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Livestock, Dairy, and Poultry Outlook

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Export Markets Evolve, but Dynamic Year for Total Red Meat and Poultry Exports Not Expected

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Tables will be released
on Mar 26, 2013

The next newsletter
release is Apr 16, 2013

Approved by the
World Agricultural
Outlook Board.

Beef/Cattle: Snow in Plains States brings some drought relief but adversely impacts cattle feeding and meat processing, boosting fed cattle and beef prices. The snow also resulted in increased demand for feeder cattle for summer grazing, improving prices for lighter weight feeders. Alternatively, cattle feeding losses and negative near-term profit prospects exert downward pressure on prices for heaviest feeder cattle.

Special Article: “Japan Announces New Rules for Imports of U.S. Beef”

Pork/Hogs: Pork exports in January were year-over-year lower due to lower shipments to China, Mexico, South Korea, and Japan. U.S. exports to Japan in particular—by far the largest foreign buyer of U.S. pork products—face strong headwinds, as the Japanese yen has lost significant value relative to the U.S. dollar since last year. Lower wholesale pork prices are being reflected in somewhat lower retail pork prices.

Poultry: Broiler meat production for 2013 is estimated at 37.9 billion pounds, up 600 million from the previous estimate. Production rose by 5.6 percent in January due a higher number of birds slaughtered and higher average weights. Turkey meat production for 2013 was increased to 6.2 billion, an increase of 150 million pounds from the earlier estimate. Turkey cold storage holdings as of January 31 were 362 million pounds, 22 percent higher than the previous year. Table egg production was higher in January on a year-over-year basis for the 16th consecutive month.

Poultry Trade: Broiler and turkey shipments in January 2013 rose from a year ago, while egg shipments declined over the same period. Broiler exports totaled 519.6 million pounds in January 2013, an increase of 2.7 percent from a year earlier. Turkey shipments increased 3.6 percent from a year earlier, totaling 56.3 million pounds, while egg exports totaled 24.1 million dozen in January 2013, a decline of 4.2 percent from last January.

Dairy: Higher cow numbers will make the year-over-year decline in the U.S. herd size even more gradual than earlier expected. Higher exports are expected to support milk prices.

Beef/Cattle

Beef/Cattle: Southern Plains Snowstorms Stop Cattle, Move Cattle Prices

Federally inspected (FI) other (primarily beef) cow slaughter was about 6 percent below year-earlier levels for the week ending February 2 through the week ending February 23, compared with dairy cow slaughter that was 4 percent above year-earlier levels. Total FI cow slaughter for the same period—down almost 1 percent, year-over-year—consisted of 46 percent other (beef) cows, down from 49 percent for the same period in 2012. Cull cow prices increased over the past month and are considered likely to continue increasing through at least the second quarter of 2013.

While the recent snows in the Plains States improved prospects for summer pasture and, thus, demand for lightweight feeder cattle, they have not completely alleviated the drought conditions over the Central and Southern Plains. Feeder cattle prices continue to be influenced by both drought concerns and limited supplies of lightweight cattle to meet summer grazing demand. Declining prices for heavy feeder cattle may reflect their dim prospects for near-term cattle feeding profits.

The snowstorms that moved across the Plains States halted cattle movements, which gave a temporary boost to fed cattle prices and wholesale beef cutout values. Fed cattle prices continue to move erratically between \$122 and \$128 per cwt. While prices appear to be moving higher at the moment, it is not clear how high they will go before the sector responds to the relatively large numbers of cattle on feed for more than 120 days (adjusted for those calf-feds that would normally be on feed more than 120 days) and other factors affecting supplies.

Cattle on feed for more than 120 days (adjusted) are currently at the second highest level since the series began in 1996. This suggests that there are still cattle that should come to market in sufficient numbers to exert downward pressure on fed cattle prices and likely on wholesale cutout values as well.

Cattle feeders have endured negative margins since March 2011. Even futures prices have not offered cattle feeders the possibility of positive margins, which are unlikely with cattle feeding costs in the mid-\$130 range that are expected to continue at least until anticipated lower new-crop corn prices begin to mitigate feed costs. Feeder cattle prices are expected to rise and will largely offset expected lower 2013-14 corn prices, which could lead to continued cattle feeding losses into 2014.

Sandwiched between record and near-record fed cattle prices and record retail beef prices tempered by consumer resistance to high prices for beef cuts, meat packers have also experienced negative profit margins since summer 2012. Blizzard-induced work stoppages and other factors have resulted in reduced or erratic slaughter numbers for several weeks. As a result, cutout values have increased unevenly and are \$12 to \$14 above a low that was set in mid-February 2013.

First-Quarter Exports Likely To Be Year-Over-Year Lower

USDA lowered its first-quarter 2013 export forecast to 1.3 billion pounds from 1.4 billion pounds in recognition of currently soft foreign demand for U.S. pork products. First-quarter exports of 1.3 billion pounds imply a 10-percent reduction from exports a year ago. During the first quarter of last year, U.S. processors were shipping product to China as part of a contract consummated in the fall of 2011. With no such contracts currently in place, and with the currency of the largest foreign buyer of U.S. pork products—Japan—depreciating sharply in the first 2 months of the year, prospects for U.S. exports for the balance of the quarter appear muted.

The figure below shows weekly pork wholesale prices that have largely lagged year-ago prices, signaling weak demand since the beginning of the year.

While soft domestic demand could also contribute to year-over-year lower wholesale cutout prices, of particular note are 2013 wholesale prices of several cuts that are important for U.S. pork export trade. Prices for butts and picnics are shown below. Both cuts have traded significantly below year-earlier prices and may indicate slower foreign demand.

