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Livestock, Dairy, and Poultry Outlook

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Cattle Herd Rebuilding Thrown a Curve, Drought To Determine Inventory Dynamics in 2013

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on Feb 26, 2013

The next newsletter
release is Mar 14, 2013

Approved by the
World Agricultural
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Beef/Cattle: Drought has continued through early February 2013. In the aftermath of more than 2 years of drought, pasture development and feed markets in 2013 will be particularly sensitive to weather uncertainties, especially through the second and third quarters of 2013 as crops and pastures develop. Pasture development will be a focus of concern, especially for beef cattle producers, particularly cow-calf and stocker operations, and will determine when cow herd rebuilding will begin. It will also affect the timing of placements of feeder cattle in feedlots.

Beef/Cattle Trade U.S. beef exports for 2012 totaled 2.45 billion pounds, 12 percent lower than in 2011. Beef imports totaled 2.2 billion pounds, or nearly 8 percent higher than in 2011. Cattle imports from Canada and Mexico were 15 and 3 percent higher, respectively, year over year.

Pork/Hogs: U.S. pork exports in December, at 426 million pounds, were almost 14 percent below a year ago. Exports thus finished 2012 at 5.4 billion pounds, 3.7 percent above those of 2011. The top three foreign destinations for U.S. pork in 2012 were Japan, Mexico, and China/Hong Kong.

Poultry: Broiler meat production in 2012 totaled 37.0 billion pounds, down 0.4 percent from the previous year. The outlook for 2013 is for a slight increase in production during the first three quarters and rising production in the fourth quarter, totaling 37.3 billion pounds. Turkey meat production in 2013 is forecast at 6 billion pounds, up 1 percent from 2012. Turkey meat production is expected to decline slightly in second-quarter 2013 but increase in the remaining three quarters. Table egg production is expected to increase slightly (1.3 percent) in 2013, reaching 6.78 billion dozen, up from 6.7 billion dozen in 2012.

Poultry Trade: December broiler and egg shipments were both up from a year earlier, while turkey shipments were down. Broiler shipments totaled 607.1 million pounds, a 4-percent increase from last December's shipments. Egg shipments were up 19 percent from a year ago, totaling 25.7 million dozen. Turkey shipments totaled 63.5 million pounds, an 11-percent decline from a year ago. The 2012 fourth-quarter broiler shipments registered as the fourth largest ever, while turkey and egg shipments were the largest shipments on record.

Sheep/Lamb: The sheep inventory registered a smaller decline than in the previous 2 years. Despite the drought conditions in most of the sheep-producing areas, the "grow our flock" program by the sheep industry appeared to slow the decline. The NASS Sheep and Goats report estimated the inventory of all sheep and lamb in the United States on January 1, 2013 as 5.34 million head, down 1 percent and a 30,000-head decline from 2012. Breeding sheep inventory decreased to 3.98 million head on January 1, 2013, down 1 percent from 4.0 million head on January 1, 2012. A 2-percent decline was seen in the 2012 lamb crop and is expected to result in further production declines during 2013, with production at around 152 million pounds. As a result, slaughter lamb prices, which declined significantly in 2012, are expected to show strength in 2013 and average around \$104-\$111 per hundredweight.

Dairy: Milk supplies will increase fractionally in 2013 as continued yield improvements offset herd declines. An improved feed outlook supports feeding rates and moderates the herd decline. Prices remain steady in light of a largely unchanged export forecast.

The Incredible Shrinking Cow Inventories

Since 2010, drought has reduced pasture availability, forcing cows to slaughter, feeder cattle out of Mexico, and feeder cattle into feedlots prematurely. The drought has also resulted in successively smaller calf crops. Since one year's calf crop is the bulk of the next year's supplies of feeder calves and, subsequently, of fed cattle, smaller calf crops translate into successive reductions in expected annual beef production.

Inventories of all cattle and calves of 89.3 million head on January 1, 2013 reached their lowest level since 1952, when the January 1 inventory of all cattle and calves was 88.1 million head. The January 1, 2013 inventory of beef cows was 29.3 million, the lowest since 28 million in 1962. Total commercial cow slaughter in 2011 and 2012 proceeded at 17 and 16.6 percent of January 1 total cow inventories—well above the more typical rates of 12 to 15 percent of January 1 cow inventories. This rate of cow slaughter, combined with a smaller percentage of heifers entering the beef cow herd, left the January 1, 2013 beef cow inventory 2.9 percent below the revised 2012 inventory. Beef replacement heifers were up, but only by 1.9 percent over the revised 2012 inventory. This level of heifer retention is not likely to lead to an increase in beef cow inventories in 2013.

Assuming normal weather patterns, producers are expected to begin retaining both cows and heifers for breeding. As this happens, beef supplies will likely decline as fewer cows are sent to slaughter and fewer heifers are placed in feedlots for beef production. This is expected to accelerate over a period of several years until enough heifers have been retained to increase feeder cattle supplies to levels that will provide increased beef production.

A Bump in the Road for Cattle Inventory Dynamics

Current forecasts assume normal weather patterns in 2013—i.e., that the drought will dissipate this year. As a result, stocker operators are expected to grow calves on pasture rather than place them prematurely in feedlots. Normal growout of feeder cattle on pasture during the spring and summer would allow stocker operators and cattle feeders to spread placement of feeder cattle in feedlots more uniformly over the year. Stocker operators and cattle feeders will have incentives (higher anticipated prices and lower feeding costs) to place feeder cattle in feedlots later in the year, especially in the fourth quarter of 2013, when expected lower prices for corn and other feeds will follow from harvest of the 2013 crops. Cow-calf producers are also expected to withhold heifers from feeder cattle supplies, thereby reducing feeder cattle supplies that will support cattle and beef prices during 2013. Beef production is expected to decline from 2012 levels.

However, as the drought has continued thus far into 2013, liquidation of cows has remained relatively high. The cow slaughter may add to near-term beef supplies, particularly of processing beef if forage supplies tighten. Feeder calves may continue to be placed in feedlots earlier and at lighter weights than would be the case if pasture conditions allowed them to be grown on pasture rather than on high-priced corn.

