

USDA

United States
Department
of Agriculture

LDP-M-141

Mar. 17, 2006

Outlook



Electronic Outlook Report from the Economic Research Service

www.ers.usda.gov



Livestock, Dairy, and Poultry Outlook

Mildred M. Haley, coordinator

2006 U.S. Broiler Exports Forecasts Lowered on Avian Influenza Concerns Abroad

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 2006 assume a continuation of policies currently in place among U.S. trading partners. The recent suspension of beef imports by Japan is assumed to be temporary pending the resolution of importer concerns. U.S. beef exports to South Korea are not forecast pending implementation of import regulations by South Korea.

Poultry Trade: 2005 fourth-quarter broiler exports fell short of 2004 exports due to the spread of Avian Influenza (particularly the H5N1), which is likely to put downward pressure on consumer demand for broilers in first the half of 2006. Turkey exports finished the fourth-quarter of 2005 strong and are expecting to continue in 2006.

Poultry: Broiler meat production rose sharply in January and is expected higher in February, but slowing growth in weekly chick placements points toward slowing growth in broiler meat production by the end of the first and into the second quarter. Prices for almost all broiler products continue to be depressed due to strong production growth and an uncertain export situation.

Eggs: In 2005, wholesale table egg prices (NY grade A large) declined 20.3 percent to 65.5 cents a dozen compared with 2004. The price fall was mainly due to the rise of U.S. layer flocks, boosting egg production and the inelastic demand for eggs. Similarly, retail prices dropped 9.1 percent to \$1.22 per dozen for the same period. U.S. exports of total shell eggs and egg products (in shell egg equivalent) rose 23 percent to 205.7 million in

Contents

[Poultry Trade](#)
[Poultry](#)
[Eggs](#)
[Cattle/Beef](#)
[Dairy](#)
[Hogs/Pork](#)
[Aquaculture](#)
[Special Article](#)
[Avian Influenza](#)
[Contacts and Links](#)

Tables at a Glance

[Red Meat and Poultry](#)
[Economic Indicators](#)
[Dairy](#)

Web Sites

[Animal Production and Marketing Issues](#)
[Cattle](#)
[Dairy](#)
[Hogs](#)
[Poultry and Eggs](#)
[WASDE](#)

Tables will be released on
March 28, 2006

The next newsletter release is
April 14, 2006

Approved by the World
Agricultural Outlook Board.

2005. The increase was mainly due to lifting of the 2003-2004 trade restrictions imposed on U.S. exports of shell eggs and products, as well as increased demand associated directly or indirectly with the Highly Pathogenic Avian Influenza outbreaks in East and Southeast Asia.

Cattle/Beef: Slaughter weights continue at record levels and above trend, resulting in first-quarter beef production likely to be, almost 5 percent larger than the same period in 2005 and slaughter levels up over 2 percent from last year. Despite the heavier weights and the slaughter levels above a year earlier, the percent of cattle grading Choice or better remains below the 5-year average, although the difference continues to narrow. The spread between Choice and Select cutout values currently hovers around \$10 per hundredweight (cwt), well above last year's \$4. Retail prices in February were down a penny from January but 1.7 percent below a year ago, and face increasing pressure from pork and poultry supplies, especially as Easter approaches.

Dairy: On an annual basis, milk production is forecast to be slightly less than 3 percent over that of 2005. Dairy product use is expected to absorb most of the production increase, but commercial stocks likely will be above last year. The all milk price will average \$12.75 to 13.35 per cwt, about \$2 per cwt below 2005.

Hogs/Pork: Pork production forecasts for 2006 remain unchanged at 21.215 billion pounds. First quarter prices of live equivalent 51-52 percent lean hogs are expected to average \$42 and \$43 per cwt. U.S. pork exports for January were more than 20 percent larger than in January 2005. Stand-out markets for U.S. pork in January were Mexico, Russia, and South Korea. Through the first week of March, preliminary swine import data shows that total imports are about 7 percent higher than the same period last year, with feeder pigs/iso-wean animals accounting for a greater share.

Aquaculture: Strong domestic economic growth in 2006 is expected to improve restaurant sales, which are a chief outlet for seafood sales. A relatively weak dollar is expected to make imports of many seafood products relatively more expensive. As demand for poultry products lessens in many parts of the world, demand for alternate protein products may place some upward pressure on seafood prices. Relatively strong farm-level prices for a number of aquaculture products in 2005 are expected to provide an incentive to increase production. Partially offsetting positive market factors this year are expectations of price competition from the U.S. livestock/poultry sector, especially the broiler industry.

Special Section: Japan's imports of poultry meat went through two shifts as a result of the 2003 HPAI outbreaks in major East and Southeast Asian trading partners. The first shift was to replace trading partners with HPAI outbreaks with HPAI-free exporters as major import sources. The second shift, which began in February 2004, was to substitute imports of cooked and prepared poultry meat for imports of fresh, chilled, or frozen poultry meat to respond to consumers' food safety concerns.

Broiler Exports Start off Slow in First Quarter

Broiler exports for 2006 are expected to be up 3 percent from 2005, with most of the increase occurring in the second half of the year. Exports are expected to resume growth as concerns about eating poultry subside in those countries where AI has occurred and low prices encourage price-sensitive markets to increase purchases. High U.S. broiler meat inventories have made markets more competitive, depressing leg-quarter prices. U.S. broiler exports are expected to experience more growth in the second half of the year.

In 2005, fourth-quarter broiler exports were 1,286 million pounds, down 14 percent, due to a sharp decline in December exports. December 2005 broiler exports totaled 326 million pounds, a 29-percent decline from December 2004. Most of the sharp declines in shipments came from Russia, the largest importer of U.S. broiler meat.

January 2006 broiler exports were 426 million pounds, down 3 percent from last year. The primary reason for these low shipments is the drop in exports to countries such as Ukraine, Turkey, and Georgia. Where concerns about AI may have reduced consumer demand, however, exports to many of these countries increased from December, indicating a possible recovery in demand. As consumers become more informed about AI, how it is transmitted, and how to handle and cook broiler meat, low broiler prices are expected to entice more price-sensitive consumers to buy more chicken.

Turkey Exports Continue Strong

Turkey exports totaled 37 million pounds in January 2006, down 11 percent from the previous year. The primary reason for this decline is a substitution effect caused by low leg-quarter prices. Mexico appears to have reduced their demand for U.S. turkey meat while expanding their demand for broiler meat.

In 2005, Mexico accounted for over 60 percent of U.S. turkey shipments, the largest importer of U.S. turkey meat. Fourth-quarter 2005 turkey exports were 149 million pounds, up 12 percent from the previous year. One of the chief reasons for this increase has been growth in the Mexican economy. As the Mexican economy continues to grow in 2006, it is expected that shipments of turkey meat will increase.

Broiler Production Higher in January, Production Expected Higher in 2006

Broiler meat production for January 2006 was reported at 3.0 billion pounds, up 5.7 percent from last year. The increase in meat production was a result of both a higher number of broilers being slaughtered (up 3.4 percent) and higher average weights (up 2.4 percent to 5.5 pounds). With the production increase in January and an expected comparable increase in February, the estimated meat production for first-quarter 2006 was increased to 8.9 million pounds, a 3.6-percent increase from a year earlier.

However, weekly chick placements for growout over the last 5 weeks (February 4 to March 4) averaged 174 million birds, fractionally below same period in 2005, indicating that producers have begun to slow production growth in response to lower prices. Even with slightly lower bird numbers, meat production is expected to increase in the second quarter due to higher average weights at slaughter. The overall broiler meat production estimate for 2006 is now 36.2 billion pounds, up 2.3 percent from 2005.

Revisions in the 2005 broiler meat production estimates contained in the *Poultry Slaughter 2005 Annual Summary* produced small changes in the quarterly estimates and raised total 2005 production to 35.4 billion pounds. For 2005, the higher production (up 3.8 percent from 2004) was due to a 1.9-percent increase in the average weight at slaughter and a 1.2-percent increase in the total number of broilers slaughtered.

Over the first 2 months of 2006, the 12-city whole broiler price averaged 63.2 cents per pound, down 11.5 percent from the same period in 2005. Prices for most broiler products have continued to fall compared with fourth quarter 2005 and are considerably lower than in the first 2 months of 2005. Boneless-skinless breast meat prices in the Northeast market averaged \$1.01 per pound during January and February, down 31 percent from last year. Prices for rib-on breasts averaged 63 cents per pound, a decline of 29 percent from same time in 2005. Prices for other broiler products also declined heavily compared with a year earlier. Broiler prices have trended downward over the last several months due to a combination of production increases (up 4.3 percent in fourth quarter 2005) and weaker export demand. These circumstances have pushed prices down and caused cold storage stocks to increase. Leg quarter prices, which fell sharply in fourth-quarter 2005, averaged 23.5 cents per pound during the first 2 months of 2006, down 22 percent from the same period in 2005. Even with broiler meat production increases expected to slow after the first quarter, broiler prices are not expected to strengthen substantially in the first half of 2006, due to high stock levels and an uncertain export situation.

Turkey Production Forecast Up in 2006

Turkey meat production in 2006 is forecast at 5.58 billion pounds, up 1 percent from 2005, but still lower than in 2002 or 2003. The increase in meat production in 2006 is expected to come from a combination of a higher number of birds slaughtered and higher weights, although weights in the first quarter of 2006 are not

expected to be significantly higher than in the first quarter of 2005. During 2005, placements of turkey poults for growout totaled 276 million, slightly below 2004. However, in December 2005 and January 2006 placements were up significantly. In January 2006, turkey meat production was 447 million pounds, down 1.8 percent from a year earlier as a 2-percent gain in average slaughter weight was offset by a 3.6-percent decline in the number of birds being slaughtered.

