Outlook for the U.S. Livestock and Poultry Sectors in 2020

Presented By
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World Agricultural Outlook Board, USDA

USDA Agricultural Outlook Forum
Arlington, VA
February 21, 2020
Record Red Meat and Poultry Production in 2020

Billion pounds

Poultry
Beef
Pork
Other

* Forecast
# Total Meat Production Higher

<table>
<thead>
<tr>
<th>Billion pounds</th>
<th>2018</th>
<th>2019</th>
<th>2020F</th>
<th>2019-20 % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>26.872</td>
<td>27.151</td>
<td>27.480</td>
<td>1.2</td>
</tr>
<tr>
<td>Pork</td>
<td>26.315</td>
<td>27.637</td>
<td>28.885</td>
<td>4.5</td>
</tr>
<tr>
<td>Broiler Meat</td>
<td>42.601</td>
<td>43.877</td>
<td>45.775</td>
<td>4.3</td>
</tr>
<tr>
<td>Turkey</td>
<td>5.878</td>
<td>5.816</td>
<td>5.890</td>
<td>1.3</td>
</tr>
<tr>
<td>Total Red Meat And Poultry</td>
<td>102.435</td>
<td>105.227</td>
<td>108.788</td>
<td>3.3</td>
</tr>
</tbody>
</table>
## Large Meat Supplies, Strong Demand Will Boost Exports

<table>
<thead>
<tr>
<th>Billion pounds</th>
<th>2018</th>
<th>2019</th>
<th>2020F</th>
<th>2019-20 % 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>3.161</td>
<td>3.022</td>
<td>3.300</td>
<td>9.2</td>
</tr>
<tr>
<td>Pork</td>
<td>5.876</td>
<td>6.321</td>
<td>7.375</td>
<td>16.7</td>
</tr>
<tr>
<td>Broiler Meat</td>
<td>7.069</td>
<td>7.109</td>
<td>7.425</td>
<td>4.4</td>
</tr>
<tr>
<td><strong>Imports</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beef</td>
<td>2.998</td>
<td>3.057</td>
<td>2.880</td>
<td>-5.8</td>
</tr>
<tr>
<td>Pork</td>
<td>1.042</td>
<td>0.945</td>
<td>0.835</td>
<td>-11.6</td>
</tr>
</tbody>
</table>

Image source: USDA
Red Meat Exports Important to Sector

![Graph showing the share of production for beef, pork, and broilers from 2009 to 2020. Beef has a share of around 10%, pork around 20%, and broilers around 15%. There is a forecast for 2020* showing an increase in all categories.]
## Livestock & Poultry Prices Mixed

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020F</th>
<th>2019-20 % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cattle, $/cwt</td>
<td>117.12</td>
<td>116.78</td>
<td>117.0</td>
<td>0.2</td>
</tr>
<tr>
<td>Hogs, $/cwt (live equiv.)</td>
<td>45.93</td>
<td>47.95</td>
<td>49.0</td>
<td>2.2</td>
</tr>
<tr>
<td>National Composite Broiler, $/lb</td>
<td>0.978</td>
<td>0.886</td>
<td>0.870</td>
<td>-1.8</td>
</tr>
<tr>
<td>Turkey, $/lb</td>
<td>0.802</td>
<td>0.892</td>
<td>1.005</td>
<td>12.7</td>
</tr>
</tbody>
</table>
Per Capita Domestic Disappearance Record
High

Pounds (retail weight)

2017 2018 2019 2020*

Broiler Beef Pork Turkey Other

226.5 lbs

* Forecast
Situation Facing Livestock and Poultry Producers

Divergent Feed Prices

• Corn: $3.85/bu in 2019/20
  $3.60/bu in 2012/21

• Soybean meal: $305/ton in 2019/20
  $310/ton in 2020/21

Forage Situation Uncertain

• “Other” hay prices in second-half 2019 below 2018
• Dec 1 hay stocks 2 percent higher, but quality is variable
December 1, 2019 Hay Stocks
(000) Tons and Change From Previous Year

U.S. 84,488
5,433
& Record Low
NC = No Change

USDA-NASS
1-10-20
Situation Facing Livestock and Poultry Producers

- Animal Disease Outbreaks Reshape Global Trade
  - Currently reported in Europe, Africa, and Asia
African Swine Fever Reports During 2019

Source: FAO/OIE
Situation Facing Livestock and Poultry Producers

• African Swine Fever Outbreaks Reshape Global Trade

  • Currently reported in Europe, Africa, and Asia
  • Level of impact uncertain in China
    • Higher prices
    • Increased imports
Meat Prices in China Have Risen Sharply

Source: China Ministry of Agriculture
China’s Meat Imports Will Increase in 2020

Source: Livestock and Poultry: World Markets and Trade, January 10, 2020
USDA/FAS

*Excluding paws
Factors Driving the U.S. Forecasts:

• Cattle – Herd Beginning to Contract
  • January 1 cattle inventory down 0.4 percent
  • Beef cow number down 1 percent
  • Heifers for beef cow replacement 2 percent lower
Cattle Herd at 94.4 Million on Jan 1, 2020
Further Decline Likely
Beef Cow Herd, Calf Crop Declining

* 2020 Calf Crop Forecast
Cattle on Feed Higher, Available for Placement Lower

- **Outside Feedlots**
- **On-Feed**

![Graph showing cattle on feed trends from 2011 to 2020.](image-url)
Feeder Calf Prices Will Average Higher in 2020

![Chart showing feeder calf prices for different quarters and years (QI, QII, QIII, QIV) with a comparison of 2010-19, 2018, 2019, and 2020*) prices. The chart indicates higher prices in 2020 compared to previous years.](chart)
Factors Driving the Forecasts:

