Outlook for the U.S. Livestock and Poultry Sectors

Presented By
Shayle D. Shagam
World Agricultural Outlook Board, USDA

USDA Agricultural Outlook Forum
Arlington, VA
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Record Red Meat and Poultry Production in 2019

Billion lbs.

2010 2013 2016 2019*

* Forecast

Poultry  Beef  Pork  Other

USDA
## Total Meat Production Higher

<table>
<thead>
<tr>
<th>Billion pounds</th>
<th>2017</th>
<th>2018</th>
<th>2019F</th>
<th>2018-19 % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>26.187</td>
<td>26.864</td>
<td>27.610</td>
<td>2.8</td>
</tr>
<tr>
<td>Pork</td>
<td>25.584</td>
<td>26.320</td>
<td>27.340</td>
<td>3.9</td>
</tr>
<tr>
<td>Broiler Meat</td>
<td>41.662</td>
<td>42.535</td>
<td>43.100</td>
<td>1.3</td>
</tr>
<tr>
<td>Turkey</td>
<td>5.981</td>
<td>5.890</td>
<td>5.915</td>
<td>0.4</td>
</tr>
<tr>
<td>Total Red Meat And Poultry</td>
<td>100.169</td>
<td>102.377</td>
<td>104.741</td>
<td>2.3</td>
</tr>
</tbody>
</table>
# Large Meat Supplies Will Boost Exports

<table>
<thead>
<tr>
<th>Billion pounds</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2018-19 % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exports</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beef</td>
<td>2.860</td>
<td>3.180</td>
<td>3.255</td>
<td>2.4</td>
</tr>
<tr>
<td>Pork</td>
<td>5.632</td>
<td>5.939</td>
<td>6.300</td>
<td>6.1</td>
</tr>
<tr>
<td>Broiler Meat</td>
<td>6.791</td>
<td>7.081</td>
<td>7.145</td>
<td>0.9</td>
</tr>
<tr>
<td><strong>Imports</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beef</td>
<td>2.993</td>
<td>2.994</td>
<td>3.010</td>
<td>0.5</td>
</tr>
<tr>
<td>Pork</td>
<td>1.116</td>
<td>1.059</td>
<td>1.060</td>
<td>0.1</td>
</tr>
</tbody>
</table>
Red Meat Exports Important to Sector

Share of Production (percent)

- Beef
- Pork
- Broilers

* Forecast
## Livestock & Poultry Prices Mixed

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019F</th>
<th>2018-19 % Change*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cattle, $/cwt</td>
<td>121.52</td>
<td>117.12</td>
<td>115-122</td>
<td>1.2</td>
</tr>
<tr>
<td>Hogs, $/cwt (live equiv.)</td>
<td>50.48</td>
<td>45.93</td>
<td>41-44</td>
<td>-6.9</td>
</tr>
<tr>
<td>National Composite Broiler, $/lb</td>
<td>0.935</td>
<td>0.978</td>
<td>0.94-1.00</td>
<td>-0.8</td>
</tr>
<tr>
<td>Turkey, $/lb</td>
<td>0.961</td>
<td>0.802</td>
<td>0.83-0.88</td>
<td>6.9</td>
</tr>
</tbody>
</table>

* At midpoint
Retail Price Relationships Will Be Little Changed

Retail Price Ratios

- Beef/Chicken
- Beef/Pork
- Pork/Chicken

* Forecast
Per Capita Domestic Disappearance Nearing 2004 Record

![Bar chart showing per capita domestic disappearance of various meats from 2004 to 2019.]

- **2004**: 221.9 lbs
- **2016**: 220.8 lbs
- **2017**: 220.8 lbs
- **2018**: 220.8 lbs
- **2019**: 220.8 lbs (Forecast)

*Pounds (retail weight)*

**Legend**:
- **Broiler**: Red
- **Beef**: Green
- **Pork**: Gray
- **Turkey**: Brown
- **Other**: White

USDA

*Forecast*
Situation Facing Livestock and Poultry Producers

Divergent Feed Prices

- Corn: $3.35-$3.85/bu in 2018/19
  $3.65/bu in 2019/20

- Soybean meal: $295-335 ton in 2018/19
  $320/ton in 2019/20

Forage Situation Uncertain

- 2018 “other” hay prices 6 percent above 2017
- Dec 1 hay stocks 2 percent lower
Factors Driving the Forecasts:

• Cattle – Changes in the Cattle Herd?
  • January 1 Inventory Data due February 28
Cattle Herd at 94.4 Million on Jan 1, 2018; 2019 Inventory Data Delayed
Factors Driving the Forecasts:

• Cattle – Changes in the Cattle Herd?
  • January 1 Inventory Data due February 28
  • **What Does the July 1 Inventory Data Tell Us?**
    • July 1, 2018 cattle inventory 1 percent higher
    • July 1 beef cow inventory 1 percent higher
    • Slower retention of heifers for addition to the herd
    • Larger 2018 calf crop
Calf Crop Increasing


Million Head

31 32 33 34 35 36 37 38 39

2019 Calf Crop Forecast
Factors Driving the Forecasts:

- Cattle – Changes in the Cattle Herd?
  - January 1 Inventory Data due February 28
  - What Does the July 1 Inventory Data Tell Us?
- Cow-Calf Returns Pressured
Estimated Average Cow Calf Returns

Returns Over Cash Cost (Includes Pasture Rent), Annual

Source: Livestock Marketing Information Center
Feeder Calf Prices Will Average Lower in 2019
Factors Driving the Forecasts:

• Cattle – Increasing Supplies?
  • January 1 Inventory Data due February 28
  • What can the July 1 Inventory Data Tell Us?
  • Cow-calf Returns Pressured
  • Forage Supplies will be Important
U.S. Cattle Areas Experiencing Drought

Reflects January 29, 2019
U.S. Drought Monitor data

Approximate inventory in drought:
Moderate drought (D1) = 6%
Severe drought (D2) = 2%

Major and minor agricultural areas are derived from NASS 2012 Census of Agriculture data. Counties shaded in gray contain data that are not published by NASS, and thus were not used in delineating the major and minor agricultural areas. Additional information on these agricultural data can be found at: http://www.agcensus.usda.gov/.

