

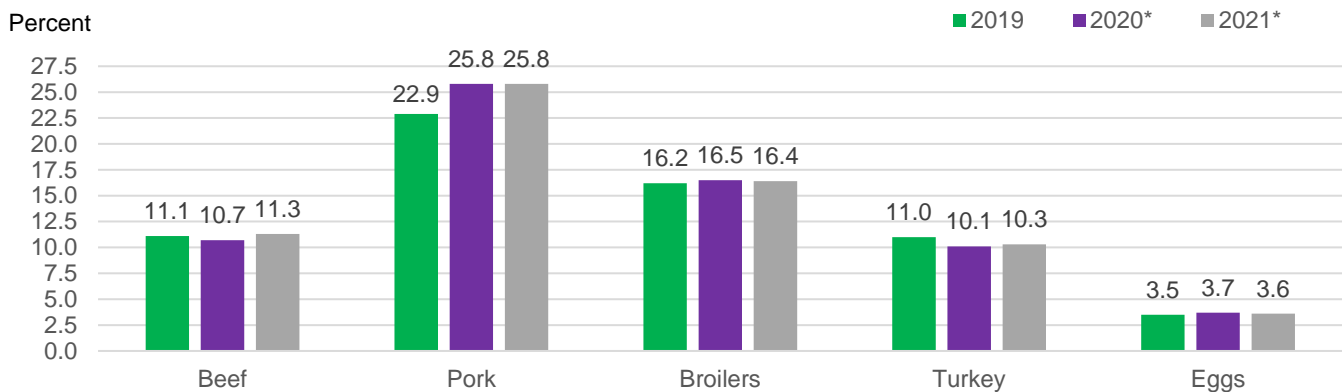


Livestock, Dairy, and Poultry Outlook

Forecasts for Export Shares of Production Vary for Red Meat, Poultry, and Eggs in 2020 and 2021

Forecasts for export shares of production for red meat, poultry, and eggs present a varied picture for 2020 and 2021. Beef’s export share of production for this year—10.7 percent—is lower than in 2019, due mostly to lower exports to Mexico. Higher exports in 2021 are expected to increase beef’s export share to 11.3 percent. Pork’s export share of production is expected to increase from 22.9 percent in 2019 to 25.8 percent both this year and in 2021, due primarily to strong exports to China. Broiler’s export share of production will likely tick up from 16.2 percent exported in 2019 to 16.5 percent this year. Strength in broiler exports this year is attributable to strong demand from Asia; the broiler export share is expected to be slightly lower at 16.4 percent in 2021. In 2020, turkey’s export share of production fell to 10.1 percent from 11.0 percent in 2019 due to a decline in demand from Mexico. Turkey exports are expected to trend upward next year, with 10.3 percent of production likely to be exported in 2021. The export share of egg production is likely to finish 2020 at 3.7 percent—an increase from 3.5 percent in 2019—driven mainly by strong exports to Mexico as well as decreases in production. Shipments of eggs in 2021 are expected to moderate, with 3.6 percent of production likely to be exported.

Exports as a percent of production: Red meat, poultry, and eggs



*Estimate
Source: World Agricultural Outlook Board.

Beef/Cattle: The fourth-quarter 2020 beef production forecast was raised slightly on higher non-fed cattle slaughter that more than offset lower expected cattle carcass weights. Production in 2021 was lowered by 105 million pounds on fewer expected fed cattle and cows slaughtered in the first half of the year. Weaker fed steer prices in November and early December contributed to a lower forecast for fourth-quarter 2020. However, 2021 prices were raised \$1 to \$115 per hundredweight on fewer fed cattle expected available for slaughter. Feeder steer prices were unchanged in 2020 and 2021. Beef imports in October were 4 percent above a year ago, but below expectations. This reduced the fourth-quarter 2020 forecast by 40 million pounds to 760 million pounds. The 2020 and 2021 beef export forecasts were unchanged.

Sheep/Lamb: Lamb price data was missing in the second and third quarters of 2020; prices started being reported again at the end of October 2020. Current lamb prices are much higher than had been forecast. Lamb price forecasts were raised for the fourth quarter of 2020 and all quarters of 2021. Lower-than-expected October lamb and mutton production led to a lower fourth-quarter production forecast.

Dairy: Milk production forecasts have been raised for 2020 and 2021 due to higher expected milk cow numbers. From the week ending November 7 to the week ending December 5, wholesale prices reported in the USDA *National Dairy Products Sales Report* for Cheddar cheese fell precipitously. Over the same period, prices for nonfat dry milk and butter declined, but the price for dry whey increased. The all-milk price forecast for the fourth quarter of 2020 has been raised by \$0.05 to \$19.80 per hundredweight (cwt). The 2020 annual all-milk price forecast rounds to \$18.25 per cwt, unchanged from last month's forecast. The all-milk price forecast for 2021 has been lowered by \$1.10 to \$16.60 per cwt.

Pork/Hogs: Fourth-quarter pork production is expected to be 7.5 billion pounds, about 1 percent above production a year ago. For the year in aggregate, 2020 pork production is likely to total 28.3 billion pounds, 2.4 percent greater than production last year. Hog prices are expected to average \$51 per cwt in the fourth quarter—more than 18 percent higher than a year ago—and about \$43.25 for 2020, down almost 10 percent from 2019. October exports were 13 percent higher than a year ago, supported by shipments to China\Hong Kong, Mexico, Japan, and Canada. Export growth is likely to slow to 7.35 billion pounds in 2021, up 0.4 percent from 7.32 billion pounds this year.

Poultry/Eggs: The 2020 fourth-quarter broiler production forecast was decreased on October production data as well as recent hatchery data, while 2021 first-quarter production was lowered on fewer birds available for slaughter. The fourth-quarter broiler export forecast was increased on record October volumes, and the 2021 export forecast was increased on expectations that broiler meat will remain attractive as an affordable protein. The fourth-quarter broiler price forecast was increased on recent prices. The fourth-quarter egg price forecast was decreased on lower-than-expected November prices; the 2021 price forecast was also decreased. The fourth-quarter table egg production forecast was increased slightly, while the fourth-quarter export forecast was decreased on lower-than-expected October data. Turkey production was adjusted down in the fourth quarter of 2020 and in 2021. Forecast turkey exports were adjusted up on strong October exports. The fourth-quarter turkey price forecast was revised down to 111 cents per pound on falling wholesale prices.

Beef/Cattle

Russell Knight and Christopher Davis

Production Estimated Lower in 2021 on Reduced Slaughter

For the final quarter of 2020, beef production was raised 15 million pounds on greater expected non-fed cattle slaughter that was partially offset by lower average cattle carcass weights. As a result, 2020 beef production is forecast at 27.2 billion pounds. Although total cow slaughter will likely remain below year-ago levels in the fourth quarter, beef cows are responsible for the increase in total slaughter.

Specifically, commercial beef cow slaughter levels are up from 2019 over 3 percent year-to-date through October, while commercial dairy cow slaughter is down almost 5 percent for the same period. Worsening drought conditions this year, lower year-over-year returns for producers, and cow cull prices that are up over 7 percent from last year are likely contributing to this increase in beef cow slaughter.

In contrast, the forecast for 2021 beef production was lowered by 105 million pounds from last month to 27.3 billion pounds. This adjustment was based in part on the November USDA, National Agricultural Statistics Service (NASS) *Cattle on Feed* report, which estimated 11 percent fewer gross placements in October than in October 2019. Further, based on weekly sales receipts from the USDA, Agricultural Marketing Service (AMS) *National Feeder and Stocker Summary* report, feeder cattle sales for the months of October and November are almost 600,000 head behind year-ago receipts for the same period. Because of these factors, expected placements in fourth-quarter 2020 were lowered. As a result, anticipated feedlot marketings for second-quarter 2021 were reduced. This reduction is in addition to lower expectations than last month for cow slaughter in the first half of 2021.

Cattle Prices End the Year Weaker Than a Year Ago

Live steer prices in the 5-area marketing region for the first week of December were reported at \$109.75 per cwt, 8 percent below last year for the same week, and the lowest December starting price since 2010. Based on this price weakness, the forecast for fourth-quarter 2020 was lowered by \$1 to \$108 per hundredweight (cwt). However, the 2021 annual price forecast was raised by \$1 to \$115 per cwt. This change reflects an increase of \$3 in second-quarter 2021 to \$113 per cwt as a result of fewer cattle expected to be available for slaughter then.

