



# Livestock, Dairy, and Poultry Outlook

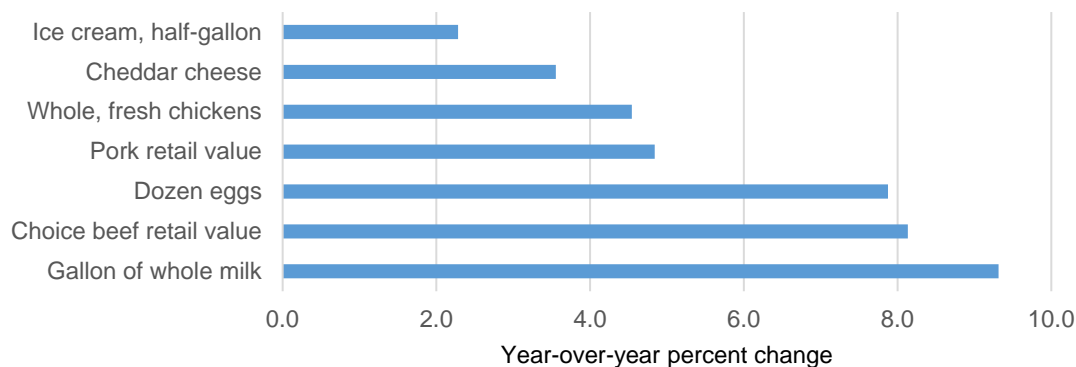
## Retail Prices for Animal Products Generally Higher in 2020 Than 2019

The U.S. Department of Labor’s Bureau of Labor Statistics (BLS) collects retail price data and calculates consumer price indices, or CPIs. CPIs are used to measure both inflation in general and groups of consumer purchases. The average values of all CPIs between 1982-1984 equaled 100; the more a current CPI exceeds 100, the higher the inflation for that category since the early 1980s. The overall CPI was 255.7 in 2019, and in 2020 it was 258.8, a 1.2-percent increase. The CPI for food was 258.3 in 2019 and 267.2 in 2020, a 3.4-percent increase. Note that the 2019 and 2020 food CPIs are each higher than the overall CPI for both years. Food-price inflation since the early 1980s has been higher than the overall inflation rate.

The Bureau of Labor Statistics also publishes national average prices for a number of foods, including ice cream, a gallon of whole milk, cheddar cheese, whole chickens, eggs, and an array of beef and pork cuts. The USDA’s Economic Research Service uses BLS beef- and pork-cut prices to create composite values for retail Choice beef and retail pork. The price growth for all seven of these products exceeded the overall inflation rate.

Dairy had the two lowest price increases, 2.3 percent for ice cream and 3.6 percent for cheddar cheese, and the highest price increase, 9.3 percent for a gallon of whole milk. Whole-chicken prices increased by 4.5 percent and pork by 4.8 percent. Eggs and beef had price increases of 7.9 and 8.1 percent.

### Percent changes between 2019 and 2020 of selected animal product retail prices



Source: USDA, Economic Research Service calculations based on data from Department of Labor, Bureau of Labor Statistics.

**Beef/Cattle:** The first-quarter beef production forecast was lowered from last month on slaughter disruptions caused by weather events that gripped the Plains in mid-February. However, a shift in fed cattle slaughter from the first quarter and into the second, along with higher expected cow slaughter in the first half, more than offset that decline. As a result, the 2021 beef production forecast was raised to 27.6 billion pounds. Because of the weather disruption to packing facilities in February, fed cattle prices lacked support from the cutout and remain unchanged from last month. January beef imports totaled 224 million pounds, down 8.1 percent from a year ago on the lowest shipments from Australia since 2005. The 2021 annual beef import forecast was revised down due to anticipated low shipments from Australia and New Zealand and greater beef demand competition from Asia. Beef exports in January totaled 246 million pounds, up less than 1 million pounds year over year, reflecting robust exports to China. The first-quarter forecast for beef exports was unchanged from last month at 750 million pounds.

**Dairy:** The all-milk price forecast for 2021 has been raised to \$17.75 per hundredweight, \$0.60 higher than last month's forecast. The milk production forecast is reduced, as lower expected milk per cow more than offsets higher expected milk cow numbers. Forecasts for domestic use have been raised on both the milk-fat and skim-solids milk-equivalent bases. The forecast for 2021 exports on a milk-fat basis has been raised due to higher expected butter exports. The forecast for exports on a skim-solids basis has been reduced as lower expected lactose exports more than offset higher expected exports of dry skim milk products.

**Pork/Hogs:** Sustained robust domestic demand for hams and belly primals drove strong February wholesale pork prices, which in turn supported February hog prices at \$53.93 per hundredweight (cwt), almost 33 percent higher than a year earlier. Hog prices are expected to average \$55.75 per cwt in 2021, more than 29 percent higher than in 2020. January pork exports fell almost 9 percent below year-earlier shipments, largely on reduced China\Hong Kong demand for imported pork.

**Poultry/Eggs:** The first-half broiler production forecast was lowered, in part on production disruptions caused by a winter storm in Southern States. The broiler export forecast was decreased on expectations for lower demand from China and uncertainty in other key markets. The second-quarter broiler price forecast was increased on recent price movements and expectations for improving demand. The first-half wholesale egg price forecast was increased on higher-than-expected prices as well as expectations for prices to remain firm. The second-quarter table egg production forecast was increased based on near-term expectations for the layer flock and lay rate. The first-half egg export forecast was increased on expectations for continued strong demand. Turkey production was adjusted down on low production and placement numbers in January. Reflecting the lower production expectations, the turkey export forecast was revised down and the turkey price forecast for 2021 was adjusted up to 111.5 cents per pound.

# Beef/Cattle

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Russell Knight and Christopher Davis

## Higher Cow Slaughter and Shift in Fed Cattle Slaughter

The severe winter event in mid-February that dipped as far south as Texas disrupted packing plant operations, further-processing facilities, and delivery of cattle to plants. As a result, there was a drop in weekly cattle slaughter, as shown in the chart below. Based on the USDA, Agricultural Marketing Service (AMS) report of *Actual Slaughter Under Federal Inspection* for the weeks ending February 13 and 20, cattle slaughter dropped by over 2 percent and 12 percent, respectively, below the same weeks a year ago. The week of February 20 was the lowest weekly total of federally-inspected cattle slaughter for a non-holiday week since the week of May 16, 2020. However, the packing industry responded with 2 weeks of the largest slaughter volumes since the first week of December 2020.

Because of the weather disruption, there is a temporal shift of expected steer and heifer marketings out of the first quarter to be marketed in the second quarter. In addition, there is greater expected cow slaughter in the first half of the year, which raised first-half beef production from last month.

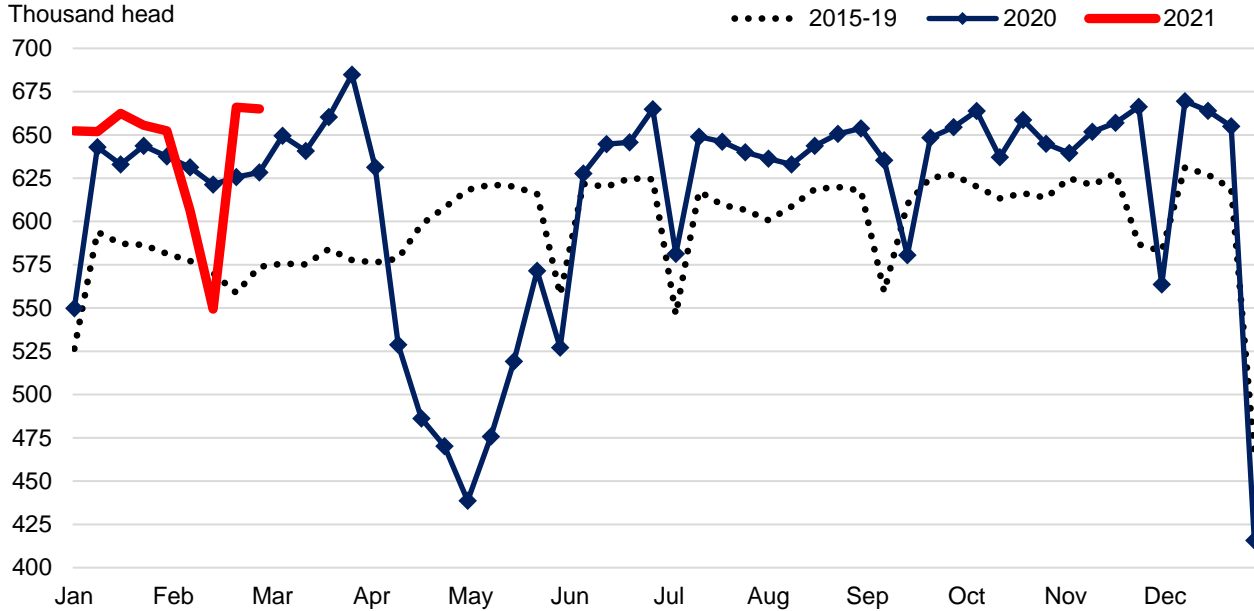
In addition to the impact from the winter storm, most cattle sale barns in the Plains were closed during the third week of February, lowering expectations for placements of cattle in feedlots during the month. However, the expectation that relatively high wheat prices may discourage the grazing-out of small grains pastures and move more cattle into feedlots sooner than previously expected is anticipated to shift placements from the second quarter to the first quarter. As a result, some fed cattle marketings are expected to shift from the fourth quarter to the third quarter. This resulted in no-change to total second-half 2021 beef production forecast.

