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# Livestock, Dairy, and Poultry Outlook

**Richard Stillman**, coordinator

## Economic Uncertainty Impacts Livestock and Poultry

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Tables will be released  
on Jan 27, 2009

The next newsletter  
release is Feb 17, 2009

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Approved by the  
World Agricultural  
Outlook Board

**Pork/hogs:** Recession-squeezed consumer budgets will likely constrain increases in pork and hog prices this year, despite expected reductions in production foreshadowed by the December 1 *Quarterly Hogs and Pigs*.

**Lamb:** Fourth-quarter 2008 commercial production of lamb and mutton is estimated at 42 million pounds, about 13 percent below the fourth quarter of 2007. Lamb and mutton imports, which in the past have offset tight domestic supplies, are also forecast to slow considerably in the fourth quarter. Despite tight supplies, prices were unable to break out of the price range held for most of 2008 due to the softer-than-expected fourth-quarter demand.

**Poultry:** With continued lower chick placements, broiler meat production is expected to decline in fourth-quarter 2008 and through the first three quarters of 2009. With falling production, prices for many broiler products are expected to gradually show some upward pressure, but will be held back at first due to high stock levels. Whole turkey prices remained relatively strong through the end of December. Whole hen turkey prices averaged 87 cents per pound in the fourth quarter and 88 cents per pound in 2008, the fifth consecutive year that average prices have risen. Egg prices remained at relatively high levels through the end of 2008, as a continued smaller table egg laying flock has resulted in lower production. Egg prices in 2009 are expected to gradually strengthen through the Easter period and then decline seasonally.

**Beef:** Both commercial cow slaughter and calf slaughter remained at high levels throughout 2008 relative to total U.S. cow inventories. These slaughter levels will likely result in lower production for 2009 and beyond, potentially providing support for fed-cattle prices. Lower prices for energy and feed could mitigate cow and cattle-feeding inventory declines to some extent, while increased exports of U.S. beef could provide further support for cattle and beef prices.

**Beef Trade:** Exchange rate fluctuations have been a driving factor in imports of Canadian cattle. Beef exports increase in November, although many large markets show a decline or signs of weakening demand. Beef imports increase as demand around the globe decreases.

**Dairy:** Milk Production is expected to rise incrementally in 2009. However, weaker demand, especially for exports, will force prices sharply lower for all products. The Government will support prices for the first time since 2006.

### *Effects of Recession To Partially Offset Lower Pork Production in 2009*

Pressures for higher hog prices, which would ordinarily be created by the smaller 2009 pork supplies implied by the December *Quarterly Hogs and Pigs* report, could be tempered this year by slower consumer demand in domestic and international markets. In the December *Quarterly Hogs and Pigs* report, USDA reported a lower second-half 2008 pig crop (-1.6 percent, year-over-year), and lower first-half 2009 farrowing intentions (-2.4 percent, year-over-year). Both of these factors, combined with expectations for significantly lower 2009 U.S. imports of live Canadian swine (-21 percent, year-over-year), point to lower 2009 hog slaughter. As a consequence, U.S. commercial pork production is estimated to be slightly more than 23 billion pounds, 1.4 percent below production in 2008. Litter rates—which are likely to continue to trend upward this year, but at a slower rate than in 2008—and lower expected feed costs should limit reductions in pork production this year.

With slower-to-declining economic growth anticipated in the United States and in major pork-importing countries in 2009, consumer meat demand is likely to stagnate or even decline. Pork and hog prices will likely reflect soft-to-declining consumer demand. As a consequence, lower 2009 pork production should bring about only modest increases in hog prices. Prices for live equivalent 51-52 percent lean hogs are expected to average between \$47-\$51 per cwt, 2.4 percent higher than in 2008.

Despite lower pork production, U.S. consumers will have slightly more pork available for consumption in 2009. Per capita pork disappearance this year (disappearance is a residual quantity, equal to commercial pork production less net exports, plus any change in cold storage, divided by the U.S. population) is expected to be 49.9 pounds, an increase of 0.7 pounds per person compared with last year. Domestic availability of pork will increase slightly this year because U.S. pork exports are expected to decline by 14 percent. Relatively high retail prices for beef and broilers in 2009—due to lower product supplies—should hold retail pork prices in the high \$2.90s this year, despite slightly higher pork supplies. However, the pressure of recession-squeezed consumer budgets is likely to keep retail pork prices below the \$3.00 per pound level seen in the second half of 2008.

### *November Exports Slightly Ahead of a Year Ago, Imports Lower*

U.S. pork exports in November were slightly ahead of shipments a year ago—up 0.5 percent, at 344.7 million pounds. Exports to major markets—Japan (+13 percent), Mexico (+58 percent), and Canada (+8 percent)—ran significantly ahead of November 2007, while exports to Russia (-36 percent), South Korea (-33 percent), and China (-89 percent) were below year-ago levels. November pork exports accounted for 18 percent of commercial pork production vs. 17 percent a year ago.

U.S. pork imports were 69.2 million pounds, 6 percent lower than November 2007. Most of the reduction was accounted for by Denmark, the second-largest source of U.S. pork imports. In November U.S. imports of Danish pork were more than 47 percent lower than a year ago. Imports from Canada, on the other hand, were 8 percent higher than a year earlier.

November's year-over-year reduction in Denmark's exports to the United States, relative to Canada, represents a continuing American response to relatively high-priced Danish pork.

### ***Imports of Canadian Hogs and Pigs Off Sharply***

U.S. live swine imports in November—at 682,931 head—were almost 31 percent lower than a year ago, likely reflecting industry contraction in Canada and COOL-related U.S. pig-finisher reluctance to source Canadian early-weaned and feeder pigs. November imports of all finishing animals (pigs weighing 50 kg. and less) were almost 12 percent below a year earlier, and accounted for 81.3 percent of imports compared with 63.8 percent last year. Finishing pigs accounted for a greater share of November imports because slaughter hog imports were off so sharply. November slaughter hog imports were 65 percent below a year earlier.

### *Economic Slowdown Weighs on Lamb Demand*

Fourth-quarter 2008 commercial production of lamb and mutton is forecast at 42 million pounds, about 13 percent below the fourth quarter of 2007. Declines in fourth-quarter lamb prices may be partially due to the substitution of higher end, more expensive red meats for cheaper substitutes as the U.S. economy slows.