Feeder steer prices for the 750-800 pound category improved month over month in November to \$138.22 per cwt but were more than \$8 below a year ago. The first prices reported in December were almost \$13 below the same week last year at \$136.67. AMS reported that the December 14 sale will be the last sale of the year for feeder cattle at Oklahoma City National Stockyards. Prices on December 14 were reported at \$137.41 per cwt, for a monthly estimate of \$136.95 per cwt. The feeder steer price forecast for fourth-quarter 2020 was unchanged at \$137 per cwt. Feeder prices for 2021 were also left unchanged at the annual price of \$135 per cwt.

October Imports Are Up With Record Shipments From Brazil

October beef imports were up 4 percent, or 9 million pounds year over year, totaling 250 million pounds. October makes the fifth straight month that the United States has imported more beef than in the previous year. This continuous year-over-year increase reflects demand for imported lean

trimmings to blend with supplies of U.S. trimmings to service robust ground beef demand. Brazil led the increase in beef imports with 17 million more pounds of beef shipments in October 2020 than a year earlier. New Zealand had a year-over-year increase of 10.6 million pounds in October. There were also higher volumes in October 2020 from Canada, Uruguay, and Argentina relative to a year ago.

In contrast, the continued slowdown in beef imports from Australia since July likely reflects the country retaining heifers to rebuild the cattle herd. Shipments from Mexico and Nicaragua were also slightly lower in October. However, these reductions were not enough to offset the increases from other leading beef suppliers.

The forecast for the fourth-quarter beef imports was lowered 40 million pounds to 760 million pounds from the 800 million pounds last month. The revision reflects tightness in Mexican and Australian exportable supplies. The forecast for 2021 was unchanged from last month.

U.S. year-over-year beef imports from major suppliers

	October 2019	October 2020	Difference in volume	Year-over-year change
	--- Million pounds---			--- Percent --
Canada	73.5	75.3	1.7	2.0
Australia	59.7	40.7	-19.0	-32.0
Mexico	51.3	42.5	-8.8	-17.0
Nicaragua	18.6	17.5	-1.9	-6.0
Brazil	14.4	31.1	16.8	117.0
New Zealand	12.7	23.3	10.6	84.0
Uruguay	6.6	9.3	2.8	42.0
Argentina	0.7	6.4	5.8	889.0
ROW	3.5	4.3	0.8	23.0
Total Imports	241.0	250.4	9.4	4.0

ROW = Rest of the World.

Source: USDA, Economic Research Service calculations using data from U.S. Department of Commerce, Bureau of the Census.

Beef Exports Up in October Due to Record Sales to China

Beef exports in October totaled 258.3 million pounds, up 4 percent (9.5 million pounds) compared to a year ago. The increase was mostly driven by a record volume of U.S. beef shipped to China, which accounted for nearly 8 percent of total U.S. beef exports for the month. The last few months have signaled steady growth in U.S. beef exports to China. Exports to Japan, the largest volume destination for U.S. beef exports, were up 4.7 million pounds in October relative to October 2019. In addition to China and Japan, there was a modest increase in U.S. beef exports to Taiwan.

U.S. exports to Mexico continued to drop year-over-year due to a downturn in Mexico's economy, a weaker peso relative to the dollar, and increased Mexican production. This has led to Mexico's being overtaken by Canada as the third-largest volume destination for U.S. beef exports. Lower beef shipments were also sent to Canada, Hong Kong, and several smaller markets. The fourth-quarter forecast for beef exports remains unchanged from last month at 770 million pounds. No changes were made to the 2021 export forecast.

U.S. year-over-year beef exports to major destinations

	October 2019	October 2020	Difference in volume	Year-over-year change
	--- Million pounds---			--- Percent --
Japan	54.7	59.4	4.7	9.0
South Korea	52.8	52.8	0.0	0.0
Mexico	34.8	29.5	-5.3	-15.0
Hong Kong	27.0	25.7	-1.3	-5.0
Canada	24.0	21.5	-2.4	-10.0
Taiwan	15.9	18.2	2.3	14.0
China	2.6	19.6	16.9	644.0
ROW	37.1	31.6	-5.5	-15.0
Total Imports	248.9	258.3	9.5	4.0

ROW = Rest of the World.

Source: USDA, Economic Research Service calculations using data from U.S. Department of Commerce, Bureau of the Census.

Sheep/Lamb

William Hahn

The lamb price in this publication is based on weekly data published by the U.S. Department of Agriculture's Agricultural Marketing Service (AMS). AMS follows regulations that prevent it from reporting a price under certain circumstances to protect packer confidentiality. AMS reported no live, Choice/Prime live prices between the beginning of April 2020 until October 23rd, 2020, resulting in second- and third-quarter forecasts reported as "not available" or N/A in the tables.

The bankruptcy and closing of the Mountain States Rosen plant earlier this year may have been a factor in reduced lamb price reporting. However, this fall, a new lamb plant in Brush, Colorado, came online.

Last month's lamb price forecast for the fourth quarter of 2020 was \$130 per hundredweight (cwt). Weekly prices since the end of October have been near \$170 per cwt. The lamb price forecast for fourth-quarter 2020 has been raised to \$170 per cwt. Given the high prices so far in the fourth quarter, the forecast prices for 2021 were increased as well. See the table below.

Changes in lamb price forecasts between the November and December reports¹

Year	Quarter	November forecast	December forecast	Increase
2020	IV	\$130	\$170	\$40
2021	I	140	165	25
2021	II	145	160	15
2021	III	150	160	10
2021	IV	150	160	10

¹ Choice/Prime slaughter lambs, National, dollars per hundredweight.

Source: USDA forecasts of USDA, Agricultural Marketing Service Data.

In November 2020, the fourth-quarter forecast for commercial lamb and mutton production was 36 million pounds. October 2020 commercial lamb and mutton production was 10.6 million pounds. November and December production would have to increase substantially to meet last month's forecast; the fourth quarter 2020 production forecast was lowered to 34 million pounds.

No changes were made to the production forecasts for 2021. Lower production in the last quarter of 2020 would tend to be followed by lower production in the following quarters; however, the higher prices now forecast for 2021 should support higher production.

Dairy

Jerry Cessna

Recent Developments in Prices of Dairy Products

From the week ending November 7 to the week ending December 5, wholesale Cheddar cheese prices, as reported in the USDA *National Dairy Products Sales Report* (NDPSR), fell precipitously. According to the report of December 9, the price of 40-pound blocks of Cheddar cheese fell 82.0 cents to \$1.9452 per pound, and the price for 500-pound barrels (adjusted to 38-percent moisture) fell 84.6 cents to \$1.5633 per pound. The prices of butter and nonfat dry milk (NDM) declined to \$1.3881 per pound (-6.9 cents) and \$1.0770 per pound (-1.9 cents), respectively. The dry whey price was the exception to the declines, increasing by 4.4 cents to \$0.4126 per pound.

Dairy wholesale product prices

from USDA *National Dairy Products Sales Report* (dollars per pound)

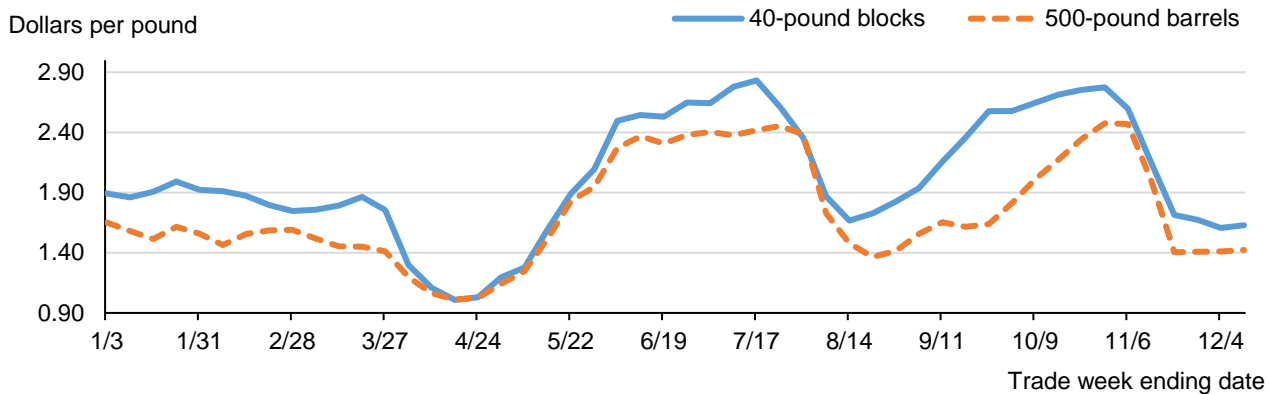
	For the week ending		Change
	November 7	December 5	
Butter	1.4573	1.3881	-0.0692
Cheddar cheese			
40-pound blocks	2.7651	1.9452	-0.8199
500-pound barrels ¹	2.4089	1.5633	-0.8456
Nonfat dry milk	1.0962	1.0770	-0.0192
Dry whey	0.3686	0.4126	0.0440

¹ Adjusted to 38-percent moisture.

