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Tables will be released on August 23, 2005.

The next newsletter release is September 16, 2005

Approved by the World Agricultural Outlook Board.

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. Subsequent forecasts will reflect any announced changes.

Beef/Cattle: The first cattle from Canada began to cross the border into the United States on July 18. Fed cattle under 30 months of age began crossing the border on Monday, July 18, and the first feeder cattle began moving across the border at the end of the week. Markets are beginning to adjust to imbalances in cattle numbers, slaughter capacities, and price differences between the two countries. The forecasts assumed the border would be open in August.

Drought has worsened this summer in the Central Corn Belt and South into the concentrated cow-calf production areas of Missouri, Northwestern Arkansas, Southeastern Oklahoma, and Northeast through Central Texas.

Sheep/Lamb: The NASS *Sheep* report released on July 22, 2005, indicated that inventories reversed their long-term declining trend. On July 1, 2005, the U.S. sheep and lamb inventory totaled 7.80 million head, 2 percent above a year earlier.

Hogs/Pork: Third-quarter U.S. commercial pork production is expected to be about 5.1 billion pounds, slightly increased from the same period a year ago. Third-quarter hog prices--51-52 percent lean live equivalent--are expected to range between $47 and $49 per hundredweight (cwt), about

15 percent lower than a year ago. U.S. exporters shipped more than 1.3 billion pounds of pork to foreign markets in the first half of 2005, almost 25 percent more than the same period last year. U.S. imports of both pork and live swine were each about 9 percent lower in the first half relative to last year.

Poultry: Large gains in exports have been the major change in the broiler and turkey markets in the first half of 2005. The growth in exports has been due primarily to the dropping of export restrictions from most areas in the United States compared with the first half of 2004. Broiler exports were up 25 percent from the same period in 2004, and turkey exports were 56 percent higher.

Cattle/Beef

U.S.-Canada Border Re-opens to Cattle Under 30 Months Old

On July 14, 2005, the Ninth District Court of Appeals lifted the preliminary injunction that blocked implementation of the BSE minimal risk rule. The ruling was effective immediately and the Department began taking steps to resume the importation of cattle under 30 months of age from Canada. Cattle must go for immediate slaughter or to feedlots and then directly to slaughter. Fed cattle began crossing the border on July 18, and the first feeder cattle began moving across the border at the end of the first week. USDA forecasts assumed the border would be open in August. Now the market can begin to adjust to imbalances in cattle numbers, slaughter capacities, and price differences between the two countries. The release of the mid-year Canadian cattle inventory report on August 17 will provide a view at inventory buildups and adjustments. The inventory numbers and monitoring adjustments in market dynamics provide an opportunity to adjust forecasts. Forecasts will be updated and published in the *September World Agricultural Supply and Demand Estimates* and *Livestock, Dairy, and Poultry Outlook*.

Fed and feeder cattle movement across the border is expected to rise as Canadian cattle prices remain below U.S. levels. In mid-August Canadian fed cattle prices had already increased but remained about $8 to $10 per cwt below U.S. prices http://www.ams.usda.gov/mnreports/WA_LS718.txt.
Similarly, feeder cattle prices continue to adjust, and the movement will increase as fall weaning begins in Canada. Prices for 700-800 pound yearlings across Canada were averaging $12 to $15 below U.S. 750-800 pound yearlings in Oklahoma City.

As Canadian fed cattle prices rise, slaughter operation adjustments are likely going to occur in Canada. Although Canadian cattle slaughter has increased, much of the increase has been due to slaughtering more days per week and double shifting, both resulting in expensive slaughter rates possible only with very low fed cattle prices. In contrast, slaughter plants in the United States are operating well below efficient levels and are expected to bid up prices in Canada even as domestic fed cattle supplies increase. As prices move toward transportation and handling cost equilibrium, more cattle will move toward the United States. In addition, with the continued ban on importing cattle or beef over 30 months of age into the United States from Canada, packers in Canada will find better margins in slaughtering older cattle in their plants as long as the older beef can be sold in the Canadian market. A number of plants operating in Canada have only been profitable at low cattle prices. Although the Canadian industry has planned to add more slaughter capacity, producers in either country have historically sold to the strongest bidder. Cattle/beef trade between the United States and Canada is well established and will resume fairly quickly as both sectors adjust to the new regulations.

Expanding Drought Area Raises Feed Costs and Forage Concerns

Drought has worsened this summer in the Central Corn Belt and South into the concentrated cow-calf production areas of Missouri, Northwestern Arkansas, Southeastern Oklahoma, and Northeast through Central Texas. Although conditions in the western Northern Great Plains, Northern Rocky Mountain, and Pacific Northwest have improved over the very poor conditions of the past few years, the area remains dry with low irrigation reservoirs. National pasture and range conditions in mid-August were below year-earlier levels. Although much of this year's grass hay crop is already in the barn, harvested earlier when forage conditions were much improved, rising prices suggest the cattle sector is already concerned about fall and winter grazing prospects.

This year's hay crop was estimated at 149.9 million tons, down 5 percent from both last year and 2 years earlier. Grass hay production was down nearly 8 percent from a year ago and down over 6 percent from 2003, while alfalfa hay production was down 2 percent from a year ago and down 3 percent from 2003. Dry weather in July through mid-August is keeping hay supplies in tight hands as some additional hay stocks are built up. Hay stocks on May 1, at the end of the 2004/05 hay season, were up nearly 7 percent from a year earlier and up 26 percent from 2003. However, hay is already being supplemented in some of the dryer areas, particularly until calves are weaned. Although hay prices declined seasonally from June to July, the farm price of hay remains well above a year earlier. The farm price of all hay in July averaged $99.70 a ton, up $9.30 a ton from last year. Alfalfa hay prices were up $10.60 a ton, with other hay up $5 a ton. Improved moisture conditions and accumulated pasture growth will be essential in many areas to keep herd expansion plans on track.

