



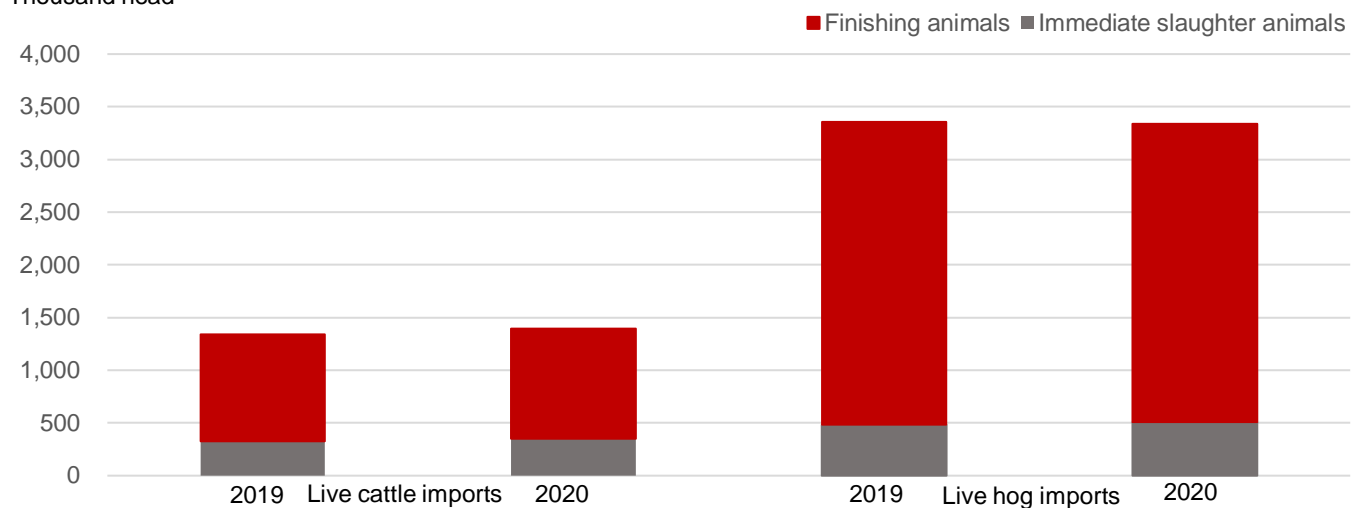
Livestock, Dairy, and Poultry Outlook

January-August 2020 Live Cattle Imports Larger Than in Same Period Last Year, Hog Imports Flat

January-August 2020 imports of live cattle totaled 1.4 million head, 3.8 percent larger than the same period a year ago. Cattle for immediate slaughter, which accounted for about 25 percent of total imports and originate mostly from Canada, increased 6.7 percent compared with a year ago. Lower Canadian fed steer prices likely served as an incentive to import Canadian animals into the United States. U.S. imports of feeder cattle increased 2.8 percent in the January-August period this year. This category accounted for about 74 percent of cattle imports. Most of these animals originated from Mexico. The lower-valued Mexican peso likely incentivized U.S. cattle feeders to import Mexican feeder animals. January-August 2020 imports of live hogs—almost all of which originate from Canada—totaled about 3.4 million head, down fractionally from a year ago. Finishing animals have made up about 84 percent of 2020 swine imports, with hogs for immediate slaughter accounting for about 15 percent of total imports. While imports of finishing animals were down 1.4 percent in the January-August period, imports of hogs for immediate slaughter increased almost 5 percent, likely due to increased slaughter capacity in Midwestern States.

U.S. imports of live cattle and hogs, January-August 2019 and 2020

Thousand head



Source: USDA, Economic Research Service.

Beef/Cattle: The forecast for second-half 2020 beef production was raised from last month on higher expected fed cattle and cow slaughter. As a result, the annual forecast for 2020 beef production was raised by 90 million pounds to 27.1 billion pounds. Beef production in 2021 was raised slightly on higher expected fed cattle marketings. August beef imports were 32 percent larger year over year on a continued strong demand for processing-grade beef. The forecast for beef imports was raised for both 2020 and 2021. U.S. beef exports in August 2020 were up 2 percent. No changes were made to the 2020 forecast for beef exports, but the 2021 forecast was lowered on a revised global outlook.

Dairy: From the week ending September 5 to the week ending October 3, all major dairy product wholesale prices reported in the USDA *National Products Sales Report* increased significantly. The price difference between 40-pound blocks of Cheddar cheese and 500-pound barrels reached a record high. The all-milk price forecast for 2020 is \$18.00 per hundredweight (cwt), an increase from last month's forecast of \$17.75. For 2021, the all-milk price forecast is \$17.60 per cwt, an increase from last month's forecast of \$17.00.

Pork/Hogs: Producer-supplied responses detailed in the September *Quarterly Hogs and Pigs* report suggest that the U.S. pork sector is reacting cautiously to the turbulent market conditions of 2020. Pork production is revised higher in 2021 to 28.5 billion pounds, up 1.3 percent, to reflect a slow industry rebound. 2020 exports are reduced by 200 million pounds to 7.3 billion pounds. 2021 exports are reduced 300 million pounds to 7.4 billion pounds. Both reductions are made in anticipation of continuing weak demand in major importing countries. 2020 per capita disappearance is expected to be 51.3 pounds. Next year, disappearance is expected to be 51.6 retail pounds of pork per capita.

Poultry/Eggs: The third-quarter broiler production forecast was increased on August data, and the 2021 forecast was increased to reflect the revision to 2020. The broiler export forecast was increased on expectations for improving global demand. The fourth-quarter broiler price forecast was unchanged, while the 2021 price forecast was decreased on expectations for continued weak demand and abundant supplies. The table egg production forecast was unchanged, while the fourth-quarter price forecast was increased to reflect expectations for strong demand. The second-half export forecast was increased on expectations for continued firm overseas demand. The third-quarter turkey production forecast was adjusted up based on recent slaughter data. Turkey export forecasts were increased to 550 million pounds in 2020 and 570 million pounds in 2021. Turkey import forecasts were raised on August trade data. The average price for turkey in the third quarter was 111.3 cents per pound, and the fourth quarter forecast was increased to 112 cents. Forecast turkey prices for the first half of 2021 were also increased.

Beef/Cattle

Russell Knight and Christopher Davis

Production Raised on Improved Slaughter

Packers continue to make gains on processing of fed cattle post-COVID-19 plant disruptions in the second quarter. Based on USDA, Agricultural Marketing Service (AMS) data for actual and estimated Federally inspected slaughter of steers and heifers in September, on a daily basis the pace appears to have risen above year-ago levels for a second consecutive month at about half a percent above last year, while nonfed slaughter is trailing almost 4 percent below last year. Because of this quicker-than-expected pace of slaughter, the number of fed cattle expected to be slaughtered in third-quarter 2020 was raised, as was cow slaughter. The pace of fed cattle slaughter was carried over into fourth-quarter 2020, and more cows are expected to be slaughtered. These factors raised the 2020 beef production forecast by 90 million pounds from last month to 27.1 billion pounds.

The forecast for 2021 beef production was raised by 10 million pounds from last month to 27.4 billion pounds on a slightly more rapid pace of cattle marketings.

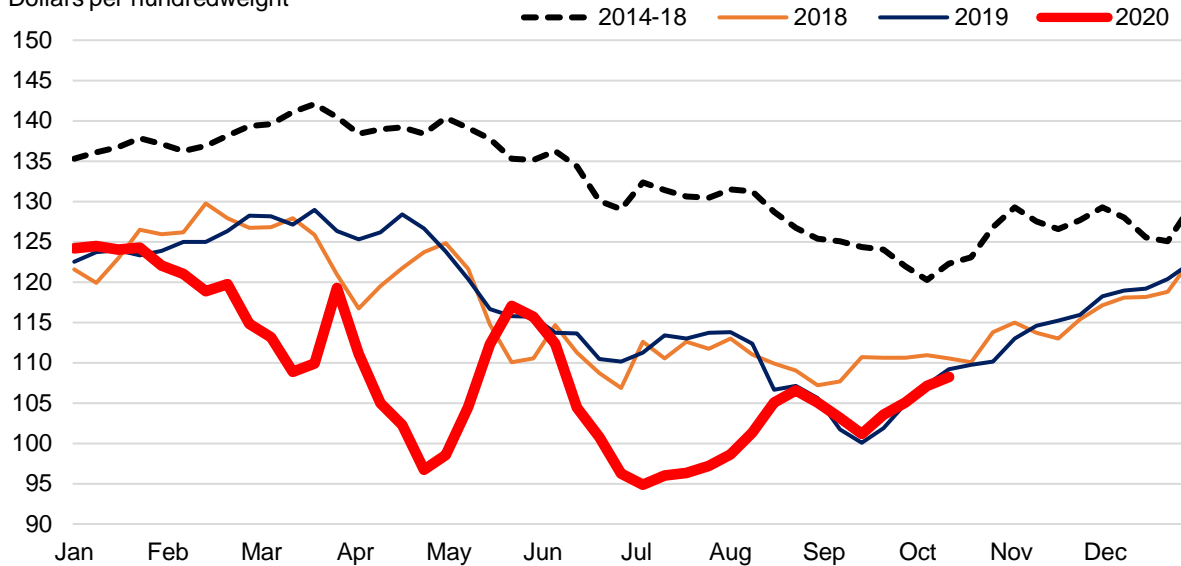
Beef Demand and Packer Margins Support Higher Cattle Prices

Based on the September USDA, National Agricultural Statistics Service (NASS) *Cattle on Feed* report, there were 9.8 percent more net placements in August than in the previous year. Combined with the number of cattle in feedlots that were yet to be slaughtered in July because of reduced slaughter capacity in the second quarter, the increased placements pushed cattle on feed on September 1 to above year-ago levels and to the largest number for September since the series began in 1996.

Despite the rising number of cattle on feed, front-end supplies—the number of cattle on feed over 150 days—diminished for the third consecutive month. This is the result of an improving pace of fed cattle slaughter, which was faster than a year-ago for the last 2 months and above the 5-year average. The improving pace, combined with an ample supply of fed cattle at heavier weights, has led to higher expected beef production in third-quarter 2020 relative to 2019. Nonetheless, firm demand and higher-than-year-ago wholesale prices are likely supporting packer margins, as the recent uptick in steer prices remains in line with year ago prices.

Weekly average live steer price

Dollars per hundredweight



Note: Fed steer prices for all grades as reported in the 5-Area Marketing region.

