

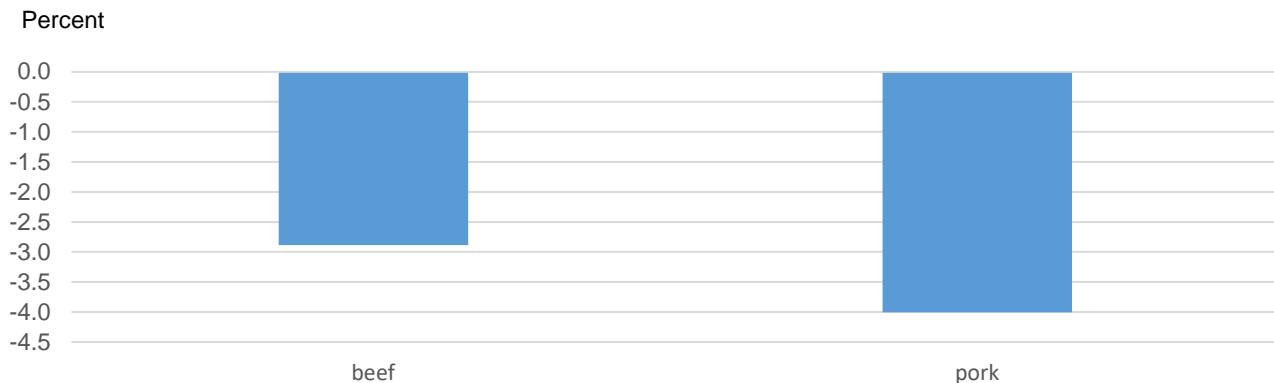


Livestock, Dairy, and Poultry Outlook

Forecasts for 2020 Red Meat Imports Mostly Lower

U.S imports for beef and pork are expected to decline next year, while imports of lamb are forecast to be unchanged. A decrease of almost 3 percent in beef imports is anticipated next year as beef supplies in Oceania continue to decline owing to weather-related herd reduction. Pork imports to the United States are also expected to decline 4 percent because of tight international supplies and higher pork-import demand in China generated by African Swine Fever. Higher domestic production of both beef (+1.1 percent) and pork (+2.8 percent) is also likely to limit demand for imported beef and pork next year. Lamb imports in 2020 are expected to be 271 million pounds, the same as this year. Australia, the largest supplier of sheep meat to the United States, appears likely to continue rebuilding its sheep herd into 2020, thereby limiting product available for export.

Percent change in imports (2020/2019)



Source: USDA, Economic Research Service.

Beef/Cattle: Lighter expected cattle carcass weights and fewer fed cattle slaughter in second-half 2019 predominantly reduced the 2019 beef production forecast. Demand for processing grade beef in the United States and weather-related liquidation of herds in Australia have likely helped boost beef imports. Cattle price forecasts were lowered to reflect current price weakness. The respective forecasts for 2020 were left unchanged from last month.

Dairy: Export forecasts for 2019 and 2020 have been lowered on both the milk-fat and skim-solids milk-equivalent bases. Import forecasts for 2019 and 2020 have been raised on a milk-fat basis. Higher domestic use is expected for 2019 and 2020. The all-milk price forecast for 2019 has been raised 20 cents to \$18.20 per hundredweight (cwt). The 2020 all-milk price forecast is \$18.85 per cwt, 5 cents lower than forecast last month.

Pork/Hogs: Information reported in the June *Quarterly Hogs and Pigs* suggests 2019 pork production will total about 27.7 billion pounds, more than 5 percent higher than last year. Hog prices are expected to average about \$52 per cwt, more than 12 percent higher than 2018 prices. Pork exports in May were about 1 percent below a year earlier, dragged down by sharply lower shipments to Mexico.

Poultry/Eggs: The second-quarter broiler production forecast was revised up based on expectations for higher bird weights in June, while the second-half price forecast was revised down on weak domestic demand. The export forecast was increased on strengthening demand from key markets, while the import forecast was decreased. Broiler ending stocks were revised down as a result of the larger-than-expected drawdown in May. The egg price forecast was revised down based on oversupply continuing to put downward pressure on prices, while the export forecast was increased based on expectations that competitive egg prices would encourage shipments.

Beef/Cattle

Russell Knight and Lekhnath Chalise

Lower Expected Carcass Weights Curb 2019 Beef Production

The lingering effects of inclement weather conditions earlier in the year and a greater proportion of heifers and cows in the slaughter mix have largely kept cattle weights below expectations from last month. Average cattle carcass weights appear to have bottomed in the week ending June 1, 2019 at 790 pounds. For the week ending June 22, average carcass weights improved to 800 pounds, but weights were 5 pounds below the same week last year. Similar to last year, first-half 2019 was characterized by higher year-over-year cow and heifer slaughter, reducing the proportion of steers in the slaughter mix pulling down the average cattle dressed weights.

The 2019 beef production forecast was reduced by 75 million pounds from last month to 27.1 billion pounds based primarily on lower expected cattle weights and slightly lower expected third-quarter fed cattle slaughter. The forecast for 2020 beef production was unchanged from last month's forecast at 27.4 billion pounds.

Cattle Prices Lower in Second-Half 2019

Since the spring peak of \$128.96 the week of March 24, 2019, weekly average fed steer prices in the 5-area marketing region fell to \$110.13 per cwt for the week ending June 30, 2019, about a 15-percent decrease. Based on recent price data, the price forecast for third-quarter 2019 was lowered \$3 to \$107 per cwt, and the price forecast for fourth-quarter 2019 was reduced by \$4 to \$110 per cwt. As a result, the average 2019 annual price is forecast at \$115.50 per cwt, \$1.50 lower than last month. The forecast for the 2020 annual price was unchanged.

As the result of lower forecast fed cattle prices and higher feed prices relative to last year in second-half 2019, feedlots will likely be less willing to bid up prices for feeder cattle. Based on recent price data, the third-quarter 2019 feeder steer price was lowered by \$2 to \$143 per cwt, and the 2019 fourth-quarter price forecast was lowered \$1 from the prior month to \$141 per cwt. As a result, this month's annual price forecast for 2019 was \$1 lower at \$141 per cwt. The 2020 annual price forecast was unchanged.

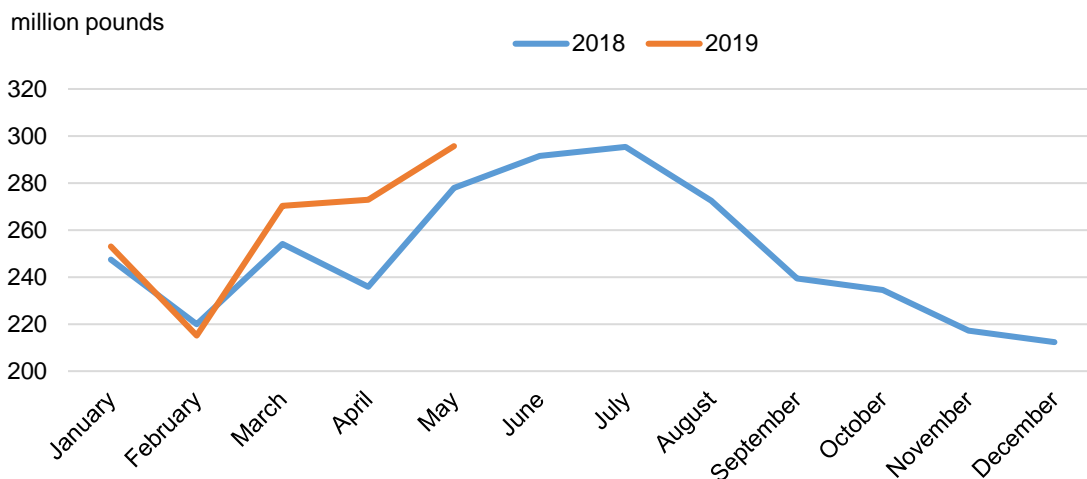
Beef Imports Rise Because of Strong Lean Beef Prices

U.S. beef imports in May 2019 increased 6 percent from year-earlier levels to 296 million pounds. May shipments were higher from all major suppliers, except New Zealand. New Zealand's exports have pivoted toward Asian markets since the beginning of 2019. On the other hand, Australian shipments in May were 30 percent above year-earlier levels. U.S. beef imports from Australia in the first 5 months of 2019 were 14 percent higher compared to last year. Weather events have led to increased cattle slaughter in Australia in first-half 2019.

Prices of imported beef (90 percent lean) in the United States are indicating a strong demand for processing grade meat in the United States. Based on year-over-year higher imports in April-May (see chart below), the second quarter import forecast was revised upward by 10 million pounds from the

previous month's forecast to 840 million pounds. As a result, the 2019 imports forecast totaled to 3.048 billion pounds. However, the 2020 imports were left unchanged from the previous month's forecast at 2.960 billion pounds.

U.S. beef imports increasing in 2019



Source: USDA, Economic Research Service.

