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Agricultural Outlook Forum 2001

Session: **LIVESTOCK AND POULTRY: FUTURE DIRECTIONS IN THE U.S.  
MEAT SECTOR**

**The Outlook for Livestock and Poultry**

Joel L. Greene  
Agricultural Economist  
World Agricultural Outlook Board  
USDA

# **The Outlook for the U.S. Livestock and Poultry Sector**

**USDA Outlook Forum**

**Washington, D.C.**

**February 23, 2001**

# **Some Key Factors to Watch This Year**

- **Feed costs are expected to remain relatively low.**
- **Income growth will continue to support meat purchases in the United States and in our export markets.**
  - **Energy costs a concern.**
- **BSE situation in Europe is assumed to have limited impact. There could be trade shifts that benefit U.S. meat products.**

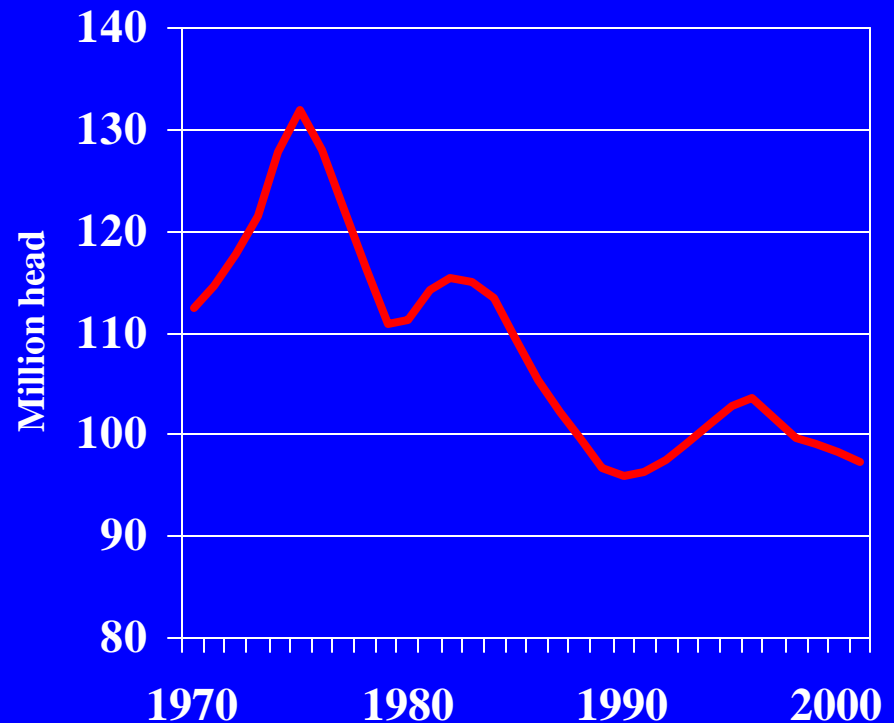
# **Meat Production Holds Steady in 2001**

- **Red meat production to fall 1-2 percent.**
  - **Beef declines 3-4 percent.**
  - **Pork gains 2-3 percent.**
- **Poultry production continues to grow.**
  - **Broiler meat increases 1-2 percent.**
  - **Turkey rises 3-4 percent.**

# Cattle Liquidation Continued in 2000

- **January 1, 2001 cattle inventory declined 1 percent to 97.3 million head.**
- **Inventory to fall below 97 million by end of 2001.**
- **Upturn in inventory is not likely until January 1, 2004.**

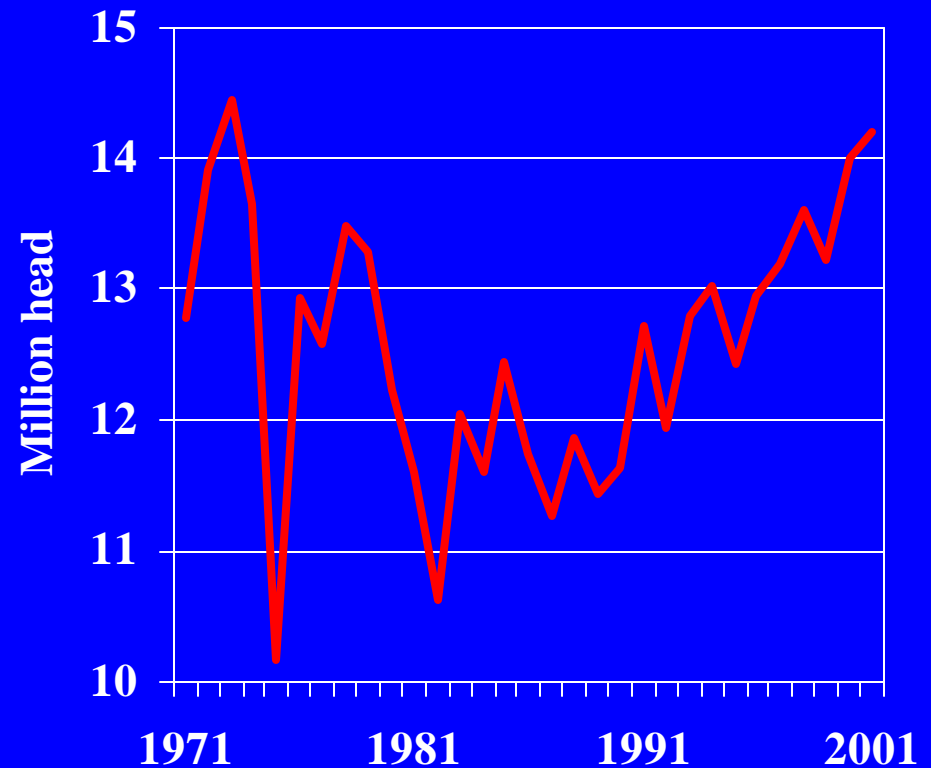
**Cattle Inventory on  
January 1**



# High Placements Bumped Beef Production Higher

- **January 1, 2001 U.S. total cattle on feed number rose to 14.2 million head.**
- **Dry conditions throughout the year forced cattle into feedlots.**
- **Rising fed cattle prices encouraged cattle feeders to market cattle.**

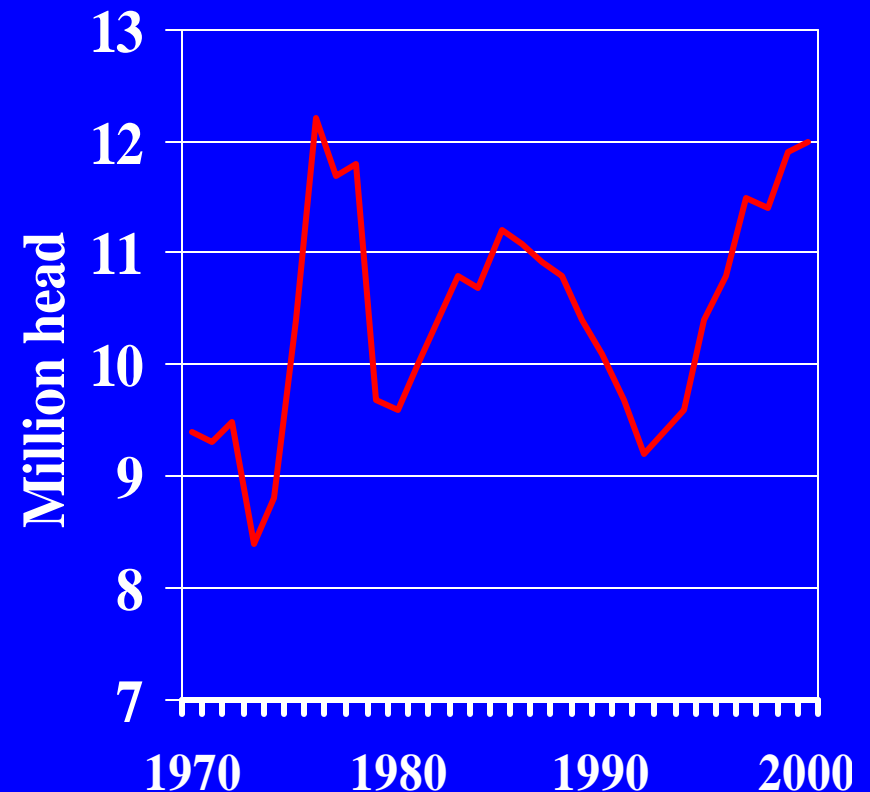
**US Total Cattle on Feed**



# Producers Didn't Retain Heifers in 2000

- Heifers accounted for over 40 percent of cattle supplies for 7-State, 1,000+ feedlots.
- Commercial heifer slaughter surpassed 12 million head, the second highest on record.
- Replacement heifers were up 1.5 percent on January 1, but heifers expected to calve likely to fall below 2000 level.

