

Livestock, Dairy, and Poultry Outlook

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U.S. Consumer Demand for Animal Proteins Unsettled

NOTE: Due to uncertainties as to the length of bans on trade in ruminants and ruminant products because of the discovery of BSE in the United States and Canada, forecasts for 2005 and 2006 assume a continuation of policies currently in place among U.S. trading partners. It is assumed that the current delay in the implementation of the minimal-risk rule is temporary. Subsequent forecasts will reflect any announced changes.

Beef/Cattle: Second-quarter beef production is expected to be about unchanged from the low levels of last year, but down about 9 percent from 2002 and 2003. Cattle/beef prices have peaked for this year and will come under pressure from greater beef supplies and larger supplies of competing meats at relatively lower prices.

Dairy: Milk and dairy product prices weakened somewhat this spring. Strong returns have ignited an expansion in milk production, as cow numbers edged higher and milk per cow recovered. Meanwhile, commercial use in late winter was unable to sustain its large early-winter gains. Even so, these shifts were not dramatic, and dairy product prices have remained relatively buoyant. Milk prices in 2005 are expected to average considerably below last year's record but well above the 5 year average.

Hogs/Pork: May was the first month in 2005 when the live equivalent price of 51-52 percent lean hogs fell below year-earlier levels. The May 2005 price--\$55.40 per hundredweight (cwt)--fell 5 percent below May 2004's price of \$58.45 per cwt. The recent weakness in U.S. hog prices is an outcome of supply and demand factors: slightly elevated U.S. pork production and weakening domestic demand for some pork products.

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Tables will be released on June 28, 2005.

The next newsletter release is July 18, 2005

Approved by the World Agricultural Outlook Board.

Poultry: Upward revisions in U.S. broiler meat production for February and March boosted production for broilers in first-quarter 2005 to 8.57 billion pounds, 4.6 percent higher than the same period last year. The production projections for the second, third, and fourth quarters of 2005 have also been revised upward. Broiler production in 2005 is expected to total 35.4 billion pounds, up 3.8 percent from last year. Turkey exports over the first 4 months of 2005 have totaled 175 million pounds, almost 65 percent higher than in 2004, chiefly due to higher shipments to Mexico.

Thank you for your patience as we finalize the development of the Excel spreadsheet tables that support our findings in the LDP at <http://www.ers.usda.gov/publications/ldp/LDPTables.htm>. Since we began publishing the spreadsheets in Excel format, we have added a single file that contains all current monthly tables. Printing the single file gives you the same set of tables that was obtained by printing the "complete" report under the "old" procedure. The single file is formatted so that each table is printed on single pages, meaning that for some tables smaller fonts are necessary in order to fit a single page.

This month, we will add a 2005 archive for past monthly issues of all tables. We appreciate your comments.

Cattle Weights/Beef Supplies Rising Seasonally

Second-quarter beef production is expected to be unchanged from the low levels of last year, but down about 9 percent from 2002 and 2003. The discovery of a cow with Bovine Spongiform Encephalopathy (BSE) in Canada on May 20, 2003, resulted in the closing of Canada's border for trade with most countries. A period of reduced beef supplies in the United States followed, even after the opening of the U.S. border for boneless beef from cattle under 30 months of age on August 8, 2003. Court hearings on an appeal of the March 2, 2005, Billings, Montana U.S. District Court preliminary hearing against imports of live cattle under 30 months of age from Canada are scheduled for July 13 in Seattle, Washington before the Ninth Circuit Court of Appeals. Hearings on the permanent injunction are scheduled for July 27 before the District Court in Billings, Montana. The present forecasts assume the border closure will not be over before the end of July.

Even with the continued border closure to under 30-month-old fed and feeder cattle due to the District Court's decision, beef supplies are beginning to rise seasonally. Prices are being pressured by increased fed-cattle slaughter at heavier weights and seasonally declining demand as summer heat shifts diets to lighter fare. Cattle dressed-slaughter weights reached seasonal lows in April and have been rising fairly sharply through June. Cattle on feed inventories on May 1 in feedlots with over 1,000 head of feedlot capacity were up 3 percent from a year earlier. Although cow slaughter remains below the cyclical lows of a year earlier, increased fed cattle marketings at heavier weights and a resumption of cattle trade in August could result in third-quarter beef production rising about 8 percent from a year earlier and about 10 percent from the low second-quarter level. Consequently, cattle/beef prices have peaked for this year and will come under increasing pressure from larger beef supplies and greater supplies of competing meats at relatively lower prices.

Retail prices for Choice beef averaged \$4.26 a pound in May, second only to November 2003's \$4.32, reflecting the strong seasonal barbecue demand and tight supplies this spring. Choice boxed beef prices averaged near \$157 per cwt in April and May, modestly above year-earlier averages. Boxed beef and fed cattle prices declined in June, and retail prices are expected to decline from near-record levels this spring as supplies increase through early fall. Marketing spreads have widened this spring and are well above year-earlier spreads. Spreads are expected to remain historically wide this summer as they have over the past couple of years.

Although boxed beef prices have declined, reduced cow slaughter and a draw down of beef in cold storage due to reduced supplies of imported lean beef have resulted in continued record prices for 90 percent trimmings. Imports are rising as major beef supplies react to the very strong U.S. prices and a continued ban on imports of Canadian beef from cattle over 30 months of age. United States Department of Agriculture (USDA) on February 9, 2005, delayed the effective date for allowing imports of Canadian meat from animals 30 months and over. Beef imports in April rose to 341 million pounds, up nearly 11 percent from a year earlier and up 40 percent from the very low January imports. Imports are expected to continue rising through early summer as processing beef stocks are rebuilt.

