

Livestock, Dairy, and Poultry Outlook

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Corn Demand, Dry Conditions, and Balky Trade Adversely Affecting Cattle/Beef Sector

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Cattle/Beef: Ethanol demand for corn and continued dry conditions are driving feed and forage prices significantly higher. These factors, combined with large feedlot inventories, continued heavy cow slaughter, and slower-than-anticipated increases in beef exports, are keeping beef production higher than 2005 levels, with a corresponding decline in cattle and beef prices.

Dairy: Continued strong demand for dairy products, both international and domestic, will combine with marginally higher 2007 production to boost prices throughout the dairy complex. Cow numbers are expected to decline, but productivity increases will boost production slightly. Global supplies are likely remain tight into 2007, helping to support U.S. dairy prices.

Poultry: Relatively low stock levels, little or no growth in production, and continued smaller chick placements are expected to place upward pressure on most broiler prices. Cold storage holdings for the end of the third quarter were revised downward by 14 million pounds to 699 million, 7 percent lower than the previous year. Broiler meat production was 4.3 percent higher in October even though October had one additional slaughter day. Turkey supplies remained tight, with wholesale prices for whole birds near \$1 dollar per pound in November.

Poultry Trade: Broiler exports were down in October, while demand for U.S. turkey continued to grow. Broiler shipments totaled 444 million pounds, a decline of 9 percent, while October turkey exports totaled 54 million pounds, an increase of 8 percent from a year ago.

Eggs: Wholesale egg prices (NY grade A large) averaged 99.95 cents per dozen in November 2006, nearly 78 percent above the year's lowest monthly

average of 56.4 cents per dozen recorded in May 2006. The rapid rise in egg prices is likely due to continued firm demand and very modest production growth.

Trade data tables that were previously in the list of *Livestock, Dairy, and Poultry Outlook* Excel files are now in the Livestock and Meat Trade Data Product, which is available at <http://www.ers.usda.gov/Data/MeatTrade/>.

Corn Demand, Dry Conditions, and Balky Trade Adversely Affecting Cattle/Beef Sector

Both grain and forage prices are higher this year than they were at the same time a year ago. November alfalfa prices are up by 11 percent over November 2005 prices, other hay prices are up by 23 percent, and November corn prices are up by about 76 percent from a year ago. Higher hay and corn prices translate into higher feeding costs for the livestock and poultry sectors. The first significant snowstorm of the season and a widespread lack of standing forage have raised concern about current hay stocks. As a result, cows continue to be marketed in large numbers, which will likely slow the current cattle inventory expansion. Hay stocks for December 1, 2006, will be reported in the January *Crop Production* report.

The situation with respect to corn now is different than the situation that existed in 1995/96. Then, drought had temporarily driven grain prices higher, and, as harvest proceeded, prices came down. The present situation, with continued calls for expanding ethanol production, appears longer term, and prices have increased dramatically through the harvest of what is potentially the third-largest corn crop on record. As corn prices increase, the whole livestock feeding complex will have to make longer-term adjustments that in turn will affect other grains and feeds.

Fed cattle producers may be better able to adapt to higher corn prices than poultry or pork producers because cattle are better able to use distiller's grains, a coproduct of the ethanol manufacturing process, both because of nutritional reasons and because they tend to be concentrated in large feedlots in relative proximity to ethanol plants. Increasing the percentage of distiller's grains in cattle rations can offset some of the increased cost of energy in the rations. The amount of corn needed to finish cattle can also be reduced by placing feeder cattle on feed at heavier weights and feeding them for shorter periods. This means heavier feeder cattle might be fed to heavier market weights, although on feed for shorter periods. Were this to happen, it could also mean more beef produced per head and, as the expansion in cattle inventories continues, more total beef might be produced. This would be tempered somewhat by fewer heifers going to feedlots as more are retained for cow-herd building. In addition, as feeder cattle spend more time on pasture and grow to heavier weights before entering feedlots, forage supplies could become tighter.