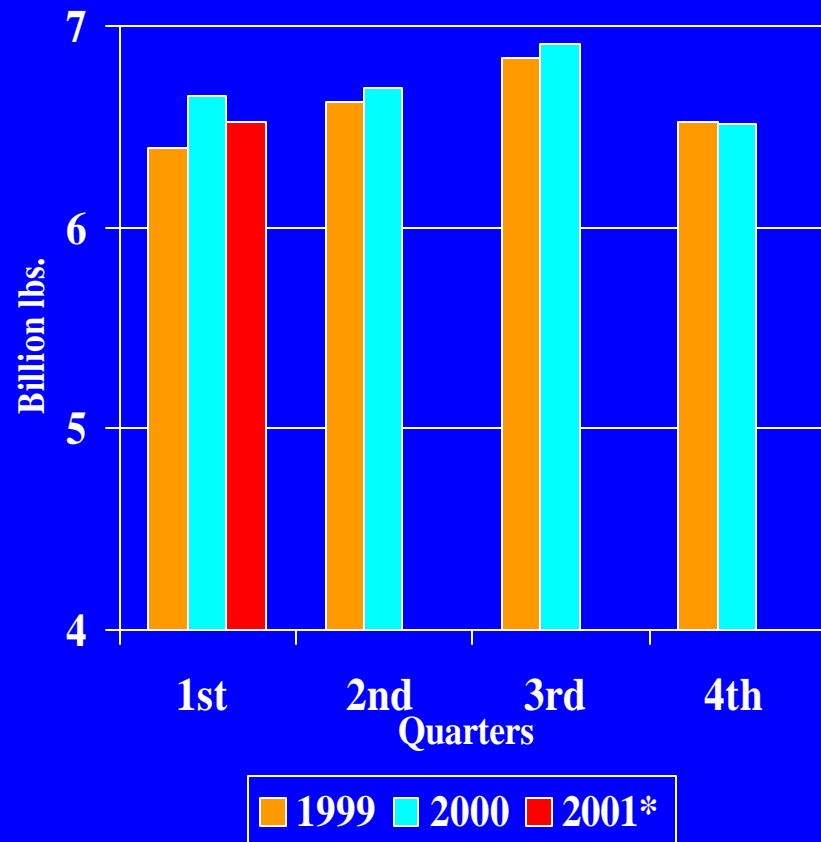
Heifer Slaughter





# Beef Production in 2001 to Fall to 25.7 Billion Pounds

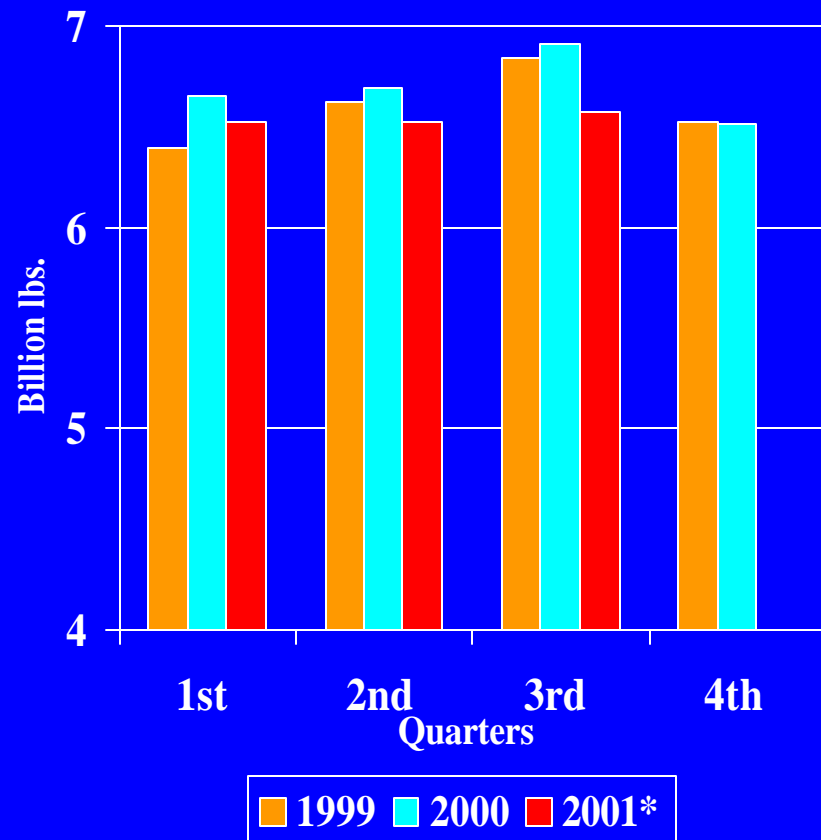
- First quarter production to fall below year earlier.



\*Forecast

# Beef Production in 2001 to Fall to 25.7 Billion Pounds

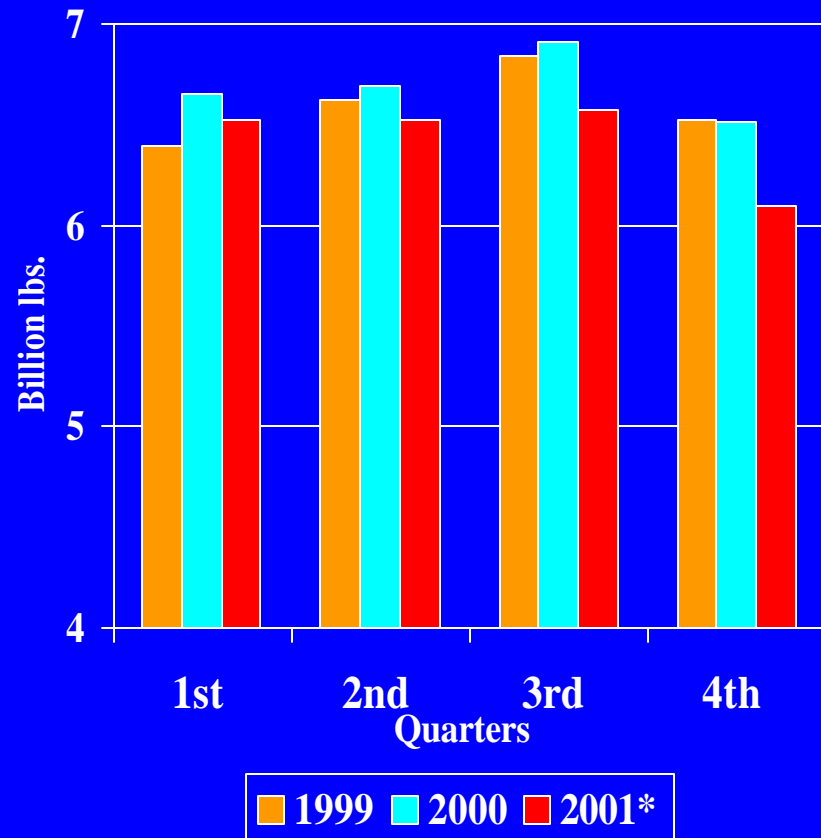
- **First quarter production falls below year earlier.**
- **Production flattens out in 2nd and 3rd quarters, but below year earlier, as late 2000 cattle are marketed.**



\*Forecast

# Beef Production in 2001 to Fall to 25.7 Billion Pounds

- **First quarter production falls below year earlier.**
- **Production flattens out in 2nd and 3rd quarters, but below year earlier, as late 2000 cattle are marketed.**
- **By last quarter, beef production expected to drop more than 6 percent.**

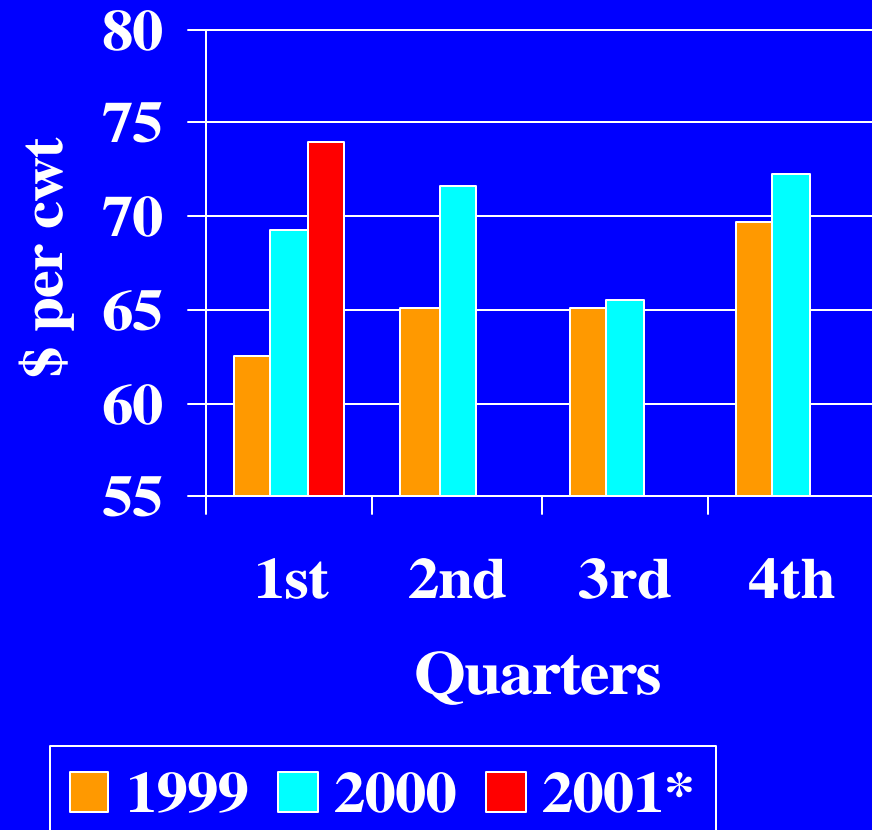


\*Forecast

# Cattle Prices Will Average \$72-77 per cwt

- Tightening supplies will lift cattle prices.
  - **First quarter will average \$73-75.**

