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# Livestock, Dairy, and Poultry Outlook

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## Lower Corn Prices May Boost Expansion for Livestock

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Tables will be released on  
April 30, 2013

The next newsletter  
release is May 16, 2013

Approved by the  
World Agricultural  
Outlook Board.

**Beef/Cattle:** Improved prospects for grazing in 2013 because of recent rains have bolstered feeder cattle prices. Lower year-over-year supplies of beef have provided support for cow prices, but this has been less so for fed cattle and wholesale beef prices.

**Beef/Cattle Trade:** With strong global demand, U.S. beef exports are expected to decline only about 1 percent in 2013. U.S. beef imports are expected to strengthen as the year progresses.

**Pork/Hogs:** The *Quarterly Hogs and Pigs* report showed larger March 1 inventories compared with a year ago. Commercial pork production in 2013 is expected to increase about 1 percent. February exports were off sharply, with lower shipments to all major markets except Canada.

**Special Article:** “U.S. Pork Production Rises on a Smaller base of Breeding Animals”

**Poultry:** The forecast for first-quarter 2013 broiler meat production was lowered slightly to 9.16 billion pounds, just under 1 percent higher than in first-quarter 2012. At the end of February, cold storage holdings were 615 million pounds, up 8.3 percent from the previous year. U.S. turkey meat production is estimated at 1.46 billion pounds in first quarter 2013, 10 million pounds above the previous estimate and almost 1 percent higher than the previous year. Stocks of whole birds, at 172 million pounds, made up 43 percent of total turkey stocks.

**Poultry Trade:** Broiler and turkey shipments in February 2013 fell from a year ago, while egg shipments increased over the same period. Broiler shipments dropped almost 8 percent from a year earlier, totaling 588.4 million pounds. Turkey exports totaled 60.7 million pounds in February 2013, a decrease of 2.3 percent from a year earlier. Egg and egg product exports totaled 21.5 million dozen in February 2013, an increase of almost 9 percent from last February.

**Sheep/Lamb:** Lamb prices declined throughout the first quarter of 2013 and are expected to weaken further during the ensuing quarters as demand for feeder and slaughter lamb declines. Prices are not expected to show much improvement during 2013 as demand and supply appear to be well balanced. Supply is tight enough to push prices up, and demand appears weak enough to pull prices down. As a result, Choice slaughter lamb prices at San Angelo, Texas, are expected to hover near \$100 per cwt for most of 2013.

**Special Article:** “Implications of the Trans-Pacific Partnership for Meat Poultry and Seafood Trade”

**Dairy:** Higher milk per cow in 2013 boosts milk output despite a year-over-year herd reduction. Stronger export prospects and a continued modest climb in domestic demand compared with last year help firm prices across the board for both milk and dairy products. However, compared with last month’s forecast, export forecasts are unchanged, and domestic demand was lowered. Prices are increased from last month due to lowered milk production forecasts this month.

### Near Term Precipitation Holds All the Cards

While drought has all but disappeared in the Southeastern United States, it continues in the Central and Southern Plains and Southwestern United States, although it appears to be moderating in most areas. Over the next 2 months, rains, or their absence, will set the stage for much of the summer grazing season in most of the Plains States.

Feeder cattle prices have improved following the most recent precipitation. With normal spring and summer precipitation in the Plains States and resulting improvements in pasture conditions, producers that culled deep into their cow herds since 2010 could begin to retain heifers to start rebuilding cow herd inventories. This heifer retention would also reduce feeder cattle supplies and provide support for feeder cattle prices. If corn prices decline as forecast (as a result of more normal precipitation) and pasture conditions improve, prices for feeder cattle could receive an additional boost.

Any positive feeder-cattle price effects would likely continue to accrue to the lighter weight cattle, which have a higher potential for marketing as fed cattle extending well into the 2013-14 corn-marketing year, when corn prices are anticipated to be significantly lower. These cattle will likely have the first real potential to generate cattle feeding profits since early 2011, provided anticipated increases in feeder cattle prices do not fully offset anticipated declines in corn prices and fed cattle prices do not deteriorate significantly.

On the other hand, continued drought could again force feeder cattle into feedlots prematurely. These premature placements would likely increase beef supplies during the latter part of 2013 and into 2014. Increased supplies would likely exert downward pressure on fed cattle prices, which, along with increased feeding costs from longer feeding periods required by lighter weight placements, would likely reduce cattle-feeding profit potential.

Weekly average prices for federally inspected 90-percent lean, 500 lbs and heavier dressed cow beef are again increasing, although somewhat erratically and despite heavier year-over-year cow slaughter (weekly federally inspected basis through the week ending April 12, 2013). Prices for 50-percent lean trim are also increasing, having reached some of the highest levels since the high February 2012 price, just before the news stories about Lean-Finely-Textured-Beef in March 2012. Ironically, domestic processing beef and trim prices are increasing, while imported processing beef prices appear to be declining.

Monthly average retail Choice beef prices have set intermittent records since the fall of 2011, with All-fresh beef prices setting almost monthly records. There have been few recent signs that the trend will be broken. Consumers have shown some resistance to the high prices, primarily by increasing consumption of ground products, that has led to higher prices for ground products relative to steaks and other pricier cuts.

### **U.S. Beef Exports To Continue Growth Through First Half of 2013**

U.S. beef exports through February are posting slightly stronger levels for the first 2 months of the year, 1 percent higher than a year ago. U.S. exports were higher to most major trading partners, excluding Mexico; exports were also lower to Vietnam. First-quarter exports are estimated to have been 570 million pounds, or 2 percent above a year ago. Second-quarter exports are also forecast higher than year-earlier levels, by 4 percent. U.S. beef exports are expected to begin a downturn in growth in the second half of the year as U.S. supplies become increasingly tighter. Third-quarter beef exports are forecast at 630 million pounds—3 percent lower—and fourth-quarter exports are forecast at 575 million pounds—7 percent lower—year-over-year. "Despite expectations for domestic beef production to be down 4 percent in 2013, total U.S. beef exports are forecast at 2.42 billion pounds only 1 percent lower for the year. "

### **U.S. Beef Imports Expected To Strengthen as the Year Progresses**

U.S. beef imports through February are 4 percent higher year-over-year. Through February, U.S. beef imports from Australia have been only moderately below a year ago and imports from New Zealand have been 43 percent higher, year-over-year. Imports from Canada are 29 percent lower, while imports from Mexico are 30 percent higher. Total beef imports for 2013 are expected to be 16 percent higher, year-over-year, increasing in strength as the year progresses and as domestic beef production and cow slaughter tightens. First- and second-quarter imports are forecast at 600 and 695 million pounds, or 3 and 4 percent higher than a year ago, respectively. Third- and fourth-quarter imports are expected to be 29 and 34 percent higher than year-earlier levels.

### **Cattle Imports from Mexico Tighten as Imports from Canada Begin To Rebound**

Cattle imports to the United States are expected to tighten in 2013 as Mexico's herd continues to contract. U.S. cattle imports through February were 7 percent lower than a year ago. This reduction resulted from lower Mexican cattle imports, which were 32 percent lower through February. Imports from Canada through February were 58 percent higher. This trend may be in play at least for 2013, as exports from Mexico are expected to continue tightening while Canadian exports rebound with gradual herd-size recovery. Total cattle imports for 2013 are forecast at 2.15 million head, or 5 percent below 2012 levels.