Source: USDA, Agricultural Marketing Service, *National Dairy Products Sales Report*, December 9, 2020.

The most recent weekly average CME cheese spot prices have been lower than the most recent NDPSR prices. After the CME average weekly price for 40-pound blocks reached a fall peak of \$2.7745 per pound for the trading week ending October 30, the price fell to \$1.6055 for the week ending December 4 before increasing slightly to \$1.6285 for the week ending December 11. The price of 500-pound barrels reached a record high of \$2.4755 per pound for the week ending October 30, then plunged the following weeks to \$1.4045 for the week ending November 20, before rebounding the following weeks to \$1.4225 for the week ending December 11. The most recent weekly average CME spot prices for butter, NDM, and dry whey have been higher than the most recent NSPSR prices, at \$1.5140, \$1.1385, and \$0.4660 per pound, respectively.

Wholesale Cheddar cheese spot prices, Chicago Mercantile Exchange, average weekly prices for 2020



Source: Chicago Mercantile Exchange prices as reported in USDA *Dairy Market News*.

While we have dairy product price data for November and the early part of December, supply and use data are not yet available. Several factors could explain recent movements in dairy product prices:

- Dairy product prices typically decline in the last couple of months of the year after the holiday buying season comes to an end.
- USDA *Dairy Market News* (DMN) states that milk production is increasing throughout the country.
- A large cheese plant in Michigan began operation toward the end of October; a larger supply of cheese would contribute to lower cheese prices.
- Lower foodservice orders may be depressing prices. There are considerable uncertainties about foodservice as the sector continues to struggle with capacity restrictions and potential shutdowns.
- DMN reports tight markets for whey products. Strong demand, domestically and internationally, is likely contributing to the recent increase in U.S. whey prices.

Recently, U.S. dairy product prices have been competitive with foreign export prices. For the month of November, Oceania and Western Europe skim milk powder (SMP) export prices averaged \$1.28 and \$1.17 per pound, respectively.¹ The dry whey price for Western Europe averaged \$0.42 per pound. Oceania and Western Europe butter export prices averaged \$1.75 and \$1.83 per pound, respectively. The Oceania export price for Cheddar cheese averaged \$1.68 per pound in November.

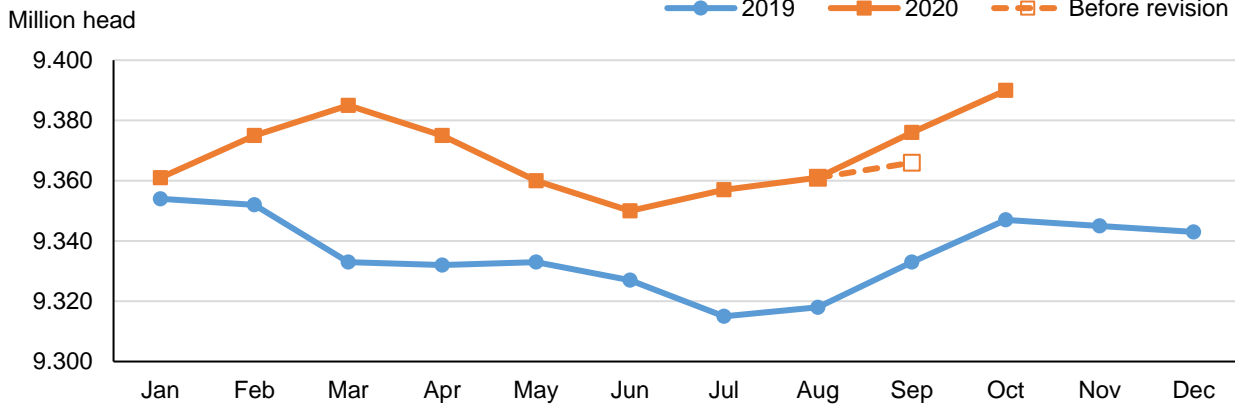
Discussion of Recent Supply and Use Data

Milk production growth was robust in September and October. According to the USDA National Agricultural Statistics Service (NASS) *Milk Production* report of November 18, October milk production was 18.560 billion pounds in October, 2.3 percent higher than October 2019 (the same year-over-year percentage growth as September). NASS revised its September estimate for milk cow numbers upward by 10,000 head to 9.376 million, and NASS estimates that the average for October increased to 9.390 million head. The estimate for October average milk per cow was 1,977 pounds, 37 pounds higher than

¹ The source for Oceania and Western Europe prices is USDA *Dairy Market News*. Prices listed in this report are at the midpoints of the ranges.

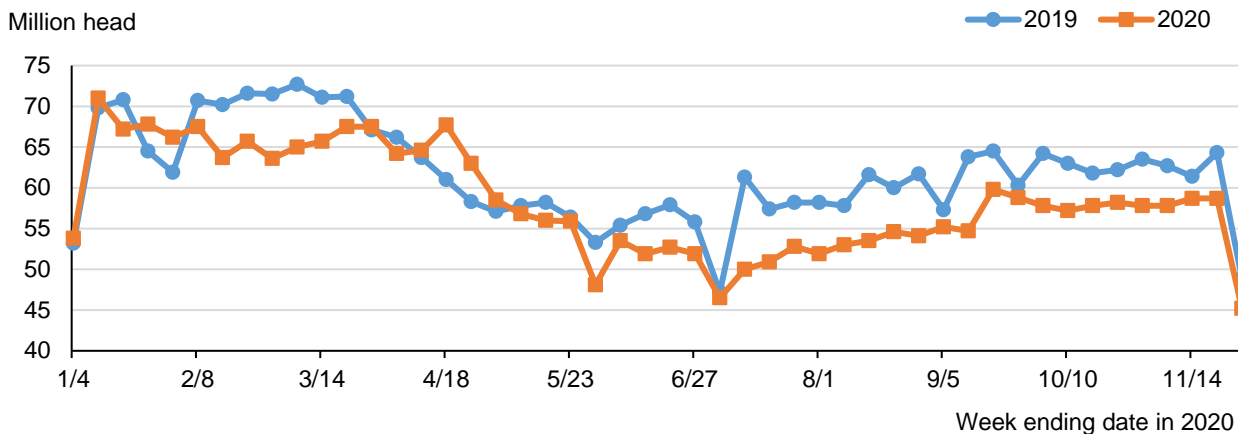
October 2019. For each week since the week ending May 9, federally inspected milk cow slaughter has been less than the corresponding week of the previous year.

Number of milk cows



Source: USDA, National Agricultural Statistics Service.

Federally inspected milk cow slaughter



Source: USDA, National Agricultural Statistics Service.

Dairy exports on a milk-fat milk-equivalent basis totaled 706 million pounds in October, 41 million lower than September but 7 million higher than October 2019. On a skim-solids milk-equivalent basis, October exports totaled 4.234 billion pounds, 511 million higher than September and 588 million higher than October 2019. U.S. goods have become more attractive abroad as the U.S. dollar value has declined over several months. In 2020, the trade-weighted U.S. dollar index for goods and services (as reported by the Board of Governors of the Federal Reserve System) peaked at 123.6 in April. By October, it had fallen to 116.2, and it was 114.4 in November.

Exports of whey products² were strong in October, at 122.7 million pounds, 47.9 million higher than October 2019. China was the destination for 47.7 percent of U.S. whey product exports by volume in October; whey products are commonly used to feed hogs and pigs in China. The increase in demand

² Whey products include dry whey, whey protein concentrate, whey permeate, other forms of modified whey, and milk albumin (whey protein isolate).

for whey products may reflect China's rebuilding of its swine industry after the devastating impacts of African swine fever. Exports of dry skim milk products (NDM, SMP, and dry skim milk for animal use) were also very strong in October, totaling 169.3 million pounds, 13.4 million higher than October 2019. Top destinations were Mexico and Southeast Asian nations. Cheese exports weakened to 54.4 million pounds in October, 8.0 million lower than October 2019.

U.S. dairy imports were relatively low in October. On a milk-fat basis, they totaled 528 million pounds, 98 million lower than September and 144 million pounds lower than October 2019. On a skim-solids basis, October imports totaled 368 million pounds, 54 million lower than September and 116 million lower than October 2019. Notably, October imports of butterfat products³ totaled 11.3 million pounds, 3.0 million lower than October 2019.