Corn and soybean production and costs remain relatively favorable for the livestock sector. However, continued dryness in August remains a concern for final production estimates as the crops fill. With the exception of Michigan, forecast yields were lower in all of the Corn Belt States as warm, dry weather throughout the growing season depleted soil moisture levels and stressed the crop. The August *Crop Production* report forecasts corn production at 10.3 billion bushels, down 12 percent from last year's record 11.81-billion-bushel harvest, but 3 percent above the 2003 harvest. The August harvest forecast would still be the second highest on record. Corn prices in 2005/06 are expected to average $1.80 to $2.20 a bushel, somewhat down from $2.07 for 2004/05. Soybean meal prices are expected to average $175 to $205 per short ton in 2005/06, up modestly from $187 in 2004/05, but well below 2003/04's $256 average.

Cattle Inventory Increases Reaffirm Cattle Cycle Expansion

The mid-year cattle inventory report released on July 22 showed July 1, 2005, cattle and calf inventories up 1 percent over July 1, 2004. Beef and dairy cow inventories were up 1 percent, and beef replacement heifer inventories were up 4 percent. Probably the most important indicator was this year's calf crop estimate, which was about unchanged from a year ago and remains the lowest since the 1950s. Total cattle on feed in all feedlots in the United States on July 1were up 2 percent over year-earlier levels. Cattle on feed on July 1 in feedlots of 1,000 plus head capacity were up 3 percent from 2004. Placements in June of cattle in feedlots of 1,000-plus head were up 7 percent. While marketings were down 1 percent over June 2004 numbers, June had one less slaughter day; thus marketings were fairly solid.

A "normal" 10- to 12-year cattle cycle would proceed as follows: increases in the national cow herd for the next 3 or 4 years, a 1- or 2-year peak in inventories, then a slow 4- to 6-year decline. As the cowherd increases, calf crops increase in size, translating into more cattle available for feeding until prices deteriorate to the point that cattle feeding becomes unprofitable. Beef supplies follow roughly the same pattern, but with a lag of about 2 years. The lag in beef production occurs because as cow herd liquidation begins, normally 5 to 7 years after the beginning of the cycle, liquidated cattle add to mounting supplies of beef, causing prices to decline even more. This continues until supplies decline to a point where prices are again breakeven or better. Then the next expansion begins—cow slaughter declines and heifer retention increases. Superimposed on the cattle cycle are seasonal patterns associated with each category of cattle. For example, average weights of fed cattle increase from about May to October because weight gain is not hampered by cold, wet weather. Also, cow slaughter often peaks in the late fall and early winter as calves are weaned and cows not pregnant are sold rather than fed expensive supplemental feed during the winter. Cow slaughter is lowest in the spring and early summer when forage conditions are favorable and cows are nursing calves.

While cattle inventory numbers are expected to increase for the next several years, beef production will only begin to increase significantly in mid-2007, when calves from retained heifers are born in 2006 and begin to enter feedlots in the fall. With imports from Canada in both live cattle under 30 months and beef from cattle under 30 months of age resuming, there is slightly less uncertainty as the markets return to earlier, more familiar patterns.

Several things can initiate or extend a liquidation of cattle inventories or alter seasonal patterns. Cattle numbers can increase until the point at which widespread unprofitability signals liquidation. Drought can make it unprofitable to maintain cows and lightweight feeder cattle on pasture because of the high cost of supplemental feeding, causing feeder cattle to be sent to feedlots sooner. Drought and other factors can also create a situation in which the liquidation phase is extended as forage stocks decline and higher grain prices force feeder cattle prices lower. Drought in 1995 and 1996 and record grain prices started the liquidation phase of the cattle cycle that began in 1990, while drought and trade restrictions contributed to the extended 8-year liquidation phase that followed. At present, downward price pressure could occur if dry conditions worsen in the Corn Belt and much of the West, affecting native pasture and, later this fall and winter, wheat pasture. Premature placements in feedlots this fall and winter could translate into tighter supplies of feeder cattle next spring.

Feeder Cattle Supplies Tight

Supplies of feeder cattle outside feedlots, while at seasonal highs, remain near their lowest level in many years, although still modestly above last year, suggesting potentially tighter fed cattle supplies this winter and next spring as heifer retention continues.

Feeder cattle prices have come under some pressure since pasture conditions have deteriorated and corn prices have risen modestly. However, feeder cattle remain in short supply, and, as a result, prices remain above $1 per pound for almost all weight categories of better quality feeder cattle. Further downward price pressure could occur if dry conditions worsen, and affect native pasture and, later, wheat pasture. Premature placements in feedlots this fall and winter could mean even tighter supplies of feeder cattle next spring. Increased fed cattle marketings at record weights will keep pressure on fed cattle prices and consequently hold down additional feeder cattle price increases.

There is still potential for relatively large numbers of cattle to be marketed out of feedlots through winter because of the large numbers of heavyweight placements that have occurred over the last several months. Current fed cattle prices are at levels that are only breakeven, at best, and losses are again occurring. Many cattle coming out of feedlots currently have breakeven prices in the $90-plus range. Grain prices remain favorable, but continued strength in feeder cattle markets take most of the profit potential out of feeding cattle.