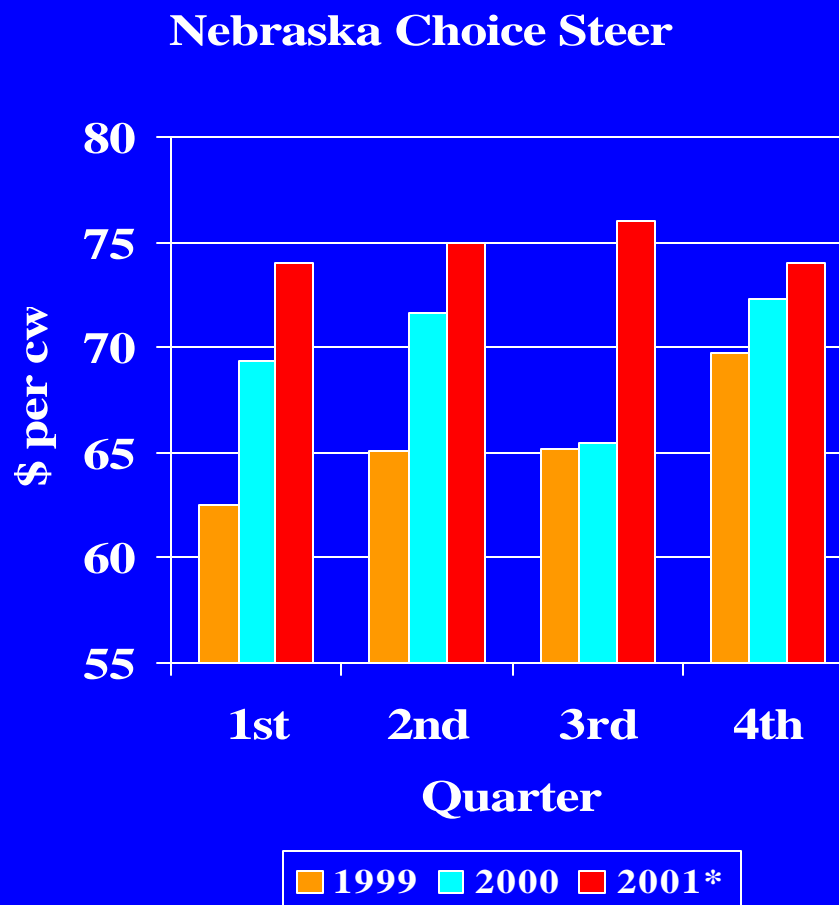
Nebraska Choice Steers



\*Forecast

# Cattle Prices Will Average \$72-77 per cwt

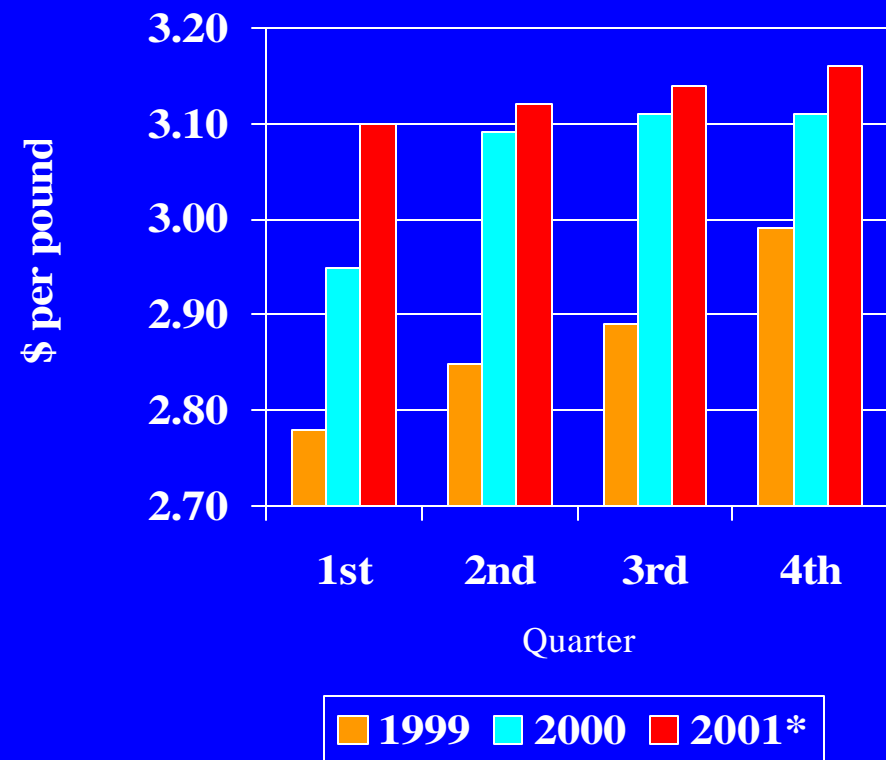
- Tightening supplies will lift cattle prices.
  - First quarter will average \$73-75.
  - Quarters 2 and 3 may see prices \$4-10 higher than year earlier.
  - Fourth quarter price likely to dip as supplies of other meat, especially pork, increase.



# Retail Beef Prices Reach Record Levels

- Consumer demand for Choice beef was firm in 2000.
- Retail Choice beef prices topped \$3 per pound in April and continued to strengthen during the year.
- Choice beef prices were record strong last month, and retail prices are expected to increase each quarter in 2001.

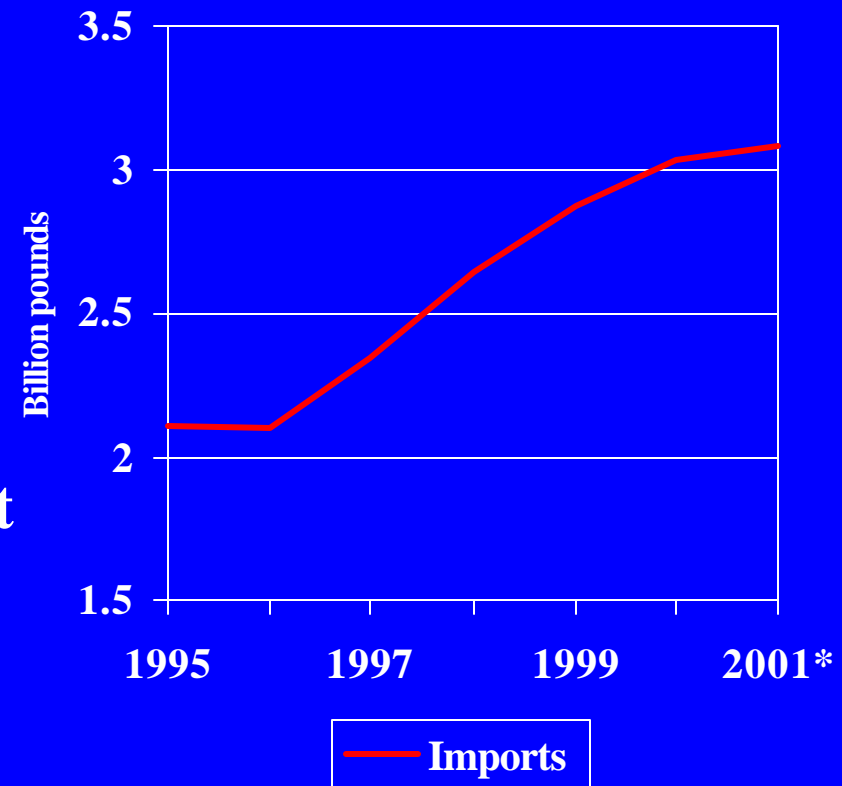
ERS Retail Choice Beef Price



\*Estimated

# Beef Imports to Remain High in 2001

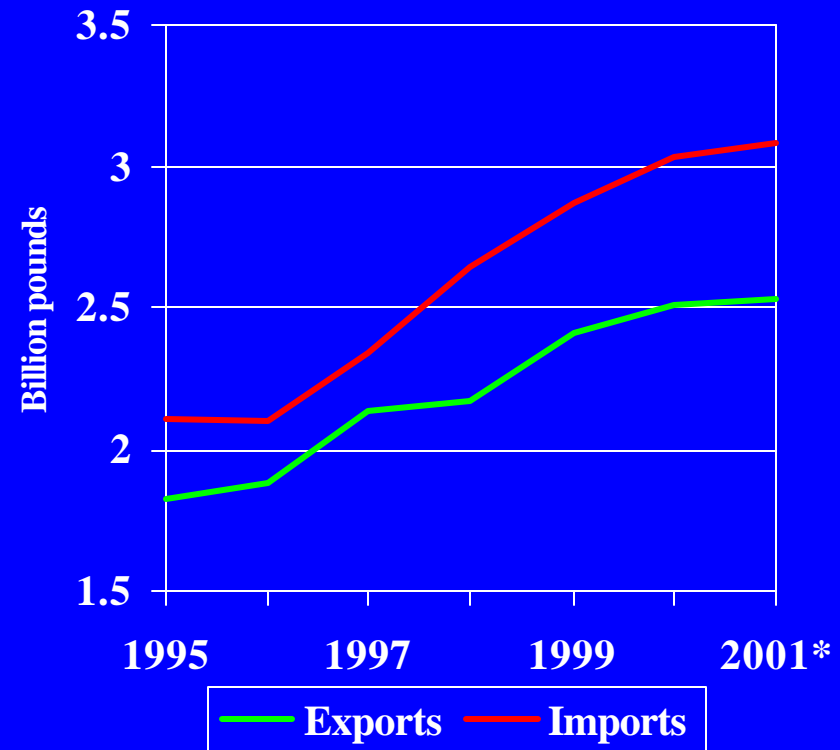
- Beef imports in 2000 reached record 3 billion pounds as cow slaughter declined.
- Australia and New Zealand increased shipments.
- Imports will remain at about the same high level, as Canada has reduced supplies.



\*Forecast

# Beef Exports to Rise Slightly in 2001

- Beef exports reached record 2.5 billion pounds in 2000.
- Exports forecast to increase about 1 percent in 2001 on continued strength to Asian markets and Mexico.
- Net imports of beef remain about the same as in 2000.