Mapped drought areas are derived from the U.S. Drought Monitor product and do not depict the intensity of drought in any particular location. More information on the Drought Monitor can be found at: http://droughtmonitor.unl.edu/.

- Major agricultural areas combined account for 75% of the total national inventory.
- Major and minor agricultural areas combined account for 99% of the total national inventory.
Factors Driving the Forecasts:

- Hogs – Inventory Continues to Build
- Producers Optimistic Despite Recent Losses
Hog Inventory Increased to 74.6 Million Head on December 1, 2018

Inventory on December 1, Preceding Year

* Forecast
Average Returns to Farrow-Finish Operators

Source: Iowa State University
2019 Farrowing Growth Slowing

*QI & QII Reported Intentions
QIII & QIV Forecast

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2017</th>
<th>2018</th>
<th>2019*</th>
</tr>
</thead>
<tbody>
<tr>
<td>QI</td>
<td>2.5%</td>
<td>3.0</td>
<td>3.1</td>
</tr>
<tr>
<td>QII</td>
<td>1.5%</td>
<td>3.1</td>
<td>3.2</td>
</tr>
<tr>
<td>QIII</td>
<td>1.7%</td>
<td>3.2</td>
<td>3.3</td>
</tr>
<tr>
<td>QIV</td>
<td>1.6%</td>
<td>3.3</td>
<td></td>
</tr>
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Million Head
Factors Driving the Forecasts:

- Hogs – Inventory Continues to Build
- Producers Optimistic Despite Recent Losses
- Pigs per Litter Continues to Set Records
Pigs per Litter Continues to Grow

Head

2014 2015 2016 2017 2018 2019*

* Forecast
Factors Driving the Forecasts:

- Hogs – Lots of Hogs on the Way
  - Producers Optimistic Despite Recent Losses
  - Pigs Per Litter Continue to Set Records
- Trade Disputes Dampen Export Growth
Exports Through November Were 4 Percent Higher, but Reflects Shift Among Partners

Billion lbs.

2017

2018

Japan

Mexico

Canada

South Korea

China/H.K.

Other

+19.9%

-25.0%

+39.4%

-0.7%

-0.4%

-0.9%

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2019 Pork Exports to Be Record 6.3 Billion Pounds

*Expected
Factors Driving the Forecasts:

- Broilers – Sector Cautious
  - Weak Returns Encouraging Caution
Indexed Broiler Returns:
Market Price Minus Feed Cost

1998-2000 = 1000
Factors Driving the Forecasts:

• Broilers – Sector Cautious
  • Weak Returns Encouraging Caution
  • Mixed Signals from Hatchery Data
Broiler Laying Flock Growth Slows in Late-2018 First of Month

![Graph showing broiler laying flock growth over time in million birds for 2016, 2017, and 2018.]
Placements Remain Large

Placements in Growout Flocks, United States

Million birds

Jan
Apr
Jul
Oct

2017
2018
2019
Factors Driving the Forecasts:

• Broilers – Sector Cautious
  • Weak Returns Encouraging Caution
  • Mixed Signals from Hatchery Data
  • Bird Weights Slowing
Broiler Weight Growth Slowing

Pounds liveweight

Jan   Apr   Jul   Oct

2016   2017   2018
Proportion of Lighter-Weight Birds Increasing

Percent slaughtered

Jan-17 May-17 Sep-17 Jan-18 May-18 Sep-18 Jan-19 May-19 Sep-19

Under 6.26 lbs

6.26 lbs and Higher

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Factors Driving the Forecasts:

- Turkey – Light at the End of the Tunnel?
  - Prices Are Fractionally Higher
Prices Stabilizing with Tighter Supplies

Frozen Hen Price

Dollars per pound

Jan  April  Jul  Oct

2017  2018  2019
Factors Driving the Forecasts:

• Turkey – Light at the End of the Tunnel?
  • Prices are Fractionally Higher
  • Indexed Returns Still Weak
Indexed Turkey Returns:
Frozen Hen Price Minus Feed Cost
Sector Caution Returns in Early-2019

Eggs in Incubators, First of Month

Million Eggs

Jan | Mar | May | July | Sept | Nov
---|-----|-----|------|------|------
22  | 23  | 24  | 25   | 26   | 27   
28  | 29  | 30  | 31   |      |      

2017  | 2018  | 2019
Factors Driving the Forecasts:

- Eggs – Growth Continues
  - Laying Flock Expanding
Egg Laying Flock Growth Continues
First of Month

Million birds

Jan | Mar | May | July | Sept | Nov

2016 | 2017 | 2018
Egg Production Will Be Record Large

2013 2015 2017 2019*

Billion dozen

Table Hatching

*Forecast
Factors Driving the Forecasts:

• Eggs – Growth Continues
  • Flock Expanding
  • Egg Prices More Stable but Below 2018
Egg Prices Will Average $1.22-$1.29 per Dozen in 2019

N.Y. Wholesale Price - Large Eggs

* Forecast
Additional information about the USDA outlook is available at the following websites:

• World Agricultural Outlook Board (WAOB)
  World Agricultural Supply and Demand Estimates

• Economic Research Service (ERS)
  Livestock, Dairy, and Poultry Situation and Outlook

• Foreign Agricultural Service (FAS)
  Livestock and Poultry: World Markets and Trade