Situation and Outlook for U.S. Livestock, Dairy, and Poultry

Presented by

Rachel J. Johnson

Economic Research Service, USDA

AAEA

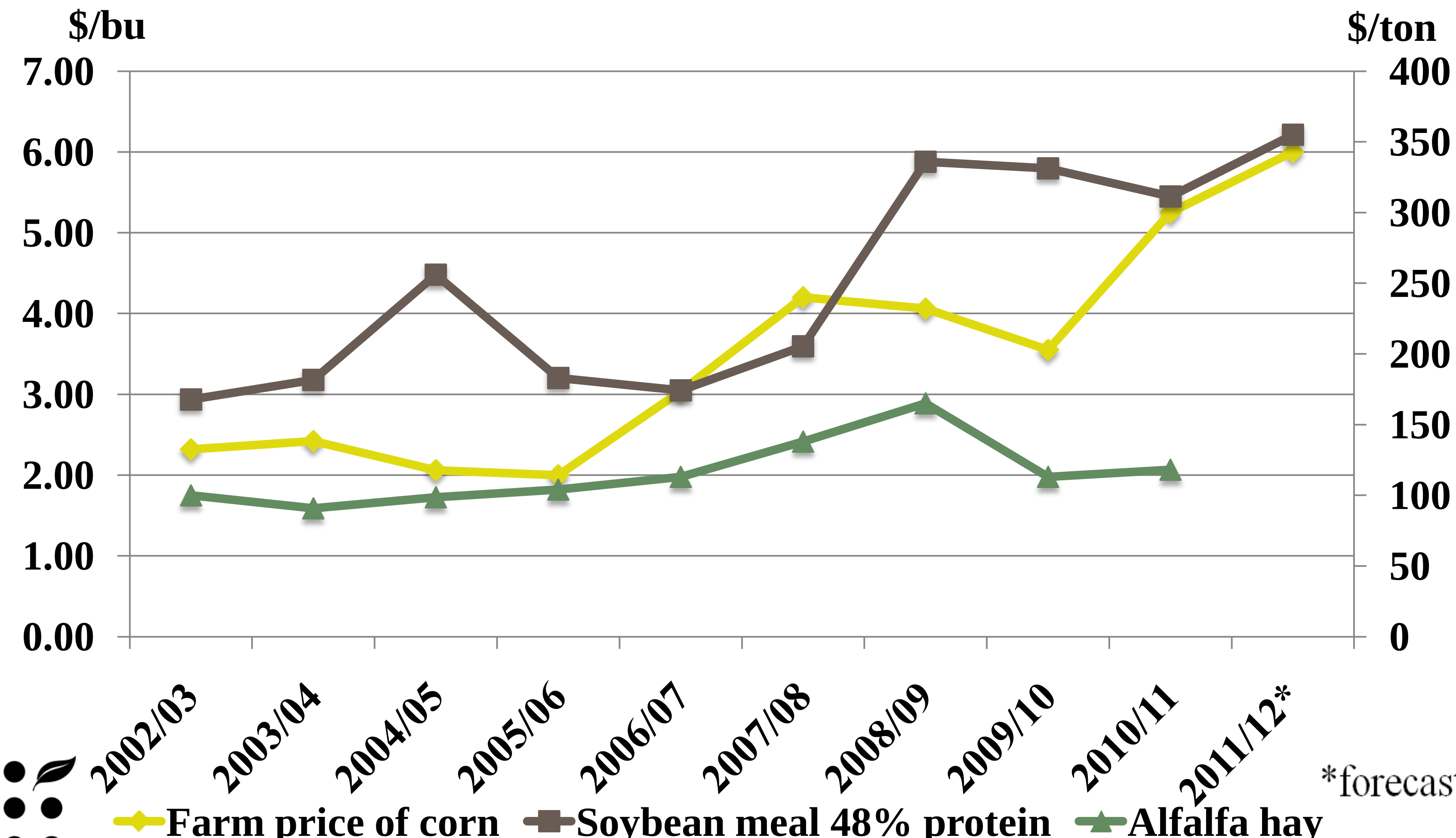
Pittsburgh, PA

July 26, 2011

Meat Complex Snapshot

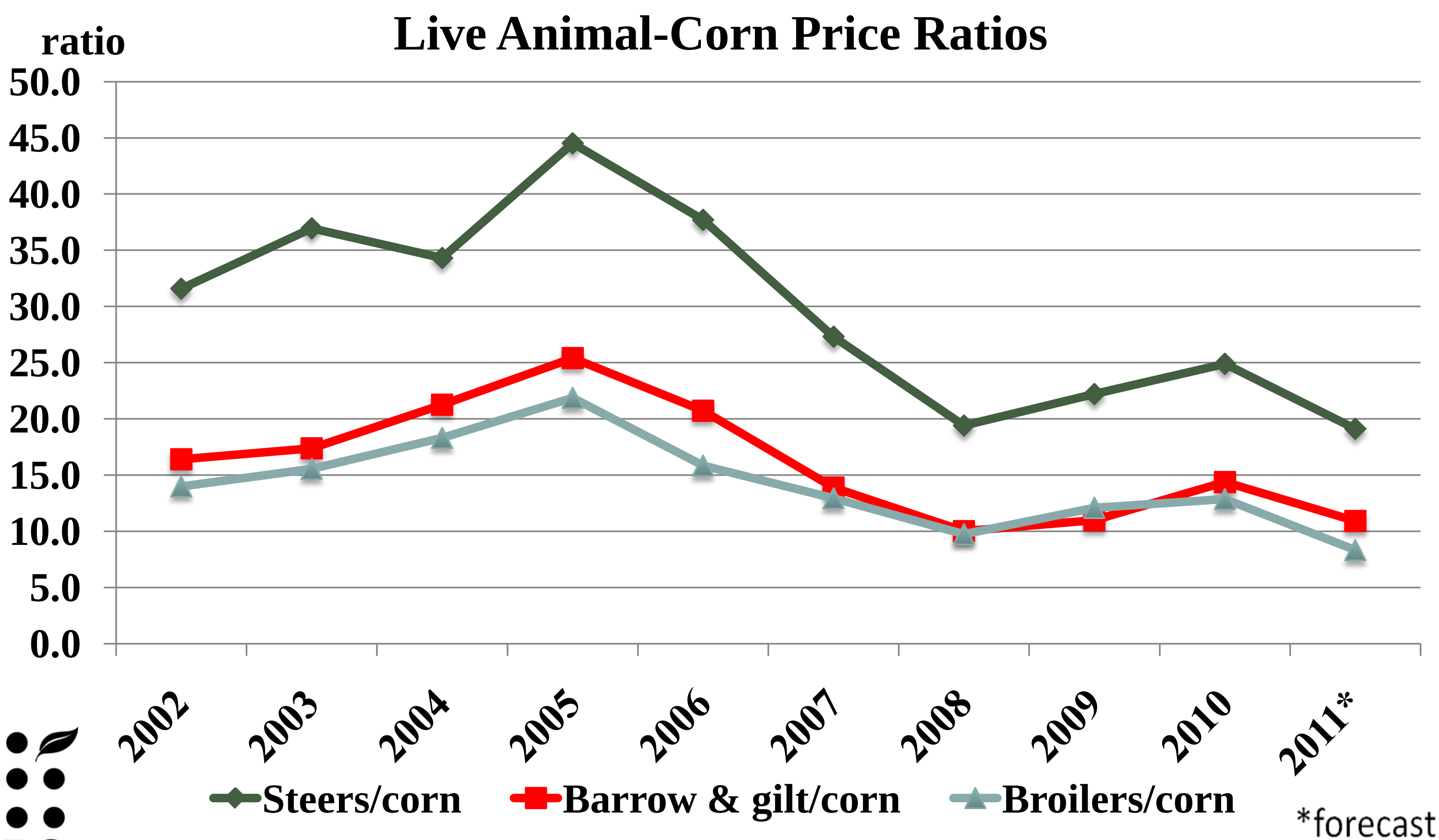
- High livestock prices
  - …but feed costs cut into producer margins.
- Uncertainty and volatility in grain markets
- Expansion tenuous for livestock sectors
  - …but productivity gains lend to some production increases.
- U.S. consuming less meat
  - ...but exporting more.

Feed Prices on the Rise



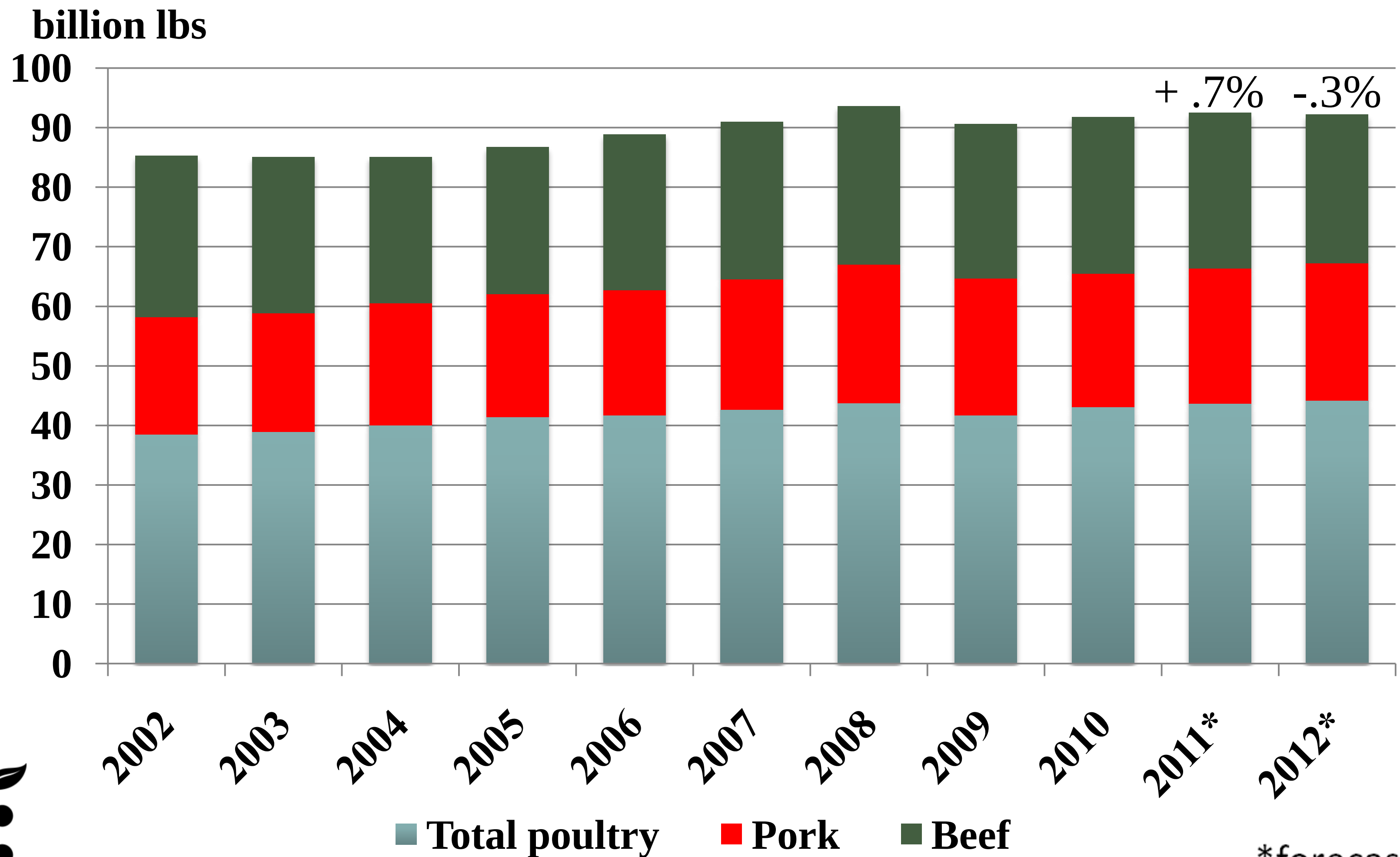
ERS

Livestock Prices Lag Crop Price Increases



ERS

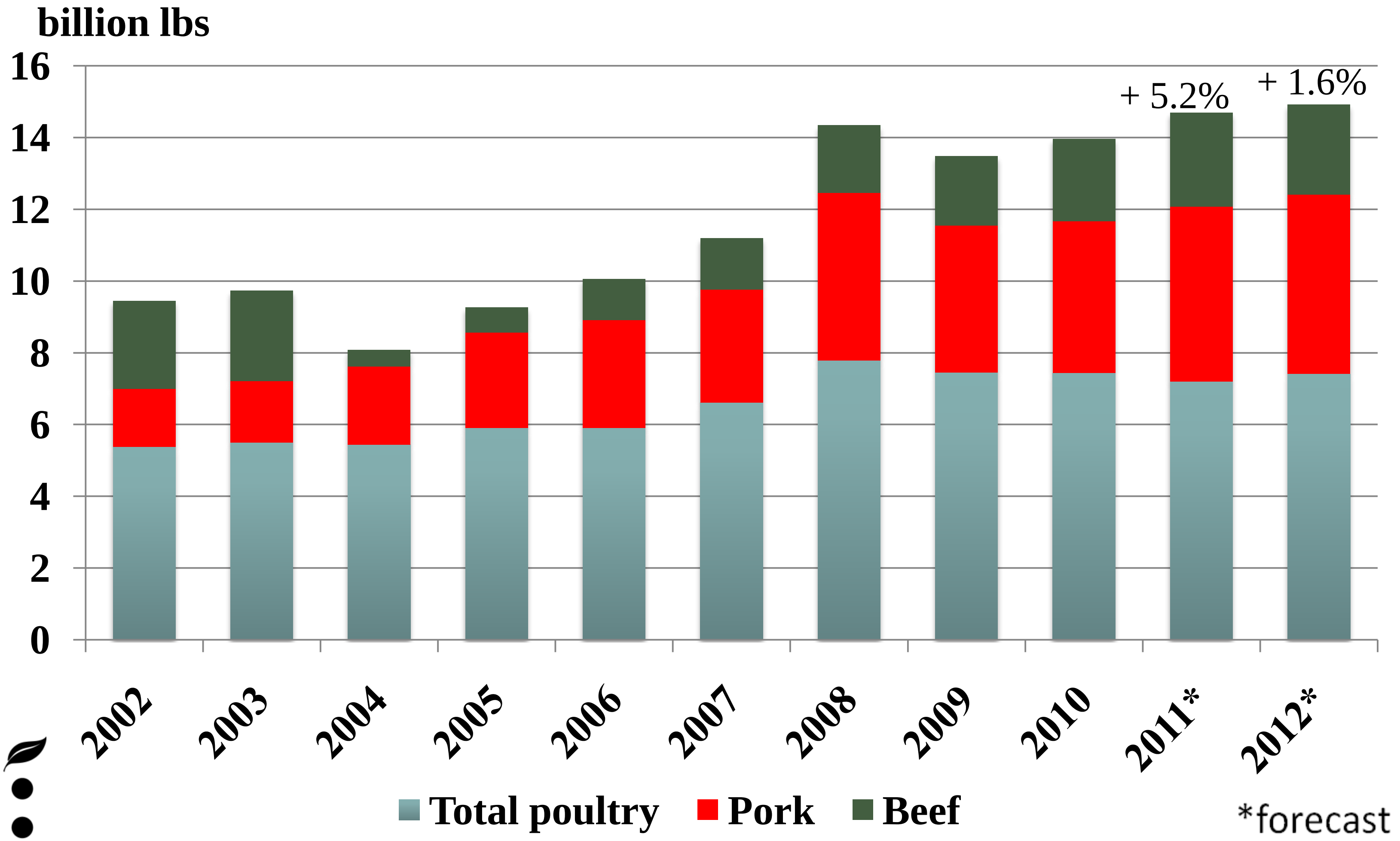
Red Meat & Poultry Production Increases Marginally in 2011