Carcass weights are beginning typical lower seasonal movements as the pace of fed cattle marketings picks up, but the winter storm likely advanced the trend at a slightly faster rate. However, expected weights in first-quarter 2021 are unchanged from last month as adjustments were made at that time with the effects of the storm implied.

As a result of the increase in expected slaughter in the first half of the year, the forecast for 2021 beef production is up 40 million pounds from last month to 27.6 billion pounds.

## Weekly federally-inspected total cattle slaughter

Thousand head



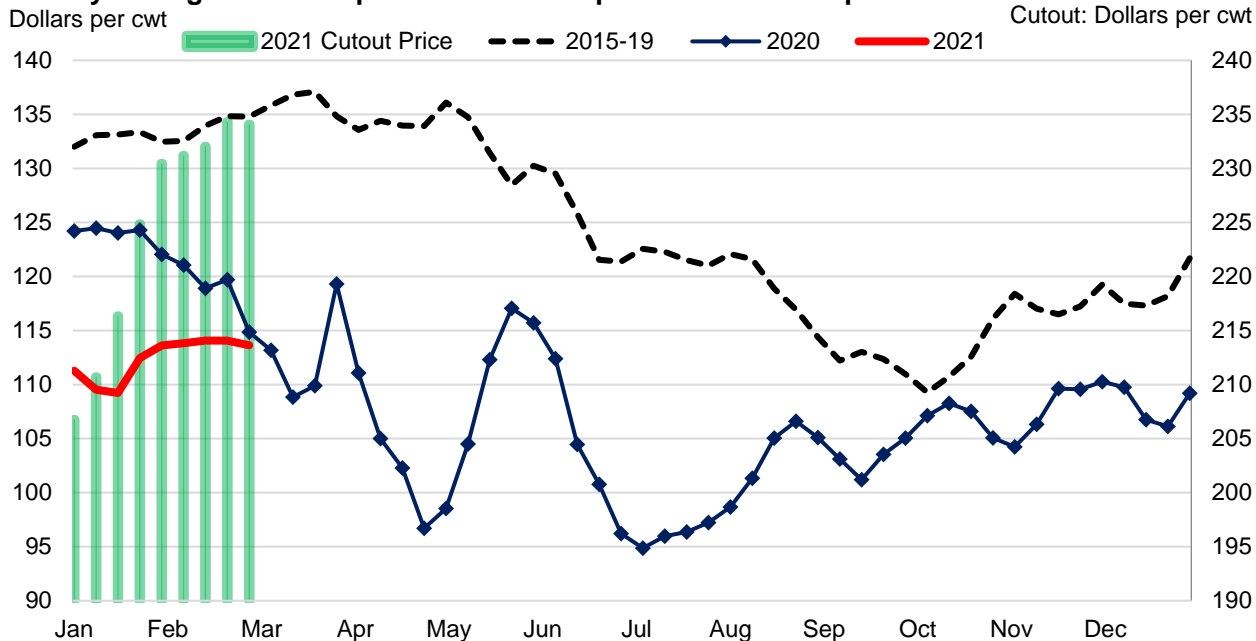
Note: Includes actual and estimated weekly federally-inspected slaughter data.

Source: USDA, Economic Research Service calculations using USDA, National Agricultural Statistics Service data.

## Cattle Prices Largely Unchanged Despite Gains in Cutout

As depicted in the chart below, live steer prices in the 5-area marketing region are nearly flat since the first week of February, hovering around \$114 per hundredweight (cwt), despite a strong rally in the comprehensive cutout to near-record levels for the month of February. An abundant supply of fed cattle on feed over 150 days on February 1 that is greater than the same time last year, along with the inability to process a portion of those cattle due to the winter storm system in February, likely did not support higher prices in line with typical seasonal patterns. The 2021 live steer price forecast is unchanged from last month at \$115 per cwt.

## Weekly average live steer price and the comprehensive cutout price



Note: cwt = hundredweight.

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

Feeder steer prices for February 2021 averaged \$131.82 per cwt for steers weighing 750-800 pounds sold in the Oklahoma City National Stockyards, just over \$6 above a year ago. However, prices for the first 2 weeks of March are almost \$8 above the same month last year, and the first-quarter 2021 forecast is raised \$1 to \$133 per cwt. The feeder steer price forecasts for the rest of 2021 remain unchanged from last month.

## Cattle Import and Export

The U.S. import cattle forecast is lowered by 100,000 head to 2.0 million head in 2021, largely due to the expected impacts of bovine tuberculosis restrictions that will be placed on live cattle originating from or transiting through certain areas of Mexico effective April 17, 2021. *USDA's* Animal and Plant Health Inspection Service downgraded 11 regions across Mexico and reclassified them as nonaccredited for live cattle export to the United States. U.S. cattle exports are raised by 10,000 head to 335,000 head.

## January Imports Trend Downward on Low Shipments From Australia

According to the latest data from the U.S. Department of Commerce, Bureau of the Census, beef imports in January totaled 224 million pounds, down 8.1 percent (or 19.8 million pounds) compared to a year ago. The reduction was mostly driven by Australia's lowest shipment to the United States in January since 2005. Exportable beef supplies in Australia have become limited as more heifers and cows are held back for breeding and expanding the herd. Australia shipped 31 million pounds less beef year over year, falling from the top U.S. beef supplier in January 2020 to the fourth-largest in January 2021. The second-largest reduction of 8.9 million pounds came from Mexico, whose imports were at the lowest volume shipped to the United States in January since 2016. In addition, Nicaragua supplied

only 58 percent of the beef that it shipped to the United States a year earlier. Combined, these reductions produced the lowest January beef import total since 2014.

Stronger imports were recorded for a few countries. The greatest increase came from New Zealand, which supplied 13.1 million pounds more beef to the United States than a year ago. Although the increase in beef imports from Canada was modest, Canada accounted for about 29 percent of the U.S. total beef imports. The United States also imported more beef from Brazil, Uruguay, and Argentina year over year. However, the decreases in January beef imports from Australia and Mexico more than offset the increases in imports from other major suppliers.

The forecast for the first-quarter beef imports was lowered 10 million pounds to 690 million pounds from last month due to the tightening of beef supplies in Australia and greater beef-demand competition from Asia. Twenty million pounds were shaved off U.S. beef imports in the second, third, and fourth quarters to 780, 770, and 695 million pounds, respectively. The reason for these later reductions was similar to those in the first quarter, but with the addition of reduced beef shipments from New Zealand. The 2021 annual forecast for beef imports was revised from last month's total of 3.01 billion pounds to 2.94 billion pounds.

### U.S. year-over-year beef imports from major suppliers

	January 2020	January 2021	Difference in volume	Year-over-year change	Import Share January 2020	Import Share January 2021
	<b>- Million pounds-</b>			<b>--- Percent --</b>	<b>--- Percent --</b>	<b>--- Percent --</b>
<b>Canada</b>	61.7	65.4	3.6	6.0	25.2	29.2
<b>Australia</b>	66.1	35.1	-31.0	-46.9	27.1	15.6
<b>Mexico</b>	49.3	40.4	-8.9	-18.1	20.2	18.0
<b>New Zealand</b>	28.4	41.5	13.1	46.1	11.6	18.5
<b>Brazil</b>	7.4	15.7	8.3	112.2	3.0	7.0
<b>Nicaragua</b>	17.2	10.0	-7.2	-41.9	7.0	4.4
<b>Uruguay</b>	5.8	10.7	4.9	84.5	2.4	4.7
<b>Argentina</b>	1.6	3.4	1.8	112.5	1.0	1.5
<b>ROW</b>	7.6	2.2	-5.4	71.1	2.5	1.1
<b>Total Imports</b>	244.2	224.4	-19.8	-8.1	100.0	100.0

ROW = Rest of the World.