There is also a tendency for veal calf slaughter to increase as pasture conditions deteriorate. Monthly calf slaughter has been at or above 2005 levels since May 2006. Veal production surpassed year-earlier levels in March, August, and October, and veal production for October 2006 is 12 percent above October 2005 production.

Higher Corn Prices Have Implications for Feeder Cattle Prices

Higher corn prices have implications for relationships between prices for different weight classes of cattle. Normally, lighter-weight feeder calves sell at premiums to heavier-weight feeder calves (see figure, "U.S. cattle and corn prices."). These premiums are usually wider when corn prices are lower because gains on corn-based rations are cheaper than pasture-based gains. As corn prices increase, putting weight on calves on pasture becomes cheaper than in the feedlot (note 1996 in the

U.S. cattle and corn prices

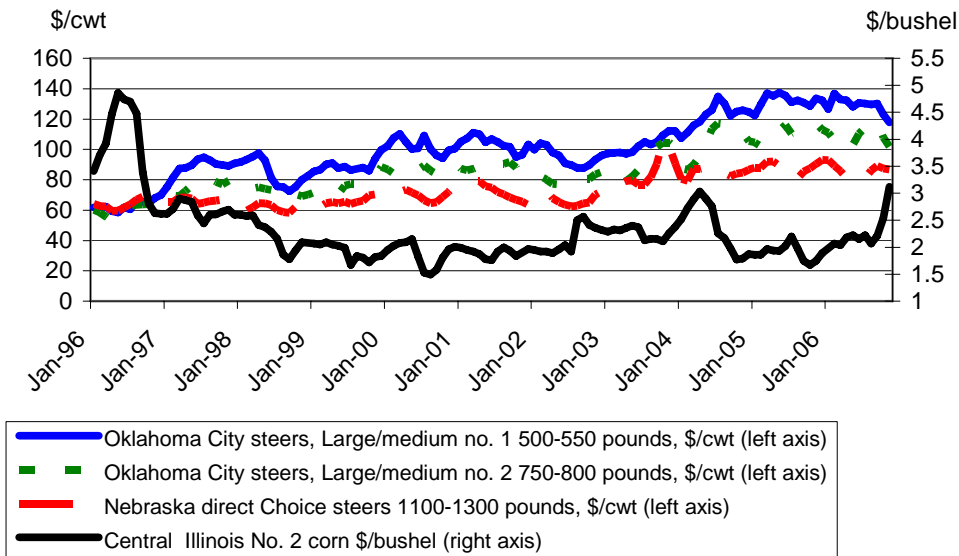


figure). They do not require as much time in the feedlot to reach market weight. The heavier-weight feeder cattle are worth more and consume less higher-priced feed than the lighter feeder cattle. As a result, cattle remain on pasture longer and enter feedlots at heavier weights. Although these cattle are on feed for shorter periods, they can reach higher final weights.

Large numbers of cows have been slaughtered this year, especially beef cows. Large numbers of heifers were expected to calve and enter the herd in 2006, helping to support total cow inventories on January 1, 2007, but at levels only modestly above those of January 1, 2006. However, dry conditions are appearing to reduce the number of heifers retained in 2006, and total cattle and calf inventories on January 1, 2008, could be lower than January 1, 2007, inventories. This could occur because January 1, 2008 cattle and calf inventories will reflect a relatively small calf crop born in 2007. Total cattle and calf inventories on January 1, 2007, will likely be above 2006 inventories because of the current high feedlot inventories and the number of calves outside feedlots.

Despite the recent increase in the percentage of fed cattle grading Choice or better into the 54-56 percent range on a weekly basis, the weekly spread between Choice and Select wholesale beef cutout values again exceeds both last year and the 5-year average spreads. Cumulative total red meat production is almost 4 percent greater than it was at this time last year, with beef leading the pack at almost 6 percent over year-earlier production. Consequently, November 2006 wholesale cutout values for Choice beef declined 3.5 percent below November 2005 levels, while Select prices declined by almost 5 percent.

