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Livestock, Dairy, and Poultry Outlook

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Continuing Decline in Hog Inventories Estimated into 2010

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on Oct 27, 2009

The next newsletter
release is Nov 17, 2009

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Outlook Board

Beef/Cattle: Commercial cow slaughter continues heavy for a second year, based on January 1 cow inventories. The general economic picture continues to weigh on beef and cattle sectors as reduced retail demand works back through wholesale and live cattle markets. Generally favorable pasture conditions are not enough to improve the price outlook for cattle and beef.

Beef/Cattle Trade: Increased imports from Australia are primarily responsible for the 12-percent increase in total beef imports year-to-date through August. Beef exports have declined 4 percent through August. The reopening of the South Korean market for U.S. beef and strong global demand for beef in the third quarter of 2008 led to very high exports. The global recession has meant a tighter market for U.S. grainfed beef.

Dairy: Contraction in the U.S. dairy herd leads to the second year of lower forecast milk production. Lower production, combined with stronger-than-expected export prospects, will lead to higher milk and dairy product prices next year.

Special Article: A Collapse in Demand Distinguishes the Current Dairy Crisis from the 56-Month Crisis of 1972-1977.

Pork/Hogs: The *Quarterly Hogs and Pigs* report showed inventories of breeding animals more than 3 percent lower year-over-year, suggesting the industry may be responding to persistent negative returns. Prices of live equivalent 51-52 percent lean hogs are expected to average \$34 and \$36 per cwt. August pork exports were 18 percent lower than a year ago. Pork imports were almost 8 percent higher than August 2008, while imports of live swine from Canada were sharply lower.

Poultry: Broiler production continues to be lower than the previous year, with August production down 2 percent and third-quarter 2009 expected to be down 3 percent from a year earlier. Broiler cold storage holdings are also lower than the previous year, but even with lower production and stocks, prices are mostly down from last year's levels. Turkey production continues to be down sharply from the previous year, with August production falling 9 percent from August 2008. Wholesale whole bird prices have not risen even with the lower production, and third-quarter prices were 81 cents per pound, down about 15 cents from the previous year.

Cow Slaughter High for Second Year

In 2008, drought-motivated beef cow slaughter kept commercial cow slaughter high relative to January 1 inventories. In 2009, cost-driven dairy cow slaughter has kept commercial cow slaughter high. However, the increased commercial dairy cow slaughter has not offset the decline in commercial beef cow slaughter, leaving expected total commercial cow slaughter down by less than 1 percent for the first 9 months of 2009. Beef cow slaughter could increase seasonally over the next several weeks as cow-calf producers cull their herds prior to winter supplemental feeding.

While well ahead of same-quarter commercial cow slaughter in 2007, and despite the two Cooperatives Working Together (CWT) program whole-herd buyouts so far completed in 2009 and aimed at reducing milk production, third-quarter 2009 commercial cow slaughter appears to have declined year-over-year. In 2009, according to CWT statistics, the CWT programs have accounted for 175,153 head of the total commercial cow slaughter thus far in 2009.

Dairy cow slaughter for the first three quarters of 2009 has been 14 percent higher than the average for the last 10 years would indicate for typical culling. With the aid of some assumptions about culling rates and accounting for normal culling from CWT herds, about 6 of the 14 percentage points can be attributed to CWT cows. That is, assuming the last 10-year average culling rate would apply, dairy cow slaughter for the first three quarters of 2009 is projected to be about 8 percent higher than culling might have been under ordinary circumstances.

Current prospects for winter wheat pasture and other cool-season grazing appear favorable everywhere except South Texas, where drought persists despite recent rains, and the Southwestern United States, which is again becoming dry. Thus far, prices for lighter weight feeder cattle are gaining little support from cool-season pasture demand, and prices for feedlot-placement-weight feeder cattle declined in September 2009 over both August 2009 (down 4 percent) and September 2008 (down 12 percent).

Wholesale Markets Pressure Feedlot Activity

Recent reductions in fed-cattle slaughter for third-quarter 2009 appear to have shifted some beef production into early 2010. Larger year-over-year August 2009 placements of feeder cattle in 1,000-head-or-larger feedlots will likely dampen the earlier expectation that fed cattle supplies would be inadequate to meet demand during the last part of 2009 and early 2010.

August 2009 placements were not only larger year-over-year, but feeder cattle placed on feed were in the heavier weight categories, especially the over-800-pound category. These heavier cattle will likely reach market weight sooner than would lighter weight placements, most likely coming to market during the first quarter of 2010. Along with the shift in fed cattle supplies into the future, dressed weights have been above seasonal trends and packers have been applying discounts to large carcasses and live cattle likely to produce large carcasses. These heavier dressed weights will continue to contribute to beef supplies, keeping downward pressure on cattle and beef prices.

Consumers willing to buy beef are benefiting from increased quality as a result of increases in the proportion of cattle grading Choice and higher due to heavier slaughter weights. At the same time, lack of consumer demand, largely due to the economic downturn, is driving the general stagnation in the cattle and beef sectors.

Weekly average Choice cutout values hit their most recent summer peak of \$143.67 per cwt during the week of August 29 and have weakened since. Byproduct allowances have also declined by more than \$1 per cwt since reaching an annual peak of \$9.46 during the week of September 5. This has reduced packer margins, and, combined with slow beef movement at retail spilling into wholesale activity, has caused packers to reduce slaughter rates in recent weeks. September 2009 retail prices for Choice beef, at \$4.13 per pound, were 2 percent below those of August 2009 and 8 percent below September 2008, continuing a general decline in retail prices that began after the August 2008 record high of \$4.53.