Production Growth and Erratic Demand Shake Dairy Prices

Milk and dairy product prices have weakened somewhat this spring. Strong returns ignited an expansion in milk production, as cow numbers edged higher and milk per cow recovered. Meanwhile, commercial use in late winter was unable to sustain its large early-winter gains. Even so, these shifts were not dramatic, and dairy product prices have remained relatively buoyant. Milk prices in 2005 are expected to average considerably below last year's record but well above the 5-year average.

Milk cow numbers edged higher after an early-winter low. In April, cow numbers in the 23 major States were more than 0.5 percent larger than a year earlier, implying that the U.S. total was up slightly. The strong returns of 2004 and thus far in 2005 created substantial pressure for stronger producers to expand their operations, even if replacement heifers are scarce and expensive and forage supplies uncertain. Similarly, the weaker producers were in a sounder position to continue if they wish. Exits apparently have been relatively few.

Short heifer supplies remain a major concern for producers in a position to grow. April prices were a record even though domestic heifer numbers at the start of 2005 had largely recovered from their 2004 decrease. High prices are mostly the result of strong demand for heifers, although the lack of imports from Canada is a continuing factor. Replacement prices probably will remain high during the rest of 2005, and heifer availability likely will continue to slow expansion in cow numbers. Heifer supplies may ease a bit in late 2005 and 2006 as the effects of high 2004 replacement prices on heifer supplies are seen, but any price decreases are expected to be relatively small.

Hay supplies remain problematic. Very tight water supplies in the Northwest imply that alfalfa production there will be down, and alfalfa supplies may be somewhat tight in other parts of the West. The late spring may have depleted supplies of mediocre hay, leaving only poor alfalfa in ample supply. Prices received for alfalfa hay jumped in April and May.

April milk per cow stayed weak but partially recovered from the very sluggish autumn and winter performance. Despite large incentives to boost concentrate feeding and the return to near-normal availability of bovine somatotropin (BST), milk per cow in the 23 States during April rose from the 5-year average at a 1.4-percent annual rate, still far below trend. Forage quality probably contributed, as did extending the milking life of cows that normally would have been culled.

Milk production is projected to post sizable increases from a year earlier during the rest of 2005, even if the rate slackens slightly this summer when compared with the strongest 2004 quarter. Milk cow numbers are expected to drift generally higher during the rest of the year, averaging essentially unchanged for the year. Meanwhile, milk per cow is projected to expand more than 2 percent from 2004, dependent in part on avoiding major forage quality problems.

Butter-powder Taking Milk Supply Boost

Cheesemakers, evidently concerned about building stocks in an erratic market, have taken little of the increase in supplies of milk for manufacturing. Cheese output was only slightly above a year earlier during March-April even though cheese plants had a considerable advantage in competing for milk. Most of the increase in manufacturing milk supplies has gone into butter and dry milk products. Butter output jumped, partially because frozen dessert production was smaller. Ironically, nonfat dry milk production fell sharply during March-April. Skim milk has been pulled into production of dry milks and blends for export that do not meet the U.S. standard of identity for nonfat dry milk.

Recent patterns are likely to persist into summer. With milk plentiful, cheese plants are likely to be cautious about their stock levels, and buyers probably will be slow to lay in supplies for later in the year. Significant strengthening of cheese output is unlikely except in response to improved sales. Export markets are projected to be able to absorb the likely production of dry milk products rather easily, keeping milk flowing into butter-powder use. However, butter stocks might become a problem if commercial use is lackluster.

Dairy Demand Slackens

Dairy product demand seems unable to stay fully on track in 2005. Fluid sales and use of most perishable manufactured products have been weak. Commercial use of butter and cheese weakened during the second half of the winter quarter and evidently stayed weak in early spring. Although some of the early 2005 strength was pipeline rebuilding, final sales reportedly slipped suddenly during February. The economy grew thus far in 2005 but the expansion was a bit erratic, and interest rates have risen.

Projected economic conditions would be expected to lead to good dairy demand under normal conditions. Growth in the economy and consumer incomes is projected to be reasonably brisk, while inflation and unemployment moderate. However, the expected increase in both short-term and long-term interest rates may prove troublesome. The recent growth in consumer debt, particularly for housing, may make expenditures for food relatively sensitive to interest rates.

May 1 commercial stocks were slightly larger than a year earlier on both milkfat and skim solids bases. Holdings of American cheese probably were somewhat larger than desired for market conditions, although stocks of other cheese were lean. But, the real story was the rapid buildup in commercial butter stocks since the start of the year. Heavy production and mediocre sales pushed May 1 stocks above a year earlier, even though holdings were down more than half early in 2005. Butter stocks were still well below the burdensome inventories of 2003 and not yet a serious problem. If sales of cheese and butter remain sluggish, butter stocks could shoot to very heavy levels.

Manufacturers' stocks of nonfat dry milk were moderate on May 1. In fact, holdings maybe were surprisingly small in light of the normally heavier stocks needed to serve export markets. However, part of the stocks for export may be in blends instead of nonfat dry milk.