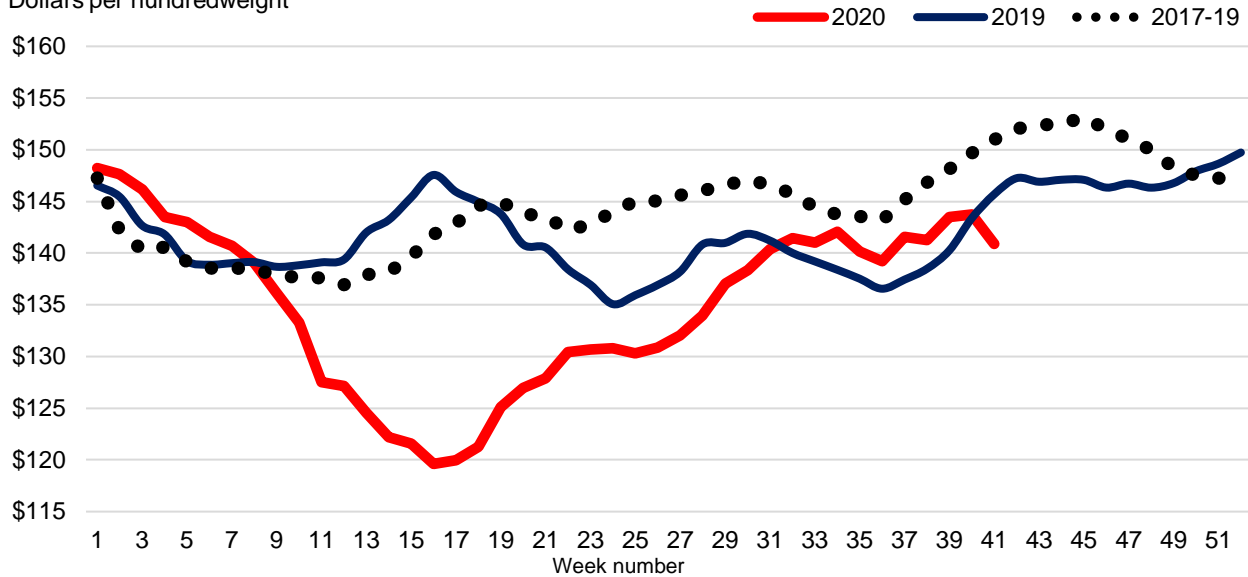
Source: USDA, Economic Research Service calculations using USDA, Agricultural Marketing Service data.

The price forecast for fourth-quarter 2020 was raised by \$5 to \$109 per hundredweight (cwt) on recent price strength. This strength was carried over into the first half of next year. First- and second-quarter 2021 were raised by \$6 and \$3 to \$113 and \$110 per cwt, respectively. This increased the 2021 annual price forecast to \$114 per cwt.

The fourth-quarter 2020 feeder steer price was raised by \$3 to \$143 per cwt on recent price data for the first week of October and expected seasonal price movement in the fourth quarter (see chart below). The adjustment for fed cattle prices in 2021 was carried over into 2021 prices as the annual price for 2021 was raised by \$2 to \$139 per cwt.

Weekly feeder steer prices on a 4-week moving average

Dollars per hundredweight



Note: Prices for feeder steers, 750-800 pounds, reported at Oklahoma City National Stockyards.

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

Beef Imports Continue Robust Pace in August

U.S. beef imports in August 2020 were 351 million pounds, up 32 percent from year-earlier levels. Large import volumes reflect strong shipments from major suppliers, as well as robust growth in shipments from Central and South America. The major U.S. beef suppliers, Australia, Canada, New Zealand, and Mexico, accounted for 76 percent of August's total beef imports. New Zealand's August shipments were the largest for the month since 2003. Beef imports from Mexico in each of the last 4 months (May, June, July and August) have set monthly records. Imports of Brazilian beef in August were the largest since December 2008. July 2020 imports from Brazil were also large, just 648,000 pounds less than August's imports. U.S. beef imports from Uruguay were the largest since September 2007. Beef supplies from Central American countries also continue to rise. As discussed in last month's *Livestock Dairy, and Poultry Outlook*, Central and South American beef supplies to the United States have increased substantially year to date.

The forecasts for 2020 third and fourth quarters are raised to 1,025 million pounds (+100 million from last month) and 800 million pounds (+75 million) on continued strong demand for processing-grade beef. Imports are expected to remain large. Beef imports for 2020 are 3.447 billion pounds. The annual forecast for 2021 is raised for all quarters to 3.135 billion pounds.

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

	August 2019	August 2020	Difference in volume	Year-over-year change
	--- Million pounds---			--- Percent --
Australia	66.34	71.47	5.13	8
Canada	78.71	82.43	3.72	5
New Zealand	28.54	49.39	20.85	73
Mexico	48.74	63.00	14.26	29
Brazil	18.08	28.88	10.80	60
Uruguay	7.02	20.19	13.17	188
Nicaragua	13.90	16.10	2.20	16
Rest of World	4.45	19.36	14.91	335
Total imports	265.78	350.82	85.04	32

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

Beef Exports Above Year-Ago Levels in August

Since March 2020, U.S. beef exports have been higher than year-ago levels. In August, beef exports increased 2 percent, or 6 million pounds from last year, to 268 million pounds. The United States exported 75 million pounds of beef to South Korea, the largest volume on record to that country. Beef shipments to Taiwan in August were the largest to that country (23 million pounds), volume-wise, on record. Beef exports to China have increased over the last several months due to continued demand and the Phase 1 Agreement. U.S. beef exports to China in August increased 299 percent year over year to almost 11 million pounds. This shipment to China was the largest on record. Other major markets such as Canada and Hong Kong also increased their beef shipments from the United States.

However, beef exports to Mexico continue to suffer with year-over-year volumes in August almost 16 million pounds less than a year earlier. The reduction reflects the economic downturn in Mexico and the weakness of the peso relative to the dollar. Shipments to Japan, historically the United States' largest beef market, were also lower in August compared to a year ago. Although the reduction in beef shipments to Mexico in August were sizable, increased shipments to South Korea, China, and other markets were enough to offset the Mexican and the other reductions year over year.

The forecasts for the third and fourth quarters are unchanged from a month ago. However, in 2021, the export forecasts for all quarters are lowered on a revised global outlook for 2021. The annual beef export forecast for 2020 was unchanged at 2.896 billion pounds, and the 2021 forecast was lowered to 3.080 billion pounds on anticipated lower global demand.

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

	August 2019	August 2020	Difference in volume	Year-over-year change
	--Million pounds--			--- Percent ---
Japan	71.08	69.86	-1.22	-3
Mexico	34.61	18.72	-15.89	-46
South Korea	60.19	75.06	14.87	25
Canada	23.58	25.27	1.69	7
Hong Kong	15.07	17.19	2.12	14
Taiwan	19.19	22.99	3.80	20
Rest of World	37.72	38.65	0.93	2
Total exports	261.44	267.74	5.99	2

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

Dairy

Jerry Cessna

Recent Developments in Dairy Product Prices

From the week ending September 5 to the week ending October 3, all major dairy product wholesale prices reported in the USDA *National Products Sales Report* (NDPSR) increased significantly. The price of 40-pound blocks of Cheddar cheese rose 55.6 cents to \$2.3629 per pound, and the price for 500-pound barrels (adjusted to 38-percent moisture) rose 24.1 cents to \$1.7197 per pound. The block-barrel spread of 64.3 cents for the week ending October 3 was the largest on record. The prices for butter, nonfat dry milk (NDM), and dry whey rose to \$1.5786 (+10.6 cents), \$1.0383 (+6.6 cents), and \$0.3378 (+2.6 cents) per pound, respectively.

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

	For the week ending		Change
	September 5, 2020	October 3, 2020	
Butter	1.4729	1.5786	0.1057
Cheddar cheese			
40-pound blocks	1.8069	2.3629	0.5560
500-pound barrels ¹	1.4789	1.7197	0.2408
Nonfat dry milk	0.9725	1.0383	0.0658
Dry whey	0.3114	0.3378	0.0264

¹ Adjusted to 38-percent moisture.

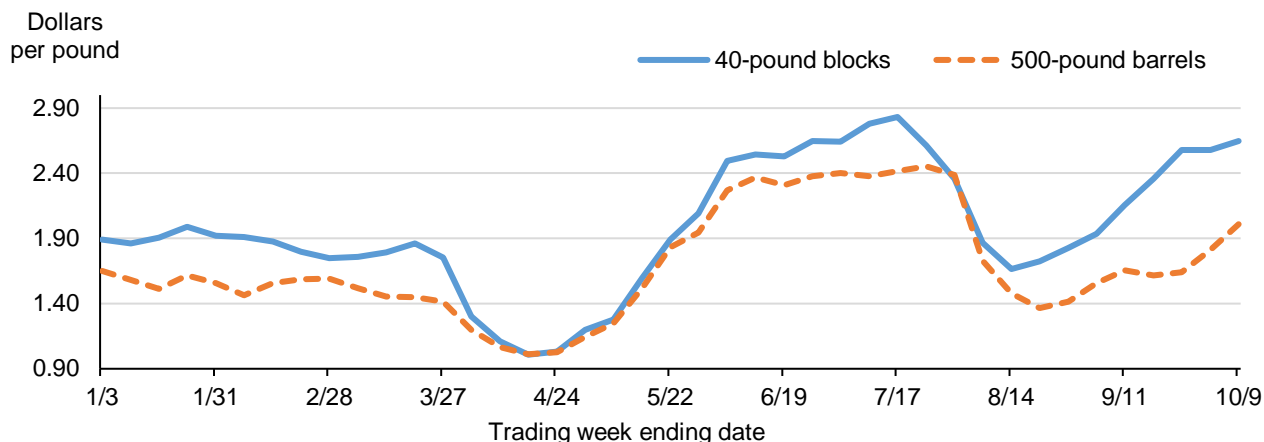
Source: USDA, Agricultural Marketing Service, *National Dairy Products Sales Report*.

Reasons for changes in the price spread for Cheddar cheese blocks and barrels cannot be determined with certainty because supply and use data specific to each type of cheese are not available. Uses and preferences for barrels differ significantly from blocks:

- Barrels are more likely to be used in manufacturing processed cheese, while block cheese is often cut, wrapped, and consumed as natural cheese.
- Block cheese is typically colored yellow with annatto, while barrel cheese is typically white. Noncolored whey from white Cheddar production is more valuable for making whey products, especially value-added products such as whey protein concentrate, whey protein isolate, and lactose.
- Block cheese is more likely to be exported than barrel cheese.

