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Livestock, Dairy, and Poultry Outlook

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Higher Expected Feed Costs Dampen 2010 Production Estimates

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Tables will be released
on June 30, 2009

The next newsletter
release is July 17, 2009

Approved by the
World Agricultural
Outlook Board

Poultry: Broiler meat production is expected to total 8.87 billion pounds in second-quarter 2009, down 6 percent from a year earlier. After declining strongly in the first half, broiler meat production in the second half of 2009 is expected to be somewhat closer to the previous year, with fourth-quarter 2009 production even slightly higher. Turkey meat production is expected to decline strongly throughout 2009, but then to grow slightly in 2010. However, even with these gains, turkey meat production in 2010 is expected to be down 5 percent from 2008.

Pork: Higher expected feed prices and relatively weak hog prices in 2010 should result in 2010 pork production of 22.3 billion pounds, down 1.8 percent. In the face of relatively weak hog prices and higher feed prices, producers are expected to hold down growth in hog weights.

Cattle: Commercial dairy cow slaughter will increase due to the Cooperatives Working Together program and will offset the decline in beef cow slaughter. Rising costs, reflecting demand for feeder calves to stock rain-improved pastures and rising corn prices, will dampen enthusiasm for feedlot placements aimed at post-summer markets. Beef markets continue to face stiff competition from abundant supplies of pork and poultry.

Beef/Cattle Trade: U.S. beef exports continuing to be affected by weak foreign demand are expected to fall 8 percent in 2009. Increased imports from Australia are the main driver behind an expected 12-percent increase in beef imports this year.

Dairy: Reduction in herd size will lead to lower milk production both this year and next despite rising output per cow. Dairy product exports could improve slightly next year; however, domestic use is expected to remain flat in 2010 after a 2-percent improvement in 2009. Prices for milk and dairy products will show some recovery this year, strengthening further in 2010, but still remain below 2007 and 2008 highs.

Broiler Meat Production Down 6.3 Percent in April

Total broiler meat production in April 2009 was 3.0 billion pounds, down 6.3 percent from the previous year. Processors reported they had slaughtered 721 million broilers in April 2009, a decrease of 6.6 percent from the previous year. In addition, the average liveweight of those broilers at slaughter was 5.57 pounds, down slightly from a year earlier. The decreases in the number of birds slaughtered and their average liveweight were partially offset by a small increase in the average meat yield per bird.

With the weekly numbers of chicks placed for growout continuing to be down 4 to 6 percent, the total number of birds slaughtered in the second quarter is also expected to be lower by about the same percentages. This is expected to translate into a 6-percent decline in meat production as average weights at slaughter have been close to those of a year earlier.

Overall meat production in third-quarter 2009 is now expected to be just over 9.0 billion pounds, 4.6 percent less than for the same period in 2008. In reaction to upward pressure on broiler meat prices, the number of chicks placed for growout is expected to gradually increase, but to remain below that of third-quarter 2008. By the beginning of fourth-quarter 2009, chick placements are expected to be only slightly lower than the previous year, leading to broiler meat production in fourth-quarter 2009 just above last year.

Over the last several months, prices for a number of broiler products have begun to strengthen, driven by lower production and stock levels. Prices in May for most broiler products were still slightly lower than a year earlier. The 12-City wholesale price for whole broilers averaged almost 83 cents per pound, up about 6.3 cents per pound from April, and about 2 percent higher than the previous year. However, prices for other broiler parts were slightly lower than a year earlier. Prices for leg quarters averaged 47 cents per pound in May, up over 9 cents per pound from April, but down about 1 percent from a year earlier. Thigh meat product prices in May also increased from April, but still remained lower than the previous year. The product that has shown the most price strength is broiler wings, which averaged \$1.40 per pound in May, up 50 percent from the previous year. Traditionally, wing prices have peaked in late January or early February and then declined seasonally. This year, prices peaked as usual but have remained strong due to the smaller domestic production and a strong export market. Over the first 4 months of 2009, wing exports have totaled 100 million pounds, up 21 percent from the previous year. The largest market for wing exports is China/Hong Kong, which accounted for 72 percent of shipments during the first 4 months of 2009.

Strong Demand Pushes Exports Higher

During the first 4 months of 2009, U.S. exports of broiler meat totaled 2.3 billion pounds, up 9.5 percent from the same period in 2008. A large portion of the increase can be attributed to larger shipments to Mexico and China/Hong Kong. Exports to these countries were up by 39 percent and 15 percent. These increases offset a strong decline in exports to Russia, which were down 26 percent over the first 4 months of 2009 compared with the previous year.

