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Livestock, Dairy, and Poultry Outlook

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Hog Prices Reflect Lower Supplies

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release is July 21, 2010

Approved by the
World Agricultural
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Beef/Cattle Trade: Beef exports through the first 4 months of 2010 were 26 percent above year-earlier levels, with exports forecast to increase 10 percent this year. U.S. beef imports through April, however, were down 20 percent from 2009. Further strengthening of the U.S. dollar should relieve some of the recent constraints in the supply of imported beef because its price would become relatively cheaper in U.S. dollars.

Special Article: Grain and Grass Beef Production Systems.

Pork/Hogs: For 2010 in total, pork production is expected to be 22.1 billion pounds, or 3.8 percent below 2009 levels, as production in the second and third quarters will be lower than year-earlier. Hog prices (51-52% lean) continue to reflect lower supplies and recovering consumer demand. Second-quarter prices are expected to average \$59 to \$60 per hundredweight (cwt). Although hog prices have probably peaked, they are expected to continue much above last year's levels and should exceed producer break-even levels for 2010 and into 2011. April pork imports rose almost 36 percent, likely due to higher U.S. pork prices and a stronger dollar.

Poultry: Broiler meat production is expected to total 9.13 billion pounds in second-quarter 2010, up 2 percent from a year earlier. Stocks are down from the previous year and exports have proven to be stronger than expected. Prices for broiler products are expected to be impacted by both upward movements in beef and pork prices and any changes in the general economic outlook. Turkey meat production is expected to decline again in 2010, but then is expected to grow slightly in 2011. However, even with this increase, turkey meat production in 2011 is expected to be down 10 percent from its peak in 2008.

Dairy: Moderate feed prices and improving output per cow will boost milk production this year and in 2011. Export prospects and domestic commercial use are also expected to show recovery this year and next. However, the higher milk production will act to keep prices from rising much into 2011 from 2010.

Which Is Stronger: The U.S. Beef Export Market or the Dollar?

The U.S. dollar took a relative upturn in late April and has since strengthened significantly; however, based on weekly export data, the momentum in the U.S. beef export market evident during first-quarter 2010 shows no signs of slowing in the second quarter of this year. First-quarter exports were already strong; 478 million pounds were exported from the United States, a nearly 25-percent increase from the first quarter in 2009. Exports increased 30 percent year-over-year in April and are expected to increase through the remainder of this year. Expectations for the third quarter are equally as strong. Historically, the third and fourth quarters are the strongest for exports as the Northern Hemisphere enters the summer.

The pace of beef exports may not begin to slow until late in this year, although the increasing value of the U.S. dollar could be the primary factor that dispels some of the momentum in the U.S. beef export market. Exports to Asian markets, however, look to maintain somewhat of a seasonal pattern and, most important, should continue to demonstrate substantial year-over-year growth. The Japanese market, for instance, should maintain steady post-BSE growth, as should the Korean, with the latter market increasing toward pre-BSE export levels at a much quicker pace than Japan. Recent outbreaks of foot-and-mouth disease in Japan and Korea are expected to have no major impact on U.S. beef exports. Finally, demonstrative of current dynamics in the U.S. beef export market, exports of U.S. beef to Russia—although historically small—have increased through April from 780, 000 pounds in 2009 to just under 23.8 million pounds in 2010. Growth will likely be limited by Russia's quota of 21,700 metric tons product weight on beef imports from the United States, a mark that may be met fairly soon.

Total 2010 beef imports are forecast at 2.5 billion pounds, a 5-percent decline from 2009, and first-quarter 2010 beef imports were 19 percent below the previous year's level. Any further strengthening of the U.S. dollar vis-à-vis the Australian and New Zealand dollars should have greater implications for beef imports to the United States as opposed to exports, making imported beef less expensive and encouraging imports of beef from Oceania. This would aid in relieving recent supply constraints of beef for grinding.

Live Cattle Imports Strong in the Second Quarter

Second-quarter cattle imports should be substantially higher, year-over-year, due to increased imports of both slaughter and feeder cattle from Canada and feeder cattle from Mexico. Strong U.S. prices, favorable feedlot margins, and the U.S. dollar's strengthening throughout May against the Canadian dollar while maintaining ongoing strength against the Mexican peso, also add momentum to cattle imports and should partially offset the typical mid-year lull. Canadian cattle placements were up earlier in the year, resulting in increased marketings by the second quarter and subsequent increased export potential for slaughter cattle to the United States.

AMS weekly reports show imports of Canadian slaughter cattle 21 percent higher, year-over-year, through May, a figure that should remain elevated into the third quarter. Canadian feeder export incentive was not present throughout the first quarter; however, April imports of Canadian feeders were 57 percent higher year-over-year, and AMS weekly reports show Canadian feeder imports for May 75 percent above year-earlier levels. Imports of Mexican cattle through April, which are primarily feeders, were also 21 percent higher year-over-year. Such elevated import levels should contribute to a strong second quarter, especially in terms of feeder import numbers.