Wholesale and Retail Prices Decline To Move Larger Supplies

Wholesale prices are near to slightly below levels at this time last year. Weekly slaughter has not been as large as is usual for this time of year, but slaughter weights are much heavier. The negotiating edge continues to alternate between packers and cattle feeders. Packers cannot sustain profits for very long before fed cattle prices increase to levels at which wholesale prices are no longer profitable. Cow slaughter continues at cyclically low levels, and domestic processing beef supplies are very tight. Processing beef supplies are being strongly supplemented by imports from Australia, New Zealand, and Uruguay to make up for cold storage stock liquidation last winter when the border was expected to be open for Canadian beef over 30 months of age beginning in March. Cold storage stocks reached their lows in early spring, but began to rise in June as import gains began to rebuild processing beef supplies.

Retail prices for Choice beef have begun receding seasonally as feedlot performance improved and beef production rose. In addition, relatively lower poultry and pork prices and large supplies of these competing meats are pressuring beef prices during the summer lull in demand. Retail Choice beef prices averaged $3.99 a pound in July, continuing the seasonal decline that began in June following very tight supplies during the strong spring market. In April, and May when fed beef supplies were very tight, prices averaged $4.26 a pound, the second highest on record. Boxed beef prices declined in June through early August as the market was forced to lower prices to buy back market share as supplies increased. By mid-August the market began to adjust to the larger supplies and lower boxed beef prices. Labor Day, back-to-school activities, and prospects for cooler weather historically have provided seasonal support for meat prices in general, and boxed beef prices appear to be moving upward.

Beef Trade

Cattle Trade To Respond to Price Differentials

Trade in both feeder cattle and slaughter steers and heifers from Canada resumed shortly after the July 14 appeals court ruling lifted the injunction on cattle imports. U.S. feeder cattle prices are relatively high in historical terms and attractive to Canadian producers. Canadian feeder prices have risen in recent weeks as feedlots there must once again bid against American feedlots for cattle. Placements of Canadian cattle into feedlots peak seasonally in the autumn as calves are weaned and sold.

Price differentials across the border are also making Canadian fed cattle attractive to U.S. meatpackers, many of which are running below capacity. CanFax reported just over 710,000 Canadian cattle on feed on August 1, up 17 percent from a year ago but still below numbers seen in pre-BSE years (748,342 in August 2002 and 856,549 in August 2001). Canadian cattle on feed numbers usually bottom out in August-September then rebound sharply with the large autumn placements.

The Canadian market will now move to a new equilibrium, reflecting both the open border for younger cattle and the continued prohibition on exports of older cattle and their meat. Canadian prices for both slaughter cattle and feeder calves are already rising relative to U.S. prices as Canadian feedlots and packers must bid against their American counterparts. Canadian packers are expected to take an increasing share of cows in their slaughter mix as fed cattle become relatively more expensive and as more fed cattle are slaughtered in the United States.

Tracking Cattle Import Totals

The Agricultural Marketing Service (AMS) has several reports tracking the entry of Canadian cattle to the United States. AMS has a new daily report, *Preliminary Daily Canadian Cattle Imports*. It provides a more current picture of arrivals than the weekly reports mentioned below. However, readers must be aware that this report does not count cattle arriving on weekends or at some ports of entry each day, so it does not capture the entire volume of cattle movements. For example, the weekly reports for the week ending July 23 showed 1,877 cattle arriving, while the daily reports counted 1,609 head. Similarly, the weekly report for the week of July 30 counted 13,502 head, while the daily reports counted 8,896.

AMS also has two weekly cattle import reports. *Canadian Live Animal Imports into U.S. by Destination* reports the number of seven different types of cattle (feeders, slaughter cattle, breeding, etc.) going to 10 different regions (groups of States), while *Canadian Live Animal Imports by State of Entry* reports the number of cattle passing through each point of entry for the same seven categories of cattle. Both of these are weekly reports, counting the cattle on a Sunday-to-Saturday basis, and usually appearing on Tuesdays.

The import volume of Mexican cattle has dropped markedly over the summer from that seen earlier in the year. However, this is the typical seasonal pattern of cattle movements from Mexico, and the latest AMS weekly report still shows year-to-date imports from Mexico about equal to the year-ago pace when a record 1.37 million

Mexican cattle were imported. Imports typically begin to rise in September, and U.S. stocker/feeder cattle prices are expected to remain relatively strong.

U.S. Cattle Exports Revised

The Commerce Department recently revised their data significantly downward for U.S. cattle exports during 2004, mainly to reduce the number of U.S. feeder cattle going to Canada. Forecast exports for 2005 were reduced in light of these lower volumes and the modest export results observed to date for 2005. Cattle exports for 2006 were also lowered but were expected to increase slightly year-to-year as the Canadian situation moves toward equilibrium.

Beef Trade Remains Strong

Beef imports by the United States have remained strong, with quarterly imports topping 1 million pounds carcass weight equivalent for the first time in the second quarter. U.S. prices generally remain strong, and in particular the prices for trimmings have rebounded from recent dips. Imports from Australia bounced back in the second quarter and surpassed second-quarter 2004 levels after 2005 first-quarter imports were the lowest quarterly totals going back to the early 1980s. The volume of beef coming from Canada is ahead of the pace set in 2002 when a record total of 1.091 billion pounds entered the United States. USDA's forecast for total 2005 beef imports remains nearly 2 percent higher than the total seen for 2004.