### Quarterly Hogs and Pigs Report Shows Larger March 1 Inventories

The *Quarterly Hogs and Pigs* report, issued by USDA on March 28, showed all hog inventories larger than a year ago. The inventory of all hogs and pigs was about 1 percent higher than March 1 of last year. The herd of breeding animals was up slightly—0.2 percent, or 14,000 animals—from a year ago. The report also showed that there were 2 percent more market hogs on farms as of March 1st compared with a year ago. Taken as a whole, the March 1 inventories suggest that despite weak margins since last summer, the U.S. hog production industry is not reducing hog numbers.

While producers reported lower farrowing intentions for the March-May quarter—down 1 percent from a year earlier—it is notable that these March-May intentions increased from those reported in December. In the December *Quarterly Hogs and Pigs* report, producers indicated plans to farrow 2 percent fewer sows in the March-May quarter. Even so, slightly fewer farrowings in the first half of 2013 are likely to be offset by increasing litter rates in both the March-May period and the June-August (third) quarter. Growth in litter rates will offset slightly lower farrowings and translate into an increase in pork production this year of about 1 percent, despite slightly lower first-half average dressed weights.

Larger hog numbers and increased pork production come at a time when the prices of both hogs and wholesale pork have lagged year-ago levels almost since the beginning of 2013. The increased pork supplies, coupled with weakness in foreign demand for U.S. pork products, would make for a grim outlook except for prospects of imminent relief from high feed costs. With feed costs comprising upwards of half of the costs of hog production, Christmas perhaps came early for hog producers—on March 28th—when USDA reported higher than expected corn stocks and prospective corn acreage of 97.3 million acres, up slightly from last year. With realistic prospects of lower corn prices, hog producers appear to be looking past the currently grim situation, toward a market environment where lower feed costs improve negative production margins and attractive wholesale pork prices spark both domestic and foreign pork demand.

### Exports in February Are Lower Almost Across-the-Board

U.S. exports in February of 398 million pounds—down almost 13 percent from a year ago—confirmed what U.S. wholesale pork prices have been suggesting since the beginning of the year: foreign demand for U.S. pork products is weak. February exports were lower to all major foreign destinations save one: shipments to Canada were up by more than 10 percent compared with February a year ago. The five largest foreign destinations for U.S. pork products in February are as follows:

### U.S. pork exports, five largest markets in February 2013

	February		Percent change
	2013	2012	(2013/2012)
	million lbs.		
<b>World</b>	397.7	455.3	-12.7
<b>1 Japan</b>	105.8	117.3	-9.8
<b>2 Mexico</b>	81.9	100.9	-18.8
<b>3 China-Hong Kong</b>	49.8	69.6	-28.4
<b>4 Canada</b>	45.8	41.3	10.9
<b>5 South Korea</b>	35.3	51.8	-31.9

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

Due to relatively low exports in January and February, and expectations for continued weakness in a number of markets, USDA lowered its 2013 pork export forecast to 5.2 billion pounds, 3.3 percent below a year ago.

February imports were 68 million pounds, about 1 percent above a year ago. Higher shipments from Canada, Mexico, and several European Union countries all contributed to the higher February total. Denmark's shipments to the United States were off by 11 percent, however. Imports of live swine—100 percent of which were of Canadian origin—were 8.5 percent lower in February. Lower shipments of finishing animals accounted for most of the decline, likely reflecting weak producer returns in the United States.

### First-Quarter Broiler Production Lowered

The estimate for first-quarter 2013 broiler meat production was lowered slightly to 9.16 billion pounds, less than 1 percent higher than in first-quarter 2012. The revision was chiefly due to a slightly smaller than expected number of birds slaughtered in both January and February and also due to the fact that first-quarter 2013 had 1 less slaughter day than first-quarter 2012. Broiler meat production in January was up by 5.7 percent to 3.3 billion pounds, but production fell to 2.9 billion pounds in February, down 2.6 percent from a year earlier. The reduction in broiler meat production would have been even larger, as the number of birds slaughtered in February fell by 3.6 percent, chiefly as a result of 1 less slaughter day than in February the previous year. However, the decline in broiler meat production was eased by a 1.4 percent increase in average live weights to 5.91 pounds per bird. During the first 2 months of 2013, the number of broilers slaughtered was 1.38 billion, up 0.2 percent from the same period in 2012. Preliminary estimates point toward a decline in broiler meat production in March, with a lower number of birds slaughtered and only slightly higher average live weights. The number of birds slaughtered is expected to be lower because March 2013 had 1 less slaughter day than the previous March.

With a strong increase in broiler meat production during fourth-quarter 2012 and an expected small increase in first-quarter 2013, broiler stock levels have grown compared with a year earlier. At the end of February, cold storage holdings were 615 million pounds, up 8 percent from the previous year. Stock levels at the end of February were lower in a number of the dark meat broiler categories, which include drumsticks (down 15 percent), thighs (down 20 percent), and thigh meat (down 15 percent). However, stocks of leg quarters and legs were both higher than a year earlier. Also, some stock changes seem to have had no impact on prices, while other stock changes seem to have had a definite impact. One example is cold storage holdings of whole broilers, which totaled 16 million pounds at the end of February, 17 percent higher than the previous year, while wholesale prices rose. On the other hand, stocks of wings jumped to 63 million pounds (up 86 percent), and prices began falling in mid-February and continued to decline in March. With a small increase in the production forecast for first-quarter 2013, the ending stocks forecast was also increased, by 20 million pounds to 595 million, a gain of 9 percent from a year earlier. The outlook for continued growth in broiler production in the second half of 2013 was also the chief cause of an increase in the ending stocks forecast for 2013 to 635 million pounds, but this is still 2 percent lower than at the end of 2012 as competitive prices for broiler products are expected to expand domestic consumption.

Weekly estimates of broiler eggs in incubators and chick placements in the NASS Broiler Hatchery Report are continuing to point toward only small gains in the number of broilers produced for slaughter compared with a year earlier. Over the past 5 weeks (March 9 to April 6), the number of eggs placed in incubators in the 19 reporting States averaged 200 million, 1 percent higher than during the same period the previous year. During this same period, the number of chicks placed for growout averaged only 0.2 percent higher than in the previous year. Chicks placed for growout in late March and early April will likely be ready for slaughter in mid-May, or about half way through the second quarter of 2013.

In first-quarter 2013, the national wholesale price for whole birds averaged \$1.04 per pound, up 18 percent from the previous year. The first-quarter price was higher than the previous year, but after peaking in the second quarter, prices for whole birds are expected to decline later in the year as production increases. Wholesale first-quarter prices in the Northeast region were higher for most broiler product categories compared with the previous year. The exceptions were prices for leg quarters and drumsticks. Prices for leg quarters averaged \$0.51 per pound in the first quarter, 4 percent lower than the previous year, while prices for drumsticks, at \$0.62 per pound, were down 12 percent. The first-quarter price for boneless/skinless breast meat averaged \$1.41 per pound, up 10 percent from the previous year, and the average price for boneless/skinless thighs was \$1.31 per pound, up 2 percent. Prices for broiler products are expected to remain steady or weaken slightly over the next several months, due mainly to the relatively high levels of cold storage holdings at the end of the first quarter. During the rest of 2013, some of the factors expected to influence the broiler industry are, first, that broiler integrators are evaluating the prospects of normal corn and soybean crops this year, which would be expected to result in declining feed costs. Second, some improvement is expected in unemployment rates and real disposable income, which—along with declining prices—would boost meat consumption. Third, the demand for U.S. poultry exports continues to be relatively strong.