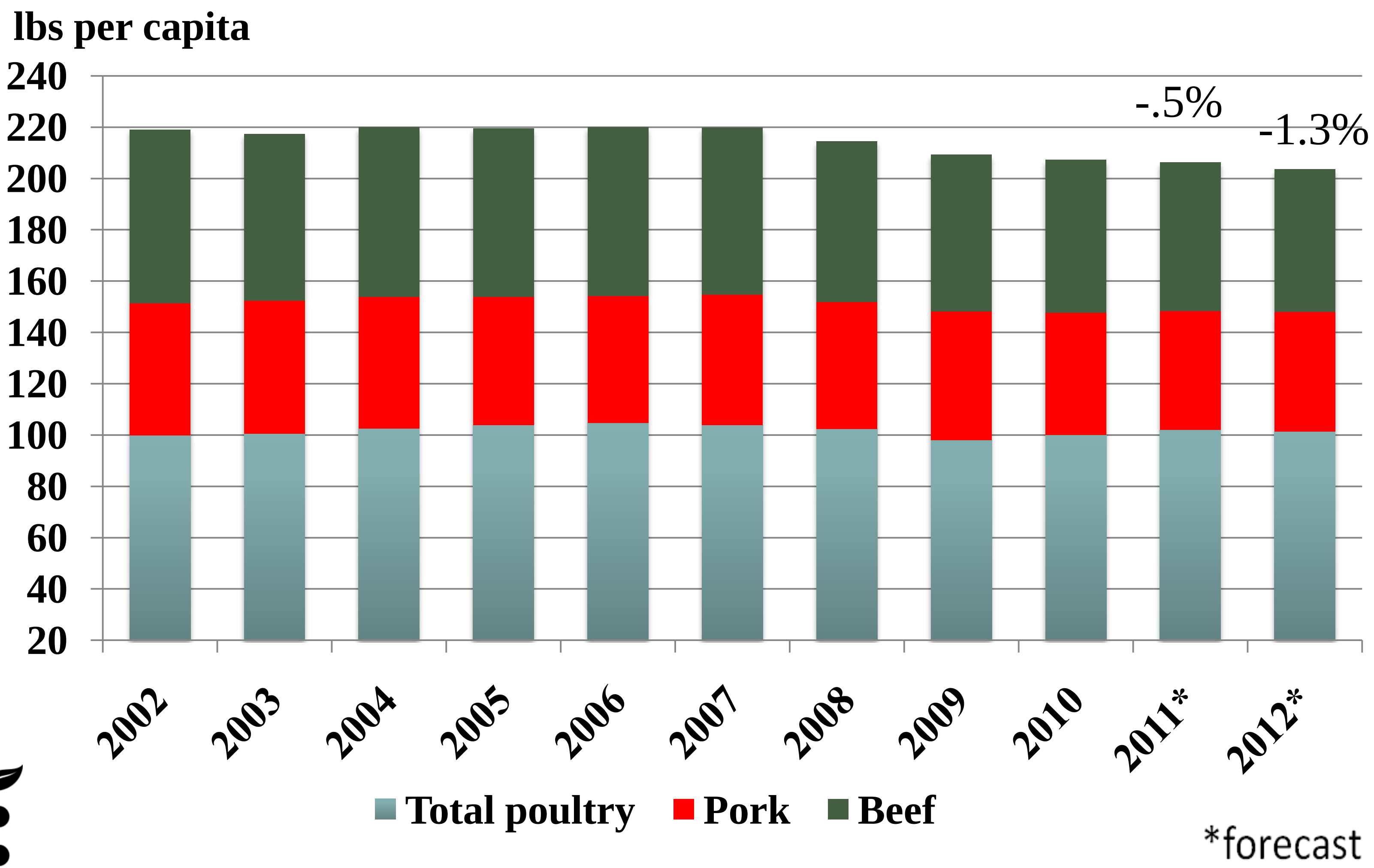
*forecast

ERS

Red Meat & Poultry Exports 5 Percent Higher in 2011

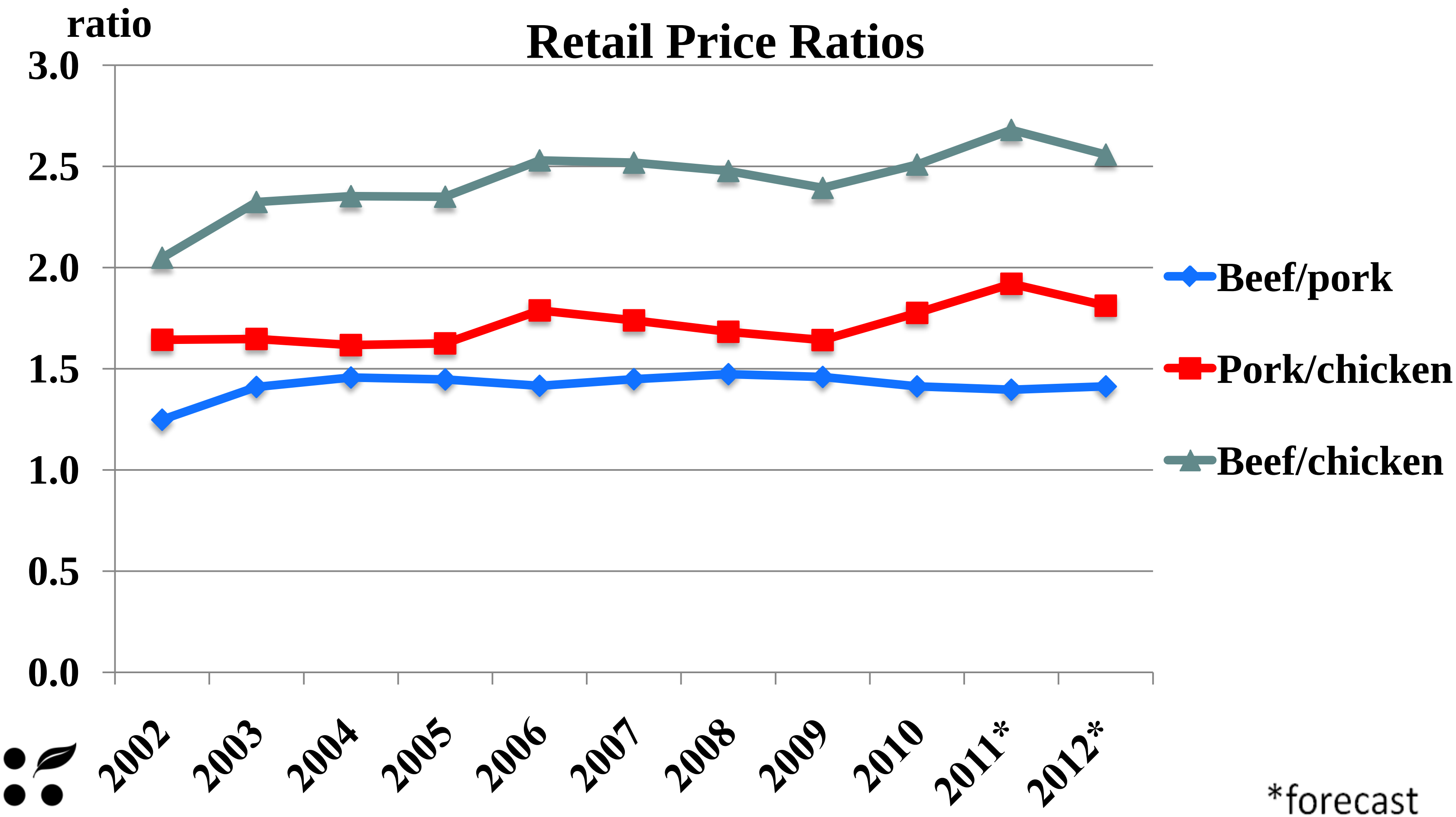


Declines in U.S. Retail Per Capita Disappearance into 2012



ERS

Beef and Pork Retail Prices Ease Slightly in 2012 Relative to Chicken



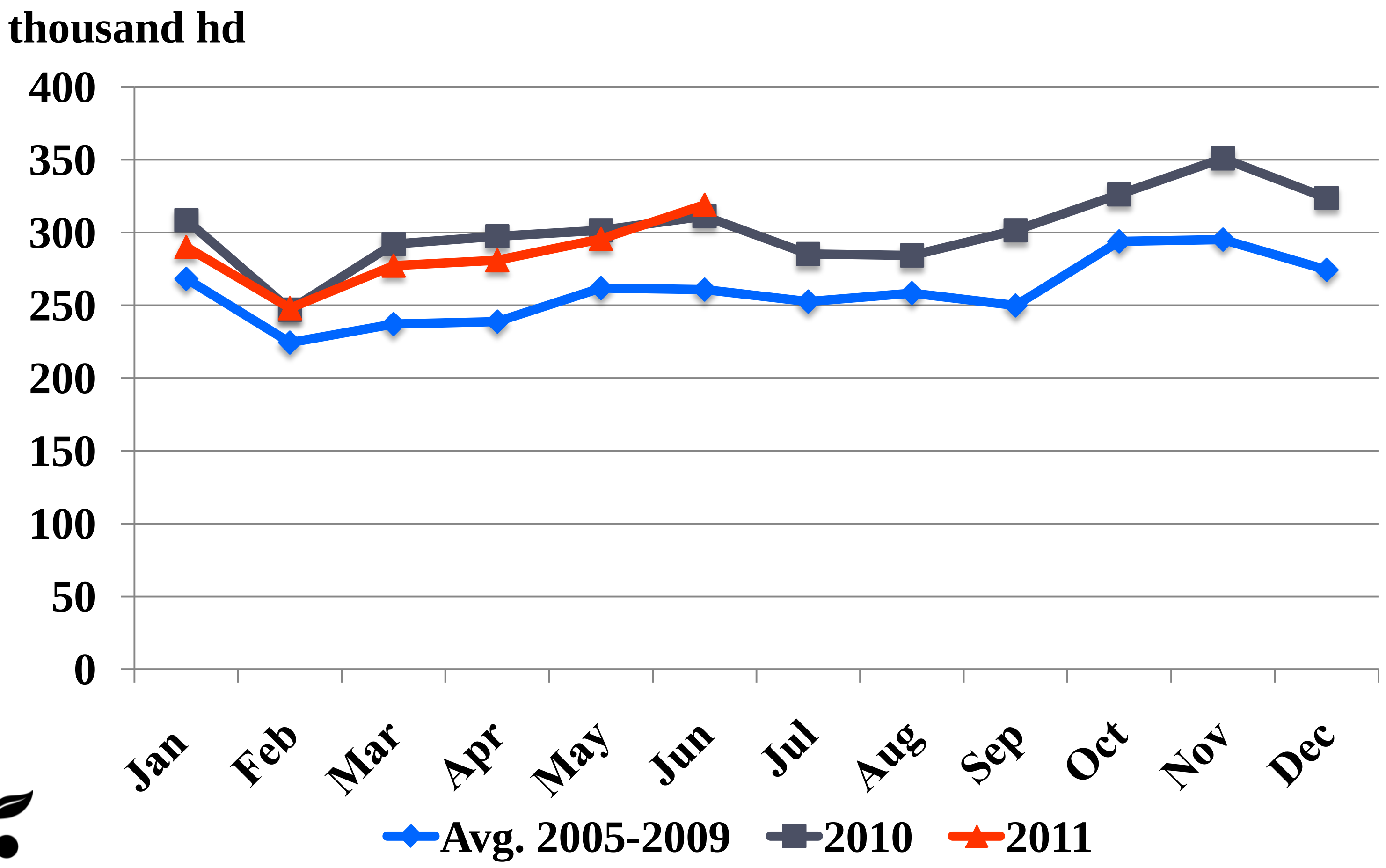
*forecast

ERS

Cattle/Beef

- Lower cattle inventories
- Decreases in production commence in 2012
- Cattle supply to support prices, high calf and feeder cattle prices
- Retail beef faces relatively lower pork and poultry prices
- Beef exports booming while supply is the constraint; Imports from Oceania rebound in 2012

Beef Cow Slaughter Responding to Prices, Now Drought



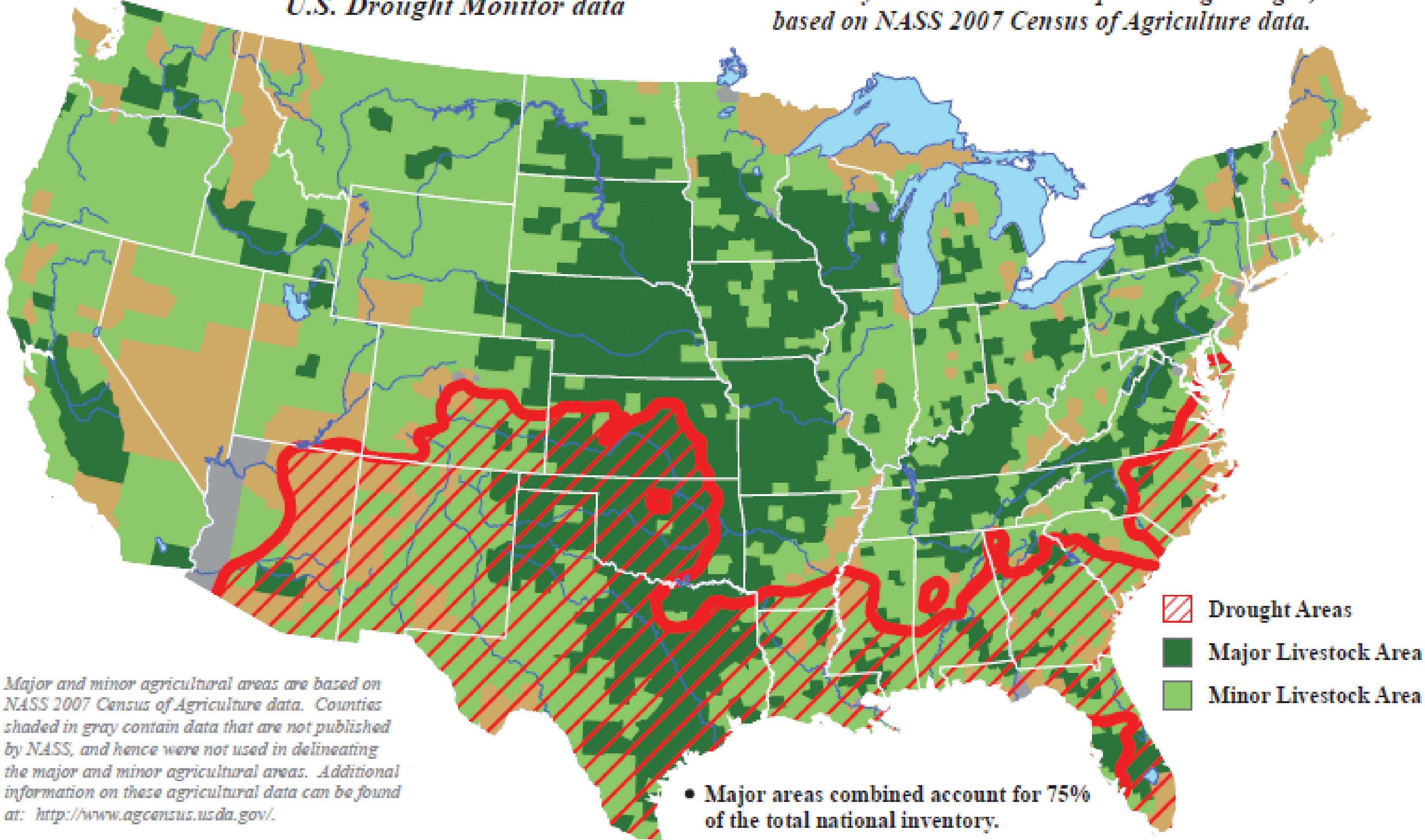
NASS

ERS

U.S. Cattle Areas Experiencing Drought

Reflects June 28, 2011
U.S. Drought Monitor data

Approximately 30% of the domestic cattle inventory is within an area experiencing drought, based on NASS 2007 Census of Agriculture data.



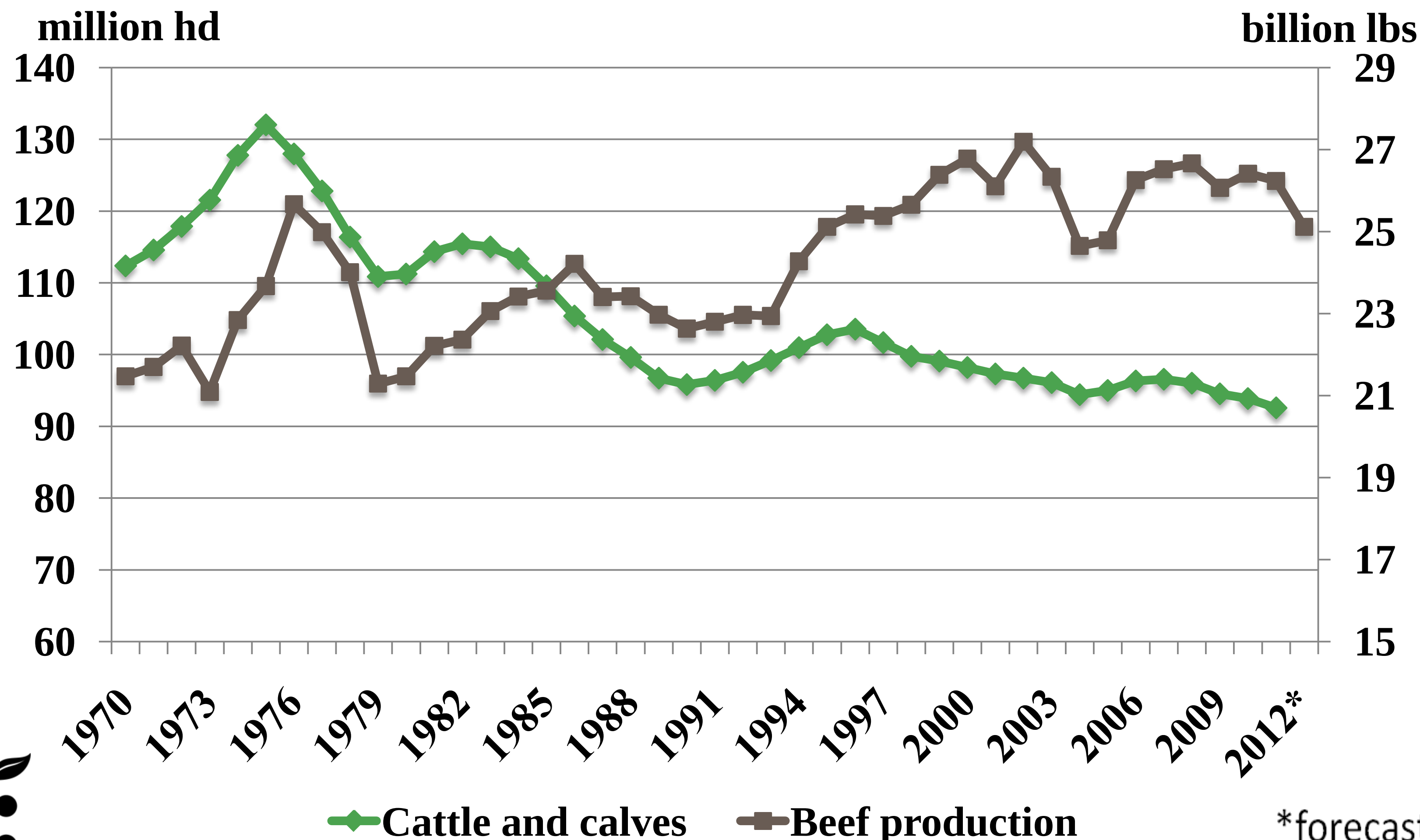
Major and minor agricultural areas are based on NASS 2007 Census of Agriculture data. Counties shaded in gray contain data that are not published by NASS, and hence were not used in delineating the major and minor agricultural areas. Additional information on these agricultural data can be found at: http://www.agcensus.usda.gov/.