Exports Begin 2013 Lower

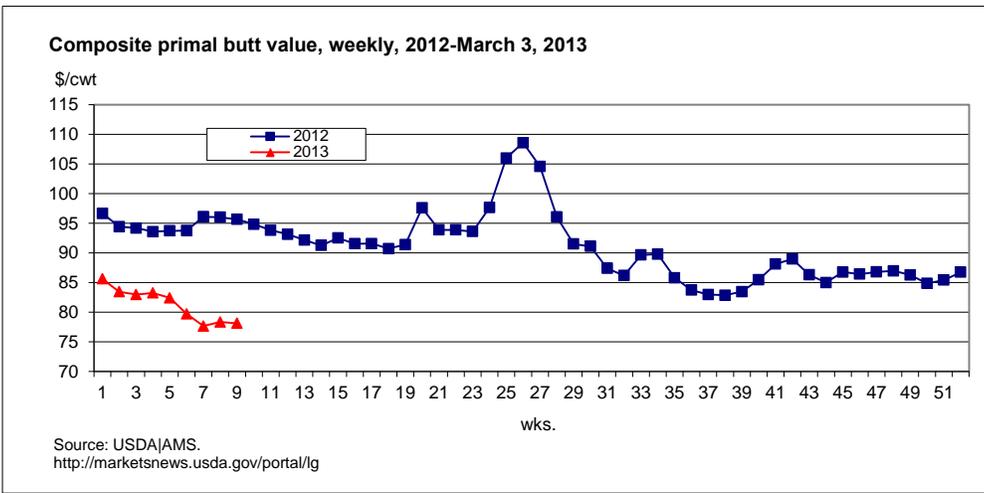
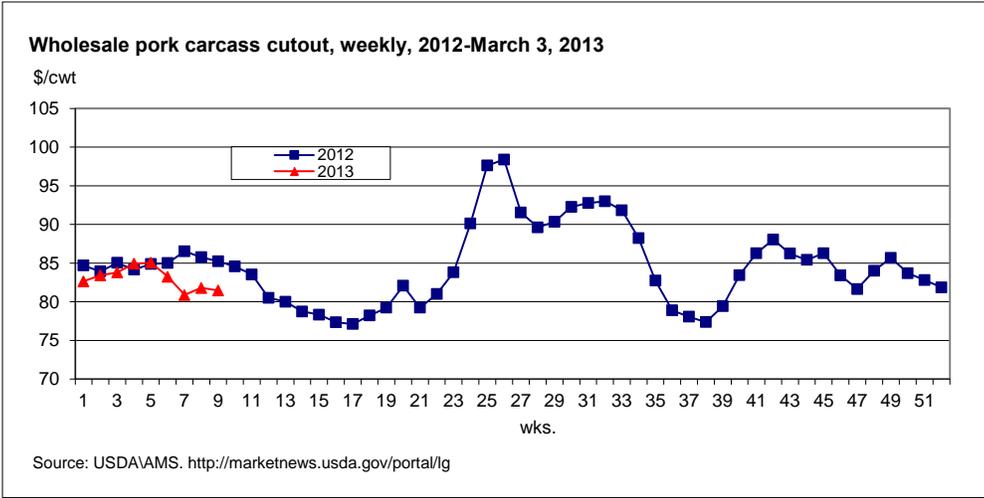
More than 423 million pounds of U.S. pork products were shipped to foreign destinations in January 2013, almost 16 percent below January 2012. Lower sales to Japan (-7 percent), and Mexico (-5 percent), South Korea (-20 percent), and China/Hong Kong (-56 percent) largely account for the year-over-year lower January export figure. In Japan's case, there is little doubt that the depreciated yen is playing a role in smaller imports of U.S. pork products. The figure below shows 2013 yen-U.S. dollar exchange rates for January and February, compared with monthly rates in 2012 and 2011. The January 2013 yen rate is fully 15.7 percent above January 2012. The February yen rate is 18.5 percent higher than the yen cost of one U.S. dollar in February 2012. All this means, assuming constant U.S. prices, that American products cost much more in Japan in 2013; when prices go up, quantity demanded goes down. A low-valued yen benefits foreign buyers of Japanese goods but penalizes Japanese buyers of imported goods. So as the value of the yen stays low, more Japanese goods may be exported, but Japanese consumers of U.S. pork, in particular, will confront higher prices and more than likely respond by buying lower quantities.

Retail Prices Heading Downward

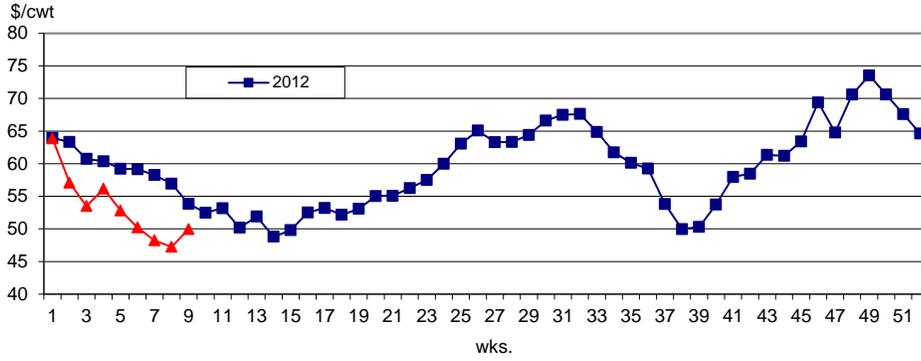
Retail pork prices averaged \$3.40 per pound in January, dropping 2.5 cents from December. Lower retail prices are also reflected in a lower wholesale-to-retail price spread, which declined from 196.8 in December to 193.4 in January. Lower retail prices and corresponding price spreads suggest that retailers are finding it necessary to lower prices in order to move pork supplies out the door. There are a number of factors that affect how much animal protein consumers decide to buy; but among

them right now, higher payroll taxes and higher gasoline prices may be causing consumers to back away from the meat purchases.

Retail pork prices are expected to average in the low \$3.40s per pound during the first quarter, down from \$3.49 a year ago. Weaker foreign demand for U.S. pork products could benefit domestic pork consumers. If lower foreign demand pressures wholesale pork prices, retailers could pass along those lower wholesale prices. However razor-thin retail margins associated with currently high-priced beef may limit what retailers choose to fully pass along to pork consumers in the form of lower retail pork prices.

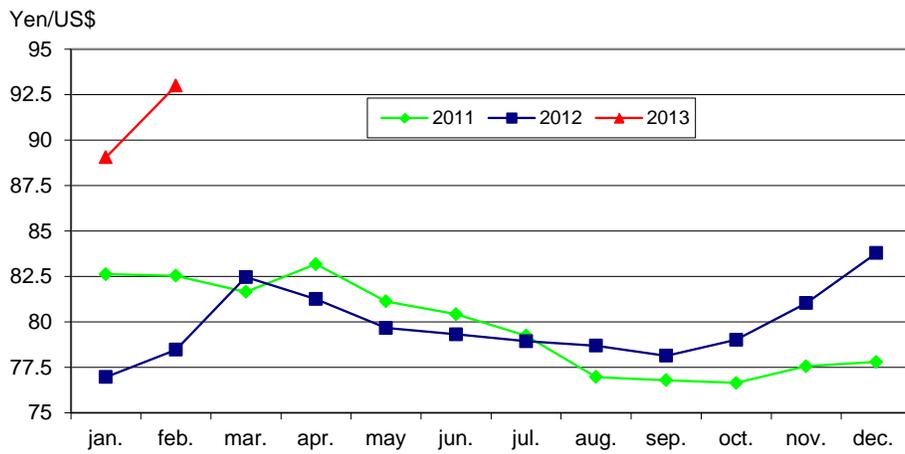


Composite primal picnic value, weekly, 2012-March 3, 2013



Source: USDAVAMS. <http://marketnews.usda.gov/portal/lg>

Yen-U.S. dollar exchange rate: monthly, 2011 - February 2013



Source: Board of Governors of the Federal Reserve System:
<http://www.federalreserve.gov/releases/h10/current/>

