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Tightened Beef Supplies Rally Prices Higher

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Tables will be released on Apr 27, 2010

The next newsletter release is May 19, 2010

Approved by the World Agricultural Outlook Board

Beef/Cattle: First-quarter 2010 commercial cow slaughter is expected to be the highest first-quarter slaughter since 1997. High prices and prospects for good pastures are giving cattle producers at all levels a much-appreciated break from low-to-negative returns.

Special Article: Southern Plains Cattle Sell at a Premium to Northern-Central Plains Cattle.

Beef/Cattle Trade: In 2010, U.S. beef exports are expected to grow nearly 10 percent, reaching a total of 2.05 billion pounds. However, beef supplies are tightened globally and the subsequent reduction in beef imports to the United States, along with stronger demand for beef, is expected to ratchet beef prices higher throughout the year. U.S. imports of beef from Australia and New Zealand were below 2009 levels by double digits—45 and 25 percent, respectively. Strong price signals from the domestic live cattle markets, however, should rally U.S. live cattle imports to the United States in the coming months, particularly from Canada.

Pork/Hogs: The *Quarterly Hogs and Pigs* report released by USDA on March 26 showed year-over-year lower March 1 inventories of market hogs and breeding animals, year-over-year lower producer farrowing intentions for the spring and summer pig crops, and a slowing rate of increase in the winter pigs per litter. The lower U.S. hog production implied by the report, combined with expected lower U.S live swine imports, points to lower hog supplies for the balance of 2010 and into 2011. Lower hog supplies, at a time when a recovery of pork demand is expected to get under way, foreshadows continued higher hog prices.

Poultry: The forecast for U.S. broiler meat production in 2010 was increased by 375 million pounds to 36.3 billion pounds, 2 percent higher than in 2009. With a large decline in broiler production expected in first-quarter 2009, the estimates for broiler ending stocks were also reduced. Even with expected higher production and lower exports, wholesale prices for many broiler products have continued to remain above the previous year. Turkey production in January and February was 850 million pounds, down 7 percent from the previous year. Lower production and lower cold storage holdings have placed upward pressure on turkey prices. Whole bird prices for first-quarter 2010 were up 7 percent from a year earlier.

Dairy: Milk production is forecast at 189.9 billion pounds in 2010. The rate of decline in the Nation's dairy herd has slowed, and production per cow is continuing to rise. The added milk, along with plentiful stocks of most dairy products, will limit price increases over the next few months. Rising export prospects and improved domestic demand could lift prices by year's end.

Beef/Cattle

Cow Slaughter Continues Unabated Through March

U.S. cow slaughter continues, spurred by high demand and prices for processing beef. While dairy cow slaughter increased until the week of March 13, they have made up an increasing share of weekly federally inspected cow slaughter since. Weekly beef cow slaughter has made up a larger share of total federally inspected cow slaughter than for the same weeks in 2009. Commercial cow slaughter in first-quarter 2010 could be the highest first-quarter quantity since 1997. Year-to-date weekly imports of Canadian cows into the United States for slaughter were up by 29 percent through April 3 compared with the same period last year. Exported partly because of dry pasture conditions in Canada, these cows account for about 4 percent of year-to-date weekly federally inspected cow slaughter levels. Cow slaughter at current rates could set the stage for a lower year-over-year cow inventory on January 1, 2011. However, current feeder cattle prices and feedlot margins are expected to mitigate beef cow slaughter rates at some point soon as cattle producers view those cows as more valuable for producing a higher valued product than they did just a few weeks ago.

Fed Cattle Prices Lead to Positive Margins for Beef Cattle Sectors

U.S. feeder cattle prices have increased rapidly since January 2010 and are well above last year's prices. Average monthly prices in March for Medium and Large Number 1 500- to 550-pound (lb) feeder steers in Oklahoma City were 11 percent higher than January 2010 prices and 12 percent higher than in March 2009 prices when drought adversely affected prices for lightweight feeder cattle for grazing native pastures during the summer. Compared with supplies in first-quarter 2009, relatively shorter supplies of heavier feeder cattle, combined with sharply higher fed cattle prices, have also had a positive effect on heavier weight feeder cattle for feedlot placements. March prices for Medium and Large Number 1 750- to 800-lb feeder steers in Oklahoma City averaged 7 percent above January 2010 prices and 14 percent above year-earlier prices.

Cattle feeding margins were positive for the first quarter of 2010 for the first time since the first quarter of 2008. Current fed cattle price levels at or near $100 per hundredweight (cwt) will continue to provide positive cattle feeding margins and further incentives to cattle feeders over the near term. These incentives could feed into some combination of two possible scenarios: In a short-term scenario, some fed cattle could be marketed earlier—pulled forward—than they might have been under more normal circumstances in order to capture the positive margins in the shorter run. Pulling cattle forward would lead to reduced dressed weights and more Select-grading cattle in the slaughter mix. However, the total impact on beef production remains uncertain because it is a function of both the number of cattle slaughtered and their weights at slaughter. An alternative short-term view is the possibility that feeder cattle prices in the relatively high $110-plus range might not encourage additional feedlot placements, even with the declining corn price outlook, if the impact of increases in feeder cattle prices more than offsets the impact of declines in corn prices for cattle feeding margins. Producers could also consider a longer term view toward setting themselves up to produce calves in later years to capture higher prices as a result of expected fewer supplies of feeder cattle.

This view could motivate retention of additional heifers for breeding, which would have a short-term effect of reducing inventories of heifers available as placements in feedlots.

Consistent with seasonal fluctuations in regional fed cattle price relationships (see special article), fed cattle prices beginning the week of March 27 in Nebraska exceeded those in the Southern Plains. This seasonal price pattern is a result of the relatively greater scarcity of finished yearling cattle in Nebraska and the Corn Belt at this time of the year compared with the cattle in Southern Plains feedlots and the willingness of packers to bid more for them. The relatively larger supplies of calves placed on feed last fall after weaning—calf-feds—also contributes to the seasonal decline in dressed weights as these cattle go to market.