Recently, prices for cheese sold on the Chicago Mercantile Exchange (CME) have been higher than NDPSR prices, and the CME block-barrel spread has been even wider than the NDPSR spread. For the trading week ending September 25, prices of 40-pound blocks and 500-pound barrels averaged \$2.5765 and \$1.6385 per pound, respectively. That 93.8-cent spread was the largest on record. For the trading week ending October 9, the gap narrowed to 63.7 cents, with blocks and barrels averaging \$2.6465 and \$2.0100 per pound, respectively. For the same week, the CME spot prices for butter, NDM, and dry whey were \$1.4420, \$1.1265, and \$0.3955 per pound, respectively.

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



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

U.S. dairy product prices for NDM and dry whey have been competitive in foreign markets. For the 2 weeks ending October 9, USDA *Dairy Market News* reported that skim milk powder (SMP) export prices for Oceania and Western Europe were \$1.38 and \$1.18 per pound, respectively.¹ The Western Europe export price for dry whey was \$0.43 per pound. There has been a wide difference between Oceania and Western Europe butter export prices, at \$1.58 and \$1.85 per pound, respectively, for the 2 weeks ending October 9. The rise in U.S. cheese prices has likely made U.S. cheese less competitive in foreign markets; the Oceania export price for Cheddar cheese for the same 2 weeks was \$1.71 per pound.

While dairy product price data are available for September and early October, supply and use data for this period are not yet available. There are several possible reasons why dairy product prices have risen in recent weeks:

- Prices usually increase for butter and cheese in the early fall due to the shift in demand as buyers prepare for the holiday season.
- On September 17, Secretary of Agriculture Sonny Perdue announced that USDA had approved up to \$1 billion in contracts for the USDA Farmers to Families Food Box Program. Deliveries will be made through October 31. This is the third round of the program. More than 100 million food boxes, including boxes with a variety of dairy products, have been distributed through the program. For more information, see the USDA Farmers to Families Food Box Program web page.
- Improving economic conditions have likely contributed to price strength of dairy products. The U.S. Bureau of Labor Statistics announced that the unemployment rate declined to 7.9 percent in September. It has fallen each month since April, when the rate spiked upward to 14.7 percent due to the pandemic. The Conference Board Consumer Confidence Index increased to 101.8 in September, up from 86.3 in August.
- Export demand has been robust in recent months. *Dairy Market News* reports that export demand for dry skim milk products and dry whey has been healthy recently.

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

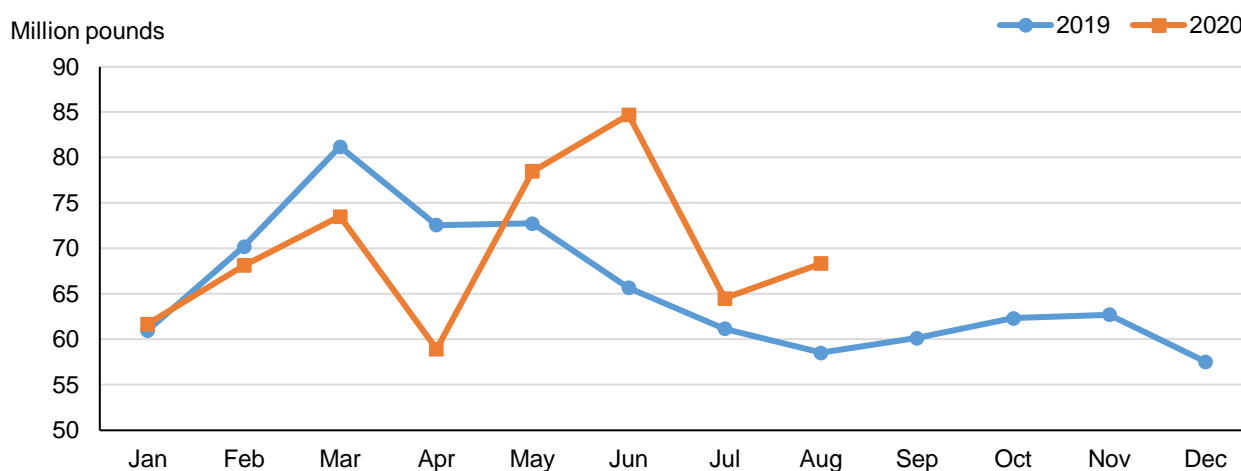
- Foodservice orders have found support as restrictions have eased for establishments in some States. However, *Dairy Market News* reports that strength in foodservice orders appears to vary considerably by product and region.

Discussion of Recent Dairy Supply and Use Data

USDA National Agricultural Statistics Service (NASS) reported that U.S. milk production totaled 18.600 billion pounds in August, up 1.8 percent from August 2019. Milk per cow averaged 1,987 pounds, 27 pounds above August 2019. Milk cows numbered 9.360 million head, 42,000 head more than August 2019 but unchanged from July 2020. The milk-feed ratio was 2.50 in August, down from 2.69 in July but higher than 2.26 in August 2019.

Dairy exports on a milk-fat milk-equivalent basis totaled 792 million pounds in August, 26 million lower than July but 13 million higher than August 2019. On a skim-solids milk-equivalent basis, August exports totaled 4.039 billion pounds, 129 million lower than July but 649 million higher than August 2019. Notably, exports of cheese totaled 68.4 million pounds in August, 3.8 million more than July and 9.8 million higher than August 2019. From July to August, exports of butterfat products² declined to 4.3 million (-1.4 million). Lactose exports declined to 64.3 million pounds (-7.4 million).

U.S. cheese exports



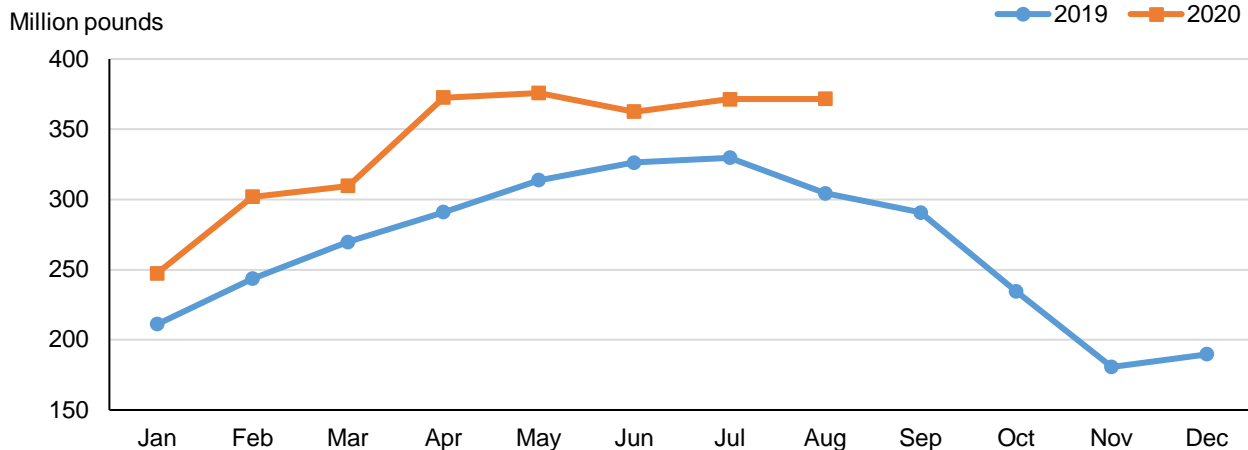
Source: U.S. Department of Commerce, Bureau of the Census.

U.S. dairy imports on a milk-fat basis were 573 million pounds in August, 54 million lower than July and 61 million lower than August 2019. On a skim-solids basis, August imports totaled 409 million pounds, 117 million lower than July and 38 million lower than August 2019.

Ending stocks were relatively high at the end of August. On a milk-fat basis, they totaled 18.959 billion pounds, 1.324 billion higher than August 2019. August ending stocks on a skim-solids basis totaled 11.141 billion pounds, 253 million more than August 2019. Notably, butter stocks at the end of August totaled 371.7 million pounds, 67.4 million higher than August 2019. Butter ending stocks rose counter-seasonally by 0.3 million pounds from July to August. The last July-to-August increase for butter ending stocks was in 1990. For the 3 months from June to August, domestic use was up 1.6 percent on a milk-fat basis but down 2.7 percent on a skim-solids basis.

² Butterfat products include butter, anhydrous milk fat, butteroil, and high-fat dairy spreads.

Butter ending stocks in cold storage



Source: USDA, National Agricultural Statistics Service.

Outlook for Feed Prices

The corn price estimate for the 2019/20 marketing year is \$3.56 per bushel, and the 2020/21 forecast is \$3.60 per bushel, 10 cents higher than last month's forecast. The soybean meal price estimate for the 2019/20 marketing year is \$299.50 per short ton; the 2020/21 forecast is \$335 per short ton, \$20 higher than the last forecast. The alfalfa hay price in August was \$172 per short ton, \$2 lower than July and \$7 lower than August 2019. The 5-State weighted-average price for premium alfalfa hay in August was \$192 per short ton, unchanged from July but \$16 lower than August 2019. For more information, see *Feed Outlook*, published by USDA, Economic Research Service.

Dairy Forecasts for 2020

Based on recent milk production data, milk cows for the third quarter of 2020 are expected to number 5,000 more than last month's forecast. For the year, the rounded forecast for the average number of milk cows is 9.365 million head, unchanged from last month's forecast. The milk per cow forecast for 2020 has been raised by 25 pounds to 23,735 pounds per head. The milk production forecast is 222.3 billion pounds, 0.3 billion higher than last month's forecast.

The forecast for exports on a milk-fat basis for 2020 has been lowered 0.1 billion pounds to 9.3 billion pounds due to lower expected shipments of butterfat products. On a skim-solids basis, the export forecast has been lowered by 0.1 billion pounds to 47.1 billion pounds, due to lower expected exports of dry whey and lactose. Import forecasts for 2020 are unchanged at 6.9 billion pounds on a milk-fat basis and 5.7 billion pounds on a skim-solids basis.

The forecast for 2020 ending stocks on a milk-fat basis has been raised by 0.8 billion pounds to 14.0 billion pounds. On a skim-solids basis, the forecast for ending stocks is 10.5 billion pounds, 0.3 billion higher than last month's forecast. The forecast for 2020 domestic use on a milk-fat basis is 218.2 billion pounds, 0.5 billion lower than last month's forecast. On a skim-solids basis, the forecast for domestic use is 179.5 billion pounds, 0.2 billion higher than the previous forecast.

Based on recent price strength, price forecasts for Cheddar cheese and nonfat dry milk for 2020 have been raised to \$1.910 per pound (+7.5 cents) and \$1.035 per pound (+1.0 cent), respectively. The dry

whey price forecast has been raised by 1.0 cent for the fourth quarter, but the rounded forecast for the year remains unchanged at \$0.350 per pound. The forecast for the butter price has been lowered for the fourth quarter due to recent declines in CME prices and high stock levels. For the year, the butter price forecast is \$1.595 per pound, 0.5 cents lower than last month's forecast.