Lamb and mutton imports, which in the past have offset tight domestic supplies, are also forecast to slow considerably in the fourth quarter. Fourth-quarter 2008 lamb and mutton imports are forecast at 44 million pounds, down about 25 percent from fourth-quarter 2007. October 2008 imports were less than 12 million pounds, down 37 percent from the same period in 2007, while November 2008 imports were 16.4 million pounds, down 9 percent from November 2007. The slow U.S. economic conditions are expected to limit lamb import prospects, even though a recently strengthening U.S. currency relative to Australia and New Zealand, the major U.S. lamb and mutton trading partners, favors import growth.

Fourth-quarter 2008 lamb and mutton exports are forecast at 3 million pounds, up about 50 percent from the same period last year. November 2008 exports were up 126 percent over the same period in 2007. However the stronger U.S. currency, along with weak global economic conditions, may limit short-term export growth potential. Mexico, Canada, and the Caribbean remain the largest export recipients.

Typically, lamb prices show seasonal increases during the fourth quarter. Despite tight supplies, prices were unable to break out of the price range that held for most of 2008 due to the softer-than-expected demand in the fourth quarter. Choice Slaughter lamb prices at San Angelo ranged from \$79-\$87 per cwt during the first 6 months of 2008 but increased steadily, averaging \$88.83 per cwt in the third quarter. However, the fourth-quarter 2008 Choice Slaughter lamb price at San Angelo averaged only \$88.95 per cwt.

### ***Broiler Production Expected Down 4 Percent in Fourth-Quarter 2008***

During fourth-quarter 2008, the number of eggs set in incubators averaged 198 million per week, down 7.3 percent from a year earlier. The number of chicks being placed for growout averaged 161 million per week, a decline of 6.7 percent from the same period in 2007. The result has been a lower number of birds available for slaughter and a decrease in broiler meat production. The estimate for broiler meat production in the fourth quarter was reduced to 8.9 billion pounds, down 4 percent from fourth-quarter 2007. This lowers overall 2008 broiler meat production to 36.9 billion pounds, 2 percent higher than in 2007.

This decrease in the number of birds going to slaughter and lower year-over-year broiler meat production is expected to continue through the first three quarters of 2009. The annual estimate for broiler meat production in 2009 was lowered to 36.3 billion pounds, a 1.5 percent drop from the revised 2008 estimate.

Broiler meat production in November 2008 was 2.66 billion pounds, a decrease of 12 percent from a year earlier. A large portion of the decrease is the result of 2 fewer slaughter days in November 2008 than November 2007. The number of birds slaughtered was down 12 percent from the previous year, and this decrease was compounded by a small decline (less than 1 percent) in the average liveweight at slaughter to 5.61 pounds. Broiler meat production in December is expected to show a small increase, due to the fact that the month has 2 additional slaughter days over the previous year. Most of the change will come from a difference in the number of birds slaughtered; their average live weight is expected to be very close to the previous year.

Broiler stocks at the end of November totaled 796 million pounds, up 36 million pounds from the end of October and 15 percent higher than a year earlier. Stocks of whole birds totaled 25 million pounds, which is an increase of 4 percent from the previous month. Even with this increase in stocks, the price of whole broilers in November was 15 percent higher than the previous year. Stock levels for most broiler products also were higher than the previous month. Slowing exports resulted in a buildup in stocks of leg meat parts. Stocks for leg quarters, legs, thigh and thigh quarters, and thigh meat all increase between the end of October and the end of November. Broiler stocks are expected to total 810 million pounds at the end of 2008, up about 91 million pounds from the end of 2007. With broiler production expected to decrease year-over-year in the first three quarters of 2009, ending stocks are expected to decline as 2009 progresses.

During November and December there was a reversal in the direction of broiler prices. Over the first three quarters of 2008, with strong production increases, prices for breast meat products had been declining since the middle of the second quarter. The opposite was true with leg meat products, whose prices were being boosted by strong gains in exports. However, with broiler meat production down in fourth-quarter 2008, prices for many breast meat products began to strengthen, and the expected slowdown in the volume of broiler exports in November and December has put downward pressure on leg meat product prices. Over the next several months, breast meat prices are expected to very gradually increase as production declines on a year-over-year basis.

The increases will be moderated by the downturn in the economy. Prices for leg meat products are not expected to respond rapidly to the decline in production, due to the large stocks that have built up in the last several months and expected lower levels of exports during the first three quarters of 2009.

After reaching a record level of 669 million pounds in October, broiler exports declined significantly in November to 571 million pounds. This decline had been anticipated due to the sharply falling price of leg quarters, starting in mid-October. While broiler shipments were lower to a number of markets, a major portion of the decline was due to lower exports to Russia. In November broiler exports to Russia totaled 149 million pounds, 29 percent lower than the previous year. Partially offsetting the steep decline in shipments to Russia were increases of 52 and 48 percent to Mexico and China, compared with the previous year. Exports in December are also expected to be considerably lower than the previous year as many countries reduce imports due to the global economic downturn.

### ***Turkey Prices Down in Fourth Quarter 2008***

In 2008, prices for whole hen turkeys peaked earlier in the fall than in 2007 and then declined more rapidly than a year earlier. This resulted in an average price for the third quarter that was 7 percent higher than the previous year, while the average price for fourth-quarter 2008 was 87.3 cents per pound, down 4 percent from fourth-quarter 2007. The average price for whole hens in the Eastern market in 2008 was 87.5 cents per pound, about 7 percent higher than in 2007 and the fifth consecutive year of rising average prices (nominal basis). In first-quarter 2009, whole turkey prices are expected to remain slightly below year-earlier levels, and high levels of whole turkey stocks are expected to depress turkey prices through most of the year. Overall prices for 2009 are expected to be down slightly from the previous year.