Beef Exports Lower Than a Year Ago

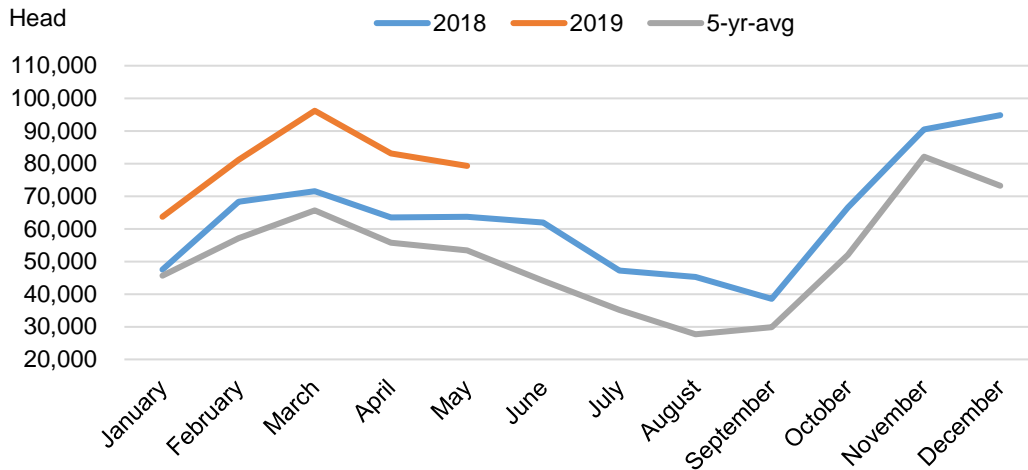
In May 2019, U.S. beef exports were fractionally lower than May 2018 at 272 million pounds. Among major destinations, exports declined to Hong Kong, Japan, and Canada, while increases were to South Korea, Taiwan, and Mexico. In Japan, the decline likely continues to reflect increased competition with other suppliers such as Australia, Canada, and New Zealand who have been granted tariff concessions under the implementation of the 11-member Pacific trade deal known as the Comprehensive and Progressive Trans-Pacific Partnership. Lower year-over-year exports to Japan in each month of 2019 resulted in January through May exports down almost 4 percent from year-earlier levels. Based on year-over-year weaker exports in April-May and lower weekly estimates seen in USDA, Foreign Agricultural Service Export Sales reports for June, the second-quarter 2019 export forecast was revised downward by 10 million pounds from the previous month's forecast to 790 million pounds. The 2019 beef export forecast totaled 3.151 billion pounds. The 2020 export forecast was left unchanged from the previous month's forecast at 3.245 billion pounds.

Total Cattle Imports Higher Because of Stronger Imports From Mexico

In May 2019, U.S. cattle imports were more than 20,000 head above year-ago levels at 190,006 head. Higher imports from Mexico more than offset the declines from Canada in May. Imports have been year-over-year higher in each month through May; this resulted in 170,000 head more for January-May than the same period of 2018. Mexican herd expansion and higher calf crop production are likely to increase the availability of exportable feeder calves throughout the year. Based on stronger imports in the first 5 months of 2019 coupled with higher weekly imports reported for June from USDA Agricultural Marketing Service, the 2019 cattle import forecast was revised upward by 55,000 head to 2.1 million head. The 2020 imports forecast was adjusted upward to 2.150 million head.

Mexico is a major source of imported 400-700 pound feeder cattle for the United States, supplying about 90 percent of total U.S. feeder imports in 2018. In the first 5 months of 2019, 400-700 pound cattle imports from Mexico are 28 percent higher from year-earlier levels, which are also above the 5-year average (see chart below). Feeder imports from Mexico often go for backgrounding prior to entering U.S. feedlots. Better pasture conditions than a year ago in the United States are likely supporting increased imports.

Higher 400-700 pound feeder cattle imports from Mexico



Source: USDA, Economic Research Service.

Dairy

Jerry Cessna and Jonathan Law

Recent Developments in Dairy Markets

From the week ending June 8 to the week ending July 6, prices for most dairy products reported in the USDA *National Dairy Products Sales Report* (NDPSR) increased. The largest changes were for Cheddar cheese, with 40-pound blocks increasing 11.1 cents to \$1.8204 per pound and 500-pound barrels (adjusted to 38-percent moisture) increasing 8.5 cents to \$1.7072 per pound. The dry whey price was the only price that decreased, falling 1.4 cents to \$0.3526 per pound. The nonfat dry milk (NDM) price increased 1.2 cents to \$1.0529 per pound, and the butter price increased 2.8 cents to \$2.3798 per pound. Notably, Oceania and Western Europe export prices for butter for June, as reported in USDA *Dairy Market News*, were substantially lower, at \$2.10 and \$2.00 per pound, respectively.

Dairy wholesale product prices (dollars per pound)

	For the week ending		Change
	June 8	July 6	
Butter	2.3518	2.3798	0.0280
Cheddar cheese			
40-pound blocks	1.7093	1.8204	0.1111
500-pound barrels ¹	1.6227	1.7072	0.0845
Nonfat dry milk	1.0406	1.0529	0.0123
Dry whey	0.3667	0.3526	-0.0141

¹ Adjusted to 38-percent moisture.

Source: USDA, Agricultural Marketing Service, *National Dairy Products Sales Report*.

USDA, National Agricultural Statistics Service (NASS) estimated that U.S. milk production was 19.055 billion pounds in May, down 0.4 percent from May 2018. Milk cows in May numbered 9.333 million head, up 5,000 head from April. Milk per cow averaged 2,042 pounds in May, 0.6 percent higher than May 2018.

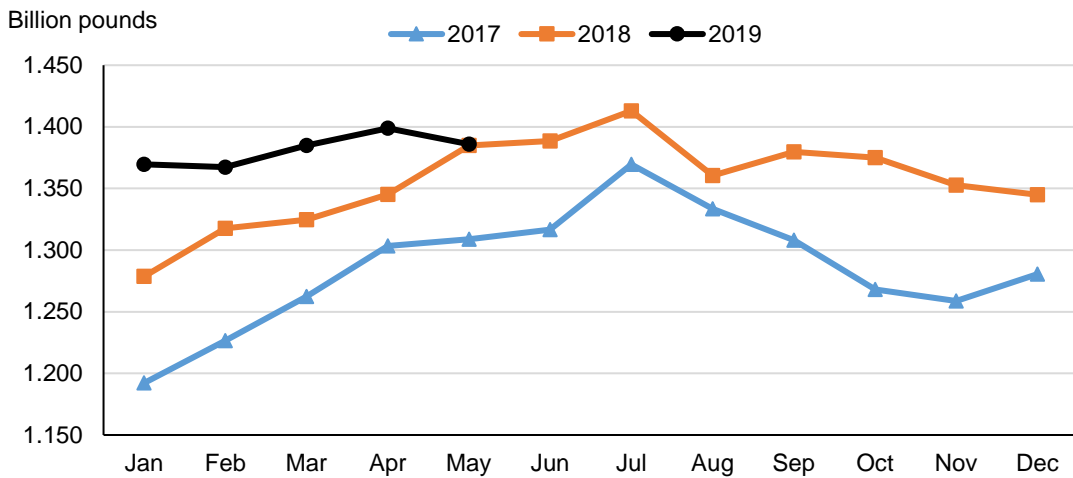
Dairy exports in May were generally weaker than May 2018. On a milk-fat milk-equivalent basis, May exports were 859 million pounds, 83 million more than April but 63 million less than May 2018. Notably, exports of butterfat products (butter, anhydrous milk fat, butteroil, and certain dairy spreads) totaled 5.3 million pounds in May, 3.5 million pounds less than May 2018. Price competition from major competitors likely contributed to lower exports of butterfat products. On a skim-solids milk-equivalent basis, exports were 3.604 billion pounds, 177 million more than April but 658 million less than May 2018. Notably, exports of whey products (dry whey, whey protein concentrate, and modified whey) totaled 75.7 million pounds, 32.5 million less than May 2018. Exports of lactose were 66.2 million pounds in May, 11.3 million less than May 2018. Retaliatory tariffs and African Swine Fever likely contributed to lower exports of whey products and lactose to China.¹

¹ Whey products and lactose are often used as feed for pigs and hogs in China.

Dairy imports generally strengthened in May. Imports on a milk-fat basis were 654 million pounds in May, 93 million higher than April and 110 million higher than May 2018. Notably, imports of butterfat products totaled 14.1 million pounds in May, 3.6 million pounds higher than May 2018. On a skim-solids basis, imports were 558 million pounds, 58 million higher than April and 76 million higher than May 2018.

May ending stocks on a milk-fat basis were 17.823 billion pounds, 736 million pounds below May 2018. On a skim-solids basis, May ending stocks totaled 11.191 billion pounds, 79 million lower than May 2018. Notably, May ending stocks for cheese stocks in cold storage were 1.386 billion pounds, a counter-seasonal decline of 12.8 million from April and only 1.1 million higher than May 2018. This was the first time since 2012 that ending stocks for cheese declined from April to May.