The value of exports has not risen as fast, as the price of leg quarters has been below the previous year. In the January-to-April period, the value of broiler exports was \$1.1 billion, 5 percent higher than during the same period in 2008.

With broiler production expected to be down about 2 percent in second-half 2009 compared with the previous year, upward price pressure on most broiler products is expected, especially if export demand remains high. How much broiler product prices are affected will depend on various factors, such as the extent of any rebound in the domestic economy, the extent of increases in both grain and energy prices, and the prices of competing beef and pork products.

Turkey Production Falls in April

Turkey meat production in April was 475 million pounds, down 8.5 percent from a year earlier. Overall turkey meat production for second-quarter 2009 is expected to be 1.43 billion pounds, down 8.3 percent from a year earlier. The number of turkeys slaughtered in April 2009 compared with a year earlier fell to 20.3 million birds (down 8.8 percent), and their average liveweight at slaughter was 29.3 pounds, about even with the previous year.

Even with 9 percent lower turkey meat production expected in first-half 2009 compared with 2008, wholesale prices for most turkey products have remained considerably lower than a year earlier due to a large buildup in stocks combined with lower broiler prices. May prices for whole hen turkeys in the Eastern region were 79 cents per pound, a decline of 12 percent from May 2008. Prices for whole birds have been averaging between 8 to 12 percent lower than a year earlier for the last 3 months. Prices were also lower for most turkey meat products, but not for all. In May, the weekly average prices for fresh MDM (Mechanically Deboned Meat) turkey meat ranged from 46 to 56 cents per pound, between 40 and 60 percent higher than the price the previous year. This price strength is somewhat unusual, due to the fact that turkey product exports to Mexico, traditionally one of the larger importing countries of ground and MDM turkey products, have been down so far this year. One explanation is that in a weak U.S. economy, the demand for MDM meat (a relatively inexpensive protein source) has risen.

January to April Turkey Exports Totaled 153 Million Pounds

With a large decline in shipments of turkey products to Mexico (our largest turkey export market), overall turkey meat exports from the United States totaled 153 million pounds in the first 4 months of 2009, a decrease of 25 percent from the same period in 2008. Much of the decline was due to smaller exports to Mexico (down 15 percent), but shipments to China, Canada, and Russia have also dropped sharply. Turkey shipments to Mexico have been impacted by the relatively lower prices of broiler products, so there has been a tradeoff between importing broilers and importing turkey. The value of turkey exports over the first 4 months of 2009 was \$117 million, down 21 percent from the previous year.

Egg Production Higher in April, Production Estimates Increased

During the January to April 2009 period, the number of hens in the U.S. table egg flock was slightly higher than during the same period in 2008. In April, the flock was estimated at 282 million birds, up about 1 percent from the previous year. Combined with a small increase in the rate of lay, the higher number of birds resulted in a 2.4 percent increase in the number of table eggs produced in April to 534 million dozen. The higher April production has led to a small increase in the second quarter egg production estimate to 1.6 million dozen, up about 1.5 percent from the previous year.

However, over the last 4 months the number of egg-type chicks hatched has been consistently smaller than in the same month the previous year which — combined with low prices in most of May — has led to the estimates for the second and third quarters of 2009 being reduced slightly to 1.62 and 1.66 million dozen, respectively.

Over the last several months (April through early June) wholesale egg prices have varied widely. Weekly egg prices in the New York market reached a high of around \$1.30 per dozen just before the Easter holiday, but then fell sharply to as low as around 72 cents per dozen. By the beginning of June, prices had strengthened somewhat, reaching just under \$1.00 per dozen. The price estimate for second-quarter 2009 is 95 to 96 cents per dozen, with prices expected to strengthen only slightly in the third quarter. Prices are expected to strengthen seasonally in fourth-quarter 2009, but overall prices in 2009 are expected to have a double-digit percentage decline from the previous year.

Egg and Egg Product Exports Higher in April

Even with much lower wholesale prices for eggs in the United States, egg and egg product exports over the first 4 months of 2009 totaled only 59.4 million dozen, down 12 percent from the same period in 2008. Basically, the only two bright spots in the egg and egg product export picture were Canada and Hong Kong; both had imports from the United States increase by double digit percentage amounts in the January to April 2009 period compared with the previous year. The largest export decline was to Japan, whose imports fell by 41 percent as the worldwide economic weakness has severely affected Japan's economy.

Pork Production To Fall in 2010

Projected pork production for 2009 was increased from last month. Higher slaughter weights in the second quarter have boosted the production forecast in that quarter, which more than offsets the reduced second half forecast. Imports of hogs are forecast lower as higher feed prices and relatively weak U.S. hog prices reduce producer returns and, coupled with a weaker U.S. dollar, reduce incentives to import hogs. For 2009, pork production is forecast at 22.7 billion pounds, down 2.6 percent from 2008.

