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Livestock, Dairy, and Poultry Outlook

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Broiler Production Revised Downward

Poultry: U.S. broiler meat production is forecast to total 35.6 billion pounds in 2007, a slight decrease from 2006. This is the first year-over-year decrease in annual broiler meat production since 1973. With exports expected to expand to 5.4 billion pounds, domestic per capita broiler meat consumption is expected to decrease by almost 2.5 pounds, to 84.6 pounds on a retail weight basis. With lower broiler production in 5 of the last 6 months, prices have strengthened and over the next several months are expected to remain considerably higher than in the previous year. Although turkey production has increased, turkey supplies are expected to be relatively tight in 2007. Prices for turkey products will benefit from lower production and higher prices for almost all broiler meat products.

Eggs: In the first quarter of 2007, wholesale and retail egg prices averaged much higher than in the first and fourth quarter of 2006. The price rise was mainly due to rising feed prices, smaller U.S. egg-layer flocks, and declining egg production. U.S. exports of total shell eggs and products (in-shell egg equivalent) accounted for 202.0 million dozen in 2006, compared with a record high of 203.3 million dozen in 2005.

Cattle/Beef: The *Prospective Plantings* report released by the National Agricultural Statistics Service on March 30, 2007 indicated higher corn acreage intentions than most analysts expected. As a result, cash and futures prices for corn declined, which along with recent mid-continental rains boosted cash and futures prices for feeder cattle. Fed cattle and cow prices rebounded late in response to increasing interest in Easter beef sales and the upcoming grilling season.

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Tables will be released on
April 24, 2007

The next newsletter release
is May 21, 2007

Approved by the World
Agricultural Outlook
Board.

Dairy: Milk and dairy product prices are expected to increase through the balance of 2007. Small production increases in 2007 will constrain supply in light of continued growth in demand.

Lamb: For first-quarter 2007, commercial lamb and mutton production is forecast at 50 million pounds, 2 percent above year-earlier levels and the highest since the fourth quarter of 2004. However, 2006 prices did not respond as strongly to the increased seasonal demand brought on by the religious holidays, resulting in softer-than-expected prices. Choice slaughter lamb prices at San Angelo averaged \$83.92 per hundredweight (cwt) for first-quarter 2007. At the same time, imports of lamb and mutton remain strong and are forecast at 55 million pounds for the first quarter.

Hogs/Pork: Continued modest breeding herd increases and cautious farrowing intentions for the spring and summer quarters, as reported in the March 30 *Quarterly Hogs and Pigs*, suggest a continuation of the careful-but-steady growth that has characterized U.S. hog production for the past few years. The U.S. pork industry is expected to produce 21.575 billion pounds of pork this year, about 2.5 percent more than in 2006. Prices for live-equivalent 51-52 percent lean hogs are expected to range between \$46 and \$48 per cwt in the second quarter, and between \$45 and \$47 per cwt for the year. Pork exports in 2007 are expected to be over 11 percent larger than those of 2006. Pork imports in 2007 are expected to be about 6 percent lower than a year ago.

Aquaculture: Imports of tilapia, Atlantic salmon, and shrimp all rose in 2006. Together, U.S. imports of these three species accounted for \$5.9 billion in 2006, which is likely to be between 40 and 45 percent of the total value of all edible fish imports. Imports of these three species are discussed because they are species for which a significant portion of the shipments to the United States are from aquaculture production.

Broiler Production Revised Downward

Due to an expected reduction in the number of birds slaughtered and little or no increase in average bird liveweights, broiler meat production forecasts were reduced for all four quarters of 2007. Production in the first quarter of 2007 is estimated at 8.7 billion pounds, down 3.2 percent from the previous year. Broiler meat production is expected to be below the previous year in the first and second quarters, but above in the third and fourth quarters. Total broiler meat production for 2007 is forecast at 35.6 billion pounds, a slight decrease from 2006.

Over the first 2 months of 2007, broiler meat production totaled 5.7 billion pounds, down 2.1 percent from the same period in 2006. The decline resulted from a small decrease in the number of birds being slaughtered (down 0.4 percent), and a small decline in the average liveweight at slaughter.

Over the last 5 weeks (March 3 to April 7), the number of chicks being placed for growout has averaged approximately 175 million per week, unchanged from the previous year. In the last 3 weeks the number of eggs being placed in incubators has been higher than during the same time last year. If this trend continues, it points toward a slight increase in the number of chicks placed for growout and a larger number of birds available for slaughter by the end of the second quarter.

The estimate of broiler cold storage holdings at the end of the first quarter of 2007 was reduced to 610 million pounds, 29 percent lower than the previous year and down 90 million pounds from the previous estimate. The reduction comes as the result of lower production forecasts and continued strength in the general economy. At the end of February, cold storage holdings of almost all broiler products were down, with stocks of dark meat products down the most compared with a year earlier. Products such as leg quarters, drumsticks, and thighs were all at least 44 percent lower than at the same time in 2006. Ending stocks forecasts for the second, third, and fourth quarters of 2007 were also lowered.

In March, the 12-city price for whole broilers averaged 79 cents per pound, up 27 percent from the previous year. Prices for most other broiler products were up significantly compared with a year earlier. In the first half of 2006, prices for many broiler products were depressed by higher production and cold storage holdings. Prices for boneless/skinless breasts were reported at \$1.52 per pound in March in the Northeast market, a 53-percent increase over the previous year. Also, March prices for leg quarters, wings, and thighs were 130, 50, and 79 percent higher than the previous year. With lower broiler production in 5 of the last 6 months and lower stock levels, broiler prices are expected to remain considerably higher than in the previous year, especially in the next one to two quarters.

Turkey Markets Remain Tight

U.S. turkey meat production is now estimated at 5.8 billion pounds in 2007, up 2.4 percent from the previous year. Most of the production increase is expected to come from a higher number of birds being slaughtered, as average weights are expected to be down from the previous year.

Over the first 2 months of 2007, turkey meat production totaled 928 million pounds, up 7.6 percent from the same period in 2006. During this period the number of turkeys slaughtered was up 10 percent and the average live-bird weight was 29.2 pounds, down about 2.4 percent from the previous year. Turkey meat production estimates were also increased slightly for the second and third quarters of 2007.