With the higher Cheddar cheese price forecast, the 2020 forecast for the Class III milk price has been raised to \$18.00 per hundredweight (cwt), \$0.75 higher than last month's forecast. With the higher NDM price forecast more than offsetting the lower butter price forecast, the Class IV milk price forecast has been raised by \$0.10 to \$13.50 per cwt. The all-milk price forecast for 2020 is \$18.00 per cwt, an increase from last month's forecast of \$17.75 per cwt.

Dairy Forecasts for 2021

Based on recent milk production data and higher expected milk prices, the milk production forecast has been raised. However, growth is expected to be muted due to higher expected feed costs. The forecast for milk per cow in 2021 has been raised by 10 pounds to 24,070 pounds per head. The forecast for 2020 average milk cow numbers is unchanged at 9.370 million head. The milk production forecast for 2021 is 225.5 billion pounds, 0.1 billion higher than last month's forecast.

The forecast for 2021 exports on a milk-fat basis has been lowered to 9.5 billion pounds, 0.1 billion less than last month's forecast, due to lower expected exports of butterfat products. The forecast for exports on a skim-solids basis has been raised by to 47.8 billion pounds, up 0.6 billion, due to higher expected exports of dry skim milk products and whey products. Forecasts for 2021 imports are unchanged from last month's forecast, at 6.7 billion pounds on a milk-fat basis and 5.7 billion pounds on a skim-solids basis.

The forecast for 2021 domestic use on a milk-fat basis is 221.9 billion pounds, 0.3 billion higher than last month's forecast. On a skim-solids basis, the forecast for domestic use is 182.7 billion pounds, 0.2 billion lower than the previous forecast. The ending stock forecast for 2021 has been raised to 13.8 billion pounds on a milk-fat basis, 0.7 billion higher than last month's forecast. On a skim-solids basis, the ending stock forecast has been raised to 10.2 billion pounds, 0.1 billion higher than the previous forecast.

Based on recent price movements and improving economic conditions, price forecasts for 2021 have been raised for Cheddar cheese, dry whey, butter, and NDM to \$1.80 (+9.5 cents), \$0.360 (+1.0 cents), \$1.705 (+3.0 cents), and \$1.050 (+4.0 cents) per pound, respectively. With the higher dairy product prices, Class III and IV milk price forecasts have been raised to \$17.00 (+\$1.00) and \$14.10 (+0.50) per cwt, respectively. The all-milk price forecast for 2021 has been raised to \$17.60 per cwt, \$0.60 higher than last month's forecast.

Pork/Hogs

Mildred Haley

September *Quarterly Hogs and Pigs* Report Suggests Cautious Producer Response to Volatile Market Environment

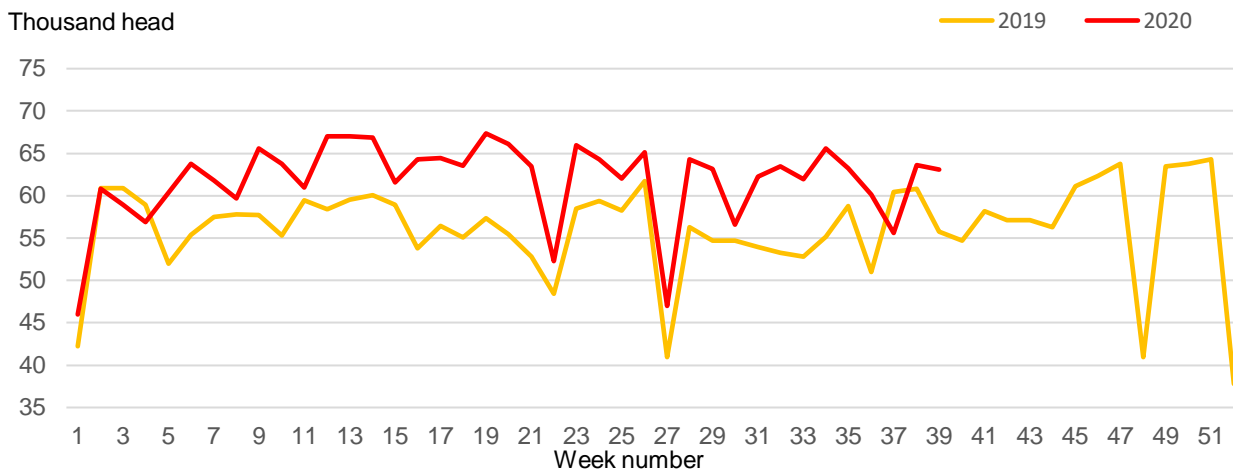
The *Quarterly Hogs and Pigs* report published by USDA on September 24 provides additional information on the U.S. hog production sector's navigation of the 2020 market environment, which has been characterized thus far by low producer returns³ and the April-June COVID-19-related processing sector slowdowns.⁴ September 1 producer responses detailed in the report suggest that the sector is responding cautiously to adverse market conditions. The breeding inventory continued to trend downward on a year-over-year basis, the summer pig crop and its accompanying litter rate were both year-over-year lower, and producers indicated intentions to farrow fewer sows through first quarter 2021. Moreover, both of the heavyweight hog categories—120-179 pounds and 180-pounds-and-over—suggest that the April-June processing sector slowdowns have left a mark. These categories—at 106 and 110 percent of a year earlier, respectively—exceeded industry analysts' expectations and suggest that the processing sector continues to work through hogs backed-up in Corn Belt and East Coast States.

The report indicated that the September 1 breeding inventory, at 6.3 million head, was 1.5 percent lower than a year earlier. This decline follows a similar reduction in June of 1.3 percent. These reductions are notable because they are consecutive and because the inventory had not declined at all since a slight dip—0.03 percent—in March 2016. Reductions in the 2020 breeding inventory are somewhat consistent with weekly USDA Agricultural Marketing Service data showing elevated sow and boar slaughter numbers. Through September 26 (week 39 in the figure below), weekly sow and boar slaughter, net of Canadian imports, has averaged 10.8 percent higher than the same period a year ago.

³ "Estimated Returns to Farrow to Finish Iowa," published monthly by Iowa State University Extension and Outreach, shows monthly returns to hog producers, averaged since October 2019, of -\$7.28 per head.

⁴ USDA, Agricultural Marketing Service daily plant level capacity utilization data shows the following average U.S. pork processing industry capacity utilization rates: April 78.3 percent, May 72 percent, June 90.3 percent, July 94.7 percent, August 95.2 percent, September 96.2 percent.

Weekly net* federally inspected (FI) sow and boar slaughter



*U.S. imports of Canadian swine are subtracted from weekly FI slaughter data.

Source: USDA, Economic Research Service transformations of USDA, Agricultural Marketing Service data.

While low producer returns and COVID-19-related market turbulence are among the likely factors influencing breeding herd reduction, there is anecdotal evidence that some of the slaughter numbers are attributable to sow depopulation due to disease—not economic factors—and that some of the elevated spring sow and boar slaughter numbers likely included heavy market hogs not able to be slaughtered at temporarily shut-down processing plants.

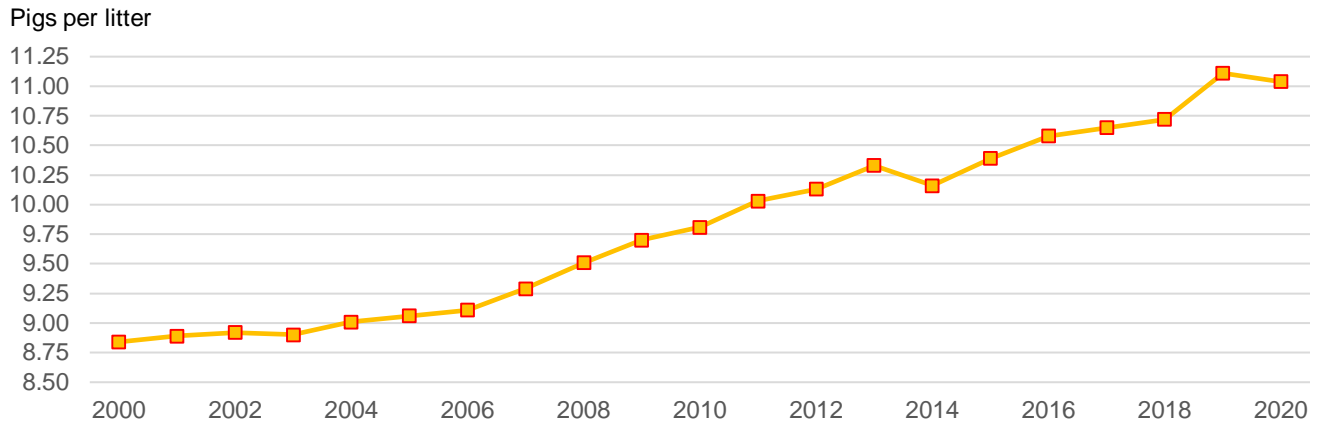
The report indicated that about 3.2 million sows farrowed during the summer June-August quarter, 2.9 percent below the same quarter in 2019; this was the first time since the December-February 2017 quarter fell 0.42 percent below a year earlier that farrowings declined year over year. Since animals farrowing in the summer quarter were impregnated between mid-February and mid-March, uncertainty surrounding the pandemic—the extent and duration of lockdowns and risk of processing plant workforce infection in addition to low producer returns—may have influenced farrowing numbers downward.

Hog producers' caution about the future appears to extend beyond this year. The September report indicates that producers intend to farrow fewer sows in both the fall (September-November) and the winter (December-February) quarters. Second farrowing intentions for the fall quarter were reported at 3.1 million sows, down 4.5 percent from a year earlier, but 28 thousand sows higher than the first producer intentions number in the June report. First intentions for the winter quarter, December 2020-February 2021, were reported at 3.1 million sows, down 1 percent. If these fall and winter intentions are realized, when combined with the June-August 2020 farrowings they would be the first period of three consecutive year-over-year farrowing declines since June 2012-December 2013, when farrowing numbers declined over the previous year for seven consecutive quarters.

The calculated litter rate for the June-August pig crop was 11.04 pigs per litter, a decline of 0.63 percent from a year earlier. This year-over-year lower rate was the first decline since June 2014 when pigs per litter fell 1.65 percent due to porcine epidemic diarrhea infection of the U.S. swine herd. The reduction in the June-August litter rates are likely attributable to the extreme turbulence that accompanied work slowdowns in the processing pork industry, and the hog backlogs that resulted. Although processing capacity utilization had begun to rebound in June, market uncertainty probably

caused some producers to curb efforts to increase survival rates of weak, unweaned pigs, or in some cases, to resort to more active measures to reduce litter size.