- Major areas combined account for 75% of the total national inventory.
- Major and minor areas combined account for 99% of the total national inventory.

Mapped drought areas are derived from the U.S. Drought Monitor product and do not depict the intensity of drought in any particular location. More information on the Drought Monitor can be found at: http://www.drought.unl.edu/dm/monitor.html.

USDA **Agricultural Weather Assessments**
World Agricultural Outlook Board

Beef Production Chased Down with Lower Inventories

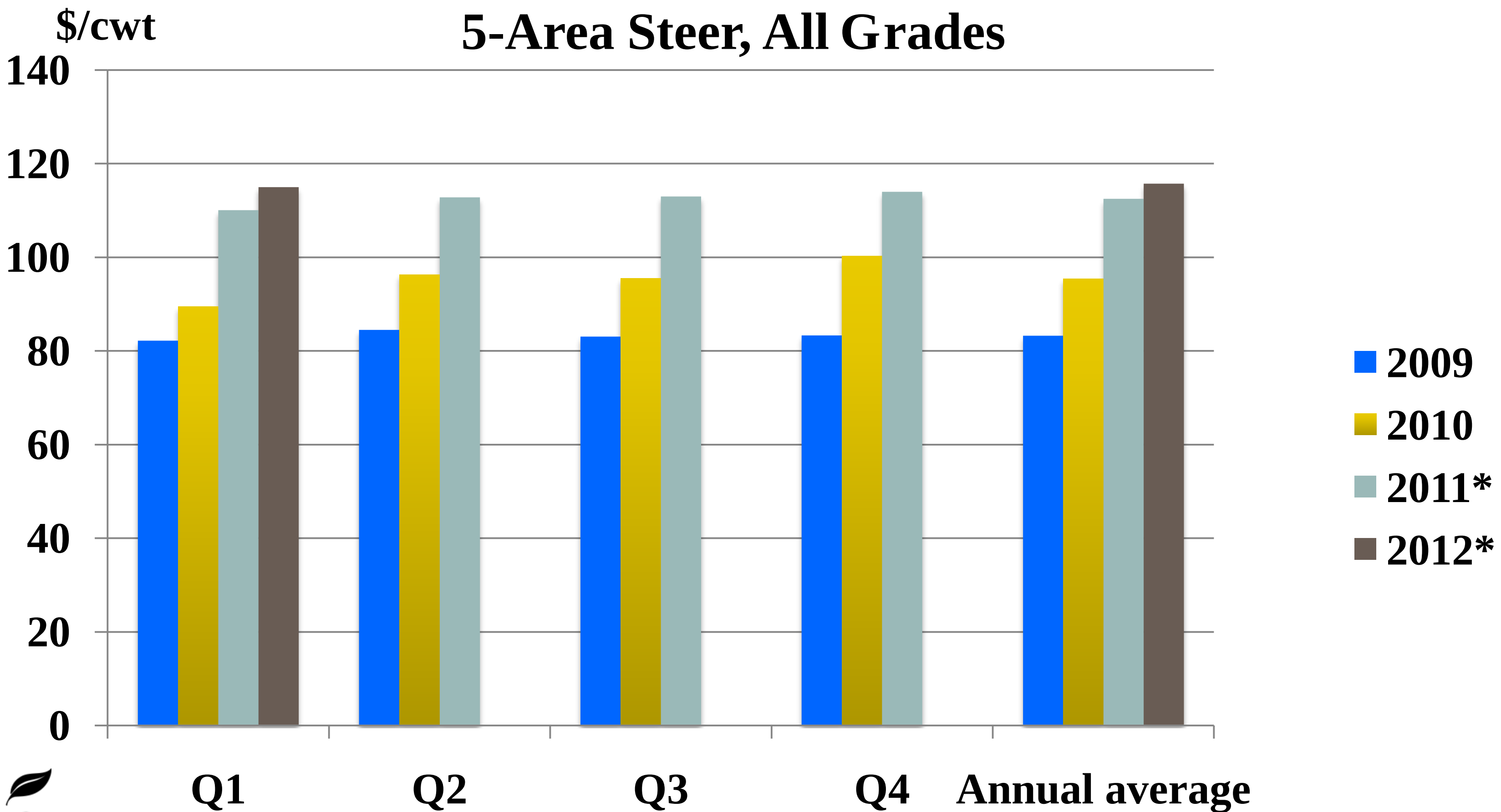


*forecast

USDA, NASS

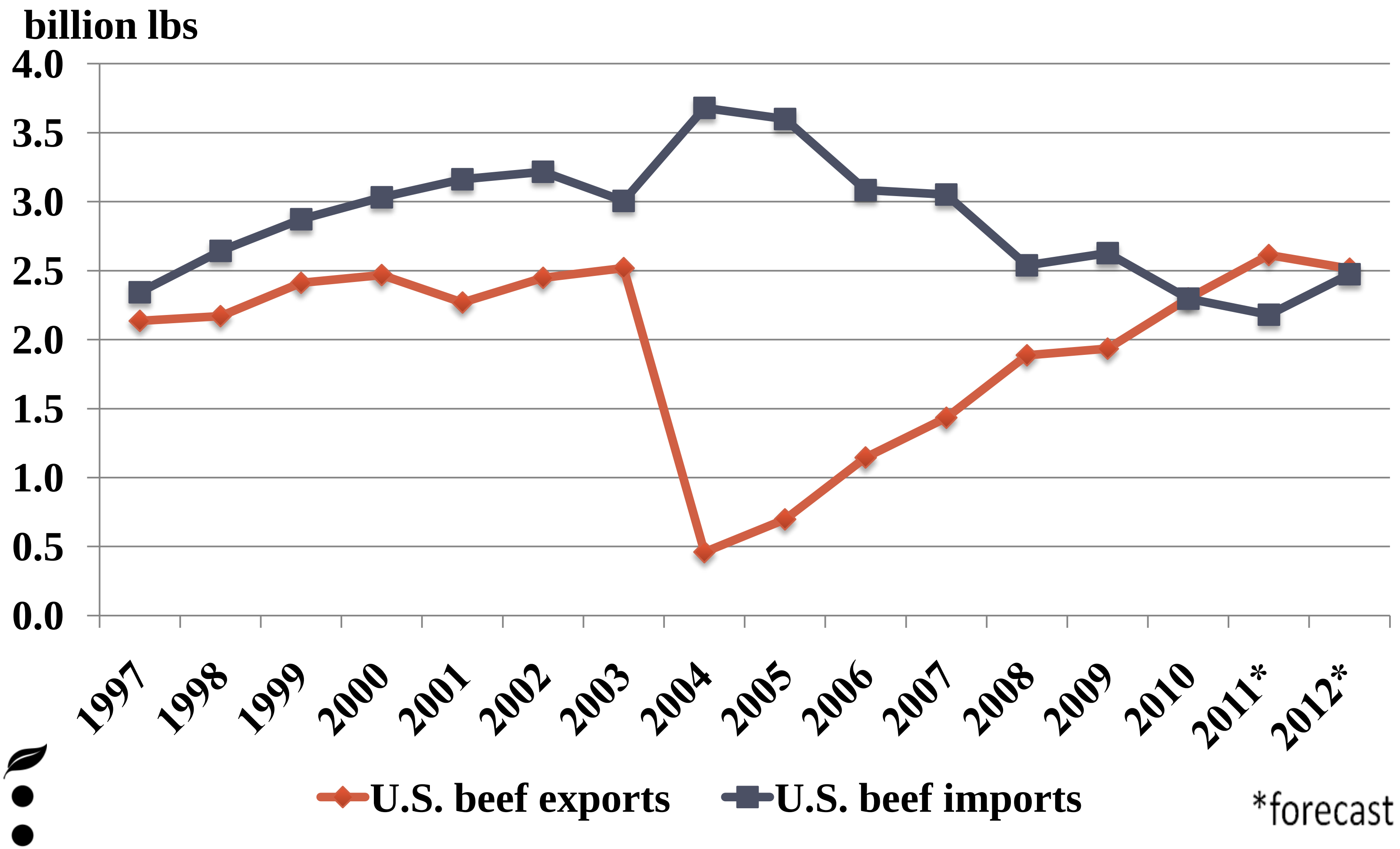
ERS

Fed Cattle Prices Push Higher in 2012, to Average $111-120/cwt



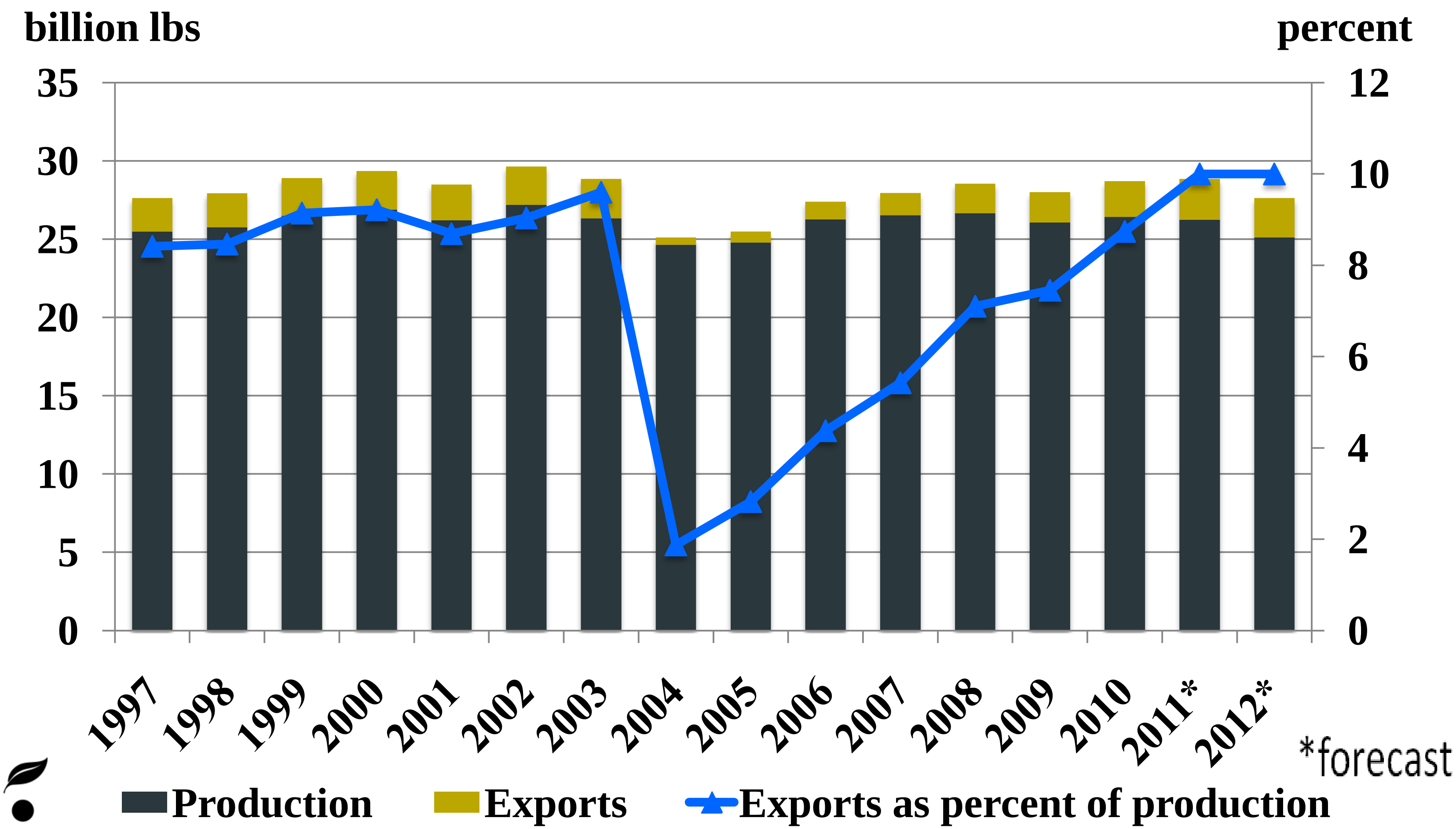
ERS

U.S. To Be a Net Exporter by 432 million lbs in 2011

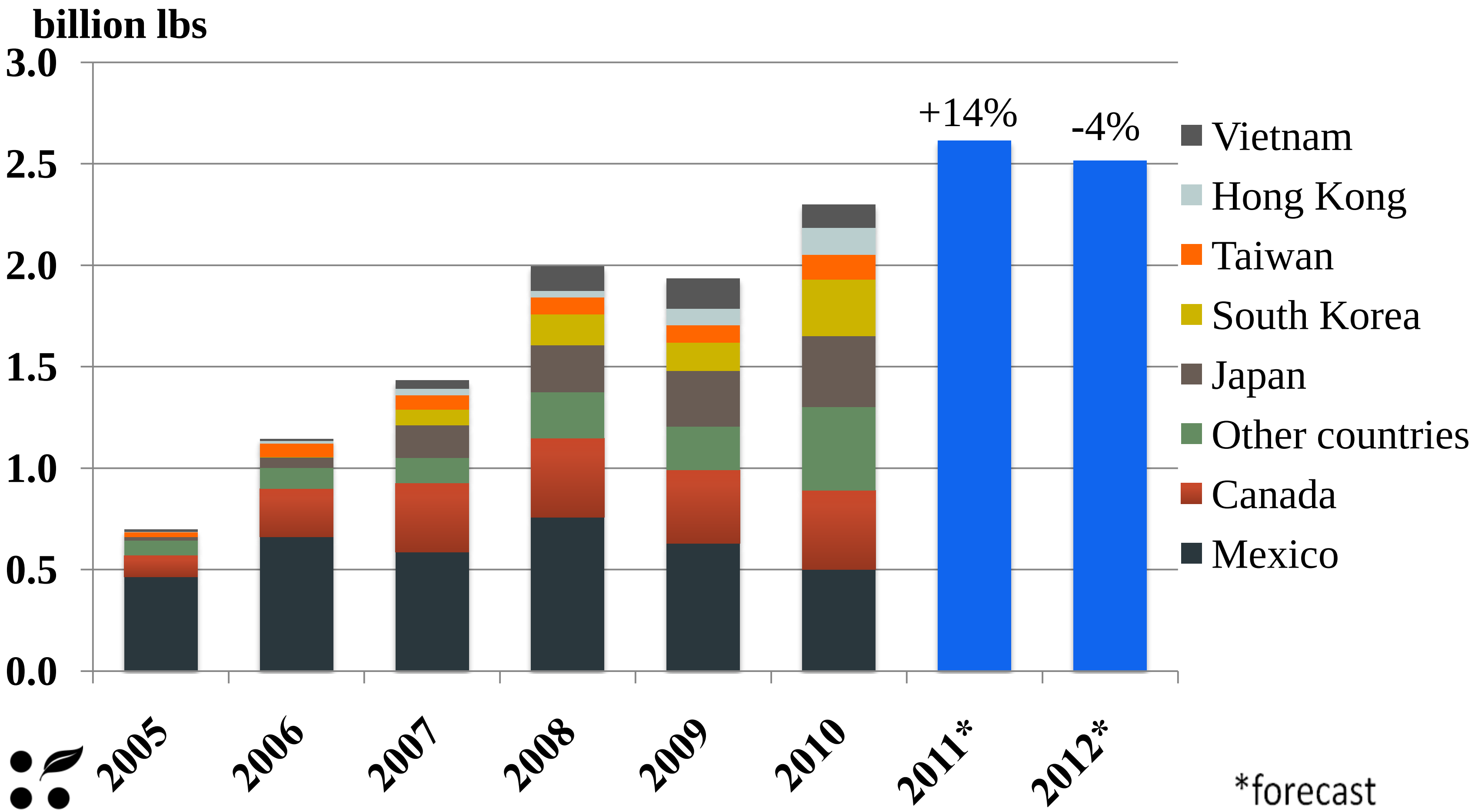


ERS

Beef Exports10 Percent of Production in 2011and 2012



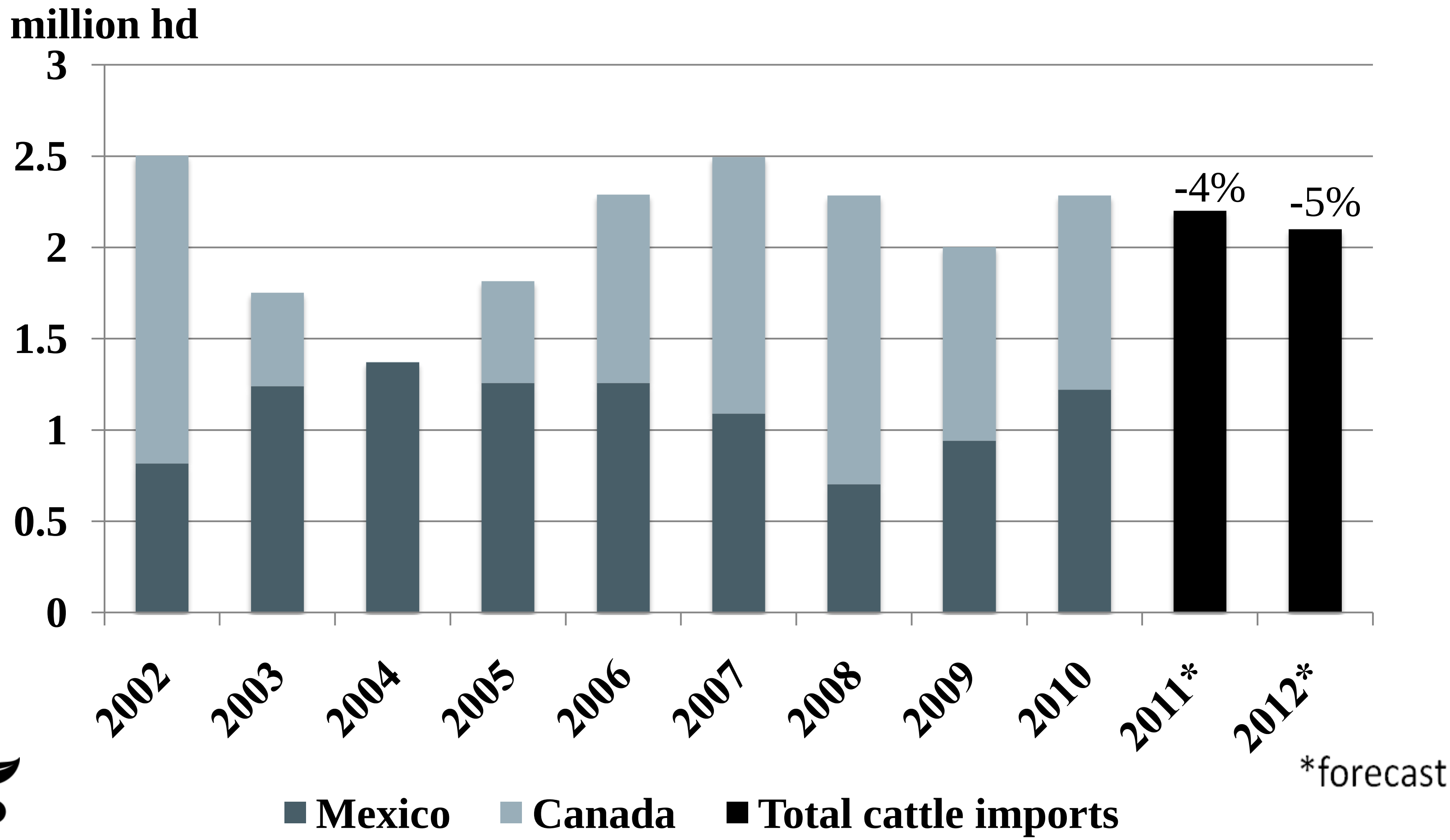
U.S. Beef Exports Seeing Stars



*forecast

ERS

U.S. Cattle Imports Decrease as North American Inventories Decline



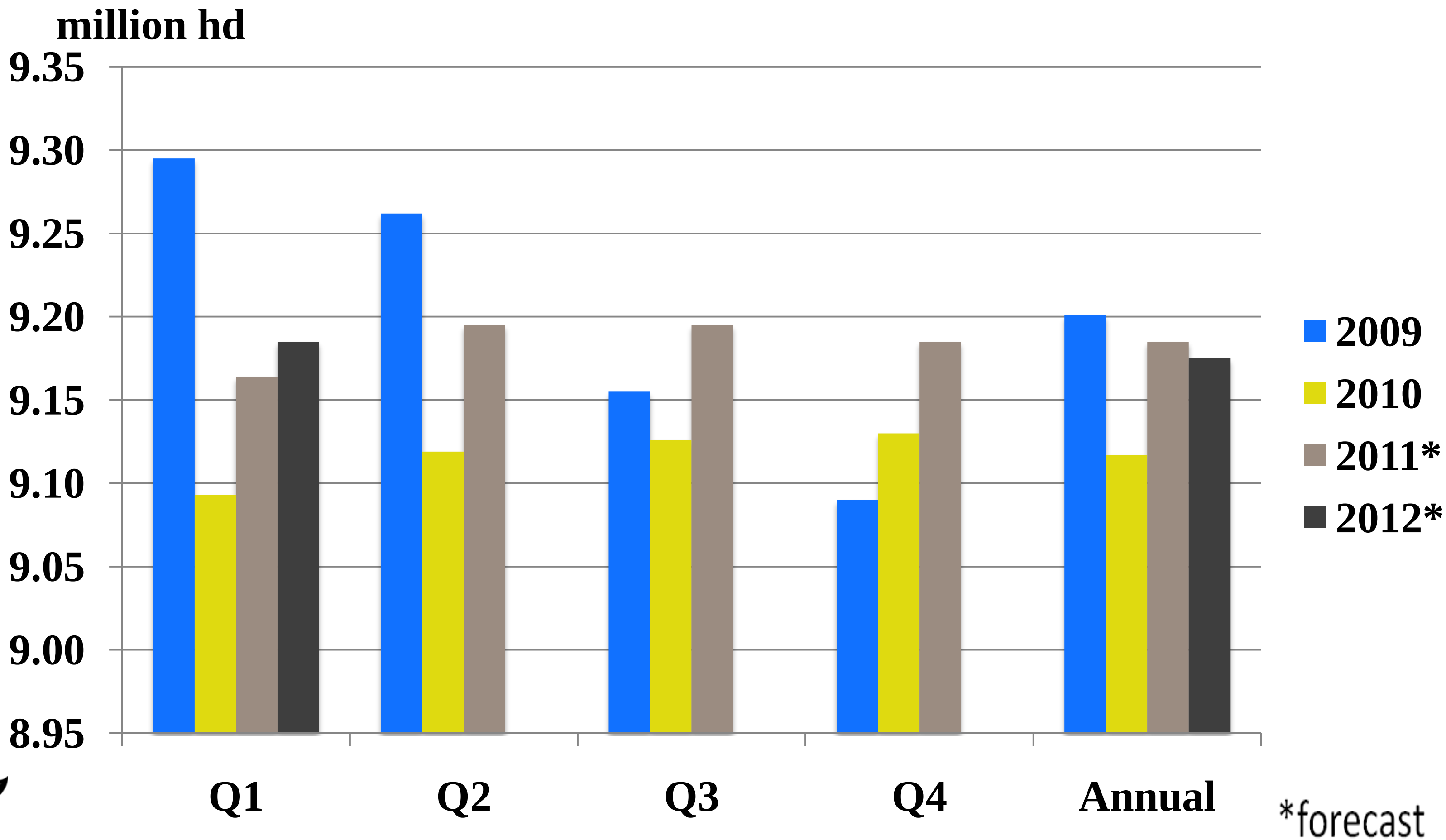
ERS

Dairy

- Marginal contraction in herd size in 2012
- Milk production increases stem from higher production per cow
- Strong milk and product exports support prices
- Higher feed costs and lower milk prices squeeze milk-feed price ratio in 2012