Wholesale cutout values for both Choice and Select beef have also continued to increase. As the spring and summer grilling season approaches, prices for the prime cuts that are the source of grilling cuts increase. At the same time, the percentage of carcasses grading Choice or better has begun its seasonal decline. Retail prices, which were just beginning to respond to lower cutout values earlier in the year, inched back up for March 2010. Choice retail beef prices in March were up by 3 percent over January prices, virtually unchanged from the March 2009 price. Narrowing price spreads from feedlot to retail, as observed over first-quarter 2010, are likely to pressure both packers and retailers into price-increasing strategies. One such strategy is to reduce slaughter levels to keep wholesale prices high and put downward pressure on fed cattle prices. With feedlots as current as observers indicate, price-increasing strategies are not likely to be as effective as they have been in periods of plentiful supplies of fed cattle.

Special Article

Southern Plains Cattle Sell at a Premium to Northern-Central Plains Cattle

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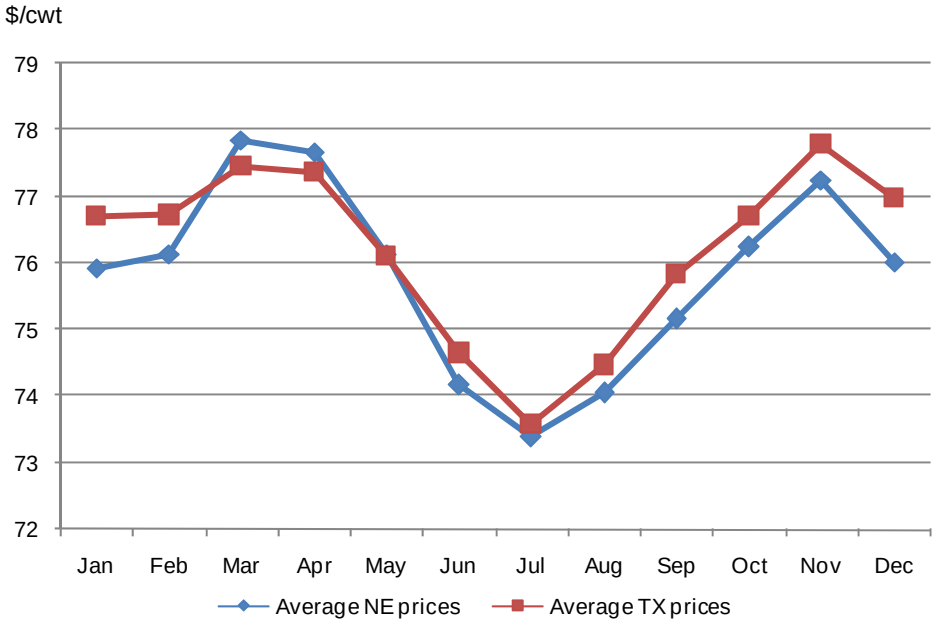
The North-South (N-S) spread is a persistent difference in prices for fed cattle from the Northern and Central Plains (NE) and the Southern Plains (TX), with Southern Plains cattle generally selling at a premium to Northern cattle. The N-S spread is defined here as the observed difference between all-grade prices for Nebraska 1,100- to 1,300-pound (lb) steers and prices for Southern Plains (Texas, Oklahoma, and New Mexico) 1,100- to 1,300-lb steers (for example, see USDA, Agricultural Marketing Service (AMS), LM_CT175, and LM_CT173) (figs. 1 and 3). The N-S spread arises due to complex dynamics among:

- The quality, age, and size of cattle when marketed,
- The particular characteristics of feeder cattle production systems,
- The timing throughout the production process,
- Regional marketing conventions, and
- Corn/feed prices in the two regions.

These price differences are also a result of the way in which aggregates across variations in marketing strategies and local conventions, such as adjustments for losses in transit and who (feedlot or packer) is paying for transportation costs, are being reported to the mandatory price reporting system. There are also seasonal elements to the spread, often inverting in March-April and widening in the fall.

Figure 1--Average monthly prices for fed cattle, all grades, 1990-2009



Source: Monthly prices from USDA/AMS reports, compiled by USDA/ERS.

Northern cattle are characteristically of higher average quality than southern cattle, and higher quality cattle ordinarily are priced at a premium to lower quality cattle. The observed N-S spread runs counter to the typical premiums paid for quality. For example, the N-S spread in 2009 averaged $1.12 per hundredweight (cwt) across all grades and qualities. In 2009, 46 percent of negotiated purchases of Nebraska fed cattle were in the 65- to 80-percent Choice range, whereas 92 percent of Texas-Oklahoma-New Mexico cattle were in the 35- to 65-percent Choice range (USDA, AMS, LM_CT175, and LM_CT173).

At times, especially when fed cattle are relatively plentiful, cattle feeders and packers cannot agree on prices and the cattle will remain on feed long enough to become "over finished." These cattle can weigh more and possibly be priced at a discount. At the extreme, these heavier cattle often sell at lower prices than lighter cattle. Northern cattle are generally heavier by a hundred lbs or more when marketed than southern cattle. In 2009, Nebraska fed cattle averaged 1,398 lbs (live weight across all quality categories), while the average was 1,283 lbs for Texas-Oklahoma-New Mexico cattle.

Fed cattle are sold out of feedlots in a number of ways. Some are sold as live animals with an adjustment—shrink—for weight they will lose in transit from the feedlot to the packer. Others are sold as hanging carcasses, usually with no adjustment for shrinkage. In the eastern portions of the northern cattle feeding areas, cattle are often sold with a 3-percent shrink—that is, packers pay on actual live weight adjusted downward by 3 percent. Southern cattle and some cattle from western portions of the northern cattle feeding areas are often sold with a 4-percent shrink. These differences are not obvious in the AMS Mandatory Price reports, where they are aggregated as sold on a negotiated basis with 3-4 percent shrinks. Holding other factors equal, such as live weight, quality, and distance to the packer, northern cattle could be expected to sell at a slightly lower price per cwt than southern cattle due to the differing shrink factors.