Cattle-Feeding Technology Increasing Beef Supplies

Beef production, however, has not fully reflected changes in cattle numbers. While declining slightly in 2011 and 2012, year over year, beef production received a boost from the increased rates of cow slaughter, more imported cattle, and bigger animals. Generally, dressed weights have increased about 4 pounds per year since the 1970s. In 2012, average dressed weights for federally inspected steers and heifers were 18 and 19 pounds heavier than in 2011, exceeding the average annual trend of an increase in weights. These heavier steer and heifer weights were partially a product of good feeding conditions during the year and the increased use of beta agonists like ractopamine in cattle feeding. Ractopamine is fed toward the end of the feeding period to increase lean muscle mass and reduce feeding costs. , Texas Cargill meat packing plant in January of this However, the reduction in feeding costs lasts only for a short period, after which feeding costs continue to accrue with little or no additional weight gain. This narrows the window for marketing fed cattle.

In the long run, closing of the Cargill meat packing plant in January of this year will likely be a positive thing for the meat packing industry. However, while the closing immediately raised packer capacity utilization rates, it also had an immediate—although apparently short-lived—negative impact on fed cattle prices. Cattle feeding margins have been negative since March 2011. With current feed and feeder cattle price forecasts, margins are expected to remain negative until fourth-quarter 2013, when fed cattle prices are expected to move above current forecasts of breakeven costs of \$136/cwt and expected prices for new-crop corn result in lower feeding costs. With limited supplies of feeder cattle and possible over-capacity in the cattle feeding sector, competition for feeder cattle could result in some feedyard closures.

While fed cattle prices seem to have recovered for the most part from the abrupt decline that followed the announcement of the Cargill plant closure, the current price picture for the beef complex is not bright. Steer and heifer slaughter appears to be flagging in the face of continuing negative margins for meat packers, and wholesale cutout values have not recovered from their recent declines. This deteriorating situation has likely been exacerbated by the continued economic weakness. Retail beef demand will likely face continued price pressure as a result.

U.S. Beef Exports in 2012 Lower as U.S. Supply Tightens

U.S. beef exports for 2012 totaled 2.45 billion pounds, 12 percent lower than a year earlier. The United States was still a net beef exporter in 2012, but by a narrower margin—only 235 million pounds, versus 728 million pounds in 2011. With strong global demand for U.S. beef, the tightening domestic beef supply and restrictive high prices were the primary causes for lower exports in 2012. However, the United States exported 9.5 percent of production, about 1 percent point lower than the production share exported in 2011. Excluding Hong Kong and Russia, to which U.S. exports were 24 and 5 percent higher, exports to all major beef trading partners were lower in 2012. U.S. exports to South Korea and Japan were down by 20 percent and 1 percent, year over year; to Vietnam and Taiwan by 6 and 46 percent; and to Canada and Mexico by 7 and 28 percent. Canada remained the top U.S. beef export market in 2012 at 467 million pounds, followed closely by Japan at 450 million pounds. Mexico, South Korea, and Hong Kong rounded out the top 5 spots at 352, 305, and 201 million pounds.

In terms of the U.S. export share to its major markets, Japan's imports from the U.S. increased by over 9 percent compared with a year earlier, with Australia the main loser of market share to the United States. The United States lost market share in Canada, however, to Australia and Uruguay, while total imports by Mexico were lower from all major exporters to the country. Total imports by South Korea were also lower, but Australia's share of the market increased by over 2 percentage points.

U.S. beef exports in 2013 are expected to be only fractionally lower than in 2012. Drought, slaughter cattle availability, and the extent to which U.S. producers rebuild their herds will have the greatest effects on 2013 export levels. The U.S. beef supply is perhaps the biggest constraining factor to growth in U.S. beef exports in the near term.

U.S. Beef Imports Strengthen in 2012

U.S. beef imports in 2012 totaled 2.22 billion pounds, or nearly 8 percent higher than in 2011. Imports were stronger year over year from Australia (+45 percent), New Zealand (+8 percent), Mexico (+56 percent), and Uruguay (+39 percent). Australia and Canada supplied the largest imports of beef to the United States, at 655 and 537 million pounds. Among the remaining top beef exporters were New Zealand (495 million pounds), Mexico (242 million pounds), and, jointly, Central American countries (Nicaragua, Costa Rica, and Honduras at 140 million pounds). Previous years' efforts at herd rebuilding in Australia and an expansion in that country's exportable supply of beef allowed for the strong year-over-year growth in U.S. imports from Australia. Imports from Canada were constrained—22 percent lower—due to tightened beef and lower cattle inventories. Exports by Mexico to all destinations increased by 38 percent through November—a result of the country's initiative to become more competitive in the global beef market. Much of this increase in Mexican beef exports was to the United States.

Expansion in the beef supply from Oceania is expected to continue in 2013, likely raising U.S. import totals further. Imports from Mexico are expected to remain

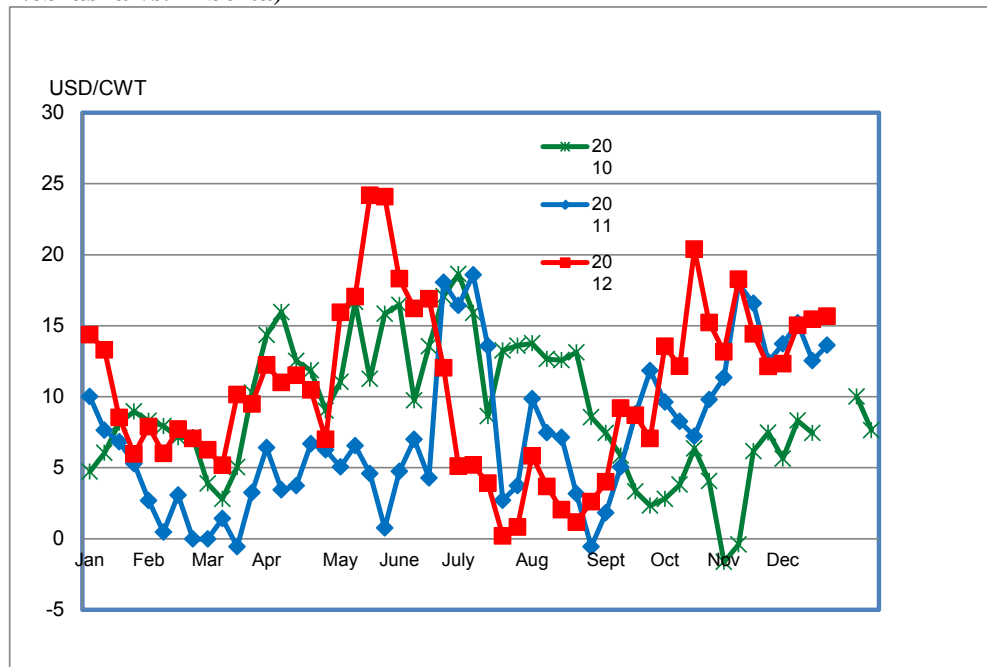
strong this year, while imports from Canada are likely to strengthen. U.S. imports for 2013 are forecast at 2.57 billion pounds, more than a 15-percent year-over-year increase, making the United States again a net beef importer, although by a close margin.