June-August litter rates, 2000-2020



Source: USDA, National Agricultural Statistics Service.

Heavyweight Categories Show Hog Higher Numbers Above Recent Averages

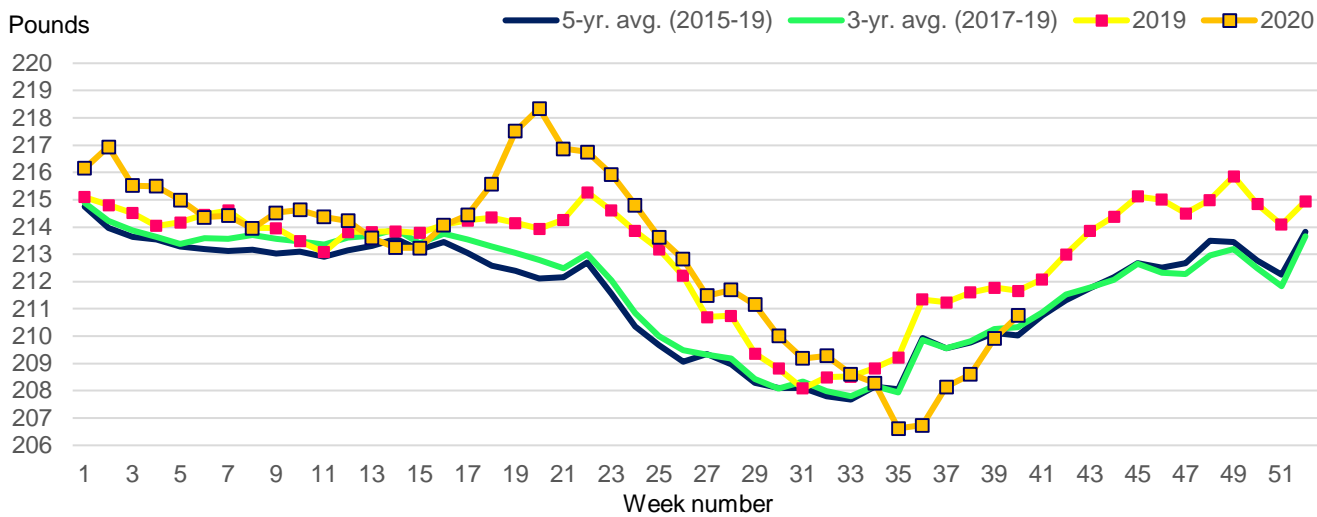
The heavyweight categories in the September report—120-179 pounds and 180 pounds and over—indicated animal numbers at 106 percent and 110 percent of a year ago, respectively. For the 4-year period 2016-2019 these two weight categories both averaged 104 percent of a year earlier. The higher-than-average animal numbers in heavyweight hog categories on September 1 this year suggest that hog producers and pork processors continue to work their way through the marketing dislocations that emerged during the April-June period.

The heavyweight categories in the September 1 estimates are generally processed in the last 4 months or so of the year. Typically, widening processor margins, driven by falling hog prices from larger seasonal supplies of hogs, accelerate slaughter numbers in the fall. This year, however, September processing margins appear to have moved counter-seasonally due to hog prices that increased throughout the month. For the week ending September 4, the live equivalent 51-52 percent lean price of hogs averaged \$41.68 per cwt. By the end of the month, the price had increased almost 33 percent to \$55.31 per cwt. For comparison, last year for the same period prices fell 9.4 percent. This year, while the wholesale value of the pork carcass increased almost 22 percent over the same 5 week period, the processor spread decreased more than 9 percent, after accounting for higher hog prices. Last year, the spread widened more than 11 percent between the week ending September 6 and the week ending October 4, as hog prices fell more than 9 percent and the cutout increased more than 2 percent.

Despite larger hog numbers in the 180-pound-and-over category of the September report and year-over-year-higher September hog prices, estimated federally inspected hog slaughter numbers of 10.96 million head were about 1.4 percent below a year ago, after correcting for inter-year slaughter-day

differences. The September daily slaughter weights data⁵ suggest that the hogs that producers did sell between weeks 36 and 40 were sold at weights averaging almost 3 pounds below a year earlier.

Average weekly dressed hog weights



Source: USDA, Agricultural Marketing Service, National Daily Direct Hog Prior Day Report- Slaughtered Swine, LM_HG201.

Factors that could have contributed to lower hog weights in September include ration changes to slow hog weight gain adopted during the spring processing industry slowdowns; absence of ractopamine in hog rations; above-average late-summer temperatures in Corn belt States; inclusion of end-of-season corn in rations; and overstocking on finishing floors. All of these factors could have complicated producers' efforts to accelerate hog weight gain as hog prices began to increase in September.

Part of the September paradox of reported large hog numbers, low average dressed weights, and narrowing processor margins might be explained by an increase in demand for light hams, which must be pulled from lighter weight hogs. This increase is apparent in weekly USDA Agricultural Marketing Service volume and price data for September. The data show that total pounds of light hams (17-20 pound trimmed selected hams) sold in September 2020—1.2 million pounds—was more than five times greater than in the same period in September 2019. While the average value of light hams sold in September 2020—\$63.20 per cwt—was slightly less than 1 percent below a year ago, it is notable that the end-of-September 2020 ham value, \$72.92 per cwt, was more than 49 percent greater than the end-of-September 2019 value. Demand for light hams at this time of year derives largely from domestic customers anticipating the holiday season and likely also from some export demand. These September data suggest there was increased processor demand for light hogs, which helps to explain lighter dressed weights in hogs slaughtered in September.

⁵ USDA, Agricultural Marketing Service, National Daily Direct Hog Prior Day Report-Slaughtered Swine, (LM_HG201).

Weekly Price and Volume Sold, Light Hams, September 2019 and 2020

17-20# Trimmed Selected Ham		
	Pounds sold	Value (\$ per cwt)
Week ending		
August 30, 2019	91,699	61.47
September 6, 2019	31,847	62.6
September 13, 2019	12,292	63.45
September 20, 2019	53,958	63.85
September 27, 2019	26,018	66.49
September 4, 2020	230,238	48.93
September 11, 2020	297,501	56.05
September 18, 2020	147,000	65.82
September 25, 2020	247,517	72.25
October 2, 2020	272,958	72.92

Source: USDA, Agricultural Marketing Service, National Weekly Negotiated Pork Report-FOB Plant.

Increased demand for light-weight hogs may have contributed to lower average September dressed weights. But below-year-ago slaughter numbers in September more likely reflect processing constraints—narrowed processor margins and restricted capacity utilization of processing plants—and slowed hog marketings, as producers experienced difficulties in bringing hogs up to slaughter weights. In addition, some producer may have perhaps been reluctant to forego higher returns by marketing underweight hogs, with perceptions of cooler weather and new-season corn just around the corner. It is notable that while most of the factors that may still impede hog weight gain are likely short term in nature, COVID-19-related constraints on the processing sector appear to be more open-ended. Processor efforts to manage continued virus-related labor shortages, and in-plant restrictions to inhibit further virus infections, are likely to raise processor costs and restrict the industry from full capacity utilization into 2021.

Despite Market Turmoil, 2020 Pork Production Likely To Exceed Last Year's Production

Pork production in the fourth quarter this year is expected to be almost 7.4 billion pounds, about 2 percent below production in 2019. Lower expected fourth-quarter production is largely due to continuing constrained packer capacity utilization. Workforce absences and in-plant social distancing measures in place to inhibit virus infection are likely to hold the processing sector to below-full capacity utilization. Hog prices in the fourth quarter are expected to average \$51 per cwt, more than 18 percent above the same period a year ago. Higher fourth-quarter prices reflect, in part, a continuation of the level of demand that resulted in higher hog prices in September. Pork production in 2020 is anticipated to total 28.2 billion pounds, almost 2 percent more than production in 2019.

First-quarter 2021 pork production is expected to be about 7.2 billion pounds, more than 2 percent below a year earlier. Lower production is premised on a smaller summer pig crop and unusually large hog slaughter in the first quarter of 2020, as late in the quarter producers pulled hogs ahead for slaughter in anticipation of COVID-19-related market turbulence. First-quarter 2021 hog prices are expected to average \$47 per cwt, almost 11 percent greater than a year ago.

Second-quarter pork production is expected to be about 6.7 billion pounds, 6.8 percent greater than the second quarter of 2020, when pork production was reduced by virus-related processing industry

slowdowns. Hog prices in the second quarter of next year are anticipated to average \$50 per cwt, more than 28 percent higher than a year earlier. In the third quarter of 2021, pork production is expected to be about 7.1 billion pounds, roughly the same as a year earlier, and prices of live equivalent 51-52 percent lean hogs are likely to average about \$48 per cwt, almost 19 percent above the third quarter of this year. Lower third-quarter production derives largely from first producer intentions of 1.5 percent fewer farrowings. Average dressed weights are likely to be somewhat lower next year, as weights in the first part of third-quarter 2020 reflected the impacts of a slower pace of slaughter. Altogether, pork production in 2021 is expected to total 28.5 billion pounds, about 1 percent greater than production in 2020.

Increased Shipments to China Support August Exports

August pork exports were 527 million pounds, 4 percent above a year earlier. Exports were supported at year-over-year levels, due largely to increased shipments to China\Hong Kong, which at 117 million pounds, were 21 percent greater than August 2019. Exports to Mexico, at 125 million pounds, were 9 percent below a year ago. Lower shipments to Mexico are thought to be due to soft consumer demand from continued macroeconomic weakness. It is notable that Vietnam was the eighth-largest buyer of U.S. pork in August, at 14 million pounds. African Swine Fever was discovered in Vietnamese swine herds in February 2019 and has since spread to all 63 of the country's provinces. As of late 2019, the disease had killed approximately 5.9 million pigs, or about 22 percent of the total swine herd.⁶ The 10 largest foreign destinations for U.S.-exported pork in August—which accounted for 92 percent of U.S. pork exports—are summarized below.

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

	Country	Exports August 2019 (Million pounds)	Exports August 2020 (Million pounds)	Percent change (2020/2019)	Export share August 2019 Percent	Export share August 2020 Percent
	World	509	527	4		
1	Mexico	137	125	- 9	27	24
2	China\Hong Kong	97	117	21	19	22
3	Japan	88	93	6	17	18
4	Canada	43	52	19	9	10
5	South Korea	42	28	-34	8	5
6	Australia	18	18	-2	4	3
7	Philippines	12	14	17	2	3
8	Vietnam	1	14	976	0	3
9	Colombia	17	13	-22	3	2
10	Honduras	8	10	36	1	2

Source: USDA, Economic Resource Service.

⁶ USDA, Foreign Agricultural Service, "Vietnam African Swine Fever Update", December 6, 2019, Report number VM2019-0067, Hanoi, Vietnam.