Broiler Production Estimate for 2013 Revised Upward, January Production Higher

The estimate for broiler meat production in 2013 has been revised upward to 37.9 billion pounds. This is an increase of over 600 million pounds from the previous estimate. With this increase, broiler meat production in 2013 would be 2.4 percent higher than in 2012. The higher production is expected to stem from increases in both the number of birds slaughtered and their average live weight at slaughter. The number of eggs in incubators and the number of chicks placed for growout has been trending higher since the beginning of the year, and live weights are expected to continue to average significantly higher than in 2012. Broiler integrators are expected to be influenced by relatively high prices for competing meats and the outlook for possible reductions in overall feed costs, especially in the second half of the year.

Broiler meat production for January 2013 was reported at 3.3 billion pounds, up 5.6 percent from the previous year. The increase was the result of sharp increases in the number of birds slaughtered and in their average live weight at slaughter. The number of birds slaughtered was 735 million, up 3.9 percent from the previous year, a result of earlier increases in chick placements, but the total was also boosted by the fact that January 2013 had one additional slaughter day compared with the previous year. The average live weight at slaughter in January was 5.92 pounds, an increase of 1.4 percent from a year earlier that continued the gains in average weights that occurred in fourth-quarter 2012.

There were some revisions to broiler meat production and slaughter numbers for 2011 and 2012 in the NASS Poultry Slaughter Summary. The revisions to both years were small and only add several million pounds of broiler meat production to the previous totals.

Weekly estimates of broiler eggs in incubators and chick placements from the NASS Broiler Hatchery Report point toward continuing increases in the number of birds available for slaughter. Over the last 5 weeks (February 2 to March 2), the number of eggs placed in incubators has averaged 199 million, 1.8 percent above the same period the previous year. During the same 5-week period, the number of chicks being placed for growout averaged 163 million per week, just under 1 percent higher than in the same period the previous year. Chicks placed for growout in March will likely be ready for slaughter in late April to mid-May, based on an average 7- to 8-week growout period.

Higher broiler meat production in fourth-quarter 2012 and expected higher production in first-quarter 2013 are expected to place downward pressure on prices. Prices will also be impacted by relatively high stock levels. The impact these factors have on prices could vary considerably depending on the various broiler parts and will also be impacted by price changes for other meats and the strength of the export market. In February, the national whole broiler price was \$1.02 per pound, up 15 percent from the same period in 2012, and by the second week of March prices had risen to \$1.07 per pound. Prices for many other broiler products were also higher.

Prices for boneless/skinless breast meat in February in the Northeast market averaged \$1.40 per pound, up 14 percent from same period the previous year. Prices for rib-on breasts averaged \$1.16 in February, up 13 percent. Prices for boneless/skinless thigh meat were \$1.31 per pound, an increase of 5 percent over February 2012. Even with a strong export market in fourth-quarter 2012, prices for many broiler leg products in February were lower than at the same time in 2012. Leg quarter prices were \$0.50 per pound, down 5 percent from the previous year, and prices for thighs and drumsticks were also lower. The lower prices for leg quarters and thighs is likely a reflection of higher stock levels for these products, but stocks of drumsticks going into February were down significantly from the previous year.

The NASS Annual Cold Storage Report contained only minor adjustments to ending poultry product stocks for 2012. Ending stocks for 2012 are estimated at 651 million pounds, 10 percent above those of the previous year. The increase in stocks was the result of higher production in fourth-quarter 2012, as exports rose slightly. Higher broiler meat production is forecast throughout 2013 and is expected to result in higher ending stocks in the first two quarters of 2013.

Broiler Stocks 10 Percent Higher in January

Stocks of broiler products at the end of January 2013 totaled 631 million pounds, 10 percent higher than the previous year. Stocks of most broiler products were well above their previous-year levels, the only exceptions being drumsticks and “other” products. Stocks of drumsticks totaled 17 million pounds, over 26 percent lower than the previous year. Stocks of “other” products (those not included in the separate-parts breakout) totaled 250 million pounds and were 5 percent below year-earlier levels. Stocks of wings were 59 million pounds, up 66 percent from a year earlier, but did not seem to impact wholesale wing prices that averaged \$2.06 per pound in January, 12 percent higher than a year earlier. Stocks of whole birds, breast meat, legs, and leg quarters all increased significantly compared with the previous year, while stocks of thighs and thigh meat were up by smaller amounts.

Turkey Production Forecast for 2013 Increased

During the last 5 months of 2012 and the first month of 2013, turkey hatchery data showed that the number of poults being placed was down in 4 of those months, down strongly in December (10 percent) and down again in January (1 percent). However, any decrease in the number of turkeys slaughtered is expected to be offset by gains in average weights. Turkey meat production for 2013 was increased to 6.2 billion, an increase of 150 million pounds from the earlier estimate. Production in the first half of 2013 is expected to be only slightly higher than the previous year, with production showing stronger year-over-year growth in the second half of the year as expected benefits from somewhat lower feed costs take hold.

Turkey meat production in January 2013 totaled 524 million pounds, up almost 10 percent from the previous year. The increase in production was the result of both a higher number of turkeys being slaughtered (up 6.7 percent) and a large increase in the average weight of birds at slaughter to 31.6 pounds (2.2 percent higher). The increase in the number of birds slaughtered in January 2013 benefited from 1

additional slaughter day compared with the previous year. Year-over-year increases in average weights are expected to continue throughout most of 2013, but the gains are expected to be less than those seen in January.

Turkey Stocks 22 Percent Higher

The turkey stocks estimate for the end of January 2013 was 362 million pounds, up 22 percent from January 2012, which in turn was 17 percent higher than stocks at the end of January 2011. The increase in cold storage holding stems from higher holdings in almost all of the categories reported for turkey. At the end of January 2013, whole birds stocks were estimated at 149 million pounds, up 35 percent from the same period last year. Stock levels also were sharply higher for breast meat, which increased to 64 million pounds, up 29 percent, and for unclassified turkey parts at 85 million pounds, 24 percent higher than the previous year. There were two exceptions to these increases: the stocks of legs and “other” turkey products both declined. The expected higher turkey production in 2013 is likely to push up cold storage holdings. Based on this, ending stock levels were increased for each quarter in 2013, in every case above the 2012 levels for the same period.