- Hogs – Inventory Continues to Build
  - Producers Cautiously Optimistic Despite Recent Losses
Hog Inventory Increased to 77.3 Million Head on December 1, 2019

Inventory on December 1, Preceding Year

* Forecast
Average Returns to Farrow-Finish Operators

Source: Iowa State University
2019-20 Farrowing Growth May Reflect Caution

*QI & QII Reported Intentions
QIII & QIV Forecast
Factors Driving the Forecasts:

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

Trend: 2009-13

Trend: 2014.3-2019.4

* Forecast
Hog Slaughter Capacity has Increased Through New Plants

Weekly Federally Inspected Hog Slaughter

- **Week Day Slaughter**
  - Jan '16: 201,000 head Average
  - Jan '17: 431,000 head Average
  - Jan '18: 451,000 head Average
  - Jan '19: 454,000 head Average
  - Jan '20: 202,000 head Average*

- **Saturday Slaughter**
  - Jan '16: 131,000 head Average
  - Jan '17: 212,000 head Average
  - Jan '18: 488,000 head Average
  - Jan '19: 488,000 head Average
  - Jan '20: 201,000 head Average

*Average signifies the average number of hog slaughtered per week.
Factors Driving the Forecasts:

• Hogs – Lots of Hogs on the Way
  • Producers Optimistic Despite Recent Losses
  • Pigs Per Litter Continue to Set Records
• Trade Becomes Increasingly Important
2020 Pork Exports to Be Record 7.4 Billion Pounds

[Bar chart showing percent share of pork exports to various countries from 2013 to 2020F. Japan, Mexico, Canada, South Korea, China/H.K., and Other are represented with different colors.]
Factors Driving the Forecasts:

• Broilers – Sector Expanding
  • Hatchery Data Points to Continued Expansion
Broiler Returns Weakening

Indexed Broiler Returns:
Whole Broiler Price Minus Feed Cost

2016 2017 2018 2019

1998-2000=1000

100.0 110.0 120.0 130.0 140.0 150.0 160.0 170.0 180.0 190.0 200.0

USDA
Broiler Laying Flock Grew Most of 2019
First of Month

Million birds

Jan  | Apr  | Jul  | Oct
55   | 56   | 57   | 58
56   | 57   | 58   | 57
55   | 56   | 57   | 58

2018  2019  2020

USDA
Placements Remain Large

Placements in Growout Flocks, United States

Million birds

Jan  | Apr  | Jul  | Oct
---   | ---  | ---  | ---
155   | 160  | 165  | 170
175   | 180  | 185  | 190
195   | 190  | 195  | 200

2018, 2019, 2020

USDA
Factors Driving the Forecasts:

- Broilers – Sector Expanding
  - Hatchery Data Points to Continued Expansion
  - Bird Weights Continue to Increase
Bird Weight Growth is Above Trend
Proportion of Heavier-Weight Birds Above Last Year

<table>
<thead>
<tr>
<th>Month</th>
<th>Under 6.26 lbs</th>
<th>6.26 lbs and Higher</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan-18</td>
<td>55.0%</td>
<td>45.0%</td>
</tr>
<tr>
<td>May-18</td>
<td>55.0%</td>
<td>45.0%</td>
</tr>
<tr>
<td>Sep-18</td>
<td>55.0%</td>
<td>45.0%</td>
</tr>
<tr>
<td>Jan-19</td>
<td>55.0%</td>
<td>45.0%</td>
</tr>
<tr>
<td>May-19</td>
<td>55.0%</td>
<td>45.0%</td>
</tr>
<tr>
<td>Sep-19</td>
<td>55.0%</td>
<td>45.0%</td>
</tr>
<tr>
<td>Jan-20</td>
<td>55.0%</td>
<td>45.0%</td>
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<td>May-20</td>
<td>55.0%</td>
<td>45.0%</td>
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<tr>
<td>Sep-20</td>
<td>55.0%</td>
<td>45.0%</td>
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Factors Driving the Forecasts:

- Turkey – Market is Closer in Balance
  - Prices Are Stronger
Prices Increasing with Tighter Supplies

Frozen Hen Price

Dollars per pound

Jan  Apr  Jul  Oct

2018  2019  2020

USDA
Indexed Turkey Returns: Frozen Hen Price Minus Feed Cost
Factors Driving the Forecasts:

• Turkey – Market is Closer in Balance
  • Prices Are Stronger
  • Mixed Signals on Expansion
Sector Caution Returns in Early-2020

Eggs in Incubators, First of Month

Million Eggs

Jan  | Mar  | May  | July | Sept | Nov |
---   |-----|------|------|------|-----|
2018  |      |      |      |      |     |
2019  |      |      |      |      |     |
2020  |      |      |      |      |     |

22 |
23 |
24 |
25 |
26 |
27 |
28 |
29 |
30 |
31 |
Turkey Poult Placement Higher

![Turkey Poult Placement Graph](image)

- **Million birds**
- **Jan**, **Mar**, **May**, **July**, **Sept**, **Nov**
- **2018**, **2019**, **2020**

USDA
Factors Driving the Forecasts:

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

- Million birds
- 2018
- 2019
- 2020

Jan
Mar
May
July
Sept
Nov

USDA
Egg Production Will Be Record Large

Billion dozen

2014 2016 2018 2020*

Table Hatching

*Forecast
Factors Driving the Forecasts:

- Eggs – Growth Continues
  - Flock Expanding
  - Egg Prices Higher on Demand Strength
Egg Prices Will Average Over $0.99 per Dozen in 2020

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