Grain and Grass Beef Production Systems

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Increasing demand for alternatives to conventionally grain-fed beef products has led to changes in beef production and technologies that support an expanding array of products aimed at niche markets. Attributes of beef production such as antibiotic use, greenhouse gas production, land use, and health concerns, are becoming increasingly important to consumers, who may be willing to pay premiums for products that meet their criteria. Beef from production systems alternative to conventionally grain-finished beef—natural, organic, and grass-fed or finished—make up about 3 percent of the U.S. beef market and, combined, have grown at a rate of about 20 percent per year for several years, according to a market note published by the industry group, Bord Bia (Irish Food Board). Growth in these alternative beef product markets has survived the economic challenges of the last 2 years. This article compares beef produced through these two broad categories of production technologies: grain-fed versus grass-fed systems.

Beef Products Differ by Production System

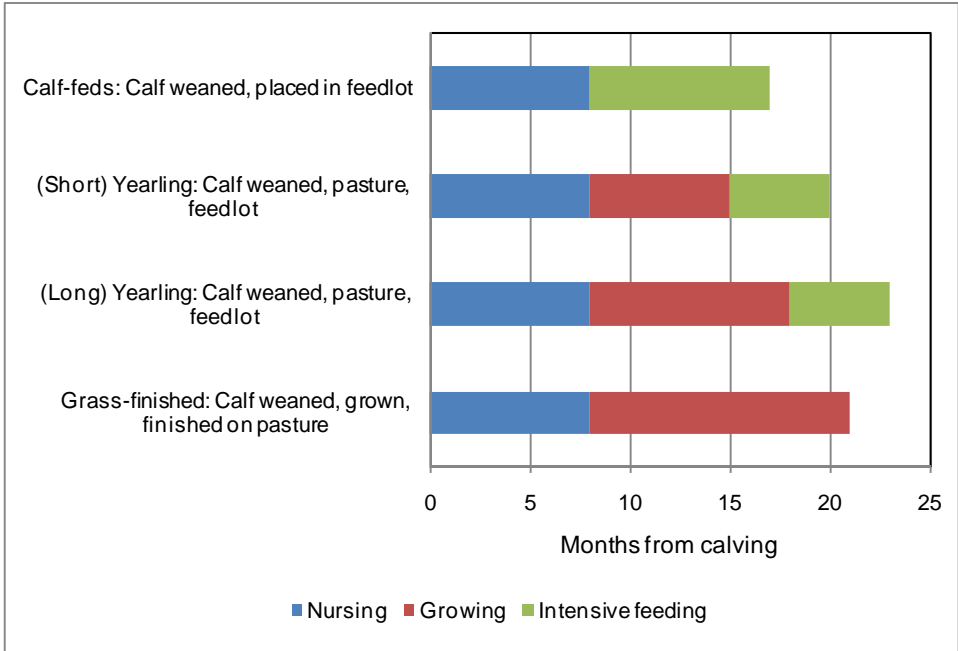
Beef production in the United States has always been predominantly a forage-based industry. Virtually all beef production systems in the United States require significant amounts of forages or other cellulosic roughage in rations, inputs that have historically been abundant in the form of rangeland, other pastureland not suitable for crops, crop residues, and harvested forages. Early Colonial production was primarily from grass-fed 3-to-4-year old cattle, often older spent draft animals. Over time, and as land resources became more intensively used, the introduction of grain feeding—especially during the last half of the 20th century, in part as a way to market abundant grain supplies—shortened the beef production period and resulted in a more tender meat product due to more intramuscular fat, or “marbling.”

Production practices can vary widely even across specific beef production systems. However, cattle are typically raised on range or pasture land for most of their lives and then placed in a feed-lot. This is largely because cattle—which are ruminants (animals that have multi-compartmented stomachs)—are very good at converting cellulose, a significant component of all plants, into meat. Most cattle, whether finished with grain or forages, spend at least half of their lives on pasture of some sort (fig 1).

Much of the animal’s initial weight gain is through some form of forage, and just prior to placement in the feedlot, roughages often account for almost the entire ration fed to a calf, be it pasture, hay, silage, or alternative forage. Cattle may enter the feedlot directly after weaning (calf-fed) or may be backgrounded in dry lots (pens) or on pasture (“stockered”) prior to placement in feedlots as long or short yearlings (See LDP-M-190, “Southern Plains Cattle Sell at a Premium to Northern-Central Plains Cattle”). Contrary to popular perceptions, the digestion of starches in grains also produces lower levels of greenhouse gases—one-third to two-thirds lower—than digestion of the quantities of forages necessary to achieve the same biological effects in cattle (e.g., Pitesky, Stackhouse, and Mitloehner, 2009).