Retail beef prices (November 2006), at \$3.96 per pound, are just over 1 percent below \$4.02 in November 2005. The November 2006 farm-to-wholesale and wholesale-to-retail spreads for Choice beef are slightly wider, by 5 and 1.5 percent, respectively, than November 2005 spreads. Despite this, packers continue to struggle with narrow margins.

Beef Trade

The beef export forecast for the fourth quarter was reduced slightly due, first, to some softness observed in exports to Mexico to date, based on weekly reports by the Foreign Agricultural Service, USDA, and, secondly, to the failure of the South Korean market to effectively open to U.S. beef. The South Korean government recently rejected small shipments of beef from three different U.S. packers after small pieces of bone or cartilage were found. The “zero tolerance” standard reflected in these actions appears to preclude meaningful levels of beef exports to South Korea until this issue is resolved. Forecast beef exports for 2007 were also reduced as projected exports to South Korea will lag behind earlier expectations. Exports to Mexico, while expected to rise in 2007, may not increase as much as previously expected. On a positive note, Colombia and Peru have reopened their markets to U.S. beef products, and shipments to other smaller markets have been growing and should continue to grow through 2007.

The beef import forecast for the fourth quarter was reduced by 80 million pounds, as domestic cow slaughter and, consequently, domestic supplies of lean beef have remained high. Also, countries that routinely supply the U.S. lean beef market continue to favor other markets where they have found better prices for some of their products. Uruguay, for example, continues to ship to destinations such as Russia and Chile. Australia and New Zealand continue to dominate exports to Japan and South Korea. Both of these factors – large domestic supplies of lean beef and suppliers who are shipping elsewhere – also affect the 2007 forecast. Poor wheat grazing prospects, high hay prices, and related poor feed conditions may extend the higher-than-normal cow culling into early 2007, and cold storage stocks are already at high levels. Australia and New Zealand exports to Asia will likely face less displacement from U.S. exports than was previously expected, because of continued slow recovery of U.S. beef shipments. Uruguay continues to supply markets formerly served by Brazil or Argentina. The 2007 U.S. beef import forecast was reduced to 3.3 billion pounds, which is still up 8 percent over the 2006 expected total.

Milk and Product Prices Forecast To Rise in 2007 as Milk Production Increases Slightly

Milk production in 2006 has continued to expand, although the rate of expansion has slowed as the year has progressed—from 5.1 percent above a year ago in the first quarter to only 1.3 percent in the third quarter. The November *Milk Production* report estimated October cow numbers at 9.1 million head, 47,000 more than in October 2005 and 2,000 more than in September. The increased cow population comes despite higher culling rates throughout most of 2006. The higher numbers, combined with increased production per cow, will push 2006 production above 2005 by 2.8 percent. The milk-feed price ratio slid to 2.34 in November according to the *Agricultural Prices* report, a decline of 19 points from October. Prospects for higher milk prices from now into 2007 are countered by stable-to-higher soybean meal prices and substantially higher corn prices, which will result in continued weak milk-feed price ratios.

Based on these data, projected 2006 milk production is 181.9 billion pounds, unchanged from November. Cow numbers are expected to decline slightly in 2007. However, gains in output per cow will offset lower cow numbers. Milk production is expected to post a slight increase resulting in a 0.6-percent rise in 2007 production to 183 billion pounds.

Cheese production and stocks were above year-earlier levels in October, but prices rose sharply on seasonal demand and limited supplies of nonfat dry milk and skim milk powders (NDM/SMP). Better returns on NDM and SMP as well as stronger fluid milk use this year compared with last have reduced the availability of milk for cheese production. Although cheese prices have declined from their peak, the fourth quarter price estimate has been raised from last month. The 2006 yearly average cheese price is expected to be \$1.240 to \$1.250 per pound, up slightly from November. For 2007, continued strong cheese demand will encounter slower rising milk production and push yearly average cheese price to \$1.315 to \$1.395 per pound.