International Dairy Markets Robust

International dairy markets show no signs of softening. In early June, butter prices were just under \$2,000 per metric ton, a very modest seasonal decline from late 2004. Nonfat dry milk prices slipped slightly in early 2005 but then recovered to about \$2,300 per ton in early June. Price buoyancy resulted from continued demand strength combined with relatively tight export supplies from the European Union-25 (EU-25) and deteriorating milk production prospects for Oceania's new season.

Australian dairy areas are faced with a drought as they move towards the new production season, although developments thus far are not dire. Milk production is expected to be weakened through at least the early part of the season. In addition, New Zealand's recovery from the disappointing 2004/05 season is uncertain. Milk production in the EU-25 is reported to be ahead of a year earlier this spring. However, fairly good domestic demand has kept intervention purchases and export supplies modest.

Demand for milk powders remains brisk in most important markets. Asian economies continue growing, boosting dry milk demand. Much the same picture emerges for Latin America, while rebuilding efforts in the Middle East absorb additional powder. Butter demand is less robust but has been able to absorb available supplies, in part because demand for whole milk powder and cheese has been soaking up milkfat.

International dairy product prices are expected to stay strong through the rest of 2005. Export supplies are not likely to surge in any major supply region, and demand prospects are good. Also, part of Oceania's early output will go to meeting commitments carried over from the previous season. Conditions might begin to ease in early 2006 but any softening is projected to be modest.

Exports of nonfat dry milk during January-April totaled 265 million pounds, almost triple those of a year earlier. As impressive as this appears, it dramatically understates the boost in export demand. During the first 4 months of 2004, the vast bulk of powder exports were government food aid or exports subsidized under the Dairy Export Incentive Program (DEIP). This year's shipments were mostly unsubsidized commercial exports. In addition, some skim solids were exported in various blends. On the other hand, cheese exports got off to a slower start in 2005.

Exports of nonfat dry milk are projected to stay strong through 2005. Supplies from the EU-25 and Oceania likely will be quite limited through yearend, even if Oceania production in the new season is stronger than now seems likely. The United States is expected to have a large supply of skim solids in excess of domestic use and probably will remain the largest uncommitted source of powder for the international market. The expected relatively weak U.S. dollar and moderate domestic prices should help boost cheese exports as well.

January-April imports of milkfat were about the same as a year earlier, while skim solids imports were slightly higher. Milkfat imports will fall below a year earlier in coming months because high tier butter imports are unlikely to be sizable this year. Imports of cheese outside the tariff-rate quotas also are likely to be smaller, pulling down skim solids as well as milkfat imports.

Price Roller Coaster Continues

Wholesale cheese prices remain somewhat volatile, caught between expanding milk production, unsettled demand, and fear of excessive stocks. Since early May, prices of block Cheddar on the Chicago Mercantile Exchange have been as low as \$1.43 and as high as \$1.58 per pound. Even though average prices as reported by the National Agricultural Statistics Service have tended to dampen exchange price swings thus far in 2005, cheese prices have been quite variable and largely without an overall direction. Butter prices were somewhat similar, although prices this spring trended lower as stocks mounted.

Sustained large production increases and less-than-stellar demand is expected to reverse the recent cheese price rises. Summer prices are projected to be below spring levels with autumn seasonal increases quite muted. Similarly, heavy production and large stocks are expected to limit butter prices during the seasonally tight second half.

Expansion in milk production is one key to cheese and butter prices. A larger number of new facilities and a failure to sustain recovery in milk per cow are each plausible. Demand uncertainty also may be very important. A return to the demand of early 2005 would push prices considerably higher, while no recovery from recent levels could let prices soften more than expected. The potential for higher-than-expected prices probably is greater for cheese than for butter.

Nonfat dry milk prices edged higher throughout most of the first half, moving into closer alignment with international prices. Export prices probably will continue to dominate domestic powder prices in the second half. Nonfat dry milk prices are expected to be fairly stable during the rest of the year, possibly easing slightly as Oceania powder starts to come onto international markets toward yearend.

Farmers are projected to receive about \$1 per cwt less for milk than they did during the second half of 2004. Such a decrease would leave the annual average down a similar dollar per cwt from the record of a year earlier. Even so, farm milk prices could be the third highest ever and will be far higher than the low prices of 2002 and 2003. A somewhat larger decline is projected for 2006.

Prices for Class III (milk for cheese) during the second half are expected to be higher than Class IV (milk for butter and dry milks). However, the gaps likely will be narrower than those that characterized 2004. Strong prices for nonfat dry milk are projected to provide considerable strength and stability to Class IV prices.

Retail dairy prices have varied within a rather narrow range since last September. Retail prices ran sharply higher than a year earlier during the first 4 months of 2005 (almost 5 percent in April) but fell below a year earlier in May. Retail dairy prices probably will be substantially below the very high year-earlier prices during May-August. For the year, prices are projected to average slightly higher than 2004. The farm-to-retail price spread is expected to rise modestly after two straight declines.

The largest increases in retail dairy prices during early 2005 were for fluid milk products, as prices for manufactured products were only moderately higher. In early 2004, retail milk prices strongly resisted higher farm milk prices--until the dam broke in May. Retail price behavior this year for milk has been considerably more typical.