At the end of February, cold storage holdings of turkey products totaled 318 million pounds, up slightly from the previous year. The increase is the result of larger holdings of whole birds, which were up 18 percent from the previous year to 148 million pounds. In contrast, holdings of other turkey products were 170 million pounds, down 11 percent from the same period in 2006.

Prices for whole turkeys have remained strong through the first quarter of 2007, although they have declined seasonally from the very high prices in fourth-quarter 2006. Prices for whole hens in the Eastern market averaged 69.7 cents per pound in first-quarter 2007, up 4 percent from first-quarter 2006, which in turn was 2 percent higher than first-quarter 2005. While turkey production is forecast higher in 2007 and the stock estimates are also slightly higher for 2007, declines in turkey prices will be limited by higher prices in the broiler market and for many beef and pork products.

On April 1, the USDA announced that there was an outbreak of low pathogenic H5N2 avian influenza (AI) on a turkey farm in West Virginia. Approximately 25,000 birds were culled and all poultry farms within a 6-mile radius were being monitored. Low pathogenic AI is common in birds and causes only minor sickness. The low pathogenic AI virus poses no risk to human health. However, a number of countries have placed bans on the imports of all poultry products from West Virginia as a result of the outbreak. West Virginia is only a minor producer in terms of overall U.S. broiler and turkey production.

Wholesale Egg Prices Post Sharp Rise in 2007

Wholesale egg prices averaged \$1.05 per dozen in the first quarter of 2007, compared with 71.4 cents a dozen a year ago and 89.0 cents in the fourth quarter of 2006. The almost-48-percent price rise in the first quarter of 2007 over the previous year largely reflects higher costs of corn and soybean meal. Egg production declined in the first quarter as U.S. layer flocks were reduced, and given inelastic price demand for eggs, prices were sharply higher.

In the first quarter of 2007, U.S. egg-type layers averaged 288.5 million birds (on first-of-the-month basis), compared with 291 million birds in the first quarter of 2006. In the first quarter of 2007, the number of U.S. egg-type layers decreased steadily by 2.1 million birds, from 289.5 million birds on the first day of January to 287.8 million birds on the first day of March 2007. Consequently, table-egg production is forecast to decrease by 1.3 percent, from 1,611 million dozen in the first quarter of 2006 to 1,587 million dozen in the first quarter of 2007.

Retail egg prices are expected to rise substantially, to \$1.67 per dozen in the first quarter of 2007, compared with \$1.36 per dozen in the first quarter of 2006. In February 2007, retail egg prices averaged \$1.75 per dozen, which is a record high. Higher shell-egg prices likely reduced the quantity of federally inspected eggs going to the breaking market by nearly 3 percent in the first quarter of 2007 compared with the first quarter of 2006.

Exports of Eggs and Egg Products Nearly Unchanged

U.S. exports of total shell eggs and products (in-shell egg equivalent) amounted to 202.0 million dozen in 2006, compared with 203.3 million dozen in 2005, or slightly less than 1 percent. The slight decline was associated directly or indirectly (trade diversions) with the recovery of several countries from outbreaks of the Highly Pathogenic Avian Influenza (HPAI) that occurred during 2005 and 2006.

In 2006, U.S. exports of shell-egg and egg products to major Asian markets (Japan, Hong Kong, China, South Korea, Thailand, Vietnam, Taiwan, and the Philippines) decreased from 83.5 million dozen in 2005 to 67.3 million dozen, or a share decline from 41 percent to 33 percent. The decline in the U.S. export share to those Asian countries was partially offset by rising U.S. exports to Canada and Mexico from 64 to 71 million dozens, or from a 31.5 percent share in 2005 to a share of over 35 percent in 2006. Likewise, U.S. exports to EU-25 countries were up from 19.1 million dozen to 20.7 million dozen, while those to all other countries increased from 36.5 to 43.2 million dozen.

U.S. exports of shell eggs and products to Brazil rose significantly to 4.4 million dozen (up 65 percent); those to the Dominican Republic, 2.2 million dozen (up 268 percent); Guyana, 1.9 million dozen (up 16 percent); Costa Rica, 1.4 million dozen (up 20 percent); Saudi Arabia, 1.7 million dozen (up 367 percent); South Africa, 892,000 (up 141 percent); and Egypt, 870,000 (up 124 percent).

Fifty-four percent of U.S. egg-product exports in 2006 were shell eggs, and the remaining 46 percent were in-shell egg equivalents. In 2006, U.S. exports of shell eggs increased 3.3 percent compared with 2005, while shipments of egg products (in-shell egg equivalent) declined 4.7 percent.

Egg Market Summary

In the first quarter of 2007, wholesale and retail egg prices averaged much higher compared with the first and the fourth quarter of 2006. The price rise was mainly due to rising feed prices, smaller U.S. egg-layer flocks, and declining egg production. U.S. exports of total shell eggs and products (in shell egg equivalent) accounted for 202.1 million dozen compared with a record high of 203.3 million dozen in 2005.

Uncertainty in Feed Grain Markets Affects Cattle Prices

Rains across much of the mid-United States in late March and early April boosted pasture and range prospects for 2007. Corn planting intentions were reported to be 90.5 million acres in 2007, the highest since 1944. This 15-percent year-over-year increase comes, in part, from 11-percent lower soybean planting intentions and 20-percent lower cotton planting intentions. Wheat planting intentions were up 5 percent, and intended harvested hay acres were up 4 percent. Given these planting intentions, grain and cattle prices may display some volatility during the spring and summer in concert with weather conditions.

Despite improving pasture and range prospects, cow slaughter continued at a high rate through March 2007, given the size of the cow inventory, due to inadequate pastures before spring forage growth, harvested forage stocks that have been severely stretched by the late winter snows, and the fourth Cooperatives Working Together (CWT) dairy herd buyout. As grass begins to grow in pastures this spring, beef cow slaughter should decline significantly, as it has in the last couple of weeks, and could remain low through summer with normal or near-normal weather. Offsetting the expected decline in beef cow slaughter, dairy cow slaughter could continue relatively heavy, given low milk prices and the CWT buyout.