Butter stocks are currently high but are being drawn down seasonally. Butter promotions continue at the retail level. Butter prices are expected to average \$1.205 to \$1.235 per pound in 2006. Butter prices could average higher in 2007 as production growth moderates but ample beginning stocks of butter will likely keep 2007 prices below 2005. For 2007, average butter price is forecast between \$1.250 and \$1.360 per pound.

Dry product inventories are tight and production rates steady. Thus, NDM prices have been firm to slightly higher in the fourth quarter of 2006. Global supplies of dairy products are also tight helping U.S. export prospects. The tight international situation is likely to continue through the first half of 2007. The average 2006 NDM price is expected to be 87.5 to 89.5 cents per pound. This average price reflects the strengthening seen in the current fourth quarter. The 2007 price should range higher, at 90.5 to 96.5 cents per pound. The whey market continues to show strength in light of robust demand both internationally and domestically. The whey price in 2006 is expected to be 32.5 to 33.5 cents per pound and to strengthen in 2007 to 34.5 to 37.5 cents per pound.

The expected modest increase in milk production in 2007 in the face of strong demand should boost milk prices in 2007. The Class IV price is expected to average \$10.95 to \$11.15 per hundredweight (cwt) in 2006 and rise to \$11.40 to \$12.30 in 2007. The Class III price is projected at \$11.85 to \$11.95 in 2006, climbing to \$12.75 to \$13.55 in 2007. The expected average all milk price is estimated to be \$12.85 to \$12.95 in 2006 and \$13.70 to \$14.50 in 2007.

Broiler Meat Production Up 4 Percent in October

Broiler meat production totaled 3.18 billion pounds in October, up only 4.3 percent from the previous year even with an additional slaughter day in 2006. Over the first 10 months of 2006, broiler production has averaged 2.1 percent higher than the previous year and has totaled 30.1 billion pounds. The increased meat production in October was the result of both an increase in the number of birds slaughtered, up 3.8 percent, and an increase in the average live weight of birds at slaughter, up 1.5 percent to 5.58 pounds. So far in 2006, the average weight at slaughter for broilers has been 5.46 pounds, which is 2.1 percent higher than in the same period in 2005.

Although the daily slaughter reports show continued growth in average bird weights, the drop in the number of chicks placed for growout, points toward little or no rise in the amount of broiler meat that will be produced in fourth-quarter 2006 and into first-quarter 2007. Over the 5 week period (Nov. 4 to Dec. 2, 2006), the number of chicks placed for growout has remained lower, averaging 2.6 percent below the same period in 2005.

The combination of low broiler product prices in second-half 2006 and sharply rising feed costs is expected to result in a slight decline in broiler production during first-half 2007, to about 18.0 billion pounds.

Cold storage holdings of total broiler products at the end of third-quarter 2006 were revised downward to 699 million pounds, a decrease of 10 percent from the end of the second quarter and 7 percent lower than at the end of the third quarter 2005. Stocks of many broiler products have been declining over the last several months, with stocks of whole birds and leg quarters falling rapidly. Stocks of leg quarters reached 172 million pounds at the end of January, but by the end of October they had fallen to 67 million pounds, almost 50 percent lower than the previous year. With little or no growth in broiler meat production estimated for fourth-quarter 2006, the estimate for ending stocks for 2006 has been reduced 50 million pounds to 700 million.

In fourth-quarter 2005, the domestic broiler industry was facing larger production, weak domestic and foreign demand, and increasing stocks. These factors combined to place strong downward pressure on prices. For almost all of 2006, prices for broiler products have been below their year-earlier levels. However, over the next several months the forecast of little or no growth in production, and lower stock levels, is expected to push prices above their year-earlier levels. Starting in December, the prices for a number of broiler products are expected to move above their year-earlier levels. In November, prices for whole birds averaged 65.9 cents per pound, only 1.5 percent below a year earlier. Prices in the Northeast market for boneless/skinless breast meat and leg quarters were 95.3 and 29.1 cents per pound, down 7.6 and 0.8 percent, respectively.