Cattle Imports Ratchet Higher in 2012

U.S. cattle imports in 2012 totaled just over 2.25 million head, or nearly 7 percent higher than the previous year's levels, with 35 percent of the total import share from Canada and the remaining 65 percent from Mexico. Imports from Canada were 15 percent higher, year over year, and 3 percent higher from Mexico. Increases in imports of Canadian cattle primarily stemmed from larger feeder and slaughter cow imports, 55 percent higher for than in 2011. With tightening feeder cattle supplies, demand was stronger for Canadian cattle. The U.S.-Canadian price spread for heavier weight feeder cattle remained well above 2011 levels throughout much of 2012. For example, the U.S.-Canadian spread for 800-900 pound feeder cattle (Nebraska vs. Alberta) averaged 10.51 USD per hundredweight (cwt) higher than in 2011 and spiked to over 24.00 USD/cwt higher in late spring 2012.

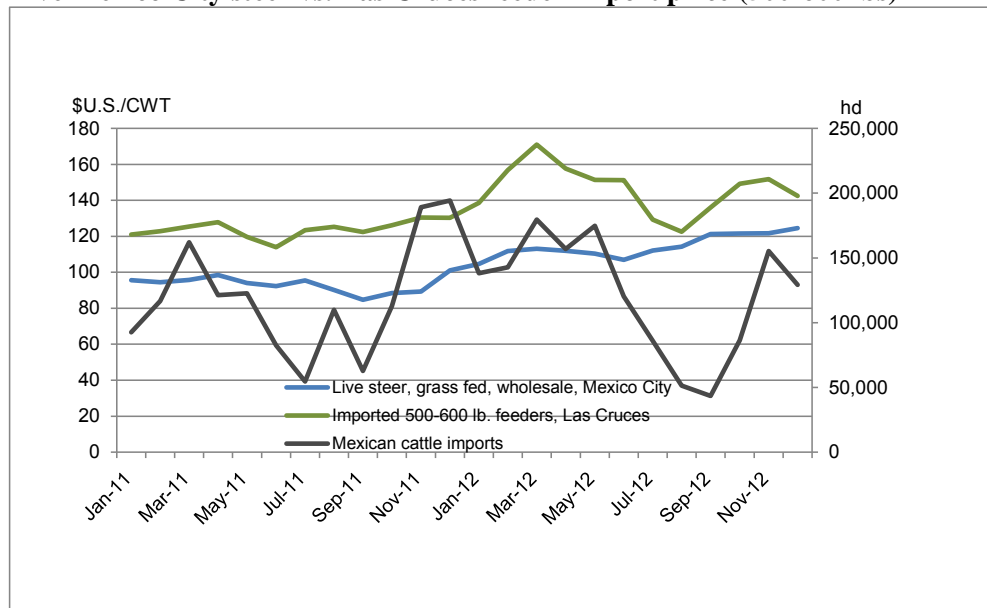
Despite an ever-tightening inventory of Mexican cattle, U.S. imports from Mexico were higher again in 2012, making it the fourth consecutive year of higher imports. These import levels, which are likely to be unsustainable, were driven in 2012 by the continued effects of North American drought, which extended into major Mexican cattle-exporting States. Coupled with record-high feeder prices in the United States and intermittently languishing prices in Mexico, Mexican cattle exports never lost the momentum that might have been expected given diminishing supplies. Nevertheless, total U.S. cattle imports in 2013 are expected to be 13 percent below 2012, with decreases expected in exports from both North American trading partners, given the relatively small calf crops in 2012.

U.S.-Canadian feeder cattle price differential (800-900 wt, Nebraska vs. Alberta)



Source: USDA, Agricultural Marketing Service.

Live Mexico City steer vs. Las Cruces feeder import price (500-600 lbs)



Sources: Sistema Nacional de Informacion de Mercados (SNIIM), USDA-ERS Livestock & Meat International Trade Data <http://www.ers.usda.gov/data-products/livestock-meat-international-trade-data.aspx>, and USDA- Agricultural Marketing Service.

2012 Exports Year Over Year Higher, but Lower in December

U.S. exports were 426 million pounds in December, almost 14 percent lower than a year earlier. For the first time, Mexico was the largest foreign destination of U.S. pork, but even so, shipments to Mexico were more than 10 percent below a year earlier. Japan was—for the first time in recent memory—the second largest foreign destination for U.S. pork products in December. Shipments to Japan were almost 21 percent below a year ago. Of the top five foreign destinations—Mexico, Japan, China\Hong Kong, Canada, and South Korea—only Canada and South Korea purchased more U.S. pork in December.

For 2012, U.S. pork exports were almost 5.4 billion pounds, 3.7 percent above 2011. While Japan remained the largest foreign destination in 2012, shipments were almost 7 percent lower than a year earlier. China\Hong Kong, the third largest foreign market in 2012, bought 4.4 percent less U.S. pork. Countries that boosted the “bottom line” in 2012 were Mexico (+12 percent year-over-year, and the second largest foreign destination in 2012), Canada (+17 percent, and the fourth largest buyer in 2012), and Russia (+44 percent, and the sixth largest foreign market in 2012.)

U.S. pork imports in December 2012 were 2.4 percent lower than a year earlier, with imports from Canada accounting for most of the decline. For the year, the United States imported almost 802 million pounds of pork, down just slightly (-0.22 percent) from 2011. In 2012, imports from Canada were 1.5 percent lower, while shipments from Denmark declined by 7.2 percent. Canada accounted for 78 percent of U.S. imports in 2012; about 9 percent were of Danish origin. These shares are largely unchanged from 2011.

Live swine imports in 2012 totaled almost 5.7 million head, or 2.5 percent lower than 2011. Only imports of breeding animals and 23-50 kg feeder pigs were above a year earlier. More than 99 percent of U.S. swine imports were of Canadian origin in 2012.