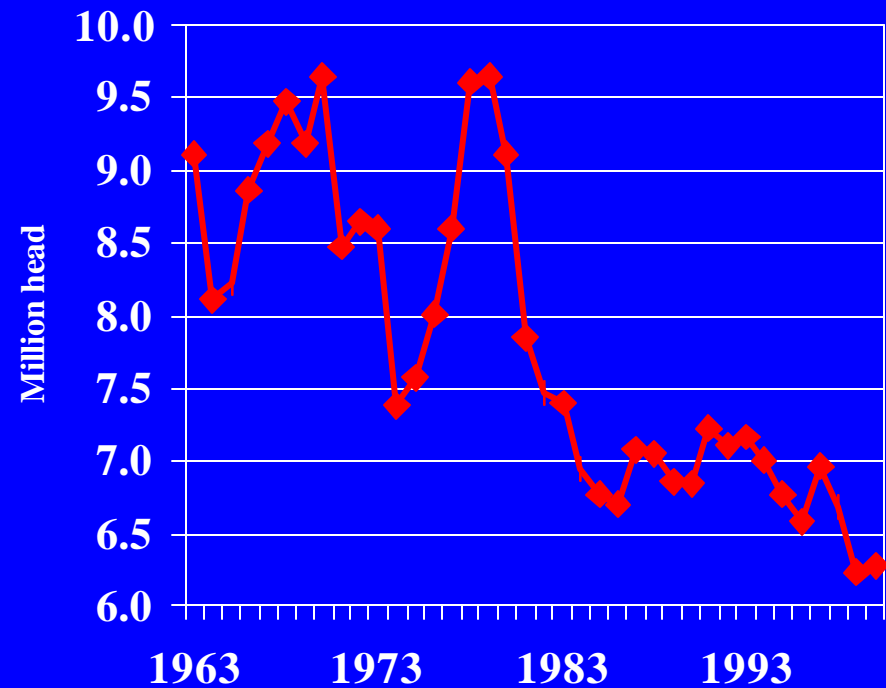
\*Forecast



# Pork Production Set to Expand in 2001

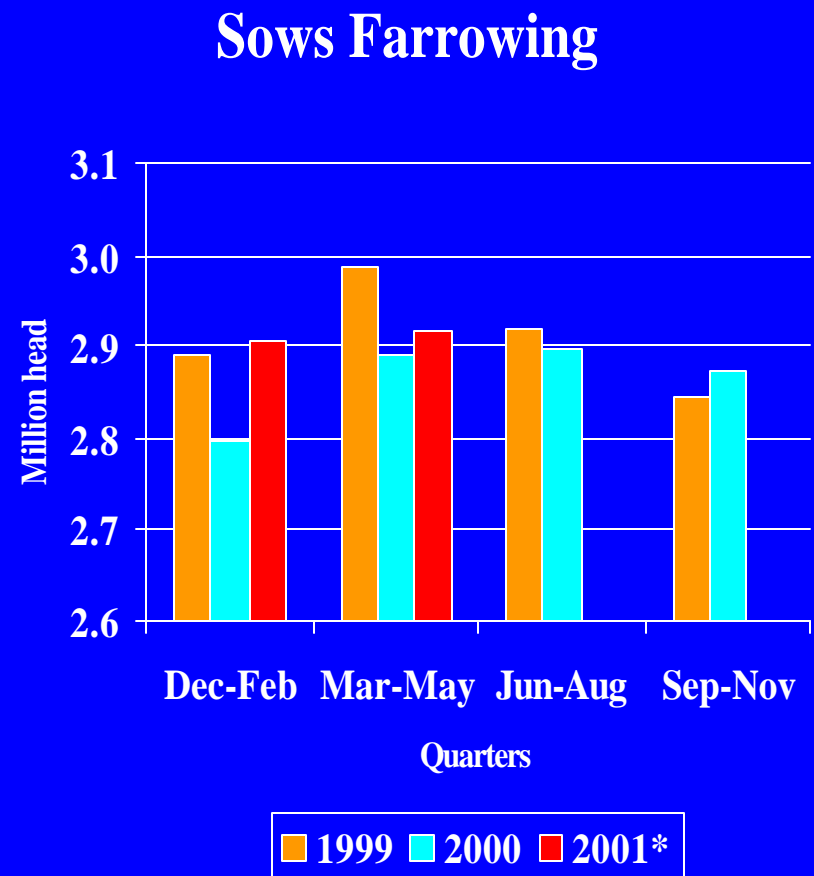
- The December 1, 2000 inventory of pigs kept for breeding increased nearly 1 percent (6.3 million head) after declining for 2 years.

## Pigs Kept for Breeding - U.S.



# Sows Farrowing Start to Rise

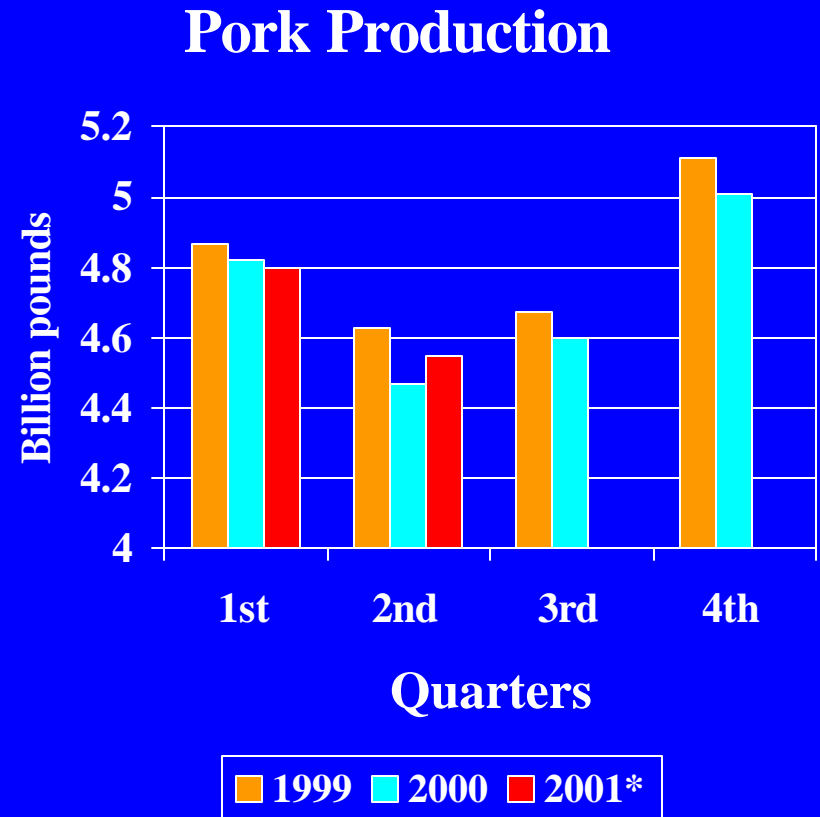
- Producers intended to farrow 4 percent more sows in the Dec-Feb quarter.
- March-May intentions were only 1 percent higher.
  - Producers may still be somewhat cautious about expanding too rapidly.



\*Intentions

# Pork Production Expected to Rise to Near Record

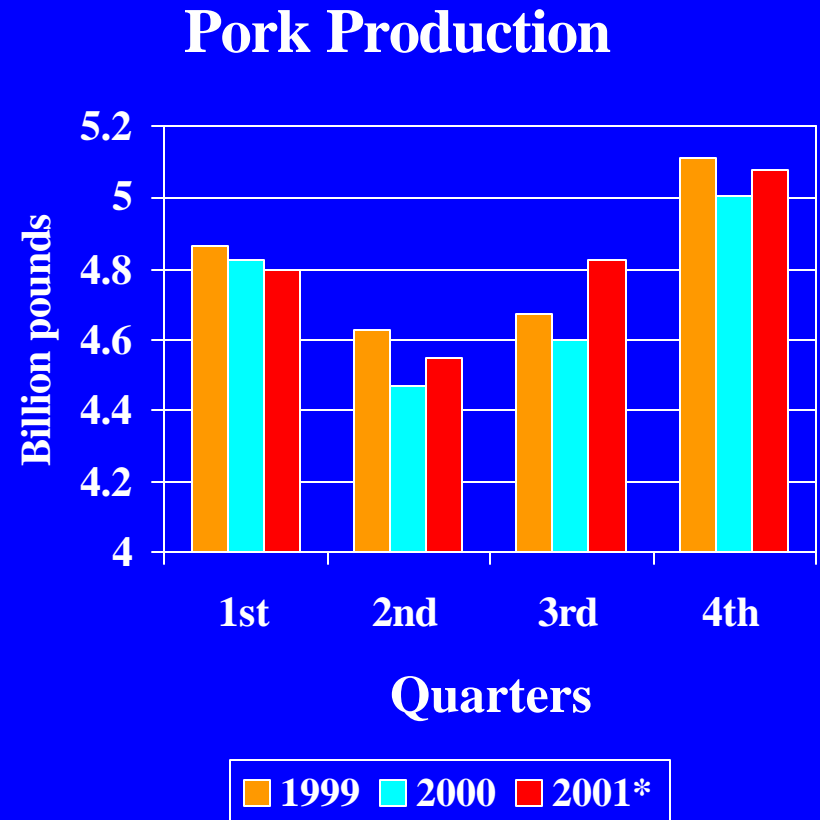
- Production is forecast to rise 2 percent to 19.25 billion pounds in 2001.
- First half production up less than 1 percent as production exceeds year earlier in second quarter.
  - Pig crop in fourth quarter 2000 2 percent above 1999.