In the weekly *USDA Broiler Market News Report*, there is a breakout of the weekly broiler slaughter reported in four size classes. Over the 12 week period ending November 25, broilers with a live weight of over 7.75 pounds (the heaviest class) have averaged 43 percent higher in terms of the number of birds slaughtered weekly compared with the previous year. This strong growth in large broiler slaughter has

raised the average live weight for broilers at slaughter. Since most large broilers are cut up for parts, this placed more parts meat per bird on the market, placing downward pressure on prices. However, over the last 4 weeks, this growth has slowed significantly, as processors attempt to slow production increases.

October Turkey Meat Production Up 12 Percent

Turkey meat production in October was reported at 540 million pounds, up 12 percent from October 2005. The increase is the result of a 10.3-percent increase in the number of birds being slaughtered along with an increase in the average live weight of turkeys at slaughter of about 1.8 percent, to 27.4 pounds. Even with the large increase in October, turkey meat production over the first 10 months of 2006 was up only 3.7 percent compared with the same period in 2005.

Despite the growth in turkey meat production, the combination of a strong export market and higher domestic demand has lowered turkey cold storage holdings (especially for whole birds), and prices for most turkey products have increased. Cold storage stocks of turkey products at the end of the third quarter were revised downward to 464 million pounds, 2.9 percent lower than the previous year. Cold storage holdings declined further in October to 412 million pounds. A large portion of this decline in cold storage holdings can be attributed to whole toms (down 14.5 percent).

Prices for turkeys and most turkey products were moving in the opposite direction from broiler products. Prices for whole hens in the Eastern market averaged 99.5 cents per pound in November, up 16 percent from the previous year. On a nominal basis, this is the highest monthly price reported since the mid-1960's, but on an inflation-adjusted basis the average for December 1984 of 97.3 cents per pound is likely the highest. Throughout 2006, prices for whole birds have been at or above the previous year, and this is the third consecutive year that whole-bird prices will have increased. Prices for a number of turkey parts have also been strong, with breast meat averaging \$1.27 per pound in October, up 7 percent from a year earlier. Prices in October were also higher for V-cut wings, up 25 percent.

Over the first 10 months of 2006, the number of turkey poults being placed for growout has averaged 24.6 million per month, up 7 percent from the same period in 2005. This indicates that per capita turkey meat supplies are expected to remain unchanged from a year ago through the end of 2006 and through at least first-quarter 2007.

Broiler Exports Continue To Fall in October

October broiler exports--the first month of the fourth-quarter--totaled 444 million pounds, down 9 percent from a year ago. The decline is largely attributable to the exceptionally strong October 2005 broiler exports that occurred when shipments resumed after trade disruptions related to Hurricane Katrina.

The fourth-quarter 2006 broiler export forecast was lowered by 60 million pounds, however, as lower-than-expected shipments in the third quarter implied potentially weaker exports through the remainder of the year and into 2007. Even with this reduction, fourth-quarter exports are expected to be almost 4 percent above the same period last year.

Broiler export projections for 2007 were lowered 125 million pounds to 5.4 billion pounds. But shipments for next year are still expected to be more than 3 percent ahead of the 2006 forecast.

Turkey Exports Remain Strong in October

Third-quarter 2006 turkey meat exports were 152 million pounds, an increase of 2.6 percent above the same period last year. The increase in third-quarter exports was largely due to strong growth in shipments to Russia and China. These increases more than offset continued lower shipments to Mexico. Turkey exports in October totaled 54 million pounds, up 8 percent from a year ago. Fourth-quarter exports are expected to be 150 million pounds, an increase of slightly more than 1 percent over fourth-quarter 2005.