Top five foreign destinations for U.S. pork exports in December 2012

Rank	Country	Dec. 2012 million lbs.	Dec. 2011 million lbs.	Change yr.-over-yr. %
	World	426	493	-14
1	Mexico	104	116	-10
2	Japan	99	125	-21
3	China\Hong Kong	56	107	-47
4	Canada	51	46	10
5	South Korea	47	37	26

Source: <http://www.ers.usda.gov/data-products/livestock-meat-international-trade-data.aspx>

Top five foreign destinations for U.S. pork exports in 2012

Rank	Country	2012 million lbs.	2011 million lbs.	Change yr.-over-yr. %
	World	5,383	5,189	4
1	Japan	1,379	1,481	-7
2	Mexico	1,163	1,038	12
3	China/Hong Kong	779	815	-4
4	Canada	587	502	17
5	South Korea	417	454	-8

Source: <http://www.ers.usda.gov/data-products/livestock-meat-international-trade-data.aspx>

Broiler Meat Production Forecast at 37.3 Billion Pounds in 2013

The outlook for broiler meat production in 2013 is for a relatively small increase compared with 2012. While there is still uncertainty about the course of feed prices in the coming year, prices for a number of broiler products have been strengthening and the forecast for exports is again strong. The number of chicks being placed for growout currently has only been slightly higher than for the same period the previous year. In 2013, most of the increase in broiler meat production is expected to come from a larger number of birds slaughtered, but some added production will come from higher bird weights at slaughter, especially during the first half of the year. Broiler product demand is expected to be influenced by a gradually improving domestic economy and strength in export demand.

For December 2012, broiler meat production was reported at 2.9 billion pounds, fractionally lower than the same period in 2011. The number of birds slaughtered in December decreased year-over-year by 2.4 percent. However, the sharp decline in the slaughter rate was almost totally offset by a strong increase (up 2.2 percent) in average bird liveweight at slaughter to 5.91 pounds.

The small decline in broiler meat production in December resulted in a fourth-quarter 2012 total of 9.2 billion pounds, up 3.8 percent from fourth-quarter 2011. This increase was the result of strong gains in meat production in October and November, up 7.7 and 3.5 percent. In fourth-quarter 2012, the gain in meat production was the result of both a higher number of birds slaughtered, due in part to an extra day in the quarter, and higher average liveweights.

Broiler meat in cold storage at the end of December 2012 totaled 653 million pounds, up 11 percent from the previous year and 30 million pounds more than at the end of third-quarter 2012. Cold storage holdings rose during fourth-quarter 2012, partially due to strong gains in broiler meat production during that period, although the increase was likely moderated by strong exports and strong demand. With higher levels of broiler meat production forecast throughout 2013, cold storage levels are expected to be higher during first-quarter 2013 and to have a small gain in the second quarter. With continued strong exports and improving domestic demand, cold storage levels are expected to fall below year-earlier levels in the second half of 2013.

Cold storage holdings for specific broiler products had very mixed results at the end of December, with a number of products showing a sharp decline from the previous year while others showed a sharp increase. Products with declining cold storage holdings included whole birds (21 percent), drumsticks (27 percent), and thighs (20 percent). Countering these declines were increases for leg quarters (22 percent), legs (37 percent), thigh meat (23 percent), and wings (up 68 percent). Also pushing up the cold storage holding of broiler products was a 9-percent increase in other broiler products to 280 million pounds.

The level of cold storage holdings for the individual broiler products has been reflected in the wholesale prices for only some of these products. The clearest example is for whole birds, where lower cold storage holdings have been reflected in higher prices. In January, prices for whole birds were over \$1.01 per pound, up

considerably from a year earlier. Breast meat frozen stocks at the end of 2012 were down slightly, and prices for boneless/skinless breast meat and bone-in breast meat were both higher in January 2013 than in the previous year. One situation where price changes have not reflected changes in cold storage holdings is for wings. In January 2013, the average price for wings in the Northeast market was \$2.06 per pound, 12 percent higher than the previous year. However, going into 2013, cold storage holdings for wings were 68 percent higher than the previous year.

With higher broiler meat production expected in the first half of 2013 and 10 percent higher cold storage holdings at the start of 2013, broiler prices in general would be expected to be facing some downward pressure. This may be countered by relatively high prices for competing meats, a growing economy, and a continued strong market for broiler exports.

Turkey Meat Production Forecast for 2013 is 6 Billion Pounds

Turkey meat production in 2013 is forecast to total 6 billion pounds, up about 1 percent from 2012. The current forecast is an increase of 25 million pounds from the January forecast. If realized, this would be the third year in a row that production has increased. Turkey meat production is expected to be slightly lower in the second quarter compared with the previous year, but this decline is expected to be offset by gains in production in the other three quarters. The increased meat production is expected to arise from a higher average liveweight at slaughter, as the number of birds slaughtered is expected to remain very close to that in 2012. Turkey producers, like other livestock producers, will continue to be influenced by the uncertainty in the outlook for feed costs.

Turkeys slaughtered in 2012 numbered 250.2 million birds, 1.4 percent more than the previous year. Turkey meat production rose by 3 percent to 6 billion pounds in 2012. The higher slaughter number was a major portion of the increase, but the annual average liveweight at slaughter in 2012 was also higher at 29.8 pounds, an increase of 1.4 percent from the previous year.

Turkey meat production in fourth-quarter 2012 was 1.5 billion pounds, 2.8 percent more than in fourth-quarter 2011. The production increase during fourth-quarter 2012 was the result of higher average liveweights, which were 29.5 pounds for the quarter. This offset a small decline in the number of turkeys slaughtered in fourth-quarter 2012 (65 million) compared with the same period in 2011.

With one less slaughter day in December 2012 than in December 2011, turkey meat production was down 3.8 percent to 442 million pounds. The one less day of slaughter showed up most in the number of turkeys slaughtered in December (17.8 million, down 6.1 percent). As in the fourth quarter, the lower number of turkeys slaughtered was partially offset by higher average weights. For December, the average liveweight at slaughter was 30.8 pounds, 1.8 percent higher than a year earlier.