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

## Beef Exports Up in January on Robust Shipments to China

January beef exports were up less than 1 million pounds year over year at 246 million pounds. The rise in part reflects large shipments of U.S. beef to China, which were 19.9 million pounds more than the previous year. In January, China moved from the seventh-largest U.S. beef destination to the fifth-largest. The second-largest increase in beef volume came from South Korea, up 12.4 million pounds from a year ago. The U.S. beef exports to South Korea were the largest volume ever shipped in the month of January, making the country the top U.S. beef destination. Shipments to Canada were also up slightly in January, and Canada remains the fourth-largest U.S. beef destination.

In contrast, there were some reductions in beef shipments to major destinations. The more sizeable reductions were to Japan (-7.6 million pounds), which dropped to second place as an export destination, and Hong Kong (-7.2 million pounds). Less beef was also exported to Mexico than a year earlier. Mexico continues to be challenged with a weaker currency relative to the United States, making U.S. beef products relatively expensive for Mexican consumers. Shipments to Taiwan were down from

a year ago as well. However, increases in beef exports to China, South Korea, and other major destinations were larger and were able to offset the reductions in January 2021.

The first-quarter forecast for beef exports is unchanged from last month at 750 million pounds. The annual forecast for 2021 totals 3.145 billion pounds. Beef exports for 2021 are forecast to be just below the 2018 record level.

#### U.S. year-over-year beef exports to major destinations

	January 2020	January 2021	Difference in volume	Year-over- year change	Export Share January 2020	Export Share January 2021
<b>South Korea</b>	47.4	59.8	12.4	26.2	15.8	24.3
<b>Japan</b>	66.5	58.9	-7.6	-11.4	27.1	24.0
<b>Mexico</b>	38.6	32.1	-6.5	-16.8	19.3	13.0
<b>Canada</b>	24.2	26.2	2.0	8.3	9.9	10.6
<b>China</b>	2.6	22.5	19.9	765.4	1.1	9.2
<b>Taiwan</b>	16.3	12.0	-4.3	-26.4	6.6	4.9
<b>Hong Kong</b>	17.2	10.0	-7.2	-41.9	7.0	4.0
<b>ROW</b>	31.4	24.5	-6.9	22.0	13.2	10.0
<b>Total Exports</b>	245.1	246.0	0.9	0.4	100.0	100.0

ROW = Rest of the World.

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

# Dairy

Jerry Cessna and Angel Teran

## Recent Wholesale Dairy Product Prices

Price directions, as reported in the USDA *National Dairy Product Sales Report* (NDPSR), were mixed from the week ending February 6 to the week ending March 6. Prices of 40-pound blocks and 500-pound barrels of Cheddar cheese fell to \$1.6135 (-15.0 cents) and \$1.4727 (-0.5 cents) per pound, respectively. Prices for butter and dry whey rose to \$1.5078 (+16.2 cents) and \$0.5311 per pound (+3.5 cents), respectively. The price of nonfat dry milk (NDM) fell 4.6 cents to \$1.1032 per pound.

### Dairy wholesale product prices from USDA *National Dairy Products Sales Report* (dollars per pound)

	For the week ending		Change
	February 6	March 6	
Butter	1.3458	1.5078	0.1620
Cheddar cheese			
40-pound blocks	1.7638	1.6135	-0.1503
500-pound barrels <sup>1</sup>	1.4774	1.4727	-0.0047
Nonfat dry milk	1.1492	1.1032	-0.0460
Dry whey	0.4958	0.5311	0.0353

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

Source: USDA, Agricultural Marketing Service, *National Dairy Products Sales Report*, March 10, 2021.

For the trading week ending March 5, most spot prices for dairy products traded on the Chicago Mercantile Exchange (CME) were higher than the most recent NDPSR prices. CME prices for NDM, butter, and dry whey averaged \$1.1690, \$1.6815, and \$0.5695 per pound, respectively. The CME block-barrel spread was wider than the most recent NDPSR spread, with blocks and barrels averaging \$1.6655 and \$1.4465 per pound, respectively.

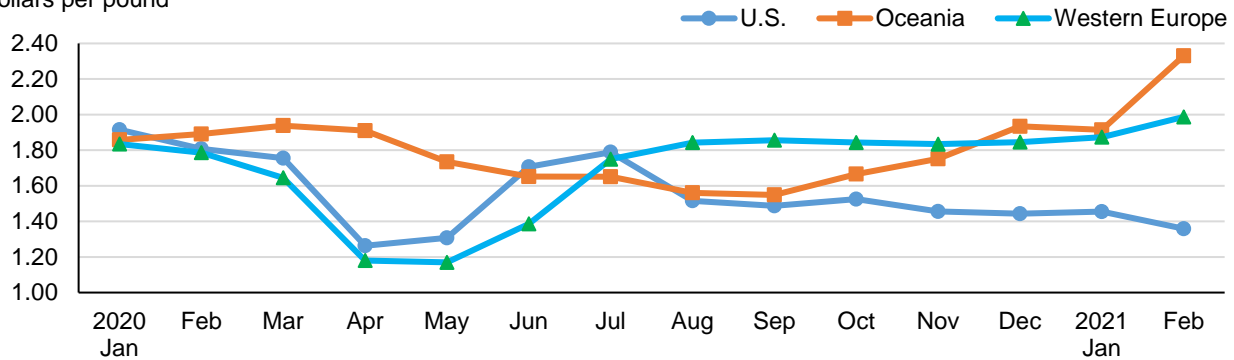
Most U.S. wholesale prices of major dairy products have been very competitive relative to international export prices in recent weeks.<sup>1</sup> In February, Oceania and Western Europe export prices for butter were \$2.33 and \$1.99 per pound, respectively. Skim milk powder (SMP) export prices for Oceania and Western Europe were \$1.47 and \$1.31 per pound, respectively. The Oceania export price for cheese was \$1.94 per pound. While the U.S. price for dry whey was significantly less than the Western Europe export price in the second half of 2020, the prices have recently converged; the February Western Europe dry whey price was \$0.52 per pound.

<sup>1</sup> The source for Oceania and Western Europe prices is USDA *Dairy Market News*. International prices are in U.S. dollars, free on board (F.O.B.) port. Prices listed in this report are at the midpoints of the ranges.



## U.S. domestic wholesale and foreign export prices for butter

Dollars per pound



Notes: While U.S. domestic prices are for butter with 80 percent butterfat, foreign export prices are for butter with 82 percent butterfat. While domestic prices are for products that have shipped with title transferred, foreign export prices are for products that may be shipped in subsequent months. Foreign export prices are reported FOB port at the midpoints of ranges.  
Sources: USDA, Agricultural Marketing Service (*Milk Marketing Order Statistics* for U.S. domestic prices and *Dairy Market News* for foreign export prices).