Calf slaughter also continues at a rate well ahead of 2006. Cumulative year-to-date federally inspected (FI) calf slaughter for the week ending March 31, 2007, was 27 percent above the same period of 2006. Despite much higher FI calf slaughter, cumulative veal production for 2007 was up only 12 percent over the same period in 2006, reflecting the relatively light calf slaughter weights as a result of deteriorating pasture conditions through the winter and lack of demand for feeder cattle for grazing or, combined with high corn prices, for feedlot placements from late fall 2006 through winter. Similar to cow slaughter, calf slaughter could decline as pastures begin to grow this spring, which, combined with relatively low supplies of feeder cattle and higher feed costs, should result in improved pasture demand for stocker cattle.

Fed cattle prices during March 2007 averaged \$96.39 per cwt for Nebraska 65-80-percent Choice steers, 12 percent above March 2006 prices. Fed steer prices also broke the \$100/cwt mark during the week of April 7, 2007, levels not experienced since late 2003, just before the discovery of BSE in the United States. Despite 11.6 million cattle on feed on March 1, 2007, 4 percent below the March 1, 2006 record (since the series began in 1996) of 12.0 million head, cattle on feed were still 4 percent above the March 1, 2005 inventory number. The March 1, 2007 cattle-on-feed inventory has been exceeded only twice since 1996—in 2001 and in 2006. Faced with such inventories and with packers' desire to increase their margins, it is hard to see how current fed cattle prices can be maintained very far into the future unless retail prices continue to increase.

Cumulative year-to-date weekly FI cattle slaughter for the week ending March 31, 2007 was 4 percent ahead of the same period in 2006. Beef production was just under 3 percent higher for the same period, reflecting average dressed weights of cattle slaughtered under Federal inspection through March of an estimated 770 pounds per head.

This was about 10 pounds or 1.3 percent below 2006 weights, but 1 percent above 2005 weights. March steer weights will likely be about 11 pounds, or just over 1 percent, below March 2006 weights, but 1.6 percent above March 2005 weights. Weights in 2006 were well above longer term trends, and current weights are more in line with long-term trends.

Cow prices rose during the first week in April, possibly signaling the end of heavy fall and winter beef cow slaughter levels and, given the relatively tight supplies of processing beef abroad and a declining dollar, possibly portending strength in cow prices through at least early summer. Cutout values for Choice beef carcasses have declined from their mid-month highs, but the March 2007 monthly average, at \$159.23 per cwt, remained 9 percent above the March 2006 price of \$145.68 and on a par with record price levels in late 2003. Cutout values for Select beef, averaging \$149.80 during March 2007, have been exceeded only by the \$149 average recorded in October 2003. Packers are benefiting from the near-record byproduct allowances, enjoying broad-based support with prices for hides, blood products, meat and bone meal, and several offal categories well above prices for the same period in 2006. Monthly average retail Choice beef prices for February were \$4.05 per pound, virtually unchanged from February 2006, but they have been increasing since December 2006.

Milk Prices Continue to Rise, Slower Production Expansion Tightens Supply

A slight year-over-year increase in output per cow is expected to increase milk production in 2007 by 1.1 percent over 2006, to 183.8 billion pounds. Because of higher feed costs and weaker milk prices in 2006, the robust increases in production of the last 2 years have slowed to a crawl. Although corn prices have slipped in recent weeks, they are still well above 3 dollars a bushel. High grain prices, combined with high alfalfa prices and shortages, have countered higher prices for milk and will likely keep the milk-feed price ratio near 2.5 for the current year, near the 2006 level. The National Milk Producers Federation is predicting that about 54,000 cows will leave the national dairy herd this spring as a result of the Cooperatives Working Together buyout. A modest decline in cow numbers is expected to continue for the balance of 2007.

The tightening milk supplies are encountering continued demand growth. The commercial disappearance of all milk and dairy products was up 4.4 percent for the November through January period compared with a year earlier. Meanwhile, milk production rose 2.4 percent during the same period. Prices for cheese and butter have remained strong, and February stock levels for American cheese and butter were unchanged and 10 percent higher respectively, according to the March *Cold Storage* report.

Cheese and butter prices are both expected to climb over the course of 2007. Cheese prices are projected to average \$1.350 to \$1.400 per pound. The average butter price is expected to range between \$1.255 and \$1.335 per pound for the year. The rising prices are primarily a result of the tightening supply situation. Continued demand for dry products, both domestically and globally, is expected to keep Nonfat Dry Milk (NDM) prices in the \$1.190 to \$1.230 per pound range for 2007. Continued expansion in both domestic and foreign food demand for whey has boosted its price. Whey prices continue to rise, and are expected to average between 65.0 and 68.0 cents per pound for 2007.

The continued strong demand for dairy products, combined with a tightening supply of milk through the balance of 2007, points to continued higher prices for all milk classes. The Class IV milk price is expected to climb throughout 2007, averaging \$13.65 to \$14.25 per cwt for the year. The Class III price is projected to rise to an average \$14.65 to \$15.15 per cwt for the year. The reported all-milk price is expected to be sharply higher in 2007 and will likely average \$15.55 to \$16.05 per cwt for the year. The forecast rise in the all-milk price could signal production expansion by late this year, assuming alfalfa prices moderate and corn prices do not rise appreciably higher.