Turkey production in November was 510 million pounds, 3 percent lower than in November 2007. The decrease was chiefly due to the 2 fewer slaughter days in November 2008. The number of turkeys slaughtered in November was down 3.6 percent from the previous year, and the average weight at slaughter fell by less than 1 percent to 27.6 pounds. Turkey meat production in December 2008 is also expected to be higher than the previous year, chiefly due additional slaughter days compared with December 2007. The estimate for turkey meat production in fourth-quarter 2008 remained unchanged from last month at 1.58 billion pounds, about even with the previous year. The turkey meat production estimate for 2009 is about 6.1 billion pounds, down 3 percent from 2008, with lower production in all quarters.

Ending stocks for all turkey products in fourth-quarter 2008 are expected to be 350 million pounds, up 90 million pounds or 34 percent higher than at the end of 2007. At the end of November, cold storage holdings for turkey totaled 370 million pounds, 79 percent higher than a year earlier. The increase was due to large cold storage holdings for whole birds and turkey parts. With lower turkey production expected in 2009 and fewer broiler products available, turkey stocks are expected to move lower than the very high stock levels of 2008, even while increasing seasonally.

Turkey exports in November totaled 59 million pounds, up 23 percent from the previous year. Turkey exports for fourth-quarter 2008 are expected to be 160 million pounds, up 10 percent from the same period in 2007. Turkey exports are expected to decline in 2009 to 605 million pounds, a decrease of 8 percent from 2008. Although exports are expected to decline to a number of countries, much of the decrease will be to Mexico, our major export market, due to declining economic conditions

### ***Eggs Prices Down in Fourth Quarter 2008***

With table egg production continuing at below year-earlier levels through November, wholesale egg prices have remained relatively strong, although prices were lower than the very high levels seen in fourth-quarter 2007. Wholesale prices for a dozen grade A large eggs in the New York market averaged \$1.21 in fourth-quarter 2008, down over 14 percent from the same period in 2007, but well above the 5-year average for fourth quarter of 99 cents per dozen. For 2008, prices averaged \$1.28 per dozen, 13 cents higher than the previous year. Prices moved higher throughout the fourth quarter, with prices averaging \$1.19 in October, \$1.24 in November, and \$1.30 in December. Table egg production is expected to remain below the previous year through the first half of 2009, but then to move higher in the later part of the year. The average for the year is expected to be 4 percent lower than in 2008.

With the decline in the number of broiler eggs being placed in incubators, the estimates of hatching egg production in fourth-quarter 2008 and first-quarter 2009 were both reduced by 5 million-dozen to 265 million-dozen. Hatching egg production in 2009 is expected to decline on a year-over-year basis in the first half of 2009, but to expand in the second half of the year, roughly in line with expected broiler production.

Egg exports in November totaled 16 million-dozen, down 29 percent from the previous year. Overall egg exports in 2008 are expected to total around 208 million-dozen, down 17 percent from the previous year. Over the first 11 months of 2008, much of the decrease has come from reduced shipments of table eggs. After totaling 78.7 million-dozen in 2007, shipments of these eggs have been 31 percent lower so far in 2008. This decline is likely due to the relatively strong domestic prices for table eggs during 2008, especially in the first quarter.



### *Less Beef for the Future?*

Indications are that total U.S. commercial cow slaughter for 2008 was 6 percent above 2007, after adjusting for Canadian cow imports and despite a January 1, 2008 U.S. cow-inventory base that was smaller than the January 1, 2007 cow inventory. Banned since the May 2003 Canadian BSE discovery, Canadian cows were again allowed into the United States in November 2007. As a result, U.S. commercial cow slaughter contained only U.S. cows from May 2003 until mid-November 2007. Dry conditions in many parts of the United States, high feed costs and prices for cows throughout most of 2008, and declining feeder cattle prices played roles in increasing cow slaughter. In addition to boosting total 2008 beef production, these higher slaughter levels will almost certainly lead to a reduced January 1, 2009 total U.S. cow inventory and will affect beef production through 2010-11. USDA's National Agricultural Statistics Service (NASS) will release its January 1 *Cattle* inventory estimates on January 30, 2009.

Federally inspected (FI) calf slaughter in 2008 also exceeded 2007 levels, which in turn had been 7 percent above 2006 slaughter. Cumulative FI calf slaughter through the week ending December 27, 2008, the last full week in 2008, was 25 percent above calf slaughter through the week of December 29, 2007. It is also significant that increasing calf slaughter in both 2006 and 2007 were based on larger calf crops than the calf crop available for slaughter in 2008. While a number of these calves would have gone for veal production under any scenario, some would have been incorporated into the stocker-feeder system and eventually been slaughtered as fed cattle. This level of calf slaughter will likely lead to a slight reduction in supplies of feeder cattle in 2009 and could contribute to lower feedlot placements into 2010. Despite the large increase in slaughter in 2008, lighter dressed weights of the calves slaughtered has led to only a 3-percent increase in veal production for the year.

Veal is largely consumed in restaurants and hotels in the United States. Except for some cyclical increases, notably in the 1950s, 1970s, 1980s, and 1990s, total annual commercial calf slaughter and veal production have generally declined over at least the last 50 years. Calf slaughter reached a low in 2006, and while veal production in 2008 was up slightly, it was not up enough to significantly interrupt the general long-term downward trend. Partly as a result of the increased calf slaughter, stocks of veal in cold storage facilities increased from a low of just over 1.6 million pounds on June 1, 2005 to an October 1, 2008 high of 7.9 million pounds.

One result of higher U.S. commercial cow and calf slaughter and lower numbers of feeder cattle available for placement on feed during 2008 is the expectation that beef production in 2009 and beyond will be less than 2008 production levels. Increased cow slaughter over the last 2 years could translate into fewer calves born in 2009. In turn, this could lead to decreased beef production in 2010 and beyond, until such time as cow inventories again reach a level supportive of larger calf crops, from which feeder cattle are drawn for feedlot placements.

Cow inventories are increased by retaining sufficient numbers of heifers for breeding from each calf crop. As a result—assuming no external factors, such as weather, distort normal patterns—fewer heifers will be available for placement in feedlots, which reduces cattle-on-feed inventories and subsequent beef production.