The increased turkey meat production throughout 2012 has resulted in a large increase in cold storage holdings of both whole birds and turkey parts, despite record export levels. At the end of December 2012, turkey cold storage holdings totaled 295 million pounds, up 40 percent from a year earlier. Stocks of whole birds and turkey parts were both sharply higher compared with the previous year. Stocks of whole birds increased the most, rising to 95.2 million pounds, up 76

percent from the previous year. While cold storage holdings of both hens and toms had large increases, stocks of whole toms rose to 46.5 million pounds, 128 percent higher than at the end of 2011. Stocks of turkey parts and turkey meat products rose to 200 million pounds, a 28-percent increase, as stocks of breast meat, mechanical deboned meat, and unclassified products rose significantly. Moving in the opposite direction were stocks of legs (down 18 percent) and other turkey products (down 8 percent). With higher turkey production expected during three of the four quarters of 2013, -turkey cold storage holdings are expected to remain close to or slightly higher than a year earlier through the first three quarters of 2013. However, they are expected to end the year slightly below the previous year as domestic demand improves.

The national price for frozen whole hen turkeys averaged 96.3 cents per pound in January 2013, a decrease of 2 percent from January 2012, a small decline considering the size of the increase in stocks of whole turkeys. With large stocks and slightly higher production expected during 2013, prices for whole turkeys are likely to remain under strong downward price pressure during at least the first half of 2013.

With the exception of breast meat, prices for turkey parts and turkey meat products were all lower in December 2012 compared with a year earlier. Prices for drumsticks averaged \$0.61 per pound, down 23 percent, and wing prices were 48 percent lower at \$0.44 per pound. While turkey breasts rose slightly, prices of boneless/skinless breast fell to \$1.77 cents per pound, a decline of 32 percent from December 2011. With higher beginning stocks and higher production, prices for almost all turkey parts and turkey meat products are likely to be under continued downward price pressure during most of 2013.

Table Egg Production Forecast at 6.8 Billion Dozen in 2013

Table egg production is expected to increase slightly (1 percent) in 2013, reaching 6.78 billion dozen, up from 6.7 billion dozen in 2012. Production increases are expected to occur in all four quarters, but most of the total increase is expected in the first half of the year. The production growth is expected to come from increases in the number of hens in the table egg flock, with relatively little change in the rate of eggs produced per bird. Egg production in 2013 will be sensitive to changes in feed costs, but relatively strong prices in 2012 are expected to encourage expanded production. Higher egg production is also expected to be supported by a gradually expanding domestic economy.

In 2012, the number of birds in the table egg flock was higher throughout the year and averaged 1.3 percent above the 2011 level. With this gain in the number of hens in the table egg production flock, egg production rose to 6.7 billion dozen, up 1.6 percent from the previous year. As with the number of hens, the monthly number of table eggs produced was higher on a year-over-year basis throughout 2012. With a 2-percent gain in production in December, table egg production totaled 1.73 billion dozen in fourth-quarter 2012, an increase of 2.7 percent from the same period in 2011.

Hatching egg production for 2013 is forecast at 1.04 billion dozen, up slightly (0.9 percent) from 2012. The increase is expected as the broiler industry expands production in 2013 and requires higher numbers of meat-type chicks for growout. The gain in production is expected to come from a small increase in the number of

hens in the meat-type egg supply flock. The production of hatching eggs is dominated by the production of meat-type eggs to produce broiler chicks for growout. In 2012, these eggs accounted for 93 percent of all hatching egg production.

Hatching egg production for broiler-type eggs was the opposite of table egg production. The number of hens and the number of eggs produced was lower on a year-over-year basis for the first 11 months of 2012. Both of these measures turned higher in December, and the number of hens and broiler type egg production is expected to be higher in 2013.

The gains in table egg production throughout 2012 would normally place downward pressure on prices. However, there was a strong increase in prices in third-quarter 2012, due in considerable part to strong export shipments to Mexico. This pushed the wholesale price for one dozen grade A large eggs in the New York market to \$1.17 per dozen in 2012, 1.9 percent higher than the previous year. Prices in 2013 are expected to be higher during the first half of the year but to become lower in the second half and average slightly lower for all of 2013.

Broiler Shipments Were Up in December

In December 2012, broiler shipments totaled 607.1 million pounds, a 4-percent increase from last December. Most of the increase in December 2012 broiler shipments came from, Mexico, Angola, and China, three of the U.S. top seven broiler markets. Broiler shipments to Mexico rose by 10 million pounds (11 percent) from the 97 million pounds shipped in December 2011. Shipments to Angola and China rose by 131 and 174 percent, respectively, from a year earlier. Other broiler markets, such as United Arab Emirates and Georgia, were also large contributors to December's increase in broiler shipments. In December 2012, shipments to Georgia rose 15 million pounds from a year ago, while shipments to the United Arab Emirates increased almost 12 million pounds over the same period.

Broiler Shipments Finished Strong in Fourth-Quarter

Broiler shipments finished the 2012 year with large volumes of broiler meat shipped during the last 3 months. In the fourth-quarter, broiler shipments totaled 1.886 billion pounds, a slight increase from the 2011 fourth-quarter total. Major contributors included Mexico, Angola, and Canada. Shipments to Mexico increased 29 percent in the 2012 fourth-quarter over last year's fourth-quarter, while exports to Angola and Canada were up 35 percent and 20 percent, respectively, over the same period in 2011.

Turkey Shipments Dropped in December

Turkey shipments in December 2012 were down 11 percent from the previous year. A total of 63.5 million pounds of turkey meat were shipped abroad. The chief reasons for the decline in turkey shipments are strong whole turkey prices and an increase in Mexican broiler meat imports from the U.S. Mexico accounted for 52 percent of total U.S. turkey meat exports. Relatively inexpensive broiler meat prices have captured some of the turkey meat markets as consumers purchase relatively cheaper poultry meat. Turkey shipments to China were up considerably from a year ago, an increase of 60 percent. Although there were other increases in December in turkey shipments to various smaller markets, their totals were not enough to offset the overall decline in turkey shipments to Mexico for the month.

2012 Fourth-Quarter Turkey Shipments Up from a Year Earlier

The total volume of turkey meat shipped over the last months is the largest ever recorded. Turkey shipments were up 10 percent from last year's fourth-quarter totals. Two of the U.S. primary turkey markets, Mexico and China, accounted for 63 percent of the total turkey meat shipped during the 2012 fourth quarter. Of the two major markets, Mexico continues to be the largest destination for U.S. turkey meat.