Beef Imports Limited by Weak Dollar, but Continue To Increase from 2008

The United States imported 203 million pounds of beef in August 2009, 4 percent higher than August 2008. Increased imports from Australia, which competes with Canada as the top foreign beef supplier to the United States, have been the primary reason for increased total beef imports. Imports from Australia have increased 46 percent through August year-to-date. However, imports of Australian beef have been increasing at a slower rate than earlier in the year, as the U.S. dollar has weakened against the Australian dollar since March.

The United States is expected to import 2.765 billion pounds of beef in 2009, nearly a 9-percent increase from 2008. While weakening global demand is expected to continue to keep beef imports to the United States above last year's levels, a weakening dollar will constrain the size of the increase compared with last year. In 2010, beef imports are expected to increase 4 percent.

Growth in Beef Exports to Japan Continues

The United States exported 167 million pounds of beef in August, a 24-percent decrease from last year. Total beef exports in August 2008 were particularly high, as it was the first full month that U.S. beef was able to be exported to South Korea and high demand for beef in Russia caused a spike in beef exports there. Demand in Russia has fallen since the global financial crisis began. Exports to South Korea have also been affected by the financial crisis and a weak South Korean economy, which is affecting consumer spending and the strength of the South Korean won compared to last summer. In addition, a surge in exports to South Korea in the first few months after U.S. exporters regained access has resulted in large inventories of U.S. beef in South Korean warehouses. These conditions have continued to affect U.S. beef exports and are responsible for most of the decrease in comparisons of year-over-year monthly totals.

Year-to-date, beef exports have decreased 4 percent. Exports to Japan have increased 16 percent year-to-date, as the Japanese yen remains strong against the dollar. Additionally Japanese demand for U.S. beef is for more value-oriented dishes and for restaurants, such as beef-bowl restaurants, which would fare better than higher-end dining during the recession. Exports to Mexico and Canada, the two largest foreign markets for U.S. beef, have decreased 18 percent and 14 percent year-to-date. Mexico has been particularly affected by the global recession. Through September, the Mexican peso had weakened by more than 20 percent against the U.S. dollar compared with last year. Demand for U.S. beef has fallen, as increased U.S. exports of pork and broiler meat to Mexico indicate that consumers have shifted toward less expensive animal proteins.

The United States is expected to export 1.73 billion pounds of beef this year and is forecast to increase shipments 6.7 percent in 2010. The relative value of the dollar and beef demand in foreign countries will be the most important factors for U.S. beef abroad. A weakening dollar would make U.S. beef relatively less expensive overseas.

Lower Milk Production and Improved Export Prospects Combine To Strengthen Prices in 2010

The September *Milk Production* report shows slight milk production declines in both July and August. The number of cows in the national herd has shown a month-over-month decline since January, and the year-over-year decline in cow numbers more than offset the incrementally rising output per cow in the second half of the year. The prospects for the rest of 2009 and 2010 are for cow numbers to continue to decline and for production per animal to continue increasing. In 2010, the U.S. dairy herd is expected to average below 9 million for the year. The production increase per cow per day is expected to be about 1 percent in 2009, well below the 5-year-average rise. In 2010, production per cow is expected to rise by 1.8 percent during the year, above the 5-year average.

The recovery in production per cow next year is predicated on forecast lower corn and soybean meal prices in 2010. Alfalfa hay prices have retreated in 2009 from their 2008 highs and with normal weather next year, supplies should be adequate to keep prices moderate. Despite productivity increases, production in 2010 is forecast to decline to 187.2 billion pounds, down slightly from this year's projected 188.9-billion-pound production. The expected smaller cow herd trumps the production per cow increase, resulting in the second year-over-year production decline.

Export prospects are improving. Economic recovery has exceeded expectations in several countries in recent months with the result that demand for dairy products has improved. Reportedly, an increase in exports to China and greater sales into North Africa and Middle Eastern markets has boosted world prices, especially for whole milk powder. U.S. producers are in position to benefit as the dollar weakens relative to a number of foreign currencies. While still below 2008's stellar levels, milk equivalent exports are expected to reach almost 4 billion pounds this year and improve to 4.3 billion in 2010 on a fat basis. Milk equivalent exports on a skims/solids basis are forecast at 21.5 billion pounds and 23.6 billion pounds for this year and next. The current forecasts represent an upward revision of earlier USDA export forecasts. Commercial domestic use on a fats basis is projected to rise 1.6 percent from 2008 use. In 2010, commercial domestic use on a fats basis will be essentially unchanged from this year's use. On a skims-solids basis, commercial use will increase about 2 percent in 2009 and an additional 1 percent in 2010.

Stocks of cheese and butter remain high compared with recent years; yet prices have continued to trend upward through 2009. Lower cheese production in the near term, along with improving export prospects into next year, should firm cheese prices for the remainder of 2009. Forecast lower milk production in 2010, along with strengthening exports, will likely lead to higher prices for both butter and cheese in 2010. Nonfat dry milk (NDM) and whey prices are forecast to increase as well, though not as much. Cheese prices are forecast at \$1.265 to \$1.275 per pound this year and will rise to \$1.515 to \$1.605 in 2010. High butter stocks should moderate butter price increases for the rest of 2009, despite sharply lower butter production as more milk moves to cheese production relative to butter/powder.

Butter prices will likely increase in 2010 from this year's expected \$1.165 to \$1.195 per pound average to \$1.400 to \$1.520 per pound as lower milk production next year affects all dairy products. NDM and whey prices should also firm up in 2010. NDM prices, forecast to average 87.5 to 89.5 cents per pound this year, are expected to average 95.5 cents per pound to \$1.025 per pound in 2010. Whey prices will likely average 24.5 to 25.5 cents per pound this year and climb slightly to 30.0 to 33.0 cents per pound next year.