While there are some potentially offsetting tradeoffs among the numbers of fed cattle slaughtered, the ratio of steers to heifers, and dressed weights, reduced inventories of cattle on feed will likely lead to reduced fed beef production in the first year or 2 of cow inventory increases. Reduced beef supplies normally translate into higher prices from the ranch to retail—good news for producers, bad news for consumers. As cow inventories increase, successively larger calf crops and feedlot placements will result in successively larger beef production. Increased beef production will likely then result in declining prices—bad news for producers, good news for consumers. The speed at which this scenario unfolds could be modified by continued recovery of post-BSE export markets for U.S. beef.

### ***2008 Ends with Negative Cattle-Feeding Margins***

Prices for feed grains and proteins, except for alfalfa hay, peaked during the summer 2008 and trended downward through the harvest season. As a result, feeding costs appear to have peaked, at least for the near term, for cattle fed through the summer and marketed in October 2008 (data from High Plains Cattle Feeding Simulator). However, cattle feeding margins continued to show heavy losses through December 2008, more a result of declining fed cattle prices than the feed price declines for cattle marketed during the last quarter of 2008.

With the exception of July, monthly net placements of feeder cattle in 1,000-head-plus feedlots were lower, year-over-year, for March through November 2008. Despite the reduced placements, unpublished data indicate that after April 2008, monthly average placement weights were likely heavier than year-earlier weights. Consistent with a positive correlation between placement weights and slaughter weights, monthly federally inspected dressed weights for steers and heifers averaged above weights for the same months in 2007 through October 2008. November 2008 weights, below their year-earlier average, were an exception.

In 2008, total commercial cow slaughter made up a larger-than-normal share of total commercial cattle slaughter. Dressed weights for cows are generally lighter than steer and heifer weights. Further, the higher-than-usual 2008 cow slaughter resulted in even lighter dressed weights for cows compared with the same months in 2007. As a result, average dressed weights for all cattle slaughtered were above year-earlier weights from February through June 2008 and then below year-earlier weights through November. Correspondingly, monthly beef production in 2008 was above 2007 beef production for most of the first half of 2008 and below 2007 levels for the second half. The net result is that 2008 beef production is shaping up to be virtually unchanged from 2007 production.

### ***Retail Prices Slow To Follow Wholesale Prices Downward***

By July 2008, Choice beef cutout values had climbed to levels not seen since the supply-induced October 2003 peak, just prior to the December 2003 U.S. BSE discovery. As the economic downturn became more serious in 2008, beef purchasing patterns shifted from restaurant and hotel dining to shopping for increased home consumption. As a result, two trends could be identified: First, second-half 2008 Choice cutout values declined as retail demand shifted away from hotel-restaurant consumption. Second, demand for Select beef and ground products for at-home consumption increased.

The combination of these two trends meant that the spread between Choice and Select beef cutout values narrowed to a spread that was generally well below both 2007 levels and the 5-year average throughout most of 2008.

Retail Choice beef prices began 2008 at \$4.10 per pound and climbed steadily to a new record of \$4.53 per pound in August. Choice retail beef prices have been slow to decline since the August high compared with declines in wholesale cutout values over the same period. While Choice cutout values declined by 14 percent from July 2008 to December, Choice retail beef prices remained at a near-record \$4.51 per pound in both September and October before declining to a December low of \$4.38.

### *Canadian Live Cattle Imports Decrease in Second Half of 2008 with Changing Exchange Rates*

Live cattle imports from Canada in the final quarter of 2008 were below levels seen in 2007, according to AMS reports. Total weekly imports, which were running above year-earlier levels in the first half of the year, were generally lower in the second half. Imports were most significantly affected by feeder cattle imports, which began increasing in September 2007, primarily driven by the increased cost of feed and a strengthening Canadian dollar.

A strengthening Canadian dollar in late-2007 and early-2008 made beef produced in Canada more expensive for U.S. customers. The United States accounts for nearly all of the Canadian export market. Concurrently, a relatively weak U.S. dollar encouraged beef exports from the United States and increased the cutout value, most likely leading to a counter-intuitive increase in U.S. imports of Canadian cattle during this period. Producing beef in the United States was more profitable than producing and then exporting beef from Canada. According to CanFax, Canadian feedlot inventories show a year-over-year decline beginning in September of 2007, which corresponds to the increased number of Canadian feeder cattle being sent to the United States. According to official trade data, fourth-quarter 2007 cattle imports from Canada increased 63 percent year-over-year, contributing to a 36-percent annual increase in 2007.

The increased number of Canadian feeder cattle continued through the spring of 2008 as the exchange rate between the U.S. and Canadian dollars remained relatively stable. Historically, the summer months have light volumes of cattle trade, as it is the peak grazing season. The year-to-year increase in feeder cattle imports narrowed seasonally in the summer 2008, but then began increasing again in September, consistent with patterns observed in 2006 and 2007. However, in late September and into October, feeder cattle imports declined, diverging from their earlier pattern. It was at this time that the U.S. dollar dramatically strengthened relative to the Canadian dollar, and feed costs for barley in Canada and corn in the United States fell from the summer highs. These conditions, which were the antithesis of those that initially encouraged feeder cattle imports, made Canadian beef more competitive for U.S. buyers.

Slaughter steer and heifer imports, which did not see as dramatic an increase as feeder cattle from the fourth quarter of 2007 through the second quarter of 2008, also declined in the second half of the year. Some of the decrease is likely due to the implementation of mandatory Country-of-Origin-Labeling (COOL) in the United States, which went into effect in September of 2008 and is applicable to cattle imported after July 15, 2008. As a result, packers must segregate the production of foreign animals and presumably alter their purchasing patterns for fed cattle of Canadian origin. However, the more dramatic decrease in steer and heifer imports came in October 2008, again during the period where the U.S. dollar strengthened against the Canadian dollar. Canadian feedlots saw higher placements in the fourth quarter, and inventories have recovered to the levels seen in 2006. This should lead to increased marketings in 2009, which were lower in 11 of the 12 months in 2008.

Total annual U.S. cattle imports for 2008 are expected to be 2.25 million head, down 10 percent from 2007. Cattle imports should continue their decline as the relatively weaker Canadian dollar makes exporting beef to the United States more profitable. In 2009, 2.1 million head of cattle are expected to be imported into the United States from all sources.