### **Turkey Production Forecast Higher in First-Quarter 2013**

U.S. turkey meat production is estimated at 1.46 billion pounds in first-quarter 2013, 10 million pounds above the previous estimate and almost 1 percent higher than the previous year. During the first 2 months of 2013, turkey meat production totaled 986 million pounds, up 5 percent from the same period in 2012. During January and February, the number of turkeys slaughtered rose by 2 percent compared with the same period the previous year, and average live bird weights were 31.4 pounds, 2 percent higher than during January and February of 2012. Although the forecast for first-quarter 2013 was increased, the forecasts for turkey meat production in the second, third, and fourth quarters were all reduced slightly. The reduction is chiefly based on reductions in turkey poult placements in recent months and falling prices for many turkey products. The revised total for 2013 is now 6.1 billion pounds, an increase of 2 percent from a year earlier.

At the end of February 2013, turkey products in cold storage totaled 399 million pounds, 14 percent higher than the previous year. On a year-over-year basis, turkey stocks have been almost continually higher since the middle of 2011. At the end of February, cold storage holdings for most turkey product categories were higher, with the exception of cold storage holdings of legs and “other” products. Cold storage holdings of whole birds at the end of February were 22 percent higher than a year earlier. There was a wide difference in cold storage holdings for whole hens and toms; cold storage holdings of whole hens totaled 89 million pounds, 9 percent higher than a year earlier, while stock levels for whole toms were 83 million pounds at the end of February, 39 percent above a year earlier. Stocks of whole birds, at 172 million pounds, made up 43 percent of total turkey stocks. Stocks of mechanically deboned turkey meat had the largest percentage increase, rising to 13 million pounds, 25 percent increase above the previous year. Cold storage holdings for turkeys are expected to remain higher than year-earlier quantities throughout 2013, even with relatively strong exports and lower prices that would be expected to increase domestic usage.

During first-quarter 2013, prices for whole hen turkeys averaged \$0.96 per pound, 5 percent lower than in first-quarter 2012. With higher production throughout 2012 and year-over-year increases in cold storage holdings, there has been downward pressure on prices for whole birds and turkey parts. Prices for whole frozen hens are expected to remain below year-earlier levels for the remainder of 2013 as high levels of product in cold storage are expected to depress prices. Over the first 2 months of 2013, prices for almost all turkey prices were down considerably from the previous year. Prices for boneless/skinless breast meat averaged \$1.62 per pound, down 33 percent from the same period in 2012. Prices were also down for wings, bone-in breasts, mechanically deboned meat, and drumsticks. The average national price for frozen whole hens in second-quarter 2013 is forecast at \$0.98-\$1.02 per pound, around 7 cents lower than the previous year, with yearly prices forecast at \$0.99-\$1.03 per pound, down slightly from \$1.06 per pound in 2012.

### **Table and Hatching Egg Production Higher in 2013**

In February, the number of hens in the table egg flock was reported at 290 million, 2 percent higher than the previous year. Even with this increase in hen numbers, table egg production declined to 519 million dozen in February, a small decrease from a year earlier when February had an additional day due to Leap Year. Table egg production is expected to be higher in March, and production for first-quarter 2013 is estimated at 1.7 billion dozen, about 1 percent higher than in first-quarter 2012. Table egg production is expected to be about 1 percent higher than the previous year throughout 2013 and to total 6.8 billion dozen.

With broiler meat production forecast higher than the previous year throughout 2013, hatching egg production is also forecast higher (1.1 billion dozen), or 2 percent above production in 2012. In February, the number of hens in the broiler hatching flock totaled 52 million, up 2 percent from February 2012. On a year-over-year basis, the number of hens in the broiler hatching flock has been higher for the last 3 months.

### **Eggs Prices 17 Percent Higher in First Quarter**

The wholesale price for one dozen large eggs in the New York region averaged \$1.27 in first-quarter 2013, 17 percent higher than in first-quarter 2012. With the Easter holiday in late March this year, egg prices began to strengthen seasonally early in March and began their seasonal decline at the end of March. Weekly prices in the New York region peaked in the mid \$1.40's per dozen in late March but by early April had declined by \$0.30 per dozen. With the seasonal decline, prices in second-quarter 2013 are forecast at \$1.08 - \$1.12 per dozen, still around 10 percent higher than the previous year.

### **Broiler Shipments Dropped in February**

Broiler shipments in February 2013 totaled 588.4 million pounds, a decrease of almost 8 percent from a year earlier. The primary reason for the drop was lower shipments to Angola, Taiwan, and Hong Kong compared with a year ago. Shipments to Angola fell 35 percent from February 2012 totals, while shipments to Taiwan and Hong Kong declined 49 and 60 percent, respectively. There were some sizable increases in broiler meat shipped to Cuba, China, and Iraq in February 2013, which rose by 34, 94, and 42 percent, respectively, from a year earlier. However, these increases were not enough to offset the drop in shipments to other countries.

### **Turkey Shipments Declined in February**

Turkey shipments dropped 2.3 percent from a year ago, totaling 60.7 million pounds in February 2013. The main reason for the decline was the large reduction in turkey shipments to Mexico, the largest market for the U.S. turkey, accounting for at least half of U.S. turkey exports. In February 2013, the United States shipped almost 6 million pounds less to Mexico than it had a year ago. While turkey meat shipments to Mexico declined 16 percent in February 2013, broiler shipments to Mexico rose 4 percent over the same period. One plausible explanation for the decline in turkey shipments is that Mexico may be substituting broiler meat for turkey meat.

In addition, turkey shipments to other countries such as Canada, the Philippines, Hong Kong, and Taiwan were also down in February 2013 compared with a year earlier. U.S. turkey shipments to Canada fell 22 percent, while shipments to the Philippines, Hong Kong, and Taiwan dropped 69, 40, and 21 percent, respectively, partially offsetting the decrease more than a doubling of exports to China, the second largest market for U.S. turkey. However, the increase was not sufficient to overcome the declines in other markets.

### **Egg and Egg Products Shipments Rose in February**

Egg and egg product shipments in February 2013 rose almost 9 percent from the previous February. A total of 21.5 million dozen egg and egg products were shipped in February 2013. That month, egg and egg products exports to Hong Kong, the largest U.S. market, increased 31 percent, with Hong Kong accounting for 19.8 percent of the total shipments.

However, in February, shipments increased more rapidly to Mexico and Canada, on both a tonnage and percentage basis. Shipments to Mexico were up 93 percent from last February, primarily because of the Avian Influenza outbreak that led to Mexico's strong dependence on U.S. egg and egg products. In addition, egg and egg product shipments to Canada rose 52 percent in February 2013 compared with a year ago.

### Lamb Prices Expected To Weaken into Second-Quarter 2013

Lamb prices declined throughout the first quarter of 2013 and are expected to weaken further during the ensuing quarters as demand for feeder and slaughter lamb declines. Prices are not expected to show much improvement during 2013 as demand and supply appear to be well balanced. First-quarter Choice slaughter lamb prices at San Angelo, Texas averaged \$107.53 per cwt. March prices averaged \$98.76 per cwt, down \$10.81 from February. Although tight supplies would tend to support higher prices, demand appears to be exerting downward pressure on prices. As a result, Choice slaughter lamb prices at San Angelo, Texas are expected to hover near \$100 per cwt for the second quarter and for most of 2013.