Egg and Egg Products Shipments Rose in December

Egg and egg product shipments in December 2012 rose 19 percent from a year earlier, for a total of 25.7 million dozen. The increase in shipments is partly due to

large exports to Mexico. In June 2012, the Avian Influenza (AI) outbreak at two layer farms in Jalisco caused a major reduction in Mexico's egg supply. In attempting to replenish the loss from one of the major production areas, Mexico increased its dependence on U.S. egg exports, with shipments to Mexico rising 125 percent in December 2012 from a year ago. Increases in exports to the U.S. top two markets, Canada and Hong Kong, are also worth noting. Egg shipments to Canada in December 2012 were up 10 percent from last December, while exports to Hong Kong increased 28 percent in December 2012 over the same period.

Egg and Product Shipments in 2012 Fourth Quarter Were the Largest Ever

The total volume of eggs and products shipped during the 2012 fourth quarter set a new record. Egg and product shipments were up 27 percent from fourth quarter a year earlier. While there have been increases in egg sales to Canada and Hong Kong, the expansion in the Mexican market due to AI has caused a surge in the supply of and exportation of eggs and products from the United States.

Sheep and Lamb Inventory Down Slightly in 2013

The sheep inventory registered a smaller decline than in the previous 2 years. Despite the continuing drought conditions in most of the sheep producing areas, the “grow our flock” program by the sheep industry appeared to slow the decline. The NASS Sheep and Goats report estimated the inventory of all sheep and lamb in the United States on January 1, 2013, at 5.34 million head, down 1 percent, a 30,000 head decline from 2012. Texas, the largest sheep producing State, which saw a 200,000 head decline in inventory in 2012, saw a 30,000 head increase in inventory in 2013. Oregon and Montana also saw inventory increases, up 10,000 head each. Though two of the five largest producing States registered declining inventories, the numbers were much smaller than the previous year. Among the top decliners were Colorado (25,000 head), Iowa (20,000 head), Minnesota (15,000), and South Dakota and Utah (both registering 10,000 head declines). California, the number 2 sheep producing State, remained unchanged.

Despite a 20,000-head increase in breeding sheep in Texas, the total U.S. breeding sheep inventory also decreased 1 percent from a year ago to 3.98 million head, a 20,000-head decrease. Interestingly, Colorado, which saw a drop in all sheep inventory, registered a 5,000-head increase in breeding sheep. Iowa registered the largest decline in breeding sheep (15,000 head).

Prices To Show Strength in 2013

Unlike 2010, when slaughter lamb prices were strong for the entire year, the 2012 slaughter lamb prices started strong in the first two quarters but tapered off substantially in the second half of the year. The Choice slaughter lamb prices at San Angelo averaged \$112.89 after the second-half slide in prices. The drop in second-half prices may have been the result of a backup of overfinished animals in the system. Prices are expected to rebound in 2013 and average \$104-\$111 per hundredweight. Continued tight supplies and fairly stable demand are expected to contribute to the improved prices.

The NASS Sheep and Goats report shows the market sheep and lamb inventory is down 1 percent from January 2012, which suggests that lamb meat supply will also be down in 2013. Commercial lamb and mutton production totaled 156 million pounds in 2012, up 5 percent from 2011. First-quarter 2013 lamb and mutton production is expected to be 38 million pounds, just under 4 percent less than the same period in 2012. The smaller 2012 lamb crop and the smaller number of market lambs are expected to result in further declines for 2013, with production expected at 152 million pounds.

Production Up, Imports Down in 2012

In 2012, imports of lamb and mutton were down 6 percent from the same period in 2011. Economic weakness affected lamb demand during this period. Imports in December came in at around 14 million pounds, resulting in lamb and mutton imports for the fourth quarter of 40 million pounds and a total of 154 million pounds for 2012. Imports fell below commercial production by about 2 million pounds. This is the first year since 2005 that imports have fallen below commercial

production. First-quarter 2013 imports are expected to be around 45 million pounds, 22 percent above the same period in 2012, but due to the lower U.S. lamb crop in 2012, imports in 2013, are expected to increase by about 7 percent to around 165 million pounds.

Exports declined 43 percent to 11 million pounds in 2012. December exports came in at 454,000 pounds, with a fourth-quarter total of 3 million pounds. In the same period in 2011, they were 5 million pounds. First-quarter 2013 exports are forecast at 5 million pounds, up 67 percent from the same period in 2012, but exports in 2013 are expected to be up about 55 percent to 17 million pounds.

Milk Production Continues To Advance Based On Yields, as the U.S. Herd Contracts

The most recent USDA World Agricultural Supply and Demand estimates lowered the 2012/13 season-average price of corn to \$6.75-\$7.65 per bushel. Lower expected exports lie behind the price drop. Greater expected competition from Brazil offset higher expected domestic food, seed, and industrial use. In contrast, the soybean meal price forecast was unchanged from January at \$430-\$460 per ton. The outlook for forages remains precarious. The Crop Production report released February 8, 2012, estimated total U.S. hay production in 2012 at 119.9 million tons. This estimate is about 9 percent below 2011 and 16 percent below the 5-year average. However, the drought impact is not uniform. The upper Midwest is most adversely affected, with the 2012 crop trailing last year by 29 percent. The Texas-Oklahoma production is expected to be nearly double 2011 totals, but 2011 was one of the worst drought years ever for the Texas-Oklahoma area.

Feed prices will continue to inch upward early this year; but for the year as a whole, feed prices should be slightly lower in 2013 than last year. The feed outlook is predicated on the lower expected corn price and a return to a more nearly normal forage yield for 2013/14.

For January, weekly dairy cow slaughter continued above the 2012 pace. The January Cattle report showed the cow population on January 1 close to 2012's population, but producers expect to retain 2 percent fewer heifers for breeding. Based on this evidence, cow numbers are likely to show a gradual decline over the course of 2013 and average 9,170 thousand head for the year. The prospect of lower feed prices should prompt producers to maintain feeding rates and continue to boost yields. Milk per cow is expected to average 21,920 pounds for the year, with most of the year-over-year increase coming after the first quarter in 2013. Total 2013 milk production is forecast at 201.0 billion pounds, another year-over-year rise.