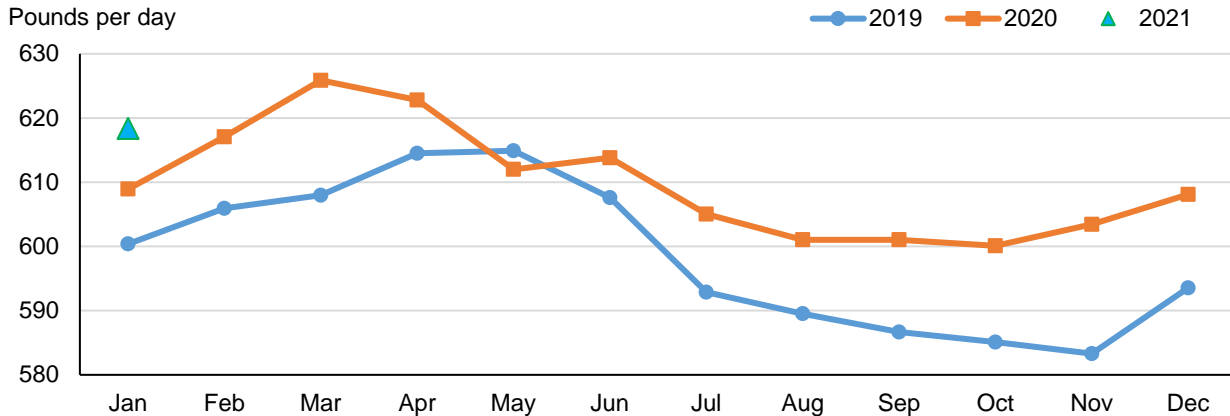
Although the United States is not a major global supplier of whole milk powder (WMP), indirect effects of the global WMP market are important to the U.S. dairy industry. International WMP trade affects the whole gamut of global dairy markets in terms of supply (as it impacts milk available for manufacturing other products) and demand (as a substitute for many other dairy products). For the 2 weeks ending March 5, the WMP price for Oceania was \$1.83 per pound (at the midpoint of the range), the highest midpoint price since the 2 weeks ending May 24, 2014. New Zealand is the leading global supplier of WMP. For Western Europe, WMP prices have been firm as well, with a price of \$1.66 per pound (at the midpoint of the range) for the 2 weeks ending March 5.

The Global Dairy Trade (GDT) price index for the trading event of March 2 was up 15.0 percent from the February 16 index. There were higher prices for all products traded in the March 2 event. Notably, the average GDT butter price for March 2 was \$2.64 per pound, with an increase in the price index of 13.7 percent from the previous event. The average price for WMP was \$1.98 per pound, with an increase in the price index of 21.0 percent from February 16.

## Recent Dairy Supply and Use Data

In January, U.S. milk production totaled 19.170 billion pounds, 1.6 percent higher than January 2020. January year-over-year growth was less than the 3.5-percent increase in November and the 2.5-percent increase in December. Milk cows numbered 9.450 million head in January, 85,000 head more than January 2020 and 8,000 more than December 2020. Milk per cow averaged 2,029 pounds in January, 13 pounds above January 2020.

## U.S. milk production



Source: USDA, National Agricultural Statistics Service.

On a milk-fat milk-equivalent basis, dairy exports totaled 701 million pounds in January, 62 million lower than December but 21 million higher than January 2020. On a skim-solids milk-equivalent basis, January exports totaled 3.593 billion pounds, 19 million lower than December and 263 million lower than January 2020. Notably, exports of lactose totaled 58 million pounds in January, 1 million lower than December and 16 million lower than January 2020.

Dairy imports in aggregate were relatively low in January. On a milk-fat basis, they totaled 374 million pounds in January, 202 million lower than December and 170 million pounds lower than January 2020. On a skim-solids basis, dairy imports totaled 451 million pounds in January, 52 million lower than December and 25 million lower than January 2020. Notably, butter imports totaled 2.9 million pounds in January, 1.0 million pounds less than December and 0.6 million less than January 2020. Imports of anhydrous milk fat and butteroil totaled 2.5 million pounds in January, 5.0 million less than December and 3.1 million less than January 2020.

For the 3 months from November 2020 to January 2021, domestic use was relatively strong compared to the 3 months from November 2019 to January 2020, up by 1.3 percent on a milk-fat basis and 2.0 percent on a skim-solids basis. This likely reflects higher demand due to increased foodservice use and a strengthening economy. Ending stocks for January remained relatively high. On a milk-fat basis, they totaled 16.849 billion pounds, 1.691 billion higher than January 2020. On a skim-solids basis, January ending stocks totaled 11.259 billion pounds, 750 million higher than January 2020.

## Agreements on Suspension of Tariffs Related to Aircraft Dispute

On March 4, the United States and the United Kingdom (UK) released a joint statement announcing a 4-month suspension of retaliatory tariffs related to World Trade Organization (WTO) Aircraft disputes. The next day, the United States and the European Union (EU) issued a similar statement. For the U.S.-UK agreement, the suspension became effective on March 4. The U.S.-EU agreement became effective on March 11.

The United States began applying retaliatory tariffs on certain products from the EU on October 18, 2019. The tariffs were authorized by the WTO. Tariffs of 25 percent were applied to many dairy products imported from the EU and the UK (which was an EU member at the time the tariffs were first applied). These tariffs were in addition to the tariffs already in place for imported goods from most WTO

members. The dairy products that were assessed additional tariffs included cheese, butter, butterfat products, whey protein concentrate (WPC), yogurt, and fermented milk products. However, not all imports of products within these categories were assessed the additional tariffs; in some cases, tariffs were applied to imports from only certain countries within the EU.

## Outlook for Feed Prices

The 2020/21 corn price forecast is \$4.30 per bushel, unchanged from last month's forecast. The 2020/21 forecast for soybean meal is \$400 per short ton, also unchanged from last month's forecast. The alfalfa hay price in January was \$171 per short ton, \$2 higher than December and \$2 higher than January 2020. The 5-State weighted-average price for premium alfalfa hay in January was \$206 per short ton, \$3 higher than December but \$4 lower than January 2020. For more information, see *Feed Outlook*, published by USDA, Economic Research Service.

## Dairy Forecasts for 2021

The milk production forecast for 2021 is 227.3 billion pounds, 0.1 billion pounds lower than the February forecast. Lower expected yields per cow more than offset higher expected milk cow numbers. The forecast for the size of the dairy herd has been raised to 9.445 million head, 10,000 higher than last month's forecast. This is based on the reported average number of milk cows in January and recent slaughter rates close to those of last year. Based on yield per cow in January and lower expected cull rates, the forecast yield per cow has been lowered to 24,065 pounds per head, 35 pounds below the previous estimate.

The forecast for 2021 dairy exports on a milk-fat basis has been raised to 10.4 billion pounds, 0.3 billion above the previous forecast, as higher expected exports of butterfat products are likely to more than offset lower expected exports of cheese. On a skim-solids basis, the 2021 dairy export forecast has decreased to 48.7 billion pounds, 0.2 billion lower than last month's forecast. Lower exports of lactose are expected to more than offset higher exports of dry skim milk products.

Based on lower expected imports of butterfat products (butter, anhydrous milk fat, and butteroil), the 2021 dairy import projection on a milk-fat basis is 6.5 billion pounds, 0.2 million lower than last month's projection. On a skim-solids basis, the dairy import forecast is 5.5 billion pounds, unchanged from last month.

The forecast for 2021 domestic use on a milk-fat basis is 222.5 billion pounds, 0.1 billion pounds lower than last month's forecast. On a skim-solids basis, the forecast for domestic use is 183.5 billion pounds, 0.3 billion higher than last month's forecast. With lower expected milk production and higher total disappearance (domestic use plus exports), ending stock projections for 2021 have been lowered to 15.5 billion pounds on a milk-fat basis (-0.5 billion) and 10.5 billion pounds on a skim-solids basis (-0.1 billion).

Based on recent price data, improving domestic demand, and higher expected exports, the 2021 price forecast for butter has been raised to \$1.615 per pound (+16.0 cents). Based on strength in international prices, the price forecast for NDM has been raised by 1.5 cents to \$1.140 per pound. The dry whey price forecast has been raised by 2.0 cents to \$0.500 per pound. The 2021 price forecast for Cheddar cheese is \$1.695 per pound, unchanged from the previous report.

With higher expected butter and NDM prices, the Class IV price forecast for 2021 has been increased by \$0.75 to \$14.45 per hundredweight (cwt). Since the price forecast has been raised for dry whey, the Class III price projection for 2021 has been raised by \$0.15 to \$16.75 per cwt. The all-milk price forecast for 2021 has been raised to \$17.75 per cwt, \$0.60 higher than last month's forecast.