Higher expected feed prices and relatively weak hog prices in 2010 should result in 2010 pork production of 22.3 billion pounds, down 1.8 percent. In the face of relatively weak hog prices and higher feed prices, producers are expected to hold down growth in hog weights. Imports of hogs are forecast lower as weak returns limit producer incentives to feed out Canadian hogs. The Quarterly Hogs and Pigs report, to be released on June 26, will provide a better indication of producer farrowing intentions through the end of 2009.

Weak pork demand is pressuring hog and pork prices. The National Base Lean hog price for the second quarter is forecast at \$43 to \$44 dollars per cwt (live equivalent), about 17 percent below 2008. Prices will likely rise seasonally in the third quarter, but as slaughter increases further in the fourth quarter, prices will drop back to the low \$40's. As supplies tighten in line with slaughter reductions and little increase in carcass weights, hog prices are expected to increase. For 2010, the National Base Lean hog price (live equivalent) is forecast to average \$48-\$51 per cwt.

Dairy Cow Slaughter To Increase

Commercial beef cow slaughter will likely continue below year-earlier levels. Cow-calf producers appear reluctant to increase cow inventories by retaining replacement heifers. In addition, spring rains have reduced the total area affected by dry conditions, providing ample pasture-based forages for the lowest January 1 beef cow inventory since 1963. Second-quarter 2009 total commercial cow slaughter could be down slightly from second-quarter 2008. However, commercial dairy cow slaughter will increase as a result of liquidation of the sector in response to poor returns. In the second quarter of 2009, increased dairy cow slaughter could offset much, but likely not all, of the reduction in commercial beef cow slaughter due to the producer-funded Cooperatives Working Together program. Combined commercial beef and dairy cow slaughter for the last half of 2009 is expected to be greater than in second-half 2008 as a result of continued heavy dairy cow slaughter and a seasonal increase in beef cow slaughter.

Cattle feeders could break even, or even have marginally positive returns this summer, due to relatively low feeder calf and grain prices this past winter. The relatively low costs of gain for cattle marketed in June and July 2009 will likely be fleeting, and by August, feeding margins likely will again turn negative. The improved pasture conditions will provide support for feeder cattle prices over the next month or so, especially for lighter-weight calves for placement on summer pastures. Limited rainfall in Southern Texas has kept that area below last year's year-to-date precipitation. Pasture demand will be offset by a lack of enthusiasm on the part of cattle feeders to bid for feeder cattle that are unlikely to yield a profit for the feeder by the time they reach finishing weight this fall and winter. Cattle feeders will be especially reluctant to place cattle if corn prices rise in response to delayed planting.

Memorial Day demand for beef at the wholesale and retail levels was disappointing, as was the accompanying brief rally in wholesale cutout values. Prices have since declined due to both seasonal trends and lackluster demand. Byproduct values have improved from a weekly low this past April, primarily from an increase in hide and tallow prices. Normally, about 60-70 percent of the byproduct value comes from the value of hides, which are used mostly for car upholstery and shoes. Packers benefit directly from higher byproduct values through increased revenues from cattle slaughtered, while cattle feeders benefit indirectly from packers' capacity to bid slightly more for fed cattle with higher byproduct values.

A Few Beef Export Markets Remain Strong, but Total Beef Exports Expected To Fall in 2009

U.S. beef exports are expected to decline about 8 percent in 2009 to 1.744 billion pounds. Although affected by weak foreign demand overall and a stronger U.S. dollar compared with last year, some export markets have experienced growth so far this year. Exports to Japan have increased 19 percent year-to-date through April and continued to be higher than last year through May, according to FAS Export Sales reports. The Japanese yen has strengthened against the U.S. dollar compared with last year, unlike most other trading partners' currencies, which has kept U.S. beef more affordable in Japan. Exports to Vietnam have also increased by 74 percent through April.

However, some of the United State's largest export markets remain well below last year. Mexico and Canada, which accounted for 55 percent of U.S. exports in 2008, have been down 19 percent and 15 percent, respectively. Exports to South Korea have continued to decline from the beginning of the year. Retail sales of American beef in South Korean supermarkets increased when several of the major retailers started stocking their shelves with U.S. beef in late 2008, but have fallen substantially since the beginning of the calendar year. Declining South Korean imports of beef from Australia and New Zealand, the largest foreign suppliers in 2008, suggest a general weakening demand for imported beef in the country.