Milk-equivalent imports for 2013 were unchanged from the January forecast on both a fats and skims-solids basis, at 4.0 billion pounds and 5.4 billion pounds, respectively. Fats basis exports were unchanged for February at 9.0 billion pounds. Skims-solids basis exports were raised slightly to 33.7 billion pounds. Firm nonfat dry milk (NDM) prices, despite higher than expected December ending stocks, suggest a potentially strong NDM export pace, at least in early 2013. Ending stocks on both a fats and skims-solids basis were trimmed in this month's forecast based on stronger domestic demand and only a modest increase in milk production.

Dairy product prices for 2013 were only slightly changed from January forecasts. The cheese price is forecast at \$1.715-\$1.785 per pound, unchanged from last month, although the range was narrowed. Butter prices are projected to average \$1.535-\$1.635 per pound. The upper end of the forecast price range was lowered from last month, effectively lowering the midpoint of the price forecast. Butter supplies are expected to remain relatively plentiful. NDM prices were raised slightly this month to \$1.465-\$1.525 per pound on the basis of current prices, continued export strength, and expected tightening stocks over the course of this year. Similar logic underlies the raise in whey prices to 61.5-64.5 cents per pound.

The Class IV price is forecast at \$17.00-\$17.80 per hundred-weight (cwt). This represents an increase in the lower end of the forecast range from last month and is based on the perceived strength of the powder market. The Class III price range was narrowed from last month's forecast to \$17.70-\$18.40 per cwt as cheese prices are unchanged and only a small increase is forecast in the whey price. The all milk price is forecast at \$18.90-\$19.60 per cwt, representing a narrowing of the forecast range.



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Data Products

Meat Price Spreads, <http://www.ers.usda.gov/data-products/meat-price-spreads.aspx>, 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-products/livestock-meat-domestic-data.aspx>, 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/ldpm-livestock,-dairy,-and-poultry-outlook.aspx>
Animal Production and Marketing Issues, <http://www.ers.usda.gov/topics/animal-products/animal-production-marketing-issues.aspx>
Cattle, <http://www.ers.usda.gov/topics/animal-products/cattle-beef.aspx>
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U.S. red meat and poultry forecasts

	2010					2011					2012					2013				
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Production, million lb																				
Beef	6,248	6,546	6,768	6,741	26,305	6,410	6,559	6,736	6,490	26,195	6,283	6,475	6,584	6,571	25,913	6,305	6,360	6,340	6,090	25,095
Pork	5,607	5,302	5,401	6,126	22,437	5,719	5,370	5,484	6,186	22,758	5,858	5,519	5,631	6,243	23,251	5,795	5,570	5,690	6,370	23,425
Lamb and mutton	43	40	39	42	164	36	40	36	37	149	39	39	39	39	156	38	38	38	38	152
Broilers	8,733	9,198	9,496	9,484	36,910	9,290	9,509	9,542	8,860	37,201	9,090	9,377	9,372	9,197	37,036	9,100	9,400	9,400	9,400	37,300
Turkeys	1,340	1,383	1,415	1,506	5,644	1,402	1,471	1,423	1,495	5,791	1,446	1,505	1,480	1,537	5,968	1,450	1,500	1,500	1,575	6,025
Total red meat & poultry	22,122	22,626	23,291	24,058	92,097	23,011	23,113	23,396	23,225	92,745	22,868	23,083	23,272	23,735	92,958	22,836	23,032	23,132	23,624	92,624
Table eggs, mil. doz.	1,610	1,626	1,645	1,666	6,547	1,624	1,634	1,646	1,686	6,590	1,653	1,642	1,668	1,732	6,695	1,685	1,675	1,685	1,735	6,780
Per capita disappearance, retail lb 2/																				
Beef	14.6	15.1	15.3	14.6	59.6	14.1	14.6	14.7	14.0	57.3	14.0	14.7	14.5	14.2	57.4	14.3	14.1	14.0	13.6	56.1
Pork	11.8	11.4	11.7	12.8	47.8	11.4	11.1	11.0	12.2	45.7	11.1	10.9	11.2	12.4	45.7	11.1	11.1	11.4	12.4	46.1
Lamb and mutton	0.2	0.2	0.2	0.2	0.9	0.2	0.2	0.2	0.2	0.8	0.2	0.2	0.2	0.2	0.8	0.2	0.2	0.2	0.2	0.9
Broilers	20.1	20.5	21.4	20.4	82.4	21.5	21.5	20.8	19.1	82.9	20.1	20.4	20.3	19.7	80.4	20.0	20.5	20.3	20.2	80.9
Turkeys	3.5	3.6	4.1	5.2	16.4	3.5	3.5	4.0	5.0	16.1	3.5	3.6	4.1	4.8	16.0	3.6	3.7	3.9	5.2	16.3
Total red meat & poultry	50.7	51.2	53.3	53.7	208.9	51.3	51.3	51.0	51.0	204.6	49.3	50.3	50.6	51.7	202.0	49.6	50.0	50.3	52.0	201.9
Eggs, number	61.5	61.4	62.2	62.8	247.9	61.1	61.3	62.2	63.1	247.6	62.1	60.8	61.9	64.0	248.7	62.5	62.0	62.4	63.9	250.8
Market prices																				
Choice steers, 5-area Direct, \$/cwt	89.44	96.33	95.47	100.28	95.38	110.07	112.79	114.05	121.99	114.73	125.29	120.91	119.69	125.54	122.86	125-129	124-132	125-135	127-137	125-134
Feeder steers, Ok City, \$/cwt	98.73	112.65	112.29	113.55	109.31	127.20	131.09	134.74	141.93	133.74	152.81	150.05	139.31	143.40	146.39	147-151	142-150	144-154	149-159	143-152
Cutter Cows, National L.E., \$/cwt	51.79	58.79	58.90	54.93	56.10	68.66	74.88	66.11	63.54	68.30	76.57	83.51	76.94	73.81	77.71	76-78	79-83	78-84	77-81	77-82
Choice slaughter lambs, San Angelo, \$/cwt	103.87	106.17	115.57	141.62	116.81	174.66	157.99	161.13	148.61	160.60	145.33	127.08	89.28	89.85	112.89	108-112	101-109	100-110	105-115	103-122
Barrows & gilts, N. base, l.e. \$/cwt	50.41	59.60	60.13	50.11	55.06	59.94	68.80	71.06	64.66	66.11	61.68	61.79	61.43	58.63	60.88	61-63	65-69	64-70	55-59	61-65
Broilers, 12 City, cents/lb	82.20	85.00	84.50	80.00	82.90	77.90	82.60	78.80	76.80	79.00	87.40	85.1	82	92.1	86.6	98-100	92-98	89-97	89-97	92-98
Turkeys, Eastern, cents/lb	75.60	84.40	97.90	103.70	90.40	90.20	99.90	106.40	111.60	102.00	100.70	106.9	108.5	106.1	105.6	97-99	99-105	102-110	104-112	100-107
Eggs, New York, cents/doz.	126.00	82.80	93.10	123.20	106.30	105.80	106.60	117.70	131.20	115.30	108.70	99.7	131.9	129.4	117.4	123-127	107-113	104-122	118-128	113-120
U.S. trade, million lb																				
Beef & veal exports	478	585	590	646	2,299	633	702	766	683	2,785	558	625	651	640	2,474	595	650	630	575	2,450
Beef & veal imports	573	690	598	436	2,297	461	593	548	454	2,057	582	669	516	465	2,232	625	680	655	605	2,565
Lamb and mutton imports	47	46	31	42	166	49	48	31	34	162	37	38	38	41	154	45	40	35	45	165
Pork exports	1,046	1,081	951	1,146	4,224	1,248	1,200	1,261	1,481	5,189	1,444	1,302	1,252	1,490	5,488	1,400	1,315	1,250	1,490	5,455
Pork imports	199	204	237	219	859	201	195	194	213	803	207	191	198	210	806	205	195	200	200	800
Broiler exports	1,469	1,699	1,643	1,954	6,765	1,527	1,588	1,978	1,879	6,971	1,737	1,791	1,867	1,875	7,270	1,775	1,750	1,875	1,850	7,250
Turkey exports	114	136	158	174	582	159	171	173	199	703	181	185	216	225	807	205	205	210	210	830
Live swine imports (thousand head)	1,446	1,408	1,479	1,416	5,749	1,452	1,429	1,407	1,508	5,795	1,441	1,444	1,387	1,395	5,667	1,375	1,350	1,350	1,455	5,530