\*Forecast

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- First half production up less than 1 percent as production exceeds year earlier in second quarter.
  - Pig crop in fourth quarter 2000 2 percent above 1999.
- **Second half production is forecast near record large.**
  - **First half pig crop is forecast up about 3 percent.**
  - **Largest production gain in third quarter.**

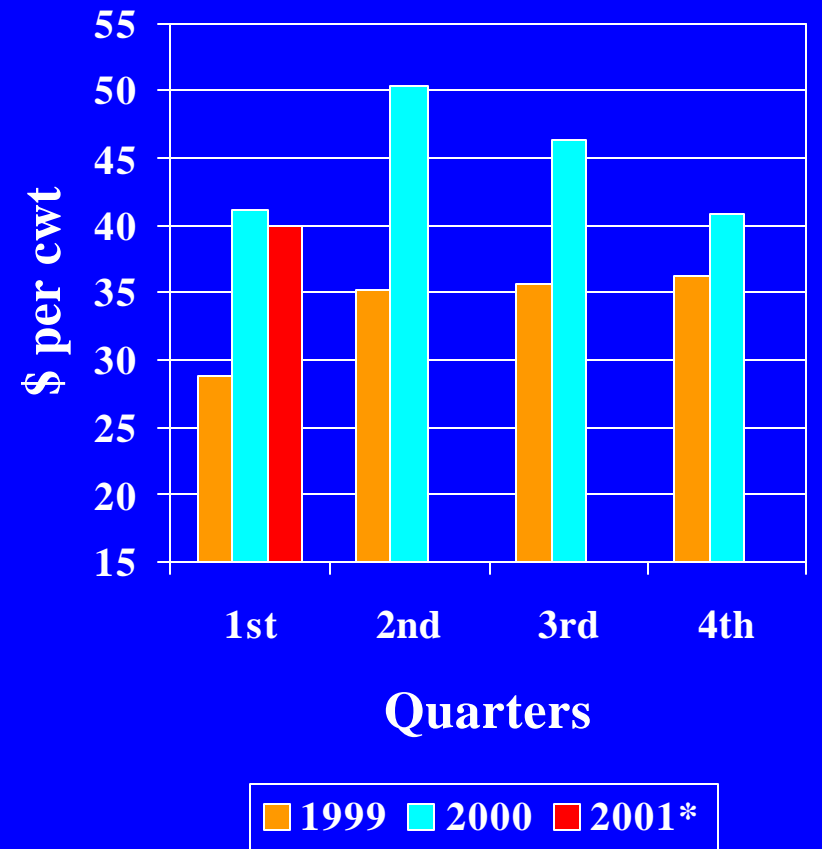


\*Forecast

# Hog Prices to Drop in 2001

- Hog prices recovered to nearly \$45 per cwt in 2000, as production dropped and demand for pork was good through most of the year.
- First quarter 2001 price expected to decline to \$39-41 per cwt.

National Base B&G  
Live Equivalent

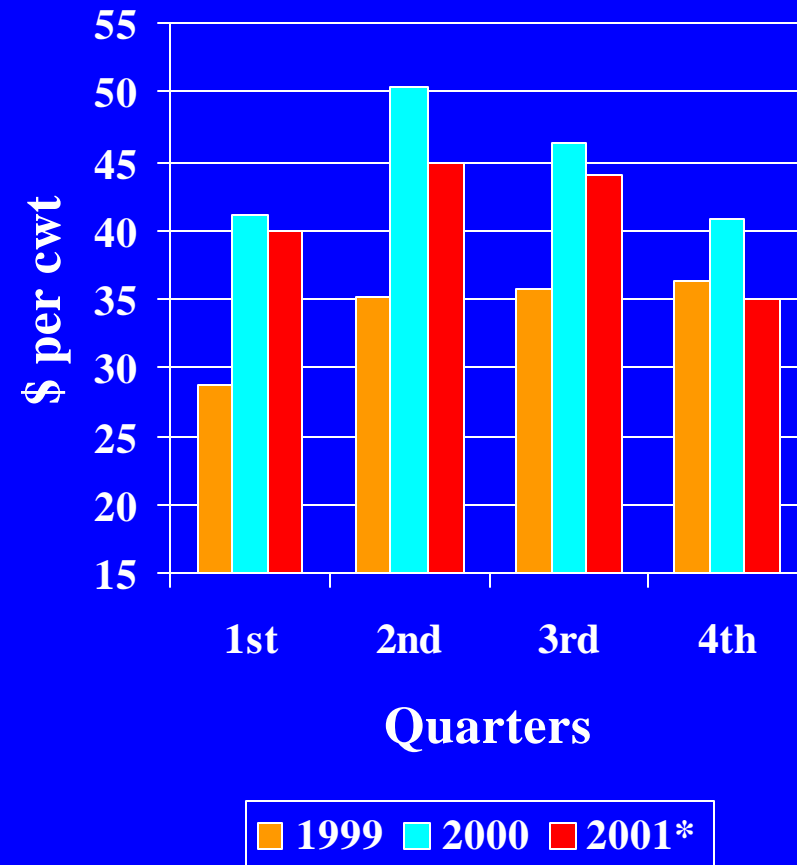


\*Forecast

# Hog Prices to Drop in 2001

- Hog prices recovered to nearly \$45 per cwt in 2000, as production dropped and demand for pork was good through most of the year.
- First quarter 2001 price expected to decline to \$39-41 per cwt.
- Middle quarters will fall below last year's highs as production builds.
- Prices in fourth quarter fall to \$34-36 per cwt.

National Base B&G  
Live Equivalent

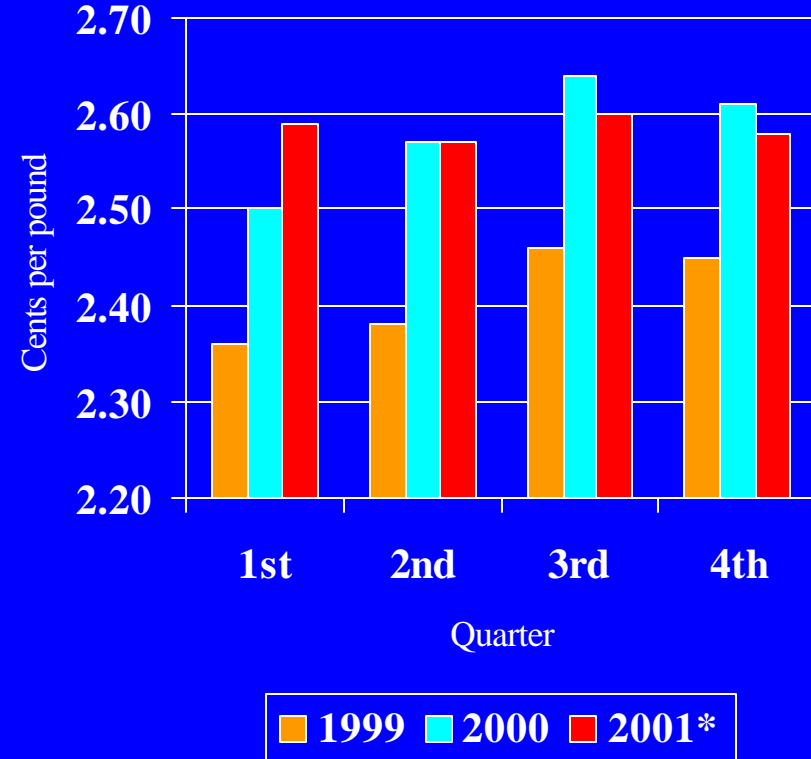


\*Forecast

# Pork Retail Prices Steady with Last Year

- Retail prices are expected to hold near last year's level of \$2.58 per pound.
- Demand for pork was firm last year, but there may be a bit more uncertainty about demand strength.
- Rising beef prices will likely help support pork price.

ERS Retail Pork Price

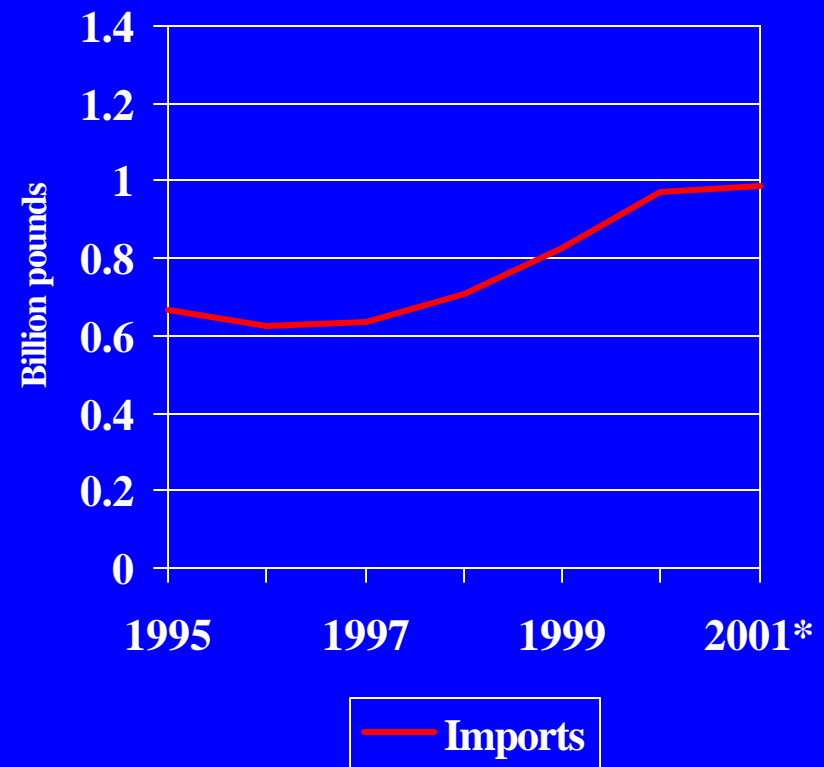


\*Estimate

# Pork Imports At Record Levels

- Pork imports in 2000 reach record 967 million pounds.
- Imports forecast to increase more slowly, to 985 million pounds as Canadian production expected to slow.