The increase in almost all turkey stocks has placed downward pressure on turkey prices. In February, prices for frozen whole hens averaged \$0.95 per pound, down 5 percent from the previous year. Prices for frozen whole hens have been lower on a year-over-year basis for the last 5 months. Prices for turkey parts have also been heavily impacted by the increase in stocks. In January 2013, prices for breast meat were down 2 percent from the previous year, while prices for drumsticks, wings, boneless/skinless breasts, and frozen MDM (Mechanically Deboned Meat) all showed double-digit declines in prices from the previous year. Prices for these products are likely to remain under downward price pressure until there is some decline in cold storage holdings. Prices for frozen whole hens are also expected to be under pressure and are forecast to remain below year-earlier levels throughout 2013. However, the lower prices are expected to make turkey products very competitive with other meats and to support turkey exports.

Table Egg Production Up in January

Table egg production in January was 578 million dozen, up 1.8 percent from the previous year. Table egg production has been higher on a year-over-year basis for the last 17 consecutive months. The number of birds in the table egg flock in January was 289.4 million, 1.4 percent higher than the previous year, but slightly lower than in December. The size of the table egg flock is expected to continue about even with or slightly higher than the previous year for most of 2013; the forecast is for a small increase in table egg production in 2013. Table egg production is forecast at 1.68 billion dozen in first-quarter 2013, 1.6 percent higher than the previous year. Overall production for 2013 is forecast at 6.81 billion dozen, which would be an increase of 1.3 percent from 2012. The NASS Annual Chicken and Egg Report contained some very minor revisions to table egg production in 2011 and 2012.

While table egg production continued its long term upswing in January, hatching egg production extended its recent turnaround-after declining on a year-over-year

basis for 18 consecutive months; in the last 2 months hatching egg production has risen, chiefly due to the broiler industry expansion of its chick placements. Hatching egg production in January was 88 million dozen, a 1-percent increase from the previous year. The gain in production came from the rising number of hens in the hatching egg flocks. The number of meat-type hens in the hatching egg flock rose to 51.4 million in January, an increase of 1.7 percent from the previous year. Hatching egg production during 2013 is expected to be up 0.2 percent to 1.1 billion dozen eggs as the broiler industry expands production. Most of the growth is expected in the second half of the year, as possible lower feed costs encourage expansion in the broiler industry. As with table eggs, the *NASS Annual Chicken and Egg Report* contained some minor revisions to hatching egg production in 2011 and 2012.

Wholesale table egg prices were relatively strong in January 2013 at \$1.28 per dozen for Grade A large, 19 percent higher than the previous year, but down slightly from the previous month. Table egg prices at the beginning of February had risen to over \$1.46 per dozen, but then fell rapidly, ending February and moving into March at around \$1.10 per dozen. With Easter falling in the first quarter this year (March 31), egg prices are expected to move seasonally higher through the end of March and then decline. The forecast for first-quarter 2013 egg prices is \$1.23 to \$1.26 per dozen, about 5 cents below the average for the previous quarter, but up about 5 percent from first-quarter 2012. Despite an expected expansion in table egg production, egg prices for 2013 are expected to average \$1.13 to \$1.20 per dozen, which would be fractionally below the previous year.

Poultry Trade

Broiler Shipments Rose in January

Broiler shipments in January 2013 rose 2.7 percent from a year earlier, totaling 519.6 million pounds. The chief reason for this increase was leg-quarter prices that were lower than a year ago. In December 2012, the average leg-quarter price was down 3.1 percent from a year ago. Countries that displayed strong demand for U.S. broiler meat included Mexico, Russia, Angola, and China. These four markets accounted for 43 percent of the total United States broiler meat exports in January 2013. Year-over-year, shipments to Mexico increased 19.6 percent, while shipments to Russia, Angola, and China rose 106, 283, and 95 percent, respectively.

Turkey Shipments Up in January

Turkey shipments totaled 56.3 million pounds in January 2013, up 3.6 percent from January 2012. The primary reason for the increase in turkey shipments is the increase in turkey supplies, which caused downward pressure on turkey prices, including the mechanically deboned turkey meat shipped to Mexico. The December 2012 average price for mechanically deboned turkey meat was down 8.4 percent from the previous year, while the January price was 12.3 percent lower.

Mexico is the largest turkey market for the United States and accounted for 58 percent of the total turkey meat shipped in January 2013. Shipments to China and Canada were also up considerably in January 2013 from a year ago. Last January, turkey shipments to China totaled only 2.1 million pounds, but increased to 6.7 million pounds one year later, a 219-percent increase. Turkey shipments to Canada rose 66.5 percent from January 2012.

Egg and Egg Products Shipments Fell in January

Egg and products shipments in January 2013 dropped 4.2 percent from a year ago, totaling 19.6 million dozen. The January 2013 decline in total egg shipments is due in part to low shipments to Japan, which were heavily dependent on the United States for egg and products after the tsunami disruption in 2011. In contrast, shipments to Hong Kong were up 18 percent from a year earlier. Shipments to Mexico were up 20 percent from last January, primarily because of the June 2012 Avian Influenza outbreak that occurred at two layer farms in Mexico. Also, egg and products shipments to Canada increased 72 percent in January 2013 compared with a year ago, but these increased shipments were not enough to offset the drop in egg and products shipments to other countries.

Milk Production Posts Another Forecast Rise, but Stronger Exports Are Expected to Keep Milk Prices From Slipping

Corn prices were reduced slightly on the upper end of the projected price range from February in the March USDA *World Agricultural Supply and Demand Estimates* report. Corn prices are forecast at \$6.75-\$7.45 per bushel. Soybean meal prices were lowered from February to \$425-\$445 per ton in March. Although record-high at the beginning of the year, forage prices are likely to moderate in the second half of 2013.

The number of dairy cows was raised from last month's estimate. Despite a poor milk-feed price ratio, January cow numbers were higher than expected. Forecast cow numbers were raised from last month for the first half of 2013 and lowered from last month for the second half of the year. The U.S. dairy herd is expected to average 9,195 thousand cows for 2013, a contraction from 2012 but higher than February's forecast. Output per cow was raised slightly to 21,960 pounds, based on higher milk per cow in the first quarter. The most recent *Milk Production* report showed slightly higher year-over-year milk per cow in January for the 23 surveyed States. As a result of the higher milk per cow and a slightly higher average herd size than earlier forecast, 2013 milk production was raised to 201.9 billion pounds. The net additional milk output will help keep a lid on milk prices and continue pressure on producer margins.