In the second quarter of 2005, U.S. beef exports posted their highest quarterly total since the BSE announcement in December 2003 nearly shut off foreign demand for U.S. product. The second quarter growth was due in part to resumption of imports by Taiwan in April, and over the next 2 months Taiwan was the second largest customer for U.S. beef, after Mexico. However, Taiwan cut off imports again following the confirmation of the second U.S. BSE case in June and has yet to re-enter the U.S. market. Overall U.S. beef exports for 2005 are forecast at 615 million pounds, up 34 percent over the 2004 total, but still only 24 percent of the record 2.518 billion pounds exported in 2003.

Breeding Sheep Inventory Increases; Replacement Lambs Up Significantly

The NASS *Sheep* report released on July 22, 2005, indicated that inventories reversed their long-term declining trend. On July 1, 2005, the U.S. sheep and lamb inventory totaled 7.80 million head, 2 percent above a year earlier. This compares with a 2-percent decline in 2004 and a 4-percent decline in 2003. Improved pasture conditions in the western United States coupled with the positive response to the extension of the Ewe Retention Program have contributed to producers withholding animals for herd rebuilding. The July 1, 2005, breeding sheep inventory increased 2 percent from 2004. This compared with a 1-percent decline in 2004 and a 4-percent decline in 2003. Replacement lambs increased for the second straight year, increasing 10 percent in 2005 and 3 percent for 2004 (replacement lambs declined 2 percent in 2003 and 4 percent in 2002).

Lamb and mutton production continued to decline, due largely to increased retention of replacement ewes. First-half lamb and mutton production was down 4 percent from the same period last year. First-half imports were down 15 percent from the same period last year, causing supplies to be down about 8 percent from the same period last year. Tight supplies and continued demand strength has led to record level prices. Third-quarter production is expected to be unchanged from the same period last year but production for the rest of 2005 is expected to be about 4 percent above last year's. Increased supplies of market lamb brought on by the last 3 years of ewe retention and replacements are expected to begin to affect the supply chain during fourth-quarter 2005.

Lower first-half production created favorable producer prices. First-half farm prices averaged $114 per cwt, up 10 percent from the same period last year while first-half 2005 Choice slaughter lamb prices at the San Angelo, Texas market averaged $3.50 per cwt above the same period a year earlier. Increasing supplies into the second half of 2005 should put pressure on farm level prices for lamb, pulling it off its record levels for the year so far. However, prices are expected to remain fairly strong for the second half of 2005 due to expected seasonal demand increases late in the year. Second-half prices are expected to be between $97 and $98 per cwt.

Imports of lamb and mutton continue to offset production and continue to remain strong, though well below the highs of the first half of 2004. For the first half of 2005 imports totaled about 93 million pounds, 15 percent below the same period last year. (In first-quarter 2005, imports totaled 41 million pounds, down 34 percent from a year earlier and second-quarter imports were 52 million pounds, 11 percent higher than the same period a year earlier). The decline in imports is probably a result of the lower domestic disappearance as well as the increase in the value of the Australian and New Zealand currencies relative to the U.S. dollar, which causes imports to be more costly. Australia and New Zealand are the primary suppliers of imported lamb for the United States.

Hogs/Pork

U.S. Pork Exports Strong in First-Half of 2005

U.S. exporters shipped 205 million pounds of pork products in June, more than 18 percent higher than June 2004. In the 6 months ending on June 30, U.S. pork exports exceeded those of the same period last year by 25 percent. The major destination countries for U.S. exports so far in 2005 have been Japan, Mexico, and Canada. The "big three" together comprised 71 percent of U.S. pork exports. Japan alone accounted for 41 percent of exports, Mexico for 19 percent, and Canada for 11 percent.

A comparison of 2005 export shares for Japan, Mexico, and Canada, with shares for the comparable period last year shows that Japan and Mexico are accounting for a smaller share of U.S. exports. Although each of the "big three" pork export markets show a year-over-year volume increase on a cumulated basis--Japan +15 percent, Mexico +1, and Canada +33 percent--other smaller markets such as South Korea, China, Romania, and Australia grew rapidly in the first half, and consequently this set of smaller markets is together accounting for a significantly greater share of total pork exports than in January-June 2004.

Country shares of U.S. pork exports, January-June, 2005

Country	2005 Percent of Jan.-June exports	2004 Percent of Jan.-June exports
Japan	41	45
Canada	11	10
Mexico	19	23
Russia	4	2
S. Korea	7	3
Hong Kong	1	2
Taiwan	2	6
Carribean	1	1
S. America	2	2
EU-25	1	1
Australia	3	0
China	4	3
Romania	3	1
Other	1	1

Source: ERS/USDA

Japan Imports More U.S. Pork, But Less Pork Overall

Japan's first-half imports of U.S. pork were 15 percent larger than a year ago. However total Japanese pork imports so far this year--from all sources--are almost 6 percent lower than last year. A combination of factors could explain larger imports from the United States at the same time that total pork imports have declined. First, Japanese imports of both beef and poultry in the first half of 2005 are lower than the same period in 2003--before Japanese trade was affected by North American BSE discoveries, and avian influenza in Asia--but beef and poultry imports have increased over January-June 2004. So far this year, Japan's beef imports have increased 15 percent, and poultry imports are 27 percent higher than the same period last year.

