



# Livestock, Dairy, and Poultry Outlook

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## Forecasts of More Corn and Less Hay To Affect U.S. Livestock Sector

**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 and 2007 assume policies currently in place among U.S. trading partners. U.S. beef exports to South Korea are not forecast pending implementation of import regulations by South Korea.

**Feed and Forage Production Conditions:** Prospects for a larger U.S. corn crop than anticipated will likely take some of the near-term pressure off livestock and poultry producers. Drought-stressed hay crops with prospects for lower production and higher forage prices may slow the current expansion of the U.S. cattle herd.

**Cattle/Beef:** Drought and feed prices dominate the cattle and beef sectors at present. Dry conditions over much of the U.S. cattle-producing regions continue to force early cattle movement. The larger crop forecast will take some pressure off the meat complex's need for adjustment as more and more corn is shifted to the rapidly expanding ethanol production sector.

**Beef Trade:** U.S. cattle imports began moving toward their typical summer lows during the second quarter, though imports from Mexico are showing more strength this summer than in 2005. U.S.-Canadian cattle price differentials have narrowed significantly. Beef imports declined markedly in the second quarter, as domestic lean beef supplies rose due to drought-induced increases in cow culling. In addition, Uruguay shifted a significant portion of its exports from the United States to other countries formerly served by Brazil and Argentina. U.S. beef exports surged to 315 million

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Tables will be released on  
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pounds in the second quarter on the strength of rising exports to Mexico and Canada.

**Sheep/Lambs:** After experiencing 2 years of recovery in sheep inventories, USDA's *Sheep* report indicated an unexpected decline in inventories. Factors that triggered the mini-liquidation were also largely responsible for the wide variation in prices seen so far this year. However, prices are expected to recover for the secondhalf of 2006 due to tighter supplies and expected seasonal demand increases. Imports in 2006 are expected to account for about 50 percent of U.S. lamb and mutton consumption.

**Dairy:** Unusually, warm weather throughout much of the United States in mid-July has reduced USDA's August estimated 2006 milk output from July. This has led to slightly higher prices for milk and dairy products than previously forecast.

**Hogs/Pork:** Forecasts for pork production in the second half of 2006 and for 2007 were lowered slightly to reflect lower-than-expected increases of Canadian swine imports. Second-half pork production is expected to be about 1.7 percent above a year ago. Pork production in 2007 is expected to be almost 3 percent above this year's forecast. U.S. live swine imports are expected to be about 8.6 million head, both this year and in 2007.

**Poultry:** Broiler production is slowing as the number of chicks being placed for growout continues to be below a year earlier. The slowdown in production growth has lowered stocks and raised prices for most broiler products, but prices remain below a year ago. Prices for whole turkeys remain above last year, reflecting lower stocks. Stocks of turkey parts and other products are higher, in part, due to lower turkey exports over the first half of 2006.

**Eggs:** First-half 2006 prices for table eggs (NY grade A large) averaged slightly more than 67 cents per dozen, or slightly more than 11 percent above the same period a year ago. For 2006, egg prices are forecast to average 69 to 71 cents per dozen, 6.5 percent higher than 2005. In 2007, prices will likely increase almost 12 percent to average 75 to 81 cents per dozen.

## Feed and Forage Production Conditions

### *Livestock Sector Adjusts to Forecasts of More Corn, Less Hay Than Expected Earlier*

This year's weather developments have had sharply contrasting impacts on the forage and grain crop sectors and consequently the meat complex. The 2006/07 corn crop was estimated at 10.98 billion bushels, up 2 percent from the July estimate, and down only 1 percent from last year's harvest. Cooler temperatures and rain since the first of August have provided favorable conditions for crop development throughout much of the North Central production area. This would be the third largest harvest on record, exceeded only by the 2004/05 (11.81 billion bushels) and 2005/06 (11.11 billion bushels) crops. The larger crop forecast will take some pressure off the meat complex's need for adjustment as more and more corn is shifted to the rapidly expanding ethanol production sector. Rationing and livestock production adjustments to a world with less feed corn, but more wet and dry distillers' grains--with and without solids--will likely continue as distillers' grains will remain very attractively priced against corn and the other grains. The projected price range for corn is \$2.15 to \$2.55 per bushel, down from a range of \$2.25 to \$2.65 per bushel in July, but still above last year's \$1.99 a bushel, and the 2004/05 average of \$2.06 a bushel.

Soybean prospects have declined due to dry weather in the western Corn Belt and Plains. The soybean crop is forecast at 2.93 billion bushels, down nearly 3 percent from the July estimate, down 5 percent from the 2005/06 harvest, and down 6 percent from the 2004/05 record. But this would still be the third largest soybean harvest on record. The soybean crush estimates were unchanged from July, but 2 percent above the average crush for the past 2 years. The projected price range for soybean meal remains unchanged from \$155 to \$185 per short ton, and near-to-slightly below the levels of the past 2 years.

Drought impacts on hay production have been sharp, particularly in the Great Plains and Southeastern States. This year's total hay crop was forecast in the August *Crop Production* report at 142.3 million tons, down 5.5 percent from a year ago, and would be the smallest harvest since 1988's 125.7 million-ton-harvest. Alfalfa hay production is forecast down 6 percent from a year ago, while other hay production is expected to be down 5 percent. With extremely poor pasture and range conditions continuing to deteriorate in much of the Great Plains and Southeast in mid-August, autumn rains are going to be extremely important in developing pasture, range growth, and small grain pasture going into the fall and winter. With many areas already using hay for supplemental feeding on depleted grazing lands, continued dry conditions would force additional herd reductions and liquidation in some areas. The farm price of alfalfa hay in July averaged \$113 a ton, up \$4 a ton from last year. Other hay prices averaged \$89.30 a ton, up over \$13 a ton from a year ago. Hay stocks on May 1 were down 23 percent from a year earlier, and down 18 percent from 2 years ago. Rebuilding stocks or finding alternative forage for over-wintering will be the key to continuation of the already slowing beef cattle herd expansion.

### ***Dry Conditions Continue To Dominate Cattle and Beef Industry Dynamics***

Dry conditions over much of the Great Plains and, increasingly, the Southeastern cattle-producing areas, currently dominate cattle and beef sector dynamics. Pasture and range conditions for the United States as a whole have deteriorated over the last several weeks, and at 51 percent in poor-to-very-poor condition for the week ending August 12, are much worse than conditions at the same time in 2005 when only 34 percent of pasture and range was in poor-to-very-poor condition. The few bright spots are the eastern Corn Belt, the West Coast, and some other scattered areas.

With the exception of the Plains and Western Corn Belt, prospects for this year's feed grain crops are not as bad as the pasture and range conditions would suggest. For corn, 82 percent of the 2006 crop is rated in fair or better condition, as is 84 percent of the soybean crop. Only 58 percent of the sorghum crop, more common in the dryer fringes of corn growing areas and further west, is rated fair or better.