Lower-than-expected exports in August prompted a 100 million pound reduction in the third-quarter export forecast to 1.65 billion pounds. Forecasts for the fourth-quarters of 2020 and 2021 are reduced as well, on expectations for continued weaker demand from China and soft consumer demand from recessionary macroeconomic conditions in major importing countries. Exports in the fourth quarter of 2020 are expected to be 1.90 billion pounds, more than 4 percent above a year earlier, for a full-year total of approximately 7.4 billion pounds, more than 16 percent higher than for 2019.

First-quarter exports in 2021 are expected to be 1.95 billion pounds, down 3.6 percent from a year earlier. Second- and third-quarter shipments are both forecast at 1.70 billion pounds, about 4 percent and 3 percent greater than exports in the second- and third-quarters of 2020, respectively. Revised 2021 forecasts point to total 2021 exports of 7.4 billion pounds, roughly equal to exports forecast for 2020.

The 2021 forecast implies that 25.8 percent of commercial pork production will be exported compared with 26.1 percent this year. Incorporating the new information from the September *Quarterly Hogs and Pigs* report with the revised export forecasts implies a 2021 pork retail weight per capita disappearance of 51.6 pounds compared with 51.3 pounds this year, an increase of 0.66 percent.

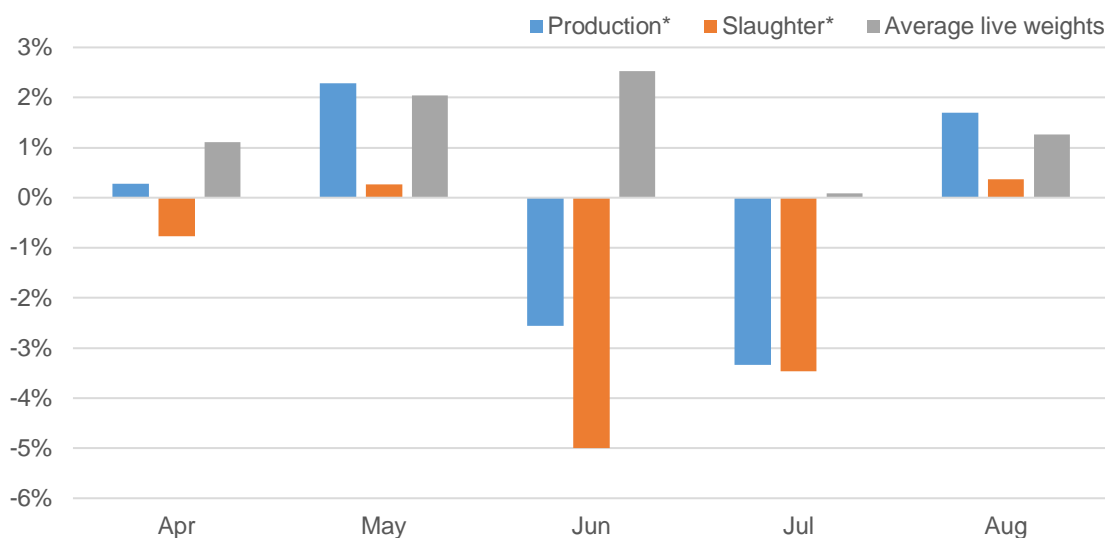
Poultry

Kim Ha and Grace Grossen

Broiler Production Forecast Increased Slightly

The August broiler production estimate came in higher than expected at 3.7 billion pounds, a year-over-year increase of 1.7 percent when adjusted for slaughter days. This increase was comprised of a 1.3 percent rise in average live bird weights and a 0.5 percent rise in slaughter (adjusted for slaughter days). After months of dealing with production disruptions stemming from COVID-19, including reduced slaughter capacity in April, backlogs driving up May and June bird weights, and fewer birds available for slaughter in June and July due to reduced egg sets in the weeks prior, August production data may signal the return—or the beginning of one—to more normal operations (see chart). Preliminary September slaughter data points to continued gains in bird weights relative to last year, while slaughter is expected to be down slightly. Based on higher-than-expected production in August, the third-quarter production forecast was increased to 11.275 billion pounds. Production in 2020 is forecast to be 44.602 billion pounds, an increase of about 2 percent over 2019 production. Reflecting the increase in 2020, the 2021 production forecast was increased to 45.060 billion pounds, 1 percent above the 2020 production forecast.

Year-over-year percent change in broiler production indicators (2020/2019)



Note *Adjusted for slaughter days.

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

Broiler Export Forecast Increased

The estimate for August broiler exports was higher than expected at 615.8 million pounds, an increase of 2.2 percent year over year. This increase was driven by higher exports to China (+53 million pounds), South Africa (+12 million pounds), Taiwan (+11 million pounds), and Canada (+9 million pounds). Conversely, shipments were down year over year to Cuba (-28 million pounds), Angola (-18 million pounds), Georgia (-17 million pounds), Mexico (-15 million pounds), and Hong Kong (-10 million pounds).

pounds). Based on higher-than-expected demand, the third-quarter broiler export forecast was increased to 1.810 billion pounds. Export volumes are forecast to total 7.246 billion pounds in 2020, an increase of 2 percent relative to 2019. Based on expectations for improving global demand, the 2021 export forecast was increased to 7.260 billion pounds, a slight increase over the 2020 forecast.

U.S. broiler exports: Volume and export share (August 2019 and 2020)

Country	Volume			Export share	
	August 2019	August 2020	Change in volume	August 2019	August 2020
	<i>Million pounds</i>	<i>Million pounds</i>	<i>Million pounds</i>	<i>Percent</i>	<i>Percent</i>
Top 10 largest foreign markets (per year-to-date 2020 export volumes)					
Mexico	128	114	-15	21	18
Taiwan	24	36	11	4	6
China	0	53	53	0	9
Vietnam	24	32	7	4	5
Cuba	60	32	-28	10	5
Canada	27	37	9	5	6
Guatemala	27	23	-4	4	4
Georgia	30	14	-17	5	2
Republic of South Africa	11	24	12	2	4
Angola	44	26	-18	7	4
World	603	616	13	100	100
Additional foreign markets of note					
Colombia	22	18	-5	4	3
Philippines	17	16	0	3	3
United Arab Emirates	5	4	-2	1	1
Hong Kong	17	7	-10	3	1

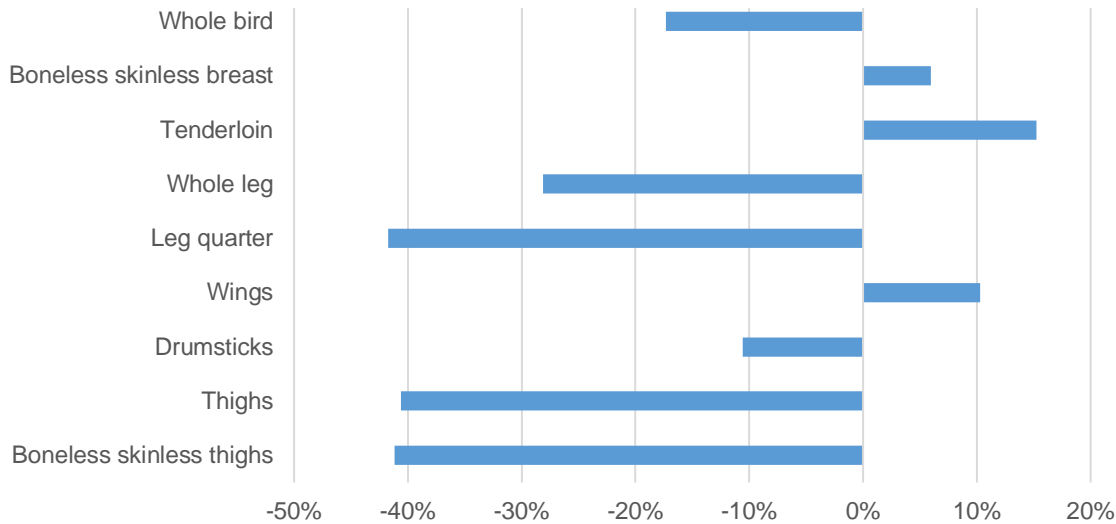
Source: USDA, Economic Research Service using data from the U.S. Department of Commerce, Bureau of the Census.

2021 Price Forecast Decreased on Expectations for Continued Weak Demand

Wholesale whole-bird broiler prices (National Composite Weighted Average) averaged 63.58 cents per pound in September, down 17.3 percent relative to 2019 (see chart). Despite being markedly lower than year-earlier and historical levels, prices are moving consistently with seasonal patterns. The weak benchmark wholesale prices are likely a reflection of abundant supplies and continued weak demand from the foodservice sector. The fourth-quarter price forecast is unchanged. Although prices are expected to recover from this year's lows, weak demand is expected to continue into 2021, the basis for decreasing the 2021 price forecast to 79 cents per pound, still an increase of 11 percent relative to 2020 price expectations.

Depressed wholesale prices (Northeast) during September also impacted the parts segment. Dark meat wholesale prices were down year over year across the board, with leg quarters, boneless skinless thighs, and thighs down by more than 40 percent relative to last year (see chart). Most white meat wholesale prices, however, were above year-earlier levels, with tenderloins gaining the most (+15 percent), followed by wings (+10 percent), and boneless skinless breasts (+6 percent).

Year-over-year percent change in broiler wholesale prices (Northeast) (September 2020/2019)



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

Table Egg Production Expectations Hold Steady; Historical Stock Data Revised

August table egg production is estimated at 669 million dozen, a decrease of 3.1 percent relative to last year. The table egg laying flock, which was 4.7 percent lower year over year, continues to be the source of lower table egg production. However, after 7 consecutive months of steady contraction of the layer flock, it appears producers have resumed flock expansion in August, albeit slightly (see chart). This expansion is consistent with seasonal patterns as producers prepare for increased demand associated with the holiday baking season. The table egg lay rate was 82.1 eggs per 100 layers in August, 1.7 percent higher year over year and virtually unchanged from last month's record lay rate (see chart). However, September 1 table egg lay rate and molting rate data suggest that average September table egg lay rates will be markedly lower than August and July. The table egg production forecast remains unchanged.