May Hog Prices Lower Than a Year Ago

May was the first month in 2005 in which the live equivalent price of 51-52 percent lean hogs was below year-earlier levels. The May 2005 price--\$55.40 per cwt-- was 5 percent below the May 2004 price of \$58.45, but exceeded the May 2003 price by 27 percent, and remains well above USDA's estimated May breakeven price of \$42.15 per cwt for a farrow-to-finish operation in the North Central region of the United States. The recent weakness of U.S. hog prices is an outcome of supply and demand factors: slightly elevated U.S. pork production and a slowing domestic demand for some pork products.

On the production side, first-half 2005 pork production is expected to be only fractionally above a year ago. With 2005 slaughter numbers running very close to last year, the small year-over-year production difference is largely attributable to higher average dressed weights. Through May 2005, estimated dressed weights have been running almost 2 pounds ahead of last year. When feed costs are relatively low and pork demand is strong, heavier hogs are especially desirable for both producers and processors because per-head costs can be spread over the additional weight of the animal, thus lowering average costs of production and processing.

Pork Cuts Stocks Much Higher Than a Year Ago

On the demand side, it appears that U.S. consumers' demand for some pork cuts is slowing in comparison with last year. USDA's *Cold Storage* reports (<http://usda.mannlib.cornell.edu/reports/nassr/other/pcs-bb/>) show that ending stocks of total frozen pork have been building, on a year-over-year basis, since February. The May *Cold Storage* report indicated that movement of all pork cuts has slowed from a year ago. Total frozen pork stocks at the end of April were 26 percent greater than for the same time last year. In particular, there was a significant increase of year-over-year stocks of bellies (+85 percent), butts (+47 percent), ribs (+37 percent), hams (+29 percent), and loins (+22 percent) suggesting lower consumer demand, at current prices. In addition, the wholesale value of pork cuts, as measured by the USDA Estimated Pork Carcass Cutout, has registered below year-earlier levels since early April, and in May they averaged \$75.67 per cwt, almost 8 percent below the average Cutout for May 2004 of \$81.89.

Higher Retail Prices and Macro Factors Could Be Slowing Pork Demand

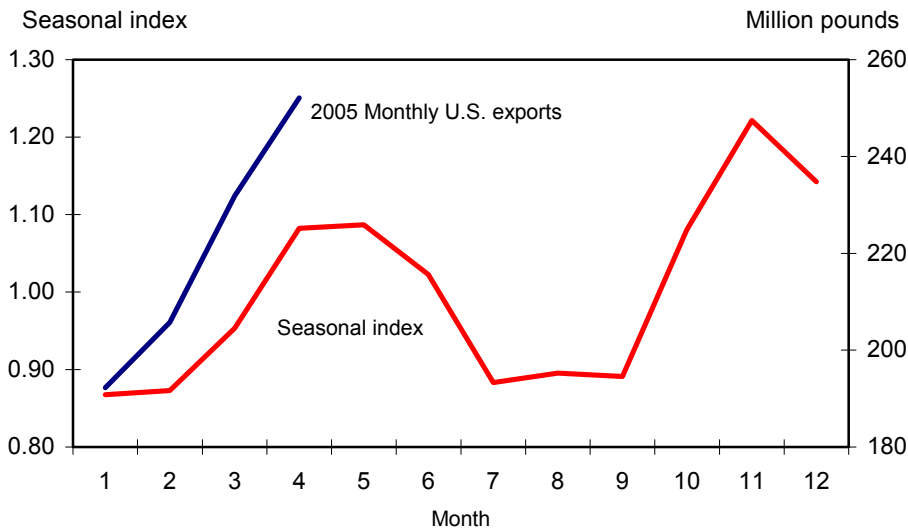
Slower movement and lower wholesale values of pork cuts may be partially attributable to good availability of other animal proteins--beef, and poultry in particular--with poultry relatively well-priced at retail compared with beef and pork. Second-quarter 2005 retail prices of beef and pork are expected to average more than 2 percent above the same period last year, whereas retail chicken prices are expected to decline slightly. So, relatively strong retail red meat prices, together with higher gasoline prices and interest rate uncertainty on the macro side, could be contributing to the moderating consumer demand for pork products. It is also possible that U.S. consumers are to some degree resuming animal protein consumption patterns established prior to the popular weight-loss regimes of 2004.

For 2005, hog prices are expected to range between \$48 and \$50 per cwt, and retail pork prices are expected to average in the low-\$2.80s per pound. This year, per capita pork consumption is expected to be slightly more than 50 pounds, down about a pound from 2004. USDA will release its *Quarterly Hogs and Pigs* (<http://usda.mannlib.cornell.edu/reports/nassr/livestock/php-bb/>) report on June 24.

U.S. Pork Exports Skyrocket in April

The record for U.S. pork exports, set only in March 2005, was shattered by sharply higher April exports of 252 million pounds. This means that U.S. exporters shipped almost 15 percent of commercial pork production to foreign markets in April. By comparison, about 11 percent of commercial pork production was exported in April 2004. Strong foreign demand for U.S. pork products undoubtedly provided support to the North American pork sector this spring. Using the seasonal index as a guide, it is likely that exports should slow seasonally into the summer months, before heating up again in the fourth quarter.

2005 U.S. pork exports: Monthly totals vs. seasonal Index



Source: ERS, USDA.

Shares of U.S. exports to importing countries in the first 4 months of 2005 are shown in the table below.