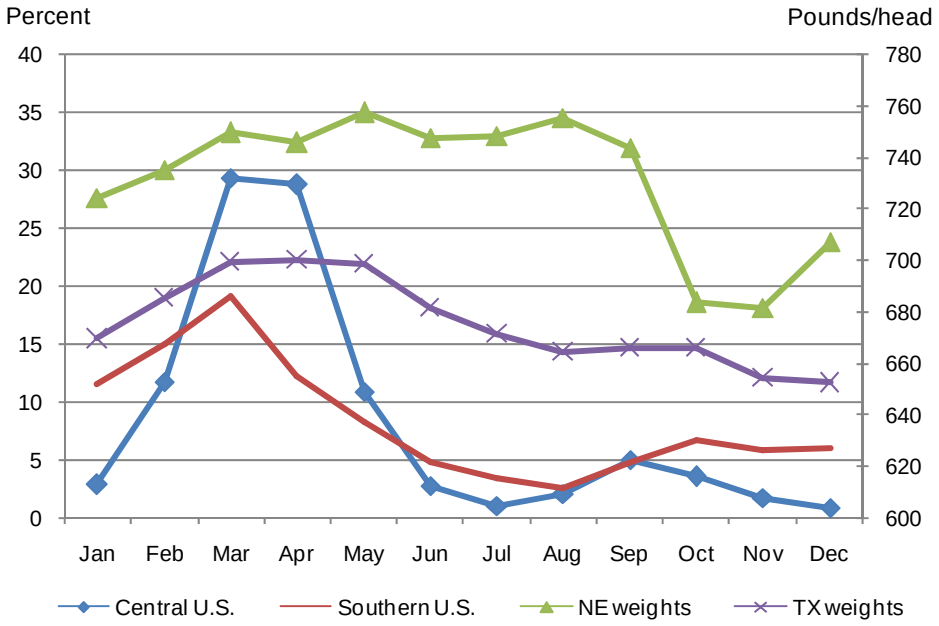
Overlapping seasonal and regional production patterns also play a role in the N-S spread as they affect relative supplies of feeder cattle and fed cattle. Nationwide, 54 percent of the yearly calf crop is born during March-May (USDA, Animal and Plant Health Inspection Service, Veterinary Services, Beef 2007-08, Part II: Reference of Beef Cow-calf Management Practices in the United States, 2007-08, February 2009). The tendency for spring calving holds more rigidly in the North, where 69 percent of calves are born during March-May. Some of these calves are placed in feedlots in October-November, just after weaning. Such young cattle on feed are referred to as "calf-feds. [1]" Compared with the spring calving season in the North, the spring calving season in the South can be lengthier and a greater number of calves are born in the fall; thus, weaning and placements at weaning can be spread over a greater length of time. As a result, marketing of southern calf-feds is somewhat more spread out, relative to the North.

For feeder cattle not placed on feed immediately after weaning, a greater number of grazing options are available in the South, particularly cool-season pastures, such as wheat pasture, through the winter months. Having more options provides southern producers with more flexibility in calving seasons and grazing programs. During March-June, placements may be calf-feds, fall calves carried through the winter, or calves that have grazed out wheat. Feedlot placements tend to increase sharply in March, when cattle must be removed from wheat to prevent damage to wheat plants destined for grain production.

[1] There are four general production systems for feeder cattle from weaning through slaughter, with many variations across these systems. The production systems differ primarily in length of time between weaning and feedlot placement: calf-fed, background lot, short-yearling, and long-yearling. Calf-feds are placed on feed at or shortly after weaning, weighing about 600 lbs and will be on feed for 7-9 months. Backgrounded calves and short-yearlings are placed on feed 4-6 months after weaning and weigh around 700-750 lbs. Long-yearlings have sometimes spent more than a year growing on pasture, weighing about 700-900 lbs or more when placed in feedlots (Mark, D.R. Personal communication, December 22, 2009), though often for onlv 4-5 months.

Another minor peak occurs in May when wheat not intended for harvest is "grazed out." There is also a May increase in northern feeder cattle placements in feedlots, mostly from short-yearling backgrounding programs in which cattle have been carried through the winter via some program, resulting in adequate growth to feedlot placement size. For example, more 700-lb and heavier cattle (long-yearlings) are placed in NE than TX, and placements of these cattle peak in September-October, with their marketings of these cattle from feedlots beginning in late February (fig. 2).

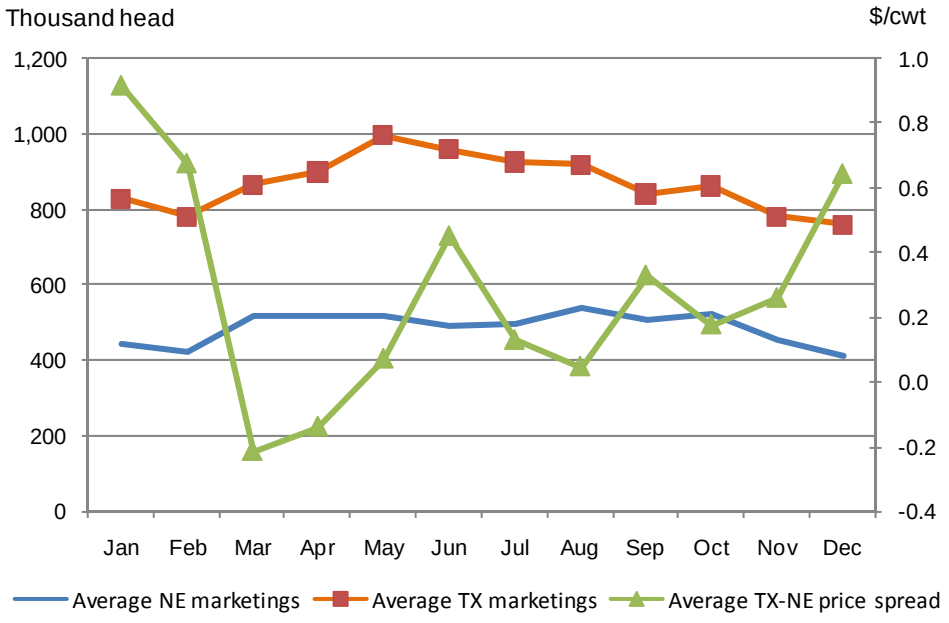
Figure 2--Monthly calving distribution, 2007, and average placement weights, 1996-2009



Source: Data from USDA, Animal and Plant Health Inspection Service, Veterinary Services, Beef 2007-08, Part II: Reference of Beef Cow-calf Management Practices in the United States, 2007-08; and National Agricultural Statistics Service, *Cattle On Feed* reports, various issues.