First-quarter 2013 lamb and mutton demand did not appear to exhibit the typical seasonal spike that occurs when the Easter and Passover holidays fall within the first 3 months of the year. Lamb and mutton production, which is often a good gauge of seasonal demand during this period, was relatively flat. Production in March is estimated at 13.4 million pounds, with first-quarter production expected to be 38 million pounds, 2.6 percent below the same period of 2012. Second-quarter 2013 production is forecast at 37 million pounds. Production is expected to remain fairly tight for much of 2013 due to the limited number of market lambs. Lambs have been marketed at the upper bounds of their dressed weights for the past year, so the possibility of weight gains to boost production is highly unlikely. Any additional weight gains could further depress prices.

During February 2013, 13.5 million pounds of lamb and mutton was imported by the United States. Although this was 11.7 percent less than in January, it was 35.6 percent more than in February 2012. Australia supplied 64 percent of the lamb and mutton and the rest came from New Zealand. The imports consisted of 79 percent lamb meat with the rest made up of mutton. Typically, imports tend to be strong in the month preceding the Easter/Passover holidays. First-quarter 2013 imports are estimated at 40 million pounds, 8 percent above the same period last year.

Lamb and mutton exports in February 2013 totaled 0.8 million pounds, a 36-percent decline from the same period in 2012. First-quarter 2013 exports are forecast at 5 million pounds. Exports for the same period in 2012 were 3 million pounds.

### Milk Production Forecast Is Tightened in April, Prices Rise

Corn price forecasts were lowered slightly from March to \$6.65-\$7.15 per bushel for 2012/13. Higher world grain production and lower estimated U.S. domestic feed use are the basis for the forecast. Soybean meal prices were also lowered slightly from last month to \$415-\$435 a ton. Higher soybean crush increased meal supplies, which affected prices, although the increased supply is slated for export. The lower price for concentrate feeds along with a slightly higher expected all milk price will improve producer margins somewhat. The improvement is not large enough to boost herd size. Consequently, herd size is projected at 9,195 thousand for 2013, unchanged from March's forecast and below 2012's average herd size. Output per cow for the year was lowered in April to 21,945 pounds, based on lower February milk per cow data. Based on forecast herd size and output per cow, production is projected at 201.8 billion pounds for 2013.

Milk equivalent imports on both a fats and skims-solids basis were lowered in April's forecast. Fats-basis imports are now placed at 3.9 billion pounds for the year, while skims-solids imports are forecast at 5.3 billion pounds. Fats-basis imports were lowered based on lower expected imports of anhydrous products, and skims-solids basis imports were lowered based on lower expected imports of milk protein concentrates. Fats-basis exports are unchanged from the March forecast at 9.4 billion pounds. Skims-solids exports were unchanged at 34.4 billion pounds for the year. The price differential between U.S. and world nonfat dry milk (NDM) prices will likely strengthen exports in the second half of the year. Both fats- and skim-solids export forecasts represent increases above 2012 totals.

Fats-basis ending stocks were raised to 11.4 billion pounds as butter stocks persisted at higher than expected quantities. Skims-solids ending stocks were trimmed in April to 11.5 billion pounds as stronger expected second-half NDM exports and domestic demand are expected to tighten stocks by year-end.

Prices for cheese, butter, NDM and whey are all forecast higher in April as lower forecast milk production and strength in demand are firming prices. Cheese prices are forecast at \$1.735-\$1.785 per pound. The butter price forecast was raised to \$1.560-\$1.640 per pound. In light of the export forecast, NDM prices were boosted to \$1.585-\$1.625 per pound and whey prices were raised slightly to 60.5-63.5 cents per pound. Higher dairy product prices provided a lift to milk prices in April's forecast. Class IV milk is forecast at \$18.10-\$18.70 per cwt, and Class III prices were increased to \$17.85-\$18.35 per cwt. The all milk price forecast is \$19.45-\$19.95 per cwt.

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### Data Products

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

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

### Related Websites

Livestock, Dairy, and Poultry Outlook, <http://www.ers.usda.gov/publications/ldpm-livestock,-dairy,-and-poultry-outlook.aspx>  
Animal Production and Marketing Issues, <http://www.ers.usda.gov/topics/animal-products/animal-production-marketing-issues.aspx>  
Cattle, <http://www.ers.usda.gov/topics/animal-products/cattle-beef.aspx>  
Dairy, <http://www.ers.usda.gov/topics/animal-products/dairy.aspx>  
Hogs, <http://www.ers.usda.gov/topics/animal-products/hogs-pork.aspx>  
Poultry and Eggs, <http://www.ers.usda.gov/topics/animal-products/poultry-eggs.aspx>  
WASDE, <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1194>

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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
<b>Production, million lb</b>																				
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	<b>6,170</b>	<b>6,305</b>	<b>6,365</b>	<b>6,040</b>	<b>24,880</b>
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	<b>5,780</b>	<b>5,575</b>	<b>5,700</b>	<b>6,450</b>	<b>23,505</b>
Lamb and mutton	43	40	39	42	164	36	40	36	37	149	39	39	39	39	156	<b>38</b>	<b>37</b>	<b>38</b>	<b>38</b>	<b>151</b>
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	<b>9,160</b>	<b>9,550</b>	<b>9,700</b>	<b>9,500</b>	<b>37,910</b>
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	<b>1,460</b>	<b>1,525</b>	<b>1,525</b>	<b>1,600</b>	<b>6,110</b>
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	<b>22,762</b>	<b>23,156</b>	<b>23,492</b>	<b>23,779</b>	<b>93,189</b>
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	<b>1,675</b>	<b>1,685</b>	<b>1,695</b>	<b>1,745</b>	<b>6,800</b>
<b>Per capita disappearance, retail lb 2/</b>																				
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	<b>13.8</b>	<b>14.1</b>	<b>14.3</b>	<b>13.5</b>	<b>55.7</b>
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	<b>11.4</b>	<b>11.2</b>	<b>11.5</b>	<b>12.8</b>	<b>46.8</b>
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	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.8</b>
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	<b>20.2</b>	<b>20.9</b>	<b>21.0</b>	<b>20.4</b>	<b>82.6</b>
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	<b>3.5</b>	<b>3.7</b>	<b>4.1</b>	<b>5.2</b>	<b>16.6</b>
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	<b>49.5</b>	<b>50.6</b>	<b>51.5</b>	<b>52.5</b>	<b>204.1</b>
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	62.2	64.0	249.7	<b>62.1</b>	<b>62.3</b>	<b>62.5</b>	<b>64.2</b>	<b>251.1</b>
<b>Market prices</b>																				
Choice steers, 5-area Direct, \$/cwt	89.44	96.33	95.47	100.28	95.38	110.07	112.79	114.05	121.99	114.73	125.29	120.91	119.69	125.54	122.86	125.52	<b>124-130</b>	<b>125-135</b>	<b>127-137</b>	<b>125-132</b>
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	141.36	<b>144-150</b>	<b>145-155</b>	<b>152-162</b>	<b>144-152</b>
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	77.87	<b>81-85</b>	<b>79-83</b>	<b>77-81</b>	<b>79-81</b>
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	107.53	<b>96-102</b>	<b>95-105</b>	<b>100-110</b>	<b>98-106</b>
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	59.03	<b>60-62</b>	<b>60-64</b>	<b>52-56</b>	<b>58-60</b>
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	103.5	<b>103-107</b>	<b>94-100</b>	<b>92-100</b>	<b>98-103</b>
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	<b>98-102</b>	<b>99-107</b>	<b>100-109</b>	<b>99-103</b>
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	126.8	<b>108-112</b>	<b>104-112</b>	<b>118-128</b>	<b>114-120</b>
<b>U.S. trade, million lb</b>																				
Beef & veal exports	478	585	590	646	2,299	633	702	766	683	2,785	558	625	651	621	2,455	<b>570</b>	<b>650</b>	<b>630</b>	<b>575</b>	<b>2,425</b>
Beef & veal imports	573	690	598	436	2,297	461	593	548	454	2,057	582	669	516	452	2,219	<b>600</b>	<b>695</b>	<b>665</b>	<b>605</b>	<b>2,565</b>
Lamb and mutton imports	47	46	31	42	166	49	48	31	34	162	37	38	38	40	153	<b>40</b>	<b>38</b>	<b>35</b>	<b>40</b>	<b>153</b>
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	<b>1,260</b>	<b>1,275</b>	<b>1,235</b>	<b>1,435</b>	<b>5,205</b>
Pork imports	199	204	237	219	859	201	195	194	213	803	207	191	198	205	801	<b>210</b>	<b>190</b>	<b>200</b>	<b>200</b>	<b>800</b>
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	<b>1,725</b>	<b>1,750</b>	<b>1,875</b>	<b>1,850</b>	<b>7,200</b>
Turkey exports	114	136	158	174	582	159	171	173	199	703	181	185	216	218	800	<b>195</b>	<b>195</b>	<b>200</b>	<b>210</b>	<b>800</b>
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	<b>1,375</b>	<b>1,400</b>	<b>1,400</b>	<b>1,455</b>	<b>5,630</b>