Japan Imports of Selected Meat Products: January-June, 2003-2005

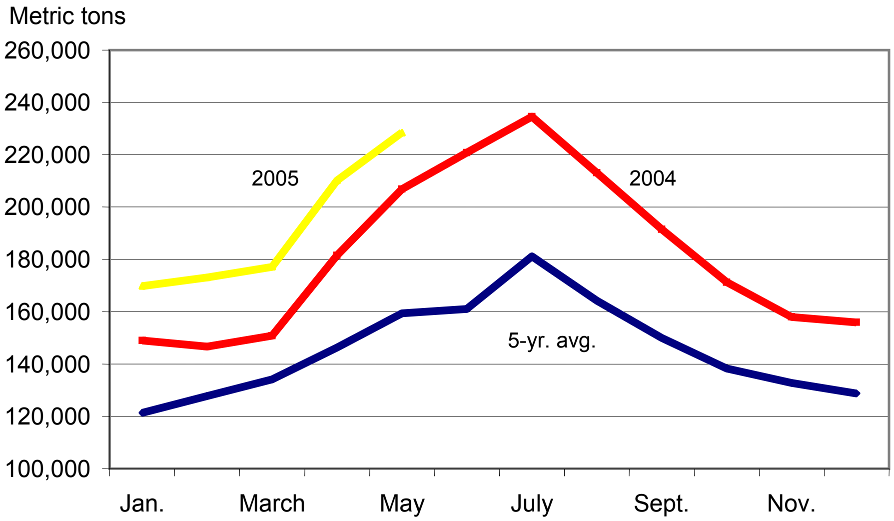
	Tariff Line	Jan.-June 2003 (1,000 MT)	Jan.-June 2004 (1,000 MT)	Jan.-June 2005 (1,000 MT)	05/03 % change	05/04 % change
Beef	0201, 0202	280.48	198.35	227.49	-19	15
Poultry	207	226.7	161.11	205.21	-9	27
Pork	203	383.61	486.94	458.59	20	-6

Source: World Trade Atlas.

Higher available supplies of beef and poultry, all other factors remaining constant, could reduce import demand for pork products.

Lower total Japanese imports could also be partly attributable to current ending stock levels. The figure below shows that Japanese monthly ending stocks of pork in the first 5 months of 2005 appear to be significantly higher than last year. Stock levels for all of 2004 and so far this year, are well above the 5-year average, also.

Japan: Monthly ending stocks of pork



Source: Agriculture & Livestock Industries Corporation.

Japanese pork importers could also be trimming import quantities in an attempt to stave off the Safeguard. As part of the Uruguay Round Agreement on Agriculture, the Government of Japan can impose the Safeguard to protect domestic pork producers from adverse price effects, when cumulative pork imports exceed the average of three prior years by 19 percent. The Safeguard effectively increases the minimum import price of most fresh and frozen pork cuts by about 25 percent. The World Trade Organization rules are such that the Safeguard can trigger this year if total pork imports between April and September exceed about 550,000 metric tons (MT). Japanese Government statistics indicate that the April-June imports were about 289,000 MT. When the Safeguard is in place, Japan typically imports less pork; the incidence of the higher import price falls disproportionately however, on frozen pork rather than on fresh products. With the United States and Canada major sources of fresh pork, Japan's Safeguard typically impacts North American exports proportionally less than exporters of frozen pork--Denmark in particular.

Larger Japanese imports of U.S. pork could also be partially attributable to the favorable exchange rate between the U.S. dollar and the Japanese yen, relative to the currencies of other pork exporting countries. The trade data below showing lower Japanese imports from Denmark, whose currency is tied to the euro, and from other EU countries, suggest that the exchange rate volatility could be one factor in Japanese import decisions.

Japan: Pork* imports from selected exporting countries

	Jan.-June 2004 (1,000 MT)	Jan.-June 2005 (1,000 MT)	2004-May % change
World	486.94	458.59	-5.82
United States	142.59	158.04	10.84
Denmark	154.79	117	-24.41
Canada	104.33	109.99	5.43
Chile	20.55	23.07	12.22
Mexico	17.62	16.86	-4.29
Other EU	41.91	32.06	-23.51

*Tariff Line 0203

Source: World Trade Atlas.

Pork Imports Continue Downward Slide

Pork imports in June continued to show a year-over-year decline which effectively began late in 2003. Since that time, the volume of pork imports each month has fallen below year-earlier levels--with just one exception, when August 2004 imports were almost 9 percent higher than August 2003 imports. Total pork imports for the January-June 2005 period fell 9 percent below the same period last year. It is likely that the weaker U.S. dollar has increased the cost of foreign pork products, thus lowering the quantity of imports. Market shares of major import sources are as follows:

Country shares, U.S. pork imports, January-June, 2005

	2005 Percent of Jan.-June Imports	2004 Percent of Jan.-June Imports
Canada	81	79
Denmark	11	14
Others	8	7

Source: ERS/USDA.

Imports are expected to continue to decline through 2005, with an 11-percent reduction expected for 2005, relative to last year. In 2006, imports are expected to decline 2 percent over this year.

First-Half Live Swine Imports Down From a Year Ago

Monthly Canadian swine imports, which have lagged year-ago numbers since late last year, appear to be slowly picking up steam. For the second month in a row, June imports were larger than June of last year; imports in May were also slightly larger than May 2004. June import numbers for live swine--698,000 head--came in 3 percent larger than June of last year. First-half swine imports totaled almost 3.8 million animals, 9-percent lower than first-half 2004.

Trade numbers indicate that somewhat fewer slaughter hogs are being imported so far this year. Indeed, slaughter hogs accounted for 31 percent of imports in the first half, while in the same period last year they averaged 33 percent of U.S. imports.