With little growth in meat production and relatively strong export demand, cold storage holdings of both whole birds and turkey parts were lower through most of 2005. Turkey stocks at the end of 2005 were revised up slightly to 206 million pounds, which is 28 percent lower than at the end of 2004. Lower turkey stocks are expected to continue during most of 2006, although ending stocks for 2006 are expected to be slightly higher than in 2005. With lower stock levels and only a small increase in meat production forecast, prices for whole birds are expected to remain above their year-earlier levels, especially in the first half of the year. However, prices for turkey parts and processed turkey products will be pressured by low prices for almost all broiler products.

Wholesale Egg Prices Post Sharp Decline in 2005

For 2005, wholesale table egg prices (NY grade A large) declined 20.3 percent from 2004 to average 65.5 cents a dozen. Retail egg prices registered a 9.1 percent drop from \$1.34 to \$1.22 per dozen during the same period. In 2006, wholesale egg prices are expected to move upwards to between 69-73 cents per dozen and to the mid \$1.20's at the retail level.

Wholesale prices were at \$1.15 per dozen in the first quarter of 2004, an all-time historical high, but declined rapidly to 66.2 cents per dozen in the third quarter, and averaged 82.2 cents per dozen for all of 2004. By the second quarter of 2005, wholesale prices fell to 55.9 cents per dozen, or less than half the record first-quarter 2004 price. Prices rose in the fourth quarter 2005 to 75.0 cents per dozen, compared with 68.0 cents per dozen a year earlier.

The substantial fall of egg prices in the first three quarters of 2005 was due mainly to larger U.S. layer flocks, boosting egg production, and the relatively inelastic price demand for eggs. In the first quarter of 2004, U.S. egg-type layers averaged 280.3 million birds. U.S. layers increased steadily, peaking at 289.2 million birds in February 2005. In March 2005, egg producers started to cut back laying flocks, decreasing their number to as low as 280.0 million birds in July. As third-quarter egg production fell below year earlier, egg prices rallied to an average 75.0 cents per dozen in fourth quarter 2005, and producers again expanded flocks. Layer flocks expanded to 290.8 million birds in January 2006, and egg production in November-January averaged about 1 percent above a year earlier. In the face of a larger egg production level, prices declined substantially to only 59 cents per dozen in February 2006, well below the 85.5 cents per dozen 2 months earlier in December 2005.

Total egg production in 2005 was a record high of 7,504 million dozen, compared with 7,440 million dozen in 2004, or a growth of just under 1 percent. In 2006, total egg production is expected to increase by more than 2 percent, to set a record high of about 7,645 million dozen, reflecting the building of the laying flocks in the second-half 2005.

Lower shell egg prices increased the quantity of federally inspected eggs that go to the breaking market by 6.3 percent in 2005. As prices for shell eggs improve in 2006, growth in the egg-breaking market will likely slow to 2,100 million dozen, or around 2 percent over 2005.

Exports of Eggs and Egg Products Up Sharply

U.S. exports of total shell eggs and products (in shell egg equivalent) rose from 167.6 million dozens in 2004 to 205.9 million dozen in 2005, or nearly 23 percent. This is the highest export level since 1998, when exports were 219 million dozen. The increase is mainly due to two factors:

1. Lifting of trade restrictions imposed on U.S. shell eggs and egg products following the recovery of U.S. layer flocks from Low Pathogenic Avian Influenza outbreaks of 2003-2004. U.S. exports were seriously affected during the first half of 2004 (see chart), and

2. Rising demand for shell eggs and products, associated directly or indirectly (trade diversions) following the Highly Pathogenic Avian Influenza (HPAI) outbreaks in several Asian countries in late 2003 and in 2004.

These two factors have boosted U.S. exports of shell eggs and products, with Asian markets replacing the traditional NAFTA markets (Canada and Mexico) as major importers of U.S. shell eggs and products. For example, U.S. exports of eggs and egg products (in shell egg equivalents) to Japan tripled from 15.7 million dozen in 2004 to 46.1 million dozen in 2005. Similarly, U.S. exports to Hong Kong rose from 14.5 to 24.8 million dozen, and those to China increased from 2.3 to 5.3 million dozen. In total, U.S. exports of shell eggs to major Asian markets (Japan, Hong Kong, China, South Korea, Thailand, and the Philippines) increased from 34.9 million dozen in 2004 to 81.7 million dozen in 2005, a rise of over 134 percent. The combined share of U.S. total eggs and egg product shipments to these six Asian countries grew to about 40 percent, up from only 21 percent in 2004. The rise in the U.S. export share to Asia nearly matched the decline in exports to NAFTA countries, whose share dropped from 48 percent in 2004 to only 31 percent in 2005.

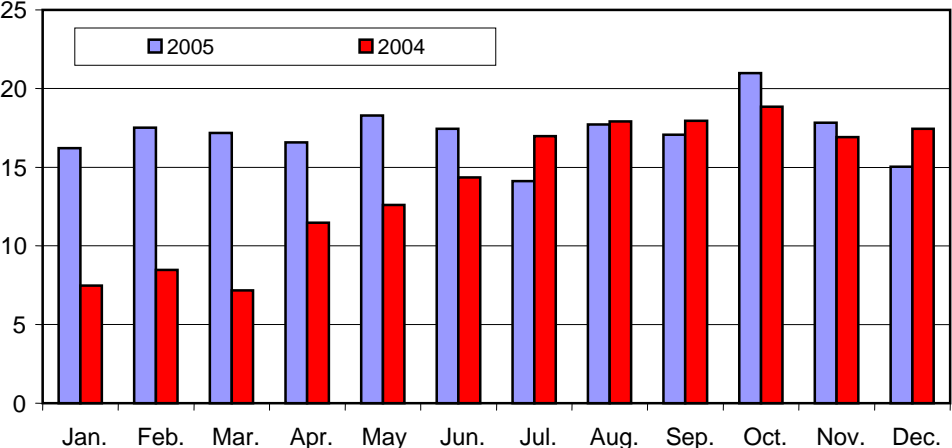
U.S. exports to EU-25 countries were down nearly 2 percent to 22.01 million dozen in 2005. U.S. exports rose from 5.3 to 7.5 million dozen for Spain and from 1.4 to 4.3 million dozen for Germany, but declined from 12.0 million to 6.2 million for the United Kingdom. Other U.S. growing export markets include Brazil, rising to 2.7 million dozen from 660,000 dozen, and Israel, up to 4.4 million dozen from 1.2 million dozen in 2004.

Most of the growing U.S. exports in 2005 were processed egg products, which increased from 61.1 million dozen in 2004 to 97.8 million dozen. Exports of shell eggs were up slightly by 2.1 million dozen.

Egg exports in 2006 are expected to decline slightly to 200 million dozen, as shipments from Asian exporting countries previously infected with HPAI slowly recover. In addition, U.S. exporters face keen competition from their Brazilian counterparts. U.S. exports to Europe will most likely strengthen, due mainly to U.S. competitive prices.

U.S. exports of shell eggs and eggs products, 2004 and 2005

Million pounds



Source: U.S. Department of Commerce, Bureau of Census.

Cow-Calf Sector Outlook Depends on Spring Precipitation

Cow-calf producers continue to be the bright spot in the cattle-beef complex. Since December dry conditions have spread over most of the Southern and Central Plains, Southwest, and Corn Belt, extending almost to the Mississippi River. Conditions were generally favorable at the end of last fall and the beginning of winter, providing ample grassland forage in most areas and a good beginning to the winter wheat crop. Both native grassland pastures and harvested forage stocks are adequate to finish out the winter, thanks to a mild winter. However, as grasses come out of winter dormancy, they will need abundant spring rains to offset the extremely dry winter. While total cow slaughter through February was 1 percent below the same period in 2005, beef cow slaughter was up 5 percent and could increase even more if dry conditions continue beyond winter dormancy for grassland pastures. Cow slaughter is expected to average above last years cyclical low.

Wheat pasture is mostly gone, resulting in large numbers of feeder calves being placed in feedlots earlier than usual. Wheat will need abundant precipitation as it comes out of winter dormancy to produce a crop. Wheat pasture is history for this season as most cattle have already been pulled off. Spring precipitation could lead to some wheat being grazed out. Continued dry conditions this spring would adversely affect grassland pastures and consequently the demand for stocker cattle for grazing programs, which could result in more cattle being forced into feedlots and lower feeder cattle prices. Feeder cattle prices, while about even with last year's prices, are already responding to dry conditions, having declined to levels not seen since last summer. On the other hand, adequate precipitation this spring would be a positive factor for the cow-calf-yearling sector.

Feedlots Face Pressure

The February *Cattle on Feed* report indicated sharply higher January net placements—17 percent over January 2005 and 27 percent over January 2004. January 2006 feeder-calf placements in feedlots of 1,000-plus head capacity experienced increases over year-earlier levels for all weight categories except 600-to-699-pound cattle, and January 2006 placements of cattle over 700 pounds were also greater than placements in December 2005. These larger placements of feeder cattle, along with generally heavier placements for the last several months, will contribute to larger supplies of fed cattle throughout much of 2006, and will likely result in downward pressure on fed cattle prices throughout this period.