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.

For further information, contact: Richard Stillman, (202) 694-5265, [stillman@ers.usda.gov](mailto:stillman@ers.usda.gov)

4/12/2013

## 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	5,475	5,630	5,425	5,415	21,945
<b>Milk production (bil. pounds)</b>	48.7	196.2	51.0	51.5	48.7	49.1	200.3	50.5	51.8	49.8	49.7	201.8
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	50.3	51.6	49.6	49.4	200.8
<b>Milkfat (bil. pounds milk equiv.)</b>												
Milk marketings	48.4	195.2	50.8	51.3	48.4	48.8	199.3	50.3	51.6	49.6	49.4	200.8
Beginning commercial stocks	12.3	10.8	10.9	13.6	14.7	13.2	10.9	12.2	13.4	14.9	13.4	12.2
Imports	1.2	3.5	0.9	0.9	1.0	1.3	4.1	0.9	0.9	0.9	1.1	3.9
Total supply	62.0	209.5	62.6	65.8	64.1	63.4	214.3	63.4	65.9	65.4	63.9	216.9
Commercial exports	2.1	9.4	2.2	2.8	2.0	1.9	8.8	2.2	2.5	2.5	2.2	9.4
Ending commercial stocks	10.9	10.9	13.6	14.7	13.2	12.2	12.2	13.4	14.9	13.4	11.4	11.4
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	47.8	48.5	49.5	50.3	196.1
<b>Skim solids (bil. pounds milk equiv.)</b>												
Milk marketings	48.4	195.2	50.8	51.3	48.4	48.8	199.3	50.3	51.6	49.6	49.4	200.8
Beginning commercial stocks	12.2	12.2	11.8	12.9	12.6	11.8	11.8	12.3	12.2	12.2	12.0	12.3
Imports	1.4	5.3	1.4	1.4	1.4	1.5	5.7	1.5	1.2	1.2	1.4	5.3
Total supply	62.0	212.6	64.0	65.6	62.5	62.1	216.9	64.1	64.9	63.0	62.8	218.4
Commercial exports	8.2	32.5	8.3	9.0	8.3	7.6	33.3	8.2	8.9	8.8	8.5	34.4
Ending commercial stocks	11.8	11.8	12.9	12.6	11.8	12.3	12.3	12.2	12.2	12.0	11.5	11.5
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	43.7	43.8	42.1	42.9	172.5
<b>Milk prices (dol./cwt) 1/</b>												
All milk	20.07	20.14	17.97	16.40	18.20	21.47	18.51	19.50	19.00	19.55	19.70	19.45
									-19.40	-20.25	-20.70	-19.95
Class III	18.62	18.37	16.28	15.53	17.80	20.17	17.44	17.44	17.60	18.30	18.10	17.85
									-18.00	-19.00	-19.10	-18.35
Class IV	17.72	19.04	15.94	13.86	15.87	18.34	16.01	17.71	18.05	18.50	18.15	18.10
									-18.55	-19.30	-19.25	-18.70
<b>Product prices (dol./pound) 2/</b>												
Cheddar cheese	1.799	1.825	1.559	1.547	1.773	1.952	1.708	1.686	1.720	1.775	1.760	1.735
									-1.760	-1.845	-1.860	-1.850
Dry whey	0.636	0.533	0.646	0.544	0.541	0.643	0.594	0.632	0.585	0.615	0.610	0.605
									-0.605	-0.645	-0.640	-0.635
Butter	1.728	1.950	1.499	1.409	1.684	1.785	1.594	1.555	1.600	1.570	1.525	1.560
									-1.670	-1.670	-1.655	-1.640
Nonfat dry milk	1.461	1.506	1.368	1.170	1.269	1.505	1.328	1.546	1.557	1.620	1.610	1.585
									-1.597	-1.680	-1.680	-1.625

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](http://www.ams.usda.gov/dyfmoms/mib/fedordprc_dscrp.htm)

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

For further information, contact: Roger Hoskin 202 694 5148, [rhoskin@ers.usda.gov](mailto:rhoskin@ers.usda.gov)

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## Livestock, Dairy and Poultry Outlook: Special Article

# U.S. Pork Production Rises on a Smaller Base of Breeding Animals

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Approved by the  
World Agricultural  
Outlook Board.

Between 2000 and 2012, U.S. federally inspected pork production increased by almost 24 percent, even as the U.S. inventory of breeding animals decreased by more than 9 percent (fig. 1). The key factor that explains this phenomenon is the gain in production resulting from a rapid increase in litter rates, i.e., the number of pigs per litter. But there are other factors contributing to this trend as well: namely, heavier slaughter weights and strong imports of Canadian swine for finishing in the U.S. These three factors have enabled greater pork output on a lower base of capital investment in the form of breeding animals.

Growth in litter rates makes it possible for the U.S. pork industry to produce the same or greater numbers of pigs with fewer sows (fig. 2). From December 1999 to February 2007, the annual growth in quarterly litter rates, according to NASS, averaged about 0.5 percent. From March 2007 to August 2011, this growth rate increased dramatically to 2.0 percent. The rise was mostly attributable to advances in breeding herd genetics and improvements in the management and care of sows during gestation and farrowings. Since 2007, the hog industry has enhanced its selective breeding methods to develop sows that produce and nurture more piglets. In addition, specialized vaccines were developed to combat swine diseases—swine circovirus, in particular—that increased the mortality of sows and piglets. In the same period, there has been growing use of swine housing innovations and labor practices, improving the comfort and survivability of sows and their piglets and contributing to larger hog production.

It appears, however, that this growth in litter rates is beginning to slow, averaging just 1.2 percent between September 2011 and August 2012. This could signal that the industry is exhausting the gains from new technology adoption. It is also possible that high feed costs reduce producer incentives to save weaker newborn pigs.