Lower first-half imports from Canada are probably attributable to some combination of several factors: weekly Canadian slaughter numbers are about 1 percent higher than this time a year ago, so more Canadian hogs are being slaughtered domestically. There is also some evidence that Ontario producers are shipping larger numbers of feeder pigs to Quebec, due to recently enacted laws which effectively restrict hog production there. Reports of disease problems in Ontario—PRRS—last fall and porcine circovirus this past spring and early summer could also account for smaller numbers of hogs and pigs for export to the United States.

If it can be assumed that swine entering the United States from Michigan are largely of Ontario origin, and those entering from North Dakota originate from Manitoba, then USDA weekly swine import data from Canada bear out much lower numbers from Ontario.

Canadian swine imports by State of entry, January-July

	Feeder Pigs	
	North Dakota (head)	Michigan (head)
2004	2,396,839	942,925
2005	2,319,755	601,996
% change	-3	-36

	Barrows/Gilts	
	North Dakota (head)	Michigan (head)
2004	600,638	475,604
2005	542,352	346,150
% change	-10	-27

Source: USDA Market News, WA_LS637.

There were also likely restart-up costs following rescission of preliminary dumping penalties following the International Trade Commission determination in last April that the U.S. industry is not materially injured by Canadian live swine imports. In the second half of 2005, U.S. imports of live swine from Canada are expected to be about the same as the second half of 2004.

Poultry

Broiler Production Increases by Almost 5 Percent

Broiler meat production during the first half of 2005 was 17.5 billion pounds, up 4.9 percent from the same period in 2004. Production during the second quarter of 2005 was 8.9 billion pounds, 5.3 percent higher than the previous year. The increase in broiler meat production came from a combination of a higher number of birds going to slaughter and an increase in their average liveweight. Over the first half of 2005 the number of broilers slaughtered was 4.4 billion, up 1.9 percent from a year earlier. The average broiler liveweight at slaughter during the first 6 months of 2005 was 5.34 pounds, up 2.1 percent from last year. The growth rate for broiler meat production is expected to slow somewhat during the second half of 2005, but is still expected to be 3 to 4 percent higher than during the same period in 2004. Much of the growth is expected to come from higher liveweights as the number of birds being placed for growout over the last several weeks has only been slightly higher than a year earlier. Gradually strengthening prices for a number of broiler products are expected to provide some incentive for producers to expand production, and while grain prices have been increasing they are not expected to be any higher than a year earlier and below where they were in the second half of 2003.

The number of chicks being placed weekly for growout has averaged approximately 175 million over the last 5 weeks (July 9 to August 6). This is down less than 1 percent from the same weekly period in 2004. Broiler meat production estimates for the third and fourth quarters are 9.2 and 8.9 billion pounds, respectively. These production levels are 3.8 and 3.7 percent higher than the previous year.

Broiler Exports Surge in 2005

Over the first 6 months of 2005, broiler exports were 2.55 billion pounds, up 25 percent from a year earlier. The major reason for the much higher shipments was that the export restrictions due to U.S. avian influenza (AI) outbreaks that had been in place in the first half of 2004 are now gone. This has resulted in stronger exports to Russia, the CIS countries, and a number of Asian markets (Hong Kong/China, Korea, and Japan). In addition there has been continued expansion of shipments to Mexico.

Exports to Russia were 707 million pounds in the first half of 2005, up 14 percent from a year earlier. The increase has come almost entirely in the form of higher shipments of leg quarters as they make up 96 percent of our exports to Russia on a quantity basis. During the first 6 months of 2005, leg quarter exports have accounted for 67 percent of our total broiler exports on a quantity basis. Even with broiler production increasing 4.9 percent over the first half of 2005, leg quarter prices have continued to strengthen. During July, leg quarter prices have continued to increase, reaching over 45 cents per pound by the end of the month. These rising prices combined with the strong production increases in the second quarter of 2005 and falling cold storage holdings indicate a continued strong export demand for leg quarters.

With a strong demand for broiler products even in the face of rising prices, the forecast for U.S. broiler exports over the second half of 2004 has been revised upward. The forecast for the third and fourth quarters are for shipments of 1.4 and 1.5 billion pounds, an increase of 7 percent in the third quarter and 3 percent lower in the fourth quarter than the record 1.49 million pounds exported in the fourth quarter of 2004. One reason for the expected slow down in exports in fourth-quarter 2005 is exports to Russia were restricted over the first half of 2004 and in the second half of the year there was a rush to fill as much of the Russian import quota as possible. As a result, fourth-quarter exports were a record 1.49 billion pounds. This is not expected to be the case in 2005. The export forecast for 2006 is also increased to 5.5 billion pounds, slightly higher than in 2005 and close to the record exports of 2001.

Turkey Production Increases in First-Half 2005

Turkey production during the first 6 months of 2005 was 2.7 billion pounds, a 1.4-percent gain compared with a year earlier. The increase in turkey meat production was due to an increase in the average liveweight of birds at slaughter as the number of birds slaughtered in the first 6 months of 2005 was actually down 3.5 percent from a year earlier. The average liveweight for turkeys at slaughter during the first 6 months of 2005 was nearly 29 pounds, an increase from the previous year of 4.9 percent. The forecast for meat production in the second half of 2005 is for a slight decrease compared with the previous year. The decline in production is expected to be moderate by growers producing larger birds, as the number of birds slaughtered is expected to be lower. The number of poults placed for growout during the first 7 months of 2005 totaled 163 million, down 2.6 percent from the same period in 2004. With higher turkey meat production in the second quarter of 2005, turkey production has risen in the last two quarters after having fallen in the previous seven quarters.