Ethanol production and its continuing growth will affect corn prices and supplies of corn for feed, and will also affect feed prices, feeding profits, and feeder cattle prices. Still, a 56-pound bushel of corn produces only 17.4 pounds of dried distillers' grains and solids. However, feeding distillers' grains is not fully understood, and while cattle make good use of distillers' grains, hogs benefit less from their use, and poultry make the least use of them. Some attribute part of the lower-than-typical percentages of Choice-or-better slaughter steers and heifers to the impact of the low energy-high protein nutrient profile of distillers' grains on marbling. Some of these feed substitution impacts could spill over into sorghum and soybeans markets.

### ***Surprises in Both Cattle on Feed and Cattle Reports***

Both cattle industry reports released in July surprised most analysts. The *Cattle on Feed* report surprised the industry with placements 10 percent above a year ago, which was much higher than industry expectations. Consequently, cattle on feed on July 1 were 5 percent above a year ago and above industry expectations. In the *Cattle* report, the 2006 beef cow inventory and calf crop were below most industry expectations and, essentially unchanged from a year earlier, suggesting a slowdown in the current cattle cycle expansion.

Also, the inventory situation could be much deteriorated from the July 1, 2006, *Cattle* report because of the continued dry conditions in most of the country. Pasture and range conditions are rated 70-plus percent poor or very poor in most of the Great Plains States where a large percentage of beef cattle are located. Beef cow slaughter is higher, running around 20 to 30 percent higher than a year ago. There are reports of unseasonably large cow sales, suggesting that some producers are exiting the industry rather than simply moving cows to other areas. Another indication is the increase in veal slaughter, which is consistent with the sale of cow-calf pairs that are not destined to return to pasture, but rather both cows and calves are going to slaughter. Total cow slaughter will likely continue high until precipitation relieves the dry conditions.

Given that total cow inventories in the July 2006 *Cattle* report were only 1 percent higher than July 1, 2005, inventories, current levels of cow slaughter could have implications for the January 1, 2007, cattle inventories, especially in light of milk replacement heifer inventories, which were up 3 percent over a year ago. This 3-percent increase surprised some analysts who expected fewer milk replacement heifers, consistent with lower milk prices.

### ***Feedlot Inventories Building***

Both the *Cattle on Feed* and *Cattle* reports showed cattle on feed increased over 2005 and 2004. The *Cattle on Feed* report especially surprised the industry with placements in 1,000-head plus feedlots, 10 percent above a year ago, and higher than the top end of the range of industry expectations. Similarly, all cattle on feed reported in *Cattle* on July 1 were 4 percent above a year ago. Cattle placements under 700 pounds increased by 31 percent compared with June 2005 placements, while placements cattle 700 pounds and heavier, were down by just over 5 percent. Many of the lighter cattle would likely have remained on summer pastures had forage been available. Cattle on feed for more than 120 days in 1,000-plus head feedlots, a gross measure of short- to mid-term supplies of fed cattle for slaughter, set a record (since 1996) on July 1, 2006. These supplies of fed cattle to be marketed in the near future, combined with a continuation of the reduced slaughter levels observed recently, will likely lead to lower prices over the remainder of the summer and into fall.

Cattle feeding losses continue in the \$4 to \$7 per cwt range. Futures prices in the upper \$80s and even \$90s for contracts through the end of 2006 and early 2007, however, are more consistent with current feeder cattle prices. Current feeder cattle prices also reflect the relatively short supplies of feeder cattle outside feedlots, just over 1 percent higher than 2004's lowest July 1 levels since at least 1996.

### ***Choice-Select Spread Seen Narrowing***

The percent of slaughter steers and heifers grading Choice or better has been increasing on a weekly basis, and recently has been above 55 percent, although still averaging 2 percentage points below the average of 57 percent for July 2005. As a result, the spread between Choice and Select beef is narrowing, and, although still well above the 5-year average, is becoming more in line with seasonal averages.

Other than the psychological impact, the positive benefits from the resumption of trade with Japan will have only marginal impacts on market prices for fed cattle or beef. This is partly because beef sales to Japan are expected to slowly recover as consumer concerns are eased. Second, the supply of U.S. beef qualifying for export to Japan (20 months of age and under at slaughter) is relatively small.

Per capita consumption (disappearance) is projected at 66.3 pounds (retail basis) for 2006, 1.2 percent above 2005's 65.5 pounds. Boxed-beef, cutout values of \$147.01 for Choice beef are 12 percent higher than July 2005 levels (\$131.19). Select beef, at \$126.71, is virtually unchanged over July 2005 (\$126.25). These price relationships reflect relatively stronger demand for Choice beef over Select, and, despite July 2006 retail prices, at \$3.88 per pound, just under 3 percent below July 2005's \$3.99, these figures suggest relatively strong demand for beef. This is

especially true given the relatively large supplies of competing pork and poultry. With school beginning this month in most parts of the country, and the summer grilling season basically over except for Labor Day activities, the prospects for larger beef supplies could bring retail prices down further. Despite seasonally declining margins, packers and retailers will try to maintain profitable margins through the current quarter by attempting to bid less for fed cattle.

### *Cattle Imports Show Seasonal Drop in Second Quarter; Slight Increase in Annual Forecasts*

U.S. cattle imports declined somewhat through the second quarter as the trade moved toward its typical summer lows. Total cattle imports through the first 6 months of 2006 were 1.179 million head, with 651,000 coming from Mexico and 528,000 from Canada. Mexican imports are about 5 percent behind the pace seen in the first half of 2005, though imports in the second half of 2006 are expected to exceed those in the second half of 2005. Recent rains in the U.S.-Mexican border areas should provide some fall grazing on the U.S. side for Mexican calves coming this summer and fall. Weekly tallies reported by the Agricultural Marketing Service of cattle entering from Mexico suggest imports have been stronger this summer than last.

Cattle imports from Canada were observed over a complete second quarter for the first time since 2002. The price differential between U.S. and Canadian cattle prices—particularly those for fed cattle—narrowed significantly, beginning in March. Last fall and winter, prices for slaughter cattle in Alberta had been running US\$10-14 below Nebraska slaughter prices, but during May and June they were less than US\$2 under. The differential has widened slightly since then but remains smaller than what was seen before March. A shift in the U.S.-Canadian exchange rate has played a significant role here, as the Canadian dollar gained nearly 10 percent on the U.S. dollar during that time. The Canadian dollar is expected to retain this strength through the rest of 2006.

Imports of Canadian live cattle, which are still restricted to animals under 30 months of age for immediate slaughter or feedlot placement, have consistently maintained a mix of about 65 percent fed cattle for immediate slaughter and 35 percent feeder cattle. Forage and pasture conditions in the prairie provinces of Canada are relatively better than those in most of the central and western United States. Cattle imports from Canada in the second half of 2006 are expected to be slightly lower than those in the second half of 2005, when imports resumed after a 2-year interruption and the Canadian currency was weaker.