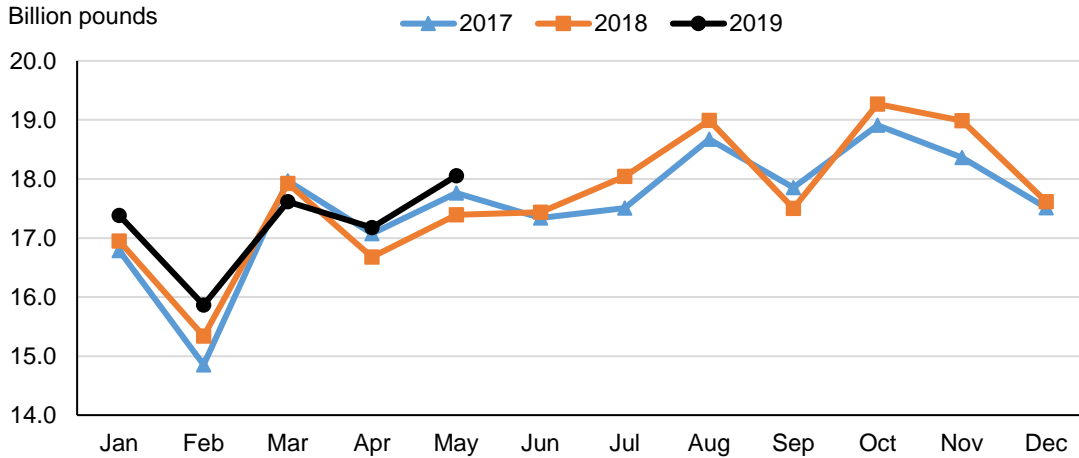
Cheese stocks in cold storage



Source: USDA, National Agricultural Statistics Service.

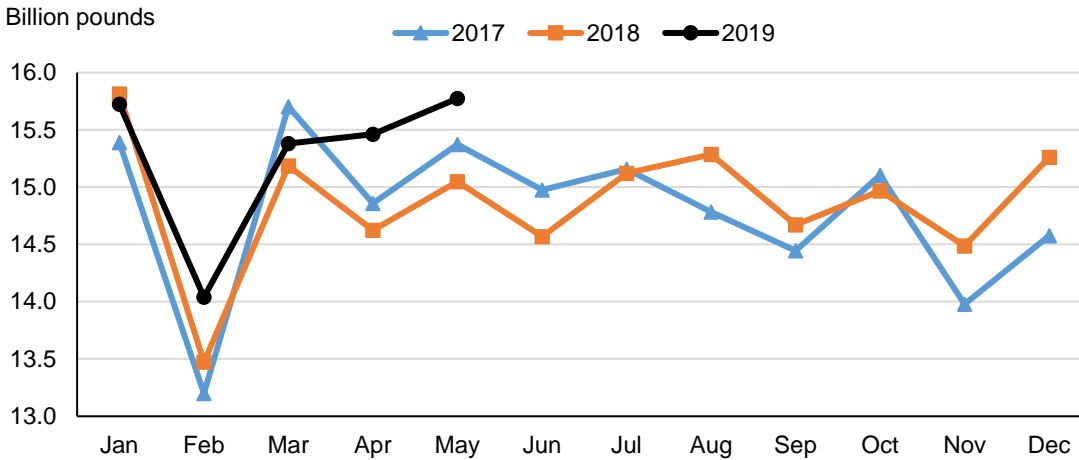
Strong domestic use, on both the milk-fat and skim-solids bases, contributed to the relatively low stock numbers at the end of May. For the 3 months from March through May, domestic use increased from the same months of the previous year by 1.6 percent on a milk-fat basis and 3.9 percent on a skim-solids basis. Domestic use estimates for the 3 months from March through May were substantially higher than the same 3 months of 2018 for cheese, NDM, whey protein concentrate, and lactose.

Domestic use, milk-fat milk-equivalent basis



Sources: USDA: National Agricultural Statistics Service, Farm Service Agency, Foreign Agricultural Service, and Economic Research Service calculations; U.S. Dept. of Commerce, Bureau of the Census

Domestic use, skim-solids milk-equivalent basis



Sources: USDA: National Agricultural Statistics Service, Farm Service Agency, Foreign Agricultural Service, and Economic Research Service calculations; U.S. Dept. of Commerce, Bureau of the Census.

Outlook for Feed Prices

The 2019/20 corn price forecast has been lowered 10 cents to \$3.70 per bushel. The soybean meal forecast for 2019/20 has been raised to \$300 per short ton, \$5 higher than last month's forecast. The May alfalfa hay price was \$204 per short ton, \$5 higher than April and \$15 higher than May 2018. NASS has been reporting a new monthly price series, prices received for premium and supreme alfalfa hay price for 5 States, with data starting in January 2019. In May, the premium and supreme alfalfa hay price was \$222, \$3 higher than April. For more information, see *Feed Outlook*, published by USDA, Economic Research Service.

Dairy Forecasts for 2019

Based on May data, the forecast for the size of the milking herd for 2019 has been raised 5,000 head to 9.340 million. Based on recent milk yields, higher expected milk cow numbers, and higher feed price forecasts, the milk per cow forecast for the year has been lowered 10 pounds to 23,365. The overall milk production forecast for 2019 is 218.2 billion pounds, unchanged from last month's forecast.

On a milk-fat basis, the import forecast for 2019 has been raised 0.4 billion pounds to 6.9 billion pounds because of recent strength in imports of butterfat products. However, the export forecast on a milk-fat basis has been lowered 0.2 billion pounds to 9.5 billion pounds, as exports of butterfat products have slowed in recent months, and are expected to continue to face considerable competition from lower prices in Europe and Oceania. Imports on a skim-solids basis are forecast at 5.4 billion pounds for the year, unchanged from the previous forecast. The export forecast on a skim-solids basis has been lowered 0.7 billion pounds to 41.3 billion primarily because exports of whey products and lactose to China have been relatively low. U.S. exporters have been unable to gain traction for these products in other markets.

Due to recent strength in domestic use and expectations for strong economic growth this year and next, domestic use forecasts have been raised. Domestic use on a milk-fat basis for 2019 is forecast at 215.1 billion pounds, 0.6 billion higher than the previous forecast. Domestic use on a skim-solids basis is forecast higher on a skim-solids basis for 2019 than the last forecast, at 181.7 billion pounds. Ending stocks on a milk-fat basis for 2019 are forecast at 13.1 billion pounds, unchanged from the previous forecast. On a skim-solids basis, ending stocks are forecast at 10.0 billion pounds, down 0.2 billion from last month's forecast.

As the Cheddar cheese price has risen faster than expected in recent weeks, and demand appears to be relatively strong, the cheese price forecast for 2019 has been raised 2 cents to \$1.660 per pound. Further declines in whey product exports have motivated a decrease in the dry whey price forecast to \$0.375 per pound. The butter price forecast for the year is \$2.315 per pound, 1 cent lower than last month's forecast, because of higher imports of butterfat products. The NDM price forecast for 2019 is \$1.020 per pound, half a cent higher than last month's forecast.

The Class III milk price forecast for the year has been raised 15 cents to \$16.05 per hundredweight (cwt) as the higher expected cheese price more than offsets the lower expected whey price. The Class IV price forecast for 2019 has been raised 5 cents to \$16.45 per cwt as the higher expected NDM price more than offsets the lower expected butter price. The all-milk price forecast for 2019 is \$18.20 per cwt, an increase of 20 cents from last month's forecast.

Dairy Forecasts for 2020

The annual forecast for the size of the milking herd in 2020 is unchanged at 9.355 million head. However, recent yield data and relatively high expected feed prices have motivated a slight decrease in forecasted yield per cow to 23,710 pounds. As a result, the milk production forecast for 2020 is 0.1 billion pounds lower than last month's forecast, at 221.8 billion pounds.

High demand for imports of butterfat products is expected to continue through 2020; as a result, the forecast for imports for the year on a milk-fat basis has been raised 0.2 billion pounds to 6.8 billion. The forecast for imports on a skim-solids basis for 2020 is 5.0 billion pounds, unchanged from the previous forecast. Lower exports of butterfat products are also expected to persist in 2020, motivating a

decrease in the export forecast to 10.2 billion pounds. The forecast for exports on a skim-solids basis for the year has been lowered 0.5 billion pounds to 42.9 billion, largely due to lower expected exports of whey products and lactose.

Due to recent strength in domestic use and expectations for relatively strong economic growth, domestic use forecasts for 2020 have been raised. On a milk-fat basis, the domestic use forecast is 217.4 billion pounds, 0.3 billion higher than last month's forecast. The domestic use forecast on a skim-solids basis has been raised to 182.8 billion pounds, 0.2 billion pounds higher than previously expected. The ending stock forecasts for the year are unchanged on both the milk-fat and skim-solids bases, at 13.1 billion pounds and 10.1 billion pounds, respectively.