Table egg layer flock (monthly average)

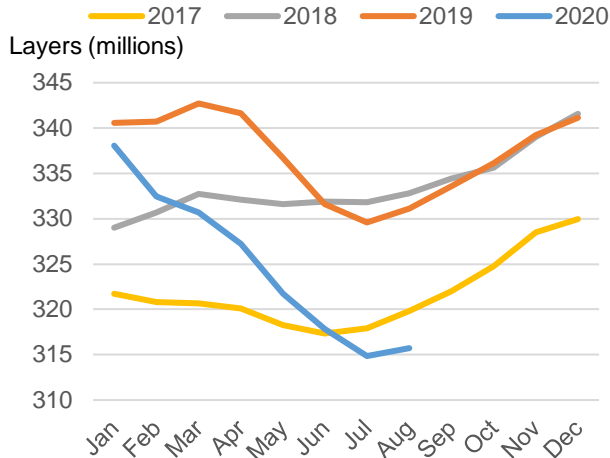
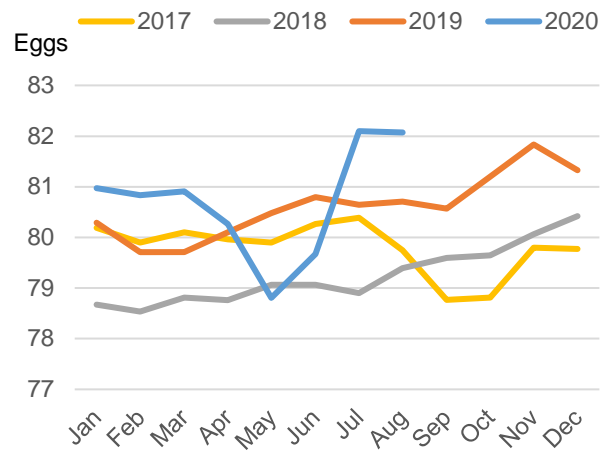


Table eggs per 100 layers per day



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

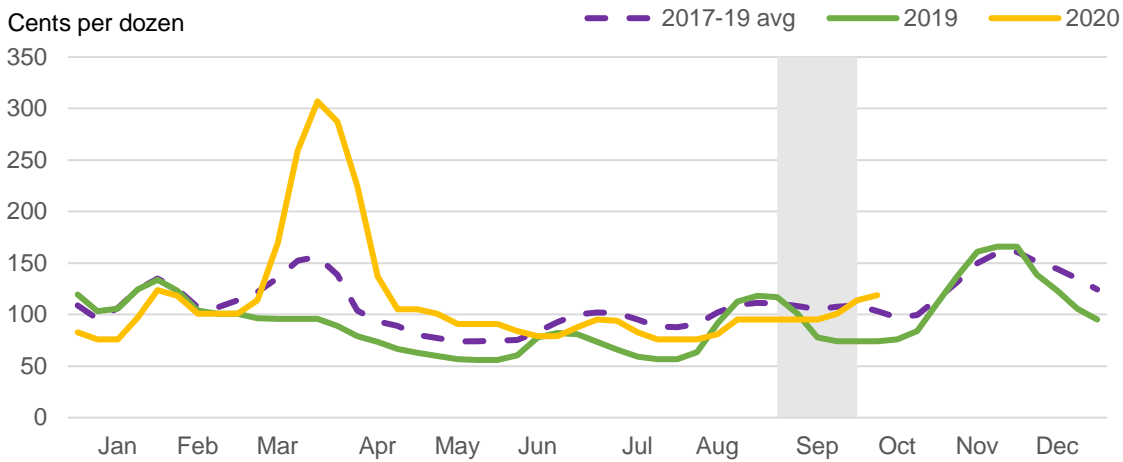
On September 11, 2020, the USDA Agricultural Marketing Service officially discontinued publishing dried egg inventory estimates—although the last month for which estimates were published was February 2020. As a result, egg stocks were revised back to 1994 to remove dried egg inventory estimates. Supply and use stock estimates now include only frozen eggs.⁷ The 2020 ending stocks forecast is 31 million dozen, a decrease of 2 percent year over year. The 2021 ending stocks forecast is 33 million dozen, an increase of 6 percent relative to 2020.

Fourth-Quarter Egg Price Forecast Increased

Wholesale egg prices (New York Grade A Large) averaged 97.2 cents per dozen in September, an increase of 7.6 percent year over year. Prices remained steady at 95 cents per dozen for the first 3 weeks of the month before increasing to 109 cents per dozen during the last week. In the first week of October, prices climbed steadily and are expected to remain firm. As demand increases in line with the holiday baking season, prices are expected to continue strengthening, which was the basis for increasing the fourth-quarter egg price forecast to 125 cents per dozen. Prices are forecast to average 116.7 cents per dozen in 2020, 24 percent higher than 2019. The 2021 price forecast is unchanged.

⁷ Updated supply & use tables for eggs and egg products can be found here: <https://www.usda.gov/sites/default/files/documents/october-2020-egg-su-table.xlsx>

End-of-week wholesale egg prices (New York Grade A Large)



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

Second-Half Egg Export Forecast Increased on Expectations for Firm Demand

August exports of eggs and egg products are estimated at 29.9 million dozen, an increase of 636 thousand dozen year over year, or 2.2 percent. This increase was supported by a 6.4-percent increase of shell-egg exports, while shipments of egg products decreased by 5.9 percent. With respect to key markets (see table), shipments increased year over year to Mexico (+959 thousand dozen) and the United Arab Emirates (+929 thousand dozen), driven by higher sales of shell eggs, while the increase in shipments to Canada (+749 thousand dozen) was driven by egg products. Conversely, shipments decreased to Hong Kong (-964 thousand dozen), driven by shell eggs, while the decrease in volumes to Japan (-807 thousand dozen), Denmark (-648 thousand dozen), and the Philippines (-636 thousand dozen) were driven by lower volumes of egg products. Based on expectations for continued firm demand for U.S. egg and egg products, the second-half export forecast was increased to 180 million dozen. In 2020, egg exports are forecast to be 350 million dozen, or 5 percent higher year over year. The 2021 export forecast is unchanged at 335 million dozen, down 4 percent from 2020.

**U.S. egg and egg product exports: Volumes and export shares of largest markets
(August 2019 and 2020)**

Country	Volume			Export share	
	August 2019	August 2020	Change in volume	August 2019	August 2020
	<i>Thousand dozen</i>	<i>Thousand dozen</i>	<i>Thousand dozen</i>	<i>Percent</i>	<i>Percent</i>
Mexico	8,077	9,035	959	28	30
Canada	6,812	7,561	749	23	25
Hong Kong	4,623	3,658	-964	16	12
Japan	2,522	1,715	-807	9	6
South Korea	337	441	104	1	1
United Arab Emirates	679	1,607	929	2	5
Denmark	783	136	-648	3	0
Jamaica	716	671	-45	2	2
Trinidad and Tobago	710	588	-122	2	2
Bahamas	252	426	173	1	1
Philippines	669	33	-636	2	0
World	29,250	29,887	636	100	100

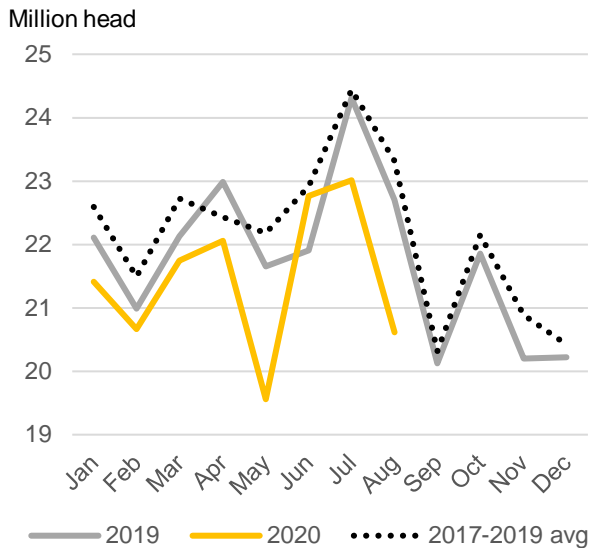
Note: Largest markets are based on year-to-date 2020 export volumes.

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

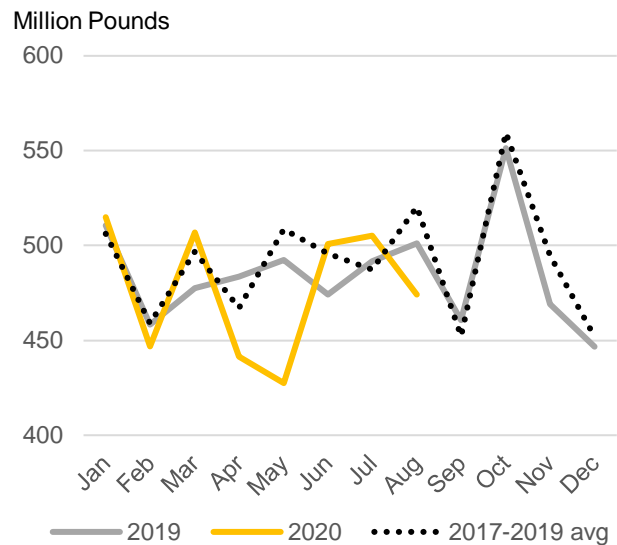
Third Quarter Turkey Production Adjusted Higher

Turkey production in August totaled 474.3 million pounds. This is 5.3 percent lower than August of last year, but when adjusted for one less slaughter day in 2020 the decline is less than one percent. August placements totaled 20.6 million head, 9.2 percent below placements in August of 2019. As turkeys take 14-16 weeks to mature, August turkey-chick placements are the key predictor of the expected Thanksgiving production. The third-quarter forecast was revised up to 1.45 billion pounds on production data. The fourth-quarter production forecast is 1.45 billion pounds. In total, 2020 production is forecast at 5.738 billion pounds, 1 percent lower than 2019. The 2021 forecast is unchanged at 5.77 billion pounds, which represents just under 1 percent growth over the 2020 forecast.