Shares of monthly U.S. pork Exports by country

	January	2005			April
		February	March	Percent	
Japan	40	42	44	41	
Mexico	24	19	16	18	
Canada	10	12	11	9	
Romania	1	1	2	6	
South Korea	8	9	8	6	
Russia	2	2	4	4	
Australia	1	2	3	4	
China	4	5	4	4	
Other	2	2	2	2	
Taiwan	2	2	2	2	
Central/S. America	2	2	2	2	
European Union-25	1	0	1	1	
Caribbean	2	2	2	1	
Hong Kong	1	1	0	1	
Total	100	100	100	100	

Source: ERS.USDA.

Clearly, Japan is the stand-out importing country. A number of factors continue to support Japan's demand for U.S. pork. In particular, import bans on North American beef and continued interruptions of imported Asian poultry products due to disease issues create additional demand for U.S. pork products. The U.S. dollar exchange rate relative to the yen continues to also favor U.S. pork. The same set of factors likely plays a role in South Korea's demand for U.S. pork, although South Korean import demand has been volatile historically, often characterized by sudden market entries and exits.

North American Free Trade Agreement (NAFTA) partners, Mexico, and Canada, continue to account for significant shares of U.S. pork exports. So far this year however, Mexico's year-over-year imports of U.S. pork are only fractionally ahead of last year's pace. USDA expects that total Mexican pork imports from all sources in 2005 will increase 8 percent. On a cumulative monthly basis, Canada's imports of U.S. pork have increased 27 percent over the same period last year. Canada's increased demand is likely a function of the favorable exchange rate between the U.S. and Canadian dollar, and ongoing integration of the North American pork sector.

Although Russia and Romania have been significant importers of U.S. pork to date, continued strong increases in U.S. exports are likely not a "given". Like South Korea, Russia and Romanian import demand is volatile, often driven more by sudden trade policy changes and logistical constraints than by purely supply and

demand factors. Moreover, Brazilian pork will likely continue to provide strong competition to U.S. pork products, in Russia particularly.

Continued U.S. exports to Australia--which has lately become a more visible U.S. export market as a consequence of the U.S.-Australia Free Trade Agreement--could be banned as a result of an ongoing dispute in the Australian courts. "On May 27, a Federal Court in Sydney handed down a decision in a legal challenge of a recent change in quarantine conditions for imported pork. The judge was extremely critical of the methodology used in the government's recent pig meat Import Risk Analysis, particularly as it relates to Post-weaning Multisystemic Wasting Syndrome, or PMWS. The judge made no final ruling regarding pork imports, but a decision may occur as soon as next week. Australian Pork Limited, who brought the case, is calling for a stop to all imports from PMWS affected countries, which would include product from Canada, the EU and the United States." (<http://www.fas.usda.gov/gainfiles/200505/146129843.pdf>). PWMWS affects pigs from 8 to 16 weeks of age, and is often fatal. PWMWS is a viral infection, first observed in 1991 in North America that has now been detected worldwide. The virus believed to be responsible for the PWMWS has reportedly been detected in Australia, although the disease itself has not. The Australian Government will appeal the judge's ruling, and will reportedly initiate action to ensure unimpeded import flows during the legal process.

Imports Continue To Decline

U.S. pork imports for April of 76.7 million pounds were 9 percent below April 2004. On a cumulative year-over-year basis, imports for the first 4 months of 2005 fell almost 11 percent below the same period last year. Denmark has borne the brunt of U.S. import declines. So far this year, Denmark's exports to the United States are off by more than 28 percent, while Canada's shipments are down by almost 9 percent. Lower U.S. pork imports are most likely a consequence of the lower valued U.S. dollar relative to both Danish and Canadian currency. While the U.S. dollar has declined more against the Canadian dollar (-9.8 percent) than against the Danish krone (-5.5 percent) in the last year, proximity to the United State and strong cross-border commercial ties likely mitigate exchange rate effects for Canadian exporters.

Live Imports Also Decline

U.S. buyers imported almost 603,000 head of live swine from Canada in April, more than 15 percent below April 2004. In the first 4 months of 2005, U.S. imports of Canadian hogs and feeder pigs fell almost 15 percent below imports in the same period last year. Pork industry information published by Statistics Canada (<http://www.statcan.ca:8096/bsolc/english/bsolc?catno=23-010-X&CHROPG=1>) and Agriculture and Agri-Food Canada (<http://www.agr.gc.ca/redmeat/wlmr20050604.htm>) suggest that more Canadian pigs are being finished and slaughtered in Canada. In the first quarter of this year, Canadian pork exports had increased more than 5 percent, with 38 percent of total exports accounted for by the United States. At the same time last year, the United States accounted for 44 percent of Canadian pork exports. Canada thus appears to be succeeding in capturing a greater share of the value added from pork production--by finishing and slaughtering more hogs in Canada, rather than exporting them to the United States-- and in diversifying its client base on the meat side, to countries beyond the United States.

Revisions Boost First-Quarter Broiler Production

Upward revisions in U.S. broiler meat production boosted first-quarter 2005 production to 8.57 billion pounds, up 118 million from the previous estimate. This is a 4.6-percent increase from the same period in 2004. The increase was due to a number of factors. First, the number of birds slaughtered in the first quarter was up 1.2 percent from the previous year. Second, the weight of birds at slaughter averaged 5.33 pounds, up 2.2 percent from first-quarter 2004. Third, the useable meat yield that processors achieved was higher. The meat yield is the percentage of meat that processors are able to remove from an average carcass. In the first quarter of 2005, the percentage of ready to cook meat production compared with the total liveweight of birds slaughtered was .745 percent. This yield factor is 1.1 percent higher than for the same period in 2004.