The relatively small increase in production combined with higher exports has resulted in prices at or above their year-earlier levels. In July, the price of 8-16 pound whole hens in the Eastern market was 72.6 cents a pound, up 2 percent from a year earlier, but 25 percent higher than the July 2003 price. With basically no growth in production forecast for the remainder of 2005 and with lower stocks as of the end of June, wholesale prices for whole turkeys are expected to remain close to or slightly higher than their year-earlier levels through the remainder of 2005.

Turkey Exports Jump by 56 Percent

Over the first 6 months of 2005, U.S. turkey exports totaled 273 million pounds, up 56 percent compared with the previous year. As with broiler exports, much of the increase has come from the lifting of export restrictions in place in the first half of 2004. The increase in exports has been to a number of countries in Asia along with a strong increase in shipments to Mexico, the largest market. Shipments to Mexico in the first half of 2005 totaled 171 million pounds, up 68 percent from last year. With larger exports and strengthening prices, the value of turkey exports rose strongly to $177 million during the first 6 months of 2005, an increase of 48 percent from a year earlier.

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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/wasde.htm

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	II	Annual
Production, million lb																
Beef	26,107	27,090	26,238	5,838	6,253	6,360	6,097	24,548	5,727	6,192	6,875	6,400	25,194	5,950	6,775	25,975
Pork	19,138	19,664	19,945	5,130	4,897	5,047	5,435	20,509	5,136	5,022	5,075	5,575	20,808	5,200	5,075	21,125
Lamb and mutton	223	219	199	53	46	46	50	195	49	46	46	52	193	50	52	201
Broilers	31,266	32,240	32,749	8,195	8,492	8,839	8,537	34,063	8,571	8,941	9,175	8,850	35,537	8,825	9,125	36,525
Turkeys	5,562	5,713	5,650	1,309	1,366	1,390	1,389	5,454	1,320	1,393	1,375	1,400	5,488	1,310	1,390	5,535
Total red meat & poultry	83,006	85,669	85,476	20,687	21,220	21,858	21,676	85,441	20,964	21,770	22,729	22,454	87,917	21,504	22,599	90,081
Table eggs, mil. doz.	6,078	6,190	6,207	1,556	1,574	1,598	1,637	6,365	1,585	1,580	1,600	1,640	6,405	1,600	1,625	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	18.0	16.7	67.1	15.9	17.7	68.2
Pork	50.2	51.5	51.8	13.0	12.2	12.7	13.4	51.3	12.3	12.1	12.5	13.2	50.1	12.3	12.1	50.1
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	0.3	1.2
Broilers	76.6	80.5	81.6	20.8	21.2	21.9	20.4	84.3	21.3	21.5	22.4	21.2	86.4	21.4	22	87.9
Turkeys	17.5	17.7	17.4	3.6	4.0	4.5	5.0	17.1	3.6	3.9	4.2	5.0	16.7	3.3	3.7	16.2
Total red meat & poultry	213.6	220.5	218.9	54.1	54.8	56.6	55.9	221.4	53.5	55.0	57.8	56.9	223.1	53.6	56.3	225.4
Eggs, number	252.7	255.5	254.7	63.7	63.9	64.1	65.5	257.2	63.5	63.0	63.1	64.7	254.3	62.8	63.6	256.1
Market prices																
Choice steers, Neb., $/cwt	72.71	67.04	84.69	82.16	88.15	83.58	85.09	84.75	89.09	88	80-82	81-87	85-86	74-80	76-82	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	113	107-109	95-101	105-106	89-95	91-97	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	59.17	55-57	52-54	56-57	52-56	53-57	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	99	96-98	95-101	100-101	97-103	94-100	95-101
Barrows & gilts, N. base, l.e. $/cwt	45.81	34.92	39.45	44.18	54.91	56.58	54.35	52.51	51.92	52	47-49	40-42	48-49	44-48	46-50	43-47
Broilers, 12 City, cents/lb	59.10	55.60	62.00	73.20	79.30	75.70	68.30	74.10	71.90	72.6	72-74	71-75	72-73	70-76	71-77	71-77
Turkeys, Eastern, cents/lb	66.30	64.50	62.10	62.10	66.60	73.10	77.10	69.70	65.90	67.70	72-74	76-80	70-72	60-66	63-69	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	55.90	59-61	64-68	61-62	62-68	60-64	63-68
U.S. trade, million lb																
Beef & veal exports	2,269	2,447	2,518	36	120	138	167	461	130	165	175	145	615	140	170	640
Beef & veal imports	3,164	3,218	3,006	873	929	940	937	3,679	831	1,020	980	910	3,741	900	990	3,740
Lamb and mutton imports	146	162	168	62	47	34	38	181	41	49	42	45	177	44	47	175
Pork exports	1,560	1,611	1,717	523	546	486	624	2,179	630	699	610	730	2,669	665	690	2,745
Pork imports	951	1,070	1,185	275	265	291	268	1,099	245	240	250	245	980	240	235	960
Live swine imports	5,338	5,741	7,438	2,210	2,024	2,196	2,075	8,505	1,894	1,951	2,100	2,100	8,045	2,200	2,200	8,800
Broiler exports	5,555	4,807	4,920	1,024	1,008	1,250	1,486	4,768	1,199	1,425	1,355	1,450	5,429	1,275	1,350	5,475
Turkey exports	487	439	484	83	93	134	133	443	126	140	130	140	536	130	140	550