Both fat and skims-solids basis imports were unchanged this month; at 4.0 and 5.4 billion pounds respectively. Fat basis exports were raised to 9.4 billion pounds based on likely butter exports through the first part of 2013, but the exports are expected to flag toward the end of 2013. Skims-solids exports were raised to 34.4 billion pounds for the year. The increase is predicated on expected nonfat dry milk (NDM) exports. The apparent unfolding drought conditions in New Zealand could support greater U.S. exports later this spring if they continue into New Zealand's next marketing year. U.S. NDM stocks appear ample for filling any gap resulting from New Zealand's drought.

Year-end stocks on both a fat and a skims-solids basis were unchanged from last month. However, second-quarter ending stocks were raised slightly based on lower expected domestic disappearance. Skims-solids stocks were raised for the first quarter based on greater NDM stocks that are expected to decline as NDM exports accelerate later in the year.

Cheese prices have been lowered in March to \$1.710-\$1.770 per pound as production increases, but demand is expected to remain steady. The same supply-demand fundamentals apply to whey prices, which were lowered to 60.0-63.0 cents per pound. Butter prices are forecast at \$1.540-\$1.630 per pound, unchanged from last month. NDM prices were raised from last month to \$1.505 to \$1.555 per pound based on the export outlook for later in 2013. The Class III price is forecast at \$17.55-\$18.15 per cwt based on lower cheese and whey prices. The Class IV price is raised to \$17.35-\$18.05 per cwt as a higher export forecast supports butter and NDM prices. The all milk price is projected at \$19.00-\$19.60 per cwt, little changed from last month. Despite greater milk production forecast in March,

stronger exports are expected to support the projected all milk price at close to February's forecast and above the 2012 all milk price.

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Data Products

Meat Price Spreads, <http://www.ers.usda.gov/data-products/meat-price-spreads.aspx>, provides monthly average price values, and the differences among those values, at the farm, wholesale, and retail stages of the production and marketing chain for selected cuts of beef, pork, and broilers. In addition, retail prices are provided for beef and pork cuts, turkey, whole chickens, eggs, and dairy products.

Livestock and Meat Trade Data, <http://www.ers.usda.gov/data-products/livestock-meat-domestic-data.aspx>, contains monthly and annual data for the past 1-2 years for imports and exports of live cattle and hogs, beef and veal, lamb and mutton, pork, broiler meat, turkey meat, and shell eggs. The tables report physical quantities, not dollar values or unit prices. Breakdowns by major trading countries are included.

Related Websites

Livestock, Dairy, and Poultry Outlook, <http://www.ers.usda.gov/publications/ldpm-livestock,-dairy,-and-poultry-outlook.aspx>
Animal Production and Marketing Issues, <http://www.ers.usda.gov/topics/animal-products/animal-production-marketing-issues.aspx>
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U.S. red meat and poultry forecasts

	2010					2011					2012					2013				
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Production, million lb																				
Beef	6,248	6,546	6,768	6,741	26,305	6,410	6,559	6,736	6,490	26,195	6,283	6,475	6,584	6,571	25,913	6,285	6,365	6,365	6,095	25,110
Pork	5,607	5,302	5,401	6,126	22,437	5,719	5,370	5,484	6,186	22,758	5,858	5,519	5,631	6,243	23,251	5,745	5,570	5,690	6,370	23,375
Lamb and mutton	43	40	39	42	164	36	40	36	37	149	39	39	39	39	156	38	38	38	38	152
Broilers	8,733	9,198	9,496	9,484	36,910	9,290	9,509	9,542	8,860	37,201	9,089	9,381	9,372	9,197	37,039	9,175	9,550	9,700	9,500	37,925
Turkeys	1,340	1,383	1,415	1,506	5,644	1,402	1,471	1,423	1,495	5,791	1,446	1,505	1,480	1,537	5,967	1,450	1,550	1,550	1,625	6,175
Total red meat & poultry	22,122	22,626	23,291	24,058	92,097	23,011	23,113	23,396	23,225	92,745	22,866	23,087	23,272	23,735	92,960	22,842	23,237	23,507	23,779	93,365
Table eggs, mil. doz.	1,610	1,626	1,645	1,666	6,547	1,624	1,634	1,646	1,686	6,590	1,658	1,653	1,677	1,734	6,722	1,685	1,685	1,695	1,745	6,810
Per capita disappearance, retail lb 2/																				
Beef	14.6	15.1	15.3	14.6	59.6	14.1	14.6	14.7	14.0	57.3	14.0	14.7	14.5	14.2	57.4	14.0	14.2	14.2	13.6	56.1
Pork	11.8	11.4	11.7	12.8	47.8	11.4	11.1	11.0	12.2	45.7	11.1	10.9	11.2	12.7	45.9	11.2	11.0	11.4	12.5	46.1
Lamb and mutton	0.2	0.2	0.2	0.2	0.9	0.2	0.2	0.2	0.2	0.8	0.2	0.2	0.2	0.2	0.8	0.2	0.2	0.2	0.2	0.8
Broilers	20.1	20.5	21.4	20.4	82.4	21.5	21.5	20.8	19.1	82.9	20.1	20.4	20.3	19.7	80.4	20.0	20.9	21.1	20.4	82.5
Turkeys	3.5	3.6	4.1	5.2	16.4	3.5	3.5	4.0	5.0	16.1	3.5	3.6	4.1	4.9	16.0	3.5	3.8	4.1	5.3	16.7
Total red meat & poultry	50.7	51.2	53.3	53.7	208.9	51.3	51.3	51.0	51.0	204.6	49.3	50.3	50.6	52.0	202.2	49.5	50.6	51.5	52.4	203.9
Eggs, number	61.5	61.4	62.2	62.8	247.9	61.1	61.3	62.2	63.1	247.6	62.3	61.3	62.1	64.0	249.7	62.3	62.4	62.6	64.3	251.6
Market prices																				
Choice steers, 5-area Direct, \$/cwt	89.44	96.33	95.47	100.28	95.38	110.07	112.79	114.05	121.99	114.73	125.29	120.91	119.69	125.54	122.86	124-127	124-130	125-135	127-137	125-132
Feeder steers, Ok City, \$/cwt	98.73	112.65	112.29	113.55	109.31	127.20	131.09	134.74	141.93	133.74	152.81	150.05	139.31	143.40	146.39	144-147	143-149	144-154	149-159	143-152
Cutter Cows, National L.E., \$/cwt	51.79	58.79	58.90	54.93	56.10	68.66	74.88	66.11	63.54	68.30	76.57	83.51	76.94	73.81	77.71	76-78	79-83	78-84	77-81	77-82
Choice slaughter lambs, San Angelo, \$/cwt	103.87	106.17	115.57	141.62	116.81	174.66	157.99	161.13	148.61	160.60	145.33	127.08	89.28	89.85	112.89	108-111	101-109	100-110	105-115	103-112
Barrows & gilts, N. base, l.e. \$/cwt	50.41	59.60	60.13	50.11	55.06	59.94	68.80	71.06	64.66	66.11	61.68	61.79	61.43	58.63	60.88	61-62	65-69	64-70	54-58	61-65
Broilers, 12 City, cents/lb	82.20	85.00	84.50	80.00	82.90	77.90	82.60	78.80	76.80	79.00	87.40	85.1	82	92.1	86.6	100-103	95-99	87-95	87-95	92-98
Turkeys, Eastern, cents/lb	75.60	84.40	97.90	103.70	90.40	90.20	99.90	106.40	111.60	102.00	100.70	106.9	108.5	106.1	105.6	96-97	98-103	100-108	102-110	99-104
Eggs, New York, cents/doz.	126.00	82.80	93.10	123.20	106.30	105.80	106.60	117.70	131.20	115.30	108.70	99.7	131.9	129.4	117.4	123-126	107-113	104-112	118-128	113-120
U.S. trade, million lb																				
Beef & veal exports	478	585	590	646	2,299	633	702	766	683	2,785	558	625	651	621	2,455	585	650	630	575	2,440
Beef & veal imports	573	690	598	436	2,297	461	593	548	454	2,057	582	669	516	452	2,219	615	680	655	605	2,555
Lamb and mutton imports	47	46	31	42	166	49	48	31	34	162	37	38	38	40	153	40	38	35	40	153
Pork exports	1,046	1,081	951	1,146	4,224	1,248	1,200	1,261	1,481	5,189	1,444	1,302	1,252	1,386	5,384	1,300	1,315	1,275	1,475	5,365
Pork imports	199	204	237	219	859	201	195	194	213	803	207	191	198	205	801	210	190	200	200	800
Broiler exports	1,469	1,699	1,643	1,954	6,765	1,527	1,588	1,978	1,879	6,971	1,737	1,791	1,867	1,886	7,281	1,775	1,750	1,875	1,850	7,250
Turkey exports	114	136	158	174	582	159	171	173	199	703	181	185	216	218	800	205	205	210	210	830
Live swine imports (thousand head)	1,446	1,408	1,479	1,416	5,749	1,452	1,429	1,407	1,508	5,795	1,441	1,444	1,387	1,380	5,652	1,375	1,350	1,350	1,455	5,530