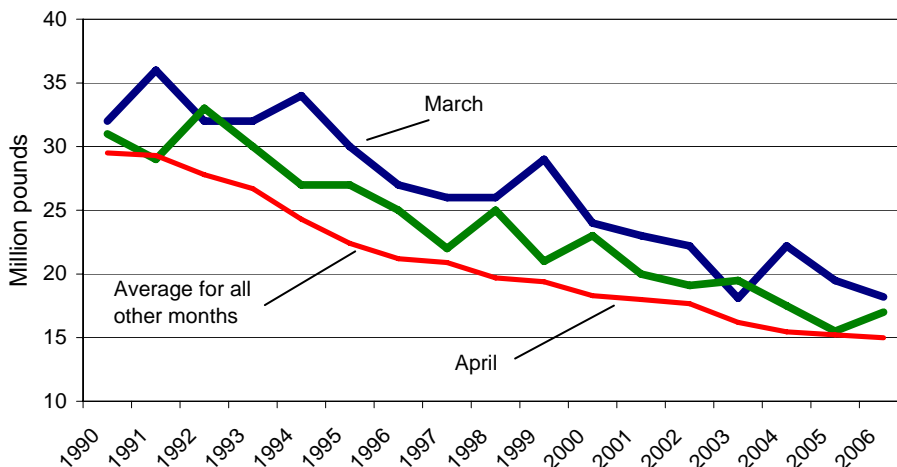
Lamb and Mutton Production Responds to Easter and Passover Holiday Demand

First-quarter 2007 commercial lamb and mutton production is forecast at 50 million pounds, 2 percent above a year earlier and the highest production since the fourth quarter of 2004. After a slow start to the quarter, production in March was likely exceptionally strong, about 20 million pounds, in preparation for the Easter and Passover holiday season. Production over time has consistently been highest in March, with spillover strength in April, depending on the time of the religious holidays. Second-quarter production is expected to fall sharply to around 44 million pounds, down 6 percent from the previous year, primarily due to the holidays being 1 week earlier in 2007. In addition, increased ewe lamb retention that may be triggered by improved pasture conditions could reduce the number of animals available for market.

As in 2006, prices in 2007 did not respond as strongly as expected to the usual seasonal demand associated with the religious holidays. Prices were softer than expected, with Choice slaughter lamb prices at San Angelo averaging \$83.92 per cwt for first-quarter 2007. Although this was \$6 above the price for the same period last year, it has not changed much in the past 6 months. Second-quarter prices are not expected to show much improvement, as production declines are expected to be mirrored by softening demand. Second-quarter Choice slaughter lamb prices at San Angelo are forecast in the range of \$81-85 per cwt.

Imports of lamb and mutton remain strong. January imports were 18 million pounds, 21 percent above the same period in 2006. Imports for the first quarter are forecast at 55 million pounds, up about 4 percent from the first quarter a year earlier.

March commercial lamb and mutton production has been consistently higher than other months



Source: Livestock Slaughter, National Agricultural Statistics Service, USDA, Various Issues, 1990-2007

Quarterly Hogs and Pigs Points to Slower Production Increases in 2007

Continued modest breeding herd increases and cautious farrowing intentions for the spring and summer quarters, as reported in the March 30 *Quarterly Hogs and Pigs*, suggest a continuation of the careful-but-steady growth dynamic that has characterized U.S. hog production for the past few years. The *Hogs and Pigs* report indicated that on March 1, the “Kept for Breeding” category was about 1 percent larger than a year earlier, at the same time that per bushel corn prices were significantly higher than a year ago.

The breeding herd increases, occurring in a market environment dominated by higher and more volatile corn prices, suggest that the relatively new structure of hog production in the United States makes the industry less prone to rapid, large changes in breeding herd numbers—positive or negative—in response to external shocks. Contracts—both production and marketing—and high fixed costs of operating farrowing facilities are just two of the many features of the current structure of U.S. hog production that militate against large swings in breeding herd numbers. The cautious, muted producer response to significant feed price changes is different from sector response patterns of 25-30 years ago, when double-digit percentage changes in breeding herd inventories in response to price shocks was not uncommon.

Quarterly Hogs and Pigs reported that producers’ farrowing intentions for both the spring (March-May) and summer (June-August) quarters were about the same as in second and third quarters of last year. The stated intention for March-May of 2.913 million head is just slightly smaller than the 2.927, million head farrowed in the same quarter last year. Stated June-August intentions of 2.917 million head are just slightly larger than the 2.912 million head farrowed in the summer quarter of 2006. Cautious intentions are consistent with the current market environment that is dominated by uncertainty about feed costs.

The March report indicated revisions to litter rates for the second half of 2006, as well as for the first quarter (December-February) of 2007. The pigs-per litter figure for the second half of 2006 was revised downward, from 9.13 pigs-per litter to 9.11. The litter rate for the first quarter of this year was estimated at 9.08. The effect of the revisions is to reduce the year-over-year size of increase of litter rates, without reversing the positive growth trend. As a result, forecast growth in pigs per litter for the year has been reduced, which in turn translates into a slightly lower year-over-year increase in pork production for 2007. The U.S. pork industry is expected to produce 21.575 billion pounds of pork this year, about 2.5 percent more than in 2006. Prices for live-equivalent 51-52 percent lean hogs are expected to range between \$46 and \$48 per cwt in the second quarter, and between \$45 and \$47 per cwt for the year.

Large Exports Prompt Increase in 2007 Export Forecast

U.S. exporters shipped more than 528 million pounds of pork in January-February, an increase of about 9 percent over last year. A number of export markets registered double-digit year-over-year increases: Japan (27 percent), Russia (13 percent), and South Korea (21 percent).

Exports to Mexico—the second largest U.S. export market—fell 17 percent in the first 2 months. Japan’s year-over-year volume increase suggests that the largest importer of U.S. pork products is back in the market, after some retrenchment last year. Japan accounted for 36 percent of U.S. exports in the first 2 months, a share almost 3 times that of South Korea (13 percent), and almost 10 times larger than Russia’s share (5 percent). It is likely that Japan will be a very important source of export growth this year.

On the basis of large year-over-year increases in exports to important foreign markets, together with increases in 2007 forecasts for major pork importing countries (www.fas.usda.gov/dlp/circular/2007/livestock_poultry_04-2007.pdf) — South Korea and Russia, in particular—USDA’s forecast for 2007 pork exports was raised to 3.340 billion pounds, up from 2.997 in 2006. Exports in 2007 are expected to be almost 12 percent higher than those of 2006.

On the Flip-Side, 2007 Import Forecast Lowered

At 72.8 million pounds, January pork imports were almost 16 percent lower than a year ago,. Most of the year-over-year reduction is attributable to lower imports from Canada, likely due to the relatively high-priced Canadian currency, together with adequate domestic supplies of pork products in U.S. markets.

Lower-than-expected January imports, and expectations of continued weakness in imports from Canada, prompted a reduction in USDA’s forecast for 2007 pork imports, from 990 to 930 million pounds in March, reflecting the expectation of an 8-percent reduction in 2007 imports compared with last year.