Marketings out of 1,000-plus head feedlots were up only 2 percent over both January 2005 and 2004, but feedlot marketings likely were not adequate to maintain current supplies as slaughter weights remained well above year-earlier levels. Feedstuff prices are virtually the same as year-earlier prices. However, feeder cattle prices remain well above a year earlier and interest rates continue to rise. Packer and retail price spreads widened through February from the December 2005 lows, but remain below the 2004 and 2005 averages. Downward price pressure is building as packers and retailers strive to increase price spreads, while feedlot inventories suggest slaughter levels need to rise for feedlots to remain current. The need to increase slaughter levels and thus beef production, particularly as weights

remain near record levels, is adversely affecting fed cattle prices. Monthly fed cattle prices remained above a year earlier through February, but prices have declined to the mid-\$80s per hundredweight, well below January 2006's high of \$92.9 and last year's March record average of \$91.98. Cattle feeder margins are again turning negative.

Wholesale-Retail Spreads Widen

While packer and retail margins have widened as slaughter levels have again increased to the highest levels since last fall. Despite increased beef production, Choice boxed beef prices remained above a year earlier through February. However, larger beef supplies through summer, along with expected greater supplies of competing pork and poultry, are going to put even more pressure on beef prices.

In spite of the increased production and heavier weights, the percent of cattle graded Choice or better remains below the 5-year average, although the difference continues to narrow. The spread between Choice and Select boxed beef prices is currently averaging \$10 to \$12 per cwt, up from last year's \$4 and well above the 5-year average. Ordinarily, this spread reaches a low point about now, then "spikes" seasonally to a spring peak, reflecting relatively lower supplies of Choice cattle. This is followed by a summer low, reflecting the somewhat less discriminatory demand for grilling cuts, including hamburger, before again increasing into the fall.

Retail Choice beef prices in February 2006 remained fairly stable at \$4.06, slightly below the December/January average of nearly \$4.07. However, prices are below year-earlier averages and face increasing pressure from pork and poultry supplies. Retail prices for beef are relatively high compared with pork and poultry, reducing beef's attractiveness, especially as energy and interest costs have risen and consumers have less discretionary income to spend. In addition, ham, lamb, and turkey compete for the limelight during the religious holidays in mid-April this year.

Milk Production Increase

First-quarter milk production is forecast to increase just under 5 percent over 2005–2 percentage points over the 5-year average. The increase in production has been aided by an unusually mild winter, adequate forage/ hay supplies, and relatively inexpensive feed ration inputs. Higher fat tests and unseasonably heavy milk per cow have also been observed in 2006. These data may suggest an uncharacteristic bunching in the calving cycle that could result in a proportionally larger number of cows at peak lactation, contributing to the relatively larger-higher first-quarter production, while the higher fat tests boost milkfat supplies. Following surprisingly weak fourth-quarter commercial use, processors are now faced with larger-than-usual milk supplies to handle in the first quarter.

On an annual basis, milk production is forecast to be slightly less than 3 percent over that of 2005. Producers appear to be maintaining their herd expansion push. Replacement prices have dropped into the low \$1800's, down from recent record levels, but are still historically high. The recent years of positive returns and the need to operate larger more capital-intensive dairy facilities near capacity, are additional factors behind the herd expansion. Dairy product use is expected to absorb most of the production increase, but commercial stocks likely will be above last year.

Dairy Product Use Increasing but Growth May Lag Production Gains

Cream volumes have remained large and pushed stocks of butter and other fat-based products above 2005 levels. Butter prices have been below \$1.20 per pound since the end of February with some firming indicated, but orders for Easter/Passover have been slow to develop as buyers likely seek more market direction.

Commercial disappearance of fat-based products is forecast in the first quarter to increase to 43.9 million pounds, or over 4 percent above 2005.

Skim-solid stocks are also expected to build as relatively robust growth in commercial use lags behind production growth. Nonfat dry milk (NDM) prices have fallen to the mid-80-cents-per-pound range. Large quantities of nonfat dry milk were exported in 2005, but so far in 2006 the pace of U.S. NDM exports has lagged behind last year as buyers hope for further price declines. Annual commercial disappearance is forecast to increase at just over 2 percent for the year, but around 100 million pounds of NDM may be offered to the Commodity Credit Corporation (CCC). Whey has been a bright spot, as strong domestic and export movement has supported prices.

Milk Prices Declining

With the momentum that is already built into milk supplies and the uncertainty surrounding demand at current price levels, it is expected that the all-milk price will average \$12.75 to 13.35 per cwt, about \$2 per cwt below 2005. Product prices are likely to decline as large supplies of milk are expected to pressure prices despite a continuation of relatively strong demand.

Declines in butter and cheese prices may moderate toward mid-year as overhanging stocks are worked down and then begin to slowly move upward in the second half of the year. However, prices will average below 2005. Nonfat dry milk prices are likely to remain relatively weak through most of the year.

Congratulations and best wishes to Jim Miller, USDA dairy analyst, who retired in March after 33 years of federal service. Jim's contributions included oversight of the dairy program at ERS, producing the monthly analysis and forecasts for the dairy markets, serving as the ERS representative on the Dairy Interagency Estimates Committee, and contributing to many research efforts in dairy policy and trade of dairy products. Many of you know Jim as the organizer and presenter at the annual Dairy Sessions at the USDA Outlook Forum, through his interactions with the industry on the phone and at meetings, and as a contributor to the Dairy Outlook and Situation reports and later to the Livestock, Dairy, and Poultry Outlook. We wish Jim well in his retirement, but will miss being able to call upon him to take advantage of his experience and insights. Jim plans to move full-time to his home in the Shenandoah Valley.

January Pork Exports Skyrocket

U.S. exporters kicked off 2006 in spectacular fashion by shipping more than 231 million pounds of pork to foreign markets in January, a quantity about 20 percent higher than in January of last year. Only two countries of the “usual” set of importing countries did not increase their year-over-year purchases of U.S. pork: Japan and Romania. Total Japanese 2006 pork imports are expected to slow more than 10 percent from last year, primarily because 2005 imports were so large that by year’s end Japan’s pork stocks-to-use ratio was much higher than usual. Romania’s January imports of 478,000 pounds were the lowest monthly total since January 2004, when Romanian imports of U.S. pork began to be noticeable each month. Reasons for lower Romanian demand for U.S. pork products are unclear, but overall they were more than balanced by higher U.S. sales elsewhere.

Higher pork exports are largely attributable to attractive U.S. pork prices and to a fairly sharp drop-off in the value of the U.S. dollar, making prices to foreign customers even more attractive.

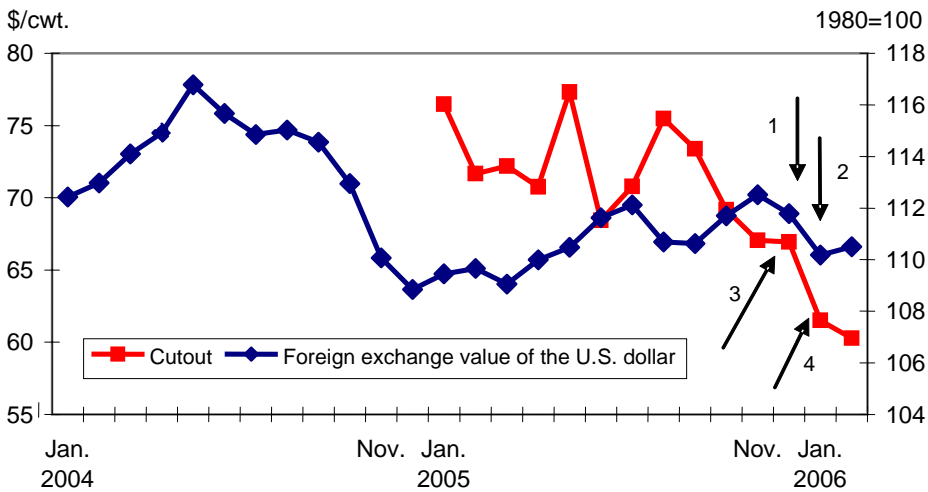
U.S. exports to significant buyers, January 2006 and 2005

| Country/region | Exports Jan. 2006 | Exports Jan. 2005 | Percent change |
|-------------------------------------|-------------------------|----------------------|-------------------|
| | * (1000 pounds, cwe) | | |
| Japan | 73,627 | 76,144 | -3.3 |
| Mexico | 60,225 | 46,161 | 30.5 |
| Canada | 23,890 | 20,186 | 18.3 |
| Russia | 7,906 | 3,701 | 113.6 |
| South Korea | 25,474 | 15,989 | 59.3 |
| Hong Kong | 3,083 | 990 | 211.4 |
| Taiwan | 7,907 | 4,729 | 67.2 |
| Caribbean | 3,875 | 3,606 | 7.5 |
| South\Central America | 5,130 | 3,702 | 38.6 |
| EU | 1,256 | 978 | 28.4 |
| China | 10,391 | 7,502 | 38.5 |
| Romania | 478 | 1,903 | -74.9 |
| Australia | 3,590 | 2,682 | 33.9 |
| Total all countries, regions | 231,149 | 192,272 | 20.2 |

* carcass weight equivalent

Source: USDA/ERS

Foreign exchange value of the U.S. dollar vs. pork cutout



Source: USDA, AMS, *Weekly National Carlot Meat Report*, and Federal Reserve System.

Mexico has historically been the second-most-important foreign market for U.S. pork. And while 2005 was no exception to this trend, last year witnessed a slow down in the rate of growth of Mexican demand for U.S. pork. U.S. exports to Mexico last year were only about 1 percent above 2004 shipments. January 2006 exports to Mexico suggest, however, that the period of slow growth could be over. Mexican imports of U.S. pork in January were more than 30 percent above January 2005. The Mexican economy is expected to expand at an annual rate of 3-4 percent this year, suggesting that consumers' family budgets could include more meat products. Large supplies of lower priced U.S. broiler products could pressure Mexican demand for U.S. pork this year, however.