Higher Egg Prices in Third-Quarter 2006

Wholesale egg prices (NY grade A large) averaged 99.95 cents per dozen in November 2006, nearly 78 percent above the year's lowest monthly average of 56.4 cents per dozen in May 2006. The rapid rise in egg prices is likely due to continued firm demand and very modest production growth. Production in the fourth quarter is forecast to increase 0.3 percent over the same period last year, as producers respond to higher feed prices. Farm prices of U.S. corn averaged \$2.00 per bushel in the 2005/06 marketing year, compared with a projected \$2.90-\$3.30 per bushel in 2006/07. Slower production growth, coupled with seasonally strong demand, quickly increased wholesale egg prices. Because eggs have few substitutes, when egg prices increase, most users have little alternative but to pay the higher price. For 2006, wholesale table egg prices (NY grade A large) are forecast at about 71 cents per dozen, compared with 65.5 cents per dozen in 2005. In 2007, prices are expected to range between 78 and 84 cents per dozen.

Third-quarter 2006 table egg production rose to 1,624 million dozen, over 28 million dozen over the same period a year ago. For all of 2006, table egg production is forecast to grow about 1.4 percent over last year. Next year, a slightly lower increase is expected, about 1.3 percent. Hatching-egg production for all of 2006 is expected to decline 2.4 percent, reflecting slower growth in broiler production. For 2007, a small decline in hatching-egg production is anticipated, as both egg and broiler production are expected to increase.

Fourth-quarter retail egg prices are expected to average about \$1.40 per dozen, compared with \$1.30 a year ago. For all of 2006, retail egg prices are expected to average between \$1.29 and \$1.33 per dozen. In 2007, prices are expected to rise about 8 percent, due to continued slow production growth. Federally inspected eggs for breaking are forecast to increase just below 1 percent in 2006, and about 3 percent next year.

In the third quarter 2006, U.S. exports of eggs and egg products (in shell-egg equivalent) rose 5.9 percent, compared with a year ago. Most of the export growth was in table and hatching eggs, which rose 3.2 million dozen, and over 1 million dozen, respectively, in the third quarter over the second quarter. Hong Kong became the largest U.S. export market for table eggs (6 million dozen), followed by Canada (4.5 million dozen) and Mexico (2.9 million dozen). U.S. exports of hatching eggs were mostly shipped to Canada, Italy, Israel, and Pakistan. Finally, U.S. egg product exports were down nearly 1 million dozen in third-quarter 2006 from the previous quarter, due to decreased shipments to Japan and the United Kingdom.

For all of 2006, U.S. total egg exports (in shell-egg equivalent) are forecast to decrease about 5.8 percent from last year's export boom. In 2007, exports are forecast to rise by nearly 2 percent over 2006.



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- Rural Development
- Policy & Trade
- Science & Technology
- Food Trends
- Commodities

For registration and other details:
www.usda.gov/oce/forum/index.htm

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Data Products

Meat Price Spreads, <http://www.ers.usda.gov/Data/MeatPriceSpreads/>, provides monthly average price values, and the differences among those values, at the farm, wholesale, and retail stages of the production and marketing chain for selected cuts of beef, pork, and broilers. In addition, retail prices are provided for beef and pork cuts, turkey, whole chickens, eggs, and dairy products.

Livestock and Meat Trade Data, <http://www.ers.usda.gov/Data/MeatTrade/>, contains monthly and annual data for the past 1-2 years for imports and exports of live cattle and hogs, beef and veal, lamb and mutton, pork, broiler meat, turkey meat, and shell eggs. The tables report physical quantities, not dollar values or unit prices. Breakdowns by major trading countries are included.

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/>
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U.S. red meat and poultry forecasts