## Pork Trade



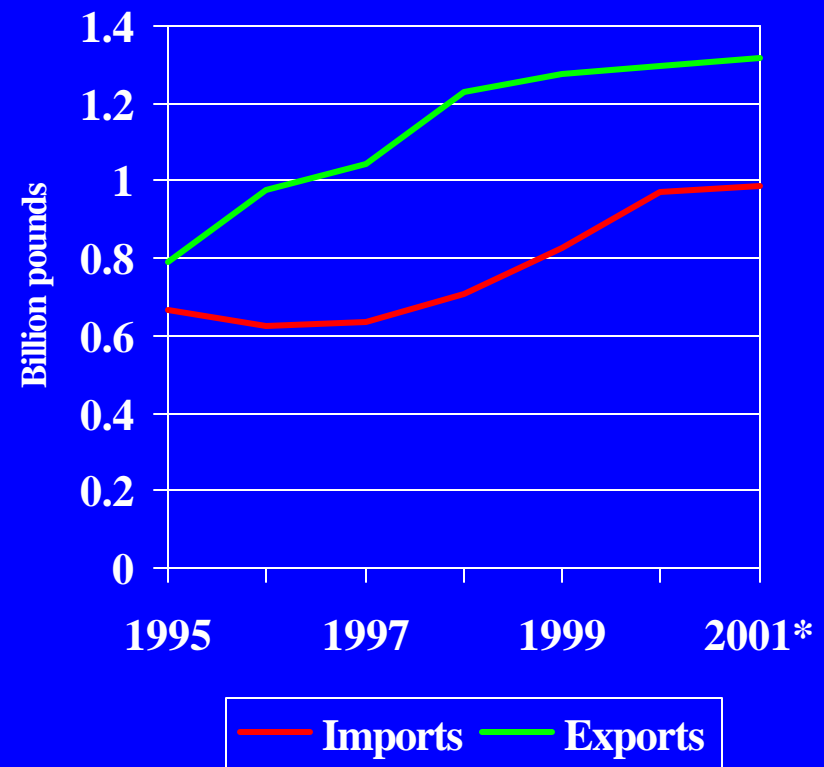
\*Forecast



# Pork Exports At Record Levels

- **Pork imports in 2000 reach record 967 million pounds.**
- **Imports forecast to increase more slowly, to 985 million pounds as Canadian production expected to slow.**
- **Pork exports are forecast to rise slightly above the record 1.3 billion pounds shipped in 2000.**
- **Shipments expected to remain strong to Japan and Mexico.**

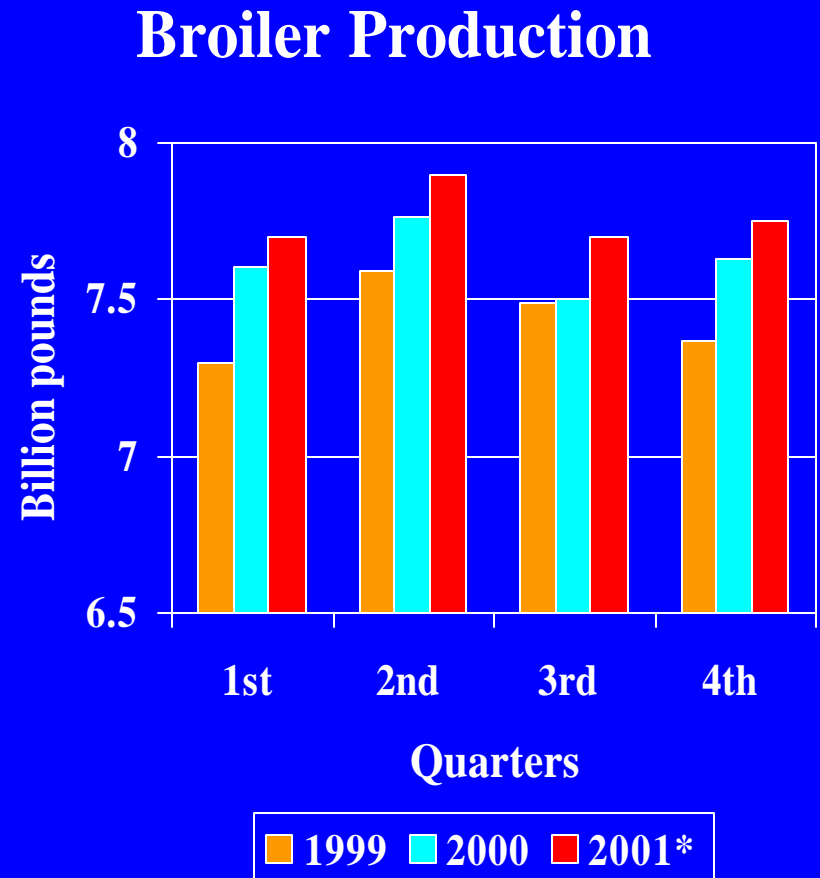
## Pork Trade



\*Forecast

# Broiler Production Growth to Slow Further in 2001

- Weak prices discourage production growth. 2000 production gained 2.5 percent to 30.5 billion pounds.
- Production in 2001 is expected to grow less than 2 percent to 31.1 billion pounds.
- January 1 broiler hatching flock points to production growth slowing through the first part of the year.
- However, eggs per layer continues to improve.

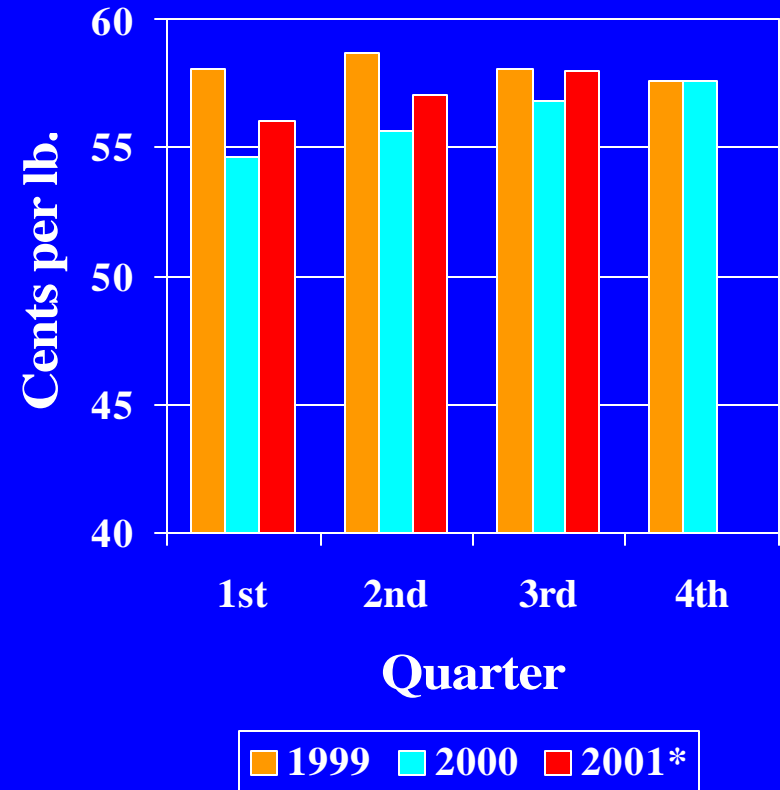


\*Forecast

# Broiler Prices to Increase Slightly in 2001

- Broiler prices declined about 2 cents per pound in 2000 as movement was sluggish.
- Slower production is forecast to lift prices.
  - Prices in the first three quarters are expected to exceed year ago.

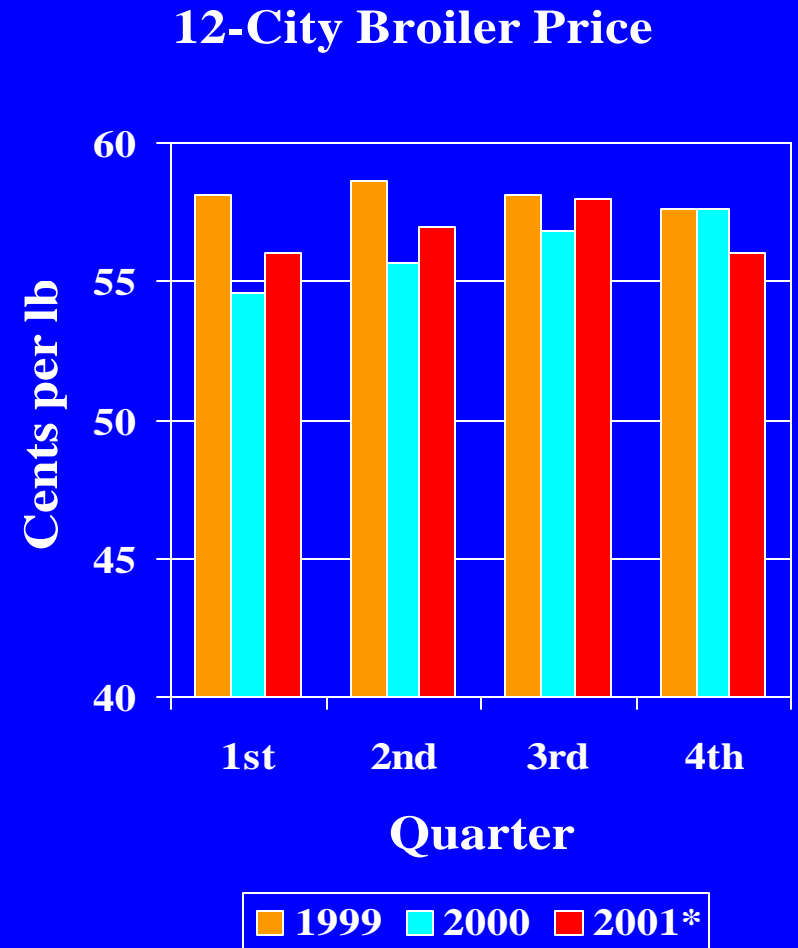
12-City Broiler Price



\*Forecast

# Broiler Prices to Increase Slightly in 2001

- Broiler prices declined about 2 cents per pound in 2000 as movement was sluggish.
- Slower production is forecast to lift prices.
  - Prices in the first three quarters are expected to exceed year ago.
  - Prices in fourth quarter weaken as large supplies of pork hit the market.
- Prices in 2001 are forecast to average 55-59 cents per pound.