Ending stocks on a milk-fat basis totaled 16.143 billion pounds at the end of October, 1.192 billion higher than October 2019. Notably, butter stocks in October totaled 300.3 million pounds, 65.8 million higher than October 2019. On a skim-solids basis, ending stocks totaled 10.028 billion pounds at the end of October, 8 million lower than October 2019.

Domestic use has been relatively weak in recent months. For the 3 months from August through October, domestic use on a milk-fat basis was only 0.9 percent above the same 3 months of 2019. On a skim-solids basis, August through October domestic use was about the same as it was for those 3 months of 2019.

Outlook for Feed Prices

The corn price estimate for the 2019/20 marketing year is \$3.56 per bushel; the 2020/21 forecast is \$4.00 per bushel, unchanged from last month's forecast. The soybean meal price estimate for the 2019/20 marketing year is \$299.50 per short ton. The 2020/21 forecast for soybean meal has been raised to \$370 per short ton, \$15 higher than the last forecast. The alfalfa hay price in October was \$171 per short ton, unchanged from September but \$6 lower than October 2019. The 5-State weighted-average price for premium alfalfa hay in October was \$194 per short ton, \$2 higher than September but \$11 lower than October 2019. For more information, see *Feed Outlook*, published by USDA, Economic Research Service.

Dairy Forecasts for the Remainder of 2020

Based on recent milk production data, the milk production forecast for the fourth quarter of 2020 has been raised significantly. The forecast for the average number of milk cows has been raised to 9.400 million head, 30,000 more than last month's forecast. The forecast for milk per cow for the fourth quarter is 5,880 pounds per head, 5 pounds higher than last month's forecast. The milk production forecast for 2020 is 222.7 billion pounds, 0.2 billion higher than last month's forecast.

The forecast for dairy exports on a milk-fat basis for the fourth quarter of 2020 has been lowered to 2.1 billion pounds, 0.2 billion lower than last month's forecast, based on lower expected cheese exports. On a skim-solids basis, the forecast has been raised by 0.3 billion pounds to 11.9 billion, as higher exports of whey products are expected to more than offset lower expected cheese exports.

³ Butterfat products include butter, butter oil, anhydrous milk fat, butter substitutes with high milk-fat content, and high-fat dairy spreads.

The forecast for fourth-quarter dairy imports on a milk-fat basis has been lowered to 1.6 billion pounds (-0.1 billion) due to lower expected imports of butterfat products. On a skim-solids basis, the import forecast is unchanged.

The forecast for 2020 ending stocks on a milk-fat basis has been raised by 0.2 billion pounds to 14.5 billion pounds. On a skim-solids basis, the forecast for ending stocks is 10.4 billion pounds, 0.1 billion higher than last month's forecast. The forecast for 2020 fourth-quarter domestic use on a milk-fat basis is 57.8 billion pounds, 0.1 billion higher than last month's forecast. On a skim-solids basis, the forecast for domestic use is 44.4 billion pounds for the fourth quarter, 0.2 billion lower than the previous forecast.

Based on recent price weakness, price forecasts for the fourth quarter of 2020 have been lowered for Cheddar cheese, butter, and nonfat dry milk to \$2.140 per pound (-15.5 cents), \$1.470 per pound (-3.0 cents), and \$1.075 per pound (-0.05 cents), respectively. Based on recent price strength, the dry whey price forecast for the fourth quarter has been raised to \$0.380 per pound, 2.0 cents higher than last month's forecast.

With the lower Cheddar cheese price forecast more than offsetting the higher dry whey price forecast, the fourth-quarter Class III milk price forecast has been lowered to \$20.35 per hundredweight (cwt), \$1.35 lower than last month's forecast. With the lower price forecasts for butter and NDM, the fourth-quarter Class IV milk price forecast has been lowered to \$13.30 per cwt, \$0.15 lower than the previous forecast. Although the Class III and IV price forecasts for the fourth quarter have been lowered, the all-milk price forecast has been raised by \$0.05 to \$19.80 per cwt, due in part to changing relationships among Federal milk marketing order prices and the all-milk price. The all-milk price forecast for 2020 rounds to \$18.25 per cwt, unchanged from last month's forecast.

Dairy Forecasts for 2021

Based on recent data, the forecast for the 2021 average size of the milking herd has been raised to 9.395 million head, 15,000 higher than last month's forecast. The forecast for milk per cow in 2021 is unchanged at 24,090 pounds per head. With higher expected milk cow numbers, the milk production forecast for 2021 is 226.3 billion pounds, 0.4 billion higher than last month's forecast.

The forecasts for 2021 dairy exports have been raised from last month's forecasts to 9.6 billion pounds on a milk-fat basis (+0.1 billion) and to 48.7 billion pounds on a skim-solids basis (+0.6 billion). Exports of whey products, especially to China, are expected to continue growing. With more competitive U.S. prices, higher exports of cheese are expected. The forecast for 2021 imports on a milk-fat basis has been lowered to 6.8 billion pounds, 0.1 billion lower than last month's forecast, due to lower expected imports of various dairy products. On a skim-solids basis, the import forecast for 2021 is 5.6 billion pounds, unchanged from last month's forecast.

The forecast for 2021 domestic use on a milk-fat basis is 222.5 billion pounds, unchanged from last month's forecast. On a skim-solids basis, the forecast for domestic use has been lowered by 0.4 billion pounds to 182.3 billion pounds. Ending stock forecasts for 2021 have been raised to 14.5 billion pounds on a milk-fat basis (+0.4 billion) and 10.2 billion pounds on a skim-solids basis (+0.2 billion).

Price forecasts for 2021 have been lowered for Cheddar cheese and butter to \$1.635 (-19.0 cents) and \$1.570 (-11.5 cents) per pound, respectively, due to recent price movements and lowered expectations for domestic demand. The NDM price forecast for 2021 has been raised to \$1.065 per pound, 1.0 cent

higher than last month's forecast. The dry whey price has been raised by 4.0 cents to \$0.405 per pound, due to recent price movements and higher expectations for exports of whey products.

With the lower cheese price forecast for 2021 more than offsetting the higher dry whey price forecast, the Class III milk price forecast for 2021 is \$15.60, \$1.65 lower than last month's forecast. With the lower butter price forecast more than offsetting the higher NDM price forecast, the Class IV milk price forecast has been lowered \$0.40 to \$13.60 per cwt. The all-milk price forecast for 2021 is \$16.60 per cwt, \$1.10 lower than forecast last month.

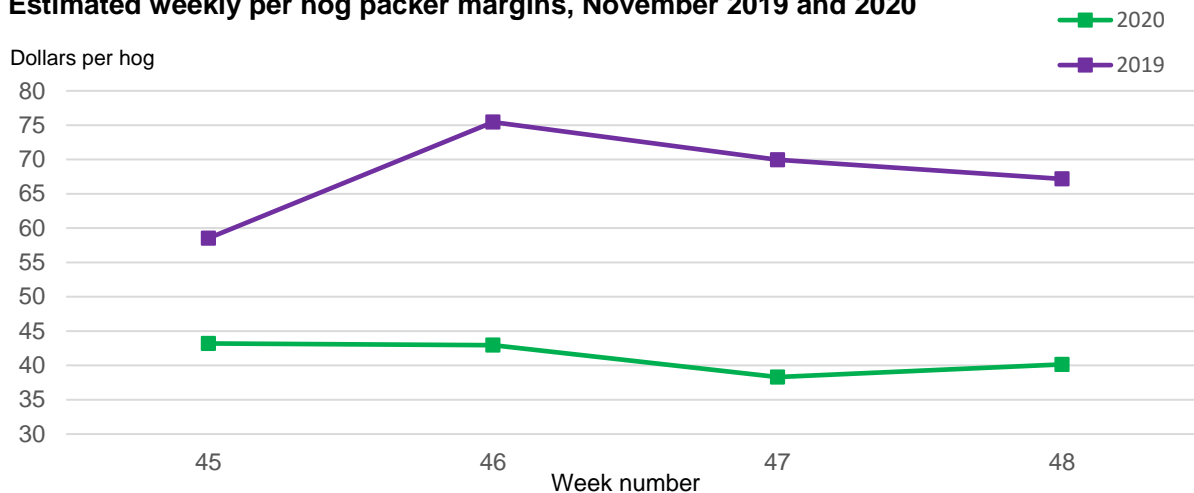
Pork/Hogs

Mildred Haley

Lower Processors' Margin in November Slows Hog Slaughter Numbers

Declining processor margins in November likely caused packers to reduce hog slaughter numbers to below year-earlier levels. Estimated federally inspected November hog slaughter was about 10.95 million head, about 3 percent lower than a year ago. Packers appeared to be reacting to both higher hog prices—live equivalent prices of 51-52 percent lean hogs in November averaged \$50.34 per cwt, 18.9 percent above a year earlier—and to lower wholesale values of pork primals. The November value of the wholesale pork carcass cutout averaged \$81.18 per cwt, 2.7 percent below its average value in November 2019. Higher hog prices and lower wholesale pork prices combined to drive the average of weekly packer margins to more than 39 percent below those of November 2019. Weekly packer margins—weeks 45-48 in the figure below—averaged \$41.15 per hog this year, compared with \$67.77 per hog in 2019.