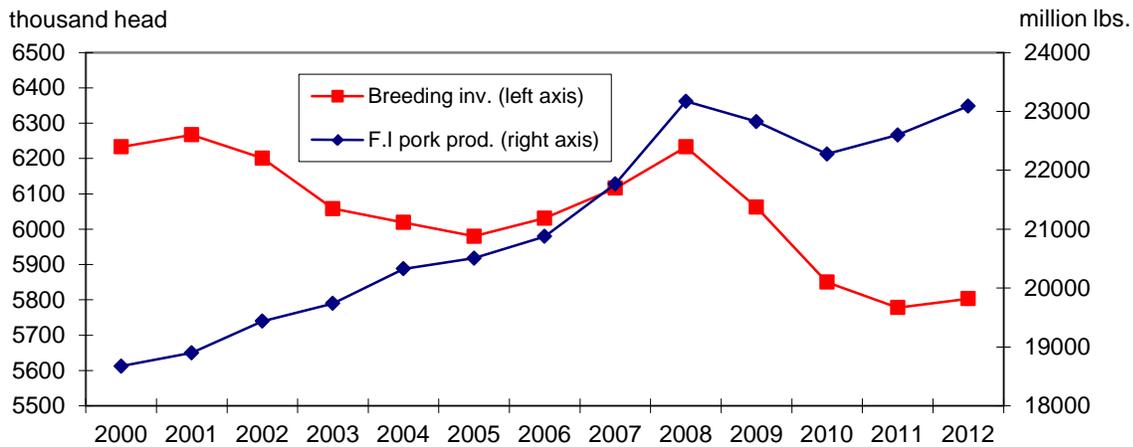
Other factors have also enabled producers to increase pork production with a smaller inventory of breeding sows. Among these is a steady increase in average dressed weights of hogs slaughtered in federally inspected processing facilities (fig. 3). Average dressed weights increased from 194 lbs in 2000 to almost 206 lbs in 2012. The increase in slaughter weights over time indicates that producers respond to processor premiums paid for heavier

animals. Processors pay premiums for heavier animals to lower fixed processing costs and, thus, total average processing costs. Heavier carcasses contribute to production increases per unit of production and processing inputs.

The development and use of ractopamine, a beta-agonist, is a technical innovation that serves to accelerate the development of lean (meat) rather than fat—and therefore of carcass weights. Ractopamine is widely used by U.S. hog producers as a ration additive late in the animal’s life, functioning to direct feed conversion to lean tissue rather than to storage as fat. Ractopamine usage allows animals to achieve optimal slaughter weights faster, resulting not only in savings on feed but also in environmental benefits such as reduced production of manure and methane. However, despite the adoption of Maximum Residue Limits (MRL’s) for ractopamine by the Codex Alimentarius Commission (a U.N food standards-setting body) in 2012, its use is prohibited in countries in the European Union and in China and Russia.

A final factor contributing to rising U.S. pork production as breeding inventories decline is the large number of swine imports from Canada (fig. 4), which more than doubled between 2000 and 2007 before declining to about 6 million head by the end of the decade. Last year, almost 6 million head of live swine were imported from Canada, 85 percent of them young animals for finishing. Finishing animals are housed mainly in barns located in Corn Belt States where U.S. feed production and slaughter facilities are concentrated. Variations in swine imports are partially attributable to exchange rate fluctuations and a smaller supply of Canadian hogs. However, Canada remains an important source of finishing animals and slaughter hogs, last year accounting for 6 percent of U.S. hog slaughter.

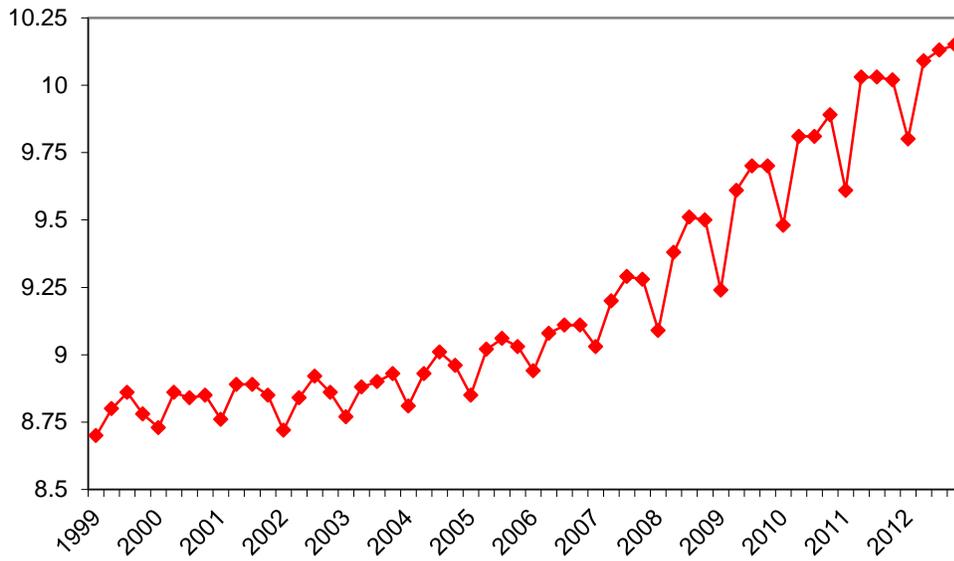
**Figure 1. U.S. pork production vs. Dec. 1st inventory of breeding animals, 2000-2012**



Source: USDA/NASS. <http://quickstats.nass.usda.gov/>

**Figure 2. Quarterly U.S. litter rates, 1999-2012**

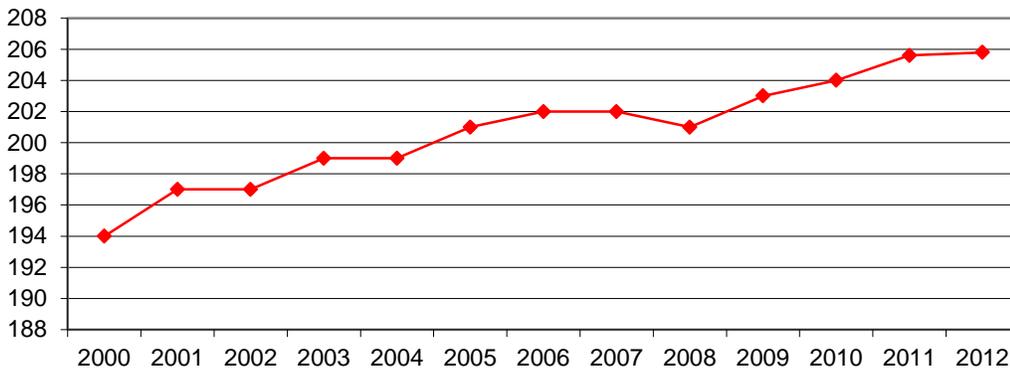
Pigs per litter



Source: USDA/NASS. <http://quickstats.nass.usda.gov/>.

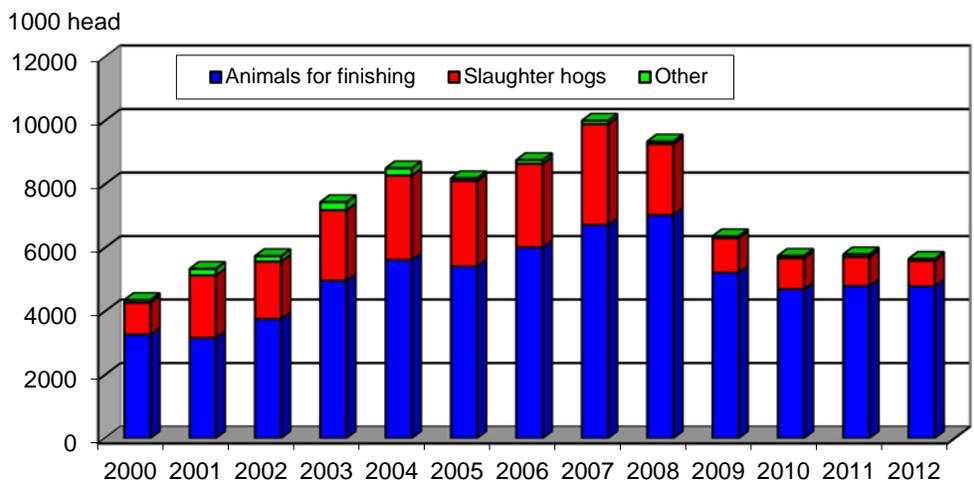
**Figure 3. Average dressed weights of F.I. slaughtered hogs, 2000-2012**

lbs.