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		
	II	III	IV	Annual	I	II	III	IV	Annual	I	II	Annual
GDP, chain wtd (bil. 2000 dol.)	10,704	10,809	10,897	10,756	10,999	11,092	11,207	11,306	11,151	11,397	11,492	11,533
CPI-U, annual rate (pct.)	4.7	1.9	3.4	3.4	2.4	4.2	2.8	2.4	2.9	2.4	2.5	2.4
Unemployment (pct.)	5.6	5.4	5.4	5.5	5.3	5.1	5.0	5.0	5.1	4.9	4.9	4.9
Interest (pct.)												
3-month Treasury bill	1.1	1.5	2.0	1.4	2.5	2.9	3.4	3.9	3.2	4.1	4.3	4.3
10-year Treasury bond yield	4.6	4.3	4.2	4.3	4.3	4.2	4.4	4.6	4.4	4.8	5.0	5.0

Source: Survey of Professional Forecasters, Philadelphia Federal Reserve Bank, August 2005.
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Published in Livestock, Dairy, and Poultry Outlook, http://www.ers.usda.gov/publications/ldp

Dairy Forecasts

	2004				2005					2006		
	II	III	IV	Annual	I	II	III	IV	Annual	I	II	Annual
Milk cows (thous.)	9,001	9,027	9,019	9,010	8,996	9,035	9,050	9,075	9,040	9,060	9,075	9,080
Milk per cow (pounds)	4,869	4,679	4,655	18,958	4,807	5,051	4,810	4,800	19,470	4,945	5,125	19,825
Milk production (bil. pounds)	43.8	42.2	42.0	170.8	43.2	45.6	43.5	43.6	176.0	44.8	46.5	180.0
Farm use	0.3	0.3	0.3	1.1	0.3	0.3	0.3	0.3	1.1	0.3	0.3	1.1
Milk marketings	43.5	42.0	41.7	169.7	43.0	45.4	43.3	43.3	174.9	44.5	46.2	178.9
Milkfat (bil. pounds milk equiv.)												
Milk marketings	43.5	42.0	41.7	169.7	43.0	45.4	43.3	43.3	174.9	44.5	46.2	178.9
Beginning commercial stocks	10.1	11.6	9.9	8.3	7.2	9.4	11.2	10.2	7.2	8.0	10.1	8.0
Imports	1.8	1.0	1.3	5.3	1.3	1.1	1.2	1.3	4.9	1.2	1.2	4.9
Total supply	55.4	54.6	52.9	183.3	51.5	55.9	55.7	54.7	186.9	53.7	57.6	191.9
Ending commercial stocks	11.6	9.9	7.2	7.2	9.4	11.2	10.2	8.0	8.0	10.1	11.9	8.0
Net removals	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Commercial use	43.8	44.6	45.7	176.2	42.1	44.6	45.6	46.7	178.9	43.6	45.7	183.8
Skim solids (bil. pounds milk equiv.)												
Milk marketings	43.5	42.0	41.7	169.7	43.0	45.4	43.3	43.3	174.9	44.5	46.2	178.9
Beginning commercial stocks	8.5	10.1	9.5	8.5	8.2	8.4	9.6	9.2	8.2	8.4	8.7	8.4
Imports	1.5	1.1	1.3	4.8	1.2	1.1	1.1	1.4	4.8	1.0	1.3	4.8
Total supply	53.5	53.2	52.5	183.0	52.3	54.8	54.0	53.9	187.8	53.9	56.2	192.1
Ending commercial stocks	10.1	9.5	8.2	8.2	8.4	9.6	9.2	8.4	8.4	8.7	10.0	8.2
Net removals	0.1	0.4	0.0	1.3	-0.4	-0.3	-0.1	0.1	-0.7	0.1	0.1	1.2
Commercial use	43.2	43.3	44.3	173.5	44.3	45.6	44.9	45.4	180.1	45.1	46.1	182.7
Milk prices (dol./cwt) 1/												
All milk	18.53	15.50	16.07	16.05	15.67	14.83	14.65	14.55	14.95	13.55	12.30	12.85
							-14.95	-15.15	-15.15	-14.45	-13.30	-13.85
Class III	19.31	14.54	15.06	15.39	14.31	14.10	13.60	12.90	13.75	11.90	11.20	11.45
							-13.90	-13.50	-13.95	-12.80	-12.20	-12.45
Class IV	14.26	12.92	13.19	13.20	12.64	12.40	12.80	12.20	12.50	11.40	10.95	11.10
							-13.20	-12.90	-12.80	-12.40	-12.05	-12.20
Product prices (dol./pound) 2/												
Cheddar cheese	2.007	1.558	1.610	1.643	1.531	1.507	1.440	1.390	1.470	1.310	1.255	1.280
							1.470	-1.450	-1.490	-1.400	-1.355	-1.380
Dry whey	0.283	0.234	0.235	0.232	0.248	0.263	0.265	0.235	0.250	0.205	0.175	0.180
							-0.285	-0.265	-0.270	-0.235	-0.205	-0.210
Butter	2.089	1.722	1.778	1.824	1.570	1.459	1.550	1.450	1.505	1.305	1.250	1.280
							-1.610	-1.540	-1.545	-1.425	-1.380	-1.410
Nonfat dry milk	0.835	0.858	0.862	0.841	0.899	0.923	0.925	0.900	0.910	0.880	0.855	0.860
							-0.955	-0.950	-0.930	-0.950	-0.925	-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/dyfmos/mib/fedordprc_dscrp.htm

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