The average monthly price differential between Texas and Nebraska (TX-NE) cattle decreases sharply in the early spring, bottoming in March-April when fall-placed calf-feds and long-yearlings begin coming to market as fed cattle (fig. 3). NE cattle, on average, carry a price premium over TX cattle during March-April. During these months, near-equal numbers of calf-feds come from both North and South, but fewer yearling placements are coming to market in the North. Packers in the North have three options: (1) they must bid a higher price for the northern yearlings due to their relative scarcity, (2) pay more for northern calf-feds, or (3) pay transportation costs for southern cattle. The spread is greatest in December-January, when fewer summer-placed cattle are marketed. The reduced marketings during the first quarter are due to low placement levels late in the previous summer. During December-January, supplies of heavier weight cattle are relatively lower in the Southern Plains feedlots, prompting packers to bid more for these cattle, which occurs just before calf-feds begin entering the market (May-July).

Figure 3--Marketings from 1,000-plus-head feedlots, December 1995-December 2009



Source: Monthly prices from USDA/AMS reports, compiled by USDA/ERS; placement data from USDA, National Agricultural Statistics Service, *Cattle On Feed* reports, various issues.

Other factors mitigate or exacerbate these overlapping tendencies. Some examples are the occurrence of regional dry periods and regional availability of various feedstuffs, such as corn gluten feed or distillers' grains.

Beef/Cattle Trade

Exports of U.S. Beef To Remain Strong in 2010 Amid Strengthening Demand and a Tightened Global Marketplace

The United States is expected to export 2.05 billion pounds of beef in 2010, an increase of nearly 10 percent from 2009. This growth stems from a global recovery of world economies and strengthening demand in nearly all of the United States' export partner countries. Total first-quarter exports of U.S. beef are forecast at 470 million pounds, a more than 22-percent increase from 2009 first-quarter exports. Tightened supplies among some of the major beef-exporting countries, including Australia and New Zealand, and the relatively weakened U.S. dollar have encouraged U.S. beef exports early in 2010.

U.S. beef exports to Canada increased 24 percent during January and February 2010. U.S. beef exports to Taiwan and Hong Kong likewise surged during the first 2 months of the year, increasing 111 and 314 percent year-over-year, respectively. U.S. beef exports to Vietnam through February were 2 percent below the record export level seen in 2009, yet beef imports by Vietnam are expected to increase in 2010 and exports of U.S. beef to the country are expected to remain strong. U.S. beef exports to South Korea during the first 2 months of the year were 7 percent below year-earlier levels; however, this market is positioned to demonstrate substantial growth throughout the remainder of 2010 as misconceptions about the safety of U.S. beef are subsiding and Korean consumer confidence in U.S. beef is restored. Korea was one of the top importers of U.S. beef before the discovery of the first bovine spongiform encephalopathy (BSE) case in 2003 when imports of U.S. beef by that country were halted. The United States has yet to recover half of the volume of beef exports to Korea seen prior to 2004.

Although beef exports to Japan are more tempered than U.S. exporters would like—given the country's ban on beef from cattle over 20 months of age—U.S. exports to Japan for January and February demonstrated a 34-percent increase year-over-year. Continued economic recovery in Japan and subsequent consumption gains should serve as a driver for increased exports of U.S. beef to the country.

In addition, illustrative of supply-tightened circumstances around the world, Russian demand for U.S. beef in 2010 may also increase with some of its prominent suppliers in relatively short supply of beef (South America and Australia). Although Russia is historically a small market for U.S. beef exports, due to supply constraints from other countries, beef exports to Russia may grow in 2010. However, growth will likely be limited by Russia's quota of 21,700 metric tons product weight on beef imports from the United States.

Tightened Inventories of Major U.S. Beef Suppliers May Contribute to Price Pressures Domestically in 2010

Imports of beef to the United States are forecast at 2.66 billion pounds for 2010, a 1-percent increase from 2009. First-quarter imports for 2010 are forecast more than 10 percent lower than the same period in 2009. Import levels in the third and fourth quarters of 2010 are expected to pick up, however, compensating for some of decreases anticipated in the first half of the year.

Constraints in supply from dominant U.S. import markets, such as Australia and New Zealand, are the primary hindrance to growth in beef imports to the United States in 2010. Supplies from Oceania are tightened primarily due to herd rebuilding in the region. A weakened U.S. dollar further frustrates the situation, making the product relatively more expensive to U.S. purchasers. As such, for the first 2 months of this year, U.S. beef imports from Australia and New Zealand were 45 and 25 percent below 2009 levels, respectively. U.S. imports from these countries are expected to pick up in the third and fourth quarters of this year as their currencies settle and more stock becomes available for export to the United States. Overall, however, U.S. beef imports from Australia and New Zealand should be constrained by tight supplies and competition from other markets.

U.S. beef imports from Canada are expected to pick up some of the slack this year caused by tight export supplies in Oceania. U.S. beef imports from Canada during January and February remained just above year-earlier levels at 138 million pounds, notable because imports from all other major suppliers of beef to the United States are down.

Tight beef supplies in major U.S. beef trading partner countries throughout the remainder of 2010, combined with the strong potential for lower total domestic commercial beef production this year and a decrease in domestic cow slaughter forecast, should be most evidenced in rising wholesale domestic prices throughout the remainder of the year. Due to reduced imports, particularly from Australia, supplies of processing beef, a necessary ingredient to make ground beef, will continue to be especially tight, inevitably creating pressure on imported and domestic cow beef prices.

Are Market Signals Strong Enough for Canadian Cattle Feeders To Respond and Live Cattle Imports To Increase?

The United States is expected to import 2.15 million head of cattle this year, amounting to 7 percent growth from 2009. For the first 2 months of 2010, Canadian cattle imports were below year-earlier levels, down 15 percent from 2009; however, as is also the case with Mexico, growth is anticipated overall this year in the U.S. market for live cattle imports from Canada. The incentive for Canadian cattle feeders to export to the United States may just now be beginning to heat up. U.S. cattle imports from Canada for immediate slaughter were already 12 percent above year-earlier levels in January and February.

On average, over 60 percent of the cattle imported by the United States from Canada are for immediate slaughter. Sometimes this figure exceeds 80 percent. In 2009, 72 percent of the cattle imported from Canada were slaughtered immediately. Feeder and slaughter cattle prices are on the rise in both the United States and Canada; however, U.S. slaughter prices recently reached an 18-month high in March and increased further in April. In addition, feeder cattle prices are at highs not seen since early July 2008. Notably, the price differential between U.S. (Nebraska, choice steers, 1,100-1,300 pounds (lbs)) and Canadian (Alberta, mostly select steers, 1,000-1,200 lbs) slaughter cattle has widened substantially in recent weeks, increasing finishing feedlot margins for Canadian cattle exporters. The price differences between U.S. and Canadian feeder cattle weight categories are also showing substantial increases.