Total broiler meat production in April was 2.85 billion pounds, only 1.4 percent higher than the previous year. However, the major reason for the small increase was that April 2005 had one fewer slaughter day than in the previous year. With a higher number of birds expected to be slaughtered in May and June and with slaughter weights averaging about 2 percent higher than the previous year, the estimates for broiler production in the second and third quarters of 2005 were both increased by 50 million pounds and the fourth quarter estimate was increased by 25 million pounds. These changes pushed the broiler meat production estimate for 2005 to nearly 35.4 billion pounds, 3.8 percent higher than in 2004.

With higher production, prices for most broiler products continue to be below the strong prices of a year earlier. Over the first 5 months of 2005, prices in the Northeast market for boneless/skinless breast meat averaged \$1.47 per pound, down 26 percent from the same period in 2004. The average prices for boneless/skinless thigh meat and wings were also lower, down 18 and 10 percent, respectively. With no restrictions on exports, total shipments of leg quarters were up 19 percent during the first 4 months of 2005 compared with the same period in 2004. These higher shipments have been reflected in strengthening prices. Leg quarter prices averaged 33.5 cents per pound through May, down 3 percent from a year earlier. However, prices for leg quarters have strengthened through the first 5 months of 2005, with the price in May up 9 cents per pound from January.

Broiler exports in April totaled 470 million pounds, up 46 percent from last year. The broiler export increase during the first 4 months of 2005 (up 24 percent) is due in large part to the elimination of avian influenza-based restrictions on broiler shipments like those that held down trade in the first half of 2004. The increased shipments went to a number of countries. Exports to Russia in the first 4 months of 2005 totaled 426 million pounds, up 4 percent from the same period in 2004. In addition to the small increase in shipments to Russia, there has been strong export growth to Commonwealth of Independent States (CIS) countries. Exports to the Ukraine totaled 54 million pounds, up 184 percent. Shipments were also higher to a number of Asian markets, with shipment to the Hong Kong/China market up by 70 percent.

Turkey Production Higher in the First Quarter, but Declined in April

After revisions, turkey meat production in the first quarter of 2005 totaled 1.32 billion pounds, up slightly from first quarter 2004. On a year-over-year basis, turkey meat production had decreased for seven consecutive quarters. However, turkey meat production in April was down 1.4 percent from the previous year to 443 million pounds. The decrease in April was due chiefly to the one fewer slaughter day compared with the previous year. However, the lower number of turkeys being slaughtered (down 6.1 percent) was partially offset by a 5.2-percent increase in the average liveweight at slaughter. Turkey meat production is expected to be roughly equal to the previous year in the next three quarters, with the estimate for 2005 now just marginally higher than in 2004.

With supplies about even with last year and much stronger export demand, wholesale prices for most turkey products have remained strong even when compared with last year. The average price for whole hen turkeys in the Eastern region in May was 67.7 cents per pound, up 2 percent from the previous year, but 13 percent higher than in May of 2003. MDM (mechanically deboned meat), which is a major export product to Mexico, averaged 33 cents per pound in April, down 3 cents per pound from April 2004, but almost 100 percent higher than in April 2003. Prices for most turkey products are expected to remain strong through the rest of 2005, as flat production and a strong export market keep upward price pressure on most products.

Turkey exports in the first 4 months of 2005 totaled 175 million pounds, up 65 percent from last year. Turkey exports in 2004 suffered from the same disease restrictions as broiler exports, so exports have grown strongly now that the restrictions have been lifted. The major reason for the increase in exports has been the expansion of shipments to Mexico. Over the first 4 months of 2005, shipments to Mexico totaled 113 million pounds, an 81-percent increase from the same period in 2004. As with broilers, larger shipments to Asian countries are also expected to boost turkey exports in 2005, especially in the first half of the year. Overall turkey exports in 2005 are expected to total 526 million pounds, 19 percent higher than in 2004.

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Recent Report

Market Integration of the North American Animal Products Complex, <http://www.ers.usda.gov/Publications/ldp/may05/ldpm13101/> The beef, pork, and poultry industries of Mexico, Canada, and the United States have tended to become more economically integrated over the past two decades. Sanitary barriers, which are designed to protect people and animals from diseases, are some of the most significant barriers to fuller integration of meat and animal markets.