	2004	2005	2006			2007					
	Annual	Annual	I	II	III	IV 1/	Annual	I	II	III	Annual
Production, million lb											
Beef	24,548	24,683	6,078	6,699	6,808	6,450	26,035	6,375	6,800	7,000	26,700
Pork	20,509	20,684	5,321	4,998	5,071	5,675	21,065	5,375	5,250	5,375	21,850
Lamb and mutton	195	187	49	48	42	49	188	48	46	44	186
Broilers	34,063	35,365	8,937	9,129	8,883	8,900	35,849	8,900	9,115	9,125	36,215
Turkeys	5,454	5,504	1,354	1,440	1,419	1,455	5,668	1,390	1,460	1,440	5,760
Total red meat & poultry	85,441	87,097	21,902	22,483	22,387	22,696	89,468	22,253	22,839	23,152	91,386
Table eggs, mil. doz.	6,365	6,411	1,612	1,611	1,624	1,655	6,502	1,625	1,635	1,650	6,585
Per capita consumption, retail lb 2/											
Beef	66.1	65.5	15.8	16.8	16.8	16.0	65.4	16.0	17.1	17.3	66.4
Pork	51.3	50.0	12.3	11.9	11.9	13.3	49.4	12.3	12.4	12.7	50.8
Lamb and mutton	1.1	1.1	0.3	0.3	0.2	0.3	1.0	0.3	0.3	0.2	1.1
Broilers	84.3	85.8	21.8	22.5	21.9	21.3	87.5	21.3	21.9	21.8	86.5
Turkeys	17.1	16.7	3.5	3.9	4.3	5.1	16.8	3.5	3.9	4.3	16.7
Total red meat & poultry	221.4	220.9	54.2	55.8	55.5	56.4	221.8	53.9	56.0	56.8	223.3
Eggs, number	257.2	255.1	63.9	63.5	63.8	65	256.2	63.8	63.9	64.5	257.5
Market prices											
Choice steers, Neb., \$/cwt	84.75	87.28	89.24	80.39	85.40	86-87	85.38	84-88	83-89	81-87	82-88
Feeder steers, Ok City, \$/cwt	104.76	110.94	106.80	104.08	115.17	102-103	107.14	100-104	103-109	97-103	99-105
Boning utility cows, S. Falls, \$/cwt	52.35	54.36	48.89	47.79	49.28	45-46	47.87	45-47	48-52	48-52	48-51
Choice slaughter lambs, San Angelo, \$/cwt	96.69	97.76	77.03	66.56	81.10	85-86	77.55	84-88	82-88	81-87	82-88
Barrows & gilts, N. base, l.e. \$/cwt	52.51	50.05	42.63	48.45	51.83	46-47	47.35	41-43	40-44	41-45	40-43
Broilers, 12 City, cents/lb	74.10	70.80	62.70	61.00	67.8	65-66	64.30	64-68	63-69	66-72	65-70
Turkeys, Eastern, cents/lb	69.70	73.40	67.30	71.30	79.4	95-96	78.4	69-73	70-76	73-79	72-78
Eggs, New York, cents/doz.	82.20	65.50	71.40	62.70	64.00	87-88	71.40	78-82	74-80	77-83	78-84
U.S. trade, million lb											
Beef & veal exports	461	689	223	315	307	305	1,150	325	350	380	1,440
Beef & veal imports	3,679	3,599	843	789	731	675	3,038	760	880	830	3,280
Lamb and mutton imports	181	180	53	44	41	48	186	51	49	40	184
Pork exports	2,179	2,660	770	763	653	785	2,971	800	790	675	3,090
Pork imports	1,099	1,024	259	237	239	270	1,005	260	240	240	1,010
Live swine imports	8,505	8,191	2,133	2,087	2,205	2,300	8,725	2,200	2,200	2,200	8,800
Broiler exports	4,768	5,147	1,338	1,298	1,224	1,365	5,225	1,325	1,330	1,350	5,405
Turkey exports	443	569	119	125	152	150	546	130	145	155	585

1/ Forecasts are in **bold**.

2/ 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			
	III	IV	Annual	I	II	III	IV	Annual	I	II	III	Annual
GDP, chain wtd (bil. 2000 dol.)	11,193	11,234	11,049	11,381	11,385	11,433	11,503	11,410	11,581	11,662	11,747	11,705
CPI-U, annual rate (pct.)	5.1	3.2	3.7	2.0	3.4	2.9	-0.3	2.4	2.8	2.6	2.5	2.6
Unemployment (pct.)	5.0	4.9	5.1	4.8	4.7	4.7	4.5	4.7	4.7	4.8	4.8	4.8
Interest (pct.)												
3-month Treasury bill	3.4	3.8	3.2	4.4	4.8	4.9	5.0	4.8	5.0	4.9	4.8	4.8
10-year Treasury bond yield	4.2	4.5	4.3	4.6	5.1	4.9	4.8	4.8	4.8	4.9	5.0	4.9

Source: Survey of Professional Forecasters, Philadelphia Federal Reserve Bank, November 2006.