The U.S. dollar continues to weaken in the second quarter, after sharply strengthening in late 2008 and into the first few months of 2009. While weak foreign demand for U.S. beef remains a major hurdle in many regions of the world, continuing weakness in the U.S. dollar would help U.S. beef exports. In 2010, exports are expected to increase just over 9 percent, to 1.905 billion pounds, as foreign demand will likely improve as the global economy recovers from the current recession.

Total Beef Imports Increase in 2009 Driven by Australia

The United States is expected to import 2.839 billion pounds of beef in 2009, a 12-percent increase from last year. This is primarily due to a significant increase in imports from Australia, increasing 55 percent year-to-date through April. Markets for beef in South Korea, Russia, and Japan have declined so far this year, but Australian producers have been able to increase their total exports by sending more beef to the United States. Russia has begun to make a modest recovery in beef imports in recent months; however U.S. Customs data shows that Australian beef continues to come to the United States at well above last year's pace.

Imports from Canada were slightly higher than last year through April. However, U.S. Customs reports show that imports have slowed in recent weeks compared with last year. Feed prices in Canada have increased, and the Canadian dollar has strengthened as oil prices have risen. This could affect both the profitability for cattle feeders and competitiveness of Canadian packers on the export market. According to AMS reports, the strong Canadian dollar appears to be putting downward pressure on fed cattle prices. With increasing barley prices and declining fed cattle prices, cattle feeders are caught in the middle.

According to CanFax, Canadian feedlots in Alberta and Saskatchewan maintained their inventories just above 2008 levels, but saw lower placements and marketings in April and May. If these economic conditions continue, there could be more Canadian cattle sent to feedlots and packing plants in the United States, reducing Canadian beef supplies available for domestic consumption or to be exported to the United States.

Imports from New Zealand are also expected to continue to be higher than last year, up 3-percent through April. Cattle slaughter in New Zealand has increased through April, driven by increased cow slaughter. The drop in international dairy prices has forced dairy producers to cull more cows than is usual to reduce milk production. This means that there are more animals being sent to the beef production complex than in a typical year.

In 2010, the United States is expected to import 2.975 billion pounds of beef, a 5-percent increase. Commercial non-fed beef production is expected to decrease in the United States, allowing foreign beef producers to supply more beef to the United States.

Lower Milk Production Provides Basis for Slowly Rising Prices

High feed prices are taking a toll on milk production. Estimated U.S production for April was 0.1 percent below that of 2008. Production is being reined in as the dairy herd size is contracting. The estimated U.S herd was 9.28 million head in April, down from 9.31 million in April 2008. In 2010, dairy herd contraction is expected to continue and the herd is forecast to average 8.94 million head for the year. On the other hand, production per cow continues to rise, albeit slowly. Production per cow on a daily basis has ranged above year-earlier levels in the first 4 months of 2009. For the year, output per cow is expected to reach 20,445 pounds, up a quarter percent year-over-year. For 2010, output per cow is forecast to climb to 20,850 pounds per cow, which would represent a 2-percent increase above 2009's weak growth.

Feed prices this year are projected to be below 2008's lofty highs, but still above those in 2007. Corn prices are expected to average over \$4.00 per bushel for both the 2008/09 and 2009/10 crop years. Soybean meal prices are expected to decline to average \$320 per ton in 2008/09. Meal prices should be slightly lower in 2009/10. Projected relatively high feed prices, especially for corn, will keep the annual average milk-feed price ratio below 2.0 both this year and next. This limits any incentive for herd expansion even with alfalfa hay prices reflecting improved harvest conditions. The Cooperatives Working Together program is expected to remove over 100,000 cows from the herd by mid-summer. In addition, culling will likely be above average as a result of weak returns to producers. The cow removals will boost average output per cow among the remaining herd, but higher feed prices will likely dampen growth in output per cow. The smaller herd size will lead to lower milk production in 2009 and 2010. Milk production is forecast at 187.5 billion pounds this year and 186.4 billion pounds in 2010.

Compounding weakness in domestic demand is the loss of export markets, which expanded rapidly in 2007 and 2008. Commercial exports this year are expected to total only 3.7 billion pounds of milk equivalent on a fat basis (19.7 billion pounds on a skims/solids basis). Fat basis exports are forecast to increase to 3.8 billion pounds of milk equivalent in 2010. Buoyed by stronger nonfat dry milk (NDM) and whey sales, skim/solids exports will increase to 23.1 billion pounds next year.

Domestic commercial use on a fats basis is forecast to rise in 2009 to 186.1 billion pounds, up 1 percent from 2008, but to remain virtually unchanged in 2010. The reduction in milk supplies is the basis for modestly higher milk and dairy product prices in both 2009 and 2010. Net removals are estimated to reach 234 million pounds in 2009 but are forecast to drop to 10 million pounds next year.

