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

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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

Farm price of corn
Soybean meal 48% protein
Alfalfa hay

$/bu
$/ton


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Livestock Prices Lag Crop Price Increases

Live Animal-Corn Price Ratios

- Steers/corn
- Barrow & gilt/corn
- Broilers/corn

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Red Meat & Poultry Production Increases Marginally in 2011

Total poultry: +.7%
Beef: -.3%

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Red Meat & Poultry Exports
5 Percent Higher in 2011

billion lbs

2002 2003 2004 2005 2006 2007 2008 2009 2010 2011* 2012*

+ 5.2% + 1.6%

Total poultry  Pork  Beef

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

lbs per capita

- .5%
- 1.3%

Total poultry
Pork
Beef

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

Retail Price Ratios

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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

![Graph showing beef cow slaughter trends over time]

- **Average 2005-2009**
- **2010**
- **2011**

**NASS**
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/.

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.

- Major areas combined account for 75% of the total national inventory.
- Major and minor areas combined account for 99% of the total national inventory.
Beef Production Chased Down with Lower Inventories

ERS

USDA, NASS
Fed Cattle Prices Push Higher in 2012, to Average $111-120/cwt
U.S. To Be a Net Exporter by 432 million lbs in 2011

U.S. beef exports

U.S. beef imports

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Beef Exports 10 Percent of Production in 2011 and 2012

billion lbs

percent


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Production  Exports  Exports as percent of production

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U.S. Beef Exports Seeing Stars

![Bar chart showing beef exports by country from 2005 to 2012. The chart indicates that exports to Vietnam, Hong Kong, Taiwan, South Korea, Japan, Canada, Mexico, and Other countries have increased or decreased by specific percentages. The chart forecasts a +14% increase in 2011 and -4% decrease in 2012.](chart.png)
U.S. Cattle Imports Decrease as North American Inventories Decline

million hd

-4%  -5%

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Mexico  Canada  Total cattle imports

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
Dairy Cow Inventory To Decline Fractionally to 9.18 million in 2012

**Bar Chart**

- **Title**: Dairy Cow Inventory To Decline Fractionally to 9.18 million in 2012
- **X-axis**: Q1, Q2, Q3, Q4, Annual
- **Y-axis**: million hd
- **Legend**:
  - 2009
  - 2010
  - 2011*
  - 2012*
- **Note**: *forecast
Output Per Cow Increases Quarterly; 1.7 percent in 2012

thousand lbs

Q1 | Q2 | Q3 | Q4

2009 | 2010 | 2011* | 2012*

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Milk Production 198.8 billion lbs in 2012, $17.75-18.75/cwt
All Milk Price Will Peak in Q3 2011 at $21.45-21.85/cwt
Strong Export Demand Boosts 2011 Product Prices

- Cheddar cheese
- Butter
- Nonfat dry milk
- Whey

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

Milk Equivalent Exports, Fat Basis

*forecast
Milk-Feed Price Ratio Below 2 in Q2 2011

Milk-Feed Price Ratio

ratio

2.4
2.2
2.0
1.8
1.6
1.4
1.2
1.0


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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

![Graph showing modest increases in pork production with 2011* and 2012* forecasted increases of +1.1% and +1.6% respectively.]
Prices Stable into 2012; Expected to Average $62-67/cwt

National Base: 51-52%, Live Equivalent

Q1   Q2   Q3   Q4   Annual average

2009 2010 2011* 2012*

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Breeding Hog Inventory

million hd

<table>
<thead>
<tr>
<th>Year</th>
<th>1-Mar</th>
<th>1-Jun</th>
<th>1-Sep</th>
<th>1-Dec</th>
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Sow Farrowings Stabilize Late 2011; 0.3 percent Increase in 2012

million hd

2002 2003 2004 2005 2006 2007 2008 2009 2010 2011* 2012*

Sow farrowings

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ERS
Over 10 Pigs Per Litter in Q2

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<thead>
<tr>
<th>Quarter</th>
<th>2009</th>
<th>2010</th>
<th>2011*</th>
<th>2012*</th>
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<td>Q1</td>
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<td>Annual average</td>
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*forecast
Hog Weights Edge Higher in 2012

Average Dressed Weight

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<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
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<th>Annual average</th>
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<td>2012*</td>
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*forecast
Like Beef, Pork Exports Booming

- Russia
- South Korea
- Hong Kong
- Canada
- Other countries
- Mexico
- Japan

billion lbs

2005 2006 2007 2008 2009 2010 2011* 2012*

+15%  +3%
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
Industry Tightens Numbers in Broiler-Breeder Flock

Number of Birds in Broiler-Breeder Flock

Jan  Feb  Mar  Apr  May  Jun  Jul  Aug  Sep  Oct  Nov  Dec

- 2009
- 2010
- 2011

NASS
Chick Placements to Turn Down into Second-Half 2011

Broiler Chick Placements for Growout

- 2009
- 2010
- 2011

NASS
Broiler Production Increases; Prices Steady to Higher

- Broiler production
- 12-city whole bird price

ERS
Heavier Bird Weights Boosting Production

Broiler Live Weight at Slaughter

NASS
Wholesale Composite Prices Weighed Down by Lower Breast Meat Prices

Broiler Composite Wholesale Price

cents/lb

2009 2010 2011

AMS/ERS
Demand Supporting Leg-Quarter Prices

Leg-Quarter Prices, Northeast

cents/lb

Jan  Feb  Mar  Apr  May  Jun  Jul  Aug  Sep  Oct  Nov  Dec

2009  2010  2011

AMS
Broiler Exports

-4%  +3%

Taiwan
Angola
Cuba
Canada
Hong Kong
Mexico
Russia
Other countries

*forecast

ERS

billion lbs

2005  2006  2007  2008  2009  2010  2011*  2012*

ERS
Additional Outlook Information

Available at:

• World Agricultural Outlook Board (WAOB)
  World Agricultural Supply and Demand Estimates

• Economic Research Service (ERS)
  Livestock, Dairy, and Poultry Situation and Outlook

• Foreign Agricultural Service (FAS)
  Livestock and Poultry: World Markets and Trade