Source: USDA/NASS. <http://quickstats.nass.usda.gov/>

**Figure 4. US imports of Canadian swine, 2000-2012**



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



**Livestock, Dairy and Poultry Outlook: Special Article**

# **Implications of the Trans-Pacific Partnership for Meat, Poultry, and Seafood Trade**

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Approved by the  
World Agricultural  
Outlook Board

The Trans-Pacific Partnership (TPP) is a plurilateral free trade agreement presently being negotiated among 11 countries (TPP11): Australia, Brunei Darussalam, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam, and the United States. In 2011, beef, pork, poultry, lamb, and seafood trade with the TPP11 countries accounted for about 27 percent of total U.S. exports of these products and 53 percent of total U.S. imports (tables 1 and 2). While the TPP has implications for all sectors of the economy, potential outcomes for different agricultural sectors are likely to vary based on existing trade relationships and the unique issues commodities face. In general TPP may:

- Offer little reduction in tariff levels between countries already engaged in free trade agreements (FTAs) that reduced tariffs on animal products. The United States has bilateral or regional FTAs with six of the TPP11 countries: Australia, Canada, Chile, Mexico, Peru and Singapore;
- Create opportunities for expanded U.S. meat and poultry exports to fast-growing developing countries such as Vietnam and Malaysia with which the United States does not have FTAs; and
- Be used as leverage to address sanitary and phytosanitary (SPS) issues.

## **What is TPP?**

The Office of the U.S. Trade Representative has outlined the objective of the TPP as enhancing trade and investment among the partner countries, promoting innovation, economic growth and development, and supporting the creation and retention of jobs (USTR, 2011). The agreement framework includes core issues such as tariff and other trade barriers, as well as boosting the competitiveness of TPP countries in the global economy. The TPP builds on work done in previous FTAs and is designed to improve regulatory coherence among TPP members, while at the same time maintaining the flexibility for unforeseen trade events or future expansion of participating countries (USTR, 2011).

**Table 1. United States livestock, poultry, and fish export statistics, calendar year 2012**

Partner Country	Beef	Pork	Lamb	Poultry meat	Fish
	-----Total (Million \$)-----				
World	5506.51	5,499.59	21.38	5,026.08	5,019.16
TPP11	2064.67	1,615.32	10.89	1,530.00	1,082.70
<i>% US Exports</i>	37%	29%	37%	30%	22%
Australia	4.12	181.96	0.16	1.18	21.53
Canada	1099.86	512.06	3.44	409.51	964.36
Chile	49.45	1.07	0.04	36.23	3.07
Malaysia	0.02	0.00	0	9.19	8.97
Mexico	875.42	897.29	6.84	951.47	22.64
New Zealand	1.85	0.00	0.03	0.12	3.39
Peru	27.08	0.05	0	9.65	8.91
Singapore	0.14	21.99	0.31	52.55	21.78
Vietnam	6.71	0.90	0.07	60.10	28.06

Source of Data: U.S. Department of Commerce, Bureau of Census.

**Table 2. United States livestock, poultry, and fish import statistics, calendar year 2012**

Partner Country	Beef	Pork	Lamb	Poultry meat	Fish
	-----Total (Million \$)-----				
World	3552.18	1023.97	624.49	199.63	12,643.42
TPP11	3224.92	820.69	622.05	198.24	4,926.49
<i>% U.S. Imports</i>	91%	80%	100%	99%	39%
Australia	1100.22	0	414.37	0.00	21.39
Canada	868.13	788.99	0.07	136.21	2,148.26
Chile	0.48	9.70	0.48	61.91	988.4
Malaysia	0.00	0	0.00	0.00	179.22
Mexico	516.11	22.00	0.60	0.13	422.19
New Zealand	739.99	0	206.54	0.00	104.37
Peru	0.00	0	0.00	0.00	177.58
Singapore	0.00	0	0.00	0.00	35.71
Vietnam	0.00	0	0.00	0.00	849.37

Source of Data: U.S. Department of Commerce, Bureau of Census.

## **Prior Tariff Reduction Measures**

In the last 15 years, reductions in tariff rates among TPP11 countries have been achieved through World Trade Organization (WTO) membership. Consequently, the TPP's impact on export expansion through tariff reduction may vary by country and particularly by product. Based on the 2007 WTO most-favored nations (MFN) tariff structure,<sup>1</sup> the tariff rates for meat and livestock products for most of the TPP11 countries are relatively low; all but Mexico and Vietnam already have average MFN applied tariffs of less than 10 percent (table 3) for meat.

In addition, further tariff reductions have been achieved for U.S. meat and poultry through bilateral and regional trade agreements implemented since 1994. Through such agreements, tariffs have already been phased out, or are in the process of being phased out, for most U.S. exports of meat, poultry meat, edible offal, and some seafood to six TPP11 partner countries: Australia, Canada, Chile, Mexico, Peru and Singapore (fig. 1). For example, as a result of the North American Free Trade Agreement, the tariff rate on meat, poultry meat, and edible offal between the United States and Mexico is zero, as opposed to Mexico's MFN rate of 56 percent. Gains in tariff reduction may still be possible with TPP11 countries with which the U.S. does not have an active FTA, namely, Brunei, Malaysia, New Zealand, and Vietnam.

## **Opportunities in Growing Markets**

The United States currently does not have an FTA in place with either Vietnam or Malaysia, both of which are markets with growing populations of affluent meat consumers. Vietnam is a large consumer of pork, with nearly 2 million metric tons consumed in 2012, more than doubling since 2000. Broiler meat consumption was almost 0.8 million tons in 2012, less than 10 percent of which was imported (FAS/PSD). A trade agreement that phased out tariffs could offer an expansion opportunity for U.S. meat and poultry exports, given Vietnam's current MFN tariff rate of 20 percent for fresh, chilled, or frozen pork, 21 percent for fresh and chilled beef, and 30 percent for fresh, chilled, and frozen poultry and edible offal of poultry.

Malaysia has a current MFN tariff rate of 50 percent for fresh, chilled, or frozen swine carcasses and half carcasses and 40 percent for fresh, chilled, or frozen poultry meat and edible offal of poultry<sup>2</sup>. Compared with pork and beef, Malaysian consumers demand greater quantities of poultry meat, consumption of which has increased by nearly 50 percent in the last two decades. In 2012, Malaysians consumed nearly 1.0 million tons of broiler meat (FAS/PSD). However, there are other barriers to expanding exports to Malaysia, discussed in the following section.