Production system choices attempt to make the “best use” of regionally and seasonally available resources to produce a high-value commodity acceptable to consumers. For example, in the Southern Plains, highly nutritious wheat pasture, often available during the winter, provides a limited number of cattle a means to gain weight rapidly at a time when most forage plants are dormant. Regardless, in conventional beef production, cattle will be on feed for 120-200 days and gain between 2.5 and 4 pounds per day. A conventionally fed steer at slaughter will have entered a feedlot weighing on average 750-800 pounds, will have left the feedlot typically weighing about 1300 pounds, and will have gained about 500 pounds in the feedlot. Fed heifers are marketed weighing 100-200 pounds less. The cattle are fed a scientifically formulated ration in the feedlot that consists of about 80-85 percent grain, distillers grains, and/or other sources of starch/energy, and 10-15 percent hay, silage, or other forage, and the remaining 5 percent will typically consist of a protein-rich meal. These rations are also likely to contain supplemental vitamins and minerals, ionophores (which mimic but are not antibiotics), antibiotics, and artificial growth hormones.

Figure 1--Alternative production cycle timelines for grass-finished versus conventional grain-fed beef production.



Source: Produced by USDA, Economic Research Service.

As most feed grains are highly nutritious seeds of grasses that are readily amenable to ruminant diets, feeding grain to cattle after they have had sufficient opportunities to grow on forage-based diets often shortens the period from birth to slaughter, while yielding the largest, highest grade carcasses. Generally, the shorter term, grain-inclusive production systems reduce feed and ownership costs (land use, interest expenses, etc.) compared with the more forage-intensive production systems. The longer term, long-yearling and grass-fed/finished systems can incur the greatest ownership costs because they require the most time between birth and slaughter. However, long-yearling programs often result in large carcasses, giving them per-unit advantages over the generally smaller carcasses of grass-fed beef. Calf-feds engender the shortest birth to slaughter period, and at times can incur the lowest costs per unit.

Since most cattle invariably consume forages for most of their lives, whether the production is conventional or not, a distinction must also be made between forage- or grass-fed animals and grass-finished animals. Cattle marketed as grass-finished have exclusively grazed grass, pastureland, or other forages their entire lives, and, most importantly, have been fattened solely on grass or forages prior to slaughter. Finishing cattle on grass or forages alone requires large quantities of high-quality forages and operator-management skills to achieve adequate levels of finish to carcasses. Otherwise, grass-fed beef is not substantially different from beef from culled cattle or imported as processing beef. Producers who market high-quality grass-finished beef have removed some of the variances in the product that can result from exclusively forage-feeding an animal, due to differences in genetics, forage type and quality, and/or other management practices. They have achieved a more standard product through careful attention to grazing management, and, often, by using breeds with certain characteristics or higher quality genetics. As types and quality of forage fed to cattle affect animal gains and carcass characteristics, much greater management intensity (and cost) is placed on animals that are exclusively finished on forages. The animals must have access to high-quality forage, which is not naturally available year-round in most of the United States, particularly during the winter and summer months. In addition, cold temperatures increase the animals' energy requirements to maintain normal body functions. Likewise, reduced feed intake presents a challenge to forage-feeding cattle during warmer temperatures. Forage quality also varies with the growth stage and season of forage plants, whether in situ or harvested.

Beef produced from grass-finished animals is inherently much leaner and does not exhibit the marbling achievable through conventional grain-fed beef production. Although they can grade higher when provided proper forages, most grass-finished carcasses will grade select, produce 15-20 percent less beef, and, most distinguishably, the carcass fat will be yellowish. In one study comparing conventionally grain-fed and grass-fed steers fed to 11 millimeters of back fat, or when pasture availability became limiting in the case of grass-fed steers, grass-finished steer carcasses were 19 percent smaller than conventionally fed steer carcasses, took 24 percent longer to reach the endpoint, and had a marbling score 15 percent lower. Yellow fat results from higher levels of carotene and some lipids in the beef, giving the beef a "gamier" flavor that some consumers prefer. However, grass-finished beef has also been shown to be higher in desirable Omega-3 fatty acids than conventional beef (e.g., Faucitano et al., 2008; Leheska et al., 2008). Grass-fed beef production is often readily amenable to natural and organic production systems because cattle not in confined quarters often require fewer diet-related antibiotics to remain healthy.

Some grass-fed/finished beef is produced—and certified in the case of organic beef—without the use of ionophores, antibiotics, or artificial growth hormones.

Meat from each production system meets the preferences of some consumers. Taste panels generally characterize beef from cattle finished on grain-based diets as having a milder flavor and brighter color and as being more tender than grass-fed/finished beef. Fat in beef generally contributes to the tenderness of the product, primarily due to increased marbling that also carries the flavor in the meat most consumers prefer (e.g., Brewer and Calkins, 2003; Sitz et al., 2005). Producers of grass-finished beef, however, can often obtain premiums for their products—as can producers of natural, certified organic beef and other niche-targeted programs—due to consumer tastes and preferences for grass-finished beef and willingness-to-pay.