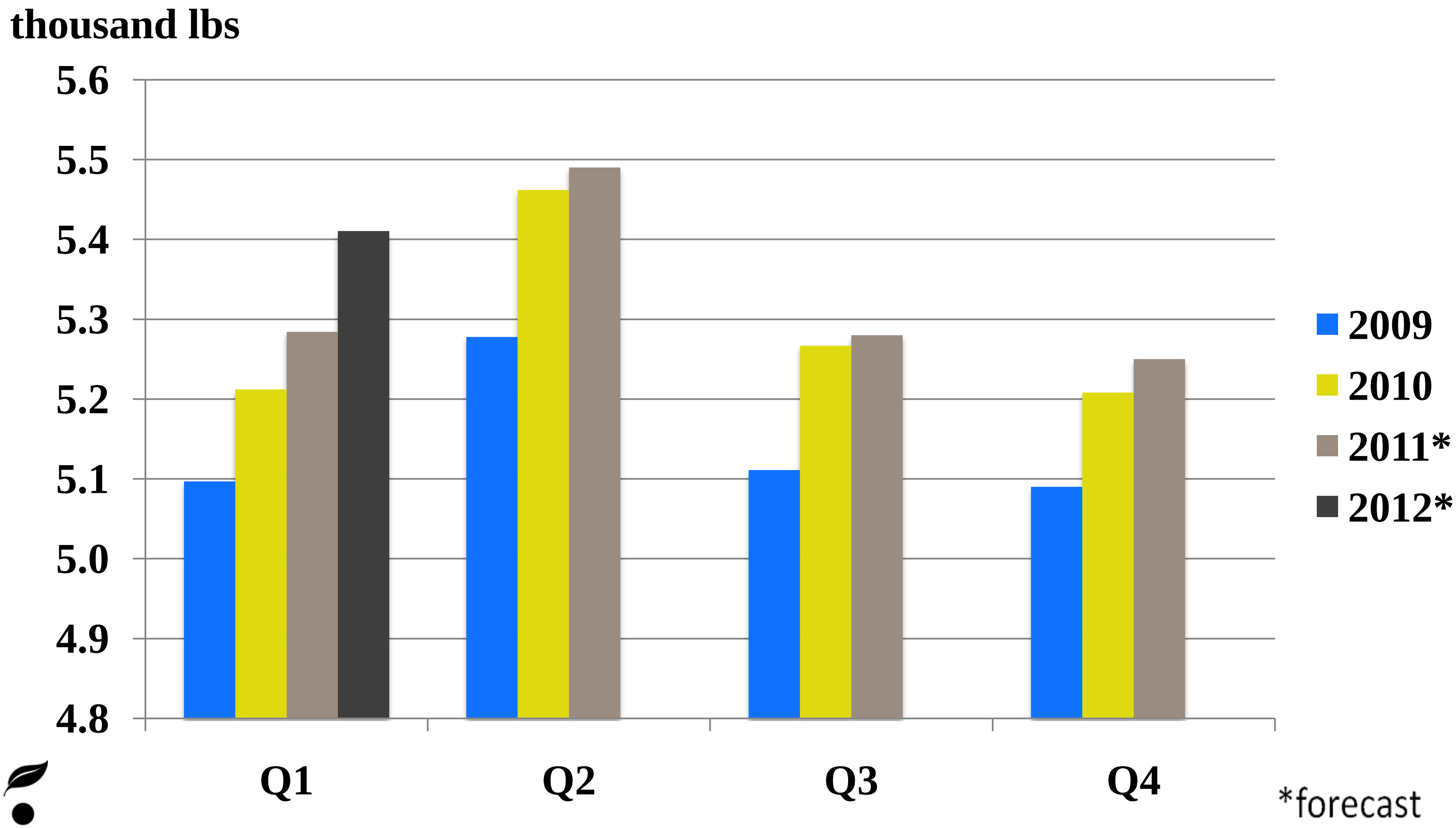
ERS

Dairy Cow Inventory To Decline Fractionally to 9.18 million in 2012



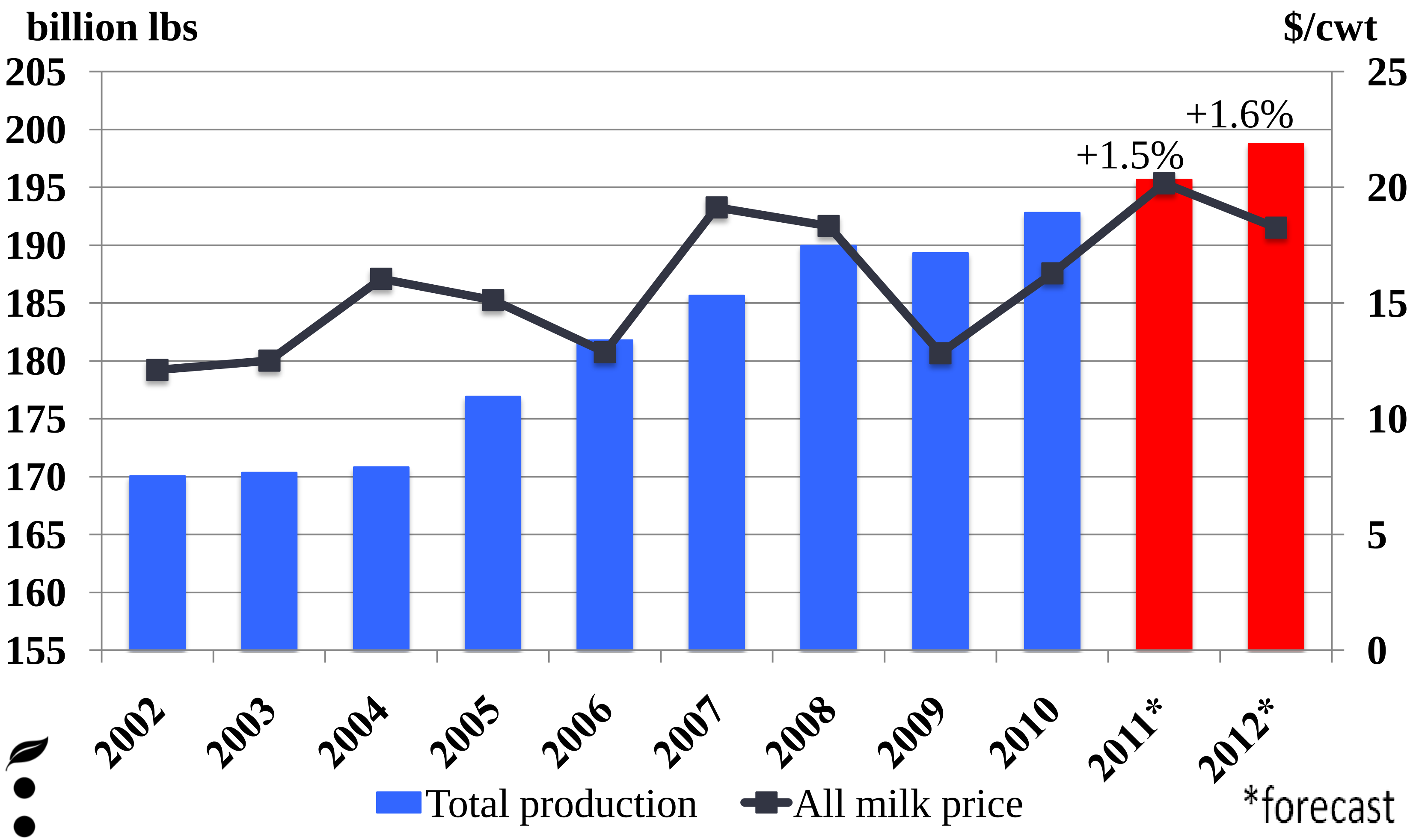
ERS

Output Per Cow Increases Quarterly; 1.7 percent in 2012



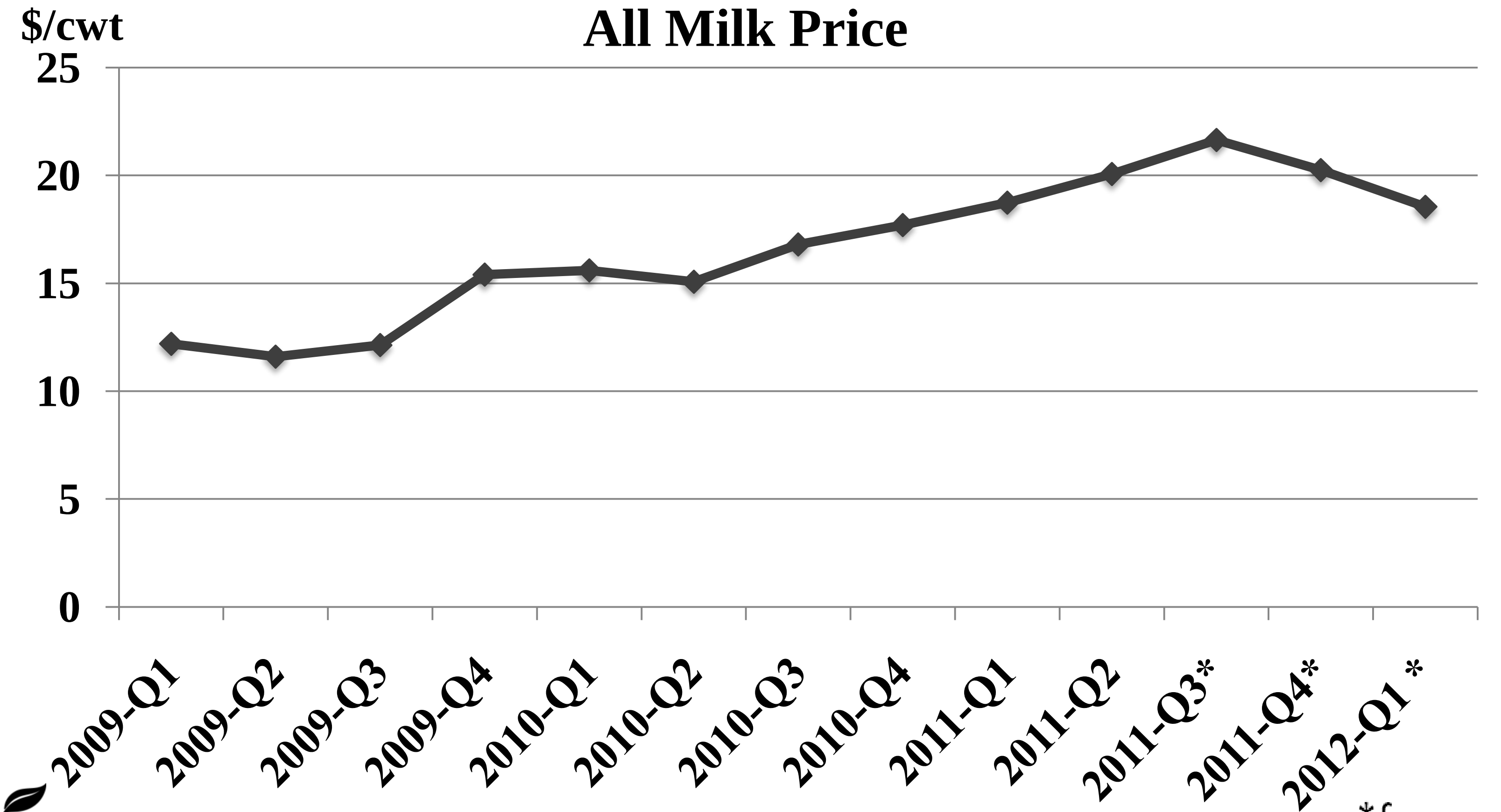
ERS

Milk Production 198.8 billion lbs in 2012, $17.75- 18.75/cwt



ERS

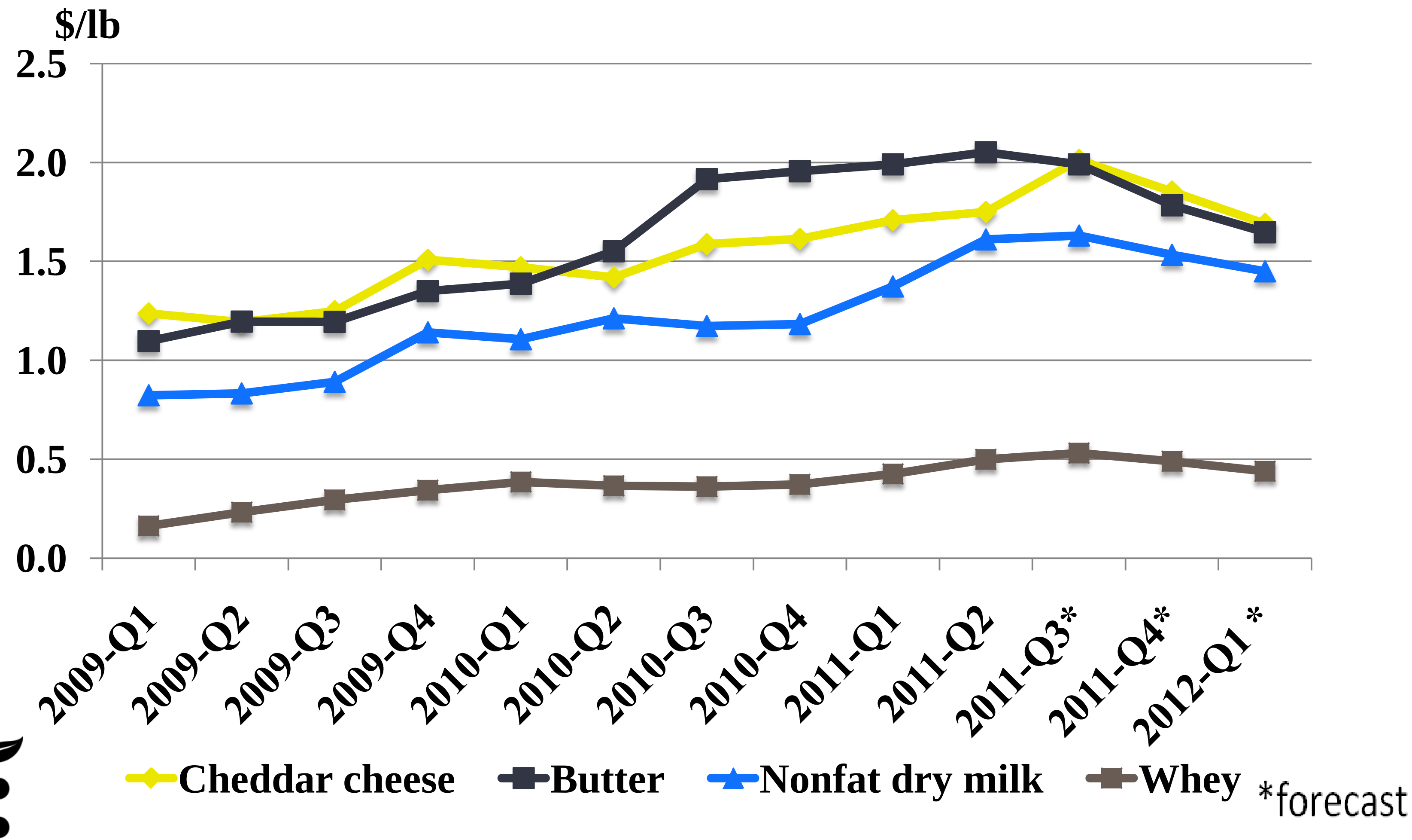
All Milk Price Will Peak in Q3 2011 at $21.45- 21.85/cwt