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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2/14/2013

Dairy Forecasts

	2011		2012					2013				
	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Milk cows (thous.)	9,216	9,194	9,254	9,257	9,214	9,199	9,231	9,200	9,175	9,160	9,145	9,170
Milk per cow (pounds)	5,279	21,346	5,513	5,562	5,284	5,337	21,696	5,450	5,630	5,425	5,415	21,920
Milk production (bil. pounds)	48.7	196.2	51.0	51.5	48.7	49.1	200.3	50.1	51.7	49.7	49.5	201.0
Farm use	0.2	1.0	0.2	0.2	0.2	0.2	1.0	0.2	0.2	0.2	0.2	1.0
Milk marketings	48.4	195.3	50.8	51.2	48.4	48.8	199.3	49.9	51.4	49.4	49.3	200.0
Milkfat (bil. pounds milk equiv.)												
Milk marketings	48.4	195.3	50.8	51.2	48.4	48.8	199.3	49.9	51.4	49.4	49.3	200.0
Beginning commercial stocks	12.3	10.8	10.9	13.3	14.3	12.8	10.9	11.9	12.8	14.8	13.8	11.9
Imports	1.2	3.5	0.9	0.9	1.0	1.2	4.0	1.0	1.0	0.9	1.1	4.0
Total supply	62.0	209.6	62.5	65.4	63.7	62.9	214.2	62.7	65.2	65.0	64.2	215.9
Commercial exports	2.1	9.4	2.2	2.8	2.0	1.9	8.8	2.1	2.3	2.4	2.2	9.0
Ending commercial stocks	10.9	10.9	13.3	14.3	12.8	11.9	11.9	12.8	14.6	13.8	11.1	11.1
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	49.0	189.2	47.1	48.3	48.9	49.2	193.5	47.8	48.3	48.8	50.9	195.7
Skim solids (bil. pounds milk equiv.)												
Milk marketings	48.4	195.3	50.8	51.2	48.4	48.8	199.3	49.9	51.4	49.4	49.3	200.0
Beginning commercial stocks	12.2	12.2	11.8	12.5	12.2	11.3	11.8	12.0	11.8	12.3	12.1	12.0
Imports	1.4	5.3	1.4	1.4	1.5	1.4	5.7	1.3	1.3	1.3	1.4	5.4
Total supply	62.0	212.7	64.0	65.2	62.1	61.6	216.8	63.2	64.5	63.0	62.8	217.4
Commercial exports	8.2	32.5	8.3	9.0	8.4	7.8	33.5	8.3	8.6	8.5	8.4	33.7
Ending commercial stocks	11.8	11.8	12.5	12.2	11.3	12.0	12.0	11.8	12.3	12.1	11.6	11.6
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	42.0	168.3	43.2	44.0	42.4	41.8	171.4	43.1	43.6	42.5	42.8	172.1
Milk prices (dol./cwt) 1/												
All milk	20.07	20.14	17.97	16.40	18.20	21.47	18.51	19.05	18.75	18.90	19.00	18.90
								-19.35	-19.35	-19.80	-20.00	-19.60
Class III	18.62	18.37	16.28	15.53	17.80	20.17	17.44	17.30	17.80	18.05	17.65	17.70
								-17.60	-18.40	-18.95	-18.65	-18.40
Class IV	17.72	19.04	15.94	13.86	15.87	18.34	16.01	17.35	17.20	16.85	16.60	17.00
								-17.75	-17.90	-17.85	-17.70	-17.80
Product prices (dol./pound) 2/												
Cheddar cheese	1.799	1.825	1.559	1.547	1.773	1.952	1.708	1.665	1.720	1.755	1.720	1.715
								-1.695	-1.780	-1.845	-1.820	-1.785
Dry whey	0.636	0.533	0.646	0.544	0.541	0.643	0.594	0.635	0.625	0.605	0.595	0.615
								-0.655	-0.655	-0.635	-0.625	-0.645
Butter	1.728	1.950	1.499	1.409	1.684	1.785	1.594	1.495	1.530	1.560	1.555	1.535
								-1.555	-1.620	-1.680	-1.685	-1.635
Nonfat dry milk	1.461	1.506	1.368	1.170	1.269	1.505	1.328	1.525	1.495	1.440	1.415	1.465
								-1.555	-1.545	-1.510	-1.485	-1.525

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/dyfmios/mib/fedordprc_dscrp.htm

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

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