Implications for Beef Production and Consumption

Grass-fed beef production technologies offer producers attractive, commercially viable alternatives to conventional grain-fed beef production. Each production alternative supplies a product with slightly different attributes preferred by an increasingly diverse array of consumers. However, at some point, and with continued growth in niche-market demand, the decision to pursue grass-finished production could begin to necessitate a number of tradeoffs. The direction many of these tradeoffs suggest is toward higher cost of production and reduced beef supplies. For example, it could become necessary to liquidate some cows to make room for grass-finishing programs, reallocate cropland to provide the necessary high-quality forages, and vary selection programs to tailor cattle genetics amenable to alternative beef production technologies. Already, providing locally sourced beef is straining slaughter capacity—e.g., supplies—in some local areas. Generally, because they lack the means to do so, local meat processors are less likely to salvage the full array of byproduct values than larger packers, thus reducing supplies of intermediate inputs to a number of industries such as pharmaceuticals, cosmetics, and lubricants. Because byproducts contribute significantly to packers' profit margins, this also makes it necessary for small processors to bid less for market-ready cattle. As in most cases, consumers drive production decisions, and as consumer preferences continue to shift toward products from more forage-based beef production systems, solutions will need be found to many actual or anticipated short-term constraints on producing the desired final beef products.

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Pork/Hogs

Lower Slaughter Numbers Reduce Second-Quarter Pork Production Slightly

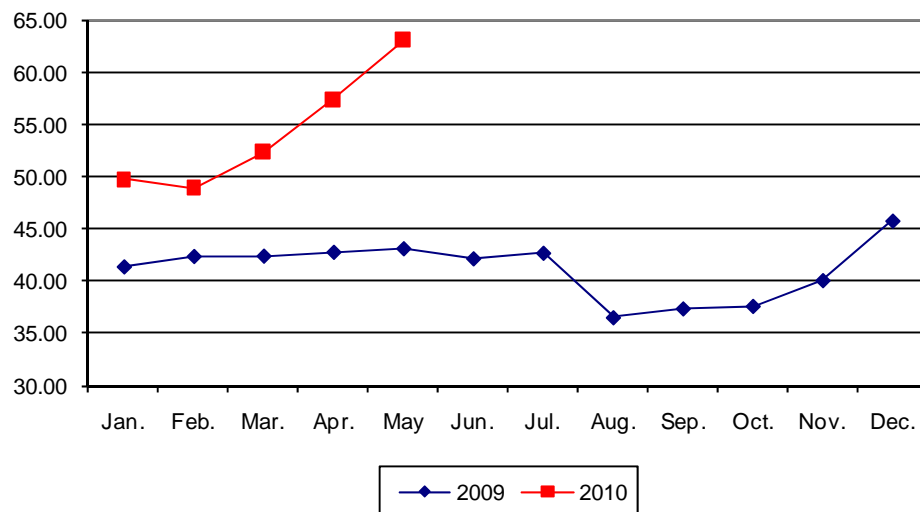
Hog slaughter has slowed more than anticipated since the beginning of the second quarter. Slightly higher average dressed weights are expected to mitigate some of the production effects of lower slaughter numbers, but even so, USDA reduced the second-quarter pork production estimate by 95 million pounds. Third-quarter production was also reduced by 20 million pounds, in anticipation of slightly lower slaughter numbers. Second-quarter commercial pork production is forecast at 5.22 billion pounds, 5 percent below production a year ago. Third-quarter production of 5.4 billion pounds is anticipated, 5.3 percent below the same period last year. For 2010 in total, pork production is expected to be 22.1 billion pounds, 3.8 percent below production in 2009.

Through May of this year, prices of live equivalent 51-52-percent lean hogs are averaging 28 percent above prices of a year ago. Lower slaughter numbers and slowly recovering consumer demand for pork products—both domestic and foreign—are the likely factors that have driven prices higher this year. As indicated in the figure below, hog prices are well above those of last year. Although prices have likely achieved their seasonal high, they are expected to remain well above last year's prices in the second half of 2010. Given USDA's forecasts for corn and soybean meal, hog prices are expected to remain above most hog producers' break-even levels for the remainder of 2010 and into 2011. Hog prices are expected to average \$59 to \$60 per cwt for the second quarter, and \$54 to 57 per cwt for 2010.

USDA will publish the *Quarterly Hogs and Pigs* report on June 25, 2010, providing an opportunity to understand and quantify hog producers' response to recent positive returns.

Monthly price, live equivalent 51-52 percent lean hogs

\$/cwt



Source: USDA\AMS. http://www.ams.usda.gov/mnreports/lm_hg213.txt

April Pork Exports Increase Year-Over-Year

The pace of U.S. pork exports was steady in April, with U.S. companies shipping almost 353 million pounds of pork products to foreign destinations, 2.2 percent ahead of April 2009. The three largest foreign destinations were, as usual, Japan, Mexico, and Canada. Japan accounted for more than 36 percent of U.S. pork exports in April, importing 6.4 percent more U.S. pork than a year ago. Exports to Mexico were 30 percent higher than April 2009. Mexico's share of U.S. pork exports in April was 22 percent, and when compared with its April 2009 share of 17 percent, demonstrates Mexico's increasing importance as a U.S. export destination. Canada remained a solid export market in April: shipments were almost 18 percent above a year ago. Canada accounted for almost 9 percent of U.S. shipments in April. With the exception of Japan and Taiwan, where U.S. exports increased by 13.7 percent, U.S. exports to Asia were almost uniformly lower than in April 2009, including to South Korea (-28 percent), China (-91 percent), and Hong Kong (-0.6 percent).