Monthly turkey placements



Monthly turkey production

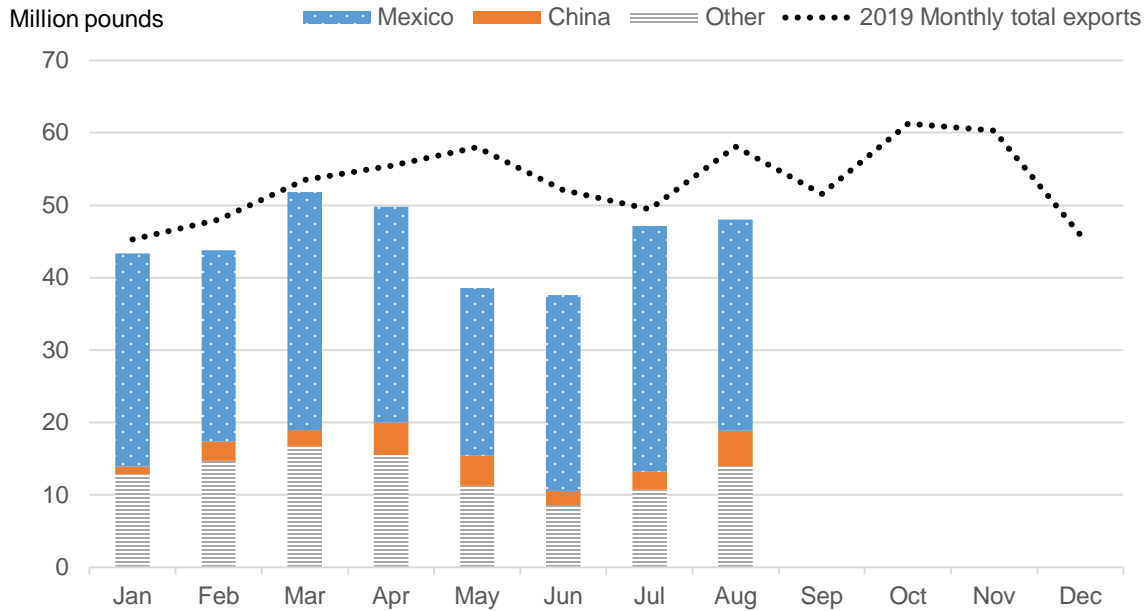


Source: USDA, National Agricultural Statistics Service.

Turkey Export and Import Forecasts Revised Up

August turkey exports totaled 48 million pounds, 29.2 million pounds of which were shipped to Mexico. Exports to China made up 10 percent of shipments in August, totaling 4.8 million pounds. The next largest destinations were Haiti, with 1.3 million pounds, and Peru and Canada, with 1.1 million pounds each. Total exports are still behind 2019 levels, with the current year-to-date total only 86 percent of the total from January through August 2019. The graph below compares the total monthly exports in 2019, shown by the dotted line, to the current year's exports, shown by the bars and broken out by destination. The 2020 total export forecast was increased by 10 million pounds from last month to 550 million pounds, a 14-percent decrease from 2019. The 2021 total export forecast was revised to 570 million pounds, which would represent 4 percent growth over the 2020 forecast.

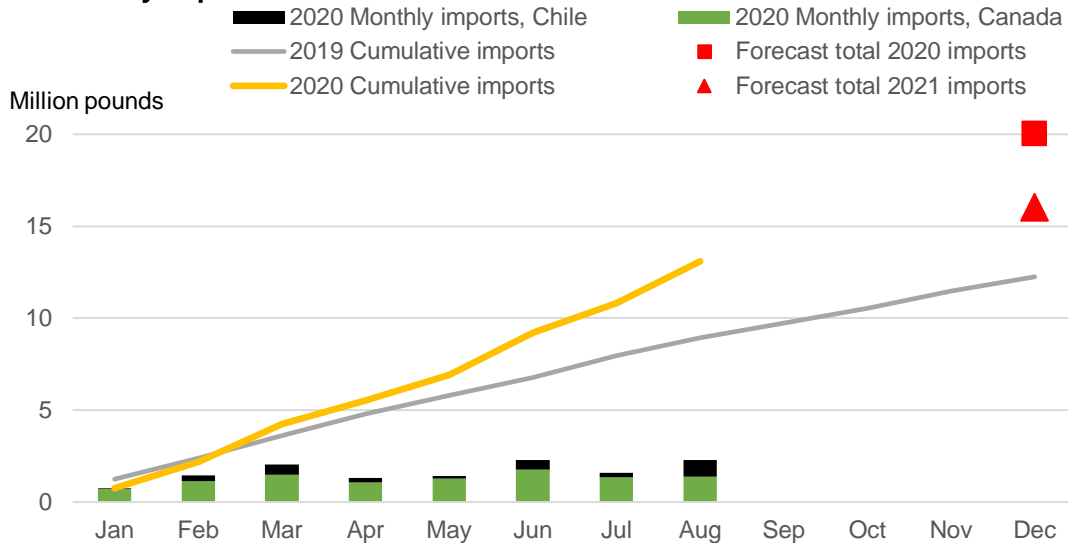
U.S. turkey exports, 2019-2020



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

Imports of turkey meat totaled 2.3 million pounds in August. While Canada shipped the most turkey to the U.S. at 1.4 million pounds, the August increase came mainly from imports from Chile. This brings the 2020 year-to-date total to 13 million pounds, surpassing imports in the same period of 2019 by 4.2 million pounds. This cumulative total is illustrated on the graph below. The 2020 forecast was increased to 20 million pounds, shown by the red square on the graph. Additionally, the 2021 import forecast was increased by one million pounds each quarter to 16 million pounds, indicated by the red triangle on the graph.

U.S. Turkey imports

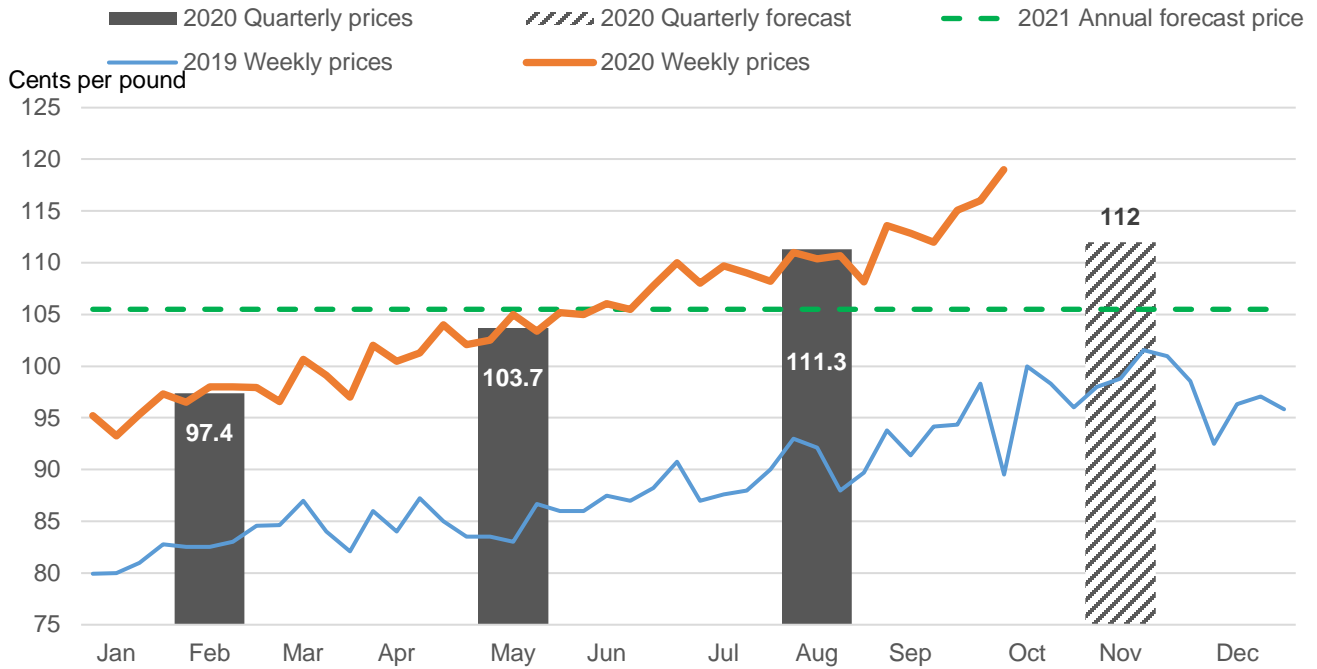


Sources: USDA, Economic Research Service, Livestock and Meat International Trade Data and USDA, World Agricultural Supply and Demand Estimates.

Turkey Price Forecast Raised

The wholesale whole-hen price averaged 113.5 in September, bringing the third-quarter price to 111.3. The September price was nearly 20 cents above that of last year. The weekly price reached 119 cents per pound in the week ending October 2. This price is 29.5 cents above the same week last year and is the highest weekly price since late 2016. The fourth-quarter price was revised up to 112 cents on improved demand expectations.

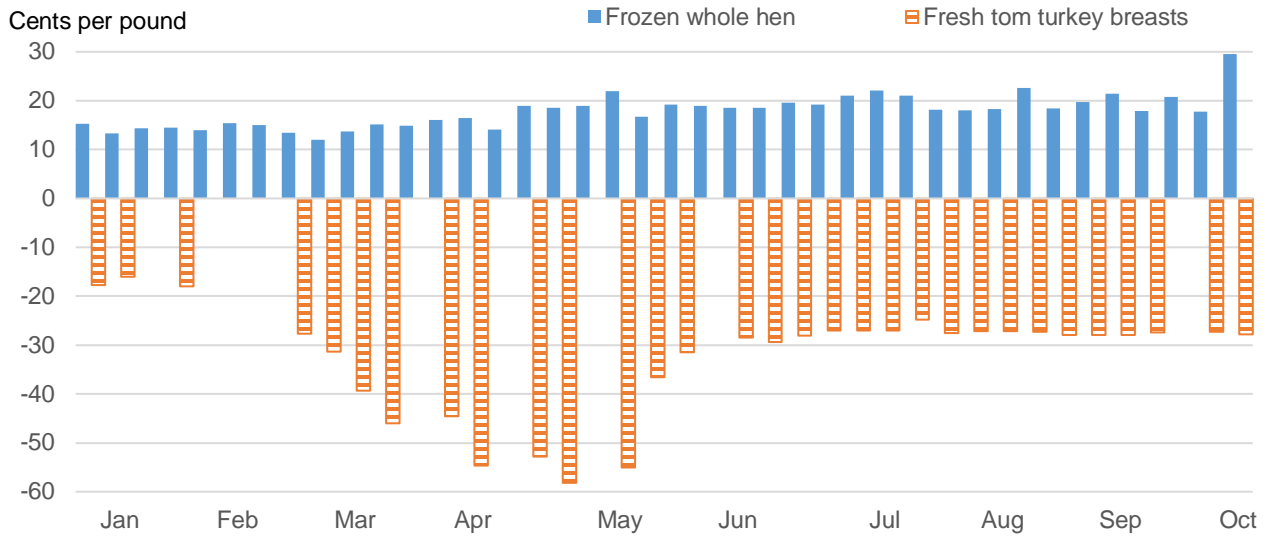
Wholesale whole-hen frozen turkey prices



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

While frozen whole-hen prices have been consistently above a year ago in 2020, wholesale prices for fresh tom turkey breasts have been doing the opposite, dropping as much as 50 cents below a year ago in April and May of 2020. Fresh tom parts are mostly destined for further processing, the capacity for which was likely disrupted by the COVID-19 pandemic. September prices for tom turkey breasts remain more than 25 cents below a year ago.

Wholesale price change from same week a year ago



Source: USDA, Agricultural Marketing Service.

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