Strengthening dairy product prices will lead to recovery in milk prices in 2010. The Class III milk price is forecast at \$11.00 to \$11.10 per cwt this year and \$13.85 to \$14.75 next year. The Class IV price is forecast at \$10.35 to \$10.55 per cwt this year and to firm to \$12.00 to 13.00 per cwt in 2010. In the face of tighter milk supplies and improved demand, the all milk price is expected to rise to \$14.70 to \$15.60 per cwt next year after averaging \$12.35 to \$12.45 this year.

A Collapse in Demand Distinguishes the Current Dairy Crisis from the 56-Month Crisis of 1972-1977

By Dale Leuck, Dairy Economist, Farm Service Agency

The milk-feed-price (MFP) ratio, a widely used indicator of profitability in the dairy sector, reached its lowest level in nearly 35 years in May 2009, dropping below its long-term average of 2.74 for 21 consecutive months from January 2008 through September 2009, with reports of financial stress in the sector reaching what many consider to be crisis proportions.¹ The MFP ratio reached 1.5 this May and June, comparable to its level in August 1974.² The 21-month duration of the present crisis is so far considerably less than the 56-month crisis that extended from December 1972 through July 1977. However, the present crisis may rank as at least a close second, as the worst dairy crisis in more than 35 years, before the MFP returns to a more normal level.

The current crisis shares one characteristic with the crisis of 1972-1977 and has one important difference. The similarity is that both crises were at least partially precipitated by sharp increases in dairy feed costs. Feed costs had been relatively stable from January 1970 through the fall of 1972. However, as news of sudden and significant feed and food grain purchases by the (now) former Soviet Union as a result of several years of poor harvests emerged in late 1972, feed prices began to sharply increase. With continued shortfalls in its grain production, the Soviet Union remained a major purchaser of U.S. feed and food grains, contributing to dairy feed ration costs that more than doubled by August 1974. The dairy feed ration cost remained quite variable during the early crisis and thereafter, but at around a level roughly double its pre-crisis level.

Between the fall of 1972 and August 1973, the MFP ratio dropped to 1.6 from near its long-term average of 2.74. The decline occurred entirely because of the sudden increase in dairy feed costs, as the all milk price generally continued to increase. The MFP ratio then began to increase in August 1973 as a result of higher dairy support prices (tied to parity) mandated in the 1973 Farm Bill. In spite of the 1973 Farm Bill and other policies aimed at ameliorating this earlier dairy crisis, the crisis persisted for an additional 3 years, which were characterized by general inflation and a 16-month recession extending from November 1973 to March 1975. However, an important underlying cause of the 1972-1977 dairy crisis was that the dairy sector had not adjusted to a doubling of its feed costs.

The current dairy crisis was also precipitated by higher feed costs, but initially these were largely offset by a nearly concurrent dairy-price-enhancing-surge of dairy product exports. The cost of dairy feed doubled from a relatively stable average of about \$4.00 per cwt from early 1998 to summer 2006, to over \$8.00 per cwt by spring 2008. The sharply higher feed costs were not trade-induced as in the 1970s, but occurred at least partially because of policies that mandated higher ethanol use, along with higher oil prices that also encouraged more use of ethanol and strong grain exports encouraged by a weak U.S. dollar.

1 The milk-feed-price ratio is published by NASS, and is defined as the number of pounds of a 16-percent protein mixed dairy feed equal in value to the value of 1 pound of whole milk. The price of commercial prepared dairy feed is based on current U.S. prices received for corn, soybeans, and alfalfa hay. The modeled feed uses 51 percent corn, 8 percent soybeans, and 41 percent alfalfa hay. For simplicity, it is calculated as the value of 100 pounds of milk (all milk price) divided by the value of 100 pounds of the mixed ration.

2 Prior to 1984, NASS used a survey to determine the price paid by farmers for 16-percent protein mixed dairy feed. That series was discontinued in the mid-1980's and replaced by the current formula that uses the prices of corn, soybeans, and alfalfa hay. The author recalculated the milk-feed-price ratio for months prior to January 1984 from data provided by the University of Wisconsin website that estimates the price of a 16-percent protein mixed dairy feed ration <http://future.aae.wisc.edu/tab/costs.html#16> using the current NASS method to develop to long-term consistent price series for the milk-feed-price ratio. The recalculated series indicates that the milk-feed-price ratio in May and June of 2009 was the lowest since August 1974, while the unadjusted series as reported by NASS indicated that the milk-feed-price ratio in May and June of 2009 was the lowest since December 1983.