U.S. pork imports were 4.6 percent lower in April compared with those of a year ago. Lower purchases of Canadian and Danish pork accounted for most of the reduction. April swine imports were also year-over-year lower (-14.4 percent), with lower segregated early-weaned animals and heavier animals for finishing accounting for most of the reduction.

Broiler Meat Production Rises 1.1 Percent in April

Total broiler meat production in April 2010 was 3.0 billion pounds, an increase of 1.1 percent from the previous year. Broiler meat production has been higher, on a year-over-year basis, in 3 of the 4 months so far in 2010. Processors reported slaughtering 713 million broilers in April 2010, a decrease of 1.2 percent from the previous year. Offsetting this was an increase in the average liveweight of those broilers at slaughter to 5.68 pounds, up almost 2 percent from a year earlier. In addition to the increase in the average liveweight, there was an increase in the average meat yield per bird of less than 1 percent compared with April 2009.

The numbers of broiler chicks being placed for growout continues to be up by around 2 percent from the previous year. Over the last 5 weeks (May 8 to June 5, 2010), the average number of chicks placed per week was 172 million, up 1.4 percent from the same period in 2009. This level of chick placements, combined with continued growth in the number of eggs placed in incubators, is expected to translate into a slightly higher growth rate for broiler meat production in third-quarter 2010. The meat production forecast for second-quarter 2010 is 9.125 billion pounds, up 2.1 percent from second-quarter 2009. Third-quarter production is forecast to total 9.4 billion pounds, an increase of 2.5 percent from the previous year.

Broiler stocks as of the end of April 2010 totaled 602 million pounds, down 6 percent from the previous year. However, changes in stock levels varied widely by product types. Stocks of breast meat products were generally lower, while stocks of leg meat and thigh products were generally higher. The largest change was a 15-percent drop in the amount of broiler meat included in the “other” category. In April 2010, the “other” category accounted for 49 percent of the total amount of broiler meat in cold storage. Ending stocks for first-quarter 2010 were revised downward slightly to 596 million pounds, down 4 percent from a year earlier. With stronger than expected exports in first-quarter 2010 and only relatively small gains in production so far in 2010, the ending stocks forecast for 2010 was lowered by 20 million pounds to 670 million pounds.

Over the last several months, prices for a number of broiler products have been moving in opposite directions, with prices strengthening for some products and weakening for others. Prices in May for whole broilers were 86.4 cents per pound, up just over 3 cents per pound from the previous year. Prices of boneless/skinless breast meat were also higher. However, prices for a number of other broiler parts were lower than a year earlier. Prices for leg quarters averaged 38.2 cents per pound in May, down about 9 cents per pound from May 2009. Boneless/skinless thigh meat product prices in May also were lower than the previous year, falling 23 percent to 94.4 cents per pound.

Broiler Exports Down Slightly in April

During the first 4 months of 2010, U.S. exports of broiler meat totaled more than 2 billion pounds, down 12 percent from the same period in 2009. However, over the last 2 months shipments have averaged 552 million pounds, down only 2 percent from the same period in 2009.

Due to ongoing trade issues, broiler exports to Russia in April were zero and exports to China were only a fraction of the amounts shipped a year earlier. Due to the ability of the U.S. industry to export relatively large quantities of broiler products to other markets, the export forecast for the second quarter was increased by 50 million to 1.425 billion pounds.

Moderately higher broiler meat production in second-half 2010 compared with the previous year, combined with a slowly improving economy, could place some upward price pressure on broiler products. However, this will be the case only if export demand remains high. The extent of pressure on broiler product prices will depend on various factors, including the extent of increases in competing beef and pork prices and forecasts for feed costs.

Turkey Production Falls in April

Turkey meat production in April was 455 million pounds, down 4.2 percent from a year earlier. Turkey meat production has been below a year earlier in 15 of the last 16 months. The number of turkeys slaughtered in April 2010 fell to 19.2 million birds, down 5.6 percent from a year earlier, and their average liveweight at slaughter rose just over 1 percent to 29.7 pounds. Overall turkey meat production for second-quarter 2010 is expected to be 1.375 billion pounds, down about 3 percent from a year earlier.

With lower year-over-year turkey meat production for the last 5 consecutive quarters, there has been increasing price support for many turkey products. Wholesale prices for whole turkeys have been around 8 to 9 percent higher than the previous year. In May, the national price for whole hen turkeys was 82.5 cents per pound, an increase of 9 percent from May 2009. The upward price pressure is also a reflection of lower cold storage holdings. At the end of April, cold storage holdings of whole hen turkeys were reported at 98 million pounds, down 25 percent from a year earlier.