Continued strength in the Canadian dollar will provide little incentive for Canadian feeders to increase marketings of cattle in the United States; however, a wide enough price differential between U.S. and Canadian slaughter cattle can offset the exchange rate factor and perhaps be the clearest market signal for Canadian cattle feeders to export greater numbers of cattle. Cattle supplies from Canada should also be readily available, particularly in the second and third quarters, as placements were 19 percent higher year-over-year in Alberta and Saskatchewan early in 2010.

U.S. cattle imports from Mexico thus far are nearly even with 2009 levels. Typically, U.S. cattle imports from Mexico pick up later in the year as forage conditions deteriorate seasonally. As opposed to U.S. cattle imports from Canada, the United States imports primarily feeder cattle from Mexico. Thus far, rainfall and grazing conditions in northern Mexico, particularly Chihuahua, Sonora, and Coahuila—the three primary states exporting cattle to the United States—have been superb, receiving above-normal precipitation. As U.S. cattle imports from Mexico during the first 2 months of this year differ from 2009 by only a few hundred head, indications are that ample supplies of cattle should be available for export from Mexico later in the year.

Pork/Hogs

March Quarterly Hogs and Pigs *Report Shows Lower Hog Numbers*

The *Quarterly Hogs and Pigs* report released by USDA on March 26 indicates that the U.S. pork industry continues to reduce its capacity to produce hogs in response to an extended string of negative monthly producer returns that began in late 2007 and only recently began to abate. The industry began to pare back breeding herd numbers in June 2008. The March 1 inventory of market hogs shows that prior breeding herd reductions are translating into smaller inventories. The inventory of market hogs was 2.7 percent below a year ago, and the stock of breeding animals was 3.9 percent below March 2009. Lower numbers of breeding animals will continue to have supply implications going forward. A reduced capacity to produce hogs, together with lower producer farrowing intentions for both the spring (-4 percent) and summer (-2.4 percent) pig crops, strongly suggests that the industry will have fewer domestic-born animals to sell for the balance of 2010, continuing into 2011.

The March report also shows that the litter rate for the winter pig crop grew at a slower rate than in the recent past. The pigs-per-litter rate for the December-February pig crop is 9.61, a 1.37-percent increase from last year's litter rate; not bad certainly, but less than the 5-year average of year-over-year changes in the December-February litter rate (1.39 percent), and far less than the percentage increases registered in 2009 (2.6 percent) and 2008 (1.65 percent). Lower pigs-per-litter growth rates could be due to an aging breeding herd, a phenomenon that often develops when the industry downsizes. Breeding herds are not refreshed with new gilts as quickly—or sometimes not at all—when operations are losing money or are planning to shut down altogether. Fertility rates of younger animals are typically higher than those of older sows. Litter rates tend to increase faster when younger animals comprise a greater percentage of the breeding inventory. Lower rates of increase in litter rates could turn out to be another factor that contributes to lower hog numbers for the balance of 2010 and into 2011.

Lower inventories of market hogs and breeding animals, lower producer intentions for the spring and summer pig crops, and the possibility of smaller increases in litter rates going forward are reflected in USDA's April forecast of 2010 commercial pork production of 22.3 billion pounds, about 3 percent below 2009.

Lower expected hog supplies—domestic and Canadian born—plus the likelihood of stronger consumer pork demand are expected to yield year-over-year higher hog prices for the balance of 2010. Second-quarter 2010 prices of 51-52 percent lean live-equivalent hogs are expected to be $52-$54 per hundredweight (cwt); third quarter, $53-$57 per cwt, and fourth quarter, $45-$49 per cwt.

February Pork Exports Above Year-Ago Levels; Pork and Live Imports Lower

February U.S. pork exports, at 362 million pounds, were 6 percent higher than a year ago. Combining February exports with January's year-over-year lower shipments puts U.S. pork exports at 676 million pounds, about 2 percent higher than the same period last year.

In February, increased shipments to Mexico, Canada, Hong Kong, and Taiwan pushed exports ahead of February 2009, while exports to Japan, China, and Russia were year-over-year lower.

Combined U.S. pork imports for January and February are lower, by almost 3 percent from last year. Smaller imports from Denmark account for most of the reduction. U.S. imports of live swine (finishing animals and slaughter hogs) were lower in both January and February. So far in 2010, imports are down by more than 17 percent, with January off by almost 23 percent and February down by almost 11 percent. Higher U.S. hog prices may create incentives to import more Canadian animals than otherwise would be the case. USDA forecasts U.S. swine imports this year at 6 million head, 6 percent below last year.

Poultry

Broiler Production Revised Upward

The forecasts for broiler meat production were revised upward for all four quarters of 2010. The upward revisions total 375 million lbs (lb) and were spread across the quarters as follows: 100 million lbs in the first quarter, 125 million in the second, 100 million in the third, and 50 million lbs in the fourth. The new forecast for 2010 is 36.3 billion lbs, up 2 percent from 2009 but still 2 percent below 2008. Relative to 2009, the revisions call for the largest increases in broiler meat production in the first and fourth quarters. The increase in the first quarter is due largely to the strong drop in production in first-quarter 2009. The fourth-quarter 2010 increase is expected to stem from a gradually improving economy and moderating grain prices.

Over the first 2 months of 2010, broiler meat production has totaled 5.56 billion lbs, down fractionally from the same period in 2009. The decrease in meat production in the first 2 months has come exclusively from a smaller number of broilers being slaughtered (down 2.2 percent), as the average liveweight of broilers at slaughter during the first 2 months of 2010 (5.63 lbs) was 1.4 percent higher than the previous year. Most of the slaughter decline was registered in January which had 1 less slaughter day.

With the anticipated higher production and lower exports, the broiler stocks at the end of first-quarter 2010 are forecast at 640 million lbs, up 24 million lbs from the end of 2009 and 3.2 percent higher than at the end of first-quarter 2009. At the end of February, cold storage holdings were 604 million lbs, down 4.2 percent from the previous year. At this point, higher stocks of items like drumsticks and thigh meat were offset by lower holdings for most other broiler products. With the expected increases in broiler meat production, cold storage holdings are expected to remain above the previous year throughout 2010.