Only slight changes have been made in product price forecasts for 2020. The Cheddar cheese price forecast for the year has been increased by one-half cent to \$1.730 per pound. As whey exports are expected to remain relatively weak in 2020, the dry whey price forecast has been lowered 1.5 cents to \$0.360 per pound. The butter price is forecast at \$2.345 per pound, 2 cents lower than the last forecast, because of higher expected imports and lower expected exports of butterfat products. The Class III price forecast for 2020 is \$16.65 per cwt, unchanged from last month's projection. Due to a slightly lower butter price, the Class IV price forecast has been lowered 10 cents to \$16.75 for the year. The all-milk price for 2020 is projected to be \$18.85 per cwt, 5 cents lower than last month.

Signup for the Dairy Margin Coverage Program

On June 13, U.S. Secretary of Agriculture Sonny Perdue announced that signup would begin June 17 for the new Dairy Margin Coverage (DMC) program. The DMC program replaces the Margin Protection Program for Dairy Producers (MPP-Dairy) in accordance with the Agricultural Improvement Act of 2018. This new program offers protection to dairy producers when the difference between the all-milk price and the average feed cost (the margin) falls below a certain dollar amount selected by the producer. For more information, see the USDA Press Release No. 0092.19.

Pork/Hogs

Mildred Haley

June *Hogs and Pigs* Report Suggests Steady Breeding Trends in Second Half of 2019

The *Quarterly Hogs and Pigs* report, released by USDA on June 27 published producer survey information on June 1 inventories, farrowing revisions for fall 2018 and winter 2019, farrowings for spring 2019, producer farrowing intentions for summer and fall 2019, and calculated litter rates for spring 2019. This information gives an indication of where U.S pork production may be headed for the balance of 2019 and through the first half of 2020.

The fall 2018 farrowings and pig crop were revised upwards—farrowings by 16,000 head and the pig crop by 177,000 head. The revision contributed to the 4.4 percent year-over-year increase in second quarter 2019 commercial pork production of 6.6 billion pounds. Second-quarter prices of live equivalent 51-52 percent lean hogs averaged \$57.95 per cwt, 21 percent higher than a year earlier.

The report revised winter 2019 farrowings upward by 1.26 percent, and its corresponding pig crop by 1.30 percent. The larger pig crop will likely boost third-quarter commercial pork production to almost 6.8 billion pounds, more than 7 percent higher than the same period last year. Third-quarter hog prices are forecast to average \$55 per cwt, more than 25 percent higher than a year ago.

The report lowered March-May farrowings from 3.119 million head, reported as the second set of producer farrowing intentions in the March *Quarterly Hog and Pigs*, to 3.108 million head. Largely offsetting the reduction in farrowing numbers however, was the U.S pork industry's achievement of its all-time record litter rate: 11 pigs per litter. This rate yielded a pig crop of 34.2 million head, 4 percent higher than a year earlier. The March-May pig crop is expected to contribute to a record-high fourth-quarter 2019 pork production of 7.4 billion pounds, almost 6 percent above the fourth quarter of 2018. Hog prices are expected to average \$53 per cwt, almost 24 percent higher than a year ago.

The report detailed two sets of producer farrowing intentions: for the June-August quarter, producers reported slightly lower intentions (-0.47 percent) than in the same quarter a year ago; and they indicated a first set of intentions to farrow roughly the same number of breeding animals (+0.03 percent) as in the September-November quarter of 2018.

Producers' second-stated farrowing intentions for the summer 2019 quarter, coupled with continued gains in litter rates and carcass weights suggest first quarter 2020 commercial pork production of about 7.1 billion pounds, 4 percent higher than the first quarter of 2019. Hog prices are expected to average \$56 per cwt, almost 38 percent higher than a year earlier.

Producers' first intentions for September-November farrowings imply that the majority of growth in pork production in second quarter 2020 will be from growth in litter rates and carcass weights. Commercial pork production is forecast at almost 6.8 billion pounds, almost 3 percent more than in the same quarter of 2019. Hog prices are expected to average \$61 per cwt, more than 5 percent above prices in the same quarter of 2019.

May Exports Pulled Below-A-Year-Ago by Lower Shipments to Mexico

U.S. pork exports were 511 million pounds in May, almost 1 percent lower than shipments in May of 2018. While exports to Japan (+5.1 percent), China/Hong Kong (+80.5 percent), and Australia (+94.2) were all strongly year-over-year positive, shipments to Mexico were off by 32.5 percent compared to a year ago. Exports to the 10 largest foreign buyers of U.S. pork in May are summarized in the table below.

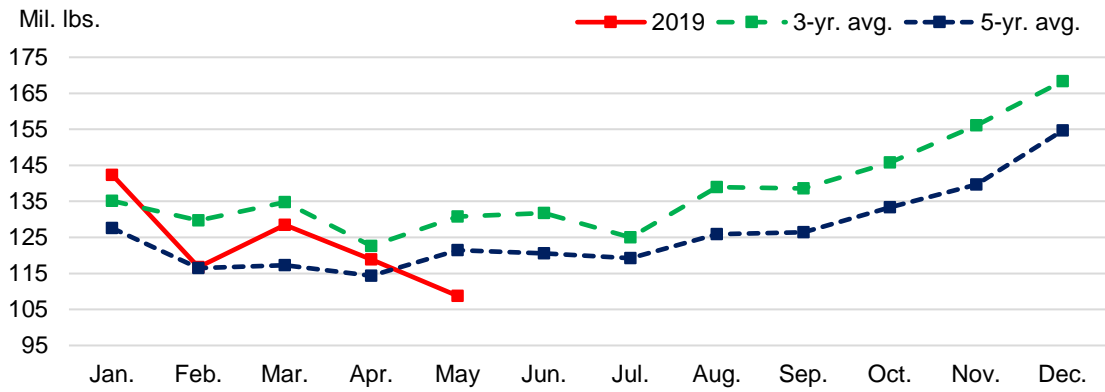
U.S. pork exports: volumes and export shares for the 10 largest foreign destinations, May 2018 and 2019

Country	Exports May. 2018 (mil. lbs)	Exports May. 2019 (mil. lbs)	Percent change (2019/2018)	Export share May. 2018 Percent	Export share May. 2019 Percent
World	516	511	-0.8		
Japan	106	112	5.1	0.21	0.22
Mexico	161	109	-32.5	0.31	0.21
South Korea	67	64	-4.4	0.13	0.13
China/Hong Kong	33	60	80.5	0.06	0.12
Canada	42	43	2.3	0.08	0.08
Colombia	25	33	29.5	0.05	0.06
Australia	15	30	94.2	0.03	0.06
Dominican Republic	15	9	-41.9	0.03	0.02
Honduras	8	8	-1.0	0.02	0.02
Chile	6	8	39.6	0.01	0.02

Source: USDA: Economic Research Service.

The figure below shows U.S. pork export data to Mexico for January-May 2019, and two Mexican export data averages. The calculated averages—a 3-year average and a 5-year average—both exclude 2018 because of distortions introduced by Mexican retaliatory tariffs. The recent rescission of Mexican retaliatory tariffs should lead to eventual dissipation of trade volatility, with the seasonal dynamics described by the 3- and 5-year averages gaining traction in the late summer; shipments accelerate when U.S. pork production increases and pork prices decline, enhancing the competitiveness of U.S. pork to all foreign buyers, but especially to price-sensitive buyers such as Mexico.

**Monthly U.S. pork exports to Mexico: 2019, and multi-year averages:
(2015-2017) and (2013-2017), excluding 2018**



Source: USDA, Economic Research Service.