Factors Affecting U.S. Pork Consumption, <http://www.ers.usda.gov/Publications/LDP/may05/ldpm13001/> presents the results of an analysis of the most recent data from USDA's Continuing Survey of Food Intakes by Individuals to determine the factors affecting fresh and processed pork product consumption

Related Websites

Animal Production and Marketing Issues, <http://www.ers.usda.gov/briefing/AnimalProducts/>
Cattle, <http://www.ers.usda.gov/briefing/cattle/>
Dairy, <http://www.ers.usda.gov/briefing/dairy/>
Hogs, <http://www.ers.usda.gov/briefing/hogs/>
Poultry and Eggs, <http://www.ers.usda.gov/briefing/poultry/>
WASDE, <http://www.usda.gov/oce/waob/wasde/latest.pdf>

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Red meat and poultry forecasts

	2001	2002	2003	2004				2005					2006		
	Annual	Annual	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	Annual
Production, million lb															
Beef	26,107	27,090	26,238	5,838	6,253	6,360	6,097	24,548	5,727	6,250	6,875	6,400	25,252	5,950	25,975
Pork	19,138	19,664	19,945	5,130	4,897	5,047	5,435	20,509	5,136	4,950	5,100	5,575	20,761	5,175	20,940
Lamb and mutton	223	219	199	53	46	46	50	195	49	46	46	52	193	50	201
Broilers	31,266	32,240	32,749	8,195	8,492	8,839	8,537	34,063	8,571	8,825	9,125	8,850	35,371	8,750	36,275
Turkeys	5,562	5,713	5,650	1,309	1,366	1,390	1,389	5,454	1,320	1,375	1,375	1,400	5,470	1,310	5,535
Total red meat & poultry	83,006	85,669	85,476	20,687	21,220	21,858	21,676	85,441	20,964	21,611	22,699	22,449	87,723	21,404	89,636
Table eggs, mil. doz.	6,078	6,190	6,207	1,556	1,574	1,598	1,637	6,365	1,585	1,590	1,600	1,640	6,415	1,600	6,540
Per capita consumption, retail lb 1/															
Beef	66.2	67.6	64.9	16.0	16.9	16.9	16.3	66.1	15.6	16.8	17.9	16.8	67.1	15.9	68.1
Pork	50.2	51.5	51.8	13.0	12.2	12.7	13.4	51.3	12.3	12.1	12.6	13.3	50.3	12.2	49.8
Lamb and mutton	1.1	1.2	1.2	0.3	0.3	0.2	0.3	1.1	0.3	0.3	0.3	0.3	1.2	0.3	1.1
Broilers	76.6	80.5	81.6	20.8	21.2	21.9	20.4	84.3	21.3	21.7	22.5	21.7	87.2	21.4	88.3
Turkeys	17.5	17.7	17.4	3.6	4.0	4.5	5.0	17.1	3.5	3.7	4.1	5.3	16.6	3.3	16.3
Total red meat & poultry	213.6	220.5	218.9	54.1	54.8	56.6	55.9	221.4	53.5	54.9	57.9	57.8	224.1	53.6	225.4
Eggs, number	252.7	255.5	254.7	63.7	63.9	64.1	65.5	257.2	63.4	63.1	63.1	64.8	254.4	62.8	256.2
Market prices															
Choice steers, Neb., \$/cwt	72.71	67.04	84.69	82.16	88.15	83.58	85.09	84.75	89.09	89-90	81-85	81-87	85-88	74-80	76-82
Feeder steers, Ok City, \$/cwt	88.20	80.04	89.85	87.98	104.58	116.27	110.19	104.76	104.05	112-113	103-107	91-97	102-105	89-95	92-98
Boning utility cows, S. Falls, \$/cwt	44.39	39.23	46.62	47.50	54.86	56.25	50.78	52.35	54.18	60-61	56-58	51-55	55-57	52-56	52-56
Choice slaughter lambs, San Angelo, \$/cwt	72.04	72.31	91.98	100.62	97.06	93.62	95.44	96.69	106.10	98-99	96-100	95-101	99-101	97-103	95-101
Barrows & gilts, N. base, I.e. \$/cwt	45.81	34.92	39.45	44.18	54.91	56.58	54.35	52.51	51.92	53-54	48-50	40-44	48-50	45-49	44-48
Broilers, 12 City, cents/lb	59.10	55.60	62.00	73.20	79.30	75.70	68.30	74.10	71.90	72-73	72-76	71-77	72-75	70-76	71-77
Turkeys, Eastern, cents/lb	66.30	64.50	62.10	62.10	66.60	73.10	77.10	69.70	65.90	67-68	70-74	74-80	69-72	60-66	66-71
Eggs, New York, cents/doz.	67.20	67.10	87.90	114.90	79.70	66.20	68.00	82.20	64.50	56-57	60-64	64-70	61-64	62-68	63-68
U.S. trade, million lb															
Beef & veal exports	2,269	2,447	2,518	36	120	138	167	461	130	165	180	150	625	145	660
Beef & veal imports	3,164	3,218	3,006	873	929	940	937	3,679	831	1,010	960	900	3,701	900	3,740
Lamb and mutton imports	146	162	168	62	47	34	38	181	41	45	42	45	173	44	175
Pork exports	1,560	1,611	1,717	523	546	486	624	2,179	630	635	580	700	2,545	665	2,745
Pork imports	951	1,070	1,185	275	265	291	268	1,099	245	250	270	250	1,015	250	1,020
Live swine imports	5,338	5,741	7,438	2,210	2,024	2,196	2,075	8,505	1,894	2,100	2,200	2,200	8,394	2,200	8,800
Broiler exports	5,555	4,807	4,920	1,024	1,008	1,250	1,486	4,768	1,199	1,225	1,245	1,300	4,969	1,200	5,110
Turkey exports	487	439	484	83	93	134	133	443	126	130	130	140	526	125	535

1/ Per capita meat and egg consumption data are revised, incorporating a new population series from the Commerce Department's Bureau of Economic Analysis based on the 2000 Census.