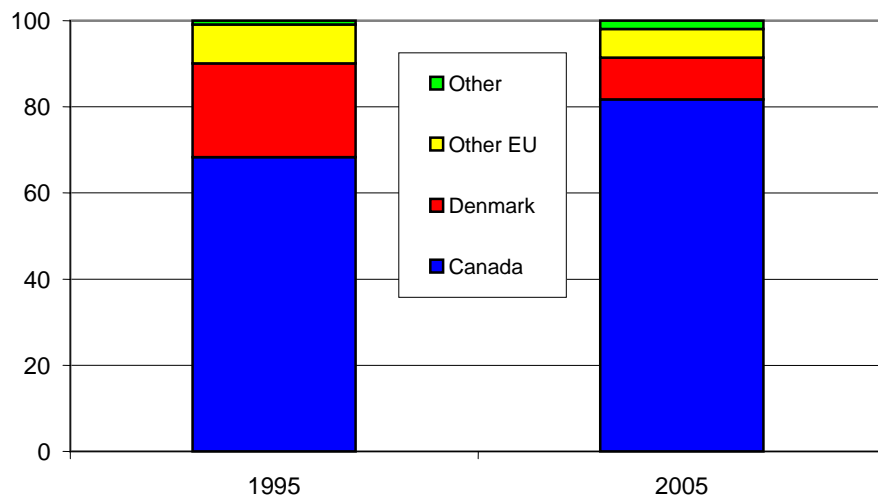
Russia was another "stand-out" market in January. Large Russian purchases of attractively priced U.S. pork products likely substituted in part for Brazilian pork and beef products, currently banned from Russia because of recent outbreaks of Foot and Mouth Disease in three southern Brazilian states. It is also possible that Russian consumers are eating more pork due to anxieties associated with recent outbreaks of Avian Influenza. Russia has allocated to the United States a tariff rate quota for pork of almost 156 million pounds in 2006. Last year U.S. exporters shipped about 93 million pounds of pork to Russia.

Pork Imports Open Year on a Steady Note

U.S. pork imports were 86.4 million pounds in January, about 2.5 percent higher than January of 2005. Eighty percent of January imports were of Canadian origin, 11 percent came from Denmark, and most of the balance came from other EU nations, mainly the Netherlands and Poland. It appears that U.S. importers will continue to favor Canadian pork products. In 1995, Canada accounted for 68 percent of U.S. imports and Denmark accounted for 22 percent. Over time the Canadian pork industry has developed, cross border trade relationships have evolved, and transport costs have escalated. In 2005 Canada's share of U.S. imports was 82 percent, while Denmark's share declined to less than 10 percent.

Shares of U.S. pork imports: 1995 and 2005

% share of U.S. pork import



Source: U.S. Department of Commerce, Bureau of Census.

Feeder Pigs Account for Higher Share of Larger Swine Imports

U.S. buyers imported 719,881 head of Canadian swine into the United States in January, more than 7 percent above January 2005 imports. The feeder pig component of January imports was 67 percent, versus 65 percent last year. These import levels, released monthly by the U.S. Commerce Department, comport with weekly import data published by USDA Agricultural Marketing Service. The weekly data show that through the first week of March, total swine imports were running almost 7 percent above the same period a year ago. Cumulative Canadian Federal and Provincial slaughter through March 4 was off by 5 percent compared with a year ago. More feeder pigs and fewer slaughter ready hogs are coming to the United States this year. The United States is expected to import 8.6 million head of Canadian swine this year, about 68 percent of which are expected to be feeder\iso-wean animals.

Aquaculture Production Expected Higher in 2006

The overall picture for the domestic aquaculture and seafood industry in 2006 is based on a number of factors. First, strong domestic economic growth in 2006 is expected to improve restaurant sales, which are a chief outlet for seafood sales. Second, a relatively weak dollar is expected to make imports of many seafood products relatively more expensive. Third, as demand for poultry products lessens in many parts of the world, demand for alternate protein products may increase competition for imports and place some upward pressure on seafood prices. Fourth, relatively strong farm-level prices for a number of aquaculture products in 2005 are expected to provide an incentive to increase production. Partially offsetting these positive factors is expected strong price competition from U.S. livestock, especially the broiler industry.

Catfish Sales Expected Higher in 2006

Catfish sales by farmers to processors are expected to increase slightly in 2006 to between 615 million and 620 million pounds, based on grower inventory estimates at the start of 2006. Grower sales are expected to be slightly lower during the first part of 2006, with stronger growth in the second half.

Grower sales in 2005 were down 5 percent; however, higher farm-level prices partially offset the decline in sales. After rising 20 percent in 2004, average farm prices increased 4 percent to 72.3 cents per pound. Processor sales in 2005 fell by slightly over 2 percent to about 300 million pounds and, like farm sales, were partially offset by higher average prices. With a 2-percent decrease in sales volume and a 2-percent increase in average price, gross processor revenues from catfish sales in 2005 totaled \$686 million, unchanged from 2004. In 2006, with an expected small sales increase and lower prices, total gross processor revenues are expected to remain close to the 2005 level.

Catfish inventories at the start of 2006 showed fingerlings and stockers numbers up sharply from 2005, but the overall inventory level of food-size fish was lower than at the start of 2005. The higher inventory for fingerlings and stockers could put downward pressure on farm prices toward the end of the year. With lower grower and processor inventories at the start of the year, farm supplies of catfish would be expected to be tighter than in the previous year. Added to this are relatively low feed costs, which will help to hold down production costs. Also, the forecast for domestic economic growth is relatively strong, which should in turn boost sales at restaurants. Offsetting these factors are expected high levels of catfish imports and low prices for broiler products.

Trout Production Higher in 2005

In 2005, total trout sales (food-size fish, stockers, fingerlings, and eggs) totaled \$74.2 million, up 4 percent from a year earlier. The estimated value of the trout distributed for recreational and conservation purposes was \$74.3 million in 2005, an increase of almost \$12 million from the previous year.

Trout producers are expected to benefit in 2006 from continued relatively strong prices for catfish. Since a large portion of trout sales are through restaurants, a strong domestic economy is expected to help sales. Water issues will continue to be a concern for many trout farmers, especially those in Western areas that have had low rainfall or drought conditions during the past several years.

Tilapia Imports Rise by 19 Percent in 2005

U.S. tilapia imports surged to over 297 million pounds in 2005, up 19 percent from 2004. Tilapia is a light-colored mild fish that is most often sold as a filleted product in grocery stores and restaurants. The live market for tilapia, which is supplied by domestic producers, consists mostly of ethnic restaurants or restaurants that specialize in seafood.

In 2006, tilapia imports are expected to benefit from increased demand from the foodservice and restaurant markets. The growth in tilapia imports is expected to be tempered by low prices for U.S. poultry products. Total tilapia imports in 2006 are expected to reach between 315 million and 325 million pounds. The average import price is not expected to grow as strongly in 2006, as strong competition among producers and from substitute products is expected to mostly offset the movement to higher average prices resulting from increasing imports of filleted products.

Atlantic Salmon Imports Top \$1 Billion

U.S. imports of Atlantic salmon were just over \$1 billion in 2005, up 16.4 percent from 2004. On a quantity basis, imports totaled 423 million pounds in 2005, a 7.3-percent increase from 2004. Shipments in 2006 are expected to be near the 440-million-pound level and value is expected to be between \$1 and 1.1 billion. Higher demand for salmon products due to health and dietary factors is expected to be offset by strong competition from other protein sources and strong demand in Europe. The discovery of Avian Flu in Europe is expected to increase the demand for salmon products as consumers in the wealthier European countries reduce their poultry consumption and turn to alternative products.

Shrimp Imports: Volume Higher, Value Falls

In 2005, total shrimp imports were 1.2 billion pounds, up 2 percent from 2004. However, even with the increase in volume, the value of imported shrimp products declined 1 percent as average prices fell. For the last 5 consecutive years the average price for imported shrimp products has declined, falling from \$4.94 per pound in 2000 to \$3.12 per pound in 2005.

In 2006, the quantity of shrimp imports is expected to increase marginally. Average shrimp prices are expected to rise due to rapid growth in Asian countries and strong demand in Europe. Fresh shrimp Imports are expected to grow as the Gulf fishing industry, the largest source of domestic shrimp, rebuilds from hurricane damage.

Mollusk Products

The value of oyster, mussel, and clam imports all rose in 2005. Over the last decade, mussel imports have been growing almost steadily. Mussel imports have risen chiefly due to greater use in the foodservice industry. Oyster imports have increased steadily over the last several years, due partially to declines in the domestic harvest of oysters. Oyster imports are expected to expand in 2006 due to expected weak harvests in the Chesapeake Bay and hurricane damage to the Gulf oyster industry.

The export quantity and value were higher for oyster and mussel shipments in 2005, but the volume and value of clam exports declined. Over the last several years, shipments of oysters have more than doubled in terms of value and quantity, primarily due to strong growth in shipments to Asia. Expected strong growth in Asian economies in 2006 is expected to lead to further growth in oyster exports.

Avian Influenza Impact on Japan's Poultry Pattern of Imports

Japan is one of the world's largest importers of poultry meats. In 2005, total imported shipments of fresh, chilled, frozen, and preserved poultry meat amounted to 1.68 billion pounds, accounting for nearly 40 percent of domestic consumption. Imports were valued at nearly \$2.02 billion dollars (table 1), and per capita consumption at 35.3 pounds in 2002 was rising 11 percent over the previous 5 years.