# Pork/Hogs

Mildred Haley

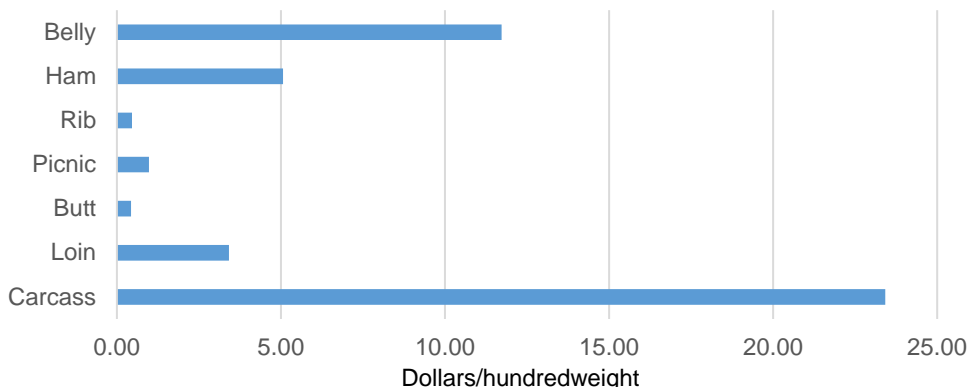
## Demand for Hams and Bellies Driving Hog Prices in Early 2021

Continued robust demand for pork and hogs—along with winter-weather-related production reductions—kept prices year-over-year higher in February. Estimated federally-inspected hog slaughter last month was about 10.4 million head, almost 3 percent below February 2020. This reduction was largely due to nasty winter weather conditions in Midwestern States, with processing slowdowns likely to be mostly recouped in March. Estimated federally-inspected pork production last month was 2.3 billion pounds, more than 1 percent below a year ago, with reduced slaughter numbers partially offset by estimated dressed weights of about 218 pounds per head, almost 3 pounds heavier than a year ago.

February prices for live equivalent 51-52 percent lean hogs averaged \$53.93 per hundredweight (cwt), 33 percent higher than February 2020 and almost 14 percent above January 2021 average prices. Strong hog prices in February were driven in large part by on-fire pork prices. The February wholesale value of the pork carcass (the cutout) was \$88.34 per cwt, more than 36 percent higher than a year ago, and 10 percent higher than January 2021 average wholesale carcass values.

Separating the wholesale carcass cutout into its constituent primals—loins, butts, picnics, ribs, hams and bellies—shows that hams and bellies were primary sources of the strong wholesale pork prices in February. The figure below disaggregates the \$23.42 per cwt difference between the average values of the wholesale carcass cutout in February 2021 and 2020. The data show that the ham primal accounts for \$5.06 of the \$23.42 year-over-year cutout difference, while the belly primal accounts for \$11.73 of the difference. The other primals together (loins, butts, picnics, and ribs) account for remainder of the year-over-year February cutout difference.

**Year-over-year difference, pork carcass cutout and primals, Feb. 2020 and 2021**



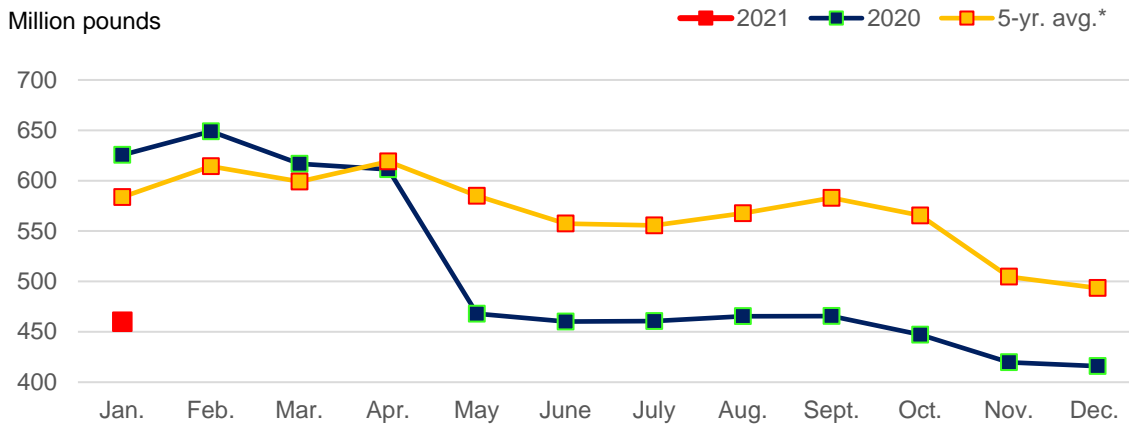
Source: USDA, Agricultural Marketing Service, with USDA, Economic Research Service transformations.

The year-over-year percent changes in the wholesale prices of the ham and belly are illustrative of the strength of processor demand, particularly for these cuts. USDA price data show that the average value of the February ham primal was \$78.33 per cwt, almost 36 percent higher than a year earlier. The value

of the belly primal averaged \$146.52 per cwt in February, almost 96 percent higher than a year ago. These price increases are attributable to continued-strong consumer pork demand—for these cuts in particular—at the same time that pork production was slowing a bit due to winter weather conditions hindering pork processing.

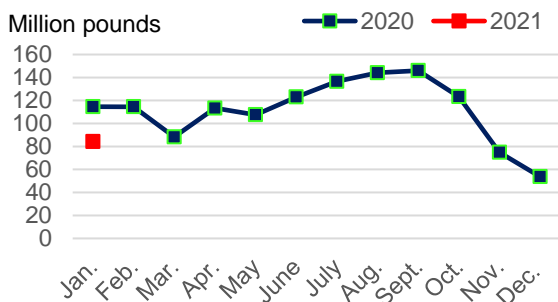
Low levels of pork cold stocks are another likely factor in strong early-year pork carcass values. January ending cold stocks, at 460 million pounds were almost 27 percent below year-earlier levels. Unusually low January levels of cold stocks—brought about by COVID-19-related processing sector turbulence in Spring 2020—are illustrated by the ratio of cold stocks-to-pork production for January 2021. Typically, ending January cold stocks calculate to almost 25 percent of January pork production. In January 2021, however, cold stocks were about 19 percent of estimated January federally-inspected pork production.

### Monthly pork cold stocks



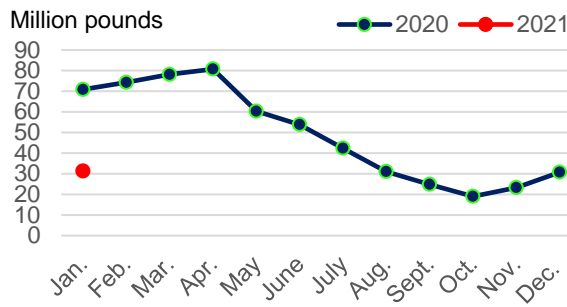
\* 5-year average (2016-2020).  
Source: USDA, National Agricultural Statistics Service.

### Pork cold stocks: hams



Source: USDA, National Agricultural Statistics Service.

### Pork cold stocks: bellies



Source: USDA, National Agricultural Statistics Service.

It is notable that the two primal values driving increases in the average wholesale carcass cutout—hams and bellies—account for a significant share of the year-over-year reduction in January pork cold stocks. The January data show that the year-over-year difference in ham and belly stocks together account for 42 percent of the 166 million-pound decline from year-earlier total pork cold stocks. The other primals together accounted for about 29 percent of the year-over-year decline in January cold

stocks.<sup>2</sup> Ham stocks in January were about 84 million pounds, almost 27 percent lower than a year earlier. Belly stocks, at about 31 million pounds, were 60 percent lower than at the end of January 2020. Expectations for modest increases in pork production this year, combined with continued firm demand, reduces the chance that pork cold stocks will build to pre-COVID-19 levels in 2021.

Quarterly 2021 pork production forecasts for March were adjusted slightly to account for the effects of bad weather in February, somewhat higher dressed weights, and expectations that fall 2020 and winter 2021 disease problems could reduce production somewhat in the second half of the year. Quarterly forecasts for 2021 are as follows: 7.4 billion pounds for the first quarter (about 1 percent lower than a year earlier); 6.8 billion pounds for the second quarter (more than 7 percent higher than a year earlier, when production declined due to COVID-19-related production reductions); 7 billion pounds for the third quarter (about the same as a year earlier); and about 7.5 billion pounds for the fourth quarter, also about the same as in the fourth quarter of 2020. Quarterly pork production forecasts total 28.7 billion pounds, about 1 percent above production in 2020.

2021 quarterly prices for live equivalent 51-52 percent lean hogs were adjusted upwards in each quarter in March. These increases mostly reflect robust consumer demand for pork, primarily for products from bellies and hams, and continued tight pork stocks. For 2021, hog prices are expected to average \$55.75 per cwt, more than 29 percent higher than the 2020 average. Average hog price forecasts by quarter for 2021 are as follows: For the first quarter \$54 per cwt, 27 percent above a year earlier; for the second quarter \$60 per cwt, more than 54 percent higher than a year earlier, when COVID-19 shutdowns put extreme pressure on pork prices; for the third quarter \$57 per cwt, almost 41 percent higher than a year earlier; and for the fourth quarter, \$52 per cwt, almost 3 percent above a year earlier.