Dairy product prices are forecast to rise. Cheese prices have been close to support levels in recent weeks, but are expected to average \$1.235 to \$1.275 per pound in 2009. Cheese prices are expected to strengthen throughout 2010. The average 2010 price is forecast at \$1.580 to \$1.680. For butter, the 2009 prices are expected to average \$1.185 to \$1.255 per pound for the year. In 2010, prices could rise to average \$1.44 to \$1.57 per pound. NDM exports have lagged earlier expectations and prices to reflect that fact.

NDM prices are expected to average 83.5 to 87.5 cents per pound this year and \$1.000 to \$1.070 per pound next year, mostly on the basis of improving exports and tighter supplies. Whey prices show some recovery as exports have improved lately and will average 22.0 to 24.0 cents a pound in 2009 and likely rise to 26.0 to 29.0 cents a pound in 2010.

These product prices will translate into slowly recovering milk prices this year and further recovery in 2010. However prices will remain below 2007 and 2008 highs. The Class IV price is projected to average \$10.10 to \$10.60 per cwt this year and \$12.55 to \$13.65 per cwt next year. The Class III price is forecast to average \$10.60 to \$11.00 per cwt this year and to rise to \$14.30 to \$15.30 per cwt next year. The all milk price is projected at \$11.95 to \$12.35 per cwt in 2009 and to climb to \$15.10 to \$16.10 per cwt in 2010.

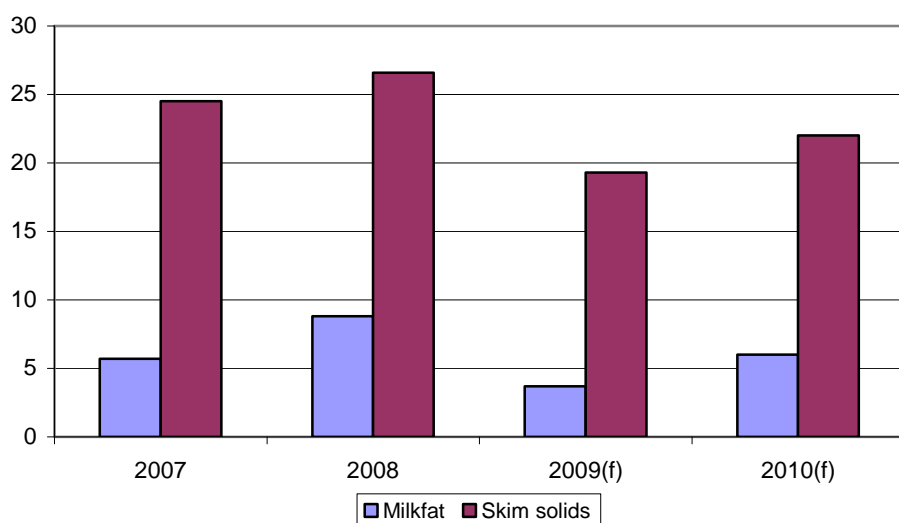
Special Box: Dairy Trade

Dairy Product Exports: 2008 Highs and 2009 Lows

The value of U.S. exports of dairy products reached record highs during 2008 as a result of multiple factors, primarily strong global demand for dairy products, reduced global supplies of dairy products, a weak U.S. dollar, and high dairy product prices. As quickly as exports rose, they have fallen towards the end of 2008 and into 2009. As the global economy entered a recession, demand for dairy products dropped off. At the same time, the U.S. dollar gained in value and production recovered somewhat in dominant dairy product exporting countries such as New Zealand and Australia. Facing a weak domestic market in 2009, U.S. producers continue to look to the export market for potential sales, and the USDA has reactivated the Dairy Export Incentive Program (DEIP) to help move products into international markets.

U.S. dairy exports

Billion pounds milk equivalent



Source: *Livestock, Dairy, and Poultry Outlook*.

Market Share Has Been Increasing in Recent Years

Traditionally, the U.S. has been a relatively small player in international dairy markets, but that has been changing in recent years. From 2000 to 2007, the quantity of butter and butter oil exported increased by 925 percent, cheese by 111 percent, and nonfat dry milk (NDM) by 80 percent. While U.S. exports have been increasing, the total quantity of most products exported remains a small percentage of the international market as a whole — in 2007, the U.S. accounted for about 5 percent of major traders' butter exports and 8 percent of cheese exports. The U.S. share of NDM exports was greater, about 23 percent of exports from major traders.