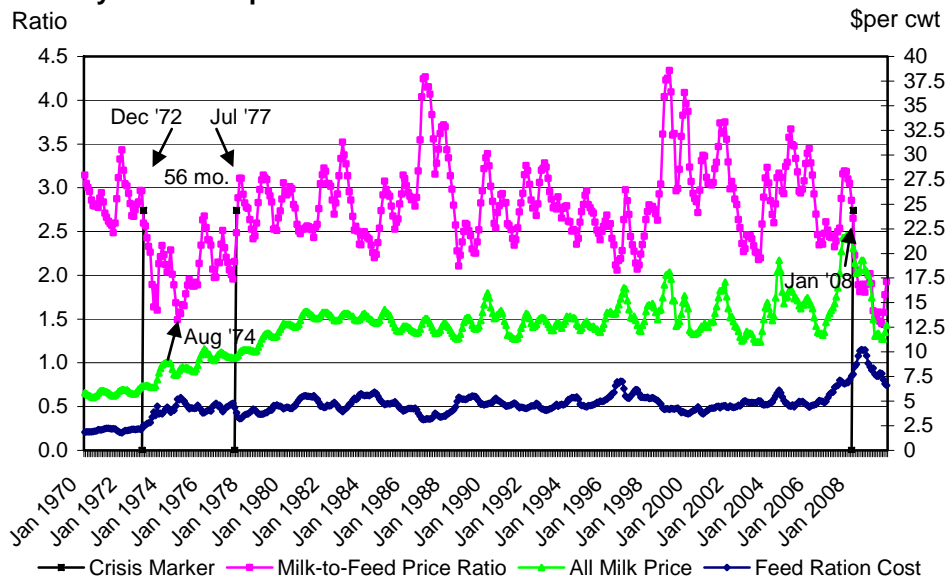
Increases in feed prices that began in the fall of 2006 were followed by proportionately greater increases in the all milk price, as U.S dairy products surged onto world markets in 2007 that were growing as a result of strong world economic growth, a favorable U.S. exchange rate, and reduced supplies among major U.S. dairy competitors in Oceania (Livestock, Dairy, and Poultry Outlook. June 17, Special Section: Dairy Trade, at <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1350>).

The major difference between the current dairy crisis and the 1972-1977 crisis is that this year's collapse in the all milk price was brought about partially by the collapse in world demand and partly by decreased domestic demand as a result of the U.S. recession. While feed prices have also declined from their high in early 2009, they have not fallen in proportion to the decline in the all milk price. USDA forecasts that feed prices are likely to remain significantly higher next year and into the foreseeable future than they were in the 8 years preceding the beginning of the increase in grain prices in fall 2006 (<http://www.usda.gov/oce/commodity/>). Thus, in response to the current crisis, dairy producers must not only adapt to higher feed prices but also to international demand, which is unlikely to return to the 2007 level in the near future because of slower global economic growth and a resumption of more-normal dairy production in Oceania.

While milk prices are forecast to increase and feed prices are expected to remain low relative to early-2009 levels for the remainder of this year and through at least 2010, the MFP ratio is unlikely to exceed 2.74 before the end of 2010, based on October WASDE forecasts. The MFP ratio would therefore remain below its long-term average for at least an additional 15 months. Added to the 21 months from January 2008 through September 2009 in which it has already been below its long-term average, that would place it at least 36 months below its long-term average, making this crisis a close second as the worst dairy crisis in more than 40 years. The August 2009 ERS Farm Income release projects average net dairy farm income down 94 percent in 2009, to \$9,200 from \$152,000 in 2008 (<http://www.ers.usda.gov/Briefing/FarmIncome/Gallery/businessincome.htm>).

In recognition of the continued severity of the present crisis, ameliorative actions have been taken by USDA and the U.S. Congress, and separately by the dairy industry. On July 31, the Secretary of Agriculture announced a 3-month increase in the purchase price of nonfat dry milk from \$0.80 per pound to 0.92 per pound; block cheese from \$1.13 per pound to \$1.31 per pound; and barrel cheese from \$1.10 per pound to \$1.28 per pound. During FY 2009, USDA has purchased 277 million pounds of nonfat dry milk and 4.6 million pounds of butter under the Dairy Product Price Support Program. USDA has also made over \$700 million in direct payments to dairy producers in FY 2009 under the Milk Income Loss Contract Program. On August 5, the U.S. Senate passed the Fiscal 2010 Agricultural Appropriations bill, with an amendment allocating \$350 million to USDA to help alleviate the current crisis, of which \$60 million will be used to buy cheese and the remainder to provide direct payments to farmers. Separately, on October 1, the private Cooperatives Working Together (CWT) announced its third 2009 herd retirement. Two retirements in the second half of 2008 and two in 2009 have already removed 250,000 cows accounting for 4.9 billion pounds of milk (<http://www.cwt.coop/>)—equivalent to roughly 2.5 percent of 2008 milk production.

Milk-to-feed price ratio, all-milk price and cost of 16% feed ration, January 1970 to September 2009



Source: USDA, NASS, *Agricultural Prices*.

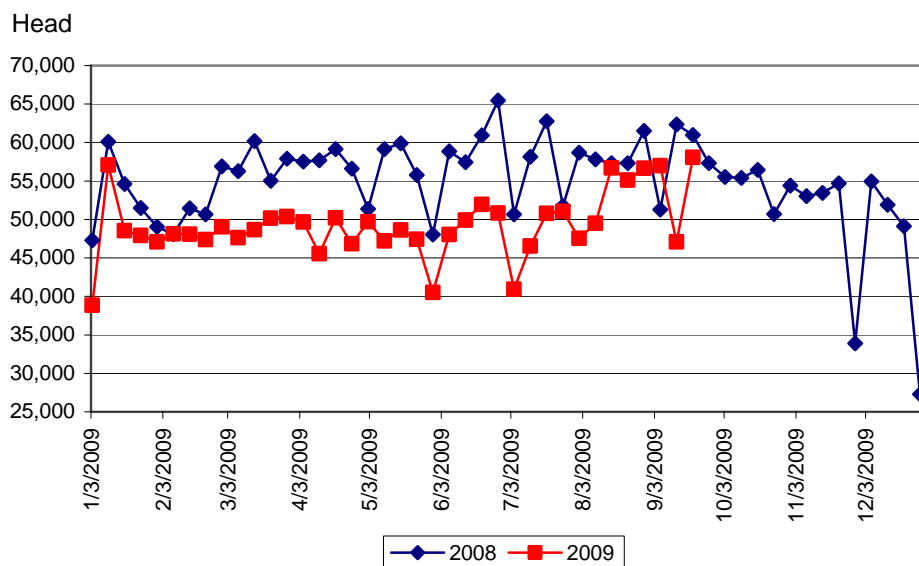
Pork/Hogs

U.S. Breeding Inventory Declines

On September 25th, USDA released the *Quarterly Hogs and Pigs* report showing that the September 1 inventory of breeding animals had declined more than 3 percent below the inventory of a year earlier. This decrease was the steepest September drop since the 8.4 percent year-over-year decline registered for September 1, 1999. Producers at that time were responding to negative returns that began in late 1997. The current lower breeding inventories are likely producers' response to persistently negative returns that began late in 2007.