The outbreak of Highly Pathogenic Avian Influenza (HPAI) in East and Southeast Asia's major exporting countries at the end of 2003 triggered a shift by Japanese importers to poultry from HPAI-free countries, as imports of fresh, chilled, and frozen poultry meat from HPAI infected countries were banned. As a result there was a significant change in Japan's import patterns of poultry meat and products by origin.

Japan's Imports of Fresh, Chilled, or Frozen Poultry Meat

To analyze the impact of HPAI outbreaks in East and Southeast Asian countries, Japan's major poultry meat suppliers were divided into two groups; HPAI-infected countries, including China and Thailand, and infection-free countries such as the United States and Brazil.

Before East and Southeast Asia's 2003 AI outbreaks, Thailand and China were the major exporters of poultry meat to Japan. Together the two countries accounted for nearly 57 percent of Japan's 1.19 billion pounds of fresh, chilled, and frozen poultry meat imports in 2002 (table 2). Brazil's share was 31.2 percent, the United States share was 9.4 percent, and all other countries' share was over 2 percent. Japan's first sharp drop in poultry imports was recorded late in 2003, following the import embargo from HPIA affected countries. Within 2 months, from December 2003 to February 2004, Japan's import share from Thailand dropped from as high as 50.6 percent to virtually zero, and China's share dropped from 17.7 percent to 5.6 percent. The combined share of these two countries decreased from a monthly average of 45 percent in 2003 to 3.8 percent in 2004, and a monthly average of only two-tenths of 1 percent in 2005. In volume terms, Thailand's exports of poultry meat to Japan decreased at a steady pace from 413.5 million pounds in 2002 to 0.14 million pounds in 2005. Similarly, exports from China declined sharply from 263.3 million to only 2.2 million pounds during the same period (table 2).

Japan looked for alternative markets to supply fresh, chilled, and frozen poultry meat to cover its domestic requirements following the HPAI outbreaks, shifting away from the nearby infected suppliers to imports from uninfected countries such as Brazil. At first, Brazil's shipments declined from 51.5 million pounds in October 2003 to as low as 15.4 million pounds in December 2003. But later on, Japan's imports rose to a monthly average of 54.5 million pounds during all of 2004. In 2005, Japan imported a monthly average of 69.74 million pounds from Brazil and 5.5 million pounds from the United States (figure 1).

The major beneficiary of this dramatic shift was Brazil. Its import share rose from its lowest level of 23 percent in December 2003 to nearly 91 percent in February

2004, and averaged over 88 percent from March 2004 to December 2005. On the other hand, Japan's import share from the United States first dropped from 5.8 percent in December 2003 to 2 percent in February 2004, but rebounded to 18 percent in September 2004, to average 7.8 percent for all of 2004. In 2005, the U.S. share declined slightly to 7.03. This limited U.S. loss was due to constraints on the ability to competitively price certain products into Japan's market. All other countries' share rose slightly from 2 to 3 percent during 2002-2005.

Japan's imports from the world have rebounded from the low level of 794 million pounds in 2004 to 946 million pounds in 2005. Total imports were short of the 2002 pre-HPAI-outbreaks level of approximately 1.19 billion pounds (table 2). More importantly however, during 2004-2005, Japan shifted away from importing fresh, chilled, or frozen poultry meat to importing prepared pre-cooked meat.

Table 1 : Japan's imports of poultry meat by volume and value

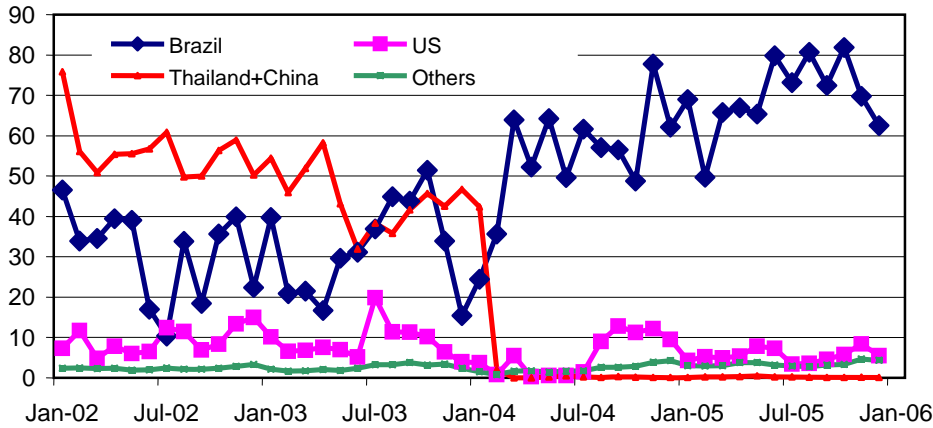
| HS Code | Description | 2002 | 2003 | 2004 | 2005 | 2005/04 |
|---|-------------------------------------|------------------------|--------------|--------------|--------------|-----------------|
| | | Million pounds | | | | % Change |
| Fresh/chilled, or frozen poultry meat | | | | | | |
| 020700 | All poultry meat, incl offal | 1,187.8 | 1,059.0 | 794.1 | 946.0 | 19.1 |
| 020714 | Chicken cut + ed ofl, frozen | 1,140.8 | 1,010.0 | 770.0 | 911.9 | 18.4 |
| 020712 | Chicken. Whole, frozen | 9.5 | 15.6 | 9.7 | 11.8 | 22.5 |
| 020713 | Chicken cut + ed ofl, fresh/chilled | 7.8 | 3.2 | 0.5 | 0.4 | (13.1) |
| 020711 | Chicken. Whole, fresh/chilled | 0.21 | 0.02 | 0.01 | 0.01 | 20.5 |
| | All chicken meat | 1,158.2 | 1,028.8 | 780.2 | 924.2 | 18.5 |
| | All other poultry meat | 29.6 | 30.2 | 13.9 | 21.8 | 56.9 |
| Prepared/preserved poultry meat | | | | | | |
| 160232 | Chicken, preserved, prepared, et | 482.6 | 504.4 | 503.5 | 726.0 | 44.2 |
| 160239 | Poultry, not turkey | 7.2 | 8.8 | 6.4 | 9.2 | 44.1 |
| 160231 | Turkey meat, others | 0.3 | 0.5 | 0.5 | 0.3 | (33.1) |
| Total fresh, chlld, frzn, preprd & presv | | 1,678 | 1,573 | 1,305 | 1,682 | 28.9 |
| | | \$ U.S. Million | | | | |
| Fresh/chilled, or frozen poultry meat | | | | | | |
| 020700 | All poultry meat, incl offal | 950.3 | 818.6 | 749.9 | 922.1 | 23.0 |
| 020714 | Chicken cut + ed ofl, frozen | 864.6 | 729.6 | 690.1 | 837.0 | 21.3 |
| 020712 | Chicken. Whole, frozen | 6.4 | 9.9 | 6.8 | 8.0 | 17.2 |
| 020713 | Chicken cut + ed ofl, fresh/chilled | 6.9 | 2.6 | 0.5 | 0.3 | (30.1) |
| 020711 | Chicken. Whole, fresh/chilled | 0.3 | 0.1 | 0.1 | 0.1 | 16.3 |
| | All chicken meat | 878.2 | 742.2 | 697.5 | 845.4 | 21.2 |
| | All other poultry meat | 72.1 | 76.4 | 52.4 | 76.8 | 46.5 |
| Prepared/preserved poultry meat | | | | | | |
| 160232 | Chicken, preserved, prepared, et | 687.0 | 718.6 | 777.3 | 1,078.8 | 38.8 |
| 160239 | Poultry, not turkey | 14.6 | 15.8 | 12.9 | 19.4 | 51.0 |
| 160231 | Turkey meat, others | 0.62 | 0.94 | 1.03 | 0.67 | (34.9) |
| Total fresh, chlld, frzn, preprd & presv | | 1,653 | 1,554 | 1,541 | 2,021 | 31.15 |

Source of data: Japan Customs and World Trade Atlas

Figure 1

Japan's imports of poultry meat (fresh, chilled, and frozen), 2002-2005

Million pounds



Sources: Japan Customs and World Trade Atlas.

Table 2: Japan's imports of poultry meat countries, 2002-2005

| | 2002 | 2003 | 2004 | 2005 | 05/04 |
|--|----------------|---------|-------|-------|----------|
| | Million pounds | | | | % Change |
| Fresh, chilled, or frozen poultry meat (HS 020700) | | | | | |
| Thailand | 413.5 | 395.2 | 27.5 | 0.14 | (99.5) |
| China | 263.3 | 140.9 | 18.6 | 2.2 | (88.4) |
| Brazil | 370.9 | 385.9 | 653.8 | 836.9 | 28.0 |
| United States | 111.4 | 106.0 | 67.4 | 65.9 | (2.2) |
| Others | 28.6 | 31.0 | 26.8 | 40.9 | 52.7 |
| Totals | 1,187.8 | 1,059.0 | 794.1 | 946.0 | 19.1 |
| Prepared, preserved, poultry meat (HS 160231, HS 160239, and HS 160232) | | | | | |
| China | 314.5 | 300.9 | 277.9 | 402.6 | 44.9 |
| Thailand | 163.3 | 200.3 | 217.4 | 322.2 | 48.2 |
| Brazil | 1.0 | 0.9 | 5.8 | 7.7 | 32.4 |
| United States | 8.5 | 8.4 | 0.6 | 1.1 | 82.7 |
| Others | 2.8 | 3.2 | 8.7 | 2.0 | (76.5) |
| Total | 490.1 | 513.7 | 510.4 | 735.6 | 44.1 |

Source of data: Japan Customs and World Trade Atlas.