Increased Demand for Dairy Products in 2008

In 2008, however, it was a different story for U.S. dairy product exports. Both international and domestic market conditions leading up to 2008 helped create an environment in which the U.S. could capture a greater share of the international market for a limited time. Starting in about 2001, international demand for dairy products increased steadily as world income increased. Increased income, coupled with a greater demand for a Westernized diet in many developing countries, led to increased imports of dairy products. Population growth, urbanization, growth of fast food outlets, demographic shifts, and a change in relative prices of other goods were also factors that led to increased dairy product consumption and imports by developing countries. For many of these countries, production-limiting factors such as tropical climates, land and feed scarcity, and high transaction and transportation costs constrained domestic dairy industry capacity to meet the rising demands for milk and dairy products.

Increased demand came not only from developing countries, but also from oil-exporting countries flush with oil revenues from record-high petroleum prices. Countries such as Saudi Arabia, Iran, Algeria, and Russia imported large quantities of dairy products. Additionally, developed countries continued to demand value-added dairy products in the early 2000s, not only for retail sales, but also for their large food service industries.

Decreased Supply in 2008 from Oceania and the EU

Increasing demands coincided with a decreased supply due to drought conditions in New Zealand and Australia, two of the three largest exporters of dairy products. Drought conditions in New Zealand and Australia reduced milk production by about 3 percent for each country from 2007 to 2008. With a decreased milk supply, exports of dairy products dropped as well.

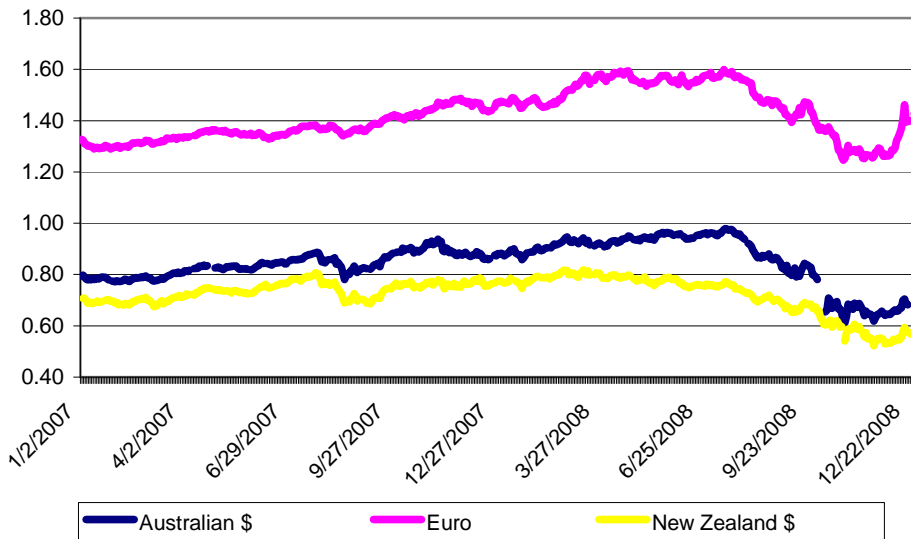
The EU also saw a decline in dairy product exports in 2007 and 2008. Milk production dropped sharply in 2006 and had not fully recovered by 2008. With a large domestic market to serve, butter, cheese, and NDM exports from the EU fell.

The United States, by comparison, saw an increase in production from 2007 to 2008. Production of nonfat dry milk and skim milk powders rose by over 26 percent and whole milk powder by over 58 percent, with the majority of these products destined for international markets. The U.S. dairy herd expanded by 112,000 cows during 2008, and milk production per cow per day grew although it lagged historical trends. This production expansion left the U.S. well-positioned to meet increased global demand for dairy products in 2008.

The final factor that tipped the export market in favor of the United States was the exchange rate. The value of the U.S. dollar was weak in 2007 and 2008, making U.S. exports a more attractive buy for other countries, compared with products from competitors such as New Zealand, Australia, and the EU.

Exchange rate

Foreign currency units per U.S. dollar



Source: International Monetary Fund.

Weak Global Economy Will Weigh on Trade in 2009

The decline in international demand for dairy products started in late 2008 as a result of the global recession. Incomes around the world have fallen and consumers in many countries are expected to limit demands for cheese, butter, WMP, and NDM in 2009.

Global dairy production is expected to rise in 2009. Improved weather conditions have allowed production to rebound in a number of traditional exporting countries such as the EU-27, Australia, and New Zealand. In the face of weaker global demand, it is expected that higher levels of exportable supplies in these countries will allow them to regain market share lost to the United States in 2007 and 2008.