USDA will release the *Quarterly Hogs and Pigs* report on March 25, 2021. The report will supply important information for March 1 swine inventories, as well as for first-quarter farrowings (December-February), a second set of farrowing intentions for the March-May quarter, and the first set of intentions for the summer (June-August) quarter. The March 1 inventory of breeding animals will be of particular interest as NASS reported that sow and boar slaughter in January was year-over-year lower (-12 percent) for the first time since December 2019.

## January Pork Exports Lower on Reduced Shipments to China

U.S. pork exports were about 606 million pounds in January, almost 9 percent lower than a year ago. Lower exports are largely attributable to reduced shipments to China\Hong Kong, but it is also notable that 6 percent less U.S. pork was exported to Mexico in January. Other Asian markets—Japan, South Korea, and the Philippines—were year-over-year higher to kick off 2021, as were Latin American markets—Colombia (+3 percent), the Dominican Republic (+58 percent), and Honduras (+1 percent). Total U.S. pork exports in the first quarter are expected to be 1.825 billion pounds, almost 10 percent below a year earlier, mostly on anticipation of reduced shipments to China\Hong Kong. Total U.S. pork exports are unchanged from last month at about 7.2 billion pounds, 1.5 percent below 2020 exports. January exports to major buyers of U.S. pork are listed below. These countries together accounted for almost 95 percent of the month's pork exports.

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<sup>2</sup> The balance of the decline—49 million pounds—is attributable to the trim, other, and unclassified categories.

**U.S. pork exports: Volumes and export shares of the 10 largest foreign destinations, January 2020 and 2021**

	Country	Exports January 2020 (Million pounds)	Exports January 2021 (Million pounds)	Percent change (2020/2019)	Export share January 2020 Percent	Export share January 2021 Percent
	World	663.2	606.0	-8.6		
1	Mexico	156	147	-5.9	23.5	24.2
2	China\Hong Kong	203	145	-28.6	30.6	23.9
3	Japan	98	101	3.0	14.8	16.7
4	South Korea	50	50	0.6	7.5	8.3
5	Canada	47	45	-3.4	7.1	7.5
6	Australia	32	21	-34.3	4.9	3.5
7	Colombia	18	19	3.3	2.8	3.1
8	Dominican Republic	10	16	57.9	1.5	2.6
9	Philippines	4	11	145.7	0.7	1.8
10	Honduras	7	11	61.1	1.0	1.7

Source: USDA, Economic Research Service.

A comparable list for the January exports of USMCA (U.S.-Canada-Mexico Agreement) partner Canada follows below. The January listing is largely consistent with that of the United States, to the extent Canadian exports also sustained significant year-over-year reductions to China\Hong Kong (-29 percent). What is notable about Canada's January exports is that increased shipments to the Philippines offset about 95 percent of reduced exports to China\Hong Kong. Increases in shipments to Canada's USMCA partners, the United States and Mexico, put Canada's January exports into year-over-year positive territory.

**Canada's pork exports to major foreign markets, January 2020 and 2021**

Country	Exports January 2020 (Million pounds)	Exports January 2021 (Million pounds)	Percent change (2021/2020)
Total	254	264	4
China\Hong Kong	93	72	-22
Japan	46	44	-5
United States	57	60	6
Mexico	23	27	17
South Korea	8	10	27
Philippines	3	23	585
Vietnam	10	9	-8
Taiwan	3	4	56
Australia	0.9	1.2	31
Other	11	14	35

Source: Statistics Canada, and Agriculture and AgriFood Canada.



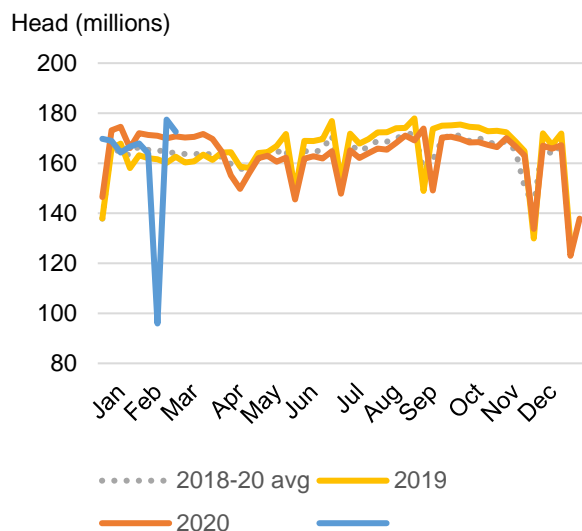
# Poultry

Kim Ha and Grace Grossen

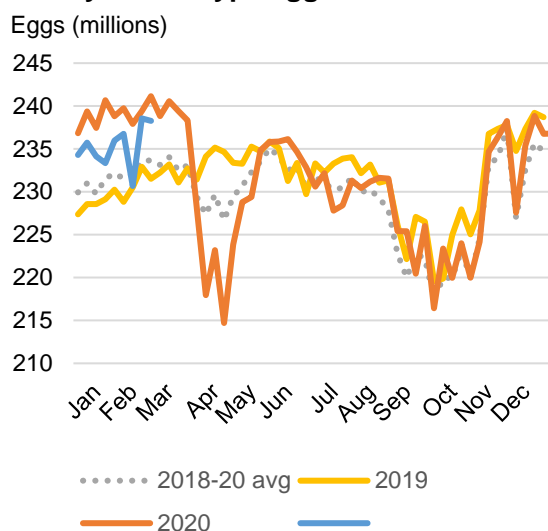
## Winter Storm Disrupts Broiler Production in Southern States; First-Half Production Forecast Lowered

In mid-February, a major winter and ice storm caused disruption to broiler production at various stages of the supply chain in Texas, Mississippi, Louisiana, and Oklahoma. A number of broiler houses, processing plants, and hatching operations were all affected. The impact of the storm has surfaced in both broiler slaughter data as well as hatchery data. For the week ending February 20, 2021—the height of the storm—preliminary broiler slaughter data indicates a 43.9 percent year-over-year decrease in broiler processing volumes. There have been reports that the industry attempted to make up for the reduced slaughter that week through increased shifts and weekend slaughter in the following week, which subsequent-week data affirms by a 4.4-percent year-over-year increase in slaughter. The preliminary slaughter data points to notably lower slaughter volumes in February year over year. Further, eggs set and chick placement data indicate fewer birds available for slaughter, likely into April. As a result, the first-half production forecast was lowered to 22.080 billion pounds. Production for 2021 is forecast to total 44.780 billion pounds, less than a half-percent higher than 2020 production.

### Weekly broiler slaughter under Federal inspection (preliminary)



### Weekly broiler-type eggs set



Source: USDA, Economic Research Service using data from USDA, Agricultural Marketing Service and National Agricultural Statistics Service.

For January, ready-to-cook broiler production is estimated at 3.6 billion pounds, down 8.7 percent year over year, but up slightly by 0.4 percent when adjusted for 2 fewer slaughter days relative to last January. This increase was driven by slightly higher bird weights, which averaged 6.43 pounds, up fractionally by 0.3 percent year over year. January slaughter volumes (adjusted for slaughter days) were nearly level with 2020 at 37.3 million birds per day.

## Broiler Export Forecast Reduced Based on Lower Expected Demand From Asia

January broiler export volumes totaled 620.7 million pounds, up 4.1 percent from last year. This increase was driven by higher shipments to China (+37 million pounds), Angola (+37 million pounds), and Cuba (+15 million pounds). These higher shipments were offset by lower shipments to Vietnam (-25 million pounds), Taiwan (-23 million pounds), Georgia (-17 million pounds), and Hong Kong (-10 million pounds). Despite the overall increase in January export volumes, demand from Asia, particularly China, is expected to decrease in 2021 as the Chinese swine industry recovers from African Swine Fever. Based on expectations for lower demand in China and uncertainty in other key markets, the broiler export forecast was lowered to 7.305 billion pounds, a decrease of 1 percent relative to 2020.