Growth in Seafood Imports from Aquaculture

Over the last decade, farm-raised seafood products have grown from a relatively small portion of total U.S. seafood imports to become the dominant source of certain seafood products. Much of this growth has been driven by the continuing increase in the percentage of total U.S. seafood consumed away from home. Due to this linkage to the away-from-home food market, the demand for many imported seafood products is tied to the state of the U.S. economy. Other factors influencing the demand for imported seafood are the strength of the U.S. dollar relative to other currencies and prices of competing protein products, such as beef, pork, and poultry.

Most aquaculture imports are expected to face an expanding market in 2007. First, the U.S. economy is forecast to remain strong in 2007. Second, prices for many competing protein products are forecast to generally be higher. Partially offsetting these expansionary market factors is the forecast relative weakness of the U.S. dollar against a number of other currencies. However, since aquaculture products come from a large number of countries, this will not have a negative impact in all cases.

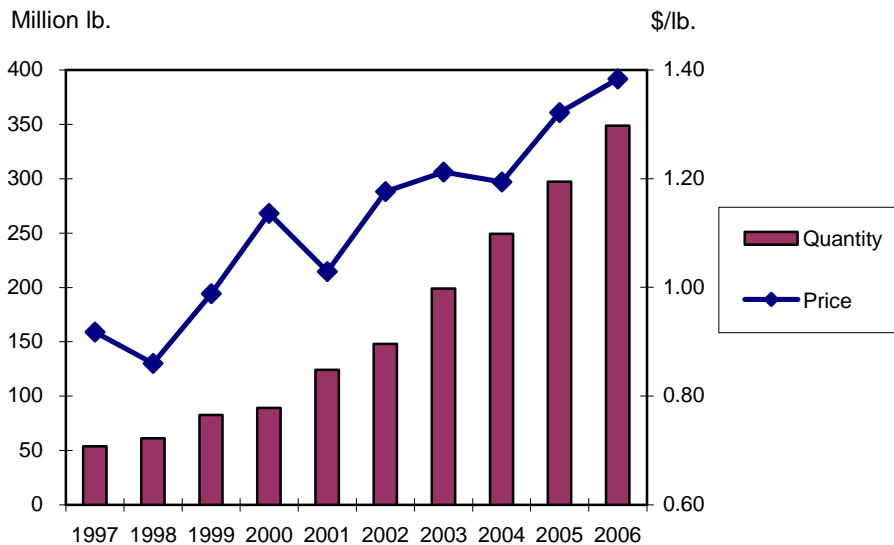
Imports of tilapia, Atlantic salmon, and shrimp are tracked in relation to the domestic aquaculture industry because these three species are among the most valuable seafood imports and they are all species for which a significant portion of the imports are farm-raised products. In 2006, the import value for these three items was approximately \$5.9 billion, which will likely to represent about 40 percent to 45 percent of all edible seafood imports.

Tilapia Imports Rose by 17 Percent in 2006

U.S. tilapia imports surged to over 349 million pounds in 2006, up 17 percent from 2005 and 291 percent from 2000. The value of tilapia imports rose even faster, climbing to \$483 million in 2006, 23 percent above the previous year and 376 percent higher than in 2000. Tilapia imports, which were relatively small only 10 years ago, are now on par, in value, with U.S. exports of fresh and frozen salmon, which are among the largest export products of the U.S. fishing industry. In 2005, the National Marine Fisheries Service reported that U.S. exports of fresh and frozen salmon totaled 294 million pounds, with a value of \$416 million. Tilapia is a mild-tasting fish, most often sold as a filleted product in grocery stores, but also as a featured dish in many mid-priced restaurants. There is also a market for whole tilapia at ethnic grocery stores.

Growth in shipments to the United States in 2006 came in all three of the tilapia import categories (frozen whole, fresh filleted, and frozen filleted), but as in previous years the majority of the increase was due to higher imports of frozen tilapia fillets. Since 2000, tilapia imports have grown by 260 million pounds, with 59 percent of that increase coming from higher imports of filleted products. Imports of frozen whole fish had been the largest import category in terms of quantity, but since 2000 imports in this category have risen at a much slower rate than filleted products.

U.S. tilapia imports



Source: Bureau of the Census, Dept. of Commerce.

Since filleted products account for only a small percentage of a fish's total weight, the 349 million pounds of tilapia exported to the United States required approximately 775 to 800 million pounds of fish on a live-weight basis.

In the last several years, frozen fillets have become the largest segment of tilapia imports. In 2006, the quantity of frozen fillets imported rose by 34 percent and represented just over 50 percent of all tilapia imports by value. Since most of the frozen fillets are imported from Asian producers, this has added to the already large amount of seafood products coming from Asia, especially China. In 2006, China supplied 66 percent of all tilapia products imported into the United States, and China is the largest supplier of both frozen whole tilapia and frozen tilapia fillets. Since 2000, shipments of frozen tilapia fillets from China have risen from 4 million to 140 million pounds. Chinese frozen tilapia fillets averaged \$1.38 per pound in 2006, about even with the previous 2 years. U.S. tilapia imports from China are expected to continue to expand in 2007 as the demand for filleted products continues to grow, especially from mid-priced restaurants.

The volume of imported fresh tilapia fillets rose to 51 million pounds in 2006, up only 2 percent from a year earlier. The value of this segment has also been rising, with shipments in 2006 valued at \$148 million, up almost \$18 million from 2005. Average prices for fresh fillets have been decreasing gradually, but considering the expansion in the amount of product imported, prices have remained relatively strong. Shipments of fresh tilapia fillets from Ecuador have been the fastest growing over the last several years, and in 2006 accounted for 47 percent of the total. Imports of fresh fillets from Honduras and Costa Rica make up most of the remainder. With strong price competition in the shrimp industry, some aquaculture producers in Central and South America may have an incentive to expand tilapia production.