DEIP Resurfaces

As the United States loses international market share and the domestic market remains weak, with milk prices below production costs, many U.S. producers have been asking for Government assistance. After a long period of inactivity, on May 22, 2009 the USDA announced allocations for DEIP to help U.S. dairy farmers remain active participants in the international markets. A principle objective of the program is to help U.S. exports in markets where U.S. products are not competitive due to the subsidized dairy products from other countries. Under DEIP, the USDA accepts bids from exporters and awards payments based on the competitiveness of the bid, which represents the difference between the cost of purchasing the domestic product and the selling price in the importing country. DEIP allocates specified quantities of dairy products that are eligible for export assistance, as per WTO commitments.

	Annual DEIP-eligible allocation (tons)	2008 production (tons)	DEIP eligible allocations as a percentage of 2008 production (tons)
NDM	75,021	760,000	10
Butter	23,207	820,000	3
Cheese	3,333	4,965,000	0
Other	37	n/a	n/a

Source: USDA Release No.0178.09 and NASS *Dairy Products 2008 Summary*.

In January 2009, the EU re-opened its program to subsidize dairy product exports and aid its own domestic dairy industry. It remains to be seen how EU and U.S. subsidy programs will impact international dairy product prices. While the EU and the United States are both large players in the global dairy market, Oceania still dominates the market in most dairy product categories and has lower production costs and no domestic support programs. Both the EU and the United States have publically stated that their export subsidy programs will not impact world market prices. Under WTO limits, the EU can subsidize about 2 million MT or roughly \$3.1 billion dollars of dairy products. EU eligible allocations for NDM and butter, however, are above projected export quantities of those products for 2009. The United States can subsidize just over 92,000 MT, or roughly \$116.6 million dollars, of dairy products.

The long-term forecasts for the U.S. dairy sector (determined prior to the DEIP allocation announcement) are for herd size and exports to continue to decrease and milk production per cow and domestic consumption to continue to increase.

- For more information on long-term dairy (and other sector) forecasts, see: USDA Agricultural Projections to 2018 (<http://www.ers.usda.gov/Publications/OCE091/OCE091.pdf>).
- For more information on DEIP, please visit the FAS website: <http://www.fas.usda.gov/excredits/deip/deip-new.asp>

Contacts and Links

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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

Animal Production and Marketing Issues, <http://www.ers.usda.gov/briefing/AnimalProducts/>
Cattle, <http://www.ers.usda.gov/briefing/cattle/>
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WASDE, <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1194>

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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	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	6,735	6,950	6,530	26,463	6,175	25,990
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	5,445	5,490	6,000	22,746	5,630	22,345
Lamb and mutton	195	187	49	47	42	47	185	49	44	42	48	183	46	43	42	43	174	42	42	40	43	167	43	166
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	8,574	8,870	9,025	8,950	35,419	8,600	35,925
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	1,430	1,450	1,525	5,790	1,415	5,905
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	22,210	22,685	23,142	23,280	91,317	22,097	91,365
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	1,594	1,600	1,620	1,655	6,469	1,600	6,510
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	16.2	16.3	15.3	63.1	14.8	61.5
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	12.1	11.9	12.6	49.1	11.8	46.9
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	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	20.2	20.8	20.2	80.6	19.3	81.0
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	5.4	16.9	3.8	17.1
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	51.5	52.9	53.6	54.2	212.2	50.4	209.0
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	61.8	62.3	63.7	249.7	61.5	248.1
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	84-85	84-88	87-95	84-87	84-92	87-94
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	92.83	96-97	96-102	98-104	95-99	94-102	98-104
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	48-49	46-50	49-53	46-50	46-52	49-53
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	90-91	84-90	85-91	86-92	88-96	88-94
Barrows & gilts, N. base, I.e. \$/cwt	52.51	50.05	42.63	48.45	51.83	46.13	47.26	46.04	52.55	50.33	39.43	47.09	39.64	52.51	57.27	41.92	47.84	42.11	43-44	47-49	41-45	43-45	46-50	48-51
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	82-83	81-85	79-85	80-83	80-86	80-87
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	78-79	83-87	82-88	79-82	71-77	79-86
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	95-96	97-103	106-114	102-106	106-114	104-113
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	445	465	450	1,744	420	1,905
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	760	710	665	2,839	715	2,975
Lamb and mutton imports	181	180	53	44	41	52	190	56	44	44	59	202	52	48	38	47	185	51	42	38	46	177	54	180
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	975	1,000	1,175	4,183	1,050	1,100
Pork imports	1,099	1,024	259	237	239	254	989	239	256	240	232	968	217	205	191	218	831	205	195	190	210	800	215	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	1,600	1,500	1,575	6,428	1,550	6,300
Turkey exports	442	570	119	125	152	150	547	124	135	148	146	553	148	160	186	182	676	117	130	145	155	547	125	580
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	1,650	1,550	1,550	6,511	1,550	6,200