Poultry

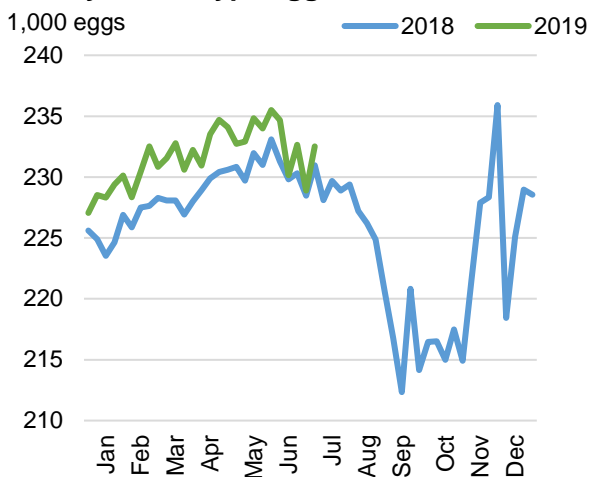
Kim Ha and Alex Melton

Aggregate Bird Weights Continue to Gain; Second-Quarter Production Forecast Revised Up

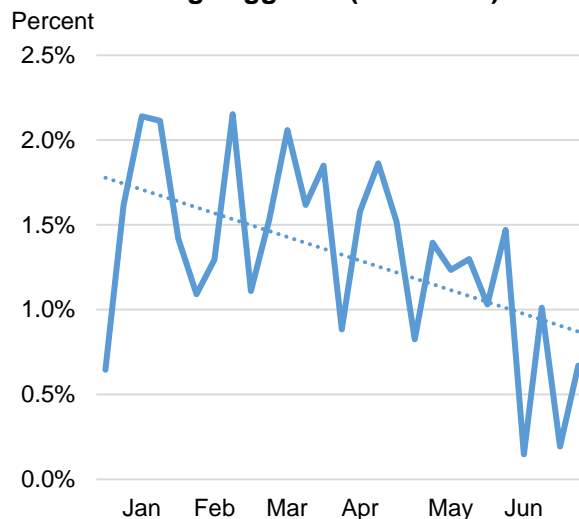
May broiler production is estimated at nearly 3.8 million pounds, a 2.3 percent increase year over year. This growth was comprised of a 1.1 percent year-over-year increase in birds slaughtered and a 1.1 percent increase in average live bird weights. For June, weekly preliminary slaughter data from the USDA, Agricultural Marketing Service suggest that bird weights will continue to be up year over year, driven by a sizeable year over year gain (more than 6 percentage points) in the percent share of large bird (6.26 pounds and higher) slaughter. Based on expectations for higher bird weights in June, the second quarter production forecast was revised up to 10.9 billion pounds.

While year-over-year bird weight gains are expected to persist into the third and fourth quarter, weekly eggs set data suggest that birds available for slaughter may be lower than previously expected in the coming months. For the first 5 months of 2019, the year-over-year increase in eggs set averaged 1.5 percent; however, this growth has slowed in recent weeks (see charts). In particular, year over year growth over the last 4 weeks averaged only 0.5 percent. The slowdown in weekly eggs set is likely in response to low wholesale prices. However, it is expected that the fewer-than-expected birds available for slaughter will be offset by continued gains in bird weights in the second half of 2019. Thus, the second half production forecast remains unchanged.

Weekly broiler-type eggs set



Percent change eggs set (2019/2018)

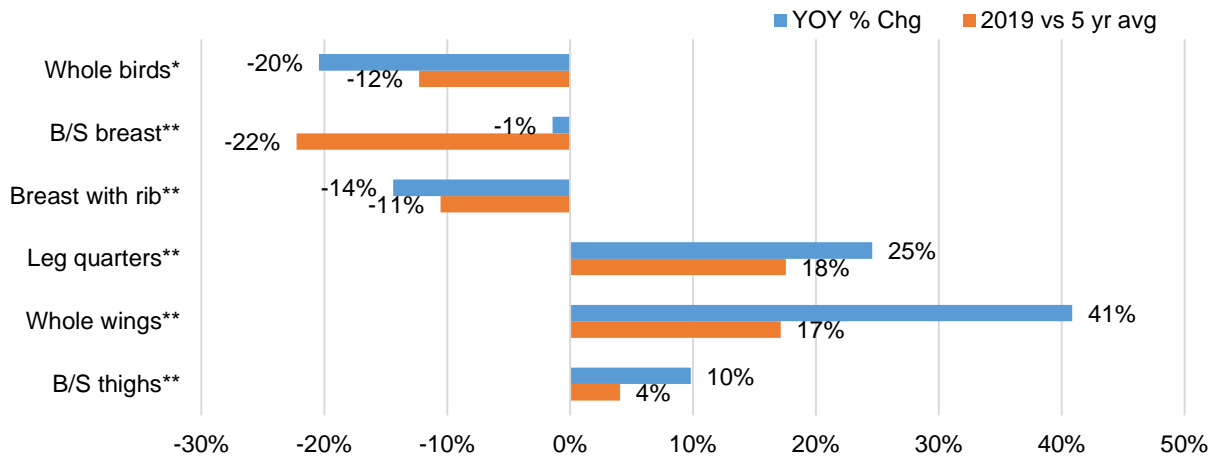


Source: USDA, Economic Research calculations using data from USDA, National Agricultural Statistical Service

Wholesale Broiler Prices Mixed

Whole bird (National Composite) wholesale prices averaged 94.63 cents per pound in June, more than 20 percent lower than 2018 and more than 12 percent below the 5-year average (see chart). Prices are expected to continue declining in July and August as the summer grilling season ends, in line with seasonal patterns. Based on expectations for continued weak domestic demand, the whole bird price forecast was revised down to 83 cents per pound for the third quarter and 78 cents per pound for the fourth quarter.

Percent change in wholesale broiler prices (June 2019/2018 and June 2019/5-year average)



Note: *National Composite Weighted Average; ** Northeast

Source: USDA, Economic Research Service calculations using data from USDA, Agricultural Marketing Service.

In the chicken-parts market segment, June breast prices ran below year-earlier levels as well as below the 5-year average (see chart). June wing prices were 41 percent higher than June last year (when wing prices were exceptionally low) and continued to outperform the historical average by 17 percent. Leg quarter prices continued to strengthen in June (25 percent higher year over year and 18 percent higher than the 5-year average), because of increasing global demand stemming in part from African swine fever. Boneless-skinless thighs were 10 percent higher than last year and 4 percent higher than the 5-year average.

May Broiler Exports to Key Markets Surge; Export Forecast Revised Up

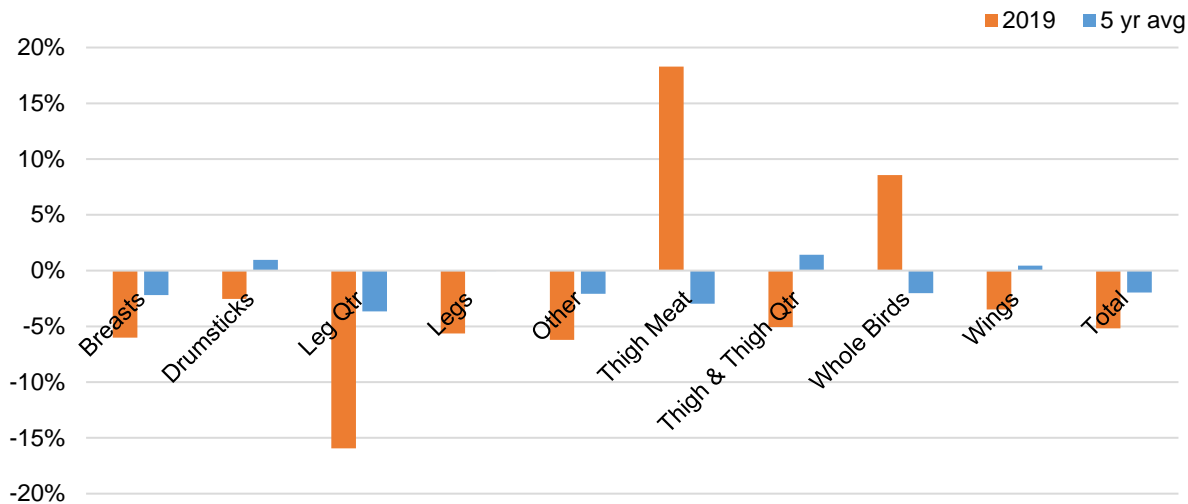
Broiler export volumes totaled almost 623 million pounds in May, up over 13 percent year over year. Supported by increasing leg quarter prices, these exports were valued at more than \$29.5 billion, the highest since October 2017. This surge in exports, was driven by higher shipments to several key markets, including Mexico (18 percent), Taiwan (47 percent), Cuba (90 percent), Vietnam (70 percent), and South Africa (70 percent). May shipments to Cuba represented an all-time high, both in terms of volume and value. Although the recent implementation of Title III of the Helms-Burton Act as well as foreign exchange shortages has brought an element of uncertainty into future poultry trade with Cuba, Cuba traditionally imports a significant volume of chicken meat to distribute countrywide as a government social program. Based on expectations for strengthening demand from key markets, the second-quarter export estimate is increased to 1.7 billion pounds and the second half export forecast is revised up to 3.7 billion pounds.

May import volumes totaled 10 million pounds, 6 percent lower than last year. Shipments from Chile, the largest supplier to the United States, continued to increase year over year, while shipments from Canada continued to decline. Based on expectations for continued low imports in June, the second-quarter import estimate is revised down to 31 million pounds.

Broiler Cold Storage Inventories Decrease

Cold storage inventories of broiler meat as of May 31 declined to 804 million pounds, a decrease of 5 percent from the previous month. With the exception of thigh meat and whole birds, inventories of all product categories decreased month over month (see chart). May-end inventories have historically decreased on average by 2 percent from the previous month, likely tied to increased consumption associated with the beginning of grilling season. The more pronounced drawdown in 2019 was likely because of large May export volumes (see above). In addition, the significant 16 percent month-over-month decrease in leg quarter inventories further points to exports. Per historical trends, June ending stocks are expected to remain relatively steady from the previous month, which is the basis for revising the second-quarter ending stocks forecast down to 810 million pounds. Third-quarter ending stocks are still expected to increase from previous-quarter levels, in line with seasonal patterns, albeit from a lower base; the third quarter ending stock forecast is lowered to 830 million pounds.