Although sow slaughter—an important means of breeding herd reduction—has accelerated recently, there has not yet been a single week in 2009 where net U.S. sow slaughter has exceeded year-ago levels. Net sow slaughter is calculated by subtracting weekly U.S. imports of sows for slaughter, from weekly actual federally inspected sow slaughter.

Weekly net U.S. sow slaughter: U.S. sow slaughter - U.S. imports of Canadian sows/boars for slaughter



Source: Weekly actual federally inspected sow slaughter:

<http://www.ams.usda.gov/AMSV1.0/ams.fetchTemplateData.do?template=TemplateN&navID=MarketNewsAndTransportationData&leftNav=MarketNewsAndTransportationData&page=MissouriAllReports>

U.S. imports of slaughter sows/boars:

<http://www.ams.usda.gov/AMSV1.0/ams.fetchTemplateData.do?template=TemplateN&navID=MarketNewsAndTransportationData&leftNav=MarketNewsAndTransportationData&page=Washington,DCAllReports>

Despite hog producers' willingness to reduce sow numbers, it could be that slaughter demand for sows is limited by seasonal product (i.e., sausage) demand, and marketing considerations for branded sausage products. In fact, there is some anecdotal evidence to suggest that sow slaughter plants are "booked" for weeks into the future.

Two implications in particular arise from a situation where supply of sows for slaughter exceeds demand by sow processors: First, the "excess supply of sows" situation in which the U.S. pork industry currently finds itself will likely slow down the rate of the breeding herd contraction necessary to return hog producers to profitability. Second, the rate of gilt retention becomes relatively more important as a means of reducing breeding inventories than it might be under circumstances where sow packers significantly increase weekly kill numbers. However data on gilt slaughter is largely proprietary, making robust estimates of gilt retention difficult to achieve.

September 1 hog inventories and expectations of reduced farrowings suggest a 2010 commercial pork production of 22.4 billion pounds, almost 3 percent below 2009. Prices of 51-52 percent live equivalent lean hogs are expected to be \$39.69 per cwt for 2009. For the fourth quarter of 2009, prices are expected to average \$34-\$36 per cwt.

Exports Lower in August

August pork exports came in at 308 million pounds, more than 18 percent below a year ago. Shipments to all major foreign markets were year-over-year lower, with the continued exception of Mexico, whose imports of U.S. pork products were almost 39 percent higher than August 2008. Shipments to some smaller foreign markets were also higher, including to Australia, where they were more than double those of August 2008. Exports to the Caribbean region, as well as to South and Central America were also year-over-year higher. While shipments to China were 26 percent ahead of a year ago, they were partially offset by 33 percent lower exports to Hong Kong.

August pork imports, at about 68 million pounds, were almost 8 percent above a year ago. Most of the increase came from Canadian imports; those from Denmark were about 3 percent lower than August 2008. U.S. imports of live swine were almost 443,000 head, more than 37 percent lower than a year ago, as all categories of imported hogs and pigs were lower across the board.

Broiler Meat Production Down 2 Percent in August

Broiler meat production in August was 3.0 billion pounds, down 2.4 percent from the previous year. The decrease was due to a smaller number of birds slaughtered, (726 million, also down 2.4 percent). The total liveweight of broilers at slaughter was down 2.6 percent as the average live weight at slaughter was 5.56 pounds, down fractionally from the previous year.

Broiler meat production in July and August was slightly higher than expected, but even so, third-quarter 2009 broiler meat production is expected to total 9.15 billion pounds, down 3.2 percent from third-quarter 2008. A decrease in production in third-quarter 2009 compared with third-quarter 2008 would make four consecutive quarters of declining production on a year-over-year basis.

Broiler meat production in fourth-quarter 2009 is expected to total 8.95 billion pounds, up 1 percent from the previous year. Average live weights in the fourth quarter are expected to continue slightly lower than the previous year. Average weights at slaughter have been lower than the previous year in each of the first 8 months this year. However, the slight decline in average weights is expected to be offset by an increase in the number of birds slaughtered, especially later in the fourth quarter.

Broiler meat production for 2010 is forecast at 36.15 billion pounds, an increase of 1.5 percent from 2009, but still 2 percent lower than in 2008. Broiler integrators are expected to face overall feed prices in 2010 that are slightly lower than in 2009. Prices for corn are expected to be down slightly, with lower prices mostly in the first half of the year, and soybean meal is forecast to have a relatively strong decline in price in 2010 from 2009. Broiler integrators are expected to gradually expand production in 2010, but the pace of the expansion will depend on the impact of lower grain prices, combined with any gains in domestic and foreign demand. Any strong improvements in overall economic conditions and consumer confidence are expected to translate into stronger broiler sales, especially in the food service sector, leading to more rapid production expansion by the end of 2010.