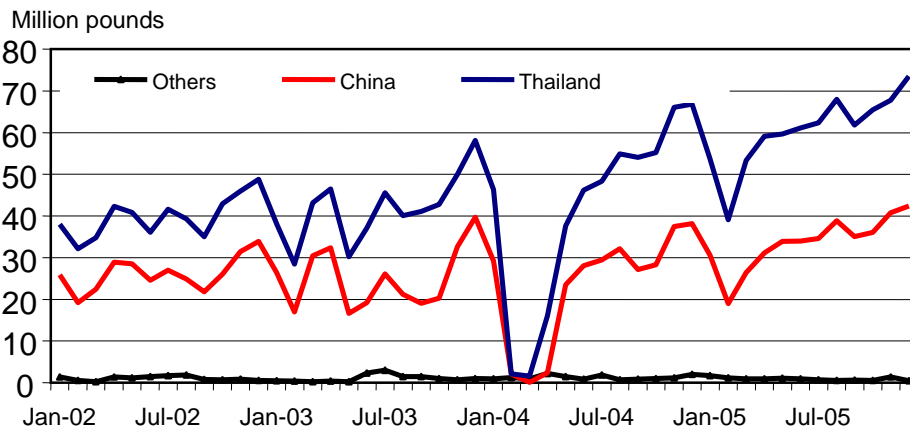
Japan's Imports of Poultry Meat Preparations

There is a perception that people can contract bird flu by handling any poultry meat. This perception triggered Japan's shift away from all poultry meat, but especially fresh, chilled, or frozen poultry meats. As people became aware that cooking meat kills the HPAI virus, consumer demand for prepared and preserved poultry meat increased, and Japanese importers responded by increasing the quantity of imported prepared, pre-cooked poultry meat.

Japan's total imports of cooked poultry meat preparations initially dropped sharply from 59 million pounds in December 2003 to 2.5 million pounds in March 2004, in a first response to HPAI outbreaks. However, Japan's imports of cooked poultry meat preparations recovered rapidly to exceed their pre-HPAI outbreaks level. The increase of imports of cooked poultry meat preparations were likely needed to rebalance Japan's domestic demand for poultry meat, given that lower quantities of uncooked poultry products (fresh, chilled, or frozen poultry meat) were being imported. In December 2005, imports of poultry meat preparations amounted to 73 million pounds, and for all of 2005 total imports were 44 percent higher than those in 2004 (table 2 and figure 2).

Figure 2

Japan's imports of poultry meat preparations by origin, 2002-2005



Sources: Japan Customs and World Trade Atlas.

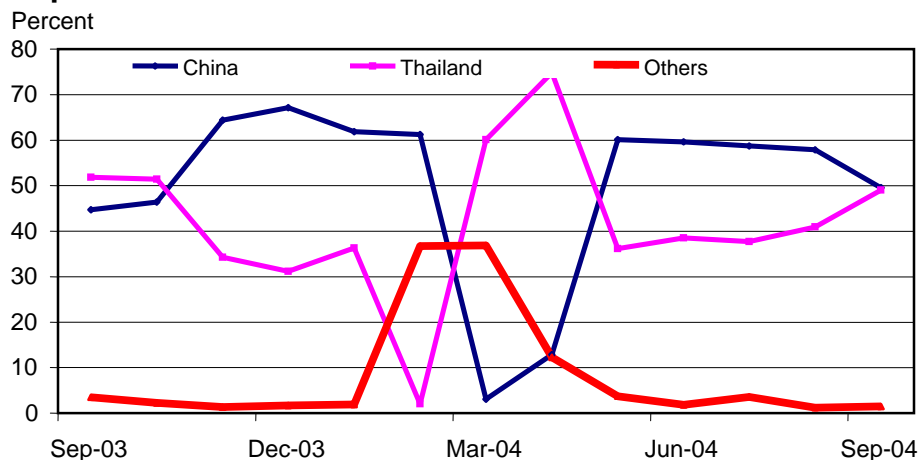
Major Suppliers of Poultry Meat Preparations

Japan's imports of pre-cooked poultry meat preparations (HS 160231, HS 160232, and HS 160239) originate mainly from China and Thailand. In first response to HPAI- outbreaks, Japan's combined imports from the two countries dropped from 58 million pounds in December 2003 to 1.6 million pounds in March 2004. In December 2004, shipments rose to 67 million pounds and to a record 73 million pounds in December 2005.

In December 2003, immediately before the announcement of the discovery of HPAI, Japan imported 68 percent of its total poultry meat preparations from China, 31 percent from Thailand, and less than 2 percent from the rest of the world. From February to March 2004, the monthly average shares were in favor of Thailand at 46 percent, China 26 percent, Brazil less than 2 percent, United States less than 1 percent, and 26 percent for the rest of world. Major poultry meat suppliers during this critical period (February-April 2004) included Canada, United Kingdom, South Korea, and Malaysia (figure 3). However, from May 2004 to the end of 2005, China's shares averaged 55 percent of Japan's total imports of pre-cooked and prepared poultry meat, followed by Thailand at 43 percent, and all other countries, including Brazil and the United States averaging less than 2 percent.

Figure 3

Japan's import shares of poultry meat preparations by origin, September 2003-2004



Sources: Japan Customs and World Trade Atlas.

Japan's Imports of All Poultry Meats and Implications for Trade

As a result of the HPAI outbreak in East and Southeast Asia Japan's imports of all poultry meat including fresh, chilled, frozen, preserved, and prepared declined sharply, reaching their lowest level in February through March 2004. Initially, imports of both cooked and non-cooked categories declined by 22 percent in 2004 compared with 2002, but they rose 29 percent in 2005 over a year earlier. In 2005, Japan's imports of all poultry meat (cooked and non-cooked) were slightly higher compared with 2002, the year before the HPAI outbreaks of late 2003. More important, fresh, chilled, and frozen poultry meat decreased by 20 percent, while poultry meat preparations rose by 50 percent during 2002-2005 (figure 4).

In summary, Japan's imports of poultry meat went through two shifts as a result of the 2003 HPAI outbreaks in major East and Southeast Asian trading partners. The first shift was to replace HPAI-free exporters as major import sources. The second shift, which began in the second quarter 2004, was to substitute imports of cooked and prepared poultry meat for imports of fresh, chilled, or frozen poultry meat to respond to consumers' food safety concerns.

Japan seemed to be willing and able to quickly divert its import demand for poultry products from those countries in East and Southeast Asia experiencing highly pathogenic Avian Influenza outbreaks, to HPAI-free countries, especially Brazil. Brazil has become the principle supplier of fresh, chilled, and frozen poultry meat to Japan. However, U.S. gains were limited due to constraints on the ability to competitively price certain products into the Japanese market. Essentially, U.S. poultry products are of high meat quality, but do not appear to be able to compete in supplying boneless leg cuts to the Japanese market.

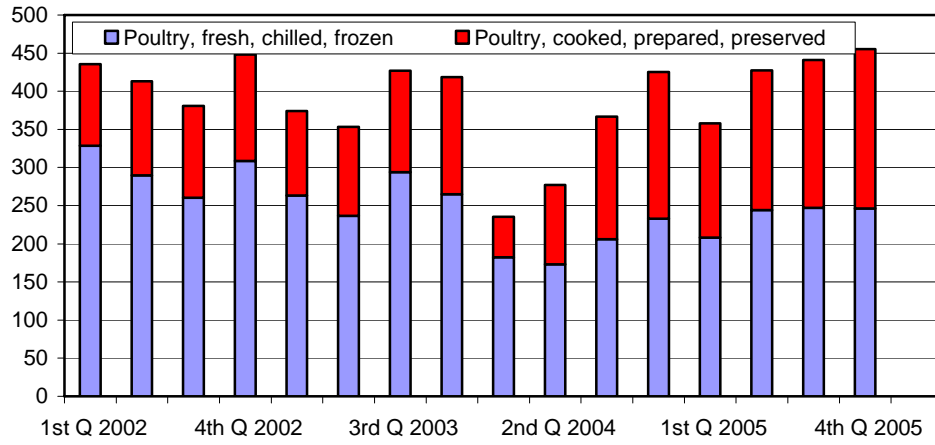
Japan's imports of pre-cooked and prepared poultry meat were initially disrupted from its traditional suppliers—China and Thailand—during the first few months of 2004. Japan shifted to non-traditional suppliers to supplement its total imports of pre-cooked and prepared poultry meat. However, starting May 2004, imports resumed from China and Thailand who had a combined share of over 97 percent during May 2004 to December 2005. All other suppliers of pre-cooked and prepared poultry meat delivered less than 3 percent during the same period.

Japan's post HPAI-outbreaks trade patterns provided a new challenge for global poultry meat exporters. While the poultry industry in China and Thailand reacted rapidly to gain market shares in Japan for pre-cooked and poultry meat preparations, and consequently benefited from the new trend, the poultry industries in the United States and Brazil are now investing heavily, preparing to increase their pre-cooked poultry meat exports and market shares in the near future.

Figure 4

Japan's imports of total poultry meat (fresh/chilled/frozen) versus (prepared/cooked/preserved), 2002-2005

Million pounds



Source: Japan Customs and World Trade Atlas.