Month over month change in broiler cold storage inventories (May/April 2019, 5-year average)



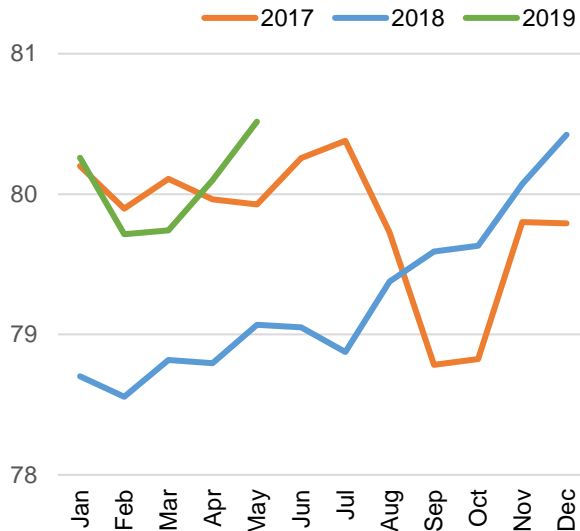
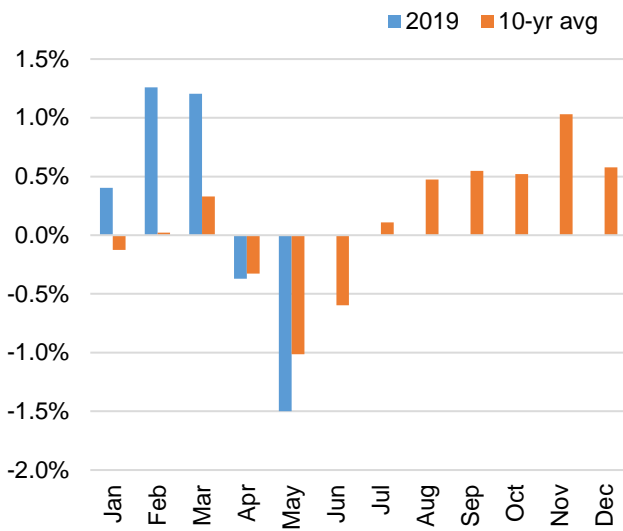
Source: USDA, Economic Research Service calculations using data from USDA, National Agricultural Statistical Service

Egg Supply Continues To Outpace Demand, Putting Downward Pressure on Prices; Price Forecast Revised Down

May table egg production totaled 696 million dozen, a 3.6 percent increase over 2018. This increase was composed of a 1.8 percent increase in the layer flock and a 1.8 percent increase in the lay rate. Although table egg production continues to expand year over year, various indicators suggest that expansion may slow in the coming months. In particular, the table egg layer flock contracted in April and May at a greater-than-historical rate (see chart), and the June 1 layer inventory suggests a continuation of this trend. Nonetheless, eggs per layer continues to increase, reaching an all-time high in May of 80.52 eggs per 100 layers per day. The high lay rate suggests that producers are culling less productive—and likely older—birds to optimize productivity and efficiency. Production expectations are unchanged.

Month over month percent change in average table-egg layer flock

Table eggs per 100 layers per day



Source: USDA, Economic Research Calculations using data from USDA, National Agricultural Statistics Service.

As with much of 2019, abundant supplies continue to outpace demand, putting downward pressure on prices. June wholesale table egg prices (New York, Grade A Large) averaged 75.2 cents per dozen, more than 33 percent lower than last year and nearly 11 percent below the 3-year average. Based on expectations that the market will continue to be oversupplied, the third quarter price forecast was revised down to 75 cents per dozen.

Exports of Shell Eggs Continue to Move; Forecast Revised Up

Exports of shell eggs totaled almost 19.4 million dozen in May, up nearly 19 percent from last year. Low domestic egg prices continue to make U.S. shell eggs attractive to major foreign buyers. In particular, shipments to Mexico increased 66 percent year over year, as well as to Hong Kong (54 percent) and Jamaica (43 percent). However, volumes to Canada, the largest market for shell egg exports in 2018, decreased by 22 percent year over year.

Meanwhile, exports of egg products were down 26 percent from last year, to 9.6 million dozen (shell-egg equivalent). With the exception of Mexico (up 169 percent year over year) and South Korea (up 29 percent), export volumes to most major markets were down, including Japan (by 61 percent), Canada (by 2 percent), and the Philippines (by 43 percent).

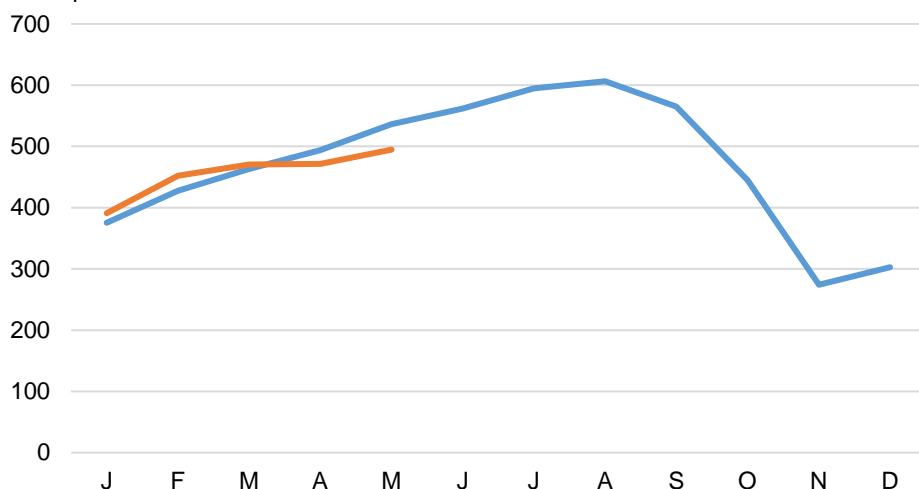
Combined, exports of shell eggs and egg products totaled almost 29 million dozen (shell-egg equivalent), down by about 1 percent compared to last year. Based on expectations that U.S. shell egg prices will continue to be attractive, the egg and egg product export forecast was revised up as follows: 83 million dozen for the second quarter, 75 million dozen for the third quarter, and 75 million dozen for the fourth quarter.

Turkey Production Remains Down in May

May 2019 turkey production totaled 492 million pounds, a 3-percent decrease from May 2018. Hatchery report data for May was mixed with a year-over-year decline of 1 percent in poults placed, less than 0.5-percent increase in poults hatched, and a 2-percent decrease in the number of eggs in incubators on the first of the month (June 1). Although production remains down year to date relative to the same period in 2018, turkey ending stocks in cold storage have fallen below 2018 levels, suggesting some pickup in utilization. Ending stocks at the end of May 2019 are 8 percent lower than in May 2018. Turkey production for 2019 is decreased by 10 million pounds from last month's forecast to 5.866 billion pounds, less than 0.5 percent below 2018. 2020 turkey production is expected to total 5.900 billion pounds. If realized, production would be less than 1 percent higher than 2019.

