marketing Information Center.

## Egg Export Forecasts Revised Up

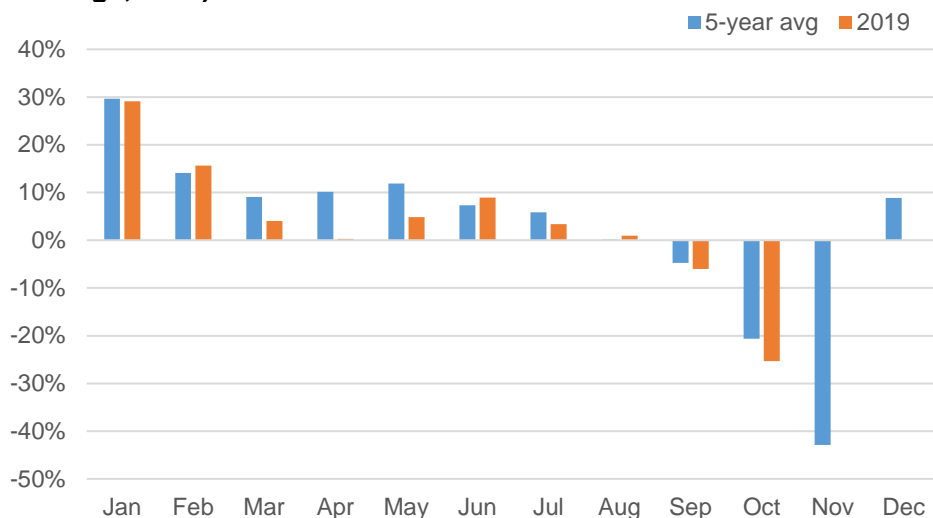
Exports of eggs and egg products amounted to 35.6 million dozen (shell-egg equivalent) in October, almost 17 percent higher year over year. Shell egg volumes continued to strengthen, increasing by 17 percent year over year, while egg product volumes increased by 16 percent. Based on higher-than-expected export volumes in October and expectations for moderate growth in the remainder of the year, the fourth-quarter forecast was revised up to 88 million dozen. This strength is expected to continue into 2020, which was the basis for increasing the 2020 export forecast to 310 million dozen.

## Turkey Production Expectations Steady; Ending Stocks Decreased

Turkey production totaled 551 million pounds in October, a 3.8-percent year-over-year decrease, driven by a decrease in slaughter that was only partly offset by higher average live weights. Preliminary weekly slaughter data suggest that November production will be characterized by a year-over-year increase in slaughter and a decrease in average weights. The turkey production forecast remains unchanged.

At the end of October, turkey stocks fell to 394 million pounds, a decrease of 134 million pounds or 25.3 percent compared to September. While cold storage inventories typically decline from September to November, 2019 inventories appear to be decreasing at a faster rate compared to the 5-year average (see chart)—likely due to tighter turkey supplies. Based on a faster-than-expected drawdown of turkey inventories, the 2019 ending stocks forecast was decreased to 260 million pounds.