In first-quarter 2010, the 12–City price for whole broilers averaged 82.2 cents per lb, up 3 percent from the previous year. Most of the price increase was due to higher prices (84 cents per lb) in March compared with less than 82 cents per lb in January and February. Prices for some other broiler products were also moving higher. In March, wholesale prices for boneless/skinless breast meat in the Northeast market averaged $1.44 per lb, 5 percent higher than a year earlier. However, prices for most leg meat products were lower, with prices for thigh meat products declining the most. Prices for boneless/skinless thighs and whole thighs were both down over 20 percent from the previous year. Broiler parts prices are expected to be impacted by a number of market forces over the next several months. On one hand, broiler meat production is expected to be slightly larger, which could be price depressing. On the other, domestic economic conditions appear to be gradually improving, supporting increased demand.

Broiler Exports Down 18 Percent in February

U.S. broiler product exports totaled 460 million lbs in February, down slightly over 100 million lbs (18 percent) from a year earlier. Due to ongoing trade disputes, the decline was attributed to smaller shipments to Russia and China. Exports to Russia in February totaled only 23.2 million lbs, over 80 million less than in February 2009.

So far in 2010, shipments to Russia have been 75 million lbs, about 174 million (down 70 percent) less than in the same period in 2009. Exports to China were 12.8 million lbs in February 2010, down from 63.7 million a year earlier. Over the first 2 months of 2010, shipments to China declined to 43 million lbs, down 68 percent from the previous year. These declines were partially offset by larger exports to a number of countries, notably Mexico, Canada, Hong Kong, Vietnam, and South Korea.

Turkey Production Continues Lower

U.S. turkey meat production is now estimated at 5.5 billion lbs in 2010, down 3.3 percent from the previous year. The lower turkey meat production is expected to come from a smaller number of birds being slaughtered, as average weights are expected to be up slightly. Over the first 2 months of 2010, turkey meat production totaled 850 million lbs, down 7 percent from the same period in 2009. During January and February, the number of turkeys slaughtered dropped 8 percent compared with the previous year and average live bird weights were 30.7 lbs, slightly higher than during January and February of 2009.

At the end of February 2010, cold storage holdings of turkey products totaled 346 million lbs, down 25 percent from the previous year. The decrease includes cold storage holdings of most turkey products. Holdings of whole birds were down 30 percent from the previous year to 152 million lbs. Cold storage holdings were also lower for turkey parts.

After declining seasonally in late 2009, prices for whole turkeys have remained consistently above the previous year through first-quarter 2010 as both reduced production and storage holdings have put upward pressure on prices. Prices for whole hens in the eastern market averaged 79 cents per lb in first-quarter 2010, up 7 percent from first-quarter 2009. The combination of lower turkey production forecast throughout 2010 and lower stocks starting the year are expected to place upward pressure on whole bird prices, keeping them above year-earlier levels during 2010.

Turkey Exports Down Slightly in February

U.S. turkey exports totaled 38.9 million lbs in February, down only 1 percent from the previous year. Smaller shipments to Mexico continue to be the major cause of the decline, with shipments about 2.6 million lbs lower (11 percent) than the previous year. Shipments were also lower to Canada. Stronger prices in the U.S. for most turkey products, due to lower production, has put downward pressure on exports to Mexico and Canada and has helped fuel a switch from turkey to broiler imports in these countries. Some of the decline to the Mexican market has been offset by stronger exports to China and Hong Kong. While not a large market for U.S. poultry products, broiler and turkey shipments to South Africa have grown significantly so far this year and are expected to continue to be strong through the run-up to the World Cup in June.

Table Egg Production in 2010 Forecast Slightly Higher

The forecast for first-quarter 2010 table egg production was lowered slightly to 1.59 billion dozen eggs, a quantity about even with the previous year.

The forecast for all of 2010 is 6.49 billion dozen, up less that 1 percent from 2009. On a quarterly basis, production is expected to be about equal or slightly lower than the previous year in the first and fourth quarters and slightly higher in the second and third quarters. With broiler production expected to expand somewhat in 2010, the forecast for hatching egg production is 1.07 billion dozen, about 1 percent higher than in 2009.

Over the first 2 months of 2010, table egg production was 1.04 billion dozen, about equal with the same period in 2009. In the first 2 months of 2010, the number of hens in the table egg flock averaged 281 million birds, down about1 percent from the same period in 2009. During January and February the number of meat-type hens in the hatchery flock averaged 54.5 million birds, up about 1 percent from the previous year.

Eggs Prices 14 Percent Higher in First Quarter

The wholesale price for 1 dozen large eggs in the New York region in first-quarter 2010 was estimated at $1.26 per dozen, up 15 percent from first-quarter 2009. With the Easter holiday at the very beginning of April this year, egg prices are expected to decline seasonally starting in the first or second week of April. Egg prices in the New York market are expected to be $1.10 to $1.14 per dozen in second-quarter 2010, considerably higher than during the same period in 2009.

Egg Exports Continue Higher in February

In February, U.S. egg and egg product exports totaled 18.9 million dozen, 37 percent higher than a year earlier. While shipments to Canada, Japan, and Hong Kong, which are traditionally the top three exports markets, were smaller, they were more than offset by strong gains in shipments to European Union (EU) countries. Exports to Germany, the United Kingdom, Denmark, and the Netherlands have all seen strong gains over the first 2 months of 2010 compared with a year earlier. A large proportion of the exports to EU countries are egg products, which will likely be used by their food-processing industries. Shipments to China have also been higher, 375 percent more in the first 2 months of 2010 than in same period in 2009.