### U.S. broiler exports: Volume and export share, January 2020 and 2021

Country	Volume			Export share	
	January 2020	January 2021	Change in volume	January 2020	January 2021
	<i>Million pounds</i>	<i>Million pounds</i>	<i>Million pounds</i>	<i>Percent</i>	<i>Percent</i>
Top 10 largest foreign markets (2020 export volumes)					
Mexico	136	131	-4	23	21
China	5	42	37	1	7
Taiwan	54	30	-23	9	5
Cuba	33	48	15	6	8
Canada	25	24	-1	4	4
Vietnam	53	28	-25	9	5
Guatemala	23	23	0	4	4
Angola	5	43	37	1	7
Georgia	27	10	-17	4	2
Colombia	15	18	3	2	3
<b>World</b>	<b>596</b>	<b>621</b>	<b>25</b>	<b>100</b>	<b>100</b>
Additional foreign markets of note					
Republic of South Africa	14	12	-2	2	2
Philippines	27	30	3	5	5
Haiti	10	15	5	2	2
Hong Kong	15	5	-10	2	1

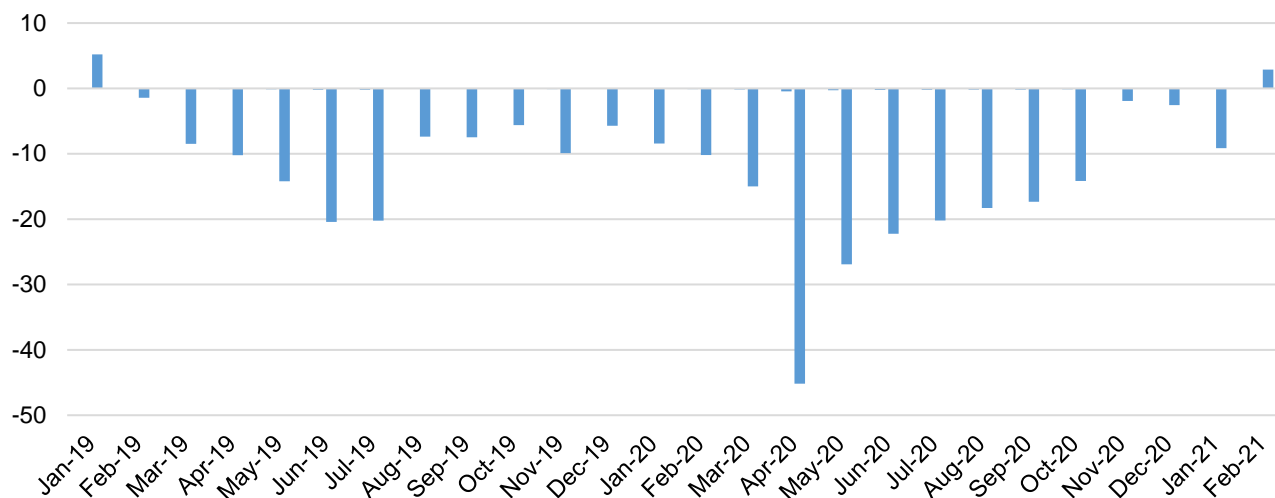
Source: USDA, Economic Research Service using data from the U.S. Department of Commerce, Bureau of the Census.

## Second-Quarter Broiler Price Forecast Increased Slightly

Wholesale whole-bird broiler prices (National Composite Weighted Average) averaged 83.0 cents per pound in February, 2.9 percent higher year over year. February marks the first month since January 2019 in which the monthly broiler benchmark price was higher year over year (see chart). For the last 2 years wholesale prices have been weighed down by abundant supplies that outmatched demand, as well as market disruptions stemming from the COVID-19 pandemic. For the rest of the year, wholesale prices are expected to remain above year-earlier levels, in large part because 2020 prices were severely depressed due to COVID-19 but also due to improving demand tied to the recovery of the hotel, restaurant, and institution (HRI) sector. The second-quarter price forecast was increased to 92 cents per pound. For 2021, prices are forecast to average 85 cents per pound, an increase of 16 percent over 2020.

## Year-over-year percent change in monthly wholesale whole-bird broiler prices (National Composite Weighted Average)

Percent

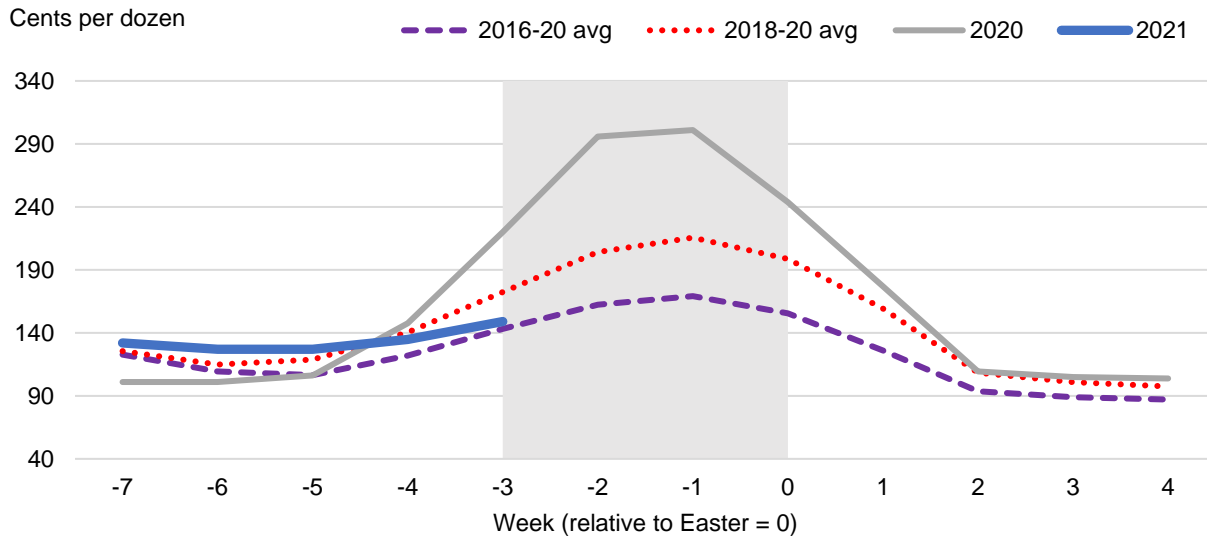


Source: USDA, Economic Research Service using data from USDA, Agricultural Marketing Service.

## Pre-Easter Egg Prices Increasing at Stable Rate; First-Half Price Forecast Increased

February wholesale table egg prices (New York Grade A Large) averaged 131.7 cents per dozen, an increase of 22.2 percent year over year. At the beginning of March, egg prices began trending upward as expected, consistent with seasonal patterns associated with Easter demand. Unlike last year, however—when the onset of the COVID-19 pandemic coincided with Easter demand, inciting a surge in demand for eggs at retail—egg prices appear to be increasing at a stable pace, on par with the 5-year average (see chart). Nonetheless, prices are slightly higher than anticipated and are expected to remain firm into the near-term. As a result, the first- and second-quarter price forecasts were increased to 130 cents and 100 cents per dozen, respectively. In 2021, egg prices are forecast to average 114.3 cents per dozen, an increase of about 2 percent year over year.

## Average weekly wholesale egg prices in the weeks relative to Easter (New York, Grade A Large)



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

## Second-Quarter Table Egg Forecast Increased

January table egg production is estimated at 689 million dozen, a decrease of 2.4 percent from last year. This drop was driven by a 3.1-percent year-over-year decrease in the average table egg layer flock, while the average table egg lay rate was up 0.6 percent. Based on expectations for the table egg layer flock and lay rate in the near-term, the second-quarter table egg production forecast was revised up to 2,010 million dozen. In 2021 table egg production is forecast to total 8,140 million dozen, an increase of 1 percent over 2020 production but still 1 percent below 2019 production.

## First-Half Egg Export Forecast Increased

Exports of eggs and egg products totaled 31.2 million dozen in January, an increase of 7.7 percent year over year. This increase was driven by a 15.3-percent year-over-year increase in shell-egg exports, while exports of egg products decreased by 1.7 percent. Shipments increased to the top six largest markets (in terms of volume), with the largest volume increases to Mexico (+1,944 thousand dozen), South Korea (+1,555 thousand dozen), and Canada (+1,074 thousand dozen). Conversely, export volumes were down to some Caribbean markets, as well as to Denmark. Based on expectations for continued strong demand for U.S. eggs and egg products, the first-half export forecast was increased to 170 million dozen. In 2021, egg exports are forecast to reach 345 million dozen, a slight increase over 2020 volumes.