Over the last 5 weeks (September 5 to October 3, 2009), the number of chicks placed for growout has been down 2.1 percent from the same period in 2008. Over the last several months, the number of chicks placed for growout has been slowly moving closer to the numbers placed for growout in 2008. This trend is expected to continue and to eventually change over to positive growth during the fourth quarter. It was in the middle-to-end of fourth-quarter 2008 that chick placements turned sharply lower. With an average 7-week growout time, chicks placed through the beginning of November will be expected to be slaughtered in fourth-quarter 2009.

Relatively strong exports in June and July led to third-quarter 2009 broiler meat ending stocks estimates being revised downward to 635 million pounds from the earlier estimate of 675 million pounds. At the end of August, cold storage holdings of broiler meat products totaled 622 million pounds, down 14 percent from a year earlier.

Ending stocks were lower for most chicken cuts, with large drops in stocks for leg quarters (down 37 percent), breast meat (down 11 percent), drumsticks (down 46 percent), and whole chickens (down 36 percent). In examining cold storage holdings, it is important to note that the undifferentiated products in the "Other" category account for over half of all stocks. At the end of August other stocks totaled 360 million pounds, down 8 percent from the previous year. Somewhat surprising was the increase in stocks of wings. Several food service companies have introduced advertising campaigns specifically promoting their wing products. Their purchase of broiler wings to support these advertising campaigns helps to explain the strength in wholesale wing prices over the last several months.

Broiler meat production and stock levels are lower, yet unsettled economic conditions and high unemployment rates have forced spending cutbacks for a large portion of the population, which has in turn placed downward pressure on many broiler product prices. In the Northeast market, the September average wholesale price for boneless/skinless breast meat was \$1.21 per pound, down 27 cents per pound from its peak price in May, but actually up 5 percent from a year earlier. Prices have also declined for a number of other broiler products. Prices for leg quarters reached 51 cents per pound in June, but had fallen to 40 cents per pound by September. The decline was similar for boneless/skinless broiler thighs, falling from a peak price of \$1.24 per pound in June to \$1.08 per pound in September.

Broiler Exports Down 11 Percent in August

Broiler exports in August totaled 577 million pounds, down 11 percent from a year earlier. This is up only slightly from the level of exports in June (562 million pounds) and is not surprising, given the decline in leg quarter prices. Over the first 8 months of 2009, broiler exports have totaled 4.55 billion pounds, down less than 1 percent from the same period in 2008. Exports over the remainder of 2009 are expected to be down considerably from the previous year, with the total for 2009 forecast at 6.6 billion pounds, 5 percent below 2008. Strong growth in broiler exports to Mexico and a number of smaller markets such as Lithuania, Iraq, and Guatemala have helped to balance out lower exports to Russia, the Ukraine, and China. With lower domestic prices for most broiler products, the unit value of broiler exports has also declined. Over the first 8 months of 2009, the value of broiler exports was down 4 percent from the same period in 2008, to \$2.2 billion.

Turkey Meat Production and Whole Bird Prices Continue Lower

Turkey meat production over the first 8 months of 2009 has totaled 3.8 billion pounds, down 9.5 percent from the same period in 2008. Even with this strong decrease in turkey meat production, whole turkey prices have been lower than the previous year throughout first 9 months of 2009. The price for whole hen turkeys (8-16 lbs in the Eastern market) averaged 81.4 cents per pound in third-quarter 2009, 15 cents less than the previous year (down 16 percent). The decrease in whole bird prices has come about even as the amount of whole birds in cold storage has been moving much closer to year-earlier levels. The wholesale price for Eastern market whole hens in fourth-quarter 2009 is expected to average 81 to 85 cents per pound, down from 87 cents per pound a year earlier. While the prices for most turkey parts have been lower than the previous year, prices for turkey wings have been just the opposite.

In August, prices for full-cut wings were 54 cents per pound, up 27 percent from a year earlier. Thus for broilers and turkeys, wing products have been about the only parts with higher prices than the previous year.

Turkey meat production in August was 463 million pounds, down 8.7 percent from a year earlier. The number of turkeys slaughtered was down 9.5 percent to 20.5 million, and the average live weight at slaughter was 28.2 pounds, up marginally from a year earlier. The production estimate for fourth-quarter 2009 is 1.5 billion pounds, down 5.2 percent from fourth-quarter 2008.

At the end of August, cold storage holdings of turkey products totaled 643 million pounds, only 2.1 percent higher than the previous year. The increase was due to a 16-percent increase in holdings of whole turkeys. On a year-over-year basis, the weight of whole turkeys in cold storage has been higher than a year earlier during the first 8 months of 2009. However, the gap between whole bird cold storage holdings in 2009 and a year earlier has narrowed considerably as the year has progressed. At the beginning of 2009, whole bird stocks were 98 percent higher than the previous year. Stocks of turkey parts at the end of August were 272 million pounds, down 12 percent from the end of August 2008. Third-quarter ending stocks are expected to total 635 million pounds. The estimate for fourth-quarter 2009 ending stocks is 375 million pounds, down about 5 percent from the previous year. This reduction in stocks is expected to come from continued lower turkey production.

Turkey Exports Continue Lower in August

Turkey exports in August were 55 million pounds, up 7 million pounds from July, but still down 14 percent from a year earlier. Turkey exports have totaled 341 million pounds during the first 8 months of 2009, down 21 percent from the same period in 2008. Exports have been lower to almost all markets, with shipments to Mexico and China, the two largest markets, both down 24 percent over the first 8 months of 2009 compared with the same period in 2008. However shipments to China in August were up somewhat from a year earlier and shipments to Hong Kong have been up 4 percent so far this year. There has also been some growth in shipments to Caribbean markets, with exports to Cuba and Jamaica both having double digit growth so far in 2009. Unlike broiler shipments, the unit value of turkey exports has increased slightly so far in 2009. The total value of turkey exports has totaled \$251 million, down 18 percent from the previous year.