Contacts and Links

Contact Information

| | | |
|-----------------------------------|----------------|--|
| Mildred M. Haley (coordinator) | (202) 694-5176 | mhaley@ers.usda.gov |
| David J. Harvey (poultry) | (202) 694-5177 | djharvey@ers.usda.gov |
| Ron Gustafson (cattle) | (202) 694-5174 | ronaldg@ers.usda.gov |
| Monte Vandever (beef trade) | (202) 694-5158 | montev@ers.usda.gov |
| Keithly Jones (sheep and goats) | (202) 694-5172 | kjones@ers.usda.gov |
| Mildred M. Haley (hogs/pork) | (202) 694-5176 | mhaley@ers.usda.gov |
| George Wallace (dairy) | (202) 694-5428 | gwallace@ers.usda.gov |
| LaVerne Williams (statistics) | (202) 694-5190 | lwilliam@ers.usda.gov |
| Laverne Creek (web publishing) | (202) 694-5191 | lmcreek@ers.usda.gov |
| Christopher Davis (poultry trade) | (202) 694-5167 | chrisdavis@ers.usda.gov |
| Fawzi Taha (eggs) | (202) 694-5178 | ftaha@ers.usda.gov |

Subscription Information

Subscribe to ERS e-mail notification service at <http://www.ers.usda.gov/updates/> to receive timely notification of newsletter availability. Printed copies can be purchased from the USDA Order Desk by calling 1-800-999-6779 (specify the issue number or series SUB-LDPM-4042)

E-mail Notification

Readers of ERS outlook reports have two ways they can receive an e-mail notice about release of reports and associated data.

- Receive timely notification (soon after the report is posted on the web) via USDA's Economics, Statistics and Market Information System (which is housed at Cornell University's Mann Library). Go to http://usda.mannlib.cornell.edu/ess_netid.html and follow the instructions to receive e-mail notices about ERS, Agricultural Marketing Service, National Agricultural Statistics Service, and World Agricultural Outlook Board products.

- Receive weekly notification (on Friday afternoon) via the ERS website. Go to <http://www.ers.usda.gov/Updates/> and follow the instructions to receive notices about ERS outlook reports, Amber Waves magazine, and other reports and data products on specific topics. ERS also offers RSS (really simple syndication) feeds for all ERS products. Go to <http://www.ers.usda.gov/rss/> to get started.

Recent Report

Did the Mandatory Requirement Aid the Market? Impact of the Livestock Mandatory Reporting Act, <http://www.ers.usda.gov/Publications/LDP/Sep05/ldpm13501/> compares the mandatory price reporting system developed by USDA's Agricultural Marketing Service in 2001 with the previous voluntary reporting system. The trend toward formula purchases has slowed since mandatory price reporting was implemented, and market forces have likely contributed to an increase in the volume of cattle moving under negotiated purchases.

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.

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://usda.mannlib.cornell.edu/reports/waobr/wasde-bb/>

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and, where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or a part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotope, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.

Red meat and poultry forecasts

| | 2003 | 2004 | | | | 2005 | | | | | 2006 | | | | | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|--------|--------|--------|
| | Annual | I | II | III | IV | Annual | I | II | III | IV | Annual | I | II | III | IV | Annual |
| Production, million lb | | | | | | | | | | | | | | | | |
| Beef | 26,238 | 5,838 | 6,253 | 6,360 | 6,097 | 24,548 | 5,725 | 6,189 | 6,560 | 6,209 | 24,683 | 6,000 | 6,775 | 6,825 | 6,350 | 25,950 |
| Pork | 19,945 | 5,130 | 4,897 | 5,047 | 5,435 | 20,509 | 5,138 | 5,021 | 5,000 | 5,525 | 20,684 | 5,240 | 5,100 | 5,250 | 5,625 | 21,215 |
| Lamb and mutton | 199 | 53 | 46 | 46 | 50 | 195 | 49 | 46 | 44 | 48 | 187 | 49 | 52 | 49 | 52 | 202 |
| Broilers | 32,749 | 8,195 | 8,492 | 8,839 | 8,537 | 34,063 | 8,588 | 8,934 | 8,939 | 8,904 | 35,365 | 8,900 | 9,125 | 9,100 | 9,050 | 36,175 |
| Turkeys | 5,650 | 1,309 | 1,366 | 1,390 | 1,389 | 5,454 | 1,328 | 1,397 | 1,375 | 1,405 | 5,505 | 1,335 | 1,405 | 1,410 | 1,425 | 5,575 |
| Total red meat & poultry | 85,476 | 20,687 | 21,220 | 21,858 | 21,676 | 85,441 | 20,991 | 21,764 | 22,088 | 22,253 | 87,096 | 21,687 | 22,625 | 22,807 | 22,678 | 89,797 |
| Table eggs, mil. doz. | 6,225 | 1,556 | 1,574 | 1,598 | 1,637 | 6,365 | 1,588 | 1,583 | 1,596 | 1,644 | 6,411 | 1,600 | 1,625 | 1,640 | 1,675 | 6,540 |
| Per capita consumption, retail lb 1/ | | | | | | | | | | | | | | | | |
| Beef | 64.9 | 16.0 | 16.9 | 16.9 | 16.3 | 66.1 | 15.6 | 16.8 | 17.0 | 16.0 | 65.5 | 15.37 | 17.6 | 17.5 | 16.1 | 66.9 |
| Pork | 51.8 | 13.0 | 12.2 | 12.7 | 13.4 | 51.3 | 12.3 | 12.1 | 12.3 | 13.3 | 50.0 | 12.4 | 12.1 | 12.7 | 13.3 | 50.4 |
| Lamb and mutton | 1.2 | 0.3 | 0.3 | 0.2 | 0.3 | 1.1 | 0.3 | 0.3 | 0.2 | 0.3 | 1.1 | 0.3 | 0.3 | 0.3 | 0.3 | 1.1 |
| Broilers | 81.6 | 20.8 | 21.2 | 21.9 | 20.4 | 84.3 | 21.3 | 21.7 | 21.6 | 21.2 | 85.8 | 21.9 | 22.3 | 22 | 21.5 | 87.7 |
| Turkeys | 17.4 | 3.6 | 4.0 | 4.5 | 5.0 | 17.1 | 3.6 | 3.9 | 4.2 | 5.1 | 16.7 | 3.4 | 3.7 | 3.9 | 5.2 | 16.2 |
| Total red meat & poultry | 218.9 | 54.1 | 54.8 | 56.6 | 55.9 | 221.4 | 53.6 | 55.2 | 55.7 | 56.1 | 220.8 | 54.1 | 56.4 | 56.8 | 56.8 | 224.1 |
| Eggs, number | 254.7 | 63.7 | 63.9 | 64.1 | 65.5 | 257.2 | 63.5 | 63.0 | 63.5 | 65.0 | 255.0 | 63.3 | 64.2 | 64.7 | 65.7 | 257.9 |
| Market prices | | | | | | | | | | | | | | | | |
| Choice steers, Neb., \$/cwt | 84.69 | 82.16 | 88.15 | 83.58 | 85.09 | 84.75 | 89.09 | 87.96 | 81.79 | 90.27 | 87.28 | 89-90 | 85-89 | 78-84 | 80-86 | 83-88 |
| Feeder steers, Ok City, \$/cwt | 89.85 | 87.98 | 104.58 | 116.27 | 110.19 | 104.76 | 104.05 | 113.36 | 111.50 | 114.84 | 110.94 | 106-107 | 100-104 | 95-101 | 95-101 | 99-104 |
| Boning utility cows, S. Falls, \$/cwt | 46.62 | 47.50 | 54.86 | 56.25 | 50.78 | 52.35 | 54.18 | 59.17 | 55.34 | 49.75 | 54.36 | 51-52 | 54-56 | 52-56 | 51-55 | 52-55 |
| Choice slaughter lambs, San Angelo, \$/cwt | 91.98 | 100.62 | 97.06 | 93.62 | 95.44 | 96.69 | 106.10 | 98.60 | 92.90 | 94.44 | 97.76 | 86-87 | 83-87 | 83-89 | 88-94 | 85-90 |
| Barrows & gilts, N. base, i.e. \$/cwt | 39.45 | 44.18 | 54.91 | 56.58 | 54.35 | 52.51 | 51.92 | 52.09 | 50.51 | 45.67 | 50.05 | 42-43 | 45-47 | 43-47 | 38-42 | 42-45 |
| Broilers, 12 City, cents/lb | 62.00 | 73.20 | 79.30 | 75.70 | 68.30 | 74.10 | 71.90 | 72.60 | 72.10 | 66.70 | 70.80 | 63-64 | 63-67 | 64-70 | 63-69 | 63-67 |
| Turkeys, Eastern, cents/lb | 62.10 | 62.10 | 66.60 | 73.10 | 77.10 | 69.70 | 65.90 | 67.70 | 76.50 | 83.60 | 73.40 | 67-68 | 68-72 | 72-78 | 75-81 | 71-75 |
| Eggs, New York, cents/doz. | 87.90 | 114.90 | 79.70 | 66.20 | 68.00 | 82.20 | 64.50 | 55.90 | 66.60 | 75.00 | 65.50 | 70-71 | 65-69 | 68-74 | 73-79 | 69-73 |
| U.S. trade, million lb | | | | | | | | | | | | | | | | |
| Beef & veal exports | 2,518 | 36 | 120 | 138 | 167 | 461 | 130 | 189 | 150 | 220 | 689 | 165 | 235 | 260 | 245 | 905 |
| Beef & veal imports | 3,006 | 873 | 929 | 940 | 937 | 3,679 | 831 | 1,065 | 906 | 797 | 3,599 | 820 | 950 | 900 | 820 | 3,490 |
| Lamb and mutton imports | 168 | 62 | 47 | 34 | 38 | 181 | 41 | 52 | 39 | 48 | 180 | 50 | 50 | 40 | 44 | 184 |
| Pork exports | 1,717 | 523 | 546 | 486 | 624 | 2,179 | 630 | 699 | 629 | 702 | 2,660 | 640 | 725 | 665 | 725 | 2,755 |
| Pork imports | 1,185 | 275 | 265 | 291 | 268 | 1,099 | 245 | 245 | 257 | 277 | 1,024 | 245 | 240 | 260 | 255 | 1,000 |
| Live swine imports | 7,438 | 2,210 | 2,024 | 2,196 | 2,075 | 8,505 | 1,894 | 1,951 | 2,157 | 2,189 | 8,191 | 2,000 | 2,200 | 2,200 | 2,200 | 8,600 |
| Broiler exports | 4,920 | 1,024 | 1,008 | 1,250 | 1,486 | 4,768 | 1,199 | 1,347 | 1,315 | 1,286 | 5,147 | 1,175 | 1,300 | 1,375 | 1,450 | 5,300 |
| Turkey exports | 484 | 83 | 93 | 134 | 133 | 443 | 126 | 147 | 147 | 149 | 569 | 130 | 150 | 155 | 165 | 600 |

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.