## U.S. egg and egg product exports: Volume and export share, January 2020 and 2021

Country	Volume			Export share	
	January 2020	January 2021	Change in volume	January 2020	January 2021
	<i>Thousand dozen</i>	<i>Thousand dozen</i>	<i>Thousand dozen</i>	<i>Percent</i>	<i>Percent</i>
Mexico	8,805	10,749	1,944	30	34
Canada	5,045	6,119	1,074	17	20
Hong Kong	4,048	4,469	421	14	14
Japan	2,714	2,888	174	9	9
South Korea	286	1,841	1,555	1	6
United Arab Emirates	721	961	240	2	3
Jamaica	772	570	-203	3	2
Trinidad and Tobago	626	340	-287	2	1
Denmark	697	107	-590	2	0
Bahamas	359	254	-105	1	1
<b>World</b>	<b>28,924</b>	<b>31,158</b>	<b>2,234</b>	<b>100</b>	<b>100</b>

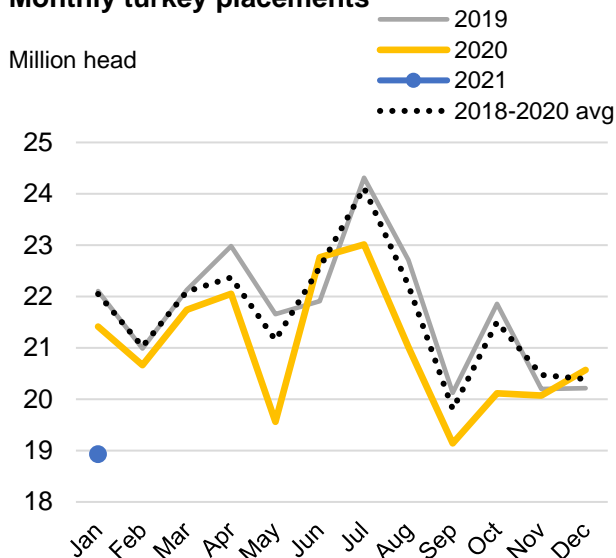
Note: Largest markets are based on 2020 export volumes.

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

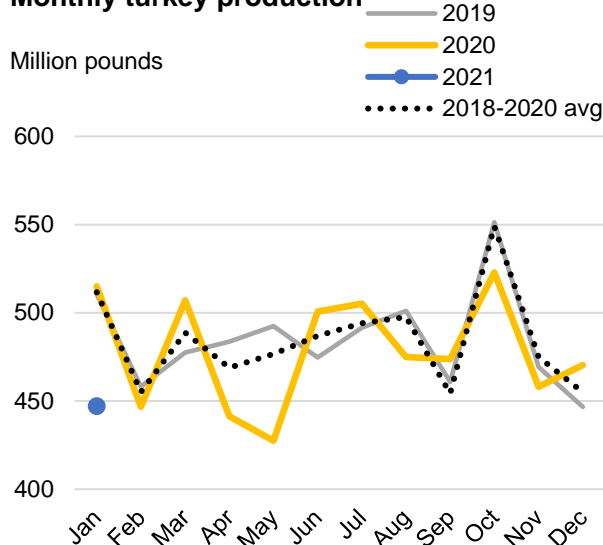
## Turkey Production Revised Down

Reported totals for turkey production and turkey poult placement in January indicate a slow start to 2021. Turkey placements in January were just under 19 million head, 11.6 percent below last January and the smallest since September of 2015, when placements were just above 19 million. Such low placements indicate smaller-than-typical production coming up in the second quarter. January turkey production totaled 447 million pounds, 68 million pounds below January of last year and the smallest monthly production since last May. January 2021 had 2 fewer weekdays than January 2020, but production was still 4 percent below a year ago on a per day basis. In addition, preliminary weekly data from USDA, Agricultural Marketing Service suggest that the extreme winter weather in the third week of February had a negative impact on turkey production. Based on January's production and placement data, the 2021 turkey production forecast was adjusted down by 15 million pounds in the first quarter, 10 million pounds in the second quarter, and 5 million pounds in each of the third and fourth quarters. This makes the 2021 total production forecast 5.69 billion pounds, a 1-percent decrease compared to 2020.

### Monthly turkey placements



### Monthly turkey production



Source: USDA, National Agricultural Statistics Service.

## First-Quarter Turkey Exports Adjusted Down

In January 2021, U.S. exports of turkey totaled 37.9 million pounds. This is 12 percent, or 5.4 million pounds, less than January of last year. As a share of monthly production, exports were 8.5 percent, about the same as last January. Mexico accounted for 2.6 million pounds less than last year but for 71 percent of export share. China's share increased year over year but decreased from December. Peru and the Dominican Republic both overtook China in monthly shipments.

Based on lower first-quarter production expectations and the pace of January exports, first-quarter exports were reduced. The 2021 export forecast was revised down to 570 million pounds. This would be a slight decrease from the 2020 total.

### U.S. turkey exports: Volumes and export shares of largest markets, January 2020 and 2021

Country	Volume (1,000 pounds)			Export share (percent)	
	January 2020	January 2021	Change in volume	January 2020	January 2021
Mexico	29,367	26,731	-2,636	68	71
Peru		1,330	1,330	0	4
Dominican Republic	705	1,187	482	2	3
China	1,059	1,147	88	2	3
Canada	1,435	995	-440	3	3
Jamaica	586	557	-29	1	1
Haiti	978	536	-442	2	1
Guatemala	490	477	-13	1	1
Costa Rica	503	421	-83	1	1
Benin	391	404	13	1	1
ROW	7,782	4,129	-3,654	18	11
World	43,296	37,913	-5,383		

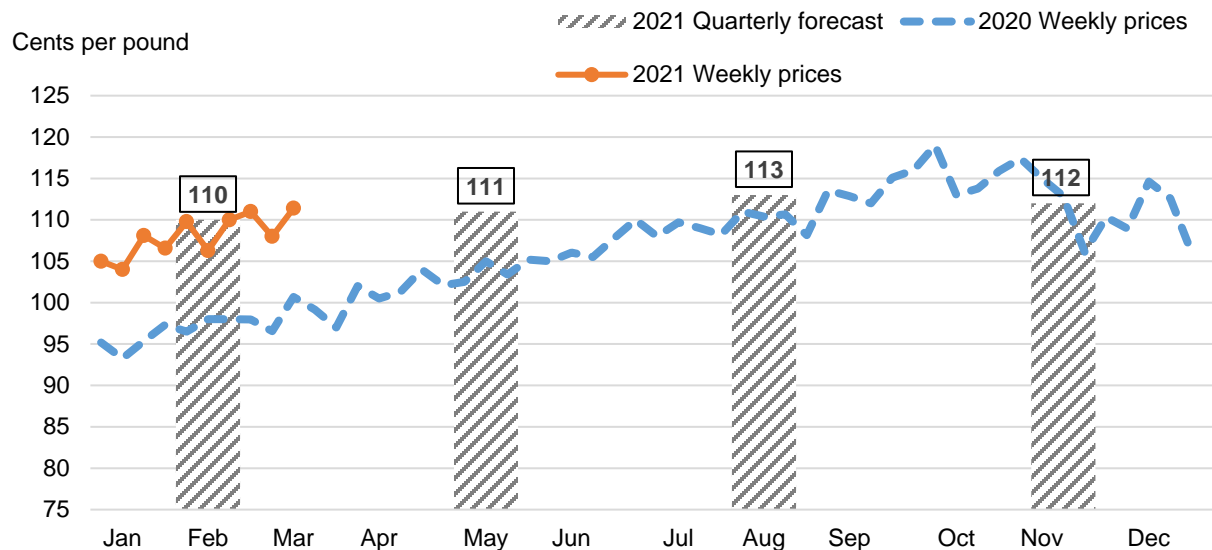
Note: Largest markets are based on January 2021 export volumes.

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

## Turkey Prices Revised Up

Wholesale whole-hen frozen turkey prices are continuing the climb that began in 2019. February prices averaged 109.66 cents per pound, and the weekly price was 111.4 cents per pound for the week ending March 5th. Based on this data and lowered expected production, quarterly prices were adjusted up by one cent in the first, third, and fourth quarters. This brings the annual forecast to 111.5 cents per pound.

### Wholesale whole-hen frozen turkey prices



Sources: USDA, Agricultural Marketing Service and USDA, *World Agricultural Supply and Demand Estimates*.

## Suggested Citation

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