Shell Egg Production Higher, Hatching Eggs Down

In August, table egg production was 543 million dozen, up 1.2 percent from the previous year. The gain in production was due to higher productivity, as the number of birds in the shell egg flock was 277 million, down slightly from a year earlier. Over the first 8 months of 2009, table egg production totaled 4.3 billion dozen, which is up almost 1 percent from the same period in 2008. This trend of higher production is expected to continue through the remainder of the third quarter and into the fourth quarter. The number of eggs from egg-type birds laid for hatching has been strongly higher than the previous year. Over the first 8 months of 2009, production of egg-type hatching eggs has totaled 572 million dozen, 7.5 percent higher than during the same period in 2008.

In August, wholesale prices for a dozen large eggs in the New York market averaged \$0.97, down 19 percent from a year earlier. In September, weekly prices were relatively steady at about the same level as in August. The average price for third-quarter 2009 was approximately \$0.95 per dozen, down 17 percent from third-quarter 2008. Prices in fourth-quarter 2009 are expected to increase only slightly and average \$0.96 to \$1.00 per dozen as the normal seasonal strengthening in egg prices is dampened by the unsettled economic conditions.

Total egg exports during the first half of 2009 were down somewhat from the previous year, but shipments are expected to be higher in third-quarter and fourth-quarter 2009 than in 2008. Shipments in August were 22 million dozen, up slightly from the previous month and about 30 percent higher than in August 2008. The growth in shipments relative to the previous year is likely due to lower wholesale egg prices in July and August 2009, 13 to 18 percent lower than the previous year. Most of the gains in exports in August have been concentrated in three of the four largest markets (Canada, Mexico, and Hong Kong). These gains more than offset a large (down 45 percent) decline in shipments to Japan.

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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/>
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Hogs, <http://www.ers.usda.gov/briefing/hogs/>
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U.S. red meat and poultry forecasts

	2004		2006				2007 1/					2008					2009					2010						
	Annual	Annual	I	II	III	IV	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	6,372	6,899	6,908	6,382	26,561	6,248	6,602	6,685	9,270	25,805	6,660	6,570	6,550	25,700		
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	6,024	5,593	5,632	6,098	23,347	5,811	5,488	5,700	6,010	23,009	5,685	5,340	5,440	22,435		
Lamb and mutton	195	187	49	47	42	47	185	49	44	42	48	183	46	43	42	43	174	42	42	42	42	168	42	40	40	163		
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	9,145	9,439	9,457	8,865	36,906	8,574	8,937	9,150	8,950	35,611	8,700	9,050	9,250	36,150		
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	1,536	1,560	1,568	1,582	6,246	1,385	1,420	1,430	1,500	5,735	1,395	1,440	1,460	5,825		
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	23,292	23,717	23,791	23,137	93,937	22,213	22,652	23,174	22,936	90,975	22,040	22,592	22,898	90,605		
Table eggs, mil. doz.	6,365	6,413	1,617	1,632	1,632	1,656	6,522	1,598	1,593	1,602	1,642	6,435	1,587	1,577	1,599	1,640	6,403	1,594	1,600	1,610	1,645	6,449	1,600	1,610	1,625	6,510		
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	15.1	62.8	15.3	15.7	15.7	14.8	61.5	14.6	15.7	15.3	60.1		
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	11.6	12.0	13.3	49.5	12.5	12.0	12.5	12.6	49.7	12.1	11.2	11.5	47.1		
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	0.2	0.2	0.2	1.0	0.3	0.2	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	21.3	21.4	21.1	19.7	83.5	19.3	20.1	20.9	20.2	80.5	19.7	20.6	21.0	20.5		
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	5.3	17.6	3.7	3.9	4.0	5.2	16.8	3.7	4.0	4.0	16.9		
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	54.1	54.2	53.8	54.0	216.1	51.5	52.4	53.8	53.4	211.1	50.8	52.0	52.4	208.5		
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	63.8	248.9	62.0	61.4	61.5	62.8	247.7	61.5	61.4	61.7	248.1		
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	88.22	92.27	80.98	84.53	82.78	83.87	83.32	83.89	87.95	89.97	87.94		
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	94.62	102.98	92.83	98.63	99.40	99.103	97.97	97.103	98.106	102.108	100.108		
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	46.70	54.92	46.42	49.46	48.50	50.51	48.35	48.52	49.53	51.57	50.54		
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	88.95	85.91	90.14	91.44	88.50	89.93	90.27	90.96	88.93	88.93	90.94		
Barrows & gilts, N. base, l.e. \$/cwt	52.51	50.05	42.63	48.45	51.83	46.13	47.26	46.04	52.55	50.33	39.43	47.09	39.64	52.51	57.27	41.92	47.84	42.11	42.74	38.90	34.36	39.69	39.41	43.47	43.46			
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	79.40	79.70	79.70	81.90	76.80	73.75	78.10	75.81	77.83	79.85	77.83		
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	77.40	88.90	96.50	87.30	87.50	73.80	79.10	81.40	81.85	79.30	71.77	77.83	82.88	77.83		
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	122.60	128.30	109.70	89.70	94.80	96.100	98.10	101.109	97.105	96.104	99.107		
U.S. trade, million lb																												
Beef & veal exports	460	697	215	315	307	308	1,145	269	363	424	375	1,431	360	471	609	448	1,888	384	471	450	425	1,730	405	485	485	1,845		
Beef & veal imports	3,679	3,599	843	790	730	722	3,085	770	884	774	624	3,052	637	661	584	655	2,537	704	751	665	645	2,765	690	760	735	2,875		
Lamb and mutton imports	181	180	53	44	41	52	190	56	44	44	59	202	52	48	38	47	185	51	46	38	46	181	54	45	189			
Pork exports	2,181	2,666	767	763	654	811	2,995	792	685	703	959	3,138	1,106	1,387	1,126	1,049	4,668	1,033	952	1,000	1,175	4,160	1,050	1,100	4,450			
Pork imports	1,099	1,024	259	237	239	254	989	239	256	240	232	968	217	205	191	218	831	205	196	200	220	821	215	205	210	860		
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	1,912	1,756	6,962	1,753	1,655	1,600	1,600	6,608	1,550	1,550	1,575	6,300		
Turkey exports	442	570	119	125	152	150	547	124	135	148	146	553	148	160	186	182	676	117	122	135	145	519	120	125	145	545		
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	2,201	2,083	9,348	1,761	1,614	1,600	1,500	6,475	1,400	1,400	1,400	5,600		