Dairy

Continued Increases in Milk Production in 2010 Are Likely To Limit Price Increases

The Nation's dairy herd continues to contract on a year-over-year basis. However, milk per cow continues to rise incrementally. The April *Milk Production* report indicated that milk per cow was 51 pounds (lbs) higher in March compared with a year ago. Moderating feed prices for 2009/10 and the prospect of continued moderate feed prices into the next crop year have provided an incentive to increase output. However, lower milk prices have kept the milk-feed profitability ratio below 2.5. A milk-feed price ratio above 2.5 is considered necessary to begin any expansion. Although the U.S. dairy herd continues to decline, the rate of decline appears to be moderating. The March *Livestock Slaughter* report showed 223,000 dairy cows slaughtered under Federal inspection in February, the second lowest total since last May. Meanwhile, producers added 3,000 cows in both January and February. For 2010, the U.S. dairy herd is expected to average 9,065,000 cows, a 1.5 percent decline from 2009, but somewhat higher than recent USDA estimates. Output per cow is projected at 20,950 lbs resulting in a forecast 189.9 billion lbs of milk in 2010.

Although stock estimates were slightly higher than forecast last month, ending stocks for 2010 on both a fats and skim-solid basis are still expected be below 2009. Ending stocks on a fats basis are projected to end 2010 at 10.4 billion lbs; stocks on a skim basis are forecast to end the year at 10.8 billion lbs. Most of the drawdown in stocks is likely to occur in the second half of 2010.

Commercial use is projected to reach 188.4 billion lbs in 2010 on a fats basis, up 1.3 percent. Moderating prices for cheese and economic recovery are the basis for stronger domestic commercial use on a fats basis. The higher commercial domestic use should drawdown currently high cheese stocks over the course of the year and firm cheese prices by year's end. Commercial use on a skim-solid basis is expected to reach 167.6 billion lbs, up 0.5 percent from last year. Higher exports of powder, especially later in 2010, are expected to draw powder from the domestic market, strengthening prices for nonfat dry milk in the second half of 2010.

Commercial milk equivalent exports are forecast at 4.75 billion pounds and 25.4 billion pounds on a fats and skim-solid basis, respectively. Most of the expected increases are based on higher expected exports of butter, milk fat, and nonfat dry milk (NDM). While exports have been modest in the first quarter, movement is likely to improve in later quarters due to economic recovery in importing countries and tighter supplies from potential competitors.

Higher forecast milk production and relatively high cheese stocks suggest a scaleback in prices. Cheese prices could strengthen in the second half, if recovery continues and stocks are drawn down. Cheese prices are expected to average $1.490 to $1.540 per lb this year. Butter sales have been at least reasonable, and production will likely tighten seasonally as cream supplies move to production of ice cream. Butter prices are forecast to rise over the course of the year as demand improves despite second-half increases in milk production. Butter prices are expected to average $1.420 to $1.500 per lb in 2010.

NDM prices should climb in the second half of 2010 as exports increase. NDM prices are forecast to average $1.110 to $1.150 a lb in 2010. Whey prices have already rebounded from last year and are expected to remain near present levels for the balance of 2010. Prices will likely average 37.5 to 40.5 cents a lb this year.

As milk production increases encounter expected increases in demand, prices are likely to be higher than 2009 but not rise to 2007 or 2008 levels. The Class IV price is forecast at $13.40 to $14.00 per cwt in 2010. The Class III price is expected to average $14.10 to $14.60 per cwt, and the all milk price is forecast to average $15.45 to $15.95 per cwt.

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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

Livestock, Dairy, and Poultry Outlook, http://www.ers.usda.gov/Publications/ldp/
Animal Production and Marketing Issues,
http://www.ers.usda.gov/briefing/AnimalProducts/
Cattle, http://www.ers.usda.gov/briefing/cattle/
Dairy, http://www.ers.usda.gov/briefing/dairy/
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U.S. red meat and poultry forecasts

	2004	2005	2006				2007 1/					2008					2009					2010					
	Annual	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	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	6,237	6,649	6,802	6,733	26,421	6,372	6,899	6,908	6,382	26,561	6,248	6,602	6,689	6,424	25,963	6,275	**6,480**	**6,665**	**6,325**	**25,745**
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	6,024	5,593	5,632	6,098	23,347	5,811	5,488	5,698	5,996	22,993	5,610	**5,390**	**5,400**	**5,930**	**22,330**
Lamb and mutton	195	187	49	47	42	47	185	49	44	42	48	183	46	43	42	43	174	42	42	42	45	171	43	**39**	**40**	**42**	**164**
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	9,145	9,439	9,457	8,865	36,906	8,573	8,939	9,172	8,827	35,511	8,775	**9,075**	**9,350**	**9,125**	**36,325**
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	1,536	1,560	1,568	1,582	6,246	1,385	1,420	1,417	1,441	5,663	1,300	**1,350**	**1,400**	**1,425**	**5,475**
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	23,292	23,717	23,791	23,137	93,937	22,148	22,561	23,091	22,819	90,618	22,152	**22,492**	**23,014**	**23,007**	**90,665**
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	1,587	1,577	1,599	1,640	6,403	1,597	1,603	1,614	1,662	6,476	1,595	**1,610**	**1,625**	**1,660**	**6,490**
Per capita disappearance, retail lb 2/																											
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	15.8	15.1	62.8	15.3	15.7	15.6	14.7	61.2	**14.7**	**15.2**	**15.4**	**14.5**	**59.7**
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	11.6	12.0	13.3	49.5	12.5	12.0	12.5	13.0	50.0	**11.8**	**11.7**	**11.3**	**12.3**	**47.1**
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	0.3	1.0	0.3	0.2	0.2	0.3	1.0	**0.3**	**0.2**	**0.2**	**0.3**	**1.0**
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	21.3	21.4	21.1	19.7	83.5	19.3	20.1	20.6	19.6	79.6	**20.2**	**20.9**	**21.6**	**20.6**	**83.3**
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	5.3	17.6	3.7	3.9	4.0	5.3	16.9	**3.4**	**3.7**	**3.7**	**5.0**	**15.8**
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	54.1	54.2	53.8	54.0	216.1	51.4	52.4	53.4	53.3	210.5	**50.8**	**52.1**	**52.6**	**53.1**	**208.6**
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	62.0	63.8	248.9	62.0	61.5	61.4	62.9	247.9	**60.8**	**61.1**	**61.5**	**62.7**	**246.1**
Market prices																											
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	80.98	84.53	82.78	82.43	82.68	87.93	**91-95**	**89-95**	**88-96**	**89-93**
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	92.84	98.64	99.40	93.67	96.14	98.73	**100-104**	**101-107**	**102-110**	**100-104**
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	46.42	49.46	47.51	44.43	46.96	52.57	**51-55**	**49-53**	**51-55**	**51-54**
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	88.95	85.91	90.14	91.44	88.35	90.47	90.10	103.87	**99-103**	**97-105**	**99-107**	**100-104**
Barrows & gilts, N. base, l.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	42.11	42.74	38.90	41.20	41.24	50.41	**52-54**	**53-57**	**45-49**	**50-53**
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	79.70	81.90	76.80	72.10	77.60	82.20	**81-85**	**81-87**	**77-83**	**80-84**
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	77.40	88.90	96.50	87.30	87.50	73.80	79.10	81.40	83.80	79.50	79.30	**82-86**	**82-88**	**84-92**	**82-86**
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	122.60	128.30	109.70	89.70	94.80	117.70	103.00	126.00	**110-114**	**96-104**	**115-125**	**112-117**
U.S. trade, million lb																											
Beef & veal exports	460	697	215	315	307	308	1,145	269	363	424	375	1,431	360	471	609	448	1,888	384	471	496	518	1,869	**470**	**530**	**530**	**520**	**2,050**
Beef & veal imports	3,679	3,599	843	790	730	722	3,085	770	884	774	624	3,052	637	661	584	655	2,537	704	751	623	550	2,628	**630**	**715**	**685**	**630**	**2,660**
Lamb and mutton imports	181	180	53	44	41	52	190	56	44	44	59	202	52	48	38	47	185	51	46	28	46	171	**53**	**47**	**39**	**49**	**188**
Pork exports	2,181	2,666	767	763	654	811	2,995	792	685	703	959	3,138	1,106	1,387	1,126	1,049	4,668	1,033	952	1,016	1,125	4,126	**1,080**	**1,020**	**1,080**	**1,180**	**4,360**
Pork imports	1,099	1,024	259	237	239	254	989	239	256	240	232	968	217	205	191	218	831	205	196	210	223	834	**210**	**200**	**205**	**225**	**840**
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	1,756	6,962	1,753	1,655	1,719	1,708	6,835	**1,400**	**1,425**	**1,450**	**1,550**	**5,825**
Turkey exports	442	570	119	125	152	150	547	124	135	148	146	553	148	160	186	182	676	117	122	152	144	535	**110**	**120**	**140**	**150**	**520**
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	2,083	9,348	1,761	1,614	1,518	1,472	6,365	**1,450**	**1,500**	**1,525**	**1,525**	**6,000**