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

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Economic Indicator Forecasts

	2004					2005					2006	
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	Annual
GDP, chain wtd (bil. 2000 dol.)	10,709	10,778	10,883	10,976	10,842	11,078	11,160	11,257	11,352	11,212	11,443	11,588
CPI-U, annual rate (pct.)	3.6	4.7	1.9	3.4	3.4	2.4	3.3	2.3	2.4	2.6	2.4	2.5
Unemployment (pct.)	5.6	5.6	5.4	5.4	5.5	5.3	5.2	5.2	5.1	5.2	5.1	5.1
Interest (pct.)												
3-month Treasury bill	0.9	1.1	1.5	2.0	1.4	2.5	3.0	3.4	3.8	3.2	4.0	4.1
10-year Treasury bond yield	4.0	4.6	4.3	4.2	4.3	4.3	4.4	4.6	4.9	4.6	5.1	5.2

Source: Survey of Professional Forecasters, Philadelphia Federal Reserve Bank, May 2005.
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Dairy Forecasts

	2004					2005					2006	
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	Annual
Milk cows (thous.)	8,993	9,001	9,027	9,019	9,010	8,995	9,015	9,010	9,025	9,010	9,010	9,035
Milk per cow (pounds)	4,755	4,869	4,679	4,655	18,958	4,805	4,985	4,770	4,785	19,345	4,935	19,780
Milk production (bil. pounds)	42.8	43.8	42.2	42.0	170.8	43.2	44.9	43.0	43.2	174.3	44.5	178.7
Farm use	0.3	0.3	0.3	0.3	1.1	0.3	0.3	0.3	0.3	1.1	0.3	1.1
Milk marketings	42.5	43.5	42.0	41.7	169.7	42.9	44.7	42.7	42.9	173.2	44.2	177.6
Milkfat (bil. pounds milk equiv.)												
Milk marketings	42.5	43.5	42.0	41.7	169.7	42.9	44.7	42.7	42.9	173.2	44.2	177.6
Beginning commercial stocks	8.3	10.1	11.6	9.9	8.3	7.2	9.4	11.1	9.8	7.2	7.6	7.6
Imports	1.2	1.8	1.0	1.3	5.3	1.3	1.2	1.2	1.3	5.1	1.2	4.9
Total supply	52.0	55.4	54.6	52.9	183.3	51.4	55.3	55.0	54.0	185.4	53.0	190.1
Ending commercial stocks	10.1	11.6	9.9	7.2	7.2	9.4	11.1	9.8	7.6	7.6	9.5	7.5
Net removals	-0.1	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Commercial use	42.0	43.8	44.6	45.7	176.2	42.0	44.2	45.2	46.4	177.9	43.5	182.5
Skim solids (bil. pounds milk equiv.)												
Milk marketings	42.5	43.5	42.0	41.7	169.7	42.9	44.7	42.7	42.9	173.2	44.2	177.6
Beginning commercial stocks	8.5	8.5	10.1	9.5	8.5	8.2	8.4	9.7	9.0	8.2	8.2	8.2
Imports	1.0	1.5	1.1	1.3	4.8	1.2	1.3	1.1	1.4	5.0	1.0	4.8
Total supply	52.0	53.5	53.2	52.5	183.0	52.3	54.3	53.5	53.3	186.4	53.4	190.5
Ending commercial stocks	8.5	10.1	9.5	8.2	8.2	8.4	9.7	9.0	8.2	8.2	8.8	8.2
Net removals	0.8	0.1	0.4	0.0	1.3	-0.4	-0.1	0.0	0.1	-0.3	0.1	0.9
Commercial use	42.7	43.2	43.3	44.3	173.5	44.3	44.7	44.5	45.0	178.4	44.5	181.4
Milk prices (dol./cwt) 1/												
All milk	14.10	18.53	15.50	16.07	16.05	15.67	14.75	14.05	14.70	14.75	13.75	13.05
							-14.95	-14.55	-15.50	-15.15	-14.75	-14.05
Class III	12.66	19.31	14.54	15.06	15.39	14.31	13.95	13.10	13.20	13.60	12.10	11.70
							-14.15	-13.60	-14.00	-14.00	-13.10	-12.70
Class IV	12.43	14.26	12.92	13.19	13.20	12.64	12.20	12.05	11.90	12.20	11.45	11.20
							-12.50	-12.65	-12.80	-12.70	-12.55	-12.30
Product prices (dol./pound) 2/												
Cheddar cheese	1.399	2.007	1.558	1.610	1.643	1.531	1.490	1.420	1.435	1.470	1.345	1.310
							-1.510	-1.470	-1.515	-1.510	-1.445	-1.410
Dry whey	0.177	0.283	0.234	0.235	0.232	0.248	0.250	0.225	0.210	0.230	0.180	0.175
							-0.270	-0.255	-0.240	-0.260	-0.210	-0.205
Butter	1.707	2.089	1.722	1.778	1.824	1.570	1.435	1.415	1.410	1.450	1.345	1.305
							-1.475	-1.495	-1.520	-1.520	-1.475	-1.435
Nonfat dry milk	0.808	0.835	0.858	0.862	0.841	0.899	0.915	0.910	0.890	0.900	0.870	0.860
							-0.935	-0.950	-0.950	-0.940	-0.940	-0.930

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/dyfm05/mib/fedordprc_dscrpr.htm

Source: World Agricultural Supply and Demand Estimates and supporting materials.

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