Turkey meat ending stocks

Million pounds



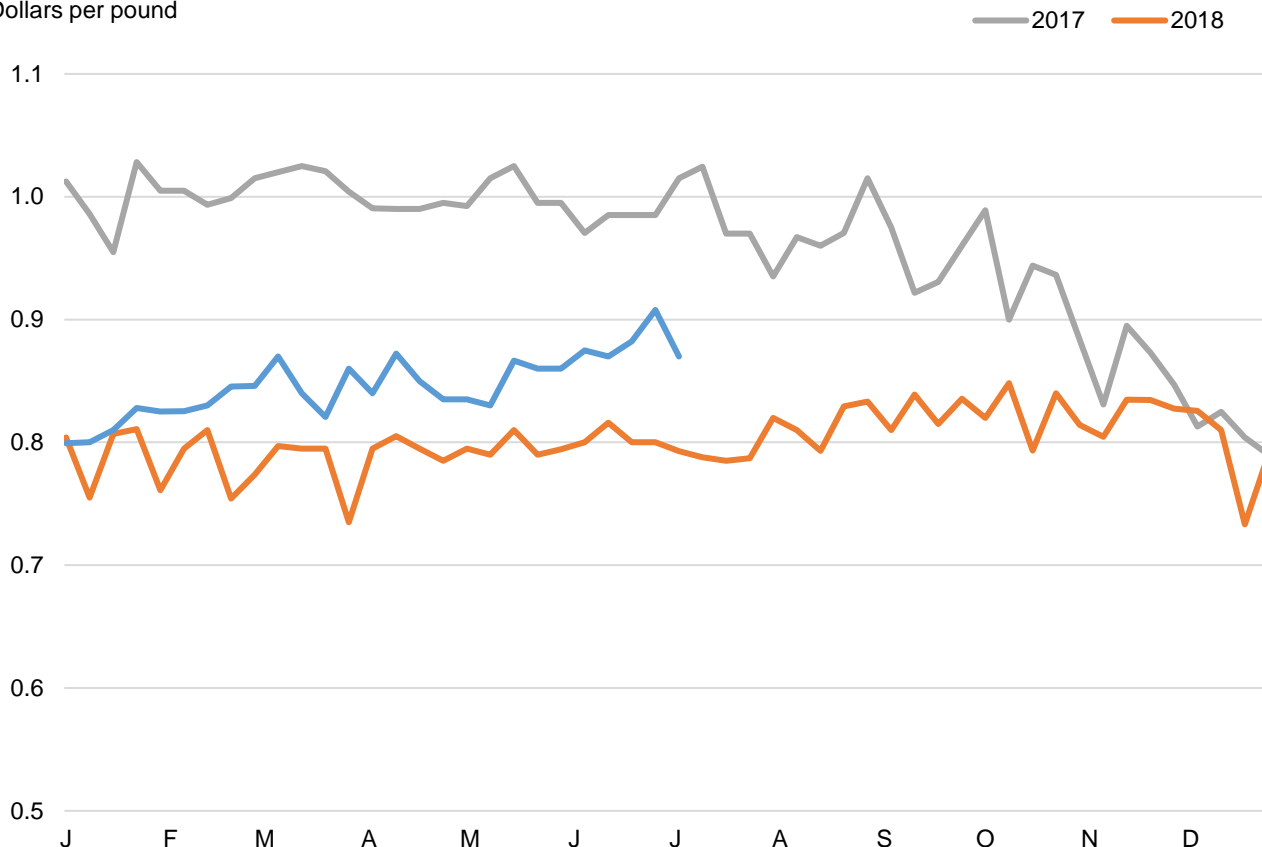
Source: USDA, Economic Research Service using USDA, National Agricultural Statistics Service Cold Storage data.

Whole Turkey Prices Remain Above 2018 Levels

Wholesale whole-hen frozen turkey prices were remarkably stable throughout 2018 after their nearly 2-year fall to prices last seen in 2010. The latest price data, covering the week ending July 6, 2019, shows frozen whole hen prices at 87 cents per pound after rising as high as 91 cents per pound in the last week of June. Prices are still low relative to pre-2018 levels, but the upward price trend since the beginning of the year indicates a possible return to the seasonal price patterns once typical in the turkey market. In 2019, turkey prices are expected to average \$0.875 per pound, 9 percent higher than 2018. In 2020, turkey prices are forecast to average \$0.90 per pound, 3 percent higher than in 2019.

Wholesale whole hen turkey prices

Dollars per pound

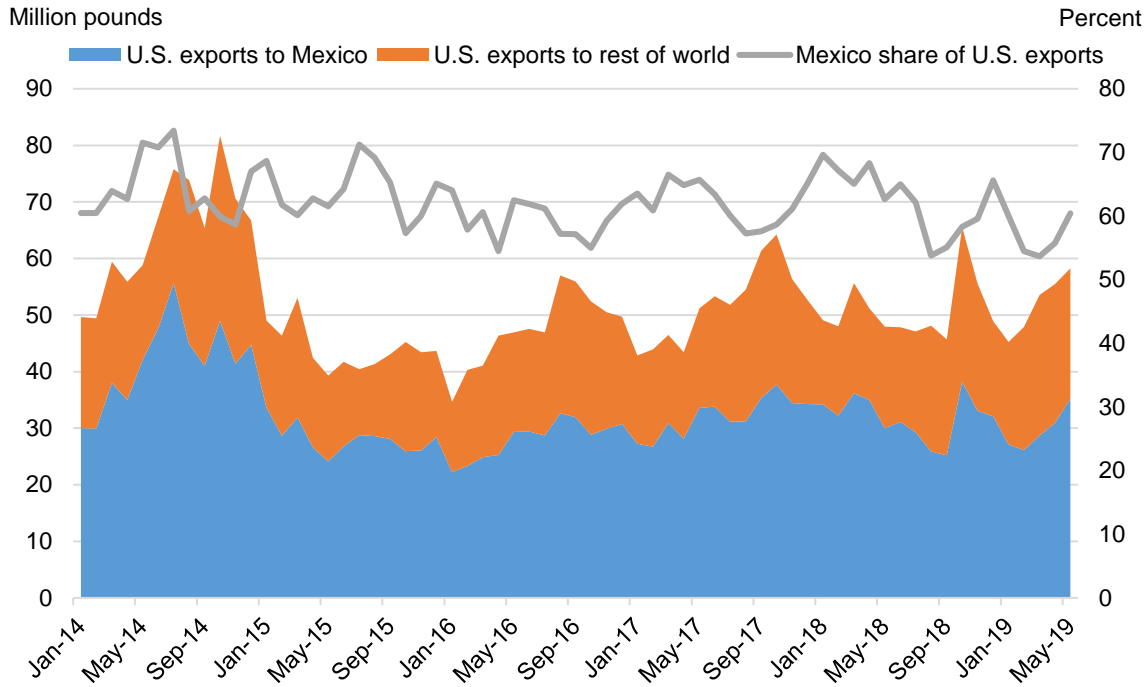


Source: USDA, Economic Research Service using USDA, Agricultural Marketing Service, Turkey Market News reports data.

Turkey Exports Grew Sharply in May

May 2019 turkey exports were 21 percent higher than a year earlier, totaling 58 million pounds. With production still lagging behind year earlier levels, the export market is responsible for an increasing share of total utilization. In May, exports as a share of production rose to nearly 12 percent, the highest level since September 2017. Mexico remains the largest destination for U.S. turkey shipments, with 35 million pounds shipped in May, or 60 percent of all U.S. shipments. May shipments to Mexico were up 17 percent from a year earlier. The year over year growth in May was the first since October 2018 and only the second positive growth since April 2018. In 2019, turkey meat exports are expected to total 627 million pounds, 3 percent higher than in 2018. In 2020, turkey exports are expected to total 630 million pounds. If realized, turkey exports would be 0.5-percent higher than in 2019.

U.S. turkey exports to Mexico and rest of world



Source: USDA, Economic Research Service, Livestock and Meat International Trade data.

Suggested Citation

Livestock, Dairy, and Poultry Outlook, LDP-M-301, U.S. Department of Agriculture, Economic Research Service, July 17, 2019