1/Forecasts are in bold.

2/ Per capita meat and egg disappearance data are calculated using the Resident Population Plus Armed Forces Overseas series from the Census Bureau of the Department of Commerce.

Source: World Agricultural Supply and Demand Estimates and Supporting Materials.

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3/13/2013

Dairy Forecasts

	2011		2012					2013				
	IV	Annual	I	II	III	IV	Annual	I	II	III	IV	Annual
Milk cows (thous.)	9,216	9,194	9,257	9,259	9,211	9,203	9,233	9,225	9,200	9,185	9,170	9,195
Milk per cow (pounds)	5,277	21,337	5,514	5,563	5,284	5,335	21,696	5,490	5,630	5,425	5,415	21,960
Milk production (bil. pounds)	48.7	196.2	51.0	51.5	48.7	49.1	200.3	50.6	51.8	49.8	49.7	201.9
Farm use	0.2	1.0	0.2	0.2	0.2	0.2	1.0	0.2	0.2	0.2	0.2	1.0
Milk marketings	48.4	195.2	50.8	51.3	48.4	48.8	199.3	50.4	51.6	49.6	49.4	200.9
Milkfat (bil. pounds milk equiv.)												
Milk marketings	48.4	195.2	50.8	51.3	48.4	48.8	199.3	50.4	51.6	49.6	49.4	200.9
Beginning commercial stocks	12.3	10.8	10.9	13.6	14.7	13.2	10.9	12.2	12.8	14.7	13.8	12.2
Imports	1.2	3.5	0.9	0.9	1.0	1.3	4.1	1.0	1.0	0.9	1.1	4.0
Total supply	62.0	209.5	62.6	65.8	64.1	63.4	214.3	63.5	65.3	65.2	64.3	217.1
Commercial exports	2.1	9.4	2.2	2.8	2.0	1.9	8.8	2.2	2.5	2.6	2.2	9.4
Ending commercial stocks	10.9	10.9	13.6	14.7	13.2	12.2	12.2	12.8	14.7	13.8	11.1	11.1
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	49.0	189.2	46.8	48.3	48.9	49.4	193.3	48.6	48.1	48.9	51.0	196.6
Skim solids (bil. pounds milk equiv.)												
Milk marketings	48.4	195.2	50.8	51.3	48.4	48.8	199.3	50.4	51.6	49.6	49.4	200.9
Beginning commercial stocks	12.2	12.2	11.8	12.9	12.6	11.8	11.8	12.3	12.1	12.3	12.1	12.3
Imports	1.4	5.3	1.4	1.4	1.4	1.5	5.7	1.3	1.3	1.3	1.4	5.4
Total supply	62.0	212.6	64.0	65.6	62.5	62.1	216.9	64.1	65.0	63.2	62.9	218.6
Commercial exports	8.2	32.5	8.3	9.0	8.3	7.6	33.3	8.4	8.9	8.6	8.5	34.4
Ending commercial stocks	11.8	11.8	12.9	12.6	11.8	12.3	12.3	12.1	12.3	12.1	11.6	11.6
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	42.0	168.2	42.8	43.9	42.4	42.1	171.2	43.6	43.8	42.5	42.9	172.7
Milk prices (dol./cwt) 1/												
All milk	20.07	20.14	17.97	16.40	18.20	21.47	18.51	19.30	18.65	18.95	19.00	19.00
								-19.50	-19.15	-19.75	-20.00	-19.60
Class III	18.62	18.37	16.28	15.53	17.80	20.17	17.44	17.25	17.50	17.90	17.60	17.55
								-17.45	-18.00	-18.70	-18.60	-18.15
Class IV	17.72	19.04	15.94	13.86	15.87	18.34	16.01	17.55	17.35	17.50	17.00	17.35
								-17.85	-17.95	-18.40	-18.10	-18.05
Product prices (dol./pound) 2/												
Cheddar cheese	1.799	1.825	1.559	1.547	1.773	1.952	1.708	1.665	1.705	1.740	1.720	1.710
								-1.685	-1.755	-1.820	-1.820	-1.770
Dry whey	0.636	0.533	0.646	0.544	0.541	0.643	0.594	0.625	0.595	0.605	0.585	0.600
								-0.645	-0.625	-0.635	-0.615	-0.630
Butter	1.728	1.950	1.499	1.409	1.684	1.785	1.594	1.525	1.535	1.545	1.550	1.540
								-1.565	-1.615	-1.655	-1.680	-1.630
Nonfat dry milk	1.461	1.506	1.368	1.170	1.269	1.505	1.328	1.540	1.510	1.520	1.465	1.505
								-1.560	-1.550	-1.580	-1.535	-1.555