In 2007, tilapia imports are again expected to expand, benefiting from a strong U.S. economy, which, in turn, is expected to increase demand in the foodservice and restaurant markets. The rate of increase in tilapia imports is expected to be tempered by the relative weakness of the U.S. dollar against a number of foreign currencies. Total tilapia imports in 2007 are expected to reach between 375 million and 385 million pounds on a product-weight basis, and over 800 million pounds on a live-weight basis. The value of imports is expected to total \$515 million to \$525 million. The average import price is not expected to grow as strongly in 2007, as competition among producers is expected to offset the trend for higher average prices due to a higher percentage of filleted tilapia imports.

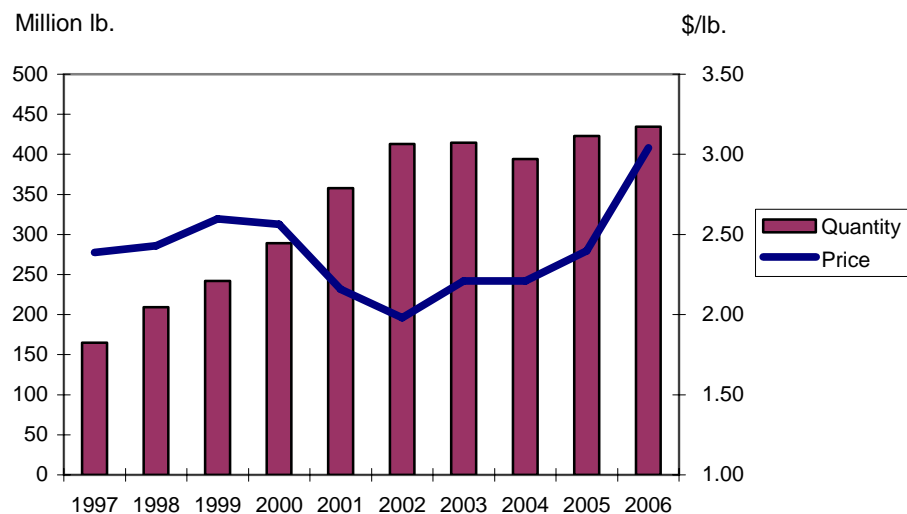
Atlantic Salmon Imports Reach \$1.3 Billion

The value of U.S. imports of Atlantic salmon reached over \$1.3 billion in 2006, an increase of over 30 percent from 2005. Since 2000, the value of Atlantic salmon imports has increased by 78 percent. On a quantity basis, imports totaled 435 million pounds in 2006, a 2.8-percent increase from 2005 and up 50 percent from 2000. The average price for all Atlantic salmon imports in 2006 was \$3.04 per pound, an increase of 64 cents per pound (27 percent) over the 2005 average. Most of the gain in import quantity was due to higher shipments from Canada, Norway, the UK, and China, which offset a 9-percent decrease in imports from Chile. Along with the higher volumes, there were price increases for all three of the import categories (fresh whole, frozen whole, and fresh and frozen fillets).

The increase in the total quantity of Atlantic salmon imported was due mostly to higher imports of fresh salmon from Canada. Prices for Atlantic salmon imports had been steady over the last 2 years, after falling for several years. In 2006, the increase in fresh salmon from Canada, which normally sells at a premium price, helped boost the average price of fresh products. Even with the U.S. dollar falling compared with the Euro, imports from major European Atlantic salmon producers were up strongly. Overall shipments of Atlantic salmon from Norway were 49 percent higher, and shipments from the United Kingdom rose by 60 percent, compared with the previous year. Overall, Atlantic salmon prices are expected to hold steady or increase slightly in 2007 as a weaker U.S. dollar makes imports more expensive.

After falling in 2003 and 2004, imports of fresh whole Atlantic salmon have risen considerably in the last 2 years (up 17 percent in 2005 and 21 percent in 2006). This increase in fresh salmon imports was the main reason for the overall increase in the quantity of Atlantic salmon imports in 2006; previously, filleted product imports had been the main force behind import growth. In 2006, imports of fresh and frozen filleted products accounted for 59 percent of total Atlantic salmon imports on a quantity basis and 67 percent on a value basis. Although imports from Chile, the largest supplier of filleted products, fell in 2006, the overall price of products from Chile rose by over a dollar per pound to \$3.43. While there will continue to be a market for fresh and frozen whole fish at specialized seafood outlets, most future import growth is expected to come from filleted products, due to the demand for partly or fully prepared products for mid-price restaurants and prepared meals at grocery stores.

U.S. Atlantic salmon imports



Source: Bureau of the Census, Dept. of Commerce.

Even with U.S. economic growth in 2007 forecast to be relatively strong, imports of Atlantic salmon in 2007 are not expected to expand as rapidly as in 2006.

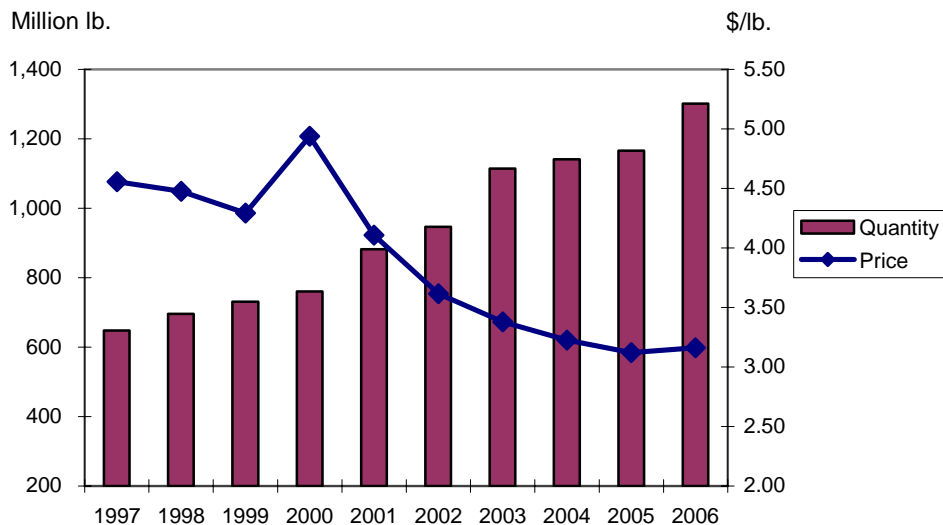
Shipments in 2007 are expected to be near the 445-to 455-million-pound level, and value is expected to be between \$1.3 and \$1.4 billion. Higher demand for salmon products due to health and dietary factors is expected to help maintain the price increases of 2006, as are generally higher prices for competing protein sources.