Estimated weekly per hog packer margins, November 2019 and 2020



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

The lower value of the wholesale carcass in November derived largely from lower primal values of the belly, butt, and ham. USDA data shows that the November 2020 value of the belly primal declined 13.5 percent below a year ago. The butt primal value declined almost 10 percent and the ham value dropped more than 3.5 percent compared with average values in November 2019. These three primals combined account for just over 51 percent of the value of the wholesale carcass. The decline in their values contributed to the decline in November's wholesale carcass cutout value and, consequently, to the decline in pork processors' margins.

2020 Pork Production Likely To Be Another Record High

Pork production in the fourth quarter is expected to be 7.6 billion pounds, 1 percent above production a year ago and an increase from last month's forecast. Pork production for December was adjusted

upward due to higher slaughter data early in the month. USDA, Agricultural Marketing Service data show that pork processing industry capacity utilization increased to 98.2 percent in the first weeks of December, an increase from November's average of 97.3 percent. The fourth-quarter forecast, when combined with earlier quarterly production totals, would yield a total pork production volume for 2020 of 28.3 billion pounds, 2.5 percent higher than production last year. It is notable that in each of the last 4 years (2016-2019) the U.S. pork industry has exceeded the previous year's record-high production; 2020 would be the fifth consecutive year to achieve record production. Fourth-quarter prices of live equivalent 51-52 percent lean hogs are expected to average \$51.00 per cwt, more than 18 percent above same-period prices a year ago.

On December 23 the USDA, National Agricultural Statistics Service will issue the *Quarterly Hogs and Pigs* report, detailing December 1 hog and pig inventories, as well as details of the September-November pig crop (including the litter rate and the number of farrowings). The report will also include the second producer farrowing intentions for the December-February quarter, as well as a first set of intentions for the March-May quarter. The weight-class data to be detailed in the December report will contribute information for reconciling slaughter data reported since publication of weight-class numbers in the September *Quarterly Hogs and Pigs*.

Robust Exports in October Are Promising for the Fourth Quarter

U.S. pork exports in October were just over 589 million pounds, 13 percent above year-ago levels. China/Hong Kong was the primary buyer of U.S. pork in October, although shipments to Mexico, Japan, and Canada were all strong. October exports to primary markets are summarized below.

U.S. pork exports: Volumes and export shares of the 10 largest foreign destinations, October 2019 and 2020

	Country	Exports October 2019 (Million pounds)	Exports October 2020 (Million pounds)	Percent change (2020/2019)	Export share October 2019 Percent	Export share October 2020 Percent
	World	521.2	589.1	13.0		
1	China/Hong Kong	102	140	37.1	19.5	23.7
2	Mexico	119	136	13.8	22.8	23.0
3	Japan	93	108	16.8	17.8	18.4
4	Canada	46	52	12.3	8.8	8.8
5	South Korea	47	31	-33.5	9.1	5.3
6	Colombia	26	18	-32.8	5.0	3.0
7	Australia	26	16	-38.6	5.1	2.8
8	Chile	7	14	101.3	1.3	2.4
9	Philippines	10	13	34.3	1.9	2.3
10	Dominican Republic	7	9	28.8	1.3	1.5

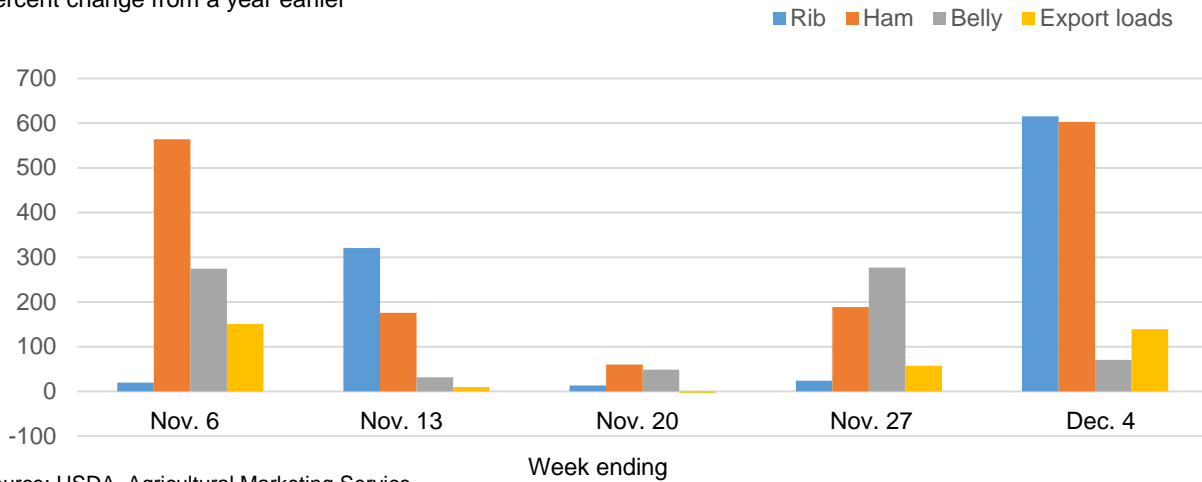
Source: USDA, Economic Research Service.

Weekly data series issued by USDA and available through the first weeks of December appear to support continued strong pork exports. The National Weekly Export Pork Report shows pork exports in load units of 40,000 pounds to destinations outside of North America. The figure below shows that pork

buyers for export availed themselves of attractively priced pork primals in November—hams, bellies, and ribs in particular—and into early December. Export Sales Reporting data, available weekly on the USDA, Foreign Agriculture Service’s website, show that total weekly exports shipped in November exceeded year-earlier levels by low double-digit percentages. Fourth-quarter pork exports are expected to be 1.9 billion pounds, 4.1 percent above same-period shipments a year ago and unchanged from last month’s forecast.

Pork export loads: Total and selected cuts

Percent change from a year earlier



Source: USDA, Agricultural Marketing Service.

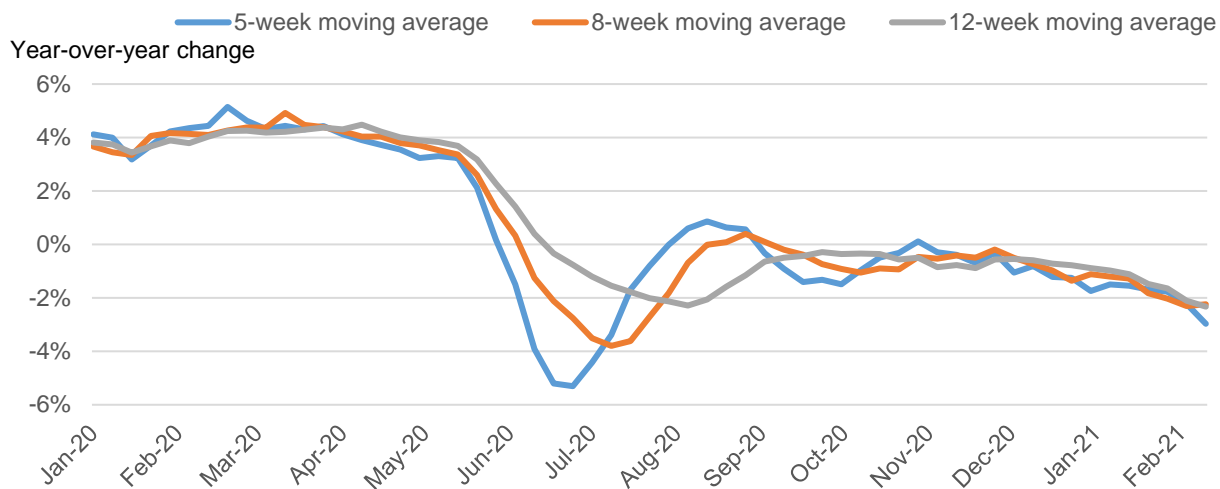
Poultry

Kim Ha and Grace Grossen

Broiler Production Forecast Decreased

October broiler production came in lower than expected, estimated at 3.8 billion pounds, a year-over-year decrease of -6.1 percent, or -1.9 percent when adjusted for slaughter days. This decrease was comprised of a -7.2-percent year-over-year decrease in slaughter volumes (-3.0 percent when adjusted for slaughter days), while average live weights increased by 1.1 percent year over year. Preliminary slaughter data suggests that 2020 November production volumes will be similar to 2019, while hatchery data implies fewer birds available for slaughter in December (see chart). Based on lower-than-expected October production and lower slaughter expectations for December, the fourth-quarter production forecast was revised down to 11,025 million pounds, a year-over-year decrease of -1 percent. 2020 production is forecast to total 44,560 million pounds, an increase of over 1 percent year over year. Egg sets and chick placements also imply reduced producer expectations in early 2021 (see chart), which was the basis for decreasing the first-quarter forecast to 10,940 million pounds. 2021 production is forecast to be 45,045 million pounds, an increase of 1 percent relative to the 2020 production forecast.