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

2/ Simple averages of monthly prices calculated by the Agricultural Marketing Service for use in class price formulas. Based on weekly "Dairy Product Prices", National Agricultural Statistics Service. Details may be found at http://www.ams.usda.gov/dyfmoms/mib/fedordprc_dscrp.htm

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

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Livestock, Dairy and Poultry Outlook: Special Article

Japan Announces New Rules for Imports of U.S. Beef

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Approved by the
World Agricultural
Outlook Board.

In a decision that removes much of the import restriction on U.S. beef imposed at the end of 2003, Japan has allowed imports of beef from U.S. cattle less than 30 months of age, effective February 1, 2013. Late in 2003, Japan banned U.S. beef in reaction to the discovery of bovine spongiform encephalopathy (BSE) in the United States. In 2005, Japan reopened its market to U.S. beef imports from cattle slaughtered at less than 21 months. However, U.S. beef exports to Japan and Japanese beef consumption have not recovered to the levels they reached in 2003 and earlier. The latest action is expected to increase the volume of U.S. beef and byproducts exported to Japan; to allow somewhat lower prices in Japan for U.S. beef; and to raise the value of beef carcasses in the United States.

Japan and the United States Are Mutually Beneficial Partners in Beef Trade

Japan consumes over 1 million metric tons of beef per year, but the country's domestic beef production is limited. Japan has little land on which to graze cattle, increasing the cost of raising beef. Instead of grazing until a certain age or weight, cattle in Japan are fed intensively from weaning until slaughter, which typically occurs later than in the United States. This intensive feeding regime produces meat heavily marbled with fat, which consumers prize for its tenderness. Retail prices for Japanese beef are thus relatively high. Production of wagyu beef—referring to Japanese cattle breeds predisposed to heavy marbling—serves a specialized market that has been stable in size for the last two decades.

The market for less expensive beef for more casual uses grew in the 1990s after Japan ended its beef quota. By 2000, Japan was importing about two-thirds of the beef being consumed, and about half of those imports were U.S. beef. In Japan, grain-fed U.S. beef was preferred to imported grass-fed beef for most purposes, partly because of the tenderness and flavor of marbled grain-fed beef.

Growing concern about BSE and serious outbreaks of E. coli infections in Japan in the late 1990s and early 2000s slowed beef demand. Concerns were compounded by confirmation of a number of BSE cases in Japan beginning in 2001. To address BSE fears with Japanese

cattle, every animal in Japan was tested for BSE after slaughter. After the discovery of a case of BSE in the United States, Japan banned imports of U.S. beef at the end of 2003. Japan's measures related to BSE exceeded the recommendations of the World Organization for Animal Health (OIE). Since there was no case of BSE found in Japan in animals younger than 21 months of age, Japan began to allow the import of U.S. beef from animals under 21 months in 2005. The age restriction on U.S. beef limited imports from the United States. Because only U.S. and Canadian beef (also restricted) could provide the Japanese market with grain-fed beef on the scale the market preferred, total beef supply and total beef imports in Japan shrank and have yet to recover to the levels of 2003. In 2011, the United States exported 207,000 tons of beef (carcass weight equivalent) to Japan, the highest level since 2003, but still only 41 percent of the level exported at the peak of pre-BSE U.S. exports to Japan in 2000. U.S. exports fell slightly in 2012, to 204,000 tons.

Until 2003, Japan had been the largest market for U.S. beef and was valued as a customer by the U.S. industry because it imported certain cuts and byproducts at a higher price than U.S. consumers were willing to pay. Differences in tastes and preferences in beef products between U.S. and Japanese consumers created a mutually beneficial trading relationship. Beef products, including offals, preferred by Japanese consumers could be supplied by U.S. exporters, while the U.S. market was still provided with the muscle cuts that it most values. This raised the value of U.S. beef carcasses, and Japanese consumers were able to purchase beef at reasonable prices.

Implications of Japan's New Rules for Future Trade

Beef from most cattle in the U.S. herd now qualifies for export to Japan. Trade will become easier because age can be verified more easily using dentition. Under the previous rules, beef could be verified as eligible for export to Japan either through documentation of the animal's age or carcass evaluation by the physical grading program of USDA's Agricultural Marketing Service (AMS) demonstrating a grade of A40 or below. In practice, the physiological threshold was on the conservative side in that most A40-graded animals were 17 months or younger. Since animal traceability is often not available for U.S. slaughter cattle, beef from many U.S. cattle aged 18-20 months could not be verified for export to Japan. Under the new rules, most slaughtered animals meet physiological thresholds that show they are under 30 months by dentition. Furthermore, animals over 30 months also receive different treatment in the U.S. market (more parts must be removed from the food chain). Thus, there will be less need to give special treatment to beef destined for Japan, which will lower costs.

The new program also revises Japan's definitions of specified risk materials from bovine carcasses to make them correspond to internationally recognized standards. Beef products must be verified by a U.S. Government program, such as the AMS "LT-30" program, to be derived from animals aged younger than 30 months.¹ Beef and beef products from cattle 30 months of age and older remain ineligible for export to Japan at this time. The cuts and offals favored by Japan in 2003 and before—the short plate, short rib, hanging tender, tongue, etc.—continue to have receptive markets in Japan. Japanese buyers now have access to a larger pool of beef and products, and imported quantities are expected to increase. These products will be bid more away from current uses in the United States or other export markets, leading to stronger prices for some cuts and offals.