The forecast for total cattle imports for 2006 was raised by 50,000 head to 2.250 million, based mainly on the relatively stronger summer imports from Mexico. The 2007 forecast was raised by 100,000 to 2.100 million because the smaller than previously expected U.S. calf crops both this year and next implies strong demand for feeder cattle prices. U.S. heifer retention has not increased, and cow culling is up due to current pasture and forage difficulties, and imports should help replace some of the calf crop shortfall.

In early July, Canadian officials announced the discovery of a 50-month-old dairy cow from Alberta which tested positive for BSE (bovine spongiform encephalopathy, also known as mad cow disease). The animal's birth occurred in the spring of 2002, meaning it was exposed to BSE well after Canada's feed ban was initiated in 1997. USDA temporarily withdrew a proposal to allow the importation of Canadian cattle over 30 months of age pending the results of the investigation into this Canadian case. At this time neither these cattle nor their beef may be imported into the United States.

The cattle export forecast for 2006 was raised from 30,000 to 40,000 head, based on results to date and the forage and pasture conditions and U.S.-Canada price differentials described earlier. The 2007 forecast was left unchanged at 50,000 head. Also, revised trade data for 2005 were issued in July, and the final U.S. cattle import total was raised to 1.816 million head (up from 1.815 million). Similarly, U.S. cattle exports in 2005 were raised from 21,000 to 22,000 head.

### ***Beef Imports Dip in Second-Quarter, With Higher U.S. Cow Slaughter and South American Shifts***

U.S. beef imports totaled 789 million pounds in the second quarter, 36 million pounds less than forecast last month. Two major contributing factors to lower second-quarter imports are the higher domestic cow slaughter, with the resulting larger supplies and lower prices of lean beef, and significant shifts in trading patterns among South American beef-exporting countries.

U.S. cow slaughter is projected to total 5.18 million head in 2006, up 318,000 head from the 2005 total. Hot dry conditions in the Great Plains and western United States have reduced hay and forage production and pasture conditions for a significant portion of the U.S. herd. Lean beef supplies have increased as producers have begun culling earlier than usual, and U.S. lean beef prices traded on a par or discount with imported lean beef prices through much of the second quarter. Domestic lean beef usually costs several dollars/cwt more. If dry conditions persist into the fall and additional culling occurs, the domestic lean beef supply may remain relatively high.

U.S. beef imports from Uruguay also declined significantly in the second quarter as Uruguay shifted its exports from North America to markets formerly supplied by Brazil and Argentina. Those countries both had cases of foot-and-mouth disease (FMD) earlier in 2006, and Brazil had significant restrictions placed on its exports to Russia and the European Union (EU-25). Argentine exports to Chile and other countries were also restricted, and perhaps more importantly, Argentina's own government restricted its beef exports in an attempt to lower domestic beef prices and inflation. Uruguay has picked up significant sales to Russia, Chile, the EU-25, and elsewhere. Its year-to-year exports are up almost 20 percent overall, though its exports to the United States are down roughly one-third. This situation may persist while Brazil and Argentina deal with their respective problems.

Imports from Canada are down through the first half of 2006, as Canada move cattle south instead of beef. Australia and New Zealand remain focused on supplying as much beef as possible to Japan and South Korea before U.S. beef returns to meaningful competition there.

The beef import forecasts for the third and fourth quarters were left unchanged, making for a total 2006 forecast of 3.222 billion pounds. The 2007 forecast was left unchanged at 3.340 billion pounds. Revised 2005 data showed first-quarter imports of 832 (up from 831) million pounds, third-quarter imports of 905 (down from 906) million pounds, and an unchanged annual total of 3.599 billion pounds.



## ***Beef Exports Show Second-Quarter Surge; Exports to Japan Resume***

U.S. beef exports in the second quarter reached 315 million pounds carcass weight equivalent (CWE), far and away the highest quarterly total since the first U.S. BSE case in December 2003. Mexico remains the biggest customer by far. In the second quarter, the United States exported 193 million pounds to Mexico, another quarterly record for that country. Higher beef production and attractive prices in the United States (compared with the last 2 years), plus strong economic conditions in Mexico have supported this trend. With a total of 339 million pounds in the first half of 2006, exports to Mexico this year should challenge the current annual record of 629 million pounds set in 2002.

Exports to Canada also saw a relative surge in the second quarter, totaling 69 million pounds. The Canadian industry seems to be working its way slowly through the backlog of older cattle, as non-fed slaughter has remained significantly above 2000-2004 averages for about 14 months now. This shift in the slaughter mix, along with sizable fed and feeder cattle exports to the United States, has reduced beef production from fed animals in Canada. Average weekly cattle slaughter in Canada is down about 8,000 head per week from 2005 to 2006 (year-to-date), and beef production from fed animals is down about 20 percent through the end of July. Canadian beef imports from New Zealand and Uruguay are also down significantly in 2006. Lower imports from elsewhere, lower Canadian beef production, higher U.S. production, lower U.S. prices, and a favorable exchange rate have all supported the trend of rising U.S. beef exports to Canada.

On July 27, 2006, the Japanese Government announced that U.S. beef exports to Japan could resume. A small level of exports to Japan had already been assumed in the forecast. The level of exports to Japan is expected to remain relatively low for the rest of 2006, as Japanese consumer confidence will take some time to return, and as U.S. prices appear relatively high to Japanese importers. Some trading companies may also be waiting until stable trading conditions are firmly in place. U.S. beef that was held up in customs following the import halt last January will also be allowed into the Japanese market.

Negotiations with South Korea have not yet led to the implementation of rules to resume beef exports to that country. Exports to Taiwan continued their steady performance through the second quarter, making Taiwan the number 3 destination for U.S. beef.

The export forecast for the third quarter was raised 20 million pounds to 275 million pounds, while the fourth quarter was left unchanged at 290 million pounds. The forecast for total beef exports for 2006 is 1.103 billion pounds, up 58 percent from 2005, though still only 44 percent of the record 2.518 billion pounds in 2003. The 2007 forecast was left unchanged. Revised data for 2005 raised the fourth quarter export total to 229 million pounds, raising the 2005 total to 697 million pounds.

### *Unexpected Decline in Mid-Year Sheep Inventory*

After experiencing 2 years of recovery in sheep inventories, the USDA *Sheep* report released on July 21, 2006, indicated an unexpected decline in inventories. On July 1, 2006, the U.S. sheep and lamb inventory totaled 7.77 million head, down slightly from 2005, but still about 2 percent above July 1, 2004. Slight inventory reductions were seen in both the breeding and market sheep categories. Replacement lambs also declined 1 percent, compared with last year's 10 percent increase. The slight overall reduction could be attributed to two factors which have affected the industry since January 2006—widening drought conditions in some of the major sheep producing areas and the backlog of over-finished lambs during the holiday season. This resulted in a mini-liquidation in the sheep industry.