Estimation of birds available for slaughter based on 5-, 8-, and 12-week moving-averages of eggs set and chick placements



Source: USDA, Economic Research Service.

Record October Exports Push Expectations Higher

Export volumes of broiler products reached a new record of 700 million pounds (a 7.8-percent year-over-year increase) in October, prompting an upward revision to the 2020 fourth-quarter broiler export forecast to 1,950 million pounds. 2020 broiler exports are forecast to total 7,359 million pounds, an increase of 4 percent over 2019. Based on expectations that broiler meat will remain attractive to foreign buyers as an affordable protein, the 2021 export forecast was increased to 7,390 million pounds, an increase of less than 1 percent over the 2020 export forecast.

October shipments were higher to a few key markets, most notably China, to which a record 99 million pounds were shipped. In addition, shipments to Cuba increased by 26 million pounds relative to 2019, and to Mexico by 14 million pounds. Increased exports were partly offset by lower shipments to a number of markets, including Vietnam (-27 million pounds), the Philippines (-19 million pounds), Hong Kong (-16 million pounds), and Georgia (-15 million pounds).

U.S. broiler exports: Volume and export share, October 2019 and 2020

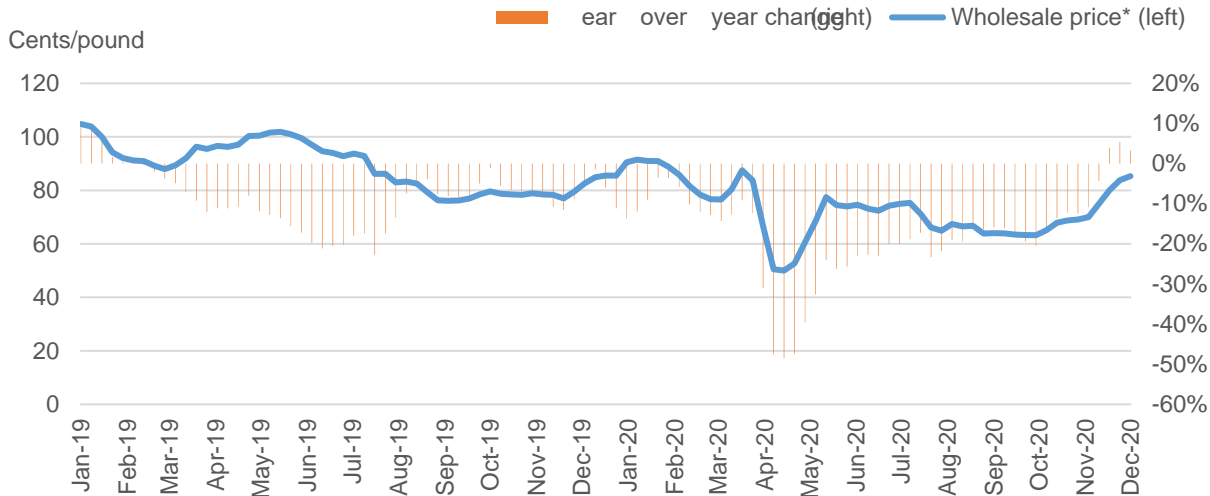
Country	Volume			Export share	
	October 2019	October 2020	Change in volume	October 2019	October 2020
	<i>Million pounds</i>	<i>Million pounds</i>	<i>Million pounds</i>	<i>Percent</i>	<i>Percent</i>
Top 10 largest foreign markets (per year-to-date 2020 export volumes)					
Mexico	140	154	14	22	22
China	0	99	99	0	14
Taiwan	37	42	5	6	6
Cuba	8	34	26	1	5
Vietnam	41	14	-27	6	2
Canada	24	30	6	4	4
Guatemala	27	20	-6	4	3
Georgia	27	12	-15	4	2
Angola	32	29	-3	5	4
South Africa	15	8	-8	2	1
World	649	700	51	100	100
Additional foreign markets of note					
Colombia	20	19	-1	3	3
Philippines	39	20	-19	6	3
Hong Kong	22	7	-16	3	1

Source: USDA, Economic Research Service using data from the U.S. Department of Commerce, Bureau of the Census.

Benchmark Broiler Price Expectations Increased

Beginning in late November, weekly whole-bird wholesale broiler prices (National Composite Weighted Average) were higher than year-earlier levels for multiple consecutive weeks for the first time since January 2019 (see chart). Since summer 2018, wholesale prices have been pressured by abundant supplies and outpaced demand, which was further exacerbated in 2020 by COVID-19 market disruptions. Weekly prices have strengthened through early-December—averaging 4 percent higher year over year and 1 percent higher than the 5-year average—likely a reflection of relatively tighter supplies and improving demand conditions both domestically and globally. Based on stronger-than-expected prices, the fourth-quarter price forecast was increased to 77 cents per pound, bringing the 2020 forecast up to 73.5 cents per pound—still 17 percent lower than 2019. Based on expectations that prices will remain firm into the first part of the new year, the 2021 first-quarter forecast was increased to 82 cents per pound. The 2021 price is forecast to average 80 cents per pound, an increase of 9 percent compared to the 2020 forecast.

Weekly whole-bird wholesale broiler prices (National Composite Weighted Average) and year-over-year percent change

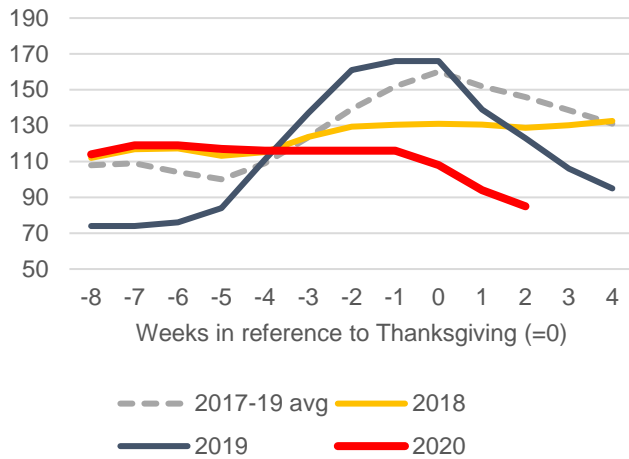


* Whole-bird wholesale broiler price (National Composite Weighted Average).
 Source: USDA, Economic Research Service using data from USDA, Agricultural Marketing Service.