Greater Japanese beef imports are more likely to come from increased Japanese demand than from replacing Japan's own beef production, which satisfies a different market niche. The potentially greater supply of U.S. beef cuts and offals will allow retail prices for some products to fall in Japan, stimulating consumption of such popular meals as Korean barbecue, a major user of hanging tender and tongues, and beef on a bowl of rice, sold as a fast food. At the same time, U.S. grain-fed beef is likely to displace some beef from Australia and New Zealand, where grain feeding is less prevalent (no BSE restrictions were imposed on beef from these countries). Over time, it is reasonable to expect that the beef trade will return to levels and composition similar to that which prevailed in 2003, before the

¹ Details of the program can be found at:
<http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELPRDC5070306>.

BSE-related disruption to trade. The U.S. export market to Japan may even return to the peak levels reached in 2000.

The potential for increased imports is supported by the history of higher imports prior to the ban on U.S. beef and a significantly larger U.S. share of Japan's imports. In 2003, the volume of Japanese beef imports was over 20 percent (120,000 metric tons) higher than in 2012, and was as much as 50 percent (290,000 tons) higher in 2000. However, the opportunities for growth in total beef imports may be limited by several factors. Japan's population is slowly shrinking and aging, which may dampen beef consumption. Current slow growth in disposable income and high global beef prices also present challenges to beef demand.

Nonetheless, trade may be expected to rebound over a multiyear period as a result of increased access to U.S. beef, which is likely to gain more share in the Japanese import market—from the 26-percent level achieved in 2012 towards the 50-percent share held in 2000-2003. At 2012 import levels, a return to a 50-percent share of Japanese imports by the U.S. would be equivalent to a 145,000-ton increase in U.S. beef and offal exports.

Potentially offsetting an increase in demand by Japan are changes in the supply and demand for U.S. beef and beef products. Lower U.S. beef cow inventories and tightening supplies are forecast to lead to declines in U.S. beef production through at least 2015. The recent decline in value of Japan's yen versus the U.S. dollar makes U.S. exports more expensive in Japan, and a looming increase in Japan's value-added tax will increase the consumer price of all products. In addition, imports by Korea, Taiwan, and Hong Kong are larger than a decade earlier, and these markets are likely to compete for some of the same beef products that are easiest to sell in Japan.

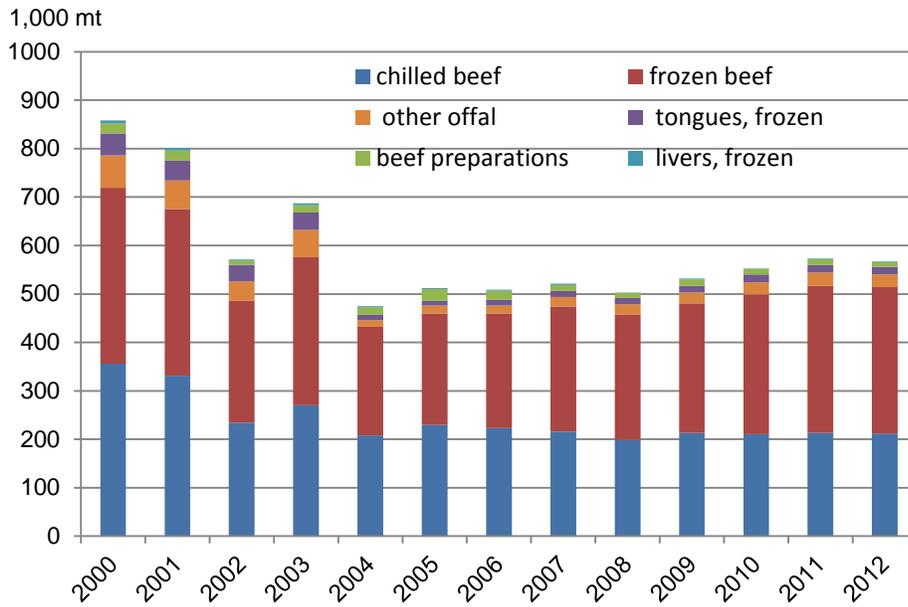
However, in the long term, the relaxation of the rules governing trade between the world's largest grain-fed cattle herd and the largest import market for grain-fed beef is likely to lead to steady increases in the volume of U.S. beef sent to Japan.

Two ERS reports provide additional information about the market for beef byproducts and the Japanese beef market:

Where's the (Not) Meat?—Byproducts From Beef and Pork Production, LDPM-209-01, November 2011
<http://www.ers.usda.gov/publications/ldpm-livestock,-dairy,-and-poultry-outlook/ldpm209-01.aspx>.

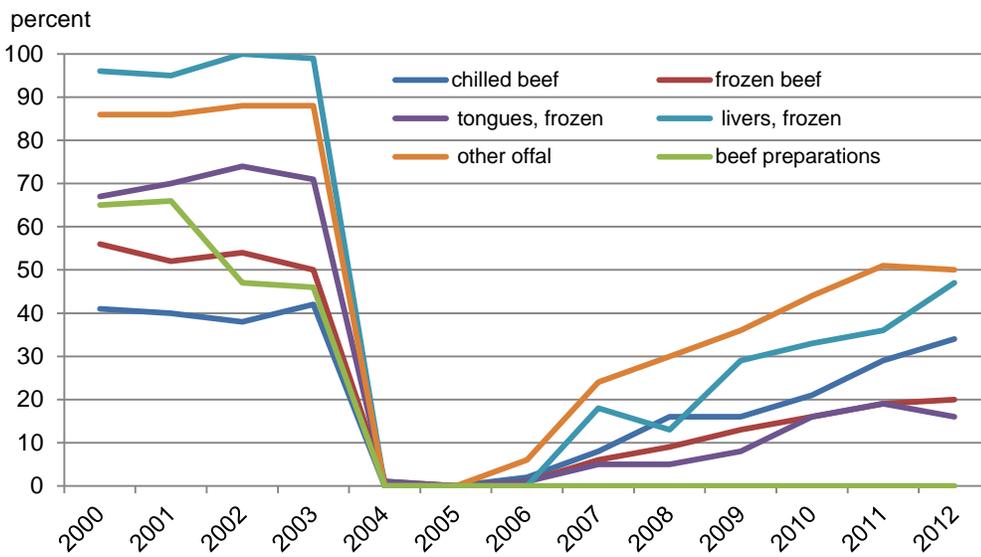
Japan's Beef Market, LDPM-194-01, August 2010
<http://www.ers.usda.gov/publications/ldpm-livestock,-dairy,-and-poultry-outlook/ldpm194-01.aspx>.

Japanese beef imports, 2000-2012



Source: USDA, Economic Research Service, using official Japan trade data in the World Trade Atlas.

U.S. share of Japanese beef imports, 2000-2012



Source: USDA, Economic Research Service, using official Japan trade data in the World Trade Atlas.