In May, the weekly average price for breast meat was approximately \$1.19 per pound, up from about \$1.08 per pound in May 2009. Thigh meat was also considerably higher; the May average for weekly prices was around \$1.20 per pound, compared with \$0.87 per pound a year earlier (up 38 percent). However, May prices for fresh MDM (Mechanically Deboned Meat) turkey meat averaged about \$0.40 cents per pound, around 27 percent lower than the previous year. One explanation for the decline in MDM prices is that a major market for this product is Mexico, and turkey exports to Mexico were down during the first 2 months of 2010 due to strong competition from broiler exports.

January to April Turkey Exports Totaled 157 Million Pounds

After being considerably lower than the previous year during the first 2 months of 2010, turkey meat exports strengthened in March and April, and over the first 4 months of 2010 they were 2 percent higher than during the same period in 2009. The turnaround can be chiefly attributed to the strengthening of exports to Mexico. In April, shipments to Mexico totaled 25.1 million pounds, up 39 percent from the previous year, and year-to-date exports are up 2 percent from the same period in 2009. Along with the increased shipments to Mexico there has been a sharp jump in exports to Hong Kong.

Turkey meat exports to Hong Kong in the first 4 months of 2010 have totaled 7.4 million pounds, up 92 percent from the previous year. This increase has more than offset a decline of 6 percent in shipments to China. The value of turkey exports over the first 4 months of 2009 was \$127.1 million, up 8 percent from the previous year, reflecting generally higher domestic prices.

Egg Production Higher in April, Production Estimates Increased

During the January to April 2010 period, the number of hens in the U.S. table egg flock averaged slightly lower than during the same period in 2009. In April, the flock was estimated at 281 million birds, down less than 1 percent from the previous year. However, that decrease in the size of the flock was more than offset by an increase in the rate of lay for table egg birds. The higher rate of lay resulted in an 0.8 percent increase in the number of table eggs produced in April to 539 million dozen. While the production estimate for the second quarter remained unchanged at 1.61 billion dozen, the production estimates for the third and fourth quarters were increased slightly. These estimates are now 1.63 billion dozen and 1.67 billion dozen.

Over the last several months (April through early June), wholesale egg prices have varied widely. Prices in the New York market were \$0.92 per dozen in April, having fallen sharply after the Easter holiday. Weekly prices in May point toward an average price of around \$0.80 per dozen and at the beginning of June, prices were around \$0.90 per dozen. The price estimate for second-quarter 2010 is \$0.88-\$0.89 cents per dozen, with prices expected to strengthen only slightly in the third quarter, but then to strengthen seasonally to average \$1.08-\$1.16 in fourth-quarter 2010.

Egg and Egg Product Exports Continue at High Level in April

Lower wholesale prices for eggs in the United States helped push egg and egg product exports in April to 20.4 million dozen, up 25 percent from a year earlier. Over the first 4 months of 2010, egg exports have been especially strong, totaling 77.6 million dozen, up 31 percent from the same period in 2009. While shipments have been higher to a wide variety of countries, the largest gains have been to Mexico, Japan, and European Union countries. The increase in shipments to Japan marked a return to more historical levels after a slowing economy in Japan resulted in a 26-percent drop in egg and egg product shipments from the United States in 2009 compared with the previous year.

Total exports of eggs and egg products are forecast at 60 million dozen in second-quarter 2010 after reaching 57.2 million in the first quarter. While the volume of exports has risen by 31 percent over the first 4 months of 2010, the value of shipments has risen only 14 percent, chiefly due to falling prices in April.

Higher Milk Production To Keep Prices Moderate Despite Improving Demand

Feed prices are expected to remain moderate in both 2010 and 2011. Corn prices are projected to be \$3.45 to \$3.65 per bushel for the 2009/10 crop year and to rise to average \$3.30 to \$3.90 per bushel in 2010/11. Likewise, soybean meal prices are expected to average \$295 per ton this year and average \$230 to \$270 per ton 2010/2011. Prices for feed ingredients have pushed the price of the 2010 benchmark 16-percent protein dairy feed ration 10 percent below 2009. Early forecasts are that the price of the ration will increase only slightly in 2011. Moderate feed costs may slow the rate of decline in the number of cows in the dairy herd. The May *Livestock Slaughter* report showed dairy cow slaughter in April above the corresponding month in 2009. The relatively high slaughter rate, combined with the large number of retained heifers, as indicated in the January *Cattle* report, suggest that the U.S. dairy herd was being freshened. The U.S. herd is expected to average 9,075 thousand cows in 2010 and contract fractionally to average 9,040 in 2011. This represents a small year-over-year contraction compared with the 1.2 percent and 1.4 percent year-over-year declines observed in 2009 and 2010. The Cooperatives Working Together program is offering another herd buyout, with the majority of cows purchased expected to move to market during the summer quarter.

The herd liquidation appears to be slowing; however, the feed price forecast for both this year and next, along with herd freshening, will combine to boost output per cow. Milk production per cow is expected to increase nearly 2 percent in 2010 over 2009 to about 20,980 pounds per cow. In 2011, production per cow is forecast to rise another 1.8 percent to 21,355 pounds. The expected increase in milk per cow will provide 190.4 billion pounds of milk in 2010 and 193 billion pounds in 2011; both forecasts represent yearly increases in milk production from a slightly smaller herd compared with recent years.