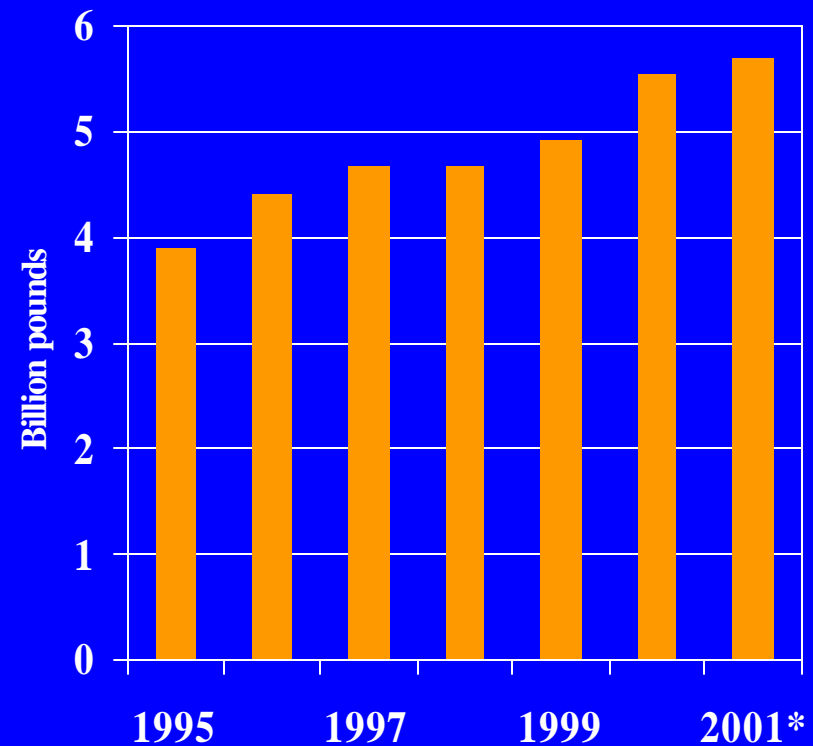


\*Forecast

# Broiler Exports to Expand Again in 2001

- Exports in 2000 jumped 13 percent to 5.5 billion pounds.
- Commercial sales to Russia began to recover by mid year, and shipments to Hong Kong/China and Mexico were strong.
- These markets should continue to be strong in 2001.
- Broiler exports in 2001 are forecast to increase 3 percent to 5.7 billion pounds.

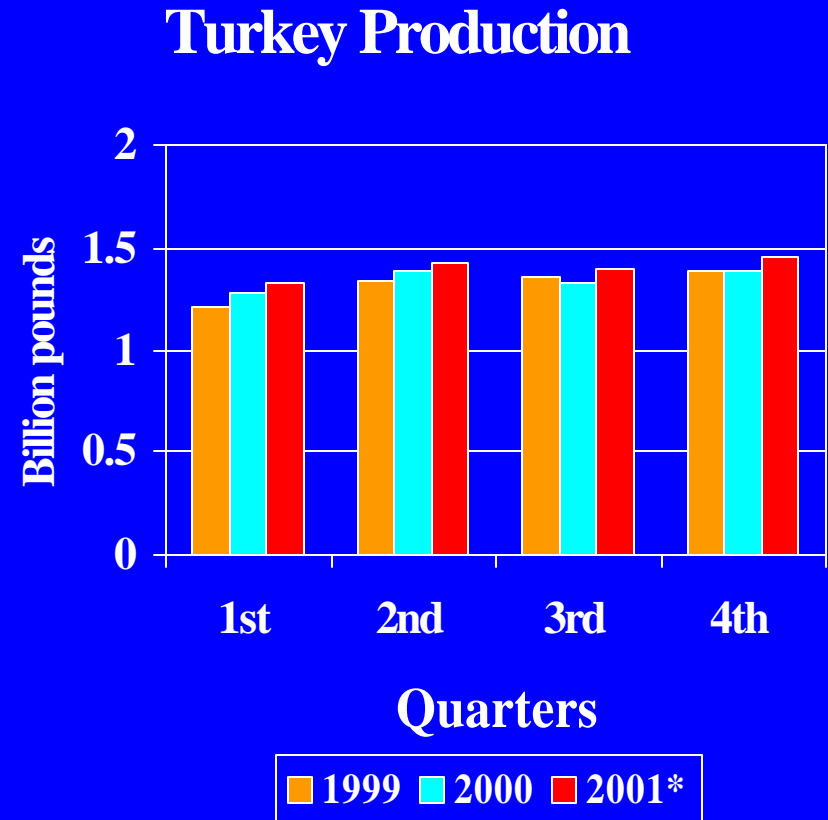
## Broiler Exports



\*Forecast

# Turkey Production Continues Expansion in 2001

- Continued profitability in 2000 spurred a 2 percent expansion in production.
- Turkey production is forecast to increase nearly 4 percent to 5.6 billion pounds in 2001.

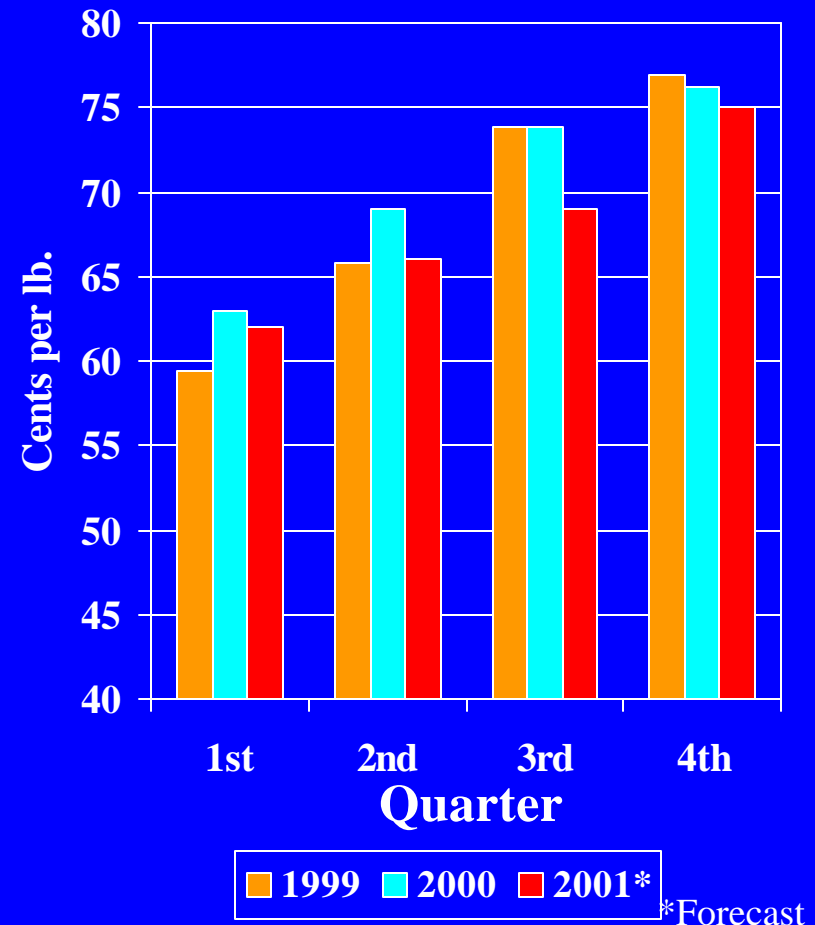


\*Forecast

# Turkey Prices to Weaken in 2001

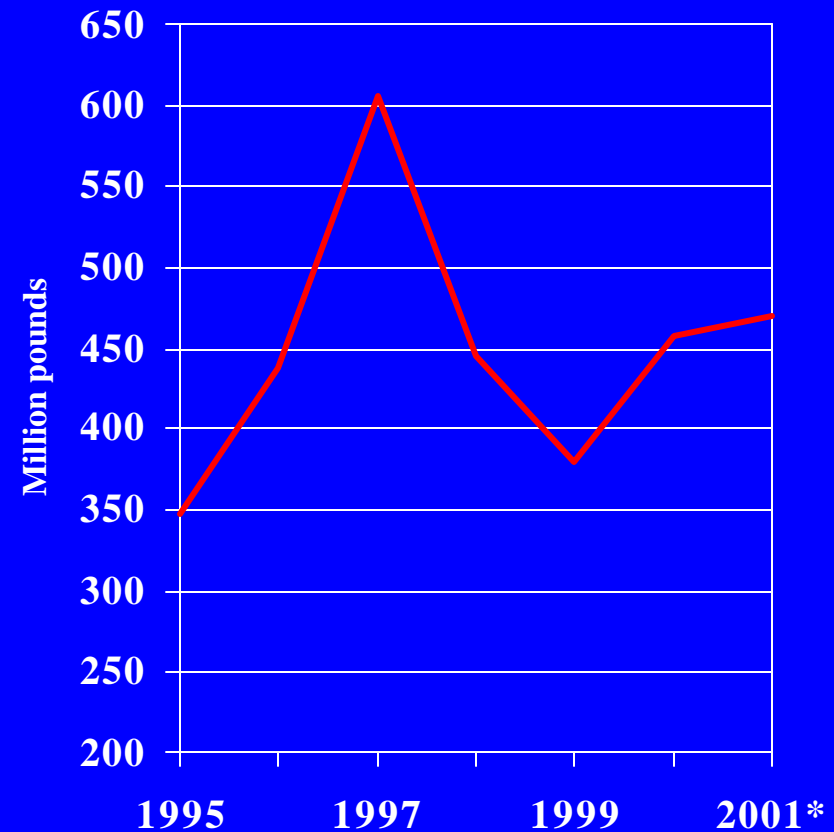
- A sharp increase in production will bring prices down in 2001.
- Prices are forecast at 66-70 cents per pound, compared to 70.5 cents in 2000.
- During the second half of 2001, prices will weaken as meat supplies will be ample.