*forecast

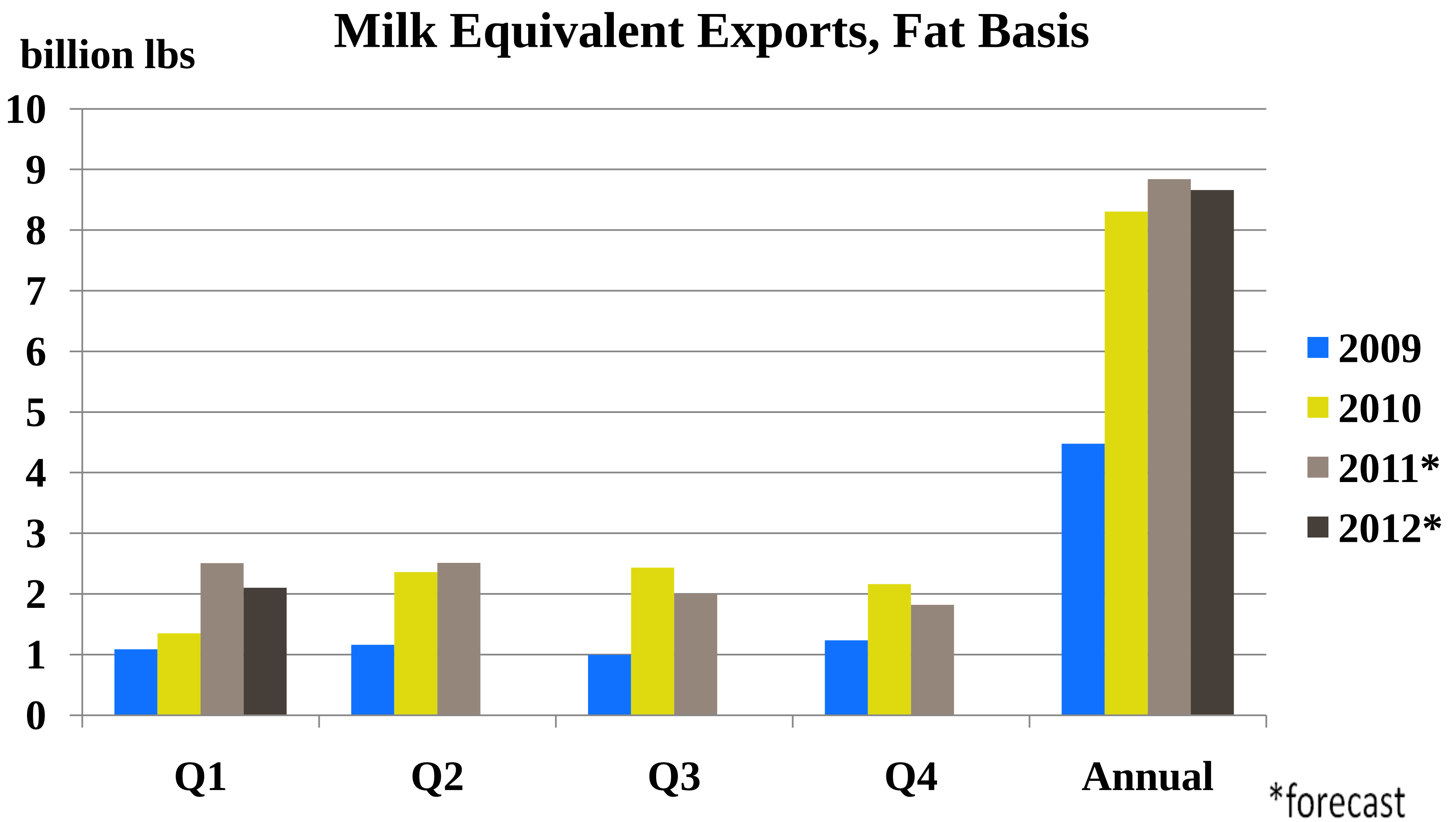
ERS

Strong Export Demand Boosts 2011 Product Prices

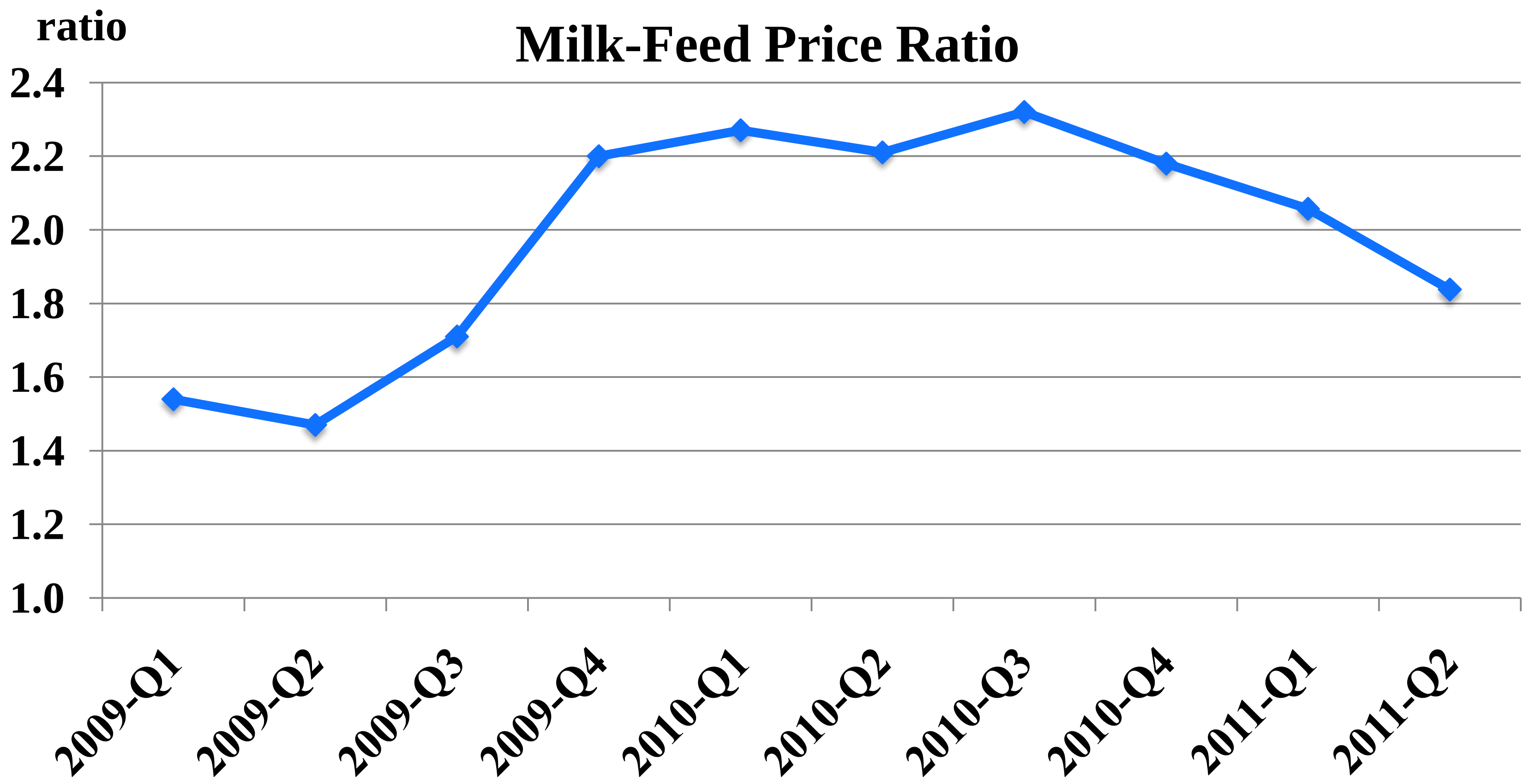


ERS

Milk Equivalent Exports 8.8 Billion Lbs in 2011, To Remain Strong into 2012



Milk-Feed Price Ratio Below 2 in Q2 2011

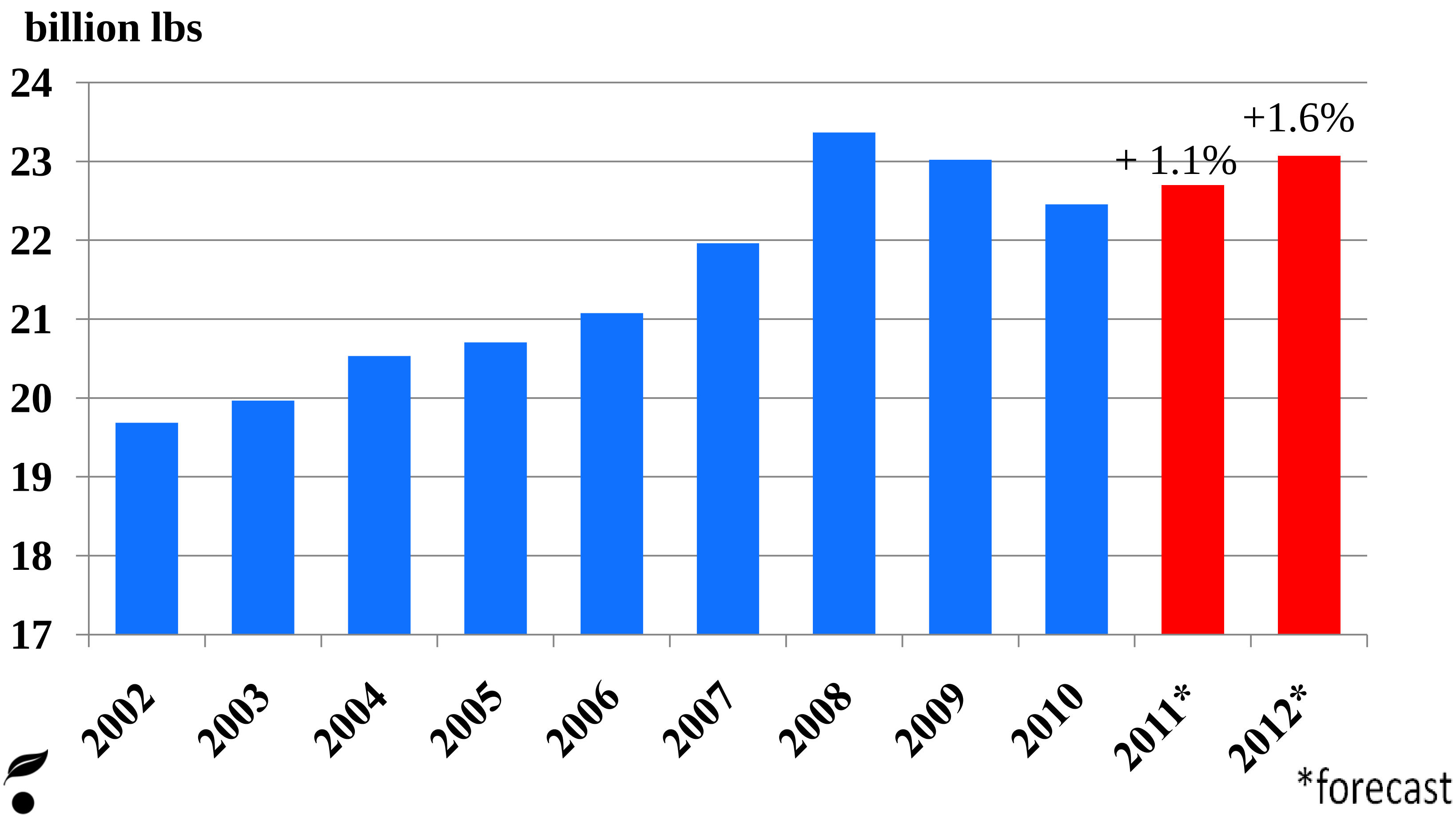


*forecast

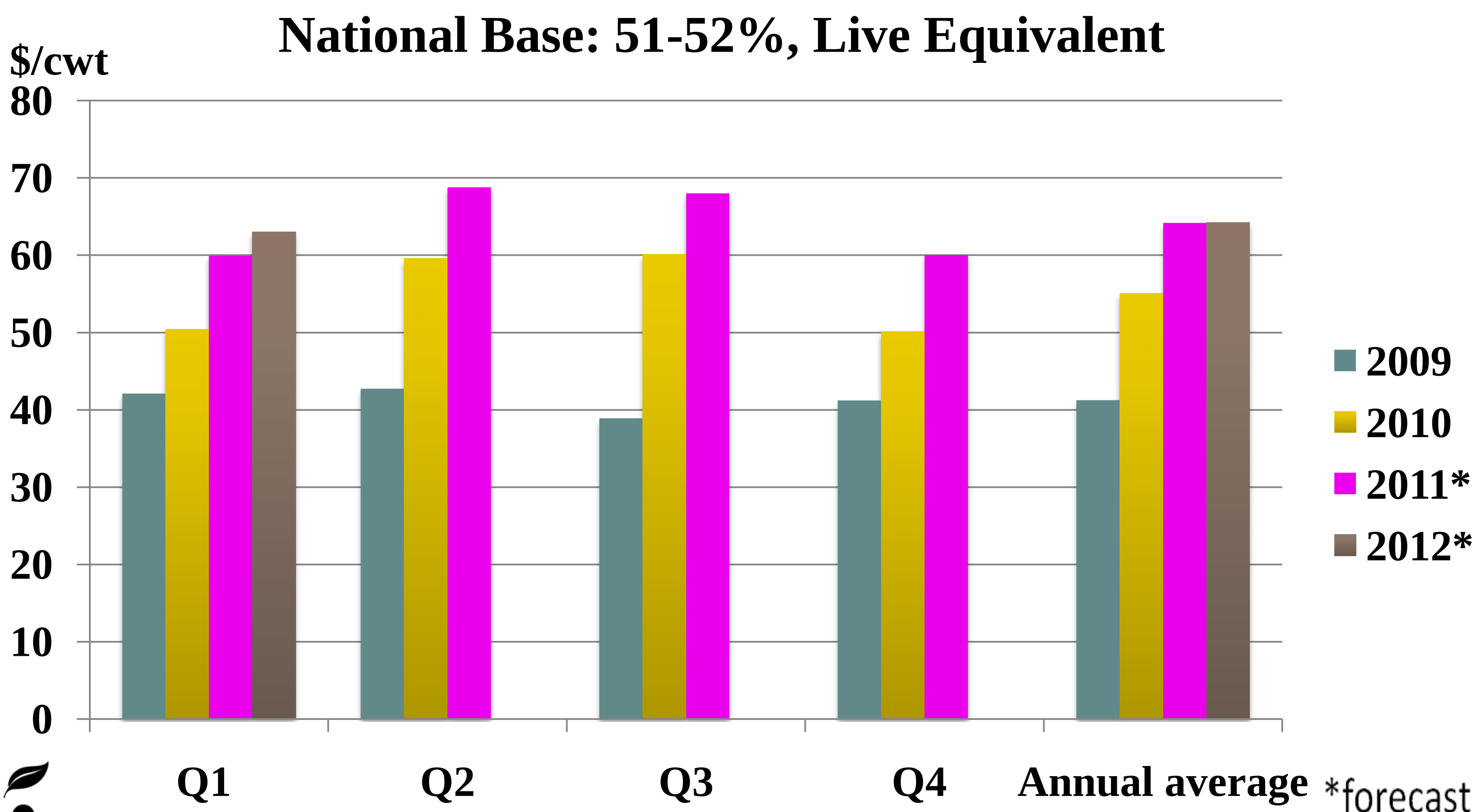
Hogs/Pork

- Modest increases in production in 2011/12
- Record hog prices, but feed costs cut into producer margins
- Productivity increases continue (weights, pigs per litter)
- Export demand to remain strong