Widening drought conditions contributed to the reduction in total breeding sheep and replacement lambs in two of the major sheep producing regions. Both Region 1 (Arizona, California, Idaho, Nevada, Oregon, and Washington) and Region 2 (Texas and New Mexico) saw 2-percent reductions in total sheep and lamb inventory. Producers were forced to liquidate their flock due to marginal forage conditions. This explains the more than 46 percent increase in live sheep exports for the first half of 2006 over the same period last year. Region 3 (Colorado, Montana, South Dakota, Utah, and Wyoming) and Region 4 (Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota and Oklahoma) showed no change in inventory from 2005. Region 5 (States not covered in Regions 1-4), which consists primarily of small operations, was the only region registering an inventory increase.

The increase in over-finished lambs during the March-April 2006 holiday period affected the movement of fat lambs on the domestic market and also placed downward pressure on lamb prices. The outlet for some of these over-finished animals became the export market. In the first half of 2006, lamb and mutton exports jumped 105 percent over the same period last year to 10 million pounds. Lamb exports (carcasses and half-carcasses of lamb--fresh, chilled, or frozen) saw the largest jump, increasing 233 percent over the same period last year, while mutton exports (carcasses and half-carcasses of sheep, bone-in cuts, and boneless cuts--fresh, chilled, or frozen) increased 95 percent. Exports were primarily to Mexico (68 percent), Canada (7 percent) and the Bahamas (4 percent), with 35 other countries receiving the other 21 percent. Lamb and mutton exports for the second half of 2006 are expected to slow from the first half as slaughter lamb prices continue to recover amidst tightening lamb and mutton supplies which will result from the liquidation. However, second-half lamb and mutton exports are forecasted at 6 million pounds, still 50 percent above the same period last year.

First-half lamb and mutton production was up 2 percent from the same period last year, though the number of animals slaughtered was up by just about 1 percent from the same period. Heavier animals contributed to the higher level of production. Third-quarter production is also expected to increase by about 2 percent from the same period last year, and production for the fourth quarter of 2006 is expected to be about 6 percent above last year. Stronger second-half production is expected to be supported by higher second-half prices.

First-half farm prices for lambs averaged \$91.95 per cwt, down 19 percent from the same period last year, while first-half 2006 Choice slaughter lamb prices at San Angelo, Texas market averaged \$71.80 per cwt, 30 percent below the same period a year earlier. During the first half of 2006 Choice slaughter lamb prices at San Angelo varied widely, from as high as \$86.75 per cwt in January to as low as \$60.60 per cwt in April, then recovering to \$70.94 per cwt in June. Factors that triggered the mini-liquidation were largely responsible for the wide variation in prices. However, prices are expected to recover for the second half of 2006 due to tighter supplies and expected seasonal demand increases. Also, the over-finishing problem appears to have abated as dressed weights are now in the 64-67 pound range. Second-half prices at San Angelo are expected to average in the low \$80s.

For the first half of 2006, imports totaled 97 million pounds, 4 percent above the same period last year, equaling domestic production. Lamb and mutton imports are expected to be strong for the rest of the year, and second-half imports are expected to be slightly above the same period last year. Australia continues to be the dominant supplier of imported lamb for the United States, supplying almost 75 percent in the first half of 2006, while New Zealand supplied 25 percent, and Canada supplied less than 1 percent of total imports. Imports in 2006 are expected to account for about 50 percent of U.S. lamb and mutton consumption.

### *Hot, Humid Conditions Stress U.S. Dairy Herd*

Milk production estimates were slightly reduced in August to 181.3 billion pounds, down 740 million pounds from July estimates. Unusually hot weather throughout most of the United States, but especially in California and the Southwest, has adversely affected milk production. The major effect of the heat was to reduce output per cow in the third quarter. This month's revised lower projected third quarter production and adjustments to second and fourth quarter production reduces the USDA estimate of annual milk per cow to 19,890 pounds for 2006 from 19,965 pounds in July.

The 2007 production forecast is unchanged from July. The July *Cattle* report indicated that the inventory of dairy replacement heifers over 500 pounds was up 3 percent year-over-year, but relatively weak returns may encourage a gradual reduction in the dairy herd. The higher number of replacements available in coming months should aid in replacing aging animals and those lost to heat. However, the decline in the value of milk cows to less than \$1,700 per head in July from \$1,770 in April as reported in *Agricultural Prices* suggests an easing in the tightness in replacement demand for dairy cattle.

The weather impact on milk production is combining with seasonal factors to reduce the amount of milk available for manufacturing purposes. During August, the Southeast begins to import milk from surrounding regions to offset seasonal declines in local production. Additionally, handlers begin to fill the pipeline for the beginning of the school year. Daily fluid milk sales are typically higher in the fall months compared with summer. This increased demand for fluid use has reduced seasonal availabilities to the manufacturing sector, adding to tightness from reduced production.

Cheese prices, on a gradual decline all year, have stabilized in recent weeks and increased some in response to the hot weather. Year-to-date prices are below those of 2005 and 2004. Although supply conditions for cheese are tightening both seasonally and due to weather, there are ample supplies in storage for at least the short run. The cheese price should recover in the fourth quarter. The 2006 yearly average price is projected to be \$1.22-\$1.24 per pound. The forecast for 2007 is unchanged from July.

The butter price has inched upward the last week of July, and sales have increased through the end of July but there are indications that stocks are being drawn down. Lower supplies of fluid milk and reduced fat tests are reducing availability of cream for butter production. The butter price should continue to strengthen for the remainder of 2006 and will likely average \$1.21-\$1.25 per pound for the year. Like other dairy products, the steady global demand outlook for NDM faces reduced supply. Both seasonal factors and weather have reduced supplies to drying facilities. Whey markets have also firmed in recent weeks. The price forecast for NDM is expected to average 85.5-87.5 cents per pound for 2006. The forecast price for 2007 remains unchanged from July at 81.5-88.5 cents per pound. Whey price is projected steady to lower for the third quarter. Some price recovery in the fourth quarter should place the 2006 yearly price at 29.5-31.5 cents per pound.

The slightly higher product prices will strengthen milk prices in general. The Class III price is expected to reach \$11.50-\$11.70 per cwt in 2006, well below 2005 but marginally higher than July's projected range. Forecast 2007 price is expected to be \$12.00-\$13.00, up slightly from July's forecast. The 2006 Class IV price is projected to be \$10.75-\$11.05 per cwt, up significantly from July's estimate. The 2007 Class IV price forecast is unchanged from July. The all-milk price should recover during the months of August to December as inventories of products are worked down and weather-related production declines work through product markets. The all-milk price is expected to be \$12.60-\$12.80 per cwt for 2006. Although production in 2007 is forecast higher than in 2006, the rate of increase is forecast to increase less than 1 percent. This will likely increase the 2007 all-milk price to \$12.90-\$13.90 per cwt.