U.S. red meat and poultry forecasts

	2016					2017					2018					2019					2020				
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	Annual		
Production, million lb																									
Beef	5,938	6,187	6,472	6,625	25,221	6,303	6,407	6,736	6,742	26,187	6,466	6,726	6,819	6,862	26,872	6,414	6,810	6,980	6,925	27,129	6,445	6,930	27,420		
Pork	6,230	5,963	6,100	6,648	24,941	6,410	6,137	6,240	6,796	25,584	6,645	6,325	6,315	7,031	26,315	6,838	6,605	6,785	7,420	27,648	7,115	6,785	28,410		
Lamb and mutton	38	39	36	37	150	37	36	35	37	145	39	39	37	39	153	37	40	36	37	150	38	37	148		
Broilers	10,039	10,253	10,338	10,065	40,696	10,233	10,407	10,551	10,472	41,662	10,385	10,687	10,940	10,588	42,601	10,384	10,875	11,100	10,750	43,109	10,475	10,875	43,350		
Turkeys	1,435	1,520	1,515	1,511	5,981	1,488	1,482	1,479	1,533	5,981	1,452	1,477	1,431	1,518	5,878	1,446	1,440	1,460	1,520	5,866	1,450	1,460	5,900		
Total red meat & poultry	23,834	24,119	24,623	25,038	97,614	24,617	24,621	25,197	25,734	100,169	25,130	25,410	25,704	26,191	102,435	25,264	25,926	26,521	26,806	104,517	25,668	26,248	105,854		
Table eggs, mil. doz.	1,793	1,827	1,876	1,941	7,437	1,915	1,920	1,938	1,982	7,755	1,940	1,970	2,003	2,039	7,952	2,018	2,050	2,035	2,080	8,183	2,020	2,045	8,230		
Per capita disappearance, retail lb 1/																									
Beef	13.6	13.9	14.1	14.0	55.6	14.0	14.2	14.4	14.3	57.0	14.0	14.5	14.4	14.4	57.2	13.9	14.7	14.5	14.4	57.6	13.8	14.6	57.5		
Pork	12.6	11.9	12.1	13.5	50.1	12.4	11.8	12.4	13.5	50.2	12.6	12.2	12.4	13.8	50.9	13.1	12.6	12.8	13.8	52.3	13.0	12.6	52.5		
Lamb and mutton	0.3	0.3	0.2	0.3	1.0	0.3	0.3	0.2	0.3	1.1	0.3	0.3	0.3	0.3	1.1	0.3	0.3	0.3	0.3	1.1	0.3	0.3	1.1		
Broilers	22.5	22.7	22.7	21.8	89.8	22.4	22.9	23.2	22.5	91.0	22.7	23.4	23.6	22.8	92.4	22.5	23.7	23.9	22.9	92.9	22.4	23.4	92.7		
Turkeys	3.6	3.9	4.2	4.9	16.7	3.7	3.7	4.0	5.0	16.4	3.5	3.8	3.9	4.9	16.2	3.5	3.7	3.9	4.9	16.0	3.4	3.6	15.9		
Total red meat & poultry	52.9	53.0	53.7	54.9	214.6	53.2	53.3	54.7	55.9	217.2	53.4	54.5	55.0	56.6	219.5	53.6	55.4	55.8	56.7	221.5	53.3	54.9	221.3		
Eggs, number	67.4	66.4	67.4	70.8	272.0	69.0	69.3	70.3	71.2	279.9	69.6	70.3	71.8	72.4	284.0	71.8	72.6	72.6	74.1	291.1	71.7	72.4	291.7		
Market prices																									
Choice steers, 5-area Direct, \$/cwt	134.81	127.68	113.26	107.69	120.86	122.96	132.76	112.46	117.88	121.52	125.60	116.72	110.83	115.32	117.12	125.27	118.95	107	110	115.5	124	122	119		
Feeder steers, Ok City, \$/cwt	155.83	146.49	140.66	128.30	142.82	129.56	147.75	148.12	154.88	145.08	146.29	143.05	150.46	147.90	146.93	140.76	140.51	143	141	141.5	140	145	145		
Cutter Cows, National L.E., \$/cwt	73.50	75.87	73.16	57.75	70.07	62.63	69.55	69.78	58.68	65.16	61.60	61.32	57.74	49.07	57.43	53.34	58.3	55	48	53.5	52	57	55		
Choice slaughter lambs, St Joseph, \$/cwt	136.76	139.35	162.47	142.71	145.32	142.34	167.94	172.40	136.92	154.90	136.83	154.86	147.95	134.30	143.49	136.23	156.16	155	140	147	138	155	146		
Nat'l base cost, 51-52 % lean, live equivalent, \$/cwt	44.63	53.71	49.26	37.02	46.16	49.73	51.70	55.59	44.89	50.48	49.12	47.91	43.90	42.77	45.93	40.67	57.95	55	53	51.5	56	61	59		
Broilers, national composite, cents/lb	84.6	93.0	81.7	78.0	84.3	88.5	104.7	94.9	86.1	93.5	95.7	115.1	93.7	86.7	97.80	94.0	97.7	83	78	88	92	103	94		
Turkeys, national, cents/lb	114.7	116.5	120.7	116.6	117.1	100.4	99.1	96.9	88.0	96.1	79.4	79.6	80.4	81.4	80.20	82.8	85.5	89	93	87.5	86	88	90		
Eggs, New York, cents/doz.	121.5	67.9	71.6	81.7	85.7	80.0	74.7	102.1	147.0	100.9	179.6	124.4	120.8	125.6	137.60	107.3	69.7	75	90	85.5	95	85	100		
U.S. trade, million lb, carcass wt. equivalent																									
Beef & veal exports	535	621	660	740	2,557	653	680	746	781	2,859	731	801	828	800	3,161	696	790	835	830	3151	725	825	3245		
Beef & veal imports	792	831	751	638	3,012	700	812	814	668	2,993	721	805	807	664	2,998	738	840	795	675	3048	715	800	2960		
Lamb and mutton imports	68	55	41	52	216	80	58	57	57	252	80	66	70	57	273	80	74	62	55	271	80	65	271		
Pork exports	1,229	1,317	1,235	1,457	5,239	1,432	1,426	1,230	1,544	5,632	1,516	1,520	1,298	1,542	5,876	1,446	1520	1545	1930	6441	1725	1650	6945		
Pork imports	293	257	266	275	1,091	264	281	283	287	1,116	279	270	245	248	1,042	259	230	235	250	974	245	225	935		
Broiler exports	1,585	1,605	1,734	1,721	6,645	1,720	1,622	1,659	1,785	6,786	1,709	1,704	1,785	1,871	7,069	1,722	1740	1830	1845	7137	1780	1785	7250		
Turkey exports	116	141	160	153	569	133	148	168	173	622	153	147	141	170	611	147	165	155	160	627	150	160	630		
Live swine imports (thousand head)	1,468	1,406	1,371	1,413	5,657	1,449	1,458	1,296	1,394	5,597	1,357	1,349	1,258	1,286	5,250	1,339	1,350	1,280	1,280	5249	1,345	1,345	5,240		

Note: Forecasts are in bold.

1/ 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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Updated 7/15/2019

Dairy Forecasts

	2018			2019					2020		
	III	IV	Annual	I	II	III	IV	Annual	I	II	Annual
Milk cows (thousands)	9,383	9,359	9,399	9,346	9,330	9,335	9,340	9,340	9,345	9,350	9,355
Milk per cow (pounds)	5,752	5,703	23,149	5,827	5,980	5,790	5,770	23,365	5,940	6,060	23,710
Milk production (billion pounds)	54.0	53.4	217.6	54.5	55.8	54.0	53.9	218.2	55.5	56.7	221.8
Farm use	0.3	0.3	1.0	0.3	0.3	0.3	0.3	1.0	0.3	0.3	1.0
Milk marketings	53.7	53.1	216.6	54.2	55.5	53.8	53.6	217.2	55.3	56.4	220.8
Milk-fat (billion pounds milk equiv.)											
Milk marketings	53.7	53.1	216.6	54.2	55.5	53.8	53.6	217.2	55.3	56.4	220.8
Beginning commercial stocks	18.9	17.1	13.4	13.8	16.1	18.2	16.2	13.8	13.1	16.0	13.1
Imports	1.7	1.8	6.3	1.4	1.7	1.8	2.0	6.9	1.5	1.7	6.8
Total supply	74.3	72.0	236.3	69.4	73.4	73.8	71.8	237.8	69.8	74.1	240.7
Commercial exports	2.6	2.4	10.4	2.4	2.5	2.4	2.2	9.5	2.5	2.7	10.2
Ending commercial stocks	17.1	13.8	13.8	16.1	18.2	16.2	13.1	13.1	16.0	18.4	13.1
Commodity Credit Corporation donations	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.0	0.0	0.0
Domestic commercial use	54.5	55.9	212.1	50.9	52.7	55.1	56.4	215.1	51.4	53.0	217.4
Skim solids (billion pounds milk equiv.)											
Milk marketings	53.7	53.1	216.6	54.2	55.5	53.8	53.6	217.2	55.3	56.4	220.8
Beginning commercial stocks	11.5	10.5	11.8	10.7	11.1	11.4	10.4	10.7	10.0	10.9	10.0
Imports	1.3	1.4	5.5	1.3	1.5	1.2	1.4	5.4	1.2	1.2	5.0
Total supply	66.5	65.1	233.8	66.2	68.1	66.4	65.4	233.2	66.5	68.5	235.8
Commercial exports	10.9	9.7	44.7	9.9	10.6	10.5	10.3	41.3	10.1	11.4	42.9
Ending commercial stocks	10.5	10.7	10.7	11.1	11.4	10.4	10.0	10.0	10.9	10.9	10.1
Commodity Credit Corporation donations	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.0	0.0	0.0
Domestic commercial use	45.1	44.7	178.5	45.1	46.0	45.5	45.1	181.7	45.4	46.2	182.8
Milk prices (dollars/cwt) ¹											
All milk	16.17	17.07	16.26	16.97	18.00	18.70	19.10	18.20	18.75	18.50	18.85
Class III	15.05	14.58	14.61	14.30	16.20	17.05	16.60	16.05	16.45	16.50	16.65
Class IV	14.53	15.05	14.23	15.68	16.28	17.00	16.80	16.45	16.50	16.70	16.75
Product prices (dollars/pound) ²											
Cheddar cheese	1.565	1.463	1.538	1.440	1.678	1.780	1.750	1.660	1.720	1.720	1.730
Dry whey	0.369	0.459	0.342	0.449	0.378	0.345	0.330	0.375	0.350	0.360	0.360
Butter	2.284	2.264	2.257	2.258	2.310	2.375	2.320	2.315	2.300	2.340	2.345
Nonfat dry milk	0.816	0.887	0.795	0.963	1.007	1.055	1.060	1.020	1.040	1.040	1.045

Totals may not add due to rounding.

¹ Simple averages of monthly prices. May not match reported annual averages.

² Simple averages of monthly prices calculated by the USDA, Agricultural Marketing Service, for use in class price formulas.

Based on weekly USDA, *National Dairy Products Sales Report*.

Sources: USDA: National Agricultural Statistics Service, Agricultural Marketing Service, Foreign Agricultural Service, and World Agricultural Outlook Board.

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Published by USDA, Economic Research Service, in *Livestock, Dairy, and Poultry Outlook*.

Updated 7/17/2019