Modest Increases in Pork Production

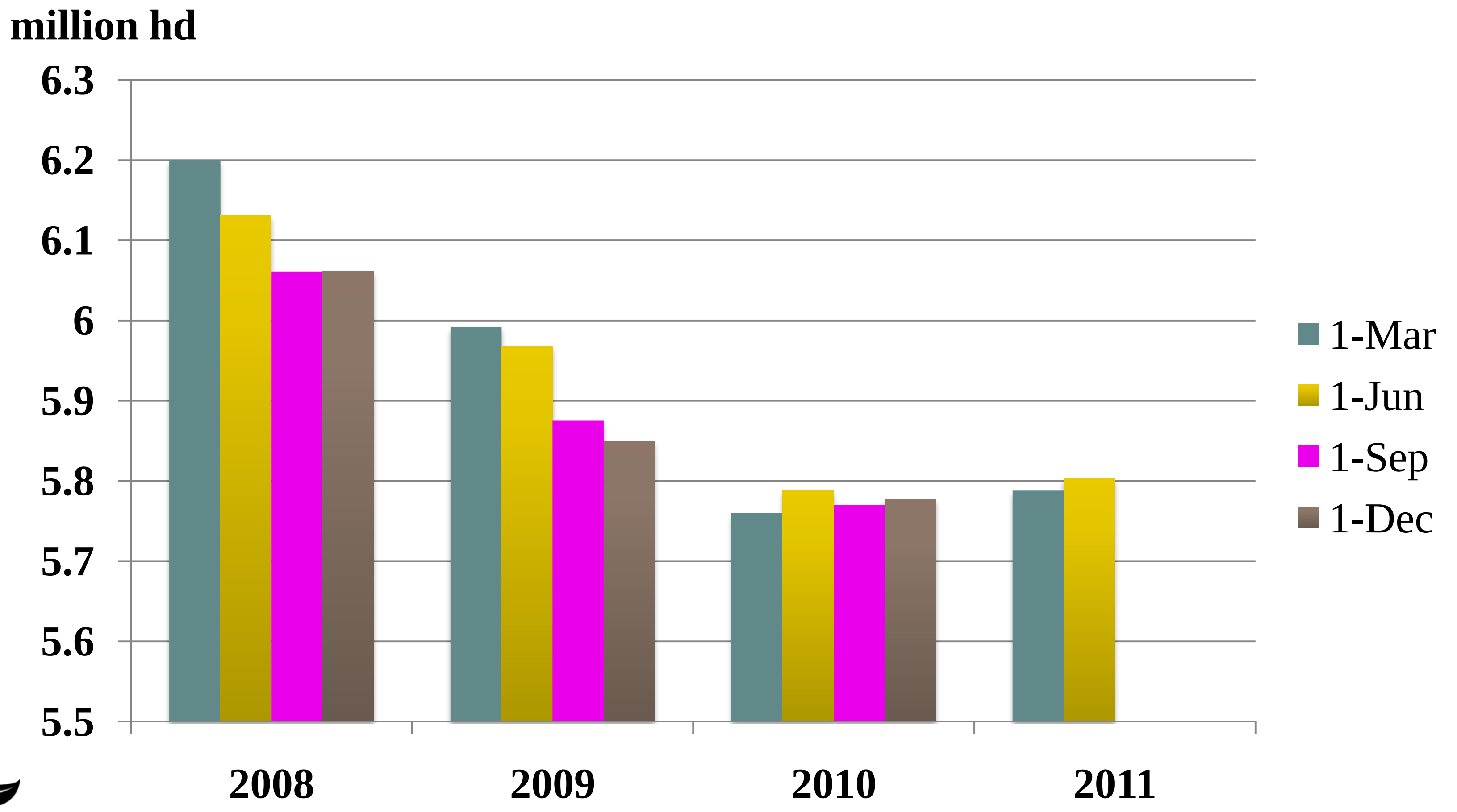


Prices Stable into 2012; Expected to Average $62-67/cwt



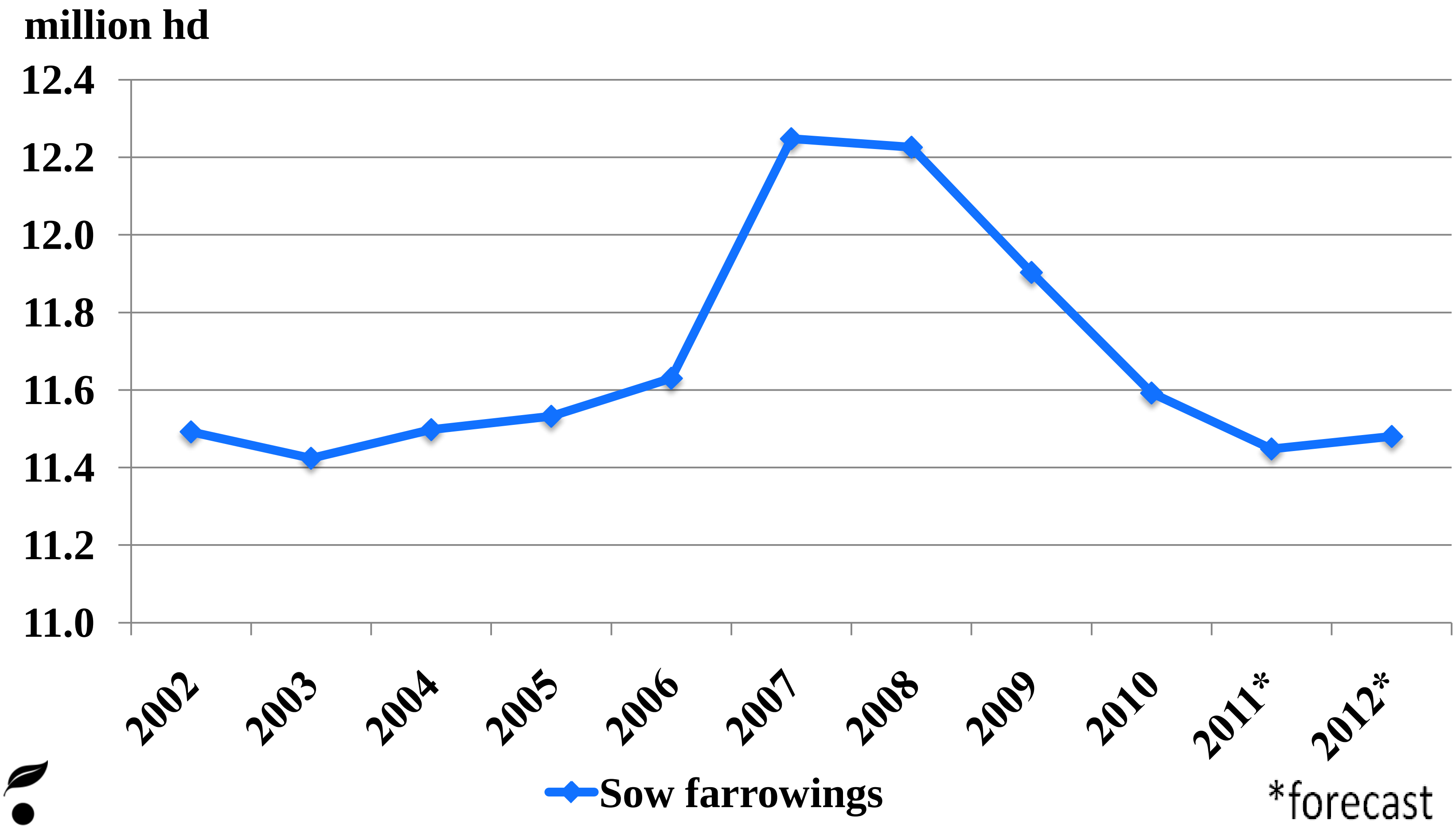
ERS

Breeding Hog Inventory



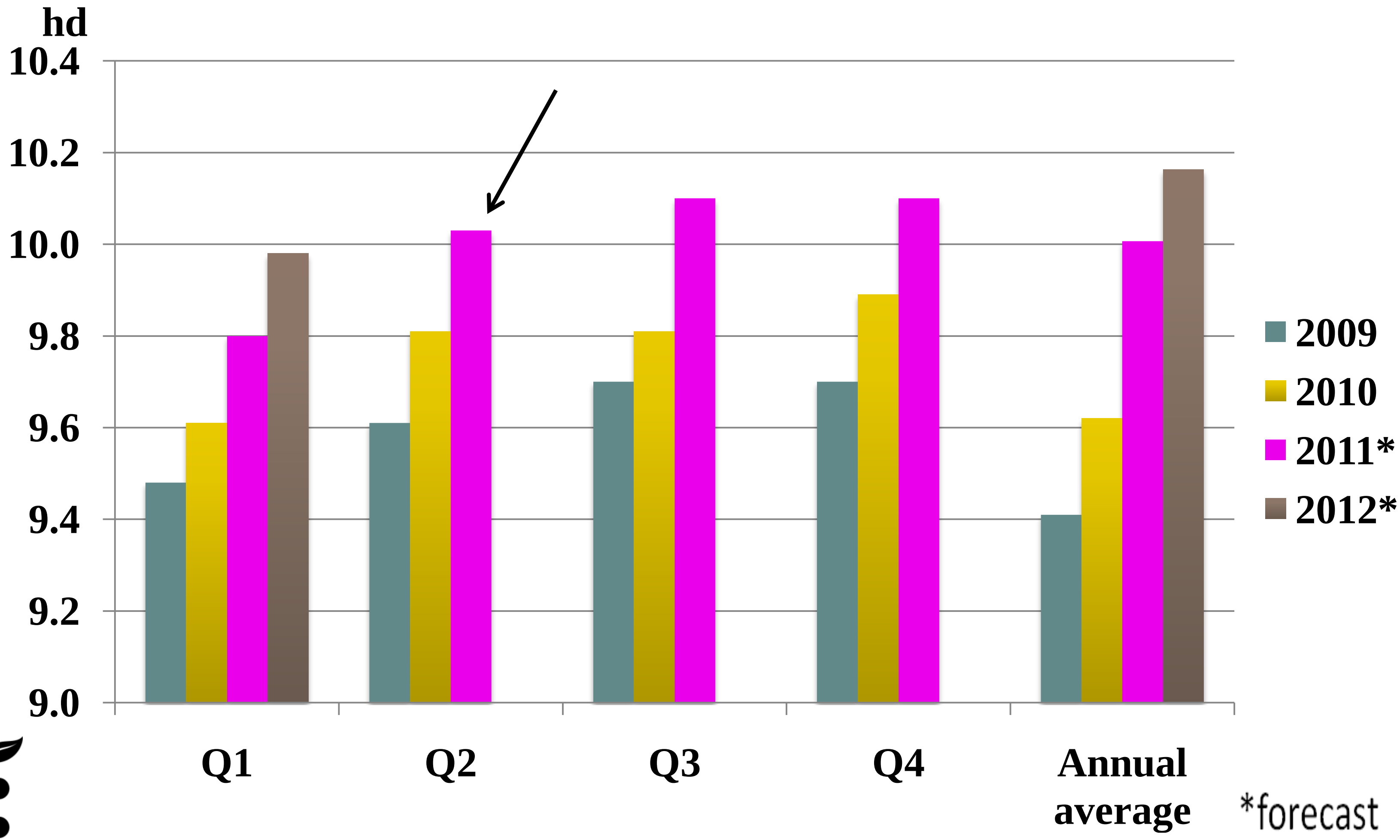
ERS

Sow Farrowings Stabilize Late 2011; 0.3 percent Increase in 2012



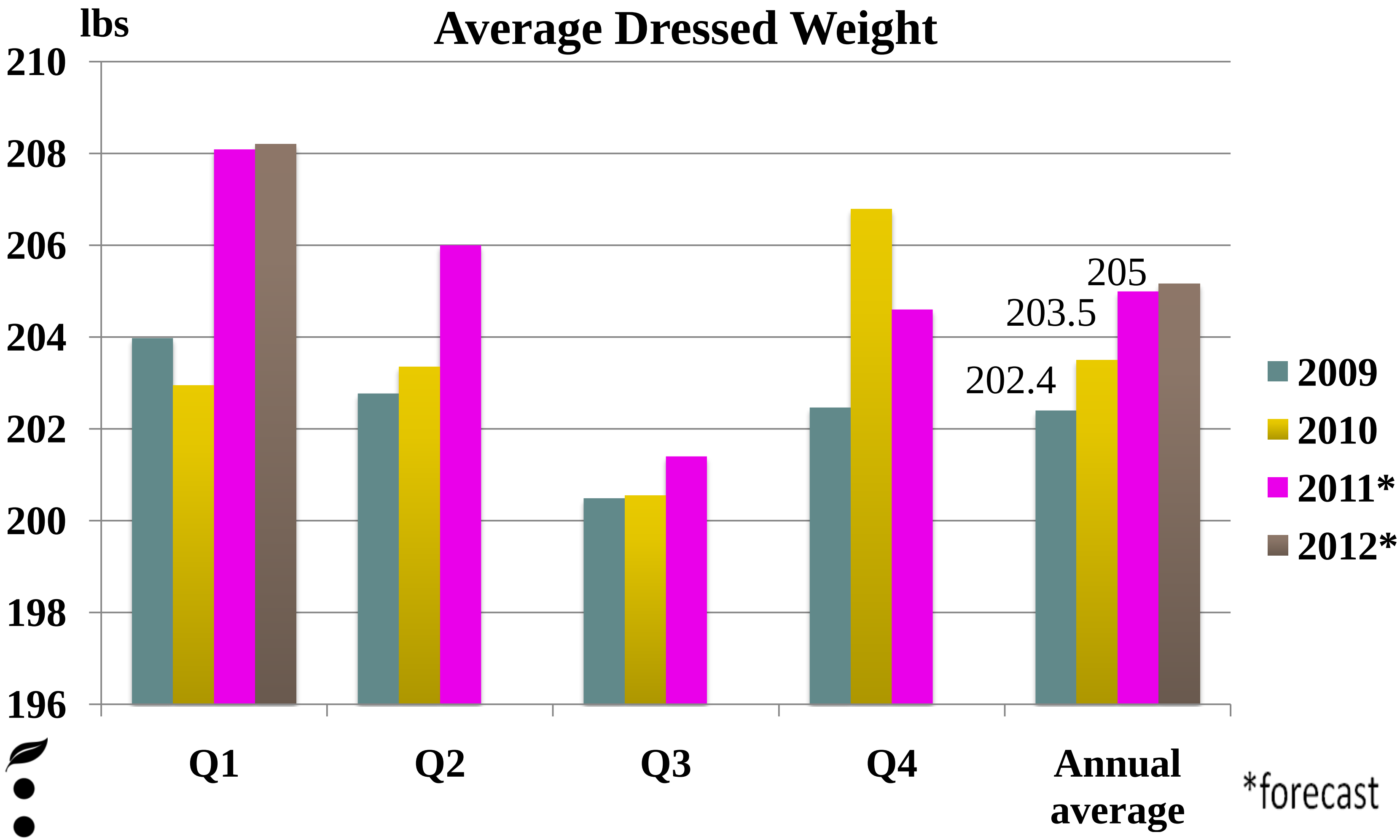
ERS

Over 10 Pigs Per Litter in Q2



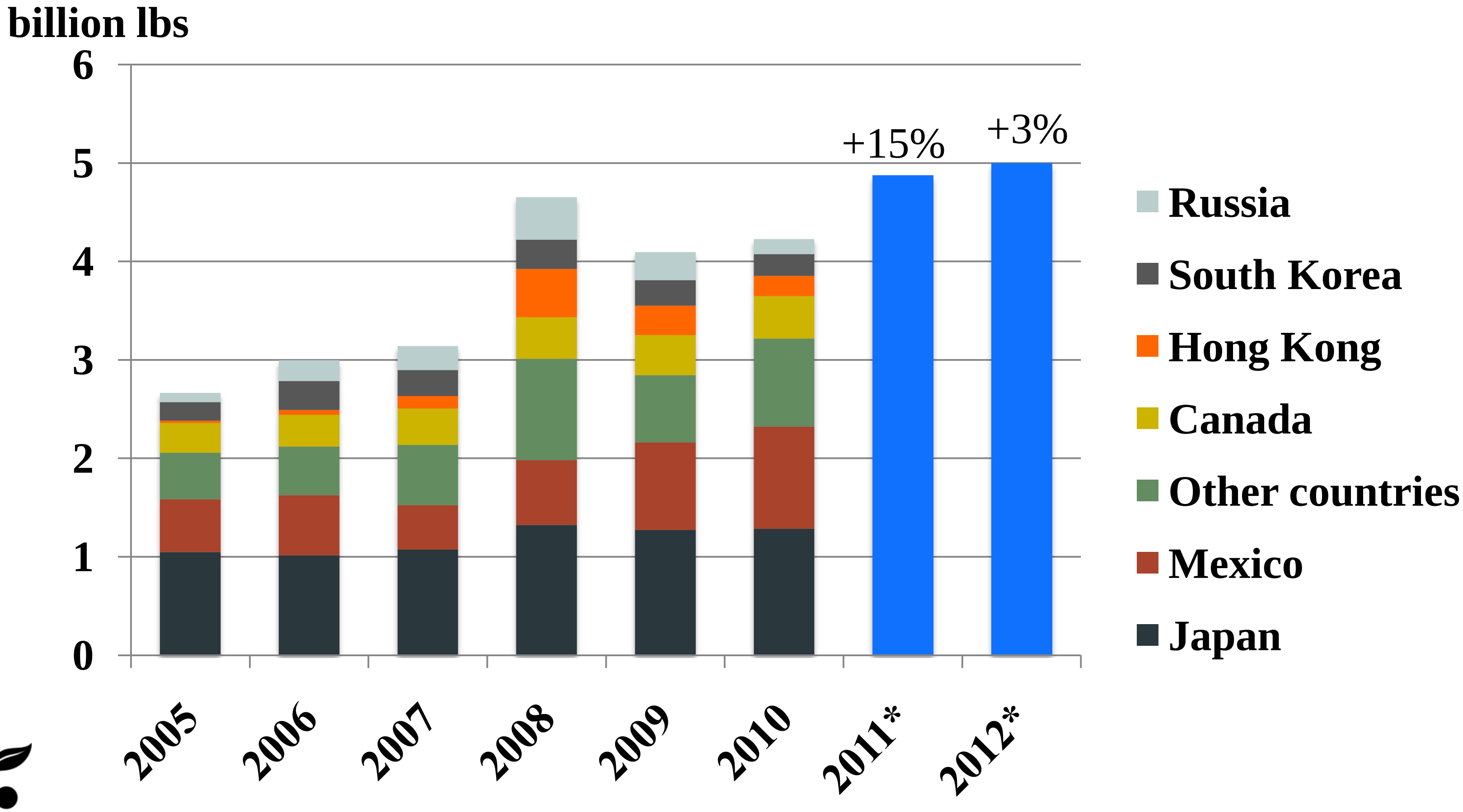
ERS

Hog Weights Edge Higher in 2012



ERS

Like Beef, Pork Exports Booming