Eastern Region Hen Price



# Turkey Exports on the Rebound

- Turkey exports in 2000 jumped 21 percent to nearly 460 million pounds.
- Shipments to Mexico increased 14 percent, and exports to Russia began to improve.
- Exports in 2001 are expected to increase about 3 percent.
- Mexico remains the major market, taking over 50 percent of U.S. turkey exports.
- Russian tariff policy will likely favor broiler imports over turkey.

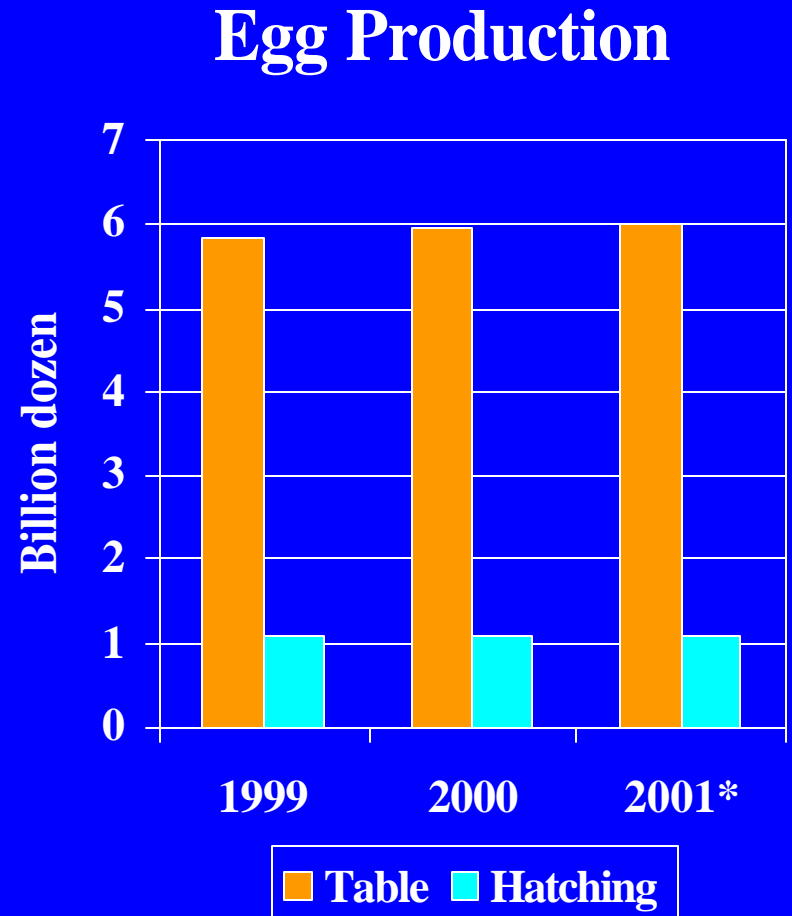


\*Forecast



# Egg Production to Rise Slightly in 2001

- Egg production forecast to increase slightly to 7.1 billion dozen, as returns were positive in 2000.
- Table egg production expanded 2 percent in 2000, less than 1 percent increase expected in 2001.
- Hatching egg production expected to remain about 1.08 billion dozen for third straight year, as broiler production slows.

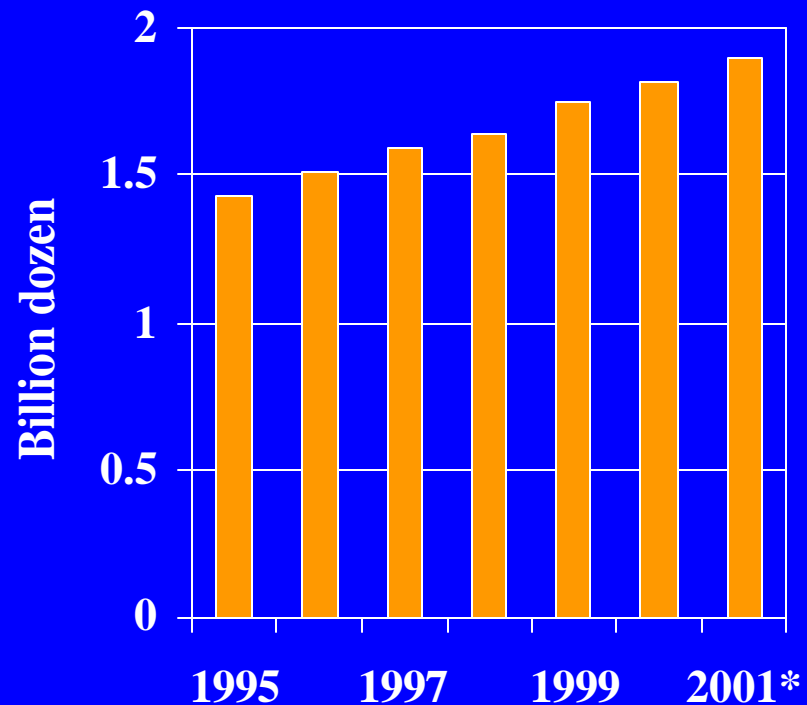


\*Forecast

# Eggs Broken Continues to Rise

- Eggs broken are forecast to rise to 1.9 billion dozen in 2001.
- Upward trend in eggs broken increases as eggs are consumed as an ingredient in products, e.g., baked goods.
- Demand for pasteurized eggs products is strong, especially in food service.

## Eggs Broken

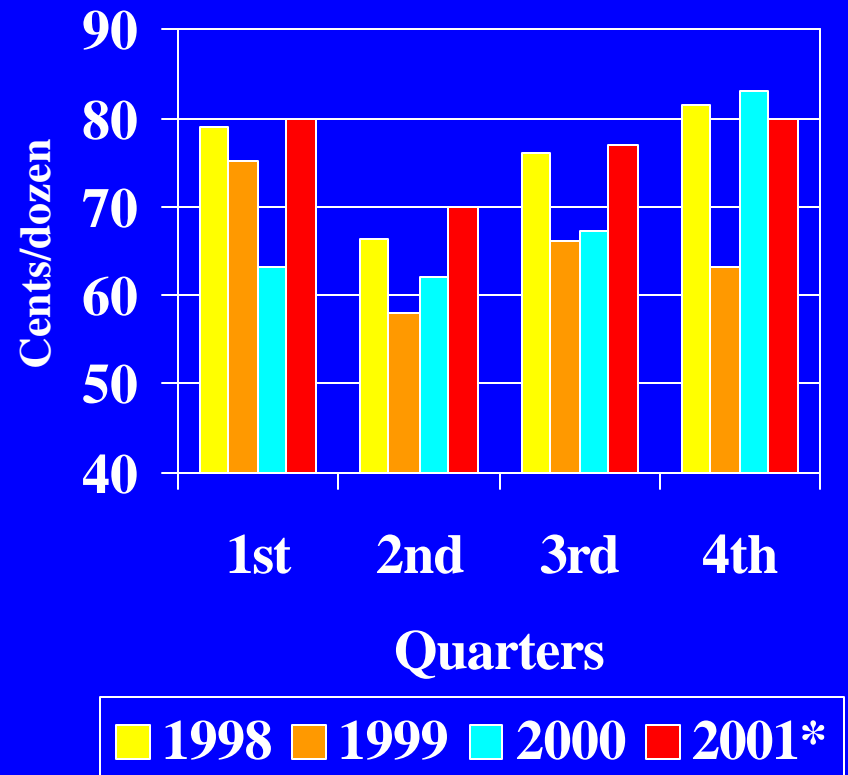


\*Estimated

# Egg Prices Forecast to Increase in 2001

- Prices are expected to reach 73-78 cents per dozen in 2001.
- Stable production and rising use should boost prices back up to 1998 level.

## Grade A, Large, NY



\*Forecast

## **Additional 2001 Forecast Information is Available**

- World Agricultural Supply and Demand Estimates
  - [www.usda.gov/agencies/oce/waob](http://www.usda.gov/agencies/oce/waob)
- Livestock, Dairy, and Poultry Situation and Outlook
  - [www.ers.usda.gov](http://www.ers.usda.gov)
- Livestock and Poultry: World Markets and Trade
  - [www.fas.usda.gov/dlp/dlp.html](http://www.fas.usda.gov/dlp/dlp.html)