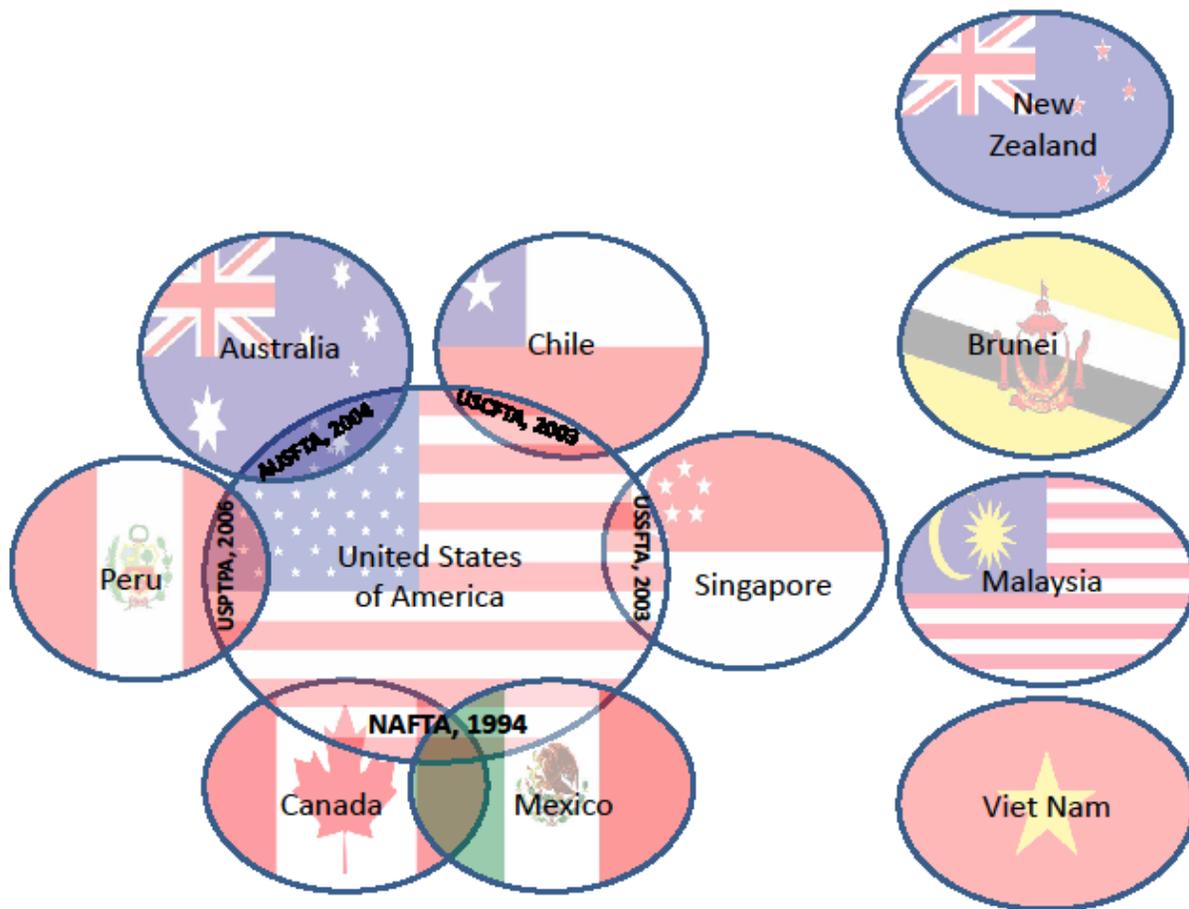
## **The Potential Role of TPP and Non-Tariff Barriers to Trade**

The constraints remaining to U.S. livestock, meat, poultry, and seafood trade are primarily sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBTs). TBTs related to production practices, such as traceability or animal welfare concerns, or to slaughter practices may also be discussed in negotiations. Differences in production practices among countries and specialized demand by consumer segments in the importing country may also have consequences on the potential to expand trade volume. As one example, Malaysia has the potential to expand beef and poultry meat imports from the United States but requires halal certification, which limits shipments to product from approved halal plants.

<sup>1</sup> Simple mean most favored nation tariff rate is the unweighted average of most-favored-nation rates for all products subject to tariffs, calculated for all traded goods (WorldBank, <http://data.worldbank.org/indicator/>).

<sup>2</sup> HS codes 020711, 020712, 020713 and 020714 only.

Figure 1. Existing FTAs between TPP countries or potential TPP entrants and the United States<sup>3</sup>



<sup>3</sup> Most recent FTA only, though prior FTAs may have occurred.

## Conclusions

The TPP provides an opportunity to strengthen already-established trade relationships and expand trade. The impact of the TPP on the U.S. meat, poultry, and seafood exports through tariff reductions may be more promising with some countries, such as Vietnam and Malaysia, than with others because the United States already has bilateral or regional trade agreements with most of the TPP economies. Harmonization through the TPP of the standards underlying SPS and TBT-related actions could be a benefit for U.S. trade expansion, both directly through the agreement and indirectly through strengthened trade relationships with partner countries where meat, poultry, and seafood demand is growing.

Sources:

United States Trade Representative (USTR). 2011. "Enhancing trade and investment, supporting jobs, economic growth, and development: Outlines of the Trans-Pacific Partnership Agreement." Available at: <http://www.ustr.gov/about-us/press-office/fact-sheets/2011/november/outlines-trans-pacific-partnership-agreement>.

Database. Accessed 04/04/2013. <http://www.fas.usda.gov/psdonline>.

**Table 3. TPP country-applied MFN tariff structure for meat, poultry meat and edible offal, and seafood**

Country	Applied Average			Duty nature <sup>1</sup>	Duty type <sup>2</sup>
	Meat, poultry and edible offal (02) <sup>3</sup>	Seafood (03) <sup>3</sup>	Specific duty		
Australia	0.00%	0.00%	-	A	NQ
Brunei	0.00%	0.00%	-	A	NQ
Darussalam	0.00%	0.00%	-	A	NQ
Canada	2.50%	0.40%	-	A	NQ
Chile	6.00%	6.00%	-	A	NQ
Malaysia	4.50%	0.80%	-	A	NQ
Mexico	56.00%	16.40%	-	A	NQ
New Zealand	2.00%	0.10%	-	A	NQ
Peru	6.10%	0.40%	-	A	NQ
Singapore	0.00%	0.00%	-	A	NQ
U.S.	4.20%	0.60%	4.4 CENTS/KG	A	NQ
Vietnam <sup>4</sup>	17.70%	14.90%	-	A	NQ

Under free trade agreements with the U.S. all meat, poultry meat and seafood tariff barriers with Canada<sup>[1]</sup>, Mexico<sup>3</sup>, Australia<sup>[2]</sup>, and Singapore<sup>[3]</sup> have already been phased out as well as beef and pork tariffs with Chile<sup>[4]</sup> and key beef and pork cuts to Peru<sup>[5]</sup>. Tariffs for poultry meat to Chile, and or beef and pork to Peru are in the final years of phase out.

[1] <http://www.fas.usda.gov/info/factsheets/NAFTA.asp>

[2] <http://www.fas.usda.gov/info/factsheets/australia.asp>

[3] [http://www.ustr.gov/w eb\\_fm\\_send/2656](http://www.ustr.gov/w eb_fm_send/2656)

[4] <http://www.fas.usda.gov/info/factsheets/ChileFTA/chilefta06.asp>

[5] [http://www.fas.usda.gov/info/factsheets/peru.asp#Tariff\\_Elimination](http://www.fas.usda.gov/info/factsheets/peru.asp#Tariff_Elimination)

1/ A signifies Ad-Valorem Duties.

2/ NQ signifies non quota rate.

3/ Based on the HS 2007 Base Nomenclature, 2011 rates with exception of Vietnam.

4/ 2010 rates, as 2011 rates were unavailable for Vietnam.

Source: WTO, online tariff analysis, Figure 1.