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Dairy Forecasts

	2006					2007			
	I	II	III	IV	Annual	I	II	III	Annual
Milk cows (thous.)	9,094	9,133	9,117	9,105	9,110	9,085	9,060	9,025	9,045
Milk per cow (pounds)	5,009	5,136	4,907	4,905	19,955	5,065	5,210	4,980	20,235
Milk production (bil. pounds)	45.6	46.9	44.7	44.7	181.9	46.0	47.2	44.9	183.0
Farm use	0.3	0.3	0.3	0.3	1.1	0.3	0.3	0.3	1.0
Milk marketings	45.3	46.6	44.5	44.4	180.8	45.8	46.9	44.7	182.0
Milkfat (bil. pounds milk equiv.)									
Milk marketings	45.3	46.6	44.5	44.4	180.8	45.8	46.9	44.7	182.0
Beginning commercial stocks	8.0	10.9	12.7	11.8	8.0	9.4	11.5	12.5	9.4
Imports	1.1	1.2	1.1	1.2	4.6	1.1	1.3	1.2	4.9
Total supply	54.4	58.7	58.3	57.3	193.4	56.3	59.8	58.3	196.3
Ending commercial stocks	10.9	12.7	11.8	9.4	9.4	11.5	12.5	10.6	7.9
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	43.6	46.0	46.5	47.9	184.0	44.8	47.3	47.8	188.4
Skim solids (bil. pounds milk equiv.)									
Milk marketings	45.3	46.6	44.5	44.4	180.8	45.8	46.9	44.7	182.0
Beginning commercial stocks	9.0	9.6	10.0	9.2	9.0	8.7	9.1	10.0	8.7
Imports	1.1	1.1	1.1	1.2	4.5	1.1	1.3	1.3	5.1
Total supply	55.3	57.3	55.7	54.8	194.3	55.5	57.3	56.0	195.8
Ending commercial stocks	9.6	10.0	9.2	8.7	8.7	9.1	10.0	8.9	8.6
Net removals	0.0	0.7	0.0	0.0	0.7	0.0	0.0	0.0	0.0
Commercial use	45.7	46.6	46.4	46.1	184.8	46.4	47.3	47.1	187.2
Milk prices (dol./cwt) 1/									
All milk	13.53	12.00	12.23	13.70	12.85	13.80	13.15	13.70	13.70
				-13.90	12.95	-14.30	-13.95	-14.70	-14.50
Class III	12.23	11.02	11.42	12.76	11.85	12.53	12.36	13.01	12.75
				-12.96	-11.95	-13.03	-13.16	-14.01	-13.55
Class IV	11.33	10.30	10.65	11.85	10.95	11.76	11.14	11.44	11.40
				-12.15	11.15	-12.36	-12.04	-12.54	-12.30
Product prices (dol./pound) 2/									
Cheddar cheese	1.272	1.184	1.217	1.305	1.240	1.282	1.280	1.347	1.315
				-1.325	-1.250	-1.332	-1.360	-1.447	-1.395
Dry whey	0.345	0.289	0.289	0.369	0.325	0.365	0.338	0.282	0.345
				-0.389	-0.335	-0.395	-0.368	-0.312	-0.375
Butter	1.247	1.153	1.210	1.255	1.205	1.223	1.222	1.275	1.250
				-1.295	-1.235	-1.303	-1.332	-1.405	-1.360
Nonfat dry milk	0.905	0.831	0.844	0.959	0.875	0.962	0.890	0.902	0.905
				-0.979	-0.895	-1.002	-0.950	-0.972	-0.965

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.
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