Shrimp Imports: Volume Higher, Prices Rise

The volume of imported shrimp continued to move higher in 2006, reaching just over 1.3 billion pounds, up 12 percent from the previous year. The strong increase in volume, combined with a small increase in average prices, pushed the value of imported shrimp to a record \$4.12 billion. Over the previous 5 consecutive years the average price for imported shrimp products declined, falling from \$4.94 per pound in 2000 to \$3.12 per pound in 2005. In 2006, the average price rose by 4 cents per pound (1.3 percent), boosted by higher prices in the frozen and processed markets.

For the second consecutive year, the bulk of the increase in total shrimp imports was due to larger shipments (up 29 percent) of processed shrimp products. Frozen shrimp imports rose by 6 percent and fresh imports were up 35 percent, but they account for only a small fraction of total shrimp imports. In terms of value, fresh and processed shrimp prices were higher in 2006. The average price for frozen shrimp imports rose by 1.2 percent to \$3.25 per pound, and the average price for imported processed shrimp products rose to \$2.90 per pound, an increase of 3.6 percent.

U.S. shrimp imports



Source: Bureau of the Census, Dept. of Commerce.

Of the eight largest exporters of shrimp to the United States in 2006, six countries showed strong volume increases that helped offset declines in shipments from India and Vietnam. Although it is hard to measure the impact of tariffs that have been placed on frozen shrimp imports from a number of countries, several of those countries, such as India and Vietnam, decreased their shipments in 2006. The tariffs are only on frozen shrimp imports, which may have helped to boost the shipments of processed shrimp products.

A significant change in U.S. imports in the previous 3 years has been the rise of Indonesia as a major supplier and the decline of China. Between 2003 and 2005, imports from Indonesia grew from less than 50 million pounds to over 116 million, partly the result of a more stable business environment in that country. In 2006 shipments from Indonesia rose an additional 12 percent to 129.5 million pounds. In 2003, imports from China totaled 179 million pounds, but had declined to less than 100 million pounds in 2005. This decrease was driven by falling shipments of frozen shrimp, as shipments of prepared shrimp products rose by 34 million pounds during the 2003 to 2005 period. This decline was partially reversed in 2006, with shipments from China totaling 150 million pounds, up 51 million (52 percent) from 2005.

During 2007, a number of factors are expected to influence U.S. shrimp imports. First, with the dollar weak compared with a number of other currencies, other markets may be more attractive to shrimp exporters. Second, one of the factors fueling growth in U.S. shrimp imports was the large decrease in average prices over the last several years. If prices hold steady, growth in the quantity of shrimp imported may be reduced. Third, partially offsetting the first two factors is the forecast for a strong increase in U.S. disposable personal income. This should have a positive impact on the demand for relatively high-priced food items like shrimp.

In 2007, shrimp imports are expected to again increase, but at a slower rate than in 2006. The demand for imported shrimp is expected to be pushed by the forecast for a generally strong domestic economy, which should translate to higher sales through food service and restaurants. Average prices for shrimp are expected to rise only slightly in 2007, as higher demand is offset by strong competition in the worldwide shrimp industry.

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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/>
Poultry and Eggs, <http://www.ers.usda.gov/briefing/poultry/>
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U.S. red meat and poultry forecasts

	2004	2005	2006	2007 1/								
	Annual	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Production, million lb												
Beef	24,548	24,683	6,082	6,724	6,834	6,513	26,153	6,265	6,830	6,900	6,330	26,325
Pork	20,509	20,684	5,400	5,200	5,250	5,725	21,575	5,350	5,250	5,350	5,800	21,750
Lamb and mutton	195	187	49	47	42	47	185	50	44	42	45	181
Broilers	34,063	35,365	8,938	9,130	8,884	8,801	35,753	8,650	8,925	9,050	8,950	35,575
Turkeys	5,454	5,504	1,355	1,440	1,419	1,473	5,687	1,430	1,475	1,450	1,470	5,825
Total red meat & poultry	85,441	87,097	21,920	22,516	22,428	22,619	89,483	21,945	22,631	22,850	22,674	90,100
Table eggs, mil. doz.	6,365	6,411	1,611	1,610	1,624	1,649	6,494	1,590	1,605	1,650	1,675	6,520
Per capita consumption, retail lb 2/												
Beef	66.1	65.5	15.8	16.8	16.9	16.3	65.8	16.3	17.0	17.0	15.7	66.1
Pork	51.3	50.0	12.3	11.9	11.9	13.1	49.4	12.2	11.9	12.2	13.0	49.3
Lamb and mutton	1.1	1.1	0.3	0.3	0.2	0.3	1.1	0.3	0.3	0.2	0.3	1.1
Broilers	84.3	85.8	21.8	22.5	21.9	20.8	87.0	21.1	21.7	21.6	21.0	85.0
Turkeys	17.1	16.7	3.5	3.9	4.3	5.2	16.9	3.7	3.9	4.3	5.1	17.0
Total red meat & poultry	221.4	220.9	54.2	55.9	55.7	56	221.7	53.9	54.9	55.7	55.5	220.0
Eggs, number	257.2	255.1	63.9	63.6	63.9	64.5	256.0	62.0	62.5	64.4	64.9	253.8
Market prices												
Choice steers, Neb., \$/cwt	84.75	87.28	89.24	80.39	85.40	86.61	85.41	90.61	87-91	82-88	83-89	86-90
Feeder steers, Ok City, \$/cwt	104.76	110.94	106.80	104.08	115.17	103.22	107.32	99.32	98-102	94-100	96-101	97-101
Boning utility cows, S. Falls, \$/cwt	52.35	54.36	48.89	47.79	49.28	44.29	47.56	47.60	49-51	47-51	46-50	48-50
Choice slaughter lambs, San Angelo, \$/cwt	96.69	97.76	77.03	66.56	81.10	84.53	77.31	84-85	83-92	80-86	81-87	82-86
Barrows & gilts, N. base, i.e. \$/cwt	52.51	50.05	42.63	48.45	51.83	46.13	47.26	46.04	46-48	44-48	43-47	45-47
Broilers, 12 City, cents/lb	74.10	70.80	62.7	61.0	67.8	65.9	64.4	75.0	74-78	73-79	71-77	73-77
Turkeys, Eastern, cents/lb	69.70	73.40	67.3	71.3	79.4	89.8	77.0	69.7	73-75	75-81	80-86	74-78
Eggs, New York, cents/doz.	82.20	65.50	71.4	62.7	64.0	89.0	71.8	105.3	88-92	84-90	91-99	92-97
U.S. trade, million lb												
Beef & veal exports	461	689	223	315	307	308	1,153	295	320	335	340	1,290
Beef & veal imports	3,679	3,599	843	789	731	722	3,085	800	900	810	790	3,300
Lamb and mutton imports	181	180	53	44	41	52	190	55	50	42	47	194
Pork exports	2,179	2,660	770	763	653	811	2,997	865	855	740	880	3,340
Pork imports	1,099	1,024	259	237	239	254	989	240	220	220	250	930
Live swine imports	8,505	8,191	2,133	2,087	2,205	2,338	8,763	2,300	2,300	2,350	2,400	9,350
Broiler exports	4,768	5,147	1,338	1,298	1,224	1,412	5,272	1,325	1,330	1,350	1,400	5,405
Turkey exports	443	569	119	125	152	149	545	130	145	155	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				
	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
GDP, chain wtd (bil. 2000 dol.)	11,234	11,049	11,381	11,385	11,433	11,542	11,422	11,615	11,694	11,780	11,873	11,741
CPI-U, annual rate (pct.)	3.2	3.7	2.0	3.4	2.9	-2.2	2.0	2.4	2.6	2.5	2.4	2.5
Unemployment (pct.)	4.9	5.1	4.8	4.7	4.7	4.5	4.6	4.6	4.7	4.7	4.8	4.7
Interest (pct.)												
3-month Treasury bill	3.8	3.2	4.4	4.8	4.9	4.9	4.7	5.0	5.0	5.0	4.9	5.0
10-year Treasury bond yield	4.5	4.3	4.6	5.1	4.9	4.6	4.8	4.8	4.8	5.0	5.0	4.9