### ***Live Swine Imports Increase, But Not As Fast As Expected***

Forecasts for U.S. imports of Canadian swine were lowered for the second half of 2006 and for 2007. The reductions reflect slower-than-expected increases so far this year, and expectations of much the same level of imports in 2007. Total U.S. swine imports are expected to be about 8.6 million head both this year and in 2007.

U.S. pork production estimates for the second half of 2006 and for 2007 were each lowered slightly to reflect reduced growth in swine imports. Second-half U.S. pork production is expected to be about 10.7 billion pounds, almost 1.7 percent above second-half 2005. Pork production in 2007 is expected to be 21.6 billion pounds, almost 3 percent above anticipated production for this year.

### ***Both Hog Prices and Slaughter Higher Than July 2005***

Prices of 51-52 percent live lean equivalent hogs in July were \$51.89 per cwt, almost 4 percent above July 2005. Both June and July 2006 are, thus far, the only months in 2006 where hog prices have been higher than the same periods of 2005. Estimated federally inspected (FI) slaughter in July was 7.815 million head, more than 3 percent above July 2005. The willingness of packer/processors to pay higher prices for a larger number of hogs in July likely reflects both increased slaughter capacity in the United States and continued strong demand for pork products. An indicator of wholesale supply and demand conditions, the USDA estimated carcass cutout, averaged \$74.43 in July, more than 5 percent higher than July 2005's.

Third-quarter hog prices are expected to range between \$48 and \$50 per cwt, 3 percent below the same period last year. Third-quarter pork production is expected to be 5.05 billion pounds, or 1 percent above third-quarter last year. For 2006, pork production is expected to be slightly more than 21 billion pounds, 1.6 percent above 2005. Next year, pork production is expected to increase almost 3 percent above 2006.

### ***First-Half 2006 Retail Pork Prices Below Same Period Last Year***

Retail pork prices in the first half of 2006 averaged about \$2.78 per pound, about 2.4 percent below 2005. Strong competition from good availability of competing animal proteins--beef and poultry-- as well as the availability of larger quantities of pork products than last year, are the likely factors that held retail pork prices below a year ago. In the second half of 2006, retail pork prices are expected to average in the high \$2.70s per pound.

### ***First-Half Pork Exports Impressive, Imports Increase Slightly***

In the first 6 months of 2006, U.S. exporters shipped over 1.5 billion pounds of pork products to foreign markets, an increase of more than 15 percent over the same period last year. The top five foreign markets for U.S. pork for January to June 2006 were Japan, Mexico, Canada, South Korea, and Russia. During the same period last year, the top five export markets were Japan, Mexico, Canada, South Korea, and China. The relatively low foreign exchange value of the U.S. dollar, together with animal disease-related restrictions imposed by some major importing

countries largely explain the strong demand for U.S. pork products in the first half of 2006.

As discussed in previous issues (<http://www.ers.usda.gov/publications/ldp/2006/07-Jul/LDPM145T.pdf>), Japan's imports of U.S. pork for the first half of 2006 do not match the buying patterns of other major importers. Although Japan remains, by far, the largest importer of U.S. pork products, its year-over-year imports of U.S. pork are down by more than 8 percent in the first six months of 2006. The reduction is attributed to larger than normal levels of pork stocks, brought about by very large pork imports in 2004, when animal diseases--Avian Influenza and Bovine Spongiform Encephalopathy--were significant factors in shaping Japanese import demand. Imports have also been slowed this year by stepped-up monitoring by Japanese customs authorities, to ensure importer adherence to the procedures of the Japanese pork import regime.

First-half U.S. pork imports were 7.5 million pounds higher than in the same period last year, an increase of just over 1.5 percent. Most of the increase is attributable to slightly higher shipments from Denmark and other smaller countries that export to the United States. U.S. imports from Canada, however, were slightly lower than the first half of 2005.

### ***Broiler Production Increases by 3 Percent***

Broiler meat production during the first half of 2006 was about 18.1 billion pounds, up 3.1 percent from the same period in 2005. Over the first half of 2006, the number of broilers slaughtered was 4.4 billion, up just less than 1 percent from a year earlier. The average broiler live weight at slaughter during the first 6 months of 2006 was 5.46 pounds, up 2.2 percent from last year. Production during the second quarter of 2006 was 9.1 billion pounds, 2.2 percent higher than last year. The increase in broiler meat production in the second quarter came from a combination of a slightly lower number of birds going to slaughter and an increase in their average live weight.

Broiler meat production is expected to total nearly 18 billion pounds during the second half of 2006, up less than 1 percent from a year earlier. The growth in production is expected to come from higher average live weights as the number of birds being placed for growout has been lower than the previous year for some time now. If economic conditions remain favorable, by the end of the year gradually strengthening prices for a number of broiler products are expected to provide some incentive for producers to expand production. Much of the incentive to expand production will depend on the changes in feed costs.

The number of chicks being placed weekly for growout has averaged approximately 173.4 million over the last 5 weeks (July 8 to August 5). This is down 1.2 percent from the same weekly period in 2005. Over the last 3 months, weekly chick placements have been below the previous year, pushing down production forecasts in the second and third quarters.

### ***Broiler Exports Slightly Higher in 2006***

Over the first 6 months of 2006, broiler exports totaled 2.64 billion pounds, up 3.3 percent from a year earlier. One of the most important reasons for the increase in exports was the very low prices for broiler products, especially in the first several months of this year. While total broiler exports have risen in the first half of 2006, shipments in the second quarter were down 54 million pounds from the previous year. Also with lower prices, the total value of exports in first-half 2006 was \$844 million, which was \$97 million lower than a year earlier (down 10 percent). Much of the increase in the quantity of broiler exports is attributable to larger shipments to China/Hong Kong, Russia, and Mexico. Higher exports to the China/Hong Kong market (up 90 percent from 2005) reflect the continued growth in poultry consumption, especially in major cities. Broiler product shipments to Mexico were up 8 percent. In the Mexican market, relatively low broiler meat prices may have provided an incentive to import broiler products as a substitute for turkey products in some applications. Exports to Russia totaled 768 million pounds in the first half of 2006, up 6 percent from a year earlier.

Exports in the second half of 2006 are forecast at 2.8 billion pounds, up about 7 percent from the same period in 2005. The significant increase is due largely to Avian Influenza (AI) related declines in exports to a number of countries in fourth-quarter 2005. While most AI outbreaks had only a minor impact on overall broiler



production, the news of AI incidents tended to temporarily lower consumer demand.