For further information, contact: Mildred Haley, (202) 694-5176, mhaley@ers.usda.gov

Economic Indicator Forecasts

| | 2004 | | 2005 | | | | | 2006 | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | IV | Annual | I | II | III | IV | Annual | I | II | III | IV | Annual |
| GDP, chain wtd (bil. 2000 dol.) | 10,897 | 10,756 | 10,999 | 11,092 | 11,193 | 11,234 | 11,131 | 11,355 | 11,449 | 11,534 | 11,626 | 11,487 |
| CPI-U, annual rate (pct.) | 3.4 | 3.4 | 2.4 | 4.2 | 5.1 | 3.2 | 3.7 | 2.0 | 2.5 | 2.5 | 2.4 | 2.4 |
| Unemployment (pct.) | 5.4 | 5.5 | 5.3 | 5.1 | 5.0 | 4.9 | 5.1 | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 |
| Interest (pct.) | | | | | | | | | | | | |
| 3-month Treasury bill | 2.0 | 1.4 | 2.5 | 2.9 | 3.4 | 3.8 | 3.2 | 4.4 | 4.6 | 4.7 | 4.7 | 4.5 |
| 10-year Treasury bond yield | 4.2 | 4.3 | 4.3 | 4.2 | 4.2 | 4.5 | 4.3 | 4.6 | 4.8 | 4.9 | 4.9 | 4.8 |

Source: Survey of Professional Forecasters, Philadelphia Federal Reserve Bank, February 2006.
 For further information, contact: George Wallace 202 694 5428, gwallace@ers.usda.gov

Dairy Forecasts

| | 2004 | | 2005 | | | | | 2006 | | | | |
|--|-------|--------|-------|-------|-------|-------|--------|--------|--------|--------|--------|--------|
| | IV | Annual | I | II | III | IV | Annual | I | II | III | IV | Annual |
| Milk cows (thous.) | 9,019 | 9,012 | 9,002 | 9,041 | 9,060 | 9,060 | 9,041 | 9,075 | 9,100 | 9,125 | 9,165 | 9,115 |
| Milk per cow (pounds) | 4,661 | 18,967 | 4,816 | 5,069 | 4,871 | 4,821 | 19,576 | 5,000 | 5,140 | 4,915 | 4,905 | 19,960 |
| Milk production (bil. pounds) | 42.0 | 170.9 | 43.4 | 45.8 | 44.1 | 43.7 | 177.0 | 45.4 | 46.8 | 44.8 | 45.0 | 182.0 |
| Farm use | 0.3 | 1.1 | 0.3 | 0.3 | 0.3 | 0.3 | 1.1 | 0.3 | 0.3 | 0.3 | 0.3 | 1.1 |
| Milk marketings | 41.8 | 169.8 | 43.1 | 45.6 | 43.9 | 43.4 | 175.9 | 45.1 | 46.5 | 44.6 | 44.7 | 180.9 |
| Milkfat (bil. pounds milk equiv.) | | | | | | | | | | | | |
| Milk marketings | 41.8 | 169.8 | 43.1 | 45.6 | 43.9 | 43.4 | 175.9 | 45.1 | 46.5 | 44.6 | 44.7 | 180.9 |
| Beginning commercial stocks | 9.9 | 8.3 | 7.2 | 9.4 | 11.2 | 9.6 | 7.2 | 8.0 | 10.4 | 11.6 | 9.7 | 8.0 |
| Imports | 1.3 | 5.3 | 1.3 | 1.1 | 1.1 | 1.2 | 4.6 | 1.3 | 1.1 | 1.1 | 1.3 | 4.7 |
| Total supply | 53.0 | 183.4 | 51.6 | 56.1 | 56.1 | 54.1 | 187.7 | 54.4 | 58.0 | 57.3 | 55.6 | 193.6 |
| Ending commercial stocks | 7.2 | 7.2 | 9.4 | 11.2 | 9.6 | 8.0 | 8.0 | 10.4 | 11.6 | 9.7 | 8.0 | 8.0 |
| Net removals | 0.0 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Commercial use | 45.8 | 176.3 | 42.2 | 44.9 | 46.6 | 46.4 | 180.0 | 43.9 | 46.4 | 47.6 | 47.6 | 185.5 |
| Skim solids (bil. pounds milk equiv.) | | | | | | | | | | | | |
| Milk marketings | 41.8 | 169.8 | 43.1 | 45.6 | 43.9 | 43.4 | 175.9 | 45.1 | 46.5 | 44.6 | 44.7 | 180.9 |
| Beginning commercial stocks | 9.5 | 8.5 | 8.2 | 8.4 | 9.6 | 8.9 | 8.2 | 8.9 | 9.5 | 10.1 | 9.1 | 8.9 |
| Imports | 1.3 | 4.8 | 1.2 | 1.0 | 1.2 | 1.2 | 4.5 | 1.2 | 1.1 | 1.1 | 1.2 | 4.6 |
| Total supply | 52.5 | 183.1 | 52.4 | 55.0 | 54.6 | 53.4 | 188.6 | 55.2 | 57.1 | 55.8 | 55.0 | 194.4 |
| Ending commercial stocks | 8.2 | 8.2 | 8.4 | 9.6 | 8.9 | 8.9 | 8.9 | 9.5 | 10.1 | 9.1 | 8.5 | 8.5 |
| Net removals | 0.0 | 1.3 | -0.4 | -0.3 | -0.2 | 0.0 | -1.0 | 0.0 | 0.4 | 0.2 | 0.7 | 1.2 |
| Commercial use | 44.4 | 173.7 | 44.4 | 45.8 | 46.0 | 44.8 | 180.9 | 45.8 | 46.7 | 46.5 | 45.8 | 184.7 |
| Milk prices (dol./cwt) 1/ | | | | | | | | | | | | |
| All milk | 16.07 | 16.05 | 15.67 | 14.83 | 14.97 | 15.13 | 15.15 | 13.80 | 12.10 | 12.20 | 12.75 | 12.75 |
| | | | | | | | | -14.00 | -12.60 | -13.00 | -13.75 | -13.35 |
| Class III | 15.06 | 15.39 | 14.31 | 14.10 | 14.08 | 13.69 | 14.05 | 12.10 | 11.10 | 11.45 | 11.30 | 11.50 |
| | | | | | | | | -12.30 | -11.60 | -12.25 | -12.30 | -12.10 |
| Class IV | 13.19 | 13.20 | 12.64 | 12.38 | 13.45 | 13.03 | 12.87 | 11.15 | 10.40 | 10.50 | 10.55 | 10.65 |
| | | | | | | | | -11.45 | -11.00 | -11.40 | -11.65 | -11.35 |
| Product prices (dol./pound) 2/ | | | | | | | | | | | | |
| Cheddar cheese | 1.610 | 1.643 | 1.531 | 1.507 | 1.481 | 1.431 | 1.488 | 1.260 | 1.175 | 1.245 | 1.235 | 1.230 |
| | | | | | | | | -1.280 | -1.225 | -1.325 | -1.335 | -1.290 |
| Dry whey | 0.235 | 0.232 | 0.248 | 0.263 | 0.287 | 0.314 | 0.278 | 0.340 | 0.295 | 0.250 | 0.240 | 0.280 |
| | | | | | | | | -0.360 | -0.325 | -0.280 | -0.270 | -0.310 |
| Butter | 1.778 | 1.824 | 1.570 | 1.459 | 1.646 | 1.487 | 1.540 | 1.230 | 1.170 | 1.205 | 1.215 | 1.205 |
| | | | | | | | | -1.270 | -1.250 | -1.315 | -1.345 | -1.295 |
| Nonfat dry milk | 0.862 | 0.841 | 0.899 | 0.923 | 0.957 | 0.984 | 0.941 | 0.890 | 0.830 | 0.825 | 0.825 | 0.840 |
| | | | | | | | | -0.910 | -0.870 | -0.885 | -0.895 | -0.890 |

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

2/ Simple averages of monthly prices calculated by the Agricultural Marketing Service for use in class price formulas. 'Based on weekly "Dairy Product Prices", National Agricultural Statistics Service. Details may be found at http://www.ams.usda.gov/dyfmoms/mib/fedordprc_dscrp.htm

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

For further information, contact: George Wallace 202 694 5428, gwallace@ers.usda.gov