### ***U.S. Beef Exports Continue To Increase, but at a Slower Rate***

Trade data from November showed 136 million pounds of beef exported by the United States, a 12-percent year-over-year increase. While total U.S. beef exports have increased, exports to the top two importers of U.S. beef, Canada and Mexico, declined year-over-year in November. Exports to Japan increased 17 percent in November compared with last year, much lower than the 44-percent increase in September and the 51-percent increase in October. Exports to South Korea fell by more than half compared with the previous month. Limited storage capacity, a weakening economy, and a depreciating Korean currency all affected U.S. exports to Korea in November. Exports to Vietnam, the Middle East, and the EU have increased from last year, making up for some of the declines in the major markets.

Beef exports are expected to be 1.875 billion pounds for 2008. Exports are expected to increase to 1.92 billion pounds for 2009. Reduced demand from major importers, including Mexico, Japan, and Korea, is expected to continue into 2009. The financial crisis and global economic downturn will likely dampen sales of U.S. high-quality, grain-fed beef in those countries.

### ***Beef Imports Increasing as Global Demand Falls***

U.S. beef imports were 206 million pounds in November, an 11-percent increase year-over-year. Imports from Australia were still lower year-over-year, but the drop was less than those seen in the past few months. Australian exports to Russia have decreased since their mid-year peaks as the Russian economy weakens after being very high in the first half of the year. Australian beef has also had to compete with U.S. beef in the South Korean market since July. With reduced demand in other countries, the U.S. remains a solid export market for Australia. U.S. imports of Canadian beef have also continued to increase, partially as a result of the strengthening U.S. dollar.

In 2008, 2.482 billion pounds of beef are expected to be imported by the United States, a 19-percent decrease from 2007. Imports are expected to increase 8 percent in 2009, to 2.68 billion pounds. Reduced demand in both developed and emerging markets should mean that more foreign production is sent to the United States.

### *Cow Numbers Trend Downward in 2009 as Production Adjusts to a Weaker Market and Lower Prices*

Despite lower feed costs, flagging demand will likely continue to depress prices and producer profitability in 2009. A lower milk-feed price ratio suggests that weaker prices hold the upper hand over lower feed costs and are pressuring profitability. The U.S. dairy herd is forecast to decline modestly during in 2009 and to average 9.2 million for the year. Output per cow is forecast to inch upward to 20,620 pounds per cow in 2009, less than a 1-percent increase over 2008 and the second year of about a 1-percent growth rate in yield, after adjusting for the 2009 leap day. Despite the lower herd size, the slight yield increase will nudge milk production up to 190.5 billion pounds in 2009, compared with 189.6 billion in 2008. Although down from mid-year peaks, corn prices remain relatively high, while milk prices have dipped. This divergence of feed and milk prices has left dairy producers with a seriously deteriorating profit situation. The milk-feed price ratio in 2009 is forecast to be the lowest since the 1980s.

In light of the recessionary economy, domestic demand is expected to weaken. Restaurant sales are down, and sales of value-added and premium products have also fallen. To the extent that dairy products fall into these categories, demand will be affected. On the other hand, if dairy products become a larger portion of meals consumed at home, there may be some support.

Production in 2008 of all major dairy products, except whey, are above year-ago levels, and inventories are high. The central problem is that domestic demand is insufficient to absorb the increased production, and export prospects are dim. Global recession, higher production abroad, and a stronger dollar are expected to combine to curtail dairy exports in 2009. Commercial exports are projected at 6.7 billion pounds (fat basis) in 2009, a drop from 9.1 billion estimated for 2008. On a skims-solids basis, exports are projected at 23.5 billion pounds this year compared with an estimated 26.5 billion in 2008. Lower prices will likely prompt some additional domestic commercial use in 2009.

Prices for dairy products are sharply lower and will remain so into 2009. Recovery for most products is not anticipated until mid-year. Nonfat dry milk (NDM) producers have shifted production from export to sales to the Commodity Credit Corporation (CCC). Butter movement into CCC has already begun, and some cheese sales to CCC are expected. Higher prices will depend on lowering production to be more in line with demand. Milk Income Loss Contract payments to some producers will boost farm income, but could slow production adjustment.

Dairy product prices will be lower in 2009. Cheese prices are forecast at \$1.260 to \$1.340 per pound in 2009, down from \$1.895 in 2008. Butter prices are forecast at \$1.160 to \$1.270 per pound this year, compared with \$1.436 last year. NDM prices will likely average between 84.0 and 90.0 cents per pound, down from an average \$1.226 per pound in 2008. Dry whey prices dropped in 2008 and are forecast to decline further, averaging 18.0 to 21.0 cents per pound in 2009 after averaging 25.0 cents per pound last year. Some price recovery could come in mid-2009, but is largely dependent on adjusting milk production to weaker demand prospects.

Milk prices will decline this year in the wake of product price declines. The Class IV price is forecast to average \$10.00 to \$10.90 per cwt this year, down from 2008's \$14.65 per cwt average. The Class III price is forecast to average \$10.60 to \$11.40 per cwt, down from \$17.44 per cwt last year. The all milk price is expected to average \$11.80 to \$12.60 per cwt in 2009, a drop from \$18.34 in 2008.