### ***Turkey Production Increases in First-Half 2006***

Turkey production during the first 6 months of 2006 was 2.8 billion pounds, this is a 2.5-percent gain compared with a year earlier. The increase in turkey meat production is due to an increase in the number of birds being slaughtered, as the average live weight of birds at slaughter in the first 6 months of 2006 was the same as a year earlier, at 28.9 pounds per bird. The forecast for turkey meat production in the second half of 2006 is for a 2.7-percent increase compared with the same period last year. The growth in production is again expected to come from a larger number of birds being slaughtered as the number of turkey poults placed for growout during the first 7 months of 2006 totaled 173 million, up 6 percent from a year earlier. Even with higher turkey meat production expected in the second half of 2006, stocks of whole turkeys are expected to remain lower than last year.

The relatively small increase in production has resulted in turkey prices at or above their year-earlier levels. In July, the price of 8-16 pound whole hens in the Eastern market was 75 cents per pound, up 3 percent from a year earlier and 5 percent higher than the July 2004 price. Wholesale prices for whole turkeys are expected to remain slightly higher than their year-earlier levels through the third quarter, but drop below year-ago levels in the fourth quarter.

### ***Turkey Exports Fall by 11 Percent***

Over the first 6 months of 2006, U.S. turkey exports totaled 244 million pounds, down 11 percent compared with the previous year. Shipments were lower to a number of markets, with falling exports to Mexico accounting for a large percentage of the decline. Shipments to Mexico in the first half of 2006 totaled 154 million pounds, down 11 percent from last year. Turkey exports to Mexico over the first half of 2006 were likely influenced by the low prices for most broiler products. While export shipments of turkey products to Mexico were lower in first-half 2006, broiler shipments to Mexico were up by 8 percent. With a gradual strengthening of broiler prices expected in second-half 2006, turkey exports are expected to increase. One area that partially offset the declines was higher exports to the China/Hong Kong market. The forecast for the second half of 2006 is for exports of 310 million pounds, a 5-percent increase over the same period last year.

### *First-Half 2006 Egg Production and Prices Higher Than a Year Ago*

First-half 2006 prices for table eggs (NY grade A large) averaged slightly more than 67 cents per dozen, or slightly more than 11 percent above the same period a year ago. For 2006, egg prices are forecast to average 69 to 71 cents per dozen, 6.5 percent higher than 2005. In 2007, prices will likely increase almost 12 percent to average 75 to 81 cents per dozen.

Second-quarter 2006 table egg production was 1,610 million dozen, 27 million dozen more than a year ago, mainly due to increases in the U.S. egg-layer flock. First-half 2006 egg production was more than 1 percent above the same period last year. For all 2006, total U.S. egg production is forecast to grow 1 percent over last year.

First-half 2006 retail egg prices averaged 10 percent higher than the same period last year. For all of 2006, retail egg prices are expected to average in the low \$1.30s per dozen, more than 7.6 percent higher than 2005. In 2007, retail egg prices are forecast in the low \$1.40s per dozen.

U.S. exports of shell eggs and egg products (in-shell egg equivalent) rose from 42.0 million dozens in the first quarter 2006 to 47.4 million dozens in the second-quarter. First-half of 2006, exports were 10.6 million dozen below the same period of 2005. The decrease is mainly due to lower U.S. shipments to Japan, China, and Hong Kong that declined by 5.2, 1.5, and 1.45 million dozen, respectively. In these countries, domestic egg production has been slowly rising following outbreaks of Avian Influenza in 2004 and 2005, causing imports to ease up. On the other hand, U.S. exports of shell and egg products rose substantially to Germany, Denmark, Belgium, and the Netherlands. U.S. exports to Canada declined about 5.4 million dozen (26 percent), Mexico imported 3.8 million dozen more (41 percent), while Dominican Republic and Chile imports were larger during the first half of 2006. For all 2006, U.S. exports of shell egg and egg products (in-shell egg equivalents) are expected to be about almost 14 percent lower than in 2005.

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### 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/>  
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**U.S. red meat and poultry forecasts**