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.

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Dairy Forecasts

	2009					2010				
	I	II	III	IV	Annual	I	II	III	IV	Annual
Milk cows (thous.)	9,295	9,262	9,155	9,090	9,201	9,085	9,075	9,055	9,035	9,063
Milk per cow (pounds)	5,097	5,278	5,111	5,090	20,576	5,200	5,385	5,195	5,170	20,950
Milk production (bil. pounds)	47.4	48.9	46.8	46.3	189.3	47.2	48.9	47.0	46.7	189.9
Farm use	0.3	0.3	0.3	0.3	1.1	0.3	0.3	0.3	0.3	1.1
Milk marketings	47.1	48.6	46.5	46.0	188.3	47.0	48.6	46.8	46.4	188.8
Milkfat (bil. pounds milk equiv.)										
Milk marketings	47.1	48.6	46.5	46.0	188.3	47.0	48.6	46.8	46.4	188.8
Beginning commercial stocks	10.1	12.7	14.5	13.7	10.1	11.3	12.5	13.9	12.3	11.3
Imports	0.9	1.0	1.0	1.1	4.1	0.8	0.9	1.0	1.1	3.8
Total supply	58.1	62.3	62.0	60.7	202.4	59.1	62.0	61.6	59.8	203.9
Commercial exports	1.0	1.1	0.9	1.2	4.2	1.1	1.2	1.2	1.2	4.8
Ending commercial stocks	12.7	14.5	13.7	11.3	11.3	12.5	13.9	12.3	10.4	10.4
Net removals	0.1	-0.1	0.1	0.5	0.6	0.3	0.1	0.0	0.0	0.3
Commercial use	44.3	46.9	47.2	47.6	186.0	45.2	46.8	48.1	48.2	188.4
Skim solids (bil. pounds milk equiv.)										
Milk marketings	47.1	48.6	46.5	46.0	188.3	47.0	48.6	46.8	46.4	188.8
Beginning commercial stocks	10.9	11.5	12.4	11.5	10.9	11.3	11.5	12.0	11.0	11.3
Imports	0.9	0.9	0.9	1.0	3.7	1.0	0.9	0.9	1.0	3.4
Total supply	58.9	61.0	59.8	58.5	202.8	59.0	61.0	59.6	58.4	203.5
Commercial exports	5.1	5.8	5.5	6.1	22.5	5.8	6.3	6.6	6.6	25.4
Ending commercial stocks	11.5	12.4	11.5	11.3	11.3	11.5	12.0	11.0	10.8	10.8
Net removals	1.1	0.7	0.6	0.4	2.9	0.0	0.0	0.0	0.0	0.0
Commercial use	41.2	42.1	42.5	41.0	166.8	42.0	42.6	42.0	41.0	167.6
Milk prices (dol./cwt) 1/										
All milk	12.23	11.60	12.07	15.33	12.81	15.70	14.65	15.25	16.15	15.45
							-15.05	-15.95	-17.15	-15.95
Class III	10.18	10.20	11.09	13.96	11.36	13.85	13.52	14.25	14.66	14.10
							-13.92	-14.95	-15.66	-14.60
Class IV	9.56	10.06	10.56	13.37	10.89	13.22	13.30	13.69	13.48	13.40
							-13.80	-14.49	-14.58	-14.00
Product prices (dol./pound) 2/										
Cheddar cheese	1.236	1.193	1.249	1.508	1.297	1.471	1.430	1.505	1.550	1.490
							-1.470	-1.575	-1.650	-1.540
Dry whey	0.164	0.232	0.294	0.344	0.259	0.386	0.380	0.375	0.375	0.375
							-0.400	-0.405	-0.405	0.405
Butter	1.097	1.197	1.194	1.351	1.210	1.387	1.448	1.453	1.405	1.420
							-1.518	-1.553	-1.535	-1.500
Nonfat dry milk	0.823	0.833	0.892	1.142	0.922	1.107	1.077	1.120	1.125	1.100
							-1.117	-1.180	-1.195	-1.150

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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