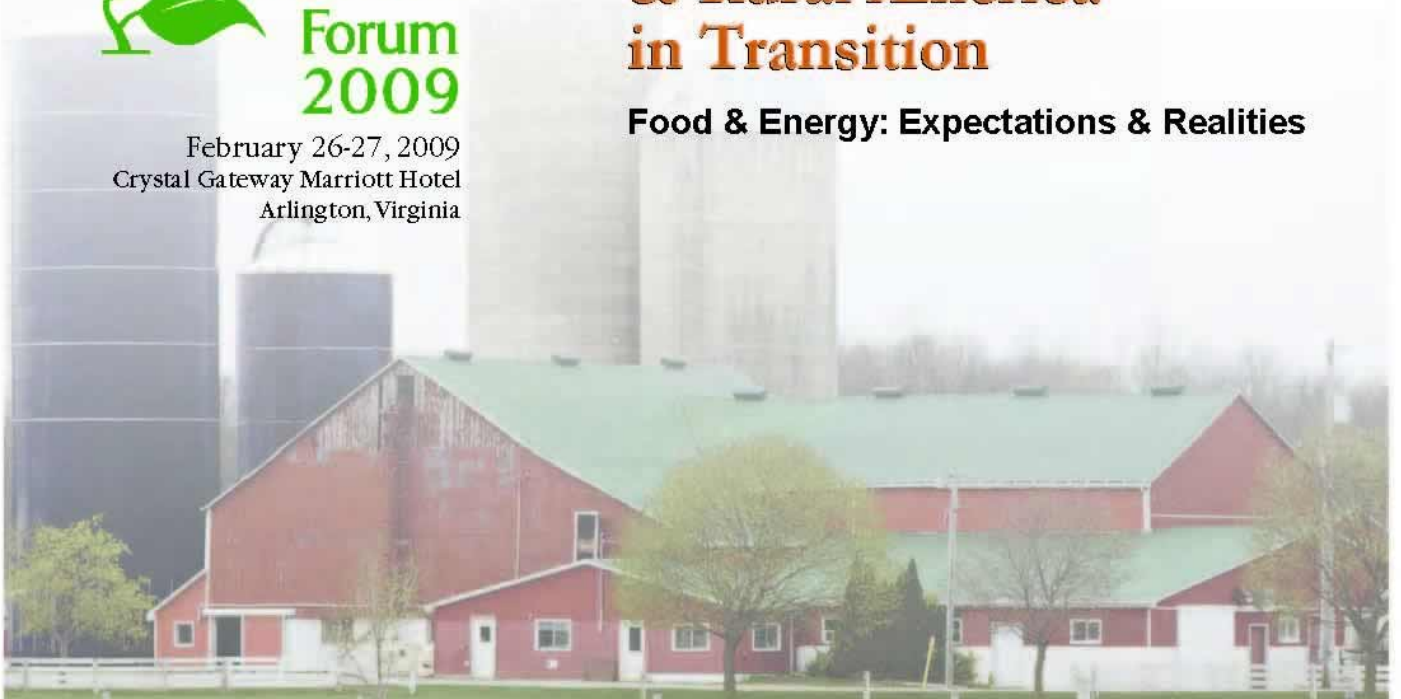


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## Contacts and Links

### Contact Information

Richard Stillman (coordinator)	(202) 694-5265	<a href="mailto:stillman@ers.usda.gov">stillman@ers.usda.gov</a>
David J. Harvey (poultry, eggs)	(202) 694-5177	<a href="mailto:djharvey@ers.usda.gov">djharvey@ers.usda.gov</a>
Ken Mathews (cattle)	(202) 694-5183	<a href="mailto:kmathews@ers.usda.gov">kmathews@ers.usda.gov</a>
Michael McConnell (beef trade)	(202) 694-5158	<a href="mailto:mmcconnell@ers.usda.gov">mmcconnell@ers.usda.gov</a>
Keithly Jones (sheep and goats)	(202) 694-5172	<a href="mailto:kjones@ers.usda.gov">kjones@ers.usda.gov</a>
Mildred M. Haley (hogs/pork)	(202) 694-5176	<a href="mailto:mhaley@ers.usda.gov">mhaley@ers.usda.gov</a>
Roger Hoskin (dairy)	(202) 694-5148	<a href="mailto:rhoskin@ers.usda.gov">rhoskin@ers.usda.gov</a>
David Johnson (web publishing)	(202) 694-5222	<a href="mailto:davidj@ers.usda.gov">davidj@ers.usda.gov</a>
Christopher Davis (poultry trade)	(202) 694-5167	<a href="mailto:chrisdavis@ers.usda.gov">chrisdavis@ers.usda.gov</a>

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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/>  
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U.S. red meat and poultry forecasts