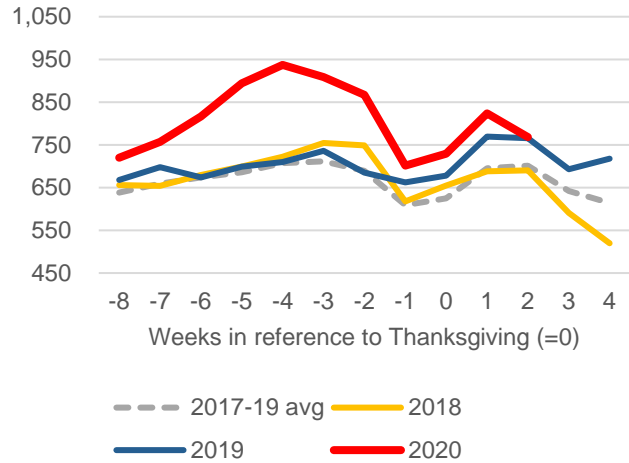
Wholesale Shell Egg Prices Fall Short of Holiday Expectations, Price Forecast Decreased

Despite strong wholesale prices in the weeks leading into November, which marks the beginning of the holiday baking season that typically starts just before Thanksgiving, wholesale egg prices (New York, Grade A Large) fell below expectations, averaging 114 cents per dozen in November—a decrease of 24.1 percent year over year. As the 2017-2019 historical average indicates in the chart below, wholesale prices typically increase in the weeks leading up to Thanksgiving and then decrease in the subsequent weeks. This year, prices remained flat at 116 cents per dozen for nearly 4 weeks and began decreasing a week earlier than is typical. National retail egg purchase data suggest that retail demand was firm and even elevated above historical averages. However, shell egg inventories indicate that producers built up supplies—possibly in anticipation of COVID-19-related factors potentially compounding holiday demand—which likely put downward pressure on wholesale prices (see chart). Based on lower-than-expected November wholesale prices, the fourth-quarter price forecast was decreased to 105 cents per dozen, down 10 percent relative to 2019. Despite lackluster fourth-quarter prices, the 2020 price forecast is expected to average 111.7 cents per dozen, up about 19 percent over 2019. The 2021 price forecast was decreased to 106 cents per dozen, a year-over-year decrease of 5 percent.

Wholesale table egg prices (New York, Grade A Large) in the weeks relative to Thanksgiving
Cents per dozen



Weekly shell egg inventories* (Large) in the weeks relative to Thanksgiving
30-dozen cases (000s)



*Total stocks on hand available for marketing.

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

October table egg production is estimated at 687 million dozen, a decrease of 2.5 percent year over year. The table egg layer flock averaged 322.7 million layers in October, 4.0 percent smaller than last year's flock, while the average lay rate was 82.4 eggs per 100 layers per day, 1.5 percent higher year over year. The fourth-quarter table egg production forecast was increased slightly to 2,050 million dozen.

Export Forecast Revised Down on October Data

October exports of eggs and egg products are estimated at 27.9 million dozen, a year-over-year decrease of 21.6 percent. This decrease was driven by lower shell egg shipments, which dropped by -33.0 percent, while sales of egg products were up 5.3 percent. Aggregate volumes decreased to the three largest markets (in terms of volume sales): Hong Kong (-2,559 thousand dozen), Canada (-2,230 thousand dozen), and Mexico (-2,105 thousand dozen)—due mainly to lower shell egg shipments. Based on lower-than-expected October shipments, the fourth-quarter export forecast was revised down to 85 million dozen, a year-over-year decrease of 11 percent.

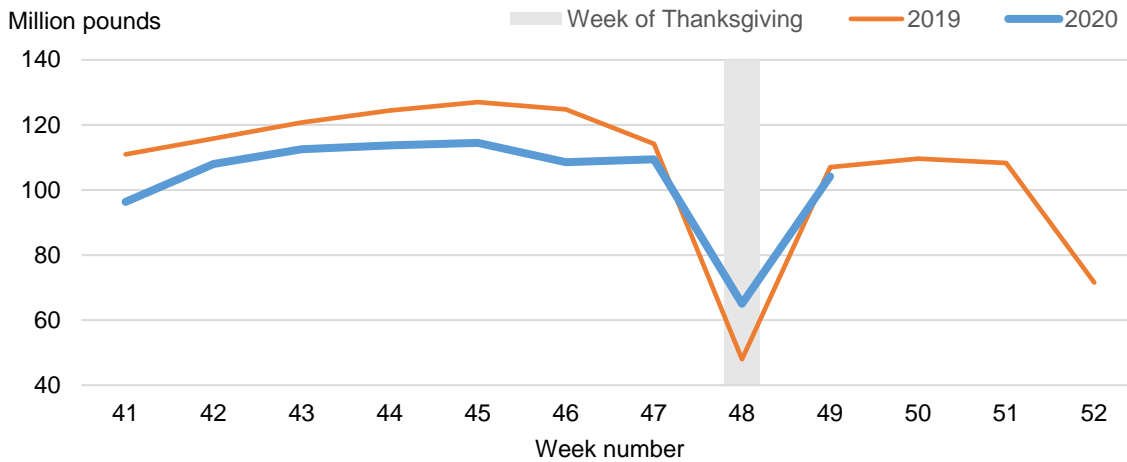
U.S. egg and egg product exports: Volumes and export shares of largest markets, October 2019 and 2020

Country	Volume			Export share	
	October 2019	October 2020	Change in volume	October 2019	October 2020
	<i>Thousand dozen</i>	<i>Thousand dozen</i>	<i>Thousand dozen</i>	<i>Percent</i>	<i>Percent</i>
Mexico	8,214	6,109	-2,105	23	22
Canada	12,310	10,080	-2,230	35	36
Hong Kong	5,936	3,377	-2,559	17	12
Japan	2,587	2,984	397	7	11
South Korea	736	230	-506	2	1
United Arab Emirates	593	296	-297	2	1
Jamaica	717	752	35	2	3
Trinidad and Tobago	587	577	-10	2	2
Denmark	225	292	67	1	1
Bahamas	231	256	25	1	1
World	35,629	27,915	-7,713	100	100

Turkey Production Adjusted Down In Fourth Quarter

Turkey production totaled 522.8 million pounds in October, 28.6 million pounds below October of 2019. Preliminary weekly data also suggests that November production was lower than last year. October poul placements increased seasonally from September and were 8 percent below October 2019. So far in 2020, only the month of June has had more poults placed than the same month last year.

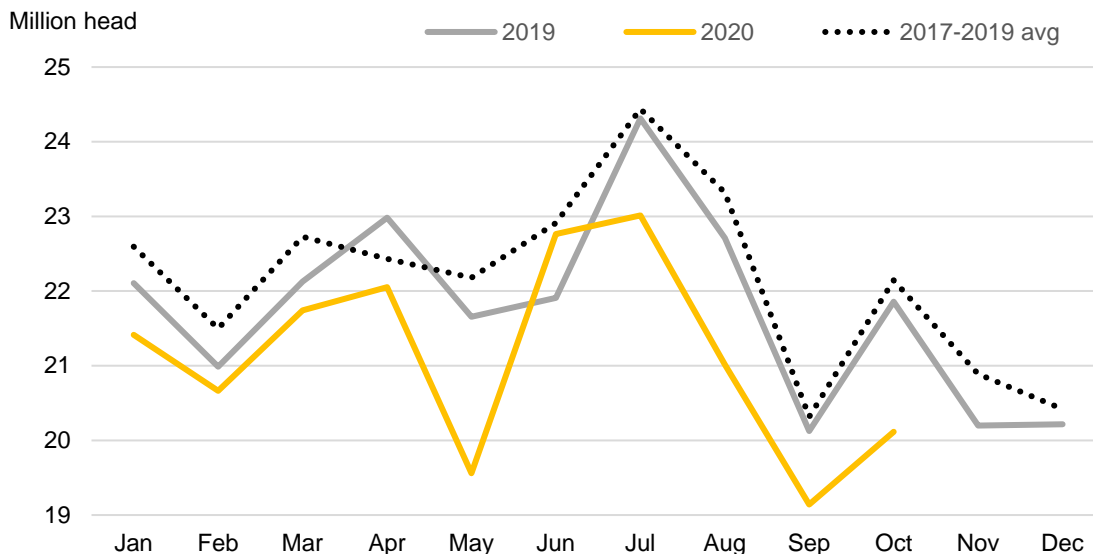
Weekly turkey meat production in the final 12 weeks of the year, 2019 and 2020



Source: USDA, Agricultural Marketing Service.