Source: Survey of Professional Forecasters, Philadelphia Federal Reserve Bank, February 2007.
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 Published in Livestock, Dairy, and Poultry Outlook, <http://www.ers.usda.gov/publications/ldp>

Dairy Forecasts

	2006					2007				
	I	II	III	IV	Annual	I	II	III	IV	Annual
Milk cows (thous.)	9,092	9,128	9,113	9,115	9,112	9,125	9,100	9,070	9,060	9,090
Milk per cow (pounds)	5,010	5,141	4,906	4,894	19,951	5,040	5,215	4,990	4,975	20,220
Milk production (bil. pounds)	45.5	46.9	44.7	44.6	181.8	46.0	47.5	45.3	45.1	183.8
Farm use	0.3	0.3	0.3	0.3	1.1	0.3	0.3	0.3	0.3	1.0
Milk marketings	45.3	46.7	44.4	44.3	180.7	45.7	47.2	45.0	44.8	182.8
Milkfat (bil. pounds milk equiv.)										
Milk marketings	45.3	46.7	44.4	44.3	180.7	45.7	47.2	45.0	44.8	182.8
Beginning commercial stocks	8.0	11.5	13.5	11.6	8.0	9.5	12.2	13.5	11.3	9.5
Imports	1.1	1.2	1.1	1.5	5.0	1.2	1.3	1.2	1.5	5.3
Total supply	54.4	59.3	59.1	57.5	193.7	56.5	60.7	59.7	57.6	197.6
Ending commercial stocks	11.5	13.5	11.6	9.5	9.5	12.2	13.5	11.3	8.6	8.6
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	42.9	45.8	47.4	48.0	184.2	44.3	47.2	48.4	49.0	189.0
Skim solids (bil. pounds milk equiv.)										
Milk marketings	45.3	46.7	44.4	44.3	180.7	45.7	47.2	45.0	44.8	182.8
Beginning commercial stocks	9.0	9.7	10.2	9.1	9.0	9.1	9.3	10.2	9.1	9.1
Imports	1.1	1.1	1.1	1.4	4.8	1.2	1.2	1.3	1.5	5.1
Total supply	55.3	57.5	55.7	54.8	194.5	56.0	57.7	56.4	55.3	197.0
Ending commercial stocks	9.7	10.2	9.1	9.1	9.1	9.3	10.2	9.1	8.8	8.8
Net removals	0.0	0.7	0.0	0.0	0.7	0.0	0.0	0.0	0.0	0.0
Commercial use	45.6	46.6	46.7	45.7	184.6	46.7	47.5	47.4	46.5	188.2
Milk prices (dol./cwt) 1/										
All milk	13.53	12.00	12.23	13.83	12.90	14.97	15.80	15.55	15.85	15.55
							-16.20	-16.25	-16.85	-16.05
Class III	12.23	11.02	11.42	12.88	11.89	14.28	14.99	14.71	14.57	14.65
							-15.39	-15.41	-15.57	-15.15
Class IV	11.33	10.30	10.65	11.97	11.06	12.98	13.82	13.97	13.93	13.65
							-14.32	-14.77	-15.03	-14.25
Product prices (dol./pound) 2/										
Cheddar cheese	1.272	1.184	1.217	1.316	1.247	1.352	1.360	1.348	1.340	1.350
							-1.400	-1.418	-1.440	-1.400
Dry whey	0.345	0.289	0.289	0.381	0.329	0.592	0.700	0.665	0.655	0.650
							-0.720	-0.695	-0.685	-0.680
Butter	1.247	1.153	1.210	1.267	1.219	1.227	1.265	1.267	1.265	1.255
							-1.335	-1.367	-1.395	-1.335
Nonfat dry milk	0.905	0.831	0.844	0.970	0.887	1.120	1.197	1.213	1.215	1.190
							-1.237	-1.273	-1.285	-1.230

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

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

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

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