	2004	2005	2006				2007 1/					2008					2009						
	Annual	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	
<b>Production, million lb</b>																							
Beef	24,548	24,683	6,082	6,724	6,834	6,513	26,153	6,237	6,649	6,802	6,733	26,421	6,371	6,897	6,911	<b>6,380</b>	<b>26,559</b>	<b>6,260</b>	<b>6,770</b>	<b>6,970</b>	<b>6,540</b>	<b>26,540</b>	
Pork	20,511	20,685	5,335	5,008	5,087	5,625	21,055	5,396	5,128	5,256	6,163	21,943	6,023	5,593	5,633	<b>6,110</b>	<b>23,359</b>	<b>5,915</b>	<b>5,464</b>	<b>5,550</b>	<b>6,105</b>	<b>23,125</b>	
Lamb and mutton	195	187	49	47	42	47	185	49	44	42	48	183	46	43	41	<b>42</b>	<b>172</b>	<b>43</b>	<b>44</b>	<b>40</b>	<b>42</b>	<b>169</b>	
Broilers	34,063	35,365	8,814	8,980	8,870	8,835	35,500	8,625	9,085	9,131	9,285	36,126	9,108	9,432	9,455	<b>8,900</b>	<b>36,895</b>	<b>8,750</b>	<b>9,250</b>	<b>9,225</b>	<b>9,150</b>	<b>36,325</b>	
Turkeys	5,454	5,504	1,351	1,435	1,419	1,476	5,682	1,413	1,482	1,488	1,575	5,958	1,541	1,565	1,571	<b>1,575</b>	<b>6,252</b>	<b>1,495</b>	<b>1,510</b>	<b>1,510</b>	<b>1,555</b>	<b>6,070</b>	
Total red meat & poultry	85,442	87,097	21,792	22,362	22,413	22,656	89,224	21,874	22,552	22,876	23,962	91,264	23,258	23,712	23,796	<b>23,174</b>	<b>93,940</b>	<b>22,628</b>	<b>23,154</b>	<b>23,466</b>	<b>23,558</b>	<b>93,806</b>	
Table eggs, mil. doz.	6,365	6,413	1,617	1,617	1,632	1,656	6,522	1,598	1,593	1,602	1,642	6,435	1,590	1,581	1,601	<b>1,630</b>	<b>6,402</b>	<b>1,650</b>	<b>1,580</b>	<b>1,610</b>	<b>1,650</b>	<b>6,240</b>	
<b>Per capita disappearance, retail lb 2/</b>																							
Beef	66.1	65.6	15.8	16.9	16.9	16.3	65.8	15.9	16.6	16.4	16.2	65.2	15.6	16.3	15.7	<b>15.0</b>	<b>62.6</b>	<b>15.0</b>	<b>16.0</b>	<b>16.1</b>	<b>15.2</b>	<b>62.3</b>	
Pork	51.4	50.0	12.4	11.9	11.9	13.1	49.4	12.3	12.2	12.3	14.0	50.8	12.6	11.7	12.0	<b>12.9</b>	<b>49.2</b>	<b>13.0</b>	<b>12.3</b>	<b>12.0</b>	<b>12.6</b>	<b>49.9</b>	
Lamb and mutton	1.1	1.1	0.3	0.3	0.2	0.3	1.1	0.3	0.3	0.3	0.3	1.1	0.3	0.3	0.2	<b>0.2</b>	<b>1.0</b>	<b>0.3</b>	<b>0.2</b>	<b>0.2</b>	<b>0.3</b>	<b>1.0</b>	
Broilers	84.4	85.8	21.7	22.1	21.9	20.9	86.5	21.2	21.6	21.4	21.2	85.4	21.2	21.4	21.0	<b>20.3</b>	<b>83.8</b>	<b>20.3</b>	<b>21.2</b>	<b>21.3</b>	<b>20.8</b>	<b>83.7</b>	
Turkeys	17.1	16.7	3.5	3.9	4.3	5.2	16.9	3.8	4.1	4.2	5.5	17.5	4.0	4.1	4.3	<b>5.6</b>	<b>17.8</b>	<b>4.1</b>	<b>4.3</b>	<b>4.2</b>	<b>5.2</b>	<b>17.7</b>	
Total red meat & poultry	221.6	221.0	54.1	55.5	55.6	56.1	221.3	53.9	55.1	54.9	57.6	221.6	54.0	54.2	53.8	<b>54.3</b>	<b>216.3</b>	<b>53.1</b>	<b>54.4</b>	<b>54.4</b>	<b>54.5</b>	<b>216.4</b>	
Eggs, number	257.3	255.8	64.1	63.7	63.9	64.7	257.8	62.2	61.7	62.4	63.8	250.1	61.8	61.3	61.9	<b>63.3</b>	<b>248.3</b>	<b>60.7</b>	<b>60.3</b>	<b>61.5</b>	<b>62.8</b>	<b>245.3</b>	
<b>Market prices</b>																							
Choice steers, Neb., \$/cwt	84.75	87.28	89.24	80.39	85.40	86.61	85.41	90.61	93.45	91.36	91.85	91.82	89.59	92.82	98.45	88.22	92.27	<b>89-93</b>	<b>92-98</b>	<b>90-98</b>	<b>91-99</b>	<b>91-97</b>	
Feeder steers, Ok City, \$/cwt	104.76	110.94	106.23	104.08	115.17	103.22	107.18	99.53	108.87	115.64	108.88	108.23	99.88	106.60	110.81	94.62	102.98	<b>95-99</b>	<b>98-104</b>	<b>102-110</b>	<b>104-112</b>	<b>99-107</b>	
Boning utility cows, S. Falls, \$/cwt	52.35	54.36	48.89	47.79	49.28	44.29	47.56	51.04	53.96	54.07	49.40	52.12	53.88	57.30	61.78	46.70	54.92	<b>46-52</b>	<b>49-53</b>	<b>51-55</b>	<b>51-55</b>	<b>49-53</b>	
Choice slaughter lambs, San Angelo, \$/cwt	96.69	97.76	77.03	66.56	81.10	84.53	77.31	82.59	82.23	87.33	87.55	84.93	86.23	79.62	88.83	85.50	85.05	<b>84-88</b>	<b>86-90</b>	<b>82-90</b>	<b>84-92</b>	<b>83-91</b>	
Barrows & gilts, N. base, I.e. \$/cwt	52.51	50.05	42.63	48.45	51.83	46.13	47.26	46.04	52.55	50.33	39.43	47.09	39.64	52.51	57.27	41.92	47.84	<b>46-48</b>	<b>48-52</b>	<b>51-54</b>	<b>45-49</b>	<b>47-51</b>	
Broilers, 12 City, cents/lb	74.10	70.80	62.7	61.0	67.8	65.9	64.4	75.00	80.30	79.20	71.10	76.40	78.10	80.60	80.60	79.40	79.70	<b>81-85</b>	<b>82-88</b>	<b>83-89</b>	<b>80-86</b>	<b>81-87</b>	
Turkeys, Eastern, cents/lb	69.70	73.40	67.3	71.3	79.4	89.8	77.0	69.70	77.90	89.90	90.80	82.10	77.4	88.90	96.50	87.30	87.50	<b>74-78</b>	<b>81-87</b>	<b>88-96</b>	<b>86-94</b>	<b>83-88</b>	
Eggs, New York, cents/doz.	82.20	65.50	71.4	62.7	64.0	89.0	71.8	105.3	92.0	119.1	141.0	114.4	158.8	117.30	114.50	120.50	127.80	<b>124-130</b>	<b>115-123</b>	<b>111-121</b>	<b>123-133</b>	<b>117-127</b>	
<b>U.S. trade, million lb</b>																							
Beef & veal exports	460	697	215	315	307	308	1,145	269	363	424	375	1,431	360	471	609	<b>435</b>	<b>1,875</b>	<b>425</b>	<b>505</b>	<b>500</b>	<b>490</b>	<b>1,920</b>	
Beef & veal imports	3,679	3,599	843	790	730	722	3,085	770	884	774	624	3,052	637	661	584	<b>600</b>	<b>2,482</b>	<b>625</b>	<b>710</b>	<b>690</b>	<b>655</b>	<b>2,680</b>	
Lamb and mutton imports	181	180	53	44	41	52	190	56	44	44	59	202	52	48	38	<b>44</b>	<b>182</b>	<b>50</b>	<b>43</b>	<b>40</b>	<b>48</b>	<b>181</b>	
Pork exports	2,181	2,666	767	763	654	811	2,995	792	685	703	959	3,138	1,106	1,387	1,126	<b>1,150</b>	<b>4,769</b>	<b>900</b>	<b>950</b>	<b>1,000</b>	<b>1,250</b>	<b>4,100</b>	
Pork imports	1,099	1,024	259	237	239	254	989	239	256	240	232	968	217	205	191	<b>200</b>	<b>813</b>	<b>220</b>	<b>210</b>	<b>205</b>	<b>215</b>	<b>850</b>	
Broiler exports	4,783	5,203	1,270	1,297	1,234	1,404	5,205	1,275	1,393	1,493	1,610	5,771	1,507	1,787	1,912	<b>1,525</b>	<b>6,731</b>	<b>1,475</b>	<b>1,550</b>	<b>1,525</b>	<b>1,600</b>	<b>6,150</b>	
Turkey exports	442	570	119	125	152	150	547	124	135	148	146	553	148	160	186	<b>160</b>	<b>654</b>	<b>135</b>	<b>145</b>	<b>160</b>	<b>165</b>	<b>605</b>	
Live swine imports (thousand head)	8,506	8,191	2,133	2,088	2,204	2,338	8,763	2,302	2,370	2,464	2,869	10,005	2,915	2,149	2,201	<b>1,850</b>	<b>9,115</b>	<b>1,850</b>	<b>1,850</b>	<b>1,750</b>	<b>1,750</b>	<b>7,200</b>	