Lower milk production in Oceania has tightened world supplies of major dairy products. The impact on U.S. markets is to lower milk equivalent imports on both a fats and skims-solids basis and support exports. Exports of cheese, butter, and nonfat dry milk (NDM) were all higher in April, and the difference between U.S. and international prices remain favorable for U.S. exports. However, the strong U.S. dollar relative to the Euro and relatively large European Union (EU) intervention stocks of powder could be factors that limit U.S. powder exports. Notably, the EU did not accept any bids for skim milk powder in its most recent intervention tender. Milk equivalent exports are projected to reach just over 5.0 billion pounds this year and 5.1 billion in 2011 on a fats basis. The corresponding export forecasts on a skims-solids basis are about 26 billion pounds and 27.1 billion pounds. All forecasts represent increases from 2009. Milk equivalent imports both this year and next will likely be below 2009. Imports are forecast at 4.8 billion pounds this year and 4.9 billion in 2011 on a fats basis and 4.4 billion pounds and 4.8 billion pounds for 2011 on a skims-solids basis.

Ending commercial stocks on a fats basis are expected to be drawn down both this year and next, reflecting climbing domestic commercial use, which is forecast to rise 1.2 percent in 2010 and by 1.5 percent next year. This suggests a recovery in domestic cheese use. On a skims-solids basis, ending stocks are expected to change very little this year and next, reflecting virtually flat domestic commercial use this year compared with 2009 and about a 1-percent increase in 2011.

While demand, both foreign and domestic, is recovering, continued increases in the milk supply will keep prices from rising appreciably. Cheese prices are forecast to average \$1.485 to \$1.525 per pound this year and rise slightly to \$1.520 to \$1.620 per pound next year. Butter prices are projected to average \$1.475 to \$1.545 per pound both this year and slip to average \$1.390 to \$1.520 next year. Improving domestic demand for these products has firmed prices, but higher milk supplies will keep a lid on prices. NDM prices are forecast to average \$1.200 to \$1.240 per pound in 2010 and rise to average \$1.235 to \$1.305 per pound next year. Tight international supplies and the expectation of stronger exports support the expected higher prices. Whey prices are forecast to average 36.5 to 38.5 cents per pound and rise fractionally to 37.5 to 40.5 cents per pound in 2011.

Class IV milk prices are forecast to average \$14.45 to \$14.95 per cwt this year and to rise slightly to \$14.35 to \$15.45 per cwt in 2011. The strength of the Class IV price relative to the Class III price indicates the shift to butter powder relative to cheese, and could help firm cheese prices. The Class III price is projected to average \$13.95 to \$14.35 per cwt in 2010 and climb to \$14.35 to \$15.35 per cwt in 2011. The all milk price is expected to average \$15.75 to \$16.15 per cwt in 2010, with a slight rise to \$15.80 to \$16.80 in 2011.

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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/>
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U.S. red meat and poultry forecasts