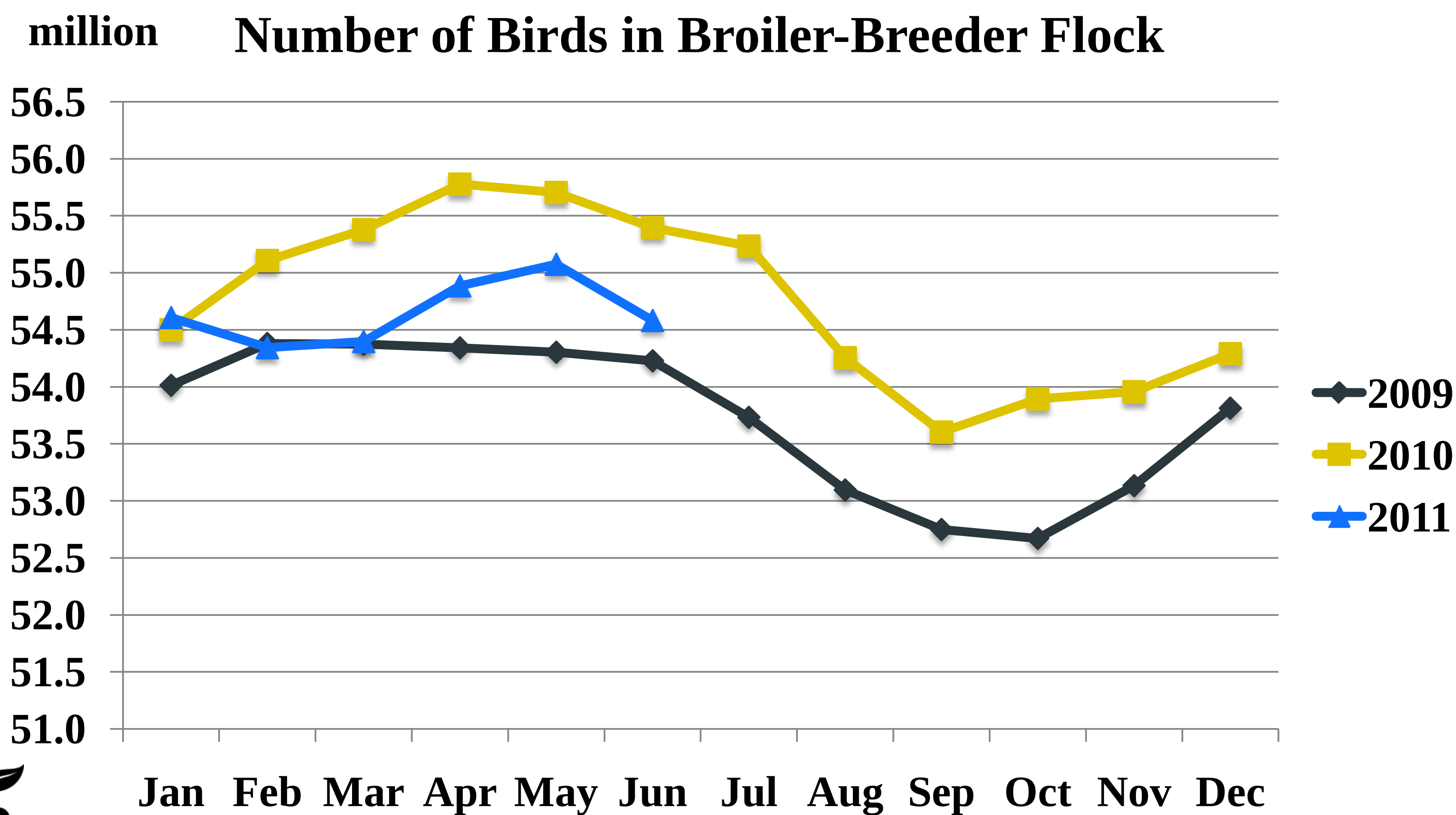
ERS

Broilers

- Industry contracting with lower broiler-breeder flock numbers
- Chick placements expected to trend downward
- Lower meat production into the second half of the year
- Heavier trending bird weights offsetting lower slaughter numbers
- Demand supporting higher prices for dark meat products

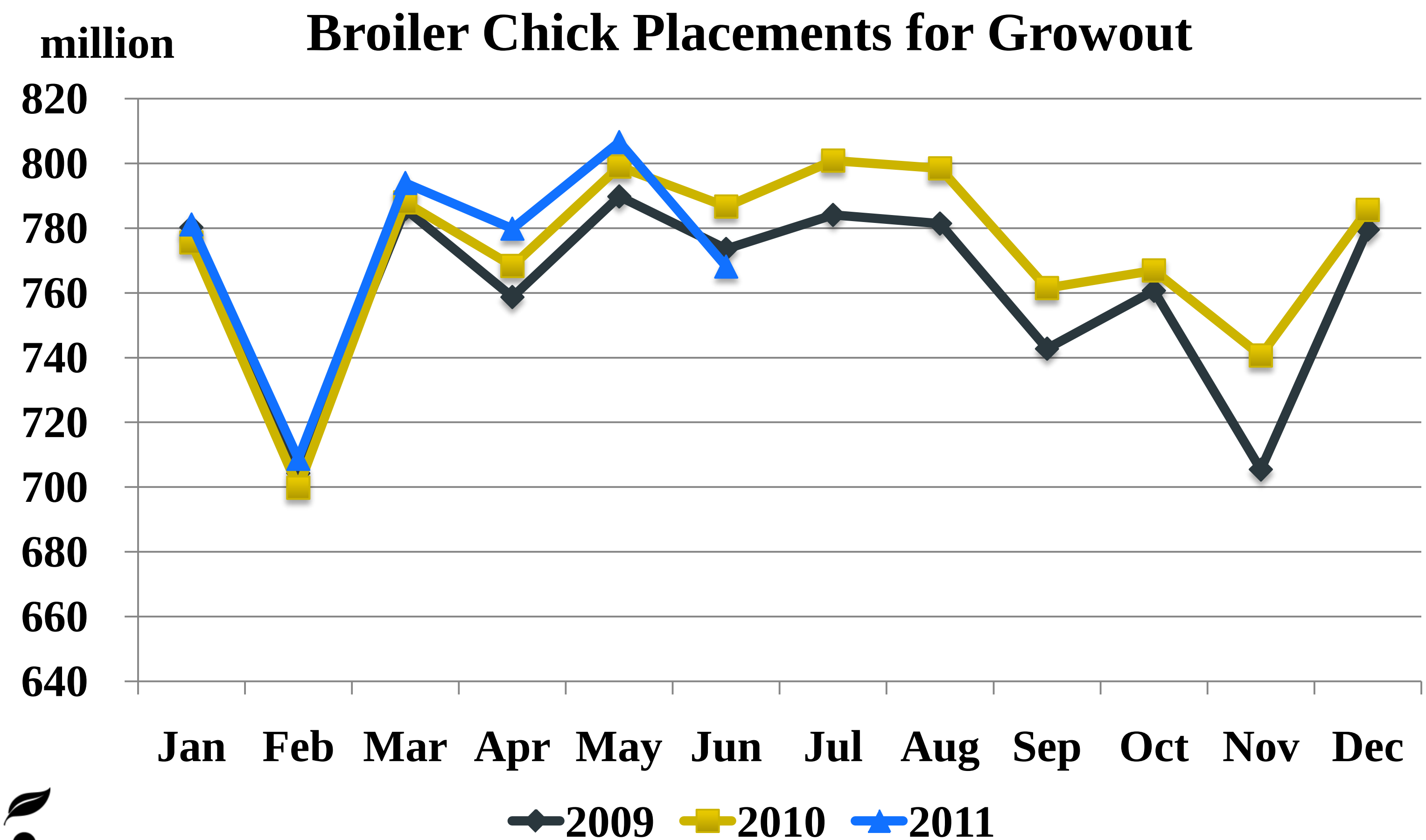
ERS

Industry Tightens Numbers in Broiler-Breeder Flock



NASS

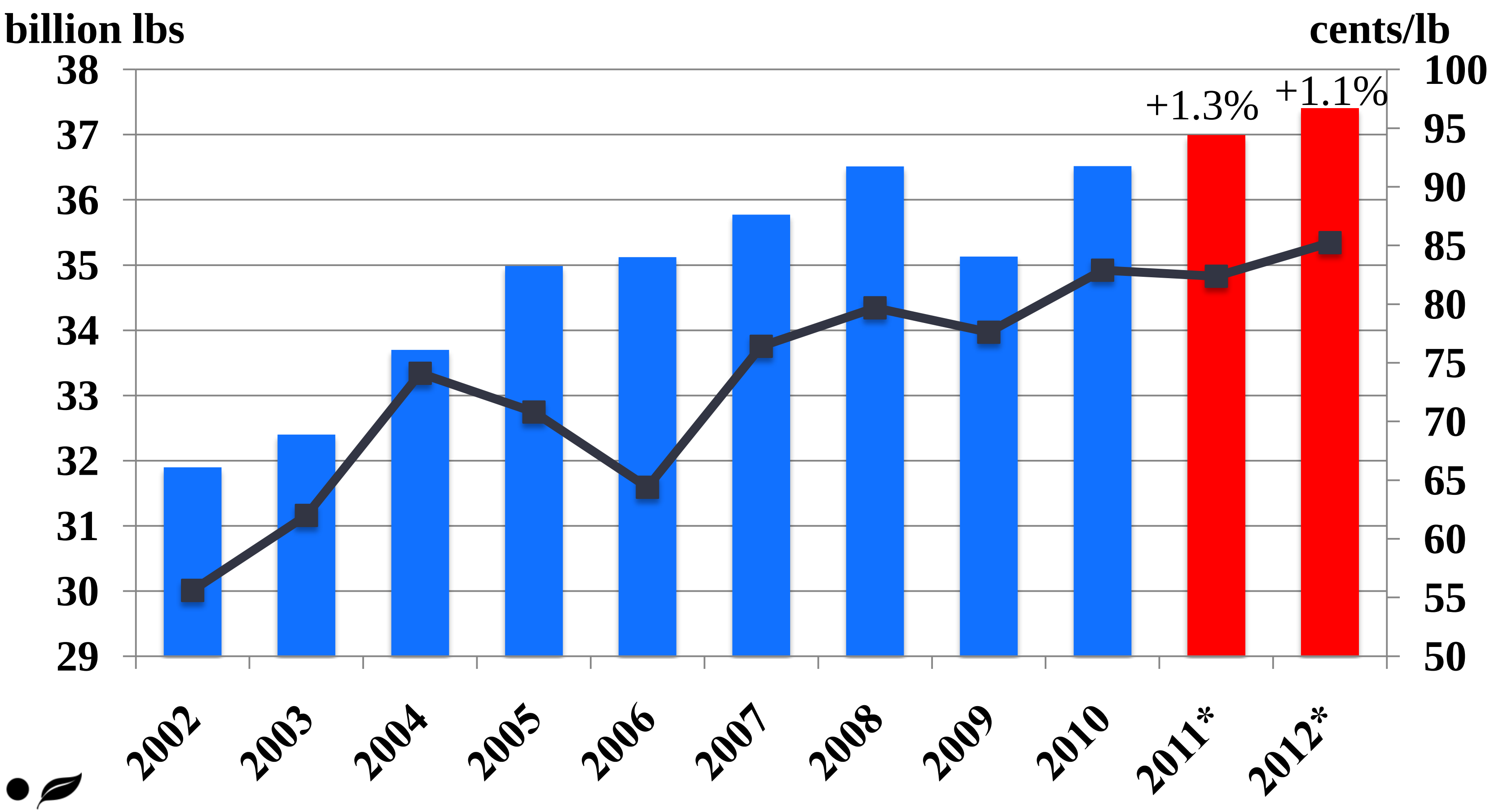
Chick Placements to Turn Down into Second-Half 2011