1/ Forecasts are in bold.

2/ Per capita meat and egg disappearance data are calculated using the Resident Population Plus Armed Forces Overseas series from the Census Bureau of the Department of Commerce.

Source: World Agricultural Supply and Demand Estimates and Supporting Materials.

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

## Dairy Forecasts

	2007		2008					2009				
	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Milk cows (thous.)	9,198	9,158	9,249	9,274	9,277	9,275	9,269	9,265	9,250	9,230	9,215	9,240
Milk per cow (pounds)	5,003	20,267	5,140	5,249	5,048	5,020	20,457	5,140	5,300	5,100	5,080	20,620
<b>Milk production (bil. pounds)</b>	46.0	185.6	47.5	48.7	46.8	46.6	189.6	47.6	49.0	47.1	46.8	190.5
Farm use	0.3	1.2	0.3	0.3	0.3	0.3	1.2	0.3	0.3	0.3	0.3	1.2
Milk marketings	45.7	184.4	47.3	48.4	46.5	46.3	188.4	47.3	48.7	46.8	46.5	189.4
<b>Milkfat (bil. pounds milk equiv.)</b>												
Milk marketings	45.7	184.4	47.3	48.4	46.5	46.3	188.4	47.3	48.7	46.8	46.5	189.4
Beginning commercial stocks	12.5	9.5	10.4	12.1	13.6	11.5	10.4	10.1	11.0	12.8	11.1	10.1
Imports	1.3	4.6	1.0	0.7	0.7	1.0	3.4	0.9	0.7	0.8	1.1	3.4
Total supply	59.5	198.6	58.6	61.3	60.8	58.8	202.2	58.3	60.4	60.3	58.7	202.8
commercial exports	2.0	5.7	2.2	2.5	2.5	1.9	9.1	1.8	1.7	1.6	1.6	6.7
Ending commercial stocks	10.4	10.4	12.1	13.6	11.5	10.1	10.1	11.0	12.8	11.1	9.5	9.5
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.1	0.0	0.4
Commercial use	47.1	182.5	44.2	45.1	46.9	46.8	183.0	45.4	45.8	47.4	47.6	186.2
<b>Skim solids (bil. pounds milk equiv.)</b>												
Milk marketings	45.7	184.4	47.3	48.4	46.5	46.3	188.4	47.3	48.7	46.8	46.5	189.4
Beginning commercial stocks	9.7	9.1	9.9	10.1	10.6	10.2	9.9	10.5	10.0	10.6	10.1	10.5
Imports	1.2	4.4	1.0	0.8	0.8	1.1	3.6	0.8	0.8	0.8	1.0	3.4
Total supply	56.7	198.0	58.1	59.3	58.0	57.5	202.0	58.7	59.5	58.2	57.6	203.3
commercial exports	6.5	24.5	6.7	7.6	6.9	5.3	26.5	6.0	5.9	5.8	5.8	23.5
Ending commercial stocks	9.9	9.9	10.1	10.6	10.2	10.5	10.5	10.0	10.6	10.1	10.2	10.2
Net removals	0.0	0.0	0.0	0.0	0.0	1.3	1.3	1.3	1.4	0.7	0.6	3.9
Commercial use	40.2	163.6	41.4	41.1	40.9	40.3	163.7	41.4	41.6	41.6	41.1	165.7
<b>Milk prices (dol./cwt) 1/</b>												
All milk	21.60	19.13	19.23	18.57	18.67	18.90	18.34	11.75	10.80	11.50	13.15	11.80
								-12.15	-11.50	-12.50	-14.15	-12.60
Class III	19.51	18.04	18.12	18.40	17.28	15.95	17.44	9.75	9.84	10.87	12.03	10.60
								-10.15	-10.54	-11.87	-13.03	-11.40
Class IV	20.29	18.36	15.04	15.25	16.23	12.07	14.65	9.41	9.56	10.28	10.74	10.00
								-9.91	-10.36	-11.38	-11.84	-10.90
<b>Product prices (dol./pound) 2/</b>												
Cheddar cheese	1.995	1.738	1.933	1.977	1.869	1.804	1.895	1.187	1.185	1.280	1.393	1.260
								-1.227	-1.255	-1.380	-1.493	-1.340
Dry whey	0.435	0.600	0.305	0.267	0.243	0.186	0.250	0.163	0.175	0.185	0.195	0.180
								-0.183	-0.205	-0.215	-0.225	0.210
Butter	1.301	1.344	1.230	1.411	1.575	1.527	1.436	1.072	1.107	1.218	1.245	1.160
								-1.142	-1.207	-1.348	-1.375	-1.270
Nonfat dry milk	1.940	1.708	1.364	1.300	1.334	0.904	1.226	0.810	0.810	0.845	0.885	0.840
								-0.850	-0.870	-0.915	-0.955	-0.900

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.

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

For further information, contact: Roger Hoskin 202 694 5148, [rhoskin@ers.usda.gov](mailto:rhoskin@ers.usda.gov)

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