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

	2008			2009					2010			
	III	IV	Annual	I	II	III	IV	Annual	I	II	III	Annual
Milk cows (thous.)	9,330	9,330	9,315	9,295	9,259	9,165	9,050	9,192	8,980	8,965	8,945	8,950
Milk per cow (pounds)	5,025	5,008	20,396	5,096	5,277	5,100	5,080	20,553	5,195	5,380	5,180	20,920
Milk production (bil. pounds)	46.9	46.7	190.0	47.4	48.9	46.7	46.0	188.9	46.7	48.2	46.3	187.2
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	46.6	46.4	188.8	47.1	48.6	46.4	45.7	187.8	46.4	47.9	46.0	186.1
Milkfat (bil. pounds milk equiv.)												
Milk marketings	46.6	46.4	188.8	47.1	48.6	46.4	45.7	187.8	46.4	47.9	46.0	186.1
Beginning commercial stocks	13.6	11.5	10.4	10.0	12.5	14.3	13.3	10.0	10.4	11.8	12.8	10.4
Imports	0.7	1.5	3.9	0.9	1.0	1.1	1.4	4.5	1.0	1.0	1.0	4.2
Total supply	60.9	59.5	203.1	58.1	62.1	61.9	60.3	202.3	57.7	60.7	59.8	200.7
Commercial exports	2.4	1.5	8.7	1.0	1.1	0.9	1.0	4.0	1.0	1.1	1.1	4.3
Ending commercial stocks	11.5	10.0	10.0	12.5	14.3	13.3	10.4	10.4	11.8	12.8	11.0	8.7
Net removals	0.0	0.0	0.0	0.1	-0.1	0.1	0.6	0.7	0.2	0.1	0.0	0.3
Commercial use	47.0	47.9	184.3	44.4	46.8	47.7	48.4	187.3	44.7	46.8	47.7	187.4
Skim solids (bil. pounds milk equiv.)												
Milk marketings	46.6	46.4	188.8	47.1	48.6	46.4	45.7	187.8	46.4	47.9	46.0	186.1
Beginning commercial stocks	10.8	10.4	9.9	10.9	11.2	12.2	11.0	10.9	10.7	10.4	11.2	10.7
Imports	0.8	1.2	3.7	0.9	0.9	1.0	1.3	4.1	1.0	1.0	0.9	4.0
Total supply	58.1	58.0	202.5	58.8	60.7	59.6	58.0	202.7	58.0	59.3	58.2	200.8
Commercial exports	6.9	5.5	26.6	5.1	5.7	5.1	5.5	21.5	5.8	5.8	5.9	23.6
Ending commercial stocks	10.4	10.9	10.9	11.2	12.2	11.0	10.7	10.7	10.4	11.2	9.7	9.0
Net removals	0.0	1.3	1.3	1.1	0.8	0.7	0.3	2.9	0.0	-0.3	-0.3	-0.7
Commercial use	40.8	40.4	163.7	41.4	42.0	42.8	41.5	167.6	41.8	42.6	42.9	168.9
Milk prices (dol./cwt) 1/												
All milk	18.63	16.80	18.29	12.23	11.60	12.00	13.65	12.35	13.70	14.10	14.95	14.70
							-14.05	-12.45	-14.40	-15.10	-15.95	-15.60
Class III	17.28	15.95	17.44	10.18	10.20	11.09	12.46	11.00	12.58	13.28	14.51	13.85
							-12.86	-11.10	-13.28	-14.28	-15.51	-14.75
Class IV	16.23	12.07	14.65	9.56	10.06	10.58	11.42	10.35	11.31	11.94	12.39	12.00
							-11.92	-10.55	-12.11	-13.04	-13.49	-13.00
Product prices (dol./pound) 2/												
Cheddar cheese	1.869	1.804	1.895	1.236	1.193	1.249	1.380	1.265	1.388	1.457	1.580	1.515
							-1.420	-1.275	-1.458	-1.557	-1.680	-1.605
Dry whey	0.243	0.186	0.250	0.164	0.232	0.294	0.300	0.245	0.295	0.295	0.295	0.300
							-0.320	-0.255	-0.325	-0.325	-0.325	0.330
Butter	1.575	1.527	1.436	1.097	1.197	1.194	1.202	1.165	1.277	1.385	1.472	1.400
							-1.272	-1.195	-1.377	-1.515	-1.602	-1.520
Nonfat dry milk	1.334	0.904	1.226	0.823	0.833	0.892	0.980	0.875	0.930	0.955	0.965	0.955
							-1.020	-0.895	-0.990	-1.025	-1.035	-1.025

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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