|   | 2003   | 2004   | 2005   |        |        |        | 2006   |        |        |         |         | 2007    |         |        |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|---------|---------|--------|
|   | Annual | Annual | I      | II     | III    | IV     | Annual | I      | II     | III     | IV      | Annual  | I       | Annual |
| <b>Production, million lb</b>               |        |        |        |        |        |        |        |        |        |         |         |         |         |        |
| Beef  | 26,238 | 24,548 | 5,725  | 6,189  | 6,560  | 6,209  | 24,683 | 6,078  | 6,699  | 7,050   | 6,300   | 26,127  | 6,330   | 26,755 |
| Pork  | 19,945 | 20,509 | 5,138  | 5,021  | 5,000  | 5,525  | 20,684 | 5,321  | 4,998  | 5,050   | 5,650   | 21,019  | 5,350   | 21,625 |
| Lamb and mutton                             | 199    | 195    | 49     | 46     | 44     | 48     | 187    | 49     | 48     | 45      | 51      | 193     | 52      | 200    |
| Broilers                                    | 32,749 | 34,063 | 8,588  | 8,934  | 8,939  | 8,904  | 35,365 | 8,937  | 9,128  | 9,000   | 8,950   | 36,015  | 9,000   | 36,575 |
| Turkeys                                     | 5,650  | 5,454  | 1,328  | 1,397  | 1,375  | 1,405  | 5,504  | 1,354  | 1,440  | 1,410   | 1,445   | 5,649   | 1,375   | 5,730  |
| Total red meat & poultry                    | 85,476 | 85,441 | 20,991 | 21,764 | 22,088 | 22,254 | 87,097 | 21,902 | 22,482 | 22,723  | 22,566  | 89,673  | 22,271  | 91,559 |
| Table eggs, mil. doz.                       | 6,225  | 6,365  | 1,588  | 1,583  | 1,596  | 1,644  | 6,411  | 1,612  | 1,610  | 1,625   | 1,655   | 6,502   | 1,625   | 6,600  |
| <b>Per capita consumption, retail lb 1/</b> |        |        |        |        |        |        |        |        |        |         |         |         |         |        |
| Beef  | 64.9   | 66.1   | 15.6   | 16.8   | 17.0   | 16.0   | 65.5   | 15.8   | 16.8   | 17.9    | 15.8    | 66.3    | 15.8    | 66.8   |
| Pork  | 51.8   | 51.3   | 12.3   | 12.1   | 12.3   | 13.3   | 50.0   | 12.3   | 11.9   | 12      | 13.1    | 49.4    | 12.2    | 50.2   |
| Lamb and mutton                             | 1.2    | 1.1    | 0.3    | 0.3    | 0.2    | 0.3    | 1.1    | 0.3    | 0.3    | 0.2     | 0.3     | 1.1     | 0.3     | 1.1    |
| Broilers                                    | 81.6   | 84.3   | 21.3   | 21.7   | 21.6   | 21.2   | 85.8   | 21.8   | 22.5   | 21.7    | 21.1    | 87.1    | 21.5    | 87.0   |
| Turkeys                                     | 17.4   | 17.1   | 3.6    | 3.9    | 4.2    | 5.1    | 16.7   | 3.5    | 3.9    | 3.9     | 5.3     | 16.7    | 3.6     | 16.7   |
| Total red meat & poultry                    | 218.9  | 221.4  | 53.6   | 55.2   | 55.7   | 56.4   | 220.9  | 54.2   | 55.8   | 56.2    | 56.1    | 222.2   | 53.9    | 223.5  |
| Eggs, number                                | 254.7  | 257.2  | 63.4   | 63.0   | 63.5   | 65.0   | 255.1  | 63.9   | 63.5   | 64.5    | 65.4    | 257.3   | 64.1    | 260.0  |
| <b>Market prices</b>                        |        |        |        |        |        |        |        |        |        |         |         |         |         |        |
| Choice steers, Neb., \$/cwt                 | 84.69  | 84.75  | 89.09  | 87.96  | 81.79  | 90.27  | 87.28  | 89.24  | 80.39  | 80-82   | 81-85   | 82-84   | 82-88   | 81-87  |
| Feeder steers, Ok City, \$/cwt              | 89.85  | 104.76 | 104.05 | 113.36 | 111.50 | 114.84 | 110.94 | 106.80 | 104.08 | 108-110 | 101-105 | 105-107 | 101-107 | 99-105 |
| Boning utility cows, S. Falls, \$/cwt       | 46.62  | 52.35  | 54.18  | 59.17  | 55.34  | 49.75  | 54.36  | 48.89  | 47.79  | 47-49   | 50-52   | 48-49   | 49-53   | 48-51  |
| Choice slaughter lambs, San Angelo, \$/cwt  | 91.98  | 96.69  | 106.10 | 98.60  | 92.90  | 94.44  | 97.76  | 77.03  | 66.56  | 77-79   | 83-87   | 76-78   | 85-91   | 84-90  |
| Barrows & gilts, N. base, i.e. \$/cwt       | 39.45  | 52.51  | 51.92  | 52.09  | 50.51  | 45.67  | 50.05  | 42.63  | 48.45  | 48-50   | 40-42   | 45-46   | 37-41   | 39-42  |
| Broilers, 12 City, cents/lb                 | 62.00  | 74.10  | 71.90  | 72.60  | 72.10  | 66.70  | 70.80  | 62.70  | 61     | 67-69   | 64-68   | 64-65   | 64-70   | 65-70  |
| Turkeys, Eastern, cents/lb                  | 62.10  | 69.70  | 65.90  | 67.70  | 76.50  | 83.60  | 73.40  | 67.30  | 71.3   | 76-78   | 78-82   | 73-75   | 62-68   | 68-74  |
| Eggs, New York, cents/doz.                  | 87.90  | 82.20  | 64.50  | 55.90  | 66.60  | 75.00  | 65.50  | 71.4   | 62.7   | 66-68   | 76-80   | 69-71   | 74-80   | 75-81  |
| <b>U.S. trade, million lb</b>               |        |        |        |        |        |        |        |        |        |         |         |         |         |        |
| Beef & veal exports                         | 2,518  | 461    | 130    | 189    | 150    | 220    | 689    | 223    | 315    | 275     | 290     | 1,103   | 330     | 1,385  |
| Beef & veal imports                         | 3,006  | 3,679  | 831    | 1,065  | 906    | 797    | 3,599  | 843    | 789    | 835     | 755     | 3,222   | 770     | 3,340  |
| Lamb and mutton imports                     | 168    | 181    | 41     | 52     | 39     | 48     | 180    | 53     | 44     | 40      | 48      | 185     | 51      | 184    |
| Pork exports                                | 1,717  | 2,179  | 630    | 699    | 629    | 702    | 2,660  | 770    | 763    | 700     | 785     | 3,018   | 800     | 3,150  |
| Pork imports                                | 1,185  | 1,099  | 245    | 245    | 257    | 277    | 1,024  | 259    | 237    | 260     | 270     | 1,026   | 260     | 1,030  |
| Live swine imports                          | 7,438  | 8,505  | 1,894  | 1,951  | 2,157  | 2,189  | 8,191  | 2,133  | 2,087  | 2,200   | 2,200   | 8,620   | 2,100   | 8,600  |
| Broiler exports                             | 4,920  | 4,768  | 1,199  | 1,347  | 1,315  | 1,286  | 5,147  | 1,338  | 1,298  | 1,390   | 1,450   | 5,476   | 1,350   | 5,595  |
| Turkey exports                              | 484    | 443    | 126    | 147    | 147    | 149    | 569    | 119    | 125    | 150     | 160     | 554     | 135     | 595    |

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

|  | 2005   |        |        |        | 2006   |        |        |        |        | 2007   |        |        |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|  | II     | III    | IV     | Annual | I      | II     | III    | IV     | Annual | I      | II     | Annual |
| <b>GDP, chain wtd (bil. 2000 dol.)</b> | 11,092 | 11,193 | 11,234 | 11,135 | 11,381 | 11,449 | 11,534 | 11,651 | 11,518 | 11,734 | 11,822 | 11,863 |
| <b>CPI-U, annual rate (pct.)</b>       | 4.2    | 5.1    | 3.2    | 3.7    | 2.0    | 3.4    | 2.6    | 2.4    | 2.6    | 2.3    | 2.3    | 2.4    |
| <b>Unemployment (pct.)</b>             | 5.1    | 5.0    | 4.9    | 5.1    | 4.8    | 4.7    | 4.7    | 4.8    | 4.7    | 4.8    | 4.8    | 4.8    |
| <b>Interest (pct.)</b>                 |        |        |        |        |        |        |        |        |        |        |        |        |
| 3-month Treasury bill                  | 2.9    | 3.4    | 3.8    | 3.2    | 4.4    | 4.8    | 5.0    | 5.0    | 4.8    | 5.0    | 4.9    | 4.8    |
| 10-year Treasury bond yield            | 4.2    | 4.2    | 4.5    | 4.3    | 4.6    | 5.1    | 5.2    | 5.3    | 5.1    | 5.3    | 5.2    | 5.2    |