NASS

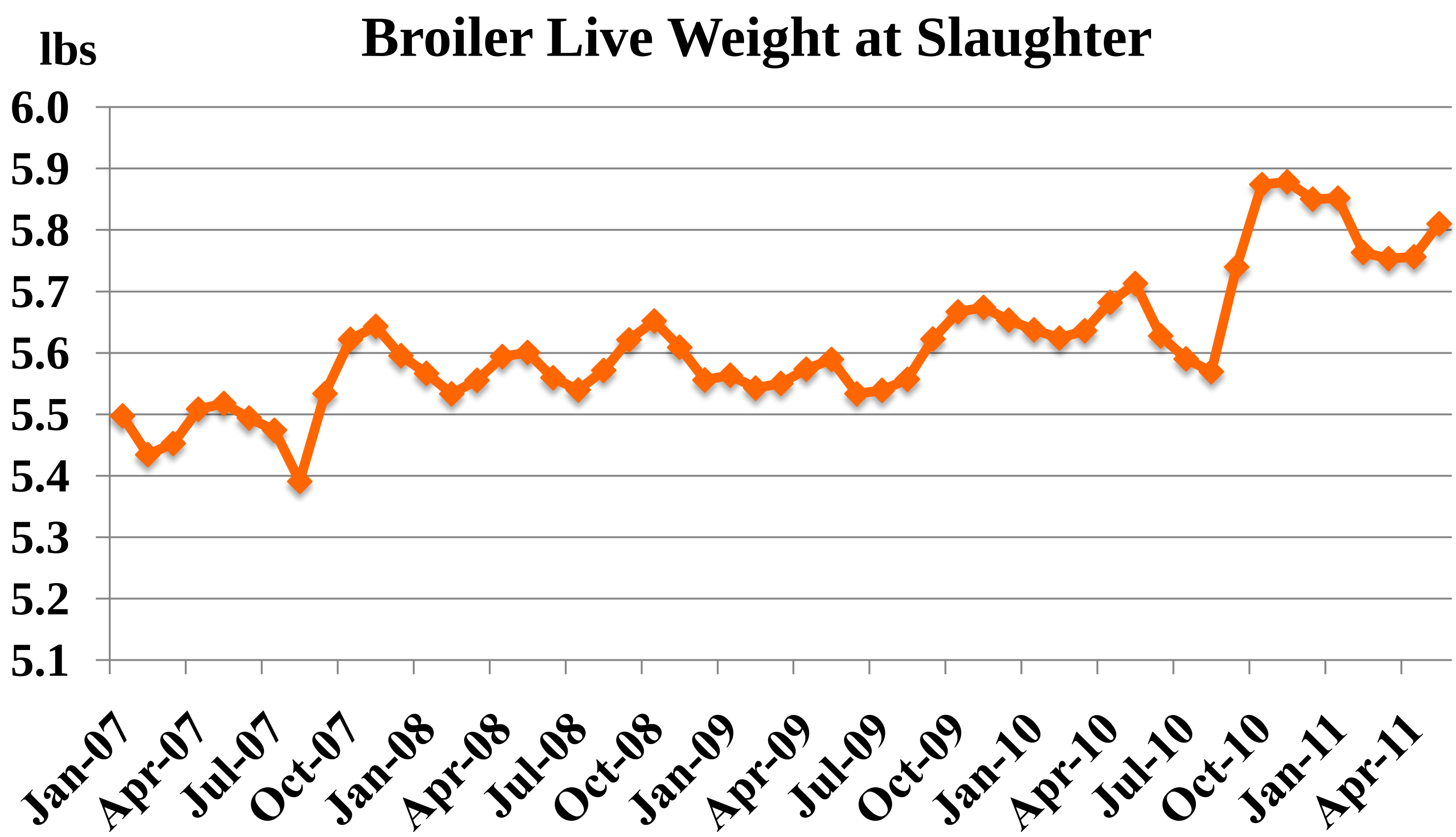
ERS

Broiler Production Increases; Prices Steady to Higher



ERS

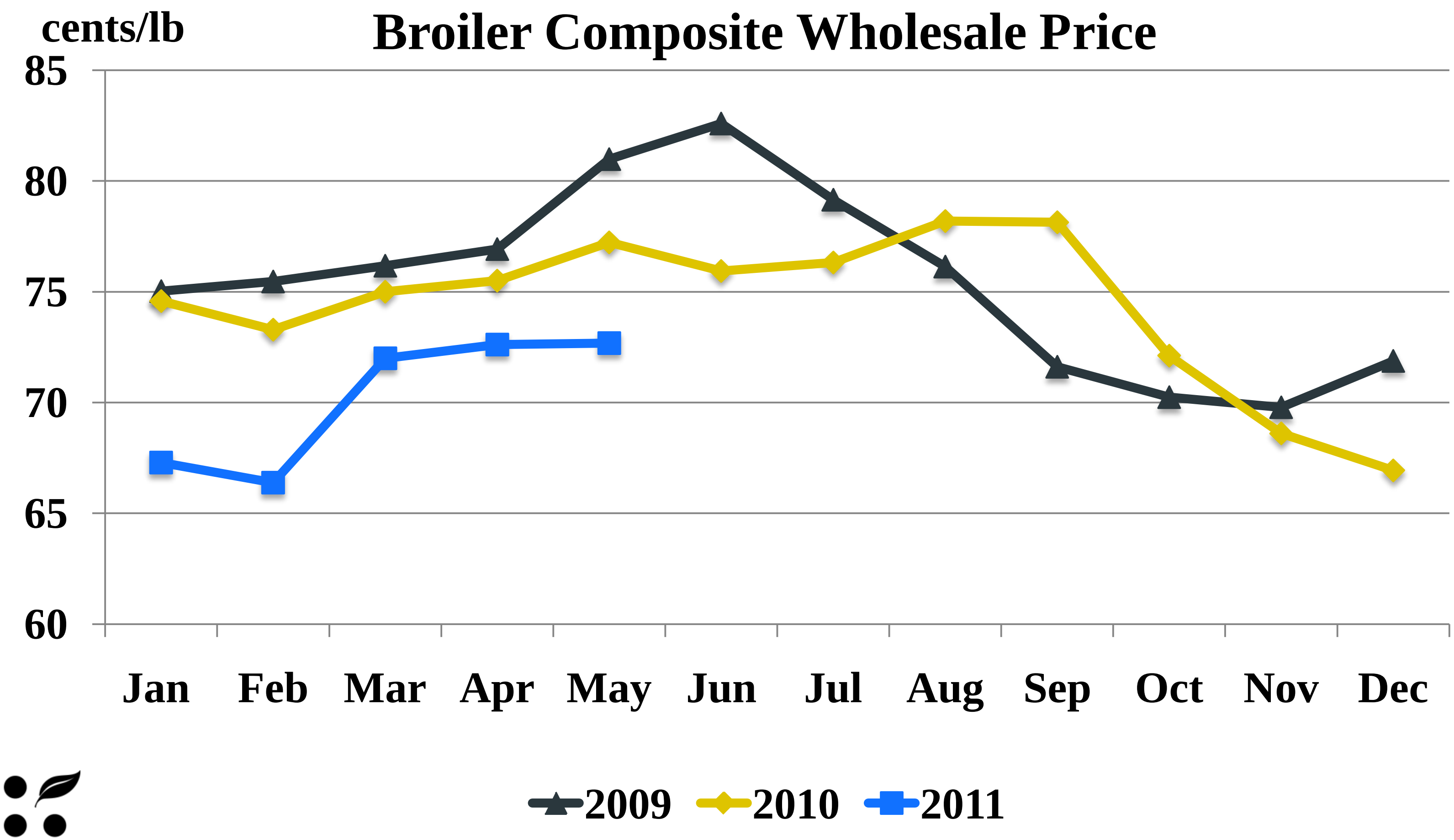
Heavier Bird Weights Boosting Production



NASS

ERS

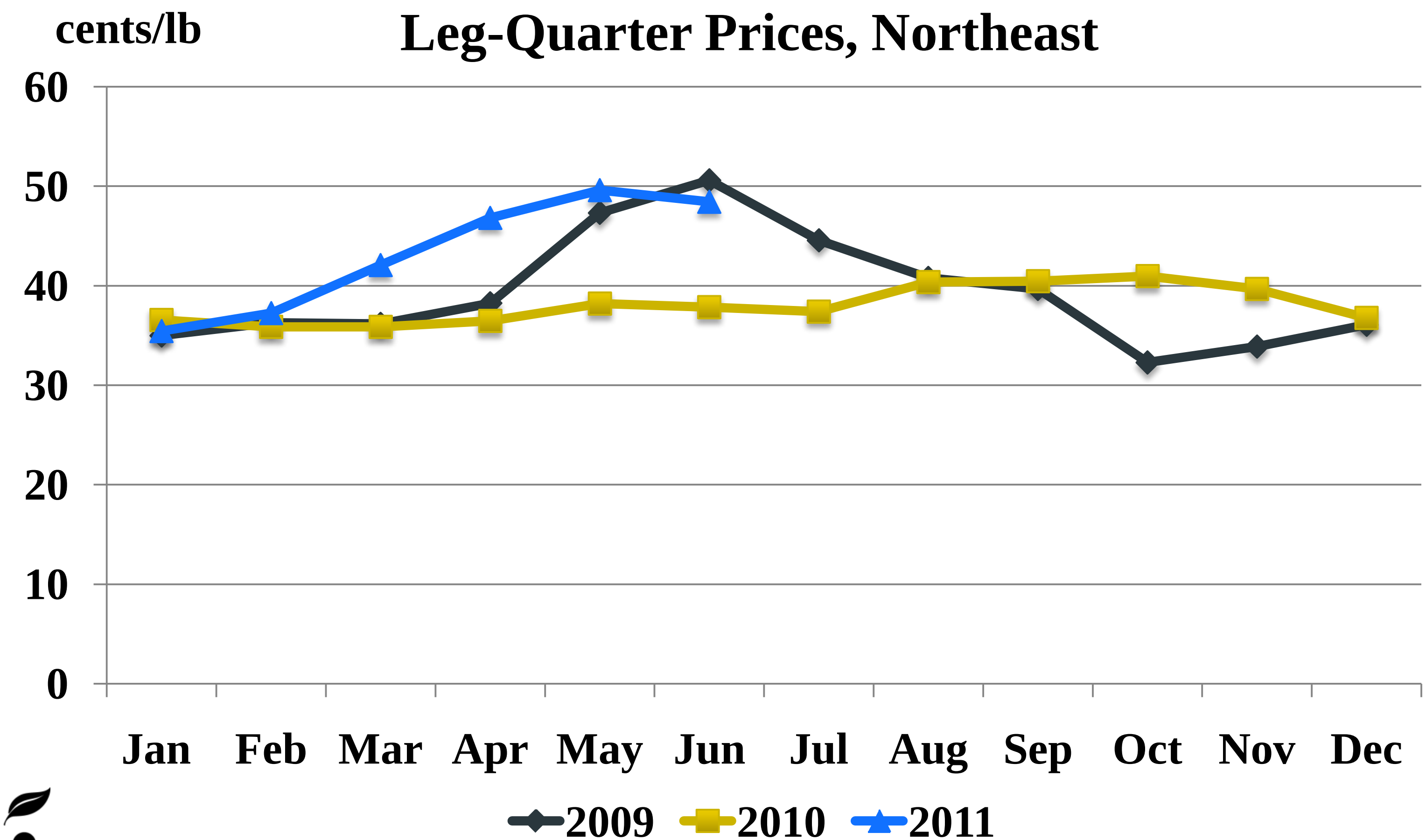
Wholesale Composite Prices Weighed Down by Lower Breast Meat Prices



AMS/ERS

ERS

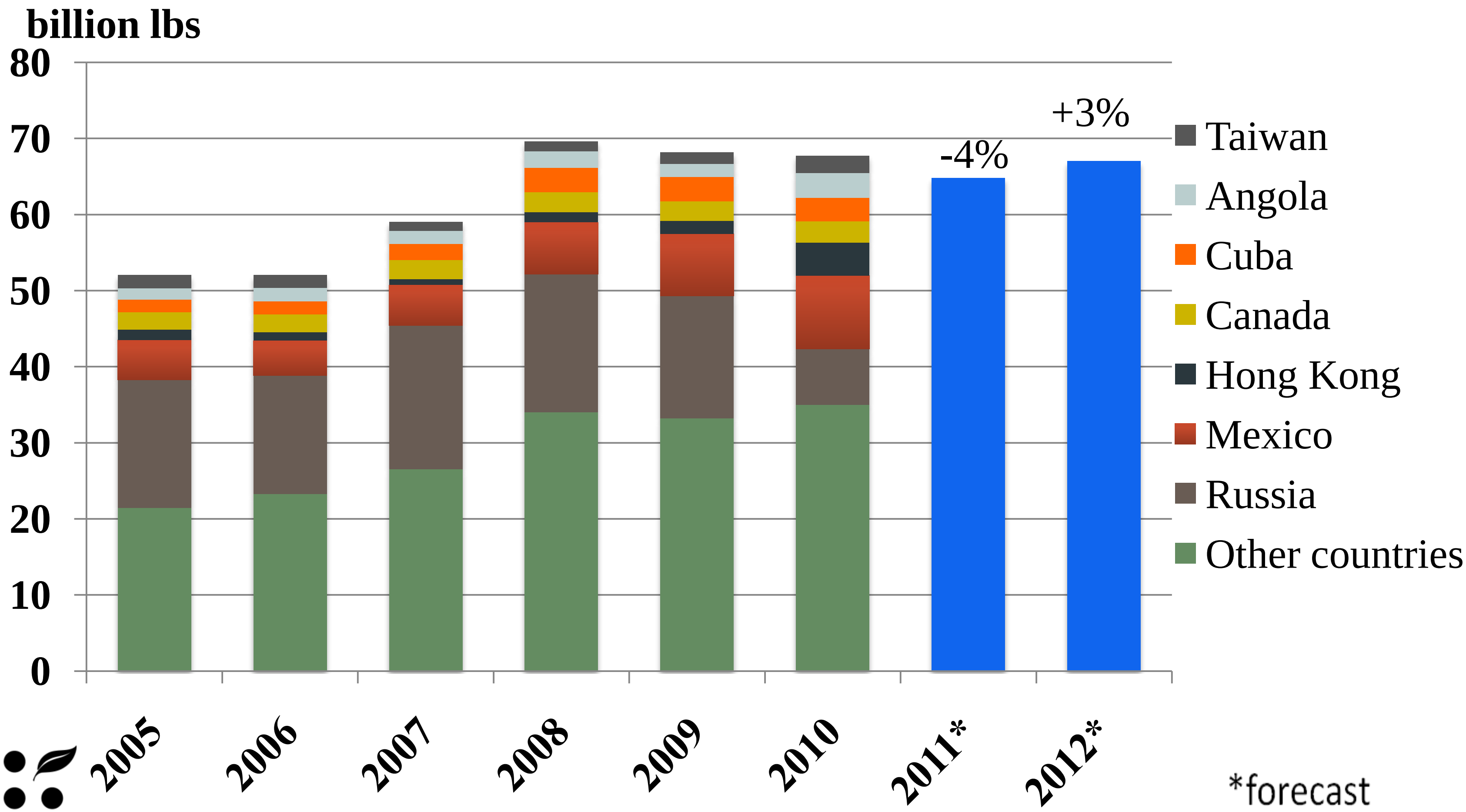
Demand Supporting Leg-Quarter Prices



ERS

AMS

Broiler Exports



ERS

Additional Outlook Information Available at:

- World Agricultural Outlook Board (WAOB)

  World Agricultural Supply and Demand Estimates
  - www.usda.gov/oce/commodity/wasde/index.htm

- Economic Research Service (ERS)
  Livestock, Dairy, and Poultry Situation and Outlook
  - www.ers.usda.gov/publications/ldp/

- Foreign Agricultural Service (FAS)
  Livestock and Poultry: World Markets and Trade
  - www.fas.usda.gov/dlp/livestock_poultry.asp