	2004	2005	2006				2007 1/				2008				2009				2010				2011							
	Annual	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	Annual	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	6,251	6,450	6,625	6,180	25,506	5,950	25,115	
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	5,607	5,215	5,400	5,900	22,122	5,600	22,705	
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	39	40	42	164	42	161	161	
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	8,732	9,125	9,400	9,125	36,382	9,075	37,500	
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	1,340	1,375	1,400	1,425	5,540	1,375	5,645	
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	22,124	22,362	23,023	22,832	90,341	22,190	91,757	
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	1,661	6,475	1,603	1,610	1,630	1,670	6,513	1,610	6,530	
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	14.6	15.0	15.2	14.1	58.9	14.0	58.3	
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	50.1	11.8	11.3	11.3	12.3	46.8	11.5	47.3	
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	0.2	0.2	0.2	0.3	1.0	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	20.0	21.1	21.8	20.9	83.7	20.8	21.6	
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	3.5	3.7	3.7	5.0	16.1	3.6	16.1	
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	50.6	51.8	52.7	52.9	208.1	50.6	210.0	
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	247.7	61.1	61.1	61.8	63.2	247.1	61.0	245.8	
Market prices																														
Choice steers, 5-area Direct, \$/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	84.48	84.48	83.05	83.29	83.25	89.44	95.96	93.97	92.100	92.96	93.101	95.102	
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	109-110	105-111	105-111	104-108	101-109	105-112	
Cutter Cows, National L.E., \$/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	45.42	48.57	46.44	43.56	46.00	51.79	57.58	53.57	55.59	54.57	53.57	53.57	
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	106-107	103-109	105-111	104-108	106-114	107-113	
Barrows & gilts, N. base, 1c. \$/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	59.60	58.62	50.54	54.57	54.58	53.57	
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	82.2	85.86	84.88	79.85	82.85	80.87	81.88	
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	75.6	83.84	84.88	84.92	80.84	74.80	78.85	
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	88-89	88-92	108-116	102-106	111-121	108-117	
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	478	530	530	520	2,058	460	2,000	
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	573	670	660	605	2,508	690	2,785	
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	47	47	39	49	182	54	191	
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	1,047	1,020	1,080	1,180	4,327	1,120	4,550	
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	199	200	215	230	644	220	885	
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	1,488	1,425	1,425	1,475	5,813	1,425	6,000	
Turkey exports	442	570	119	125	152	150	547	124	135	148	146	553	148	160	186	182	676	117	122	152	144	535	114	120	140	140	514	120	530	
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	1,446	1,500	1,525	1,525	5,996	1,500	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					2011	
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	Annual
Milk cows (thous.)	9,295	9,262	9,155	9,090	9,201	9,090	9,090	9,065	9,050	9,074	9,040	9,040
Milk per cow (pounds)	5,097	5,278	5,111	5,090	20,576	5,208	5,400	5,200	5,170	20,978	5,300	21,355
Milk production (bil. pounds)	47.4	48.9	46.8	46.3	189.3	47.3	49.1	47.1	46.8	190.4	47.9	193.0
Farm use	0.3	0.3	0.3	0.3	1.0	0.2	0.2	0.2	0.2	1.0	0.2	1.0
Milk marketings	47.1	48.6	46.5	46.0	188.3	47.1	48.8	46.9	46.5	189.4	47.7	192.1
Milkfat (bil. pounds milk equiv.)												
Milk marketings	47.1	48.6	46.5	46.0	188.3	47.1	48.8	46.9	46.5	189.4	47.7	192.1
Beginning commercial stocks	10.1	12.7	14.5	13.7	10.1	11.3	13.0	13.9	12.4	11.3	10.5	10.5
Imports	1.5	1.5	1.3	1.3	5.6	1.2	1.2	1.1	1.4	4.8	1.2	4.9
Total supply	58.7	62.8	62.3	61.0	204.0	59.6	63.0	61.9	60.3	502.5	59.3	207.5
Commercial exports	1.0	1.1	0.9	1.1	4.1	1.3	1.3	1.3	1.2	5.0	1.3	5.1
Ending commercial stocks	12.7	14.5	13.7	11.3	11.3	13.0	13.9	12.4	10.5	10.5	11.5	9.8
Net removals	0.1	-0.1	0.1	0.6	0.7	0.2	0.0	0.0	0.0	0.2	0.0	0.0
Commercial use	44.8	47.3	47.6	47.9	187.6	45.1	47.8	48.2	48.6	189.7	46.6	192.6
Skim solids (bil. pounds milk equiv.)												
Milk marketings	47.1	48.6	46.5	46.0	188.3	47.1	48.8	46.9	46.5	189.4	47.7	192.1
Beginning commercial stocks	10.9	11.5	12.4	11.5	10.9	11.3	11.8	12.1	11.2	11.3	11.0	11.0
Imports	1.7	1.2	1.2	1.4	5.5	1.2	1.0	1.0	1.3	4.4	1.3	4.8
Total supply	59.7	61.4	60.2	58.9	204.7	59.6	61.7	60.0	59.0	205.2	60.0	207.8
Commercial exports	5.1	5.8	5.5	6.1	22.5	6.2	6.7	6.6	6.5	26.0	6.8	27.1
Ending commercial stocks	11.5	12.4	11.5	11.3	11.3	11.8	12.1	11.2	11.0	11.0	11.1	10.6
Net removals	1.1	0.7	0.6	0.4	2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	42.0	42.4	42.9	41.4	168.6	41.8	43.0	42.2	41.5	168.4	42.1	170.2
Milk prices (dol./cwt) 1/												
All milk	12.23	11.60	12.13	15.40	12.84	15.60	15.00	15.95	16.55	15.75	15.70	15.80
							-15.20	-16.45	-17.35	-16.15	-16.70	-16.80
Class III	10.18	10.20	11.09	13.96	11.36	13.85	13.20	14.15	14.75	13.95	13.85	14.35
							-13.40	-14.65	-15.55	-14.35	-14.85	-15.35
Class IV	9.56	10.06	10.56	13.37	10.89	13.22	14.65	15.25	14.80	14.45	14.35	14.35
							-14.95	-15.85	-15.70	-14.95	-15.45	-15.45
Product prices (dol./pound) 2/												
Cheddar cheese	1.237	1.192	1.248	1.508	1.296	1.471	1.410	1.505	1.560	1.485	1.105	1.520
							-1.430	-1.555	-1.640	-1.525	-1.205	-1.620
Dry whey	0.163	0.232	0.294	0.344	0.258	0.386	0.355	0.355	0.365	0.365	0.375	0.375
							-0.375	-0.385	-0.395	-0.385	-0.405	-0.405
Butter	1.097	1.196	1.194	1.350	1.209	1.387	1.520	1.545	1.475	1.475	1.405	1.390
							-1.560	-1.625	-1.585	-1.545	-1.535	-1.520
Nonfat dry milk	0.823	0.832	0.892	1.142	0.922	1.107	1.210	1.260	1.240	1.200	1.225	1.235
							-1.230	-1.300	-1.300	-1.240	-1.295	-1.305

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/dyfm0s/mib/fedordprc_dscrp.htm

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

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