Source: Survey of Professional Forecasters, Philadelphia Federal Reserve Bank, May 2006.  
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## Dairy Forecasts

|  | 2005        |             |             |              | 2006        |             |             |             |              | 2007        |             |              |
|--|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|--------------|
|  | II          | III         | IV          | Annual       | I           | II          | III         | IV          | Annual       | I           | II          | Annual       |
| Milk cows (thous.)                           | 9,041       | 9,060       | 9,060       | 9,041        | 9,094       | 9,134       | 9,120       | 9,120       | 9,115        | 9,115       | 9,055       | 9,030        |
| Milk per cow (pounds)                        | 5,069       | 4,871       | 4,821       | 19,577       | 5,009       | 5,134       | 4,850       | 4,895       | 19,890       | 5,075       | 5,220       | 20,275       |
| <b>Milk production (bil. pounds)</b>         | <b>45.8</b> | <b>44.1</b> | <b>43.7</b> | <b>177.0</b> | <b>45.6</b> | <b>46.9</b> | <b>44.2</b> | <b>44.6</b> | <b>181.3</b> | <b>46.3</b> | <b>47.3</b> | <b>183.1</b> |
| Farm use                                     | 0.3         | 0.3         | 0.3         | 1.1          | 0.3         | 0.3         | 0.3         | 0.3         | 1.1          | 0.3         | 0.3         | 1.0          |
| Milk marketings                              | 45.6        | 43.9        | 43.4        | 175.9        | 45.3        | 46.6        | 44.0        | 44.4        | 180.3        | 46.0        | 47.0        | 182.1        |
| <b>Milkfat (bil. pounds milk equiv.)</b>     |             |             |             |              |             |             |             |             |              |             |             |              |
| Milk marketings                              | 45.6        | 43.9        | 43.4        | 175.9        | 45.3        | 46.6        | 44.0        | 44.4        | 180.3        | 46.0        | 47.0        | 182.1        |
| Beginning commercial stocks                  | 9.5         | 11.3        | 9.6         | 7.2          | 8.0         | 10.9        | 12.7        | 10.1        | 8.0          | 8.2         | 10.4        | 8.2          |
| Imports                                      | 1.1         | 1.1         | 1.2         | 4.6          | 1.1         | 1.1         | 1.1         | 1.2         | 4.4          | 1.3         | 1.3         | 5.1          |
| Total supply                                 | 56.1        | 56.2        | 54.2        | 187.7        | 54.4        | 58.5        | 57.7        | 55.7        | 192.7        | 55.5        | 58.7        | 195.4        |
| Ending commercial stocks                     | 11.3        | 9.6         | 8.0         | 8.0          | 10.9        | 12.7        | 10.1        | 8.2         | 8.2          | 10.4        | 11.5        | 7.9          |
| Net removals                                 | 0.0         | 0.0         | 0.0         | 0.0          | 0.0         | 0.0         | 0.0         | 0.0         | 0.0          | 0.0         | 0.0         | 0.0          |
| Commercial use                               | 44.9        | 46.6        | 46.2        | 179.7        | 43.6        | 45.8        | 47.6        | 47.5        | 184.5        | 45.1        | 47.2        | 187.5        |
| <b>Skim solids (bil. pounds milk equiv.)</b> |             |             |             |              |             |             |             |             |              |             |             |              |
| Milk marketings                              | 45.6        | 43.9        | 43.4        | 175.9        | 45.3        | 46.6        | 44.0        | 44.4        | 180.3        | 46.0        | 47.0        | 182.1        |
| Beginning commercial stocks                  | 8.5         | 9.7         | 8.9         | 8.2          | 9.0         | 9.5         | 10.0        | 8.3         | 9.0          | 8.4         | 8.6         | 8.4          |
| Imports                                      | 1.0         | 1.2         | 1.2         | 4.5          | 1.1         | 1.2         | 1.2         | 1.3         | 4.7          | 1.2         | 1.4         | 5.7          |
| Total supply                                 | 55.1        | 54.7        | 53.5        | 188.6        | 55.3        | 57.3        | 55.2        | 53.9        | 193.9        | 55.7        | 57.1        | 196.2        |
| Ending commercial stocks                     | 9.7         | 8.9         | 9.0         | 9.0          | 9.5         | 10.0        | 8.3         | 8.4         | 8.4          | 8.6         | 9.5         | 8.8          |
| Net removals                                 | -0.3        | -0.2        | 0.0         | -1.0         | 0.0         | 0.7         | 0.1         | 0.0         | 0.9          | 0.5         | 0.8         | 1.5          |
| Commercial use                               | 45.8        | 46.1        | 44.5        | 180.6        | 45.8        | 46.5        | 46.8        | 45.5        | 184.6        | 46.6        | 46.8        | 185.9        |
| <b>Milk prices (dol./cwt) 1/</b>             |             |             |             |              |             |             |             |             |              |             |             |              |
| All milk                                     | 14.77       | 14.97       | 15.17       | 15.14        | 13.53       | 12.00       | 12.05       | 12.80       | 12.60        | 12.50       | 12.45       | 12.90        |
|  |             |             |             |              |             |             | -12.35      | -13.40      | -12.80       | -13.40      | -13.45      | -13.90       |
| Class III                                    | 14.10       | 14.08       | 13.69       | 14.05        | 12.23       | 11.02       | 11.12       | 11.57       | 11.50        | 11.36       | 11.72       | 12.00        |
|  |             |             |             |              |             |             | -11.42      | -12.17      | -11.70       | -12.26      | -12.72      | -13.00       |
| Class IV                                     | 12.38       | 13.45       | 13.03       | 12.87        | 11.33       | 10.30       | 10.68       | 10.78       | 10.75        | 10.27       | 10.36       | 10.45        |
|  |             |             |             |              |             |             | -11.08      | -11.48      | -11.05       | -11.27      | -11.46      | -11.55       |
| <b>Product prices (dol./pound) 2/</b>        |             |             |             |              |             |             |             |             |              |             |             |              |
| Cheddar cheese                               | 1.507       | 1.481       | 1.431       | 1.488        | 1.272       | 1.184       | 1.191       | 1.230       | 1.220        | 1.225       | 1.277       | 1.295        |
|  |             |             |             |              |             |             | -1.221      | -1.290      | -1.240       | -1.315      | -1.377      | -1.395       |
| Dry whey                                     | 0.263       | 0.287       | 0.314       | 0.278        | 0.345       | 0.289       | 0.279       | 0.285       | 0.295        | 0.262       | 0.235       | 0.250        |
|  |             |             |             |              |             |             | -0.299      | -0.315      | -0.315       | -0.292      | -0.265      | -0.280       |
| Butter                                       | 1.459       | 1.646       | 1.487       | 1.541        | 1.247       | 1.153       | 1.215       | 1.238       | 1.210        | 1.173       | 1.215       | 1.220        |
|  |             |             |             |              |             |             | -1.275      | -1.328      | -1.250       | -1.293      | -1.345      | -1.350       |
| Nonfat dry milk                              | 0.924       | 0.957       | 0.984       | 0.941        | 0.905       | 0.831       | 0.838       | 0.838       | 0.855        | 0.812       | 0.805       | 0.815        |
|  |             |             |             |              |             |             | -0.868      | -0.888      | -0.875       | -0.882      | -0.875      | -0.885       |

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](http://www.ams.usda.gov/dyfmoms/mib/fedordprc_dscrp.htm)