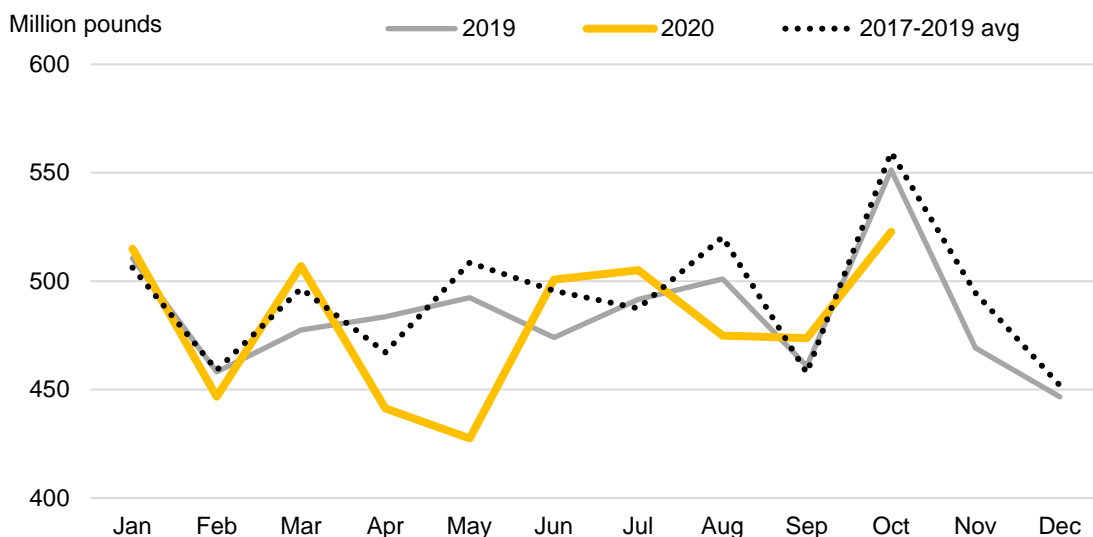
The fourth-quarter turkey production forecast was revised down to 1.430 billion pounds. This brings the 2020 total forecast to 5.722 billion pounds, a 2-percent decrease from 2019. The 2021 forecast was also revised down to 5.755 billion pounds, representing 1-percent growth over the 2020 forecast.

Monthly turkey poult placements



Source: USDA, National Agricultural Statistics Service.

Monthly turkey production



Source: USDA, National Agricultural Statistics Service.

Turkey Exports Revised Up In Fourth Quarter

U.S. turkey meat exports totaled 63.4 million pounds in October, marking the first monthly year-over-year increase in 2020 (+ 3.4 percent). Monthly turkey meat exports have peaked in October in each year since 2017.

U.S. turkey meat exports: Volumes and export shares of largest markets, 2019 and 2020

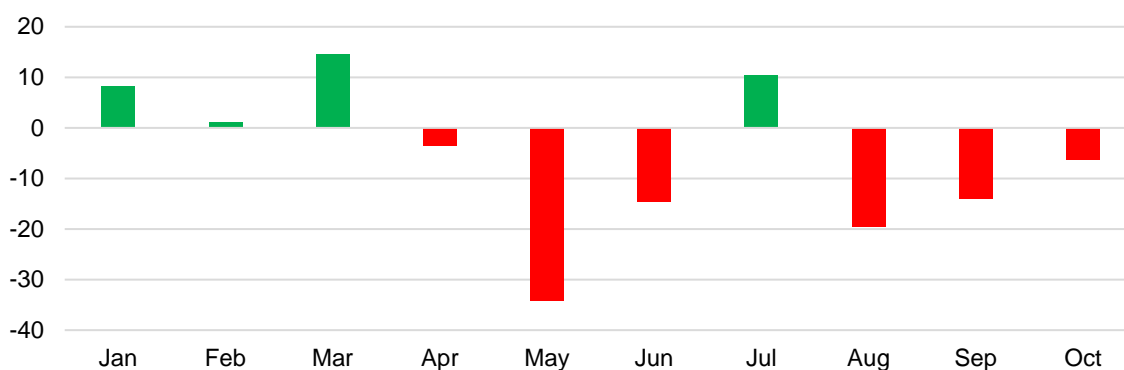
Country	Volume, 1,000 pounds, CWE			Export Share (percent)	
	October 2019	October 2020	Change in Volume	October 2019	October 2020
Mexico	40,290	37,753	-2,538	65.8	59.6
China	0	3,699	3,699	0.0	5.8
Canada	1,426	1,134	-292	2.3	1.8
Guatemala	1,976	3,044	1,068	3.2	4.8
South Africa	570	919	349	0.9	1.5
Dominican Republic	1,244	748	-497	2.0	1.2
Jamaica	760	1,068	308	1.2	1.7
Haiti	162	475	314	0.3	0.8
Costa Rica	700	2,190	1,489	1.1	3.5
Benin	419	768	349	0.7	1.2
World	61,264	63,350	2,087		

Notes: CWE = Carcass weight equivalent; largest markets are based on year-to-date 2020 export volumes.
Source: USDA, Economic Research Service, Livestock and Meat International Trade Data.

While Mexico has remained the largest market for U.S. turkey meat, exports to Mexico in October were 6.3 percent lower at 37.8 million pounds. Monthly year-over-year changes in shipments to Mexico are shown in the chart below. China has accounted for some of the increase in October, with a 5.8-percent share of exports. Other markets with large year-over-year increases in October include Guatemala (+ 3.0 million pounds) and Costa Rica (+2.2 million pounds), which combined account for 8.3 percent of October exports.

Year-over-year percent change in monthly turkey exports to Mexico, 2020

Percent



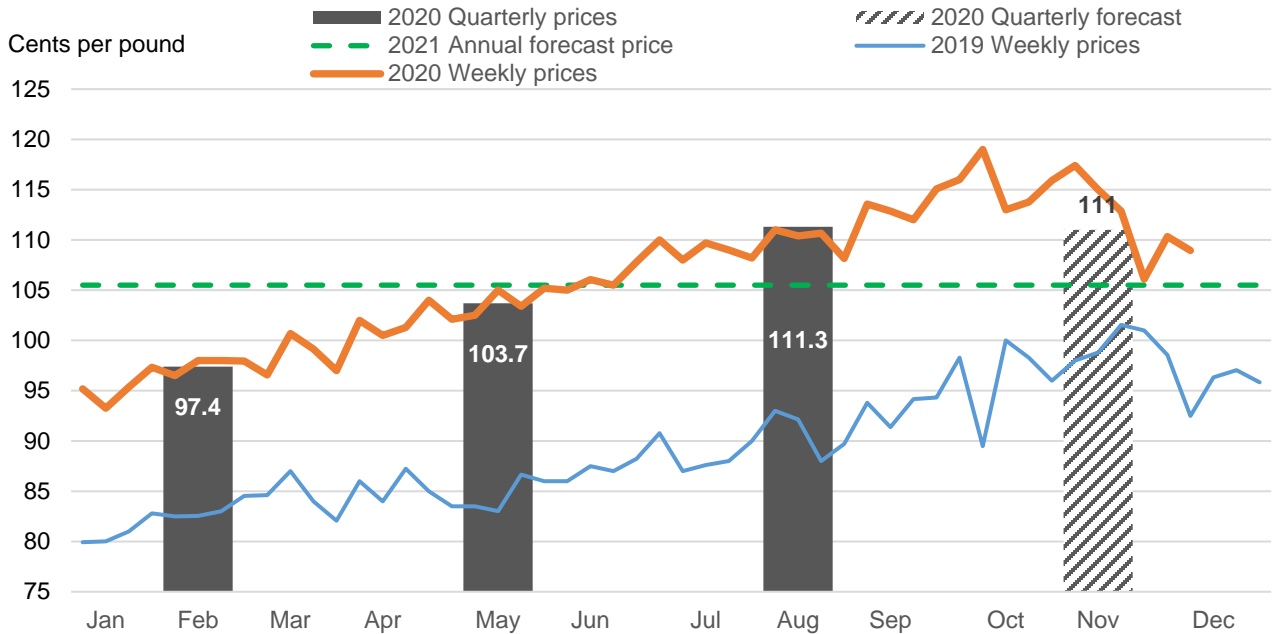
Source: USDA, Economic Research Service, Livestock and Meat International Trade Data.

The fourth-quarter turkey export forecast was increased to 170 million pounds on strong October exports. This brings the total 2020 export forecast to 578 million pounds, a year-over-year decrease of 10 percent. Forecast 2021 turkey exports were also revised up to 590 million pounds, 2-percent growth over the 2020 forecast. Turkey import forecasts remain unchanged.

Turkey Price Forecast Adjusted Down In Fourth Quarter

In November, wholesale whole-hen frozen turkey prices averaged 112.97 cents per pound, nearly 14 percent higher than last November. The weekly wholesale price for frozen hens was 108.95 cents per pound in the week ending December 4th. While monthly prices in 2019 peaked in November at 99.24 cents per pound, the peak monthly price in 2020 year-to-date was October's average price of 115.74 cents per pound. The fourth-quarter price forecast was adjusted down to 111 cents per pound on the decreasing weekly prices. The 2021 forecast is unchanged, with an annual average of 106 cents per pound.

Wholesale whole-hen frozen turkey prices



Sources: USDA, Agricultural Marketing Service and USDA, *World Agricultural Supply and Demand Estimates Report*.

Suggested Citation

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