^{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

	2008					2009					2010	
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	Annual
Milk cows (thous.)	9,286	9,315	9,330	9,330	9,315	9,297	9,240	9,110	9,035	9,171	8,970	8,939
Milk per cow (pounds)	5,127	5,236	5,025	5,008	20,396	5,093	5,255	5,055	5,040	20,443	5,185	20,850
Milk production (bil. pounds)	47.6	48.8	46.9	46.7	190.0	47.4	48.6	46.1	45.5	187.5	46.5	186.4
Farm use	0.3	0.3	0.3	0.3	1.2	0.3	0.3	0.3	0.3	1.2	0.3	1.2
Milk marketings	47.3	48.5	46.6	46.4	188.8	47.1	48.3	45.8	45.2	186.3	46.2	185.2
Milkfat (bil. pounds milk equiv.)												
Milk marketings	47.3	48.5	46.6	46.4	188.8	47.1	48.3	45.8	45.2	186.3	46.2	185.2
Beginning commercial stocks	10.4	12.1	13.6	11.5	10.4	10.0	12.5	13.9	12.2	10.0	9.8	9.8
Imports	1.0	0.7	0.7	1.5	3.9	1.0	0.8	0.8	1.2	3.7	0.9	3.8
Total supply	58.6	61.3	60.9	59.5	203.1	58.0	61.6	60.5	58.6	200.0	56.9	198.8
Commercial exports	2.2	2.5	2.5	1.5	8.8	1.0	0.9	0.9	0.9	3.8	1.0	3.9
Ending commercial stocks	12.1	13.6	11.5	10.0	10.0	12.5	13.9	12.2	9.8	9.8	11.7	8.7
Net removals	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	1.4	3.4	0.0	0.0
Commercial use	44.3	45.2	46.9	47.8	184.3	44.4	46.8	47.2	47.7	186.1	44.3	186.2
Skim solids (bil. pounds milk equiv.)												
Milk marketings	47.3	48.5	46.6	46.4	188.8	47.1	48.3	45.8	45.2	186.3	46.2	185.2
Beginning commercial stocks	9.9	10.2	10.8	10.4	9.9	10.9	11.2	11.7	11.1	10.9	10.4	10.4
Imports	1.0	0.8	0.8	1.2	3.8	0.9	0.9	0.9	1.1	3.7	0.9	3.7
Total supply	58.2	59.5	58.1	58.0	202.5	58.8	60.4	58.3	57.4	200.9	57.5	199.3
Commercial exports	6.7	7.6	6.9	5.5	26.6	5.1	4.9	4.9	4.9	19.9	5.6	23.1
Ending commercial stocks	10.2	10.8	10.4	10.9	10.9	11.2	11.7	11.1	10.4	10.4	10.2	9.3
Net removals	0.0	0.0	0.0	1.3	1.3	1.1	0.6	0.3	0.9	2.8	0.1	0.1
Commercial use	41.4	41.2	40.8	40.4	163.7	41.4	43.2	42.0	41.2	167.8	41.6	166.8
Milk prices (dol./cwt) 1/												
All milk	19.17	18.57	18.63	16.80	18.29	12.23	11.55	11.35	12.70	11.95	13.85	15.10
							-11.75	-11.85	-13.50	-12.35	-14.85	-16.00
Class III	18.12	18.40	17.28	15.95	17.44	10.18	10.10	10.52	11.58	10.60	12.80	14.30
							-10.30	-11.02	-12.38	-11.00	-13.80	-15.30
Class IV	15.04	15.25	16.23	12.07	14.65	9.56	9.97	10.27	10.74	10.10	11.47	12.55
							-10.27	-10.87	-11.64	-10.60	-12.57	-13.65
Product prices (dol./pound) 2/												
Cheddar cheese	1.933	1.977	1.869	1.804	1.895	1.236	1.184	1.208	1.317	1.235	1.433	1.580
							-1.204	-1.258	-1.397	-1.275	-1.533	-1.680
Dry whey	0.305	0.267	0.243	0.186	0.250	0.164	0.219	0.245	0.245	0.213	0.255	0.260
							-0.239	-0.275	-0.275	-0.243	-0.285	-0.290
Butter	1.230	1.411	1.575	1.527	1.436	1.097	1.191	1.220	1.252	1.184	1.322	1.439
							-1.231	-1.300	-1.362	-1.254	-1.452	-1.569
Nonfat dry milk	1.364	1.300	1.334	0.904	1.226	0.823	0.822	0.840	0.880	0.835	0.932	1.000
							-0.842	-0.880	-0.940	-0.875	-1.002	-1.070

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/dyfmoms/mib/fedordprc_dscrp.htm

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

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