### Month-over-month changes in turkey cold storage inventories (5-year average, 2019)

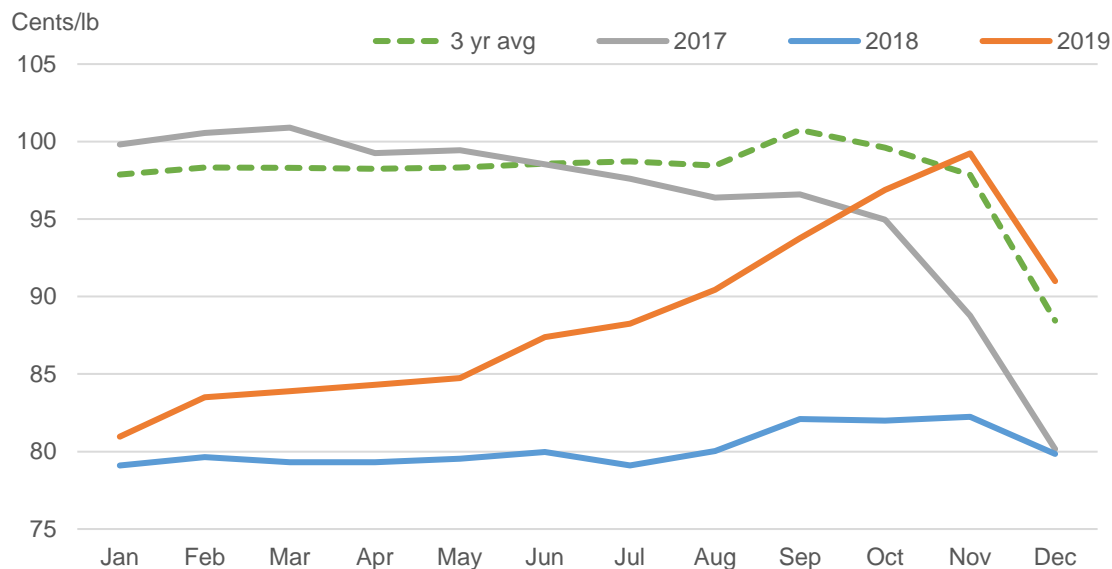


Source: USDA, Economic Research Calculations using data from USDA, National Agricultural Statistical Service.

### Turkey Price Forecast Increased

Frozen whole hen wholesale prices averaged 99.2 cents per pound in November, nearly 21 percent higher year over year. 2019 prices continued to outperform both 2017 and 2018 for the second consecutive month and surpassed the 3-year average for the first time this year (see chart). Based on recent price movements, the fourth-quarter price forecast was revised up to 97 cents per pound. No change was made to the 2020 forecast.

### Frozen whole hen wholesale turkey prices (monthly)



Source: USDA, Economic Research Service calculations using data from USDA, Agricultural Marketing Service.

## Turkey Export Forecasts Revised Up on China Lifting Ban on U.S. Poultry Meat

October turkey export volumes were estimated at nearly 61 million pounds, almost 7 percent lower year over year. While Mexico, the largest U.S. turkey export market, imported over 2 million pounds more than last year, shipments to Hong Kong decreased by more than 3 million pounds year over year. Nonetheless, increased shipments to several countries in Latin America are expected to support fourth-quarter exports. The fourth-quarter export forecast was increased to 167 million pounds. In 2020, similar to broiler exports, turkey exports are expected to benefit from the opening of the Chinese market. It is expected that exports will increase year over year, with a large share of growth occurring in the second half of the year. The 2020 export forecast was increased to 680 million pounds, more than 6 percent higher than 2019 forecast exports.

### Suggested Citation

*Livestock, Dairy, and Poultry Outlook*, LDP-M-306, U.S. Department of Agriculture, Economic Research Service, December 16, 2019

U.S. red meat and poultry forecasts

	2016				2017				2018				2019				2020			
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	Annual	
<b>Production, million lb</b>																				
Beef	5,938	6,187	6,472	6,625	25,221	26,187	26,187	26,187	26,187	100,169	25,130	25,410	25,704	26,191	102,435	25,354	26,000	26,669	27,365	105,298
Pork	6,240	5,963	6,100	6,648	24,941	6,430	6,137	6,240	6,796	25,584	6,645	6,325	6,315	7,031	26,315	6,838	6,615	6,705	7,335	27,694
Lamb and mutton	38	39	36	150	37	35	35	37	145	39	39	39	37	39	153	37	40	35	35	147
Broilers	10,039	10,253	10,338	10,065	40,696	10,338	10,407	10,551	10,472	41,662	10,687	10,687	10,430	10,588	42,601	10,384	10,333	11,397	11,125	43,839
Turkeys	1,435	1,520	1,515	1,511	5,981	1,488	1,482	1,499	1,533	5,981	1,452	1,477	1,431	1,518	5,878	1,446	1,450	1,453	1,540	5,889
Total red meat & poultry	23,834	24,119	24,623	25,038	97,614	24,617	24,621	25,197	25,734	100,169	25,130	25,410	25,704	26,191	102,435	25,354	26,000	26,669	27,365	105,298
Table eggs, mil. doz.	1,812	1,846	1,895	1,957	7,509	1,928	1,934	1,953	1,992	7,807	1,940	1,970	2,003	2,039	7,592	2,018	2,041	2,041	2,085	8,185
<b>Per capita disappearance, retail lb./l.</b>																				
Beef	13.6	13.9	14.1	14.0	55.6	14.0	14.2	14.4	14.3	57.2	14.4	14.5	14.4	14.4	57.2	13.9	14.7	14.5	14.6	57.8
Pork	12.6	11.9	12.1	13.5	50.1	12.4	11.8	12.4	13.5	50.2	12.6	12.2	12.4	13.8	50.9	13.1	12.5	12.8	14.3	52.7
Lamb and mutton	0.3	0.3	0.2	0.3	1.0	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	0.2	1.1
Broilers	22.5	22.7	22.7	21.8	89.8	22.4	22.9	23.2	22.5	91.0	22.7	23.4	23.6	22.8	92.4	22.5	23.9	24.6	23.9	94.9
Turkeys	3.6	3.9	4.2	4.9	16.7	3.7	3.7	4.0	5.0	16.4	3.5	3.8	3.9	4.9	16.2	3.5	3.7	4.0	5.0	16.1
Total red meat & poultry	52.9	53.0	53.7	54.9	214.6	53.2	53.3	54.7	55.9	217.2	53.4	54.4	55.0	56.6	219.5	53.6	55.5	56.5	58.5	224.2
Eggs, number	68.3	67.3	68.2	71.5	275.2	69.4	69.9	70.9	71.6	281.8	69.6	70.3	71.8	72.4	284.0	71.8	72.1	72.0	73.6	289.5
<b>Market prices</b>																				
5-area Direct, S/cwt	134.81	127.68	113.26	107.69	120.86	122.96	132.76	112.46	117.88	121.52	125.60	116.72	110.83	115.32	117.12	123.27	118.79	108.16	115	117
Feeder steers, OK City, S/cwt	158.83	146.49	140.66	128.30	142.82	129.56	147.75	148.12	154.88	145.08	146.29	143.05	150.46	147.90	146.93	140.76	140.51	140.19	147	142
Canner Cows, National L.E., S/cwt	73.50	75.87	75.16	57.75	70.07	62.63	69.55	69.78	58.68	65.16	61.60	61.32	57.74	49.07	57.43	53.34	58.30	60.42	54	56.5
Choice slaughter lambs, St. Joseph, S/cwt	136.76	139.35	162.47	142.71	145.32	142.34	167.94	172.40	136.92	154.00	136.83	154.86	147.95	134.30	143.49	136.23	156.16	154.93	149	149
Hair base cost, 51-52 % lean, live equivalent, S/cwt	44.63	53.71	49.26	37.02	46.16	49.73	51.70	55.59	44.89	50.48	49.12	47.91	43.90	42.77	45.93	40.67	57.95	50.08	43	48
Broilers, national composite, cents/lb	84.6	93.0	81.7	78.0	84.3	88.5	104.7	94.9	86.1	93.5	95.7	115.1	93.7	86.7	97.80	94.0	97.7	82.0	81.0	88.5
Turkeys, national, cents/doz	114.7	116.5	120.7	116.6	117.1	100.4	99.1	96.9	88.0	96.1	79.4	79.6	80.4	81.4	80.20	82.8	85.5	90.8	97.0	89.0
Eggs, New York, cents/doz	121.5	67.9	71.6	81.7	85.7	80.0	74.7	102.1	147.0	100.9	179.6	124.4	120.8	125.6	137.60	107.3	69.7	81.9	118.0	94.0
<b>U.S. Trade, million lb. carcass wt. equivalent</b>																				
Beef & veal exports	535	621	660	740	2,857	653	680	746	781	2,859	731	801	828	800	3,161	696	790	788	800	3,074
Beef & veal imports	792	821	721	638	3,012	700	812	814	668	2,925	721	805	807	664	2,598	738	836	771	790	3,046
Pork and mutton exports	1,317	1,235	1,457	1,457	5,239	1,432	1,426	1,230	1,544	5,632	1,516	1,520	1,298	1,542	5,876	1,446	1,535	1,516	1,800	3,066
Pork and mutton imports	293	257	266	275	1,091	264	281	283	287	1,116	279	245	245	1,082	259	1,032	1,229	231	231	636
Broiler exports	1,585	1,605	1,724	1,721	6,645	1,720	1,622	1,659	1,785	6,786	1,709	1,704	1,785	1,871	7,069	1,722	1,724	1,784	1,810	7,400
Turkey exports	116	141	160	153	569	133	148	168	173	622	153	147	141	170	611	147	166	159	167	639
Live white imports (thousand head)	1,468	1,405	1,371	1,413	5,657	1,449	1,438	1,296	1,304	5,597	1,357	1,349	1,258	1,286	5,250	1,339	1,255	1,201	1,310	5,105

Note: Forecasts are an in-kind.  
 1/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, mildred.haley@usda.gov  
 Updated: 12/17/2019

## Dairy Forecasts

	2018		2019					2020			
	IV	Annual	I	II	III	IV	Annual	I	II	III	Annual
Milk cows (thousands)	9,359	9,399	9,344	9,327	9,319	9,325	9,330	9,325	9,330	9,335	9,335
Milk per cow (pounds)	5,703	23,149	5,827	5,980	5,823	5,805	23,435	5,985	6,100	5,885	23,830
<b>Milk production (billion pounds)</b>	53.4	217.6	54.5	55.8	54.3	54.1	218.6	55.8	56.9	54.9	222.4
Farm use	0.3	1.0	0.3	0.3	0.3	0.3	1.0	0.3	0.3	0.3	1.0
Milk marketings	53.1	216.6	54.2	55.5	54.0	53.9	217.6	55.6	56.7	54.7	221.4
<b>Milk-fat (billion pounds milk equiv.)</b>											
Milk marketings	53.1	216.6	54.2	55.5	54.0	53.9	217.6	55.6	56.7	54.7	221.4
Beginning commercial stocks	17.1	13.4	13.8	16.1	18.2	17.1	13.8	13.8	16.6	18.5	13.8
Imports	1.8	6.3	1.4	1.9	2.0	1.9	7.1	1.3	1.6	1.7	6.4
Total supply	72.0	236.3	69.4	73.5	74.2	72.8	238.5	70.7	74.8	74.9	241.6
Commercial exports	2.4	10.4	2.4	2.5	2.2	2.0	9.0	2.2	2.5	2.4	9.3
Ending commercial stocks	13.8	13.8	16.1	18.2	17.3	13.8	13.8	16.6	18.5	16.8	13.3
Commodity Credit Corporation donations	0.0	0.0	0.0	0.0	0.1	0.0	0.2	0.1	0.1	0.1	0.3
Domestic commercial use	55.9	212.1	50.9	52.8	54.9	56.9	215.5	51.8	53.8	55.6	218.7
<b>Skim solids (billion pounds milk equiv.)</b>											
Milk marketings	53.1	216.6	54.2	55.5	54.0	53.9	217.6	55.6	56.7	54.7	221.4
Beginning commercial stocks	10.5	11.8	10.7	11.1	11.2	10.8	10.7	10.6	11.7	11.9	10.6
Imports	1.4	5.5	1.3	1.6	1.5	1.5	5.8	1.3	1.4	1.5	5.5
Total supply	65.1	233.8	66.2	68.2	66.6	66.1	234.1	67.4	69.7	68.0	237.5
Commercial exports	9.7	44.7	9.9	10.3	10.3	10.3	40.8	10.3	11.1	11.0	43.1
Ending commercial stocks	10.7	10.7	11.1	11.2	10.8	10.6	10.6	11.7	11.9	11.1	10.8
Commodity Credit Corporation donations	0.0	0.0	0.0	0.0	0.1	0.0	0.2	0.0	0.0	0.0	0.1
Domestic commercial use	44.7	178.5	45.1	46.7	45.5	45.1	182.4	45.4	46.7	46.0	183.5
<b>Milk prices (dollars/cwt) <sup>1</sup></b>											
All milk	17.07	16.26	16.97	17.93	18.97	20.45	18.60	19.75	19.30	19.20	19.40
Class III	14.58	14.61	14.30	16.20	17.82	19.55	16.95	18.20	17.50	17.60	17.65
Class IV	15.05	14.23	15.68	16.28	16.66	16.50	16.30	16.65	17.15	17.10	16.95
<b>Product prices (dollars/pound) <sup>2</sup></b>											
Cheddar cheese	1.463	1.538	1.440	1.678	1.852	2.070	1.760	1.935	1.850	1.850	1.865
Dry whey	0.459	0.342	0.449	0.378	0.367	0.320	0.380	0.330	0.340	0.350	0.345
Butter	2.264	2.257	2.258	2.310	2.330	2.070	2.240	1.950	2.000	2.050	2.020
Nonfat dry milk	0.887	0.795	0.963	1.007	1.042	1.150	1.040	1.230	1.260	1.230	1.230

Totals may not add due to rounding.

<sup>1</sup> Simple averages of monthly prices. May not match reported annual averages.

<sup>2</sup> Simple averages of monthly prices calculated by the USDA, Agricultural Marketing Service, for use in class price formulas. Based on weekly USDA *National Dairy Products Sales Report*.

Sources: USDA: National Agricultural Statistics Service, Agricultural Marketing Service, Foreign Agricultural Service, and World Agricultural Outlook Board.

Published by USDA, Economic Research Service, in *Livestock, Dairy, and